

**somewhat  
different**

## Half-yearly Financial Report 2019

*hannover* **re**<sup>®</sup>

# Key figures

in EUR million	2019					2018		
	1.1.– 31.3.	1.4.– 30.6.	+/- previous year	1.1.– 30.6.	+/- previous year	1.4.– 30.6.	1.1.– 30.6.	31.12.
<b>Results</b>								
Gross written premium	6,373.3	5,320.7	+14.7%	11,694.0	+17.1%	4,640.3	9,985.3	
Net premium earned	4,610.8	4,745.0	+9.2%	9,355.8	+12.1%	4,346.4	8,345.6	
Net underwriting result <sup>1</sup>	75.1	(17.6)	-114.8%	57.5	-73.2%	118.5	214.4	
Net investment income	398.9	466.7	+32.5%	865.6	+16.4%	352.1	743.6	
Operating profit (EBIT)	450.0	492.1	+4.0%	942.1	+3.8%	473.4	907.3	
Group net income	293.7	368.9	+30.8%	662.5	+19.3%	281.9	555.3	
<b>Balance sheet</b>								
Policyholders' surplus	12,099.6			12,001.0	+8.8%		10,547.4	11,035.1
Equity attributable to shareholders of Hannover Rück SE	9,851.3			9,732.7	+10.9%		8,321.7	8,776.8
Non-controlling interests	754.8			774.3	+1.2%		732.9	765.2
Hybrid capital	1,493.4			1,494.0	+0.1%		1,492.8	1,493.1
Investments (excl. funds withheld by ceding companies)	44,782.7			44,846.2	+6.3%		40,891.7	42,197.3
Total assets	67,785.2			67,978.7	+5.4%		63,950.1	64,508.6
<b>Share</b>								
Earnings per share (basic and diluted) in EUR	2.43	3.06	+30.8%	5.49	+19.3%	2.34	4.60	
Book value per share in EUR	81.69			80.70	+10.9%		69.00	72.78
Share price at the end of the period in EUR	128.00			142.20	+20.8%		106.80	117.70
Market capitalisation at the end of the period	15,436.4			17,148.9	+20.8%		12,879.8	14,194.3
<b>Ratios</b>								
Combined ratio (property and casualty reinsurance) <sup>1</sup>	95.7%	97.7%		96.7%		95.6%	95.7%	
Large losses as percentage of net premium earned (property and casualty reinsurance) <sup>2</sup>	2.0%	2.7%		2.4%		0.7%	1.8%	
Retention	90.4%	90.9%		90.6%		91.4%	91.3%	
Return on investment (excl. funds withheld by ceding companies) <sup>3</sup>	3.0%	3.9%		3.5%		2.9%	3.1%	
EBIT margin <sup>4</sup>	9.8%	10.4%		10.1%		10.9%	10.9%	
Return on equity (after tax)	12.6%	15.1%		14.3%		13.5%	13.2%	

<sup>1</sup> Including funds withheld

<sup>2</sup> 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

<sup>3</sup> Excluding effects from ModCo derivatives

<sup>4</sup> Operating result (EBIT)/net premium earned



Jean-Jacques Henchoz,  
Chairman of the  
Executive Board

## Dear shareholders, ladies and gentlemen,

This is my first letter to you, the shareholders of Hannover Re, since taking over from Ulrich Wallin as Chief Executive Officer in May of this year. I would like to begin by taking this opportunity to once again express my warmest thanks to Ulrich Wallin for the smooth handover.

The positive impression that I had of Hannover Re as an outsider has been wholly and unreservedly confirmed over the past few months. The dedication and expertise of our staff, our long-standing customer relationships and our cost leadership form the basis of Hannover Re's superb positioning.

I am absolutely delighted to be able to lead this great company into the future and write the next chapter of Hannover Re's success story together with my colleagues on the Executive Board and our roughly 3,200 employees.

In addition to the protracted low interest rate environment on capital markets, the situation on global reinsurance markets is also very challenging. Intense competition and an associated excess supply of reinsurance coverage have led to falling reinsurance prices for a number of years now. In the most recent treaty renewals in property and casualty reinsurance – above all the renewals in June and July – we were able to push through price increases. These put us in a somewhat better position now than in 2017 or 2018, although we still find ourselves below the pricing level of earlier years.

The strained state of the market should not, however, blind us to another major challenge that we need to confront. We must prove the social relevance of our industry and demonstrate to our clients, our investors and policy makers that reinsurers play a pivotal role in mitigating risks such as natural disasters and the impacts of global warming or technological change. In many instances, it is only our expertise in quantifying and covering such risks that makes them insurable in the first place. Not only are we able to provide prompt assistance for those who have been affected, we can also make a real difference when it comes to risk prevention.

We still have a lot of work ahead of us in this regard. Yet there are also many opportunities here, and we must act on them. The so-called protection gap, the difference between insured losses and the total economic losses actually incurred, remains large. When major natural disasters occur it is far too often the case that less than a third of the losses are insured. As a reinsurer, we must work with primary insurers and other partners such as government bodies and international institutions to close this gap.

Through initiatives such as most recently our insurtech platform “hr | eequarium” we are also pressing ahead with our efforts to position Hannover Re as a driver of innovation in the insurance and reinsurance market. This platform enables insurtechs to connect with primary insurers, i.e. our clients. Not only that, we are also participating in insurtechs ourselves. The South African insurtech Lumkani, for example, has developed an innovative microinsurance solution for frequently occurring township fires that combines a smart alert system with basic insurance coverage. The Perseus platform in Germany is also interesting: with the help of this start-up we are able to offer insurers a wrap-around concept through a cyber security club with the goal of protecting against and insuring cyber risks – an area where the industry often still lacks data that can be used for pricing and risk management.

Furthermore, our data analysis capabilities as a global reinsurer constitute a core area of expertise that is becoming ever more important in this networked, digital world. A good example here is our initiative in Southeast Asia. Here, we are working for and with our clients on ways to respond to changes in consumer behaviour and simplify access to insurance solutions for the customer through alternative distribution channels, such as online or over the counter at banks. Our clients in other markets will similarly be able to benefit from what we learn through our initiative in Southeast Asia.

I would like to briefly summarise below the development of your company’s business in the first half of 2019.

We increased the previous year’s good result by another 19 percent to EUR 663 million. The same is true of the annualised return on equity, which rose to 14.3 percent and thus remains well above our minimum target of 9.4 percent. The gross premium booked by Hannover Re in the first six months grew by 15 percent adjusted for exchange rate effects. We laid the foundation for this increase in the various rounds of treaty renewals during the year to date, in which we succeeded in expanding our business in line with our margin requirements at prices commensurate with the risks while at the same time further strengthening our existing customer relationships.

In property and casualty reinsurance the expenditures on large losses came in within our planned budget. However, we also incurred – in common with many of our competitors – late reported claims from events in prior years. In particular, typhoon Jebi in Japan continues to prove more costly than originally anticipated for the entire industry.

In life and health reinsurance the 76 percent surge in profitability to EUR 258 million can be attributed in large part to a one-time effect associated with our participation in Viridium Group. As a further factor, the termination of loss-making treaties in US mortality business in the previous year – which had given rise to exceptional charges – also continued to have positive implications for the result.

In view of the development of business to date, we are well on the way to achieving Group net income in the order of EUR 1.1 billion for 2019. In addition, the result will be favourably influenced by a one-time effect from our participation in Viridium Group to the tune of EUR 100 million. This is conditional on major losses not significantly exceeding the budgeted level of EUR 875 million and assumes that there are no unforeseen distortions on capital markets.

We shall retain our existing dividend policy. Hannover Re envisages an unchanged payout ratio for the ordinary dividend in the range of 35 to 45 percent of its IFRS Group net income. Provided the comfortable level of capitalisation remains stable and subject to a Group result in line with expectations, the ordinary dividend will be supplemented by payment of a special dividend.

In short: your company, Hannover Re, is superbly positioned, can look back on a successful first half-year and is well on course to achieve the goals set for the current financial year.

Hannover Re's track record of success would not be possible without our employees. I would like to express my thanks to them just as sincerely as I do to our clients and business partners. Equally importantly, my colleagues on the Executive Board and I thank you, our valued shareholders, for the trust that you place in us. Going forward, as in the past, our primary objective will be to lead Hannover Re responsibly, securely and with the necessary foresight into a profitable future.

Yours sincerely,



Jean-Jacques Henchoz  
Chairman of the Executive Board

# Interim management report



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# Report on economic position

## Business development

- Profitable growth in a market shaped by oversupply
- Investment income benefits from one-time effect associated with Viridium participation
- Return on equity of 14.3% remains well above minimum target of 9.4%
- Group net income increases by 19.3% to EUR 662.5 million

Both in property & casualty and in life & health reinsurance Hannover Re can look back on a successful first half-year. The investments, too, continued to deliver a pleasing performance despite the unchanged challenging interest rate environment. The return on equity increased significantly, while at the same time considerable growth was recorded in the underlying equity.

In property and casualty reinsurance we are satisfied with the treaty renewals in the course of the year to date, putting us in a more optimistic frame of mind for the future. We boosted our gross premium volume by an appreciable 18.4% adjusted for exchange rate effects and at the same time maintained the healthy contribution to Group net income on a virtually stable level – despite a higher burden of large losses and the necessary increases in reserves associated with past loss events.

In life and health reinsurance the most notable positive effects on the first half-year were extraordinary income booked from the required restructuring of our shareholding in Viridium and pleasing demand coming out of Asia. While the premium income – adjusted for exchange rate effects – grew by 7.4% to EUR 3.8 billion (previous year: EUR 3.5 billion), the contribution to Group net income improved by 75.5% to EUR 257.7 million (EUR 146.8 million).

Against the backdrop of sometimes sharp declines in interest rates, investment income showed a pleasing development, above all because we nevertheless succeeded in appreciably boosting the earnings from fixed-income securities. Income from our assets under own management rose by a substantial 22.5% to EUR 771.8 million (EUR 629.8 million). Even without the aforementioned one-off effect from our participation in Viridium Group, we thus increased our investment income relative to the previous year's corresponding period. The annualised average return amounted to 3.5% as at the end of the first half-year.

On a Group level gross written premium grew by 17.1% as at 30 June 2019 to EUR 11.7 billion (EUR 10.0 billion). At constant exchange rates the increase would have been 14.5%. The first six months of 2019 thus put us well ahead of our guidance for the full year, in which we anticipate currency-adjusted growth in the single-digit percentage range. Our retention decreased to 90.6% (91.3%). Net premium earned climbed 12.1% to EUR 9.4 billion (EUR 8.3 billion). The growth in net premium earned would have been 10.0% at constant exchange rates.

The Group's operating profit (EBIT) for the first half-year 2019 rose by 3.8% to EUR 942.1 million (EUR 907.3 million), while Group net income surged by 19.3% to EUR 662.5 million (EUR 555.3 million). Earnings per share thus stood at EUR 5.49 (EUR 4.60).

Hannover Re's equity base remained robust as at 30 June 2019 on a level of EUR 9.7 billion (31 December 2018: EUR 8.8 billion) despite the dividend payment of EUR 633.1 million. The book value per share amounted to EUR 80.70 (31 December 2018: EUR 72.78). The annualised return on equity stood at 14.3% as at 30 June 2019 (31 December 2018: 12.2%) and continues to exceed our minimum target of 9.4%. We define this target as 900 basis points above the five-year average return on ten-year German government bonds.

# Results of operations, financial position and net assets

## Property and casualty reinsurance

- Gross premium grows by 18.4% at constant exchange rates
- Large losses higher than in the previous year but still well within budget
- Satisfactory outcome of renewals during the year
- Result remains stable despite intense competition and increased large losses

Global property and casualty reinsurance markets continue to be overshadowed by intense competition and a supply of reinsurance coverage that exceeds demand. Particularly in the area of natural catastrophe covers, capacities from the ILS (insurance-linked securities) market are putting prices and conditions under sustained pressure.

Despite the challenging general environment, the various rounds of treaty renewals in the first half of the year passed off satisfactorily for Hannover Re – prompting us to look ahead with optimism to the full year. In contrast to the situation just one year ago, alternative providers of capital for the transfer of insurance risks to the capital market took a more cautious approach in the renewal negotiations during the year. Reinsurance prices remained commensurate with the risks on the whole, and we secured modestly improved conditions. As one of the world's leading reinsurers, we continued to benefit from our very robust financial strength as well as from resurgent demand among primary insurers. Attractive opportunities to expand the portfolio opened up in Asia, North America and Germany, among other markets.

Following the successful treaty renewals in property and casualty reinsurance as at 1 January 2019, the round of renewals on 1 April similarly passed off favourably for Hannover Re. This is the date on which business in Japan is traditionally renewed, along with treaty renegotiations on a more limited scale for Australia, New Zealand, Asian markets and North America. Rates in Japan improved markedly on the back of past natural catastrophe losses and we were able to boost our premium volume. In the Indian market, too, we substantially increased our premium income. The renewal of part of our North American portfolio proved highly satisfactory for our company, sustaining the trend seen in the 1 January renewals. In catastrophe business prices generally hardened, with increases running into double-digit percentages attainable under loss-impacted programmes. The total premium volume booked from the treaty renewals as at 1 April 2019 increased by 7%.

The gross written premium for our total portfolio in property and casualty reinsurance grew by 21.3% as at 30 June 2019 to EUR 7.8 billion (previous year: EUR 6.5 billion). This was again a reflection of sustained rising demand for reinsurance solutions offering solvency relief as well as in the area of

traditional reinsurance covers. At constant exchange rates, gross written premium in property and casualty reinsurance would have grown by 18.4%. The level of retained premium was only marginally higher than in the corresponding period of the previous year at 91.5% (91.4%). Net premium earned climbed by 15.2% to EUR 6.0 billion (EUR 5.2 billion), or by 13.0% adjusted for exchange rate effects.

Net expenditure on large losses as at 30 June 2019 was higher than the figure for the comparable period at EUR 140.5 million (EUR 93.3 million). The largest losses in the first half of the year included the explosion at a refinery in Philadelphia in June, with an estimated net share for Hannover Re of EUR 45.7 million, the floods in Queensland, Australia, at the end of January in an amount of EUR 25.9 million as well as the crash of an Ethiopian Airlines Boeing 737 MAX in March at a cost of EUR 24.7 million. The total burden of large losses was well below our budgeted level of EUR 370 million for the first six months. In the category of large losses we include catastrophic events that are expected to result in gross loss payments of more than EUR 10 million for our company.

In addition to the large losses incurred in the current year, we also received belated loss advices from our customers in the course of the first six months for last year's typhoon Jebi in Japan in an amount of EUR 106 million for net account. Thanks to our retrocession programmes we are extensively protected going forward in the event that there is a need to set aside further additional reserves in connection with this loss. Despite the sharply negative run-off of certain prior-year losses, the run-off of our loss reserves for prior years was positive overall.

The underwriting result for total property and casualty reinsurance including interest on funds withheld and contract deposits deteriorated by 11.3% to EUR 195.9 million (EUR 220.9 million). The combined ratio of 96.7% (95.7%) was slightly higher than the previous year's figure, but nevertheless remained in line with our planning in terms of our maximum target ratio of 97% for the full year.

The income from assets under own management booked for property and casualty reinsurance contracted by 2.3% to EUR 475.6 million (EUR 486.7 million).



The operating profit (EBIT) for the Property & Casualty reinsurance business group fell by 4.6% to EUR 656.9 million (EUR 688.8 million). The EBIT margin of 11.0% (13.3%) again surpassed our minimum target of 10%. The contribu-

tion made by property and casualty reinsurance to Group net income was virtually stable at EUR 431.3 million (EUR 434.4 million).

### Key figures for property and casualty reinsurance

in EUR million	2019					2018	
	1.1.– 31.3.	1.4.– 30.6.	+/- previous year	1.1.– 30.6.	+/- previous year	1.4.– 30.6.	1.1.– 30.6.
Gross written premium	4,394.5	3,453.0	+19.5%	7,847.5	+21.3%	2,888.4	6,467.1
Net premium earned	2,930.2	3,033.6	+10.3%	5,963.8	+15.2%	2,750.0	5,174.8
Underwriting result <sup>1</sup>	124.8	71.1	-41.4%	195.9	-11.3%	121.3	220.9
Net investment income	235.6	262.9	+11.9%	498.5	-0.9%	235.0	503.0
Operating result (EBIT)	334.4	322.4	-7.8%	656.9	-4.6%	349.9	688.8
Group net income	219.0	212.3	+6.4%	431.3	-0.7%	199.6	434.4
Earnings per share in EUR	1.82	1.76	+6.4%	3.58	-0.7%	1.66	3.60
EBIT margin <sup>2</sup>	11.4%	10.6%		11.0%		12.7%	13.3%
Combined ratio <sup>1</sup>	95.7%	97.7%		96.7%		95.6%	95.7%
Retention	91.9%	90.9%		91.5%		91.3%	91.4%

<sup>1</sup> Including funds withheld

<sup>2</sup> Operating result (EBIT)/net premium earned

## Life and health reinsurance

- Growth of 7.4% in gross premium at constant exchange rates
- Sustained strong demand worldwide for financial solutions
- Extraordinary income from restructuring of the Viridium shareholding
- Increase of 30.3% in the operating result (EBIT)

Life and health reinsurance markets around the world were similarly heavily influenced by the protracted low interest rate environment. The competitive situation was also unchanged and business in some regions remains extremely hard-fought. In Australia disability income insurance took a toll on the results posted by the entire industry. We continue to see robust demand worldwide in the area of financial solutions, which encompasses individually tailored reinsurance solutions designed to improve the solvency, liquidity and capital position of our clients.

Extraordinary income of EUR 99.5 million was booked in the second quarter from our participation in the German run-off specialist Viridium in connection with a reorganisation of the shareholding structure. This was prompted by Viridium's acquisition of Generali Lebensversicherung AG. The interest held by Hannover Re in Viridium remained largely unchanged in this context. A number of reinsurance treaties in the United Kingdom and Australia did not perform satisfactorily and we strengthened the relevant reserve positions in this respect.

In the United States new business in the area of mortality solutions fared better than expected, although this was offset by a slightly negative development in the in-force portfolio. Our expectations for the financial solutions segment were exceeded somewhat due to the writing of positive new business. In China we are seeing sustained strong demand for bespoke financial solutions, while the market for longevity solutions is particularly brisk in Canada, the Netherlands and France.

Our online platform "hr|equarium", which was launched in February as an exclusive marketplace for insurtechs, has generated lively interest among our business partners in recent months. Several hundred registered customers from 91 countries are already using the platform to connect with external providers from 33 countries who are so far offering close to 100 solutions on the platform.

The gross premium volume booked in life and health reinsurance increased by 9.3% as at 30 June 2019 to EUR 3.8 billion (previous year: EUR 3.5 billion). At unchanged exchange rates growth would have come in at 7.4%. Our retention retreated to 88.9% (91.2%). Net premium earned rose by

7.0% to EUR 3.4 billion (EUR 3.2 billion), equivalent to growth of 5.2% at constant exchange rates.

Income from assets under own management in life and health reinsurance doubled to EUR 294.6 million (EUR 141.6 million) primarily due to the release of hidden reserves in connection with the restructuring of the Viridium shareholding.

The operating result (EBIT) totalled EUR 286.0 million (EUR 219.4 million) at the end of the first six months, a figure 30.3% higher than in the previous year. This is considerably more than the targeted EBIT growth of at least 5% that we have set ourselves for the 2019 financial year. The contribution made by life and health reinsurance to Group net income improved by 75.5% to EUR 257.7 million (EUR 146.8 million).

### Key figures for life and health reinsurance

in EUR million	2019					2018	
	1.1.– 31.3.	1.4.– 30.6.	+/- previous year	1.1.– 30.6.	+/- previous year	1.4.– 30.6.	1.1.– 30.6.
Gross written premium	1,978.8	1,867.7	+6.6%	3,846.5	+9.3%	1,752.0	3,518.2
Net premium earned	1,680.6	1,711.3	+7.2%	3,391.8	+7.0%	1,596.3	3,170.7
Investment income	162.5	203.0	+74.5%	365.5	+52.9%	116.3	239.1
Operating result (EBIT)	116.3	169.6	+37.4%	286.0	+30.3%	123.5	219.4
Net income after tax	88.5	169.2	+76.8%	257.7	+75.5%	95.7	146.8
Earnings per share in EUR	0.73	1.40	+76.8%	2.14	+75.5%	0.79	1.22
Retention	87.0%	91.0%		88.9%		91.7%	91.2%
EBIT margin <sup>1</sup>	6.9%	9.9%		8.4%		7.7%	6.9%

<sup>1</sup> Operating result (EBIT)/net premium earned

## Investments

- High-quality diversified investment portfolio maintained
- Ordinary investment income improves again on previous year's level
- Net realised gains higher due to release of hidden reserves connected with Viridium participation
- Return on investment of 3.5% beats full-year guidance

The investment climate remained unsettled and in search of direction during the first half of 2019 as it continued to face a host of geopolitical and economic policy issues. While the fixed-income markets that are particularly important for our company had seen the nervousness observed at the end of the previous year show some levelling off in the form of sharp decreases in risk premiums for corporate bonds, credit spreads began to widen again from the middle of the first half-year onwards.

Interest rate decreases – in some instances very appreciable – affecting euro-denominated bonds as well as the US dollar and sterling markets were recorded above all in the longer maturities. Euro bonds are increasingly being traded on the markets at negative yields well beyond the ten-year mark. The uncertain signals coming from policy makers and hints of softening fundamentals led to greater volatility overall on the markets.

The strained geopolitical situation and growing trade wars were reflected not least in sharply higher prices for gold and oil. The cautious approach adopted by central banks further highlights the continued lack of market stability despite the buoyant mood on equity markets. Even though the US economy still looks to be in robust shape, the US Federal Reserve surprisingly made an abrupt about-turn from its previously restrictive policy in favour of more expansive moves. Nor were matters helped by the continued astonishing confusion surrounding the process of the United Kingdom's withdrawal from the European Union, despite the lengthy acclimatisation phase that has already passed.

Reflecting the fall in interest rates compared to the end of the previous year and decreased risk premiums, the unrealised gains on our fixed-income securities rose sharply as at 30 June 2019 to reach EUR 1,612.0 million (31 December 2018: EUR 318.1 million). Our portfolio of assets under own management grew to EUR 44.8 billion (EUR 42.2 billion), in part thanks to the continued very positive operating cash flow. The

allocation of our investments to the individual classes of securities was scarcely changed in the first half-year. With effect from this reporting period we are entering into term repurchase agreements as a supplementary liquidity management tool. The holdings exchanged in this context are fully collateralised. The modified duration of our portfolio of fixed-income securities increased slightly year-on-year to 5.2 (4.8).

Ordinary investment income excluding interest on funds withheld and contract deposits amounted to EUR 694.5 million as at 30 June 2019, a significantly higher figure than in the previous year's period (EUR 632.5 million). Particularly bearing in mind the continuing low level of interest rates, it is very pleasing to note that we were able to appreciably boost the ordinary income from fixed-income securities compared to the previous year, while again supplementing this with another increase in income generated from real estate and strong earnings from private equity. Interest on funds withheld and contract deposits contracted to EUR 93.8 million (EUR 113.8 million).

Impairments of altogether EUR 41.5 million (EUR 21.1 million) were taken. Of this, EUR 17.3 million (EUR 4.5 million) was attributable to alternative investments. Write-downs of just EUR 3.8 million (EUR 0.0 million) were taken on fixed-income securities. Depreciation recognised on directly held real estate was slightly higher at EUR 18.5 million (EUR 16.6 million), reflecting further growth in our exposure in this area. The impairments were not opposed by any appreciations (EUR 0.0 million).

The net balance of gains realised on disposals stood at EUR 127.5 million (EUR 53.4 million) and was due for the most part to the release of hidden reserves in connection with the restructuring of the Viridium shareholding.

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 period under review gave rise to unrealised gains of EUR 8.9 million (loss of EUR 5.9 million) recognised in income. In economic terms we assume a neutral development for this item over time, and hence the volatility that can occur in specific quarters provides no insight into the actual business development. Altogether, the unrealised gains in our assets recognised at fair value through profit or loss amounted to EUR 43.7 million (EUR 19.6 million).

Driven by sharply higher ordinary income from fixed-income securities and increased net realised gains as well as very healthy earnings from real estate and private equity, we were able to generate highly gratifying investment income of EUR 865.6 million (EUR 743.6 million) despite diminished returns from funds withheld and contract deposits. Income from assets under own management accounted for an amount of EUR 771.8 million (EUR 629.8 million), producing an annualised average return (excluding effects from ModCo) of 3.5%. Even without the one-time effect of the gains realised from the Viridium participation, the return stood at 3.0%. We are thus very well on track to achieve our expected minimum target of 2.8% for the full year.

### Net investment income

in EUR million	2019					2018	
	1.1.– 31.3.	1.4.– 30.6.	+/- previous year	1.1.– 30.6.	+/- previous year	1.4.– 30.6.	1.1.– 30.6.
Ordinary investment income <sup>1</sup>	323.2	371.3	+17.2%	694.5	+9.8%	316.7	632.5
Result from participations in associated companies	3.1	4.4		7.5		0.5	1.8
Realised gains/losses	22.3	105.2		127.5	+138.8%	4.5	53.4
Appreciation <sup>2</sup>	17.4	24.1	+140.0%	41.5	+97.0%	10.0	21.1
Change in fair value of financial instruments <sup>3</sup>	27.4	16.4	+21.2%	43.7	+123.6%	13.5	19.6
Investment expenses	30.3	29.6	+5.3%	59.9	+6.4%	28.2	56.3
Net investment income from assets under own management	328.3	443.5	+49.3%	771.8	+22.5%	297.0	629.8
Net investment income from funds withheld	70.6	23.2	-57.8%	93.8	-17.5%	55.1	113.8
<b>Total investment income</b>	<b>398.9</b>	<b>466.7</b>	<b>+32.5%</b>	<b>865.6</b>	<b>+16.4%</b>	<b>352.1</b>	<b>743.6</b>

<sup>1</sup> Excluding expenses on funds withheld and contract deposits

<sup>2</sup> Including depreciation/impairments on real estate

<sup>3</sup> Portfolio at fair value through profit or loss and trading

# Opportunity and risk report

## Risk report

- Hannover Re has capital resources in excess of the defined strategic thresholds. The capital position is constantly reviewed against the backdrop of possible changes in the risk profile.
- Our risk management system continuously monitors newly added and changing risks and is able to respond flexibly to changes in internal and external factors.

The present opportunity and risk report summarises the key risk information for the first half of 2019. For additional information on the opportunities and risks associated with our business please see the Group Annual Report 2018.

### 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 when it comes to managing the portfolio and limiting the effects of individual large losses 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 catastrophic events 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, retrocessionaires and banks,

- operational risks which may derive, for example, from deficient processes or systems and
- reputational risks, liquidity risks, strategic risks and emerging risks.

At the present time our most significant risks are the default 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.

### Strategy implementation

Our current corporate strategy encompasses ten guiding principles that safeguard the realisation of our vision “Creating value through reinsurance” across the various divisions. 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.

Our risk strategy is derived from the corporate strategy. It is 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 eight overriding principles within the risk strategy:

1. We monitor adherence 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 fulfil regulatory requirements.
5. We fulfil the requirements of rating agencies.
6. We act in light of materiality and proportionality considerations.
7. We make balanced use of both quantitative and qualitative methods.

8. We ensure the independence of the risk management function.

The risk strategy, risk register and central system of limits and thresholds – as integral components of our Risk and Capital Management Guideline – 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 IFRS Group net income with a probability of 90% p.a. and the likelihood of the complete loss of our economic capital and shareholders' equity under IFRS does not exceed 0.03% p.a. Our solvency ratio must amount to at least 180%, although 200% is already considered to be a threshold; countermeasures would be triggered if the solvency ratio were to fall below this threshold. 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 risk reporting. The necessary equity resources are determined according to the requirements of our economic capital model, regulatory parameters, 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.

## Major external factors influencing risk management

This section describes external factors that could have a particularly significant impact on risk management in 2019 and subsequent years.

**Brexit:** The terms of the United Kingdom's withdrawal from the European Union have still not been determined. The possibility of the UK leaving the EU without an agreement continues to exist. The Hannover Re Group is prepared for this scenario and a Group-wide working group has been set up to address readiness measures.

The Hannover Re Life UK Branch will be materially affected. In order to be able to continue its activities even after a "hard" Brexit, an application to operate under the so-called temporary permissions regime (TPR) has been filed and already approved by the financial regulator. Increased administrative expenses and higher capital costs cannot be ruled out over the medium term. Argenta Holdings Limited is a wholly owned subsidiary of Hannover Re that operates on a stand-alone basis in the United Kingdom and is already authorised as a member of Lloyd's. We also write reinsurance business in the United Kingdom through Group companies in Hannover and Ireland. In this regard we do not anticipate any significant changes as a result of Brexit.

All in all, our current analyses indicate that the implications of Brexit are manageable for the Hannover Re Group.

**Risks from electronic data retention:** Recent years have seen the increasing emergence of risks relating to electronic systems and their data. Hannover Re, in common with other companies, is at risk of attacks on its IT systems and has put in place extensive safeguards. Furthermore, Hannover Re offers reinsurance coverage for risks connected with electronic systems and the associated data. The dynamic pace of developments in the context of digitalisation presents a particular challenge to the assessment of such risks.

**Natural catastrophe risks and climate change:** The possibility that the increased storm activity in recent years is due to progressive global warming cannot be ruled out. Hannover Re works together with partners to closely monitor the implications of global warming for extreme weather events so as to be able to incorporate the insights obtained into the models.

**Reserve risks:** The 2018 financial year was heavily impacted by natural catastrophe events that caused market losses in excess of USD 100 billion. In common with other market players, Hannover Re was among those affected – principally by typhoon Jebi and several wildfires in California. Given that these events occurred in the second half of 2018 the loss estimates are inevitably subject to uncertainty, with the amounts due to be paid out over the next few years. With this in mind, some additional uncertainty has been allowed for in the remaining anticipated loss payments as part of the estimated technical reserves.

**Ogden rate:** In 2017 a change (i.e. reduction) was made in the so-called Ogden rate – primarily affecting UK motor insurance – which is used to calculate personal injury compensation payments. A massive cut in the rate led to a rise in the expected loss costs. These increased amounts have since been reflected in the technical reserves for the relevant lines. Shortly after the end of the reporting period the UK government changed the rate from -0.75% to -0.25% effective 5 August 2019. This decision on the rate reduces the anticipated run-off result, although it is still expected to be positive thanks to the company's prudent reserving policy. The future payment patterns for these claims remain subject to uncertainty.

**US mortality business:** As part of our in-force management actions we initiated rate adjustments for a portfolio acquired in 2009. Insofar as the cedants affected by rate adjustments exercise their right of recapture, this can lead to one-time charges to the IFRS result in a few remaining isolated cases. We continue to monitor the further development of the underlying mortality on an ongoing basis.

**Capital market environment:** The protracted low level of interest rates is a major external factor influencing the return that can be generated on our investments. Interest rate declines – which in some instances were very marked – affected both euro-denominated bonds as well as the US dollar and sterling markets. Negative yields are now being seen on euro area government bonds extending beyond the 10-year maturity point. The cautious actions taken by central banks, continued uncertainty surrounding the process for the United Kingdom’s exit from the European Union and numerous geopolitical flashpoints as well as simmering trade and tariff wars made the search for a clear direction on capital markets difficult in the period under review. The nervousness that was evident towards the close of the previous year subsequently levelled off, as reflected for example in sharp decreases in risk premiums on corporate bonds. From the middle of the reporting period onwards, however, corporate bond spreads began to widen again, although they did not reach the levels seen at the end of the previous year.

We continue to have exposure to the private equity market. Fair value changes here tend to be less influenced by general market conditions and more by company-specific evaluations. The risks are therefore primarily associated with the business model and profitability and to a lesser extent with the interest rate component in a consideration of cash flow forecasts. In the period under review, for example, we see the need to take somewhat higher write-downs not as a reflection of an elevated risk in the market, but rather in the context of the risk profile specific to this asset class. The significance of real estate risks has continued to grow owing to our consistent participation in this sector. We spread these risks through broadly diversified investments in high-quality markets around the world, with each investment decision being preceded by extensive analyses of the relevant property, manager and market.

As far as our investments are concerned, we anticipate continuing elevated volatility on global capital markets in the immediate future, although we also see this as an opportunity and believe that we are appropriately prepared with the current rather defensive posture of our asset portfolio. For further information please see the “Investments” section of the management report on page 10 et seq.

## 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 over the medium to long term 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.

Major elements in Hannover Re’s business opportunity management include its various market-specific innovations in the Life & Health and Property & Casualty reinsurance business groups. Trends are systematically detected and analysed with the support of external sources and partners and the needs of our customers are anticipated along the entire insurance-related value chain. Targeted consideration is given to new business opportunities that promise access to innovative technologies and enhanced appeal in the eyes of our customers. With this in mind, Hannover Re cultivates partnerships with relevant accelerators, incubators, company builders, start-ups and research institutes in order to boost the company’s competitiveness in the insurtech sector and in the field of digital solutions. Competence teams have been set up within the Hannover Re Group to assess the strategic significance of innovative new digital technologies. Not only that, Hannover Re has set up an organisational unit that provides specific support for insurtechs in the development of their digital business models and devises reinsurance solutions to this end, thereby also generating new premium potential for Hannover Re.

Hannover Re has developed a structured innovation process for the in-house generation of ideas in order to benefit more from the wealth of innovative creativity among its employees. This process is embedded in the “Hannover Re Intrapreneurship Programme”, which encourages all members of staff worldwide to contribute ideas for reducing costs or increasing premium. In the course of a 13-week incubator programme selected ideas are developed by employees in an external innovation ecosystem. Project participants are released to the incubator from their line function in order to elaborate on their ideas as quickly as possible in a highly focused environment.

The networking of the innovative minds involved in these activities gives rise to close links with other projects, working groups and bodies, such as with the working group on “Emerging Risks und Scientific Affairs” in regard to emerging risks and opportunities. This working group carries out qualitative assessments of emerging risks. As a result, however, not only are the potential risks explored but also any available business opportunities. In the year under review, for example, issues such as “Microplastics” and “Medical advances” were analysed by the working group.

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 a new type of risk is to be insured. 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 evaluated. Risk Management ensures that before it can be used or sold a new reinsurance product must be approved by the Executive Board.

## 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 results of operations. 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 results of operations. 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 struc-

ture 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 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. Specific 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 beyond the defined risk tolerances and enables us to react in a timely manner. One testament to our financial stability, for example, is the growth of our shareholders' equity: the total policyholders' surplus (hybrid capital, non-controlling interests and shareholders' equity) stands at 180% of the corresponding figure from 2011. In this context, our necessary equity resources are determined by the requirements of our economic capital model, solvency regulations, the assumptions of rating agencies with respect to our target rating and the expectations of our clients and shareholders. This increase gives us a sufficient capital cushion to be able both to absorb risks and act on business opportunities that may arise. Similarly, our very good ratings also testify to our financial stability. The quality of our Enterprise Risk Management (ERM) is evaluated separately by Standard & Poor's and received the highest possible rating of "Very Strong". Special attention is paid here to our established risk culture, which promotes the development of appropriate risk monitoring systems and supports strategic risk management. The evaluation encompasses in particular 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.

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.

# Outlook for 2019

## Forecast

- Gross premium growth on the Group level expected in the single-digit percentage range
- Property and casualty reinsurance to deliver premium growth well above target
- Life and health reinsurance should comfortably beat guided EBIT growth
- Return on investment for assets under own management expected to be at least 2.8%
- Profit target for 2019 excluding positive one-off Viridium effect confirmed in full

The state of global reinsurance markets continues to be shaped by intense competition and surplus capacities. An additional factor of late has been the renewed drop in interest rates in Europe and the United States, with implications for the investment income generated by the industry. Although the general environment remains challenging, it is our assessment that even against this backdrop we are still well placed to be able to continue operating profitably on a sustained basis; for the current 2019 financial year we anticipate a good overall result and we expect to achieve the goals that we have set ourselves. Excluding the positive one-off effect from the Viridium participation in an amount of EUR 99.5 million, we are well on track to generate Group net income in the order of EUR 1.1 billion for 2019. This is subject to the premise, as always, that major loss expenditure does not significantly exceed the budgeted level of EUR 875 million (2018: EUR 825 million) and that there are no unforeseen distortions on capital markets.

For the current financial year we expect to grow gross premium for the Group – based on constant exchange rates – by a single-digit percentage.

In property and casualty reinsurance, based on the outcome of the treaty renewals as at 1 January and 1 April, we are looking to book substantial currency-adjusted growth at broadly stable conditions. In this context we shall adhere to our selective underwriting policy, under which for the most part we only write business that meets our margin requirements.

This expectation was confirmed by the treaty renewals as at 1 June and 1 July, which passed off favourably for Hannover Re. Parts of the North American portfolio are traditionally renegotiated at this time of the year, especially natural catastrophe risks, along with business in Australia and New Zealand as well as in the credit and surety lines. The renewals in Florida, where hurricane Irma had caused considerable reinsured losses in 2017 with late reported claims in some instances on a significant level, proved particularly successful for Hannover Re.

For 2019, as already announced, we have raised our net major loss budget to EUR 875 million after EUR 825 million in the previous years. This adjustment reflects the growth in the underlying business. We are targeting a combined ratio here of no more than 97%.

In life and health reinsurance we anticipate moderate premium growth – adjusted for exchange rate effects – in the current financial year. Due to the elimination of the previous year's strain from the termination of loss-making treaties in US mortality business, the EBIT generated in life and health reinsurance should increase sharply in the 2019 financial year and comfortably surpass our strategic target of at least 5% EBIT growth. Our minimum target of EUR 220 million per year for the value of new business remains unchanged.

The expected positive cash flow that we generate from the technical account and our investments should – subject to stable exchange rates and yield levels – lead to further growth in the asset portfolio. In the area of fixed-income securities we continue to emphasise the high quality and diversification of our portfolio. Overall, the primary focus will remain on stability while maintaining an adequate risk/return ratio that will enable us to respond flexibly to general developments and emerging opportunities. For 2019 we are targeting a minimum return on investment of 2.8%.

Hannover Re envisages a payout ratio for the ordinary dividend in the range of 35% to 45% of its IFRS Group net income. The ordinary dividend will be supplemented by payment of a special dividend subject to an unchanged comfortable level of capitalisation and Group net income in line with expectations.



# Consolidated financial statements



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## Consolidated balance sheet as at 30 June 2019

<b>Assets</b>		
in EUR thousand	<b>30.6.2019</b>	31.12.2018
Fixed-income securities – held to maturity	250,486	249,943
Fixed-income securities – loans and receivables	2,455,186	2,398,950
Fixed-income securities – available for sale	35,245,351	33,239,685
Fixed-income securities – at fair value through profit or loss	581,506	559,750
Equity securities – available for sale	30,587	28,729
Other financial assets – at fair value through profit or loss	214,108	190,759
Investment property	1,626,634	1,684,932
Real estate funds	486,332	433,899
Investments in associated companies	218,112	110,545
Other invested assets	2,075,770	1,805,281
Short-term investments	463,030	421,950
Cash and cash equivalents	1,199,119	1,072,915
<b>Total investments and cash under own management</b>	<b>44,846,221</b>	<b>42,197,338</b>
Funds withheld	11,116,195	10,691,768
Contract deposits	202,003	172,873
<b>Total investments</b>	<b>56,164,419</b>	<b>53,061,979</b>
Reinsurance recoverables on unpaid claims	1,932,008	2,084,630
Reinsurance recoverables on benefit reserve	748,066	909,056
Prepaid reinsurance premium	150,239	93,678
Reinsurance recoverables on other technical reserves	13,290	7,170
Deferred acquisition costs	2,542,464	2,155,820
Accounts receivable	5,110,044	3,975,778
Goodwill	86,061	85,588
Deferred tax assets	413,211	454,608
Other assets	626,874	629,420
Accrued interest and rent	13,546	11,726
Assets held for sale	178,515	1,039,184
<b>Total assets</b>	<b>67,978,737</b>	<b>64,508,637</b>

<b>Liabilities</b>		
in EUR thousand	<b>30.6.2019</b>	31.12.2018
Loss and loss adjustment expense reserve	31,258,250	28,758,575
Benefit reserve	8,835,560	9,184,356
Unearned premium reserve	4,973,528	3,166,964
Other technical provisions	610,517	575,996
Funds withheld	932,311	969,261
Contract deposits	3,591,288	3,611,654
Reinsurance payable	1,245,695	1,156,231
Provisions for pensions	204,993	182,291
Taxes	260,673	244,093
Deferred tax liabilities	2,023,151	1,700,082
Other liabilities	935,530	612,093
Long-term debt and notes payable	2,566,397	2,558,884
Liabilities related to assets held for sale	33,778	2,246,129
<b>Total liabilities</b>	<b>57,471,671</b>	<b>54,966,609</b>
Shareholders' equity		
Common shares	120,597	120,597
Nominal value: 120,597		
Conditional capital: 60,299		
Additional paid-in capital	724,562	724,562
<b>Common shares and additional paid-in capital</b>	<b>845,159</b>	<b>845,159</b>
Cumulative other comprehensive income		
Unrealised gains and losses on investments	1,219,447	346,509
Cumulative foreign currency translation adjustment	263,699	201,369
Changes from hedging instruments	66	(3,160)
Other changes in cumulative other comprehensive income	(66,695)	(53,364)
<b>Total other comprehensive income</b>	<b>1,416,517</b>	<b>491,354</b>
Retained earnings	7,471,041	7,440,278
<b>Equity attributable to shareholders of Hannover Rück SE</b>	<b>9,732,717</b>	<b>8,776,791</b>
Non-controlling interests	774,349	765,237
<b>Total shareholders' equity</b>	<b>10,507,066</b>	<b>9,542,028</b>
<b>Total liabilities and shareholders' equity</b>	<b>67,978,737</b>	<b>64,508,637</b>

## Consolidated statement of income as at 30 June 2019

in EUR thousand	1.4.– 30.6.2019	1.1.– 30.6.2019	1.4.– 30.6.2018	1.1.– 30.6.2018
Gross written premium	5,320,687	11,693,984	4,640,331	9,985,292
Ceded written premium	483,298	1,095,181	397,853	864,109
Change in gross unearned premium	(81,128)	(1,300,090)	102,130	(838,379)
Change in ceded unearned premium	(11,283)	57,042	1,756	62,838
<b>Net premium earned</b>	<b>4,744,978</b>	<b>9,355,755</b>	<b>4,346,364</b>	<b>8,345,642</b>
Ordinary investment income	371,270	694,492	316,674	632,476
Profit/loss from investments in associated companies	4,428	7,507	529	1,792
Realised gains and losses on investments	105,189	127,469	4,536	53,380
Change in fair value of financial instruments	16,354	43,745	13,499	19,561
Total depreciation, impairments and appreciation of investments	24,096	41,494	10,041	21,060
Other investment expenses	29,634	59,927	28,154	56,347
<b>Net income from investments under own management</b>	<b>443,511</b>	<b>771,792</b>	<b>297,043</b>	<b>629,802</b>
Income/expense on funds withheld and contract deposits	23,223	93,846	55,091	113,796
<b>Net investment income</b>	<b>466,734</b>	<b>865,638</b>	<b>352,134</b>	<b>743,598</b>
Other technical income	71	221	55	76
<b>Total revenues</b>	<b>5,211,783</b>	<b>10,221,614</b>	<b>4,698,553</b>	<b>9,089,316</b>
Claims and claims expenses	3,497,486	6,853,791	3,064,975	6,019,196
Change in benefit reserves	72,559	55,819	(34,610)	(58,803)
Commission and brokerage, change in deferred acquisition costs	1,086,154	2,239,671	1,135,499	2,052,933
Other acquisition costs	670	2,062	4,737	10,578
Other technical expenses	–	–	829	1,910
Administrative expenses	129,006	240,951	111,534	219,332
<b>Total technical expenses</b>	<b>4,785,875</b>	<b>9,392,294</b>	<b>4,282,964</b>	<b>8,245,146</b>
Other income	359,516	660,563	227,023	432,753
Other expenses	293,337	547,751	169,228	369,642
Other income/expenses	66,179	112,812	57,795	63,111
<b>Operating profit (EBIT)</b>	<b>492,087</b>	<b>942,132</b>	<b>473,384</b>	<b>907,281</b>
Financing costs	21,415	42,363	19,963	37,684
<b>Net income before taxes</b>	<b>470,672</b>	<b>899,769</b>	<b>453,421</b>	<b>869,597</b>
Taxes	92,069	206,306	156,568	273,373
<b>Net income</b>	<b>378,603</b>	<b>693,463</b>	<b>296,853</b>	<b>596,224</b>
thereof				
Non-controlling interest in profit and loss	9,751	30,958	14,958	40,919
<b>Group net income</b>	<b>368,852</b>	<b>662,505</b>	<b>281,895</b>	<b>555,305</b>
<b>Earnings per share (in EUR)</b>				
Basic earnings per share	3.06	5.49	2.34	4.60
Diluted earnings per share	3.06	5.49	2.34	4.60

# Consolidated statement of comprehensive income as at 30 June 2019

in EUR thousand	1.4.– 30.6.2019	1.1.– 30.6.2019	1.4.– 30.6.2018	1.1.– 30.6.2018
<b>Net income</b>	<b>378,603</b>	<b>693,463</b>	<b>296,853</b>	<b>596,224</b>
<b>Not reclassifiable to the consolidated statement of income</b>				
<b>Actuarial gains and losses</b>				
Gains (losses) recognised directly in equity	(13,095)	(22,580)	(1,149)	(928)
Tax income (expense)	4,279	7,368	372	307
	<b>(8,816)</b>	<b>(15,212)</b>	<b>(777)</b>	<b>(621)</b>
<b>Changes from the measurement of associated companies</b>				
Gains (losses) recognised directly in equity	(76)	(126)	–	–
	<b>(76)</b>	<b>(126)</b>	<b>–</b>	<b>–</b>
<b>Income and expense recognised directly in equity that cannot be reclassified</b>				
Gains (losses) recognised directly in equity	(13,171)	(22,706)	(1,149)	(928)
Tax income (expense)	4,279	7,368	372	307
	<b>(8,892)</b>	<b>(15,338)</b>	<b>(777)</b>	<b>(621)</b>
<b>Reclassifiable to the consolidated statement of income</b>				
<b>Unrealised gains and losses on investments</b>				
Gains (losses) recognised directly in equity	513,897	1,303,063	(62,699)	(429,188)
Transferred to the consolidated statement of income	(91,836)	(79,739)	(4,569)	(48,888)
Tax income (expense)	(137,748)	(320,229)	20,886	117,555
	<b>284,313</b>	<b>903,095</b>	<b>(46,382)</b>	<b>(360,521)</b>
<b>Currency translation</b>				
Gains (losses) recognised directly in equity	(132,476)	64,947	354,726	187,135
Transferred to the consolidated statement of income	–	4,645	–	–
Tax income (expense)	10,309	(6,767)	(16,076)	(911)
	<b>(122,167)</b>	<b>62,825</b>	<b>338,650</b>	<b>186,224</b>
<b>Changes from the measurement of associated companies</b>				
Gains (losses) recognised directly in equity	313	1,860	(8)	(7)
	<b>313</b>	<b>1,860</b>	<b>(8)</b>	<b>(7)</b>
<b>Changes from hedging instruments</b>				
Gains (losses) recognised directly in equity	3,729	5,646	2,009	3,931
Tax income (expense)	(1,462)	(2,302)	(266)	(534)
	<b>2,267</b>	<b>3,344</b>	<b>1,743</b>	<b>3,397</b>
<b>Reclassifiable income and expense recognised directly in equity</b>				
Gains (losses) recognised directly in equity	385,463	1,375,516	294,028	(238,129)
Transferred to the consolidated statement of income	(91,836)	(75,094)	(4,569)	(48,888)
Tax income (expense)	(128,901)	(329,298)	4,544	116,110
	<b>164,726</b>	<b>971,124</b>	<b>294,003</b>	<b>(170,907)</b>
<b>Total income and expense recognised directly in equity</b>				
Gains (losses) recognised directly in equity	372,292	1,352,810	292,879	(239,057)
Transferred to the consolidated statement of income	(91,836)	(75,094)	(4,569)	(48,888)
Tax income (expense)	(124,622)	(321,930)	4,916	116,417
	<b>155,834</b>	<b>955,786</b>	<b>293,226</b>	<b>(171,528)</b>
<b>Total recognised income and expense</b>	<b>534,437</b>	<b>1,649,249</b>	<b>590,079</b>	<b>424,696</b>
thereof				
Attributable to non-controlling interests	19,651	62,047	19,027	28,531
Attributable to shareholders of Hannover Rück SE	514,786	1,587,202	571,052	396,165

## Consolidated statement of changes in shareholders' equity as at 30 June 2019

in EUR thousand	Common shares	Additional paid-in capital	Other reserves (cumulative other comprehensive income)	
			Unrealised gains/losses	Currency translation
<b>Balance as at 1.1.2018</b>	<b>120,597</b>	<b>724,562</b>	<b>818,350</b>	<b>(62,548)</b>
Changes in the consolidated group	-	-	-	-
Capital increases/additions	-	-	-	-
Capital repayments	-	-	-	-
Acquisition/disposal of treasury shares	-	-	-	-
Total income and expense recognised directly in equity	-	-	(346,185)	184,217
Net income	-	-	-	-
Dividends paid	-	-	-	-
<b>Balance as at 30.6.2018</b>	<b>120,597</b>	<b>724,562</b>	<b>472,165</b>	<b>121,669</b>
<b>Balance as at 1.1.2019</b>	<b>120,597</b>	<b>724,562</b>	<b>346,509</b>	<b>201,369</b>
Effects from first-time application of new standards	-	-	-	-
<b>Balance as at 1.1.2019 (restated)</b>	<b>120,597</b>	<b>724,562</b>	<b>346,509</b>	<b>201,369</b>
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	-	-	872,938	62,330
Net income	-	-	-	-
Dividends paid	-	-	-	-
<b>Balance as at 30.6.2019</b>	<b>120,597</b>	<b>724,562</b>	<b>1,219,447</b>	<b>263,699</b>

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				
<b>(6,292)</b>	<b>(50,598)</b>	<b>6,984,407</b>	<b>8,528,478</b>	<b>758,080</b>	<b>9,286,558</b>
-	-	-	-	(167)	(167)
-	-	-	-	29	29
-	-	-	-	(19)	(19)
-	-	7	7	-	7
3,393	(565)	-	(159,140)	(12,388)	(171,528)
-	-	555,305	555,305	40,919	596,224
-	-	(602,986)	(602,986)	(53,521)	(656,507)
<b>(2,899)</b>	<b>(51,163)</b>	<b>6,936,733</b>	<b>8,321,664</b>	<b>732,933</b>	<b>9,054,597</b>
<b>(3,160)</b>	<b>(53,364)</b>	<b>7,440,278</b>	<b>8,776,791</b>	<b>765,237</b>	<b>9,542,028</b>
-	-	1,763	1,763	-	1,763
<b>(3,160)</b>	<b>(53,364)</b>	<b>7,442,041</b>	<b>8,778,554</b>	<b>765,237</b>	<b>9,543,791</b>
-	-	59	59	195	254
-	466	(466)	-	-	-
-	-	-	-	49	49
-	-	-	-	(14)	(14)
-	-	37	37	-	37
3,226	(13,797)	-	924,697	31,089	955,786
-	-	662,505	662,505	30,958	693,463
-	-	(633,135)	(633,135)	(53,165)	(686,300)
<b>66</b>	<b>(66,695)</b>	<b>7,471,041</b>	<b>9,732,717</b>	<b>774,349</b>	<b>10,507,066</b>

## Consolidated cash flow statement as at 30 June 2019

in EUR thousand	1.1.–30.6.2019	1.1.–30.6.2018
<b>I. Cash flow from operating activities</b>		
Net income	693,463	596,224
Appreciation/depreciation	52,538	31,638
Net realised gains and losses on investments	(127,469)	(53,380)
Change in fair value of financial instruments (through profit or loss)	(43,745)	(19,561)
Realised gains and losses on deconsolidation	(6,298)	(2,978)
Amortisation of investments	(18,491)	5,521
Changes in funds withheld	(365,328)	(230,649)
Net changes in contract deposits	(68,405)	(69,445)
Changes in prepaid reinsurance premium (net)	1,242,888	775,540
Changes in tax assets/provisions for taxes	55,078	5,748
Changes in benefit reserve (net)	(251,946)	(21,356)
Changes in claims reserves (net)	1,068,490	677,797
Changes in deferred acquisition costs	(227,875)	(201,089)
Changes in other technical provisions	23,903	67,573
Changes in clearing balances	(808,829)	(741,473)
Changes in other assets and liabilities (net)	311,895	197,124
<b>Cash flow from operating activities</b>	<b>1,529,869</b>	<b>1,017,234</b>



in EUR thousand	1.1. – 30.6.2019	1.1. – 30.6.2018
<b>II. Cash flow from investing activities</b>		
Fixed-income securities – held to maturity		
Maturities	4	40,725
Fixed-income securities – loans and receivables		
Maturities, sales	101,207	32,303
Purchases	(143,717)	(64,452)
Fixed-income securities – available for sale		
Maturities, sales	10,250,846	9,141,221
Purchases	(10,766,330)	(10,321,085)
Fixed-income securities – at fair value through profit or loss		
Maturities, sales	978,357	–
Purchases	(979,732)	(337,070)
Equity securities – available for sale		
Sales	2,936	5,493
Purchases	(2,943)	(3,556)
Other financial assets – at fair value through profit or loss		
Sales	59,296	35,149
Purchases	(47,927)	(48,330)
Other invested assets		
Sales	192,163	278,909
Purchases	(258,500)	(184,158)
Affiliated companies and participating interests		
Sales	129,261	3,974
Purchases	(200,883)	(7,786)
Real estate and real estate funds		
Sales	106,280	35,354
Purchases	(150,778)	(71,363)
Short-term investments		
Changes	(38,301)	295,567
Other changes (net)	(12,274)	(18,502)
<b>Cash flow from investing activities</b>	<b>(781,035)</b>	<b>(1,187,607)</b>

in EUR thousand	1.1.–30.6.2019	1.1.–30.6.2018
<b>III. Cash flow from financing activities</b>		
Contribution from capital measures	49	29
Payment on capital measures	(14)	(19)
Structural change without loss of control	254	–
Dividends paid	(686,300)	(656,507)
Proceeds from long-term debts	6,315	809,869
Repayment of long-term debts	(8,424)	(872)
Other changes	37	7
<b>Cash flow from financing activities</b>	<b>(688,083)</b>	<b>152,507</b>
<b>IV. Exchange rate differences on cash</b>	<b>4,155</b>	<b>5,123</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,151,509</b>	<b>835,706</b>
Thereof cash and cash equivalents of the disposal group: 78,594		
<b>Change in cash and cash equivalents (I. + II. + III. + IV.)</b>	<b>64,906</b>	<b>(12,743)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,216,415</b>	<b>822,963</b>
Thereof cash and cash equivalents of the disposal group	17,296	59,901
<b>Cash and cash equivalents at the end of the period excluding the disposal group</b>	<b>1,199,119</b>	<b>763,062</b>
<b>Supplementary information on the cash flow statement<sup>1</sup></b>		
Income taxes paid (on balance)	(154,080)	(260,804)
Dividend receipts <sup>2</sup>	102,671	110,432
Interest received	678,780	748,573
Interest paid	(80,619)	(129,547)

<sup>1</sup> The income taxes paid, dividend receipts as well as interest received and paid are included entirely in the cash flow from operating activities.

<sup>2</sup> Including dividend-like profit participations from investment funds

# Notes to the consolidated financial statements as at 30 June 2019



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# Notes

## 1. General reporting principles

Hannover Rück SE and its subsidiaries (collectively referred to as the “Hannover Re Group” or “Hannover Re”) are 50.2% (rounded) owned by Talanx AG and included in its consolidated financial statement. Talanx AG is majority-owned by HDI Haftpflichtverband der Deutschen Industrie V.a.G. (HDI). Hannover Re is obliged to prepare a consolidated financial statement and group management report in accordance with § 290 German Commercial Code (HGB). Furthermore, HDI is required by §§ 341 i et seq. German Commercial Code (HGB) to prepare consolidated annual accounts that include the annual financial statements of Hannover Rück SE and its subsidiaries. Hannover Rück SE is a European Company, Societas Europaea (SE), and its registered office is located at Karl-Wiechert-Allee 50, 30625 Hannover, Germany.

The consolidated financial statement of Hannover Re was drawn up in compliance with the International Financial Reporting Standards (IFRS) that are to be used within the European Union. This also applies to all figures provided in this report for previous periods.

As provided for by IAS 34, in our preparation of the consolidated quarterly financial statement, consisting of the consoli-

dated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in shareholders' equity and selected explanatory notes, we draw on estimates and assumptions to a greater extent than is the case with the annual financial reporting. This can have implications for items in the balance sheet and the statement of income as well as for other financial obligations. Although the estimates are always based on realistic premises, they are of course subject to uncertainties that may be reflected accordingly in the result. Losses from natural disasters and other catastrophic losses impact the result of the reporting period in which they occur. Furthermore, belatedly reported claims for major loss events can also lead to substantial fluctuations in individual quarterly results. Gains and losses on the disposal of investments are accounted for in the quarter in which the investments are sold.

The present consolidated quarterly financial statement was prepared by the Executive Board on 5 August 2019 and released for publication.

## 2. Accounting principles including major accounting policies

The quarterly accounts of the consolidated companies included in the consolidated financial statement were drawn up as at 30 June 2019.

The consolidated quarterly financial report was compiled in accordance with IAS 34 “Interim Financial Reporting”. Consequently, the accounting policies adopted in the period under review were the same as those applied in the preceding consolidated annual financial statement. For more details of the accounting policies please see the Group annual financial report for the previous year.

With effect from this reporting period we are entering into fully collateralised, term repurchase agreements as a supplementary liquidity management tool. In this context the Group

sells securities and at the same time commits to repurchase them at a later date for an agreed price. Given that the material risks and opportunities associated with the financial instruments remain within the Group, we continue to recognise these assets. The repurchase commitment arising out of the payment received is accounted for under “other liabilities”; any difference between the amount received for the transfer of the securities and the amount agreed for their repurchase is spread across the term of the repurchase transaction using the effective interest rate method and shown in investment income.

All standards adopted by the IASB as at 30 June 2019 with binding effect for the period under review have been observed in the consolidated financial statement.

### Accounting standards applied for the first time

IFRS 16 “Leases” sets out new requirements relating principally to accounting by lessees. As a general principle, the lessee shall recognise a lease liability for all leases. At the same time it shall recognise a right to use the underlying asset. Accounting by lessors remains virtually unchanged compared to current practice, according to which the lessor classifies each lease as a finance lease or an operating lease. Hannover

Re is applying the standard using a modified retrospective approach and recognises the cumulative effect of adoption of the standard in retained earnings as at 1 January 2019. Figures for the previous year were therefore not restated. Rights of use and lease liabilities in an amount of EUR 91.3 million were recognised as at 1 January 2019. They involve almost exclusively leases in connection with real estate. After allow-

ance for deferred taxes on income, application of the standard resulted in an increase of EUR 1.8 million in retained earnings.

In addition, a number of other amendments to existing standards and interpretations were issued with no significant implications for the consolidated financial statement:

- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement,
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- IFRIC 23 Uncertainty over Income Tax Treatments

### Standards or changes in standards that have not yet entered into force or are not yet applicable

Hannover Re continues to meet the requirements for application of “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)”, which was published in September 2016, regarding temporary deferral of IFRS 9. The deferral approach allows for a temporary exemption from recognising financial instruments in accordance with IFRS 9 until probable entry into force of IFRS 17 “Insurance Contracts” on 1 January 2022. For further explanatory remarks on the implications of application of IFRS 9 as well as IFRS 17, we would refer to the Group annual financial report for the previous year.

In addition, a number of other amendments to existing standards are only subject to mandatory application for financial years beginning on or after 1 January 2020. Hannover Re is refraining from early application of these amendments, which are not expected to have any significant implications for the Group’s net assets, financial position or results of operations.

- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendment to IFRS 3 Business Combinations
- Amendments to References to the Conceptual Framework in IFRS Standards

### Key exchange rates

The individual companies’ statements of income prepared in the respective functional currency 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.

#### Key exchange rates

	30.6.2019	31.12.2018	1.1.–30.6.2019	1.1.–30.6.2018
1 EUR corresponds to:	Mean rate of exchange on the balance sheet date		Average rate of exchange	
AUD	1.6233	1.6208	1.6012	1.5656
BHD	0.4287	0.4316	0.4272	0.4551
CAD	1.4886	1.5591	1.5112	1.5409
CNY	7.8118	7.8768	7.6885	7.7114
GBP	0.8960	0.9028	0.8771	0.8814
HKD	8.8797	8.9680	8.8829	9.4507
INR	78.5642	80.2219	79.3505	79.2957
KRW	1,313.0200	1,277.8700	1,295.0057	1,299.4271
MYR	4.7037	4.7590	4.6721	4.7665
SEK	10.5578	10.2769	10.4807	10.1710
USD	1.1371	1.1451	1.1331	1.2061
ZAR	16.1139	16.4522	16.0611	14.9047

### 3. Consolidated companies and 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). In the context of their operational activities some companies belonging to the Hannover Re Group enter into business relations with structured entities that are also to be examined in accordance with IFRS 10 in conjunction with IFRS 12 with an eye to their implications for consolidation. 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. Consolidation decisions are reviewed as necessary and at least once a year. 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 includ-

ed 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 goodwill is not amortised, but 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 with the proportion of the shareholders’ equity attributable to the Group. 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. Income from investments in associated companies is recognised separately in the consolidated statement of income.

Non-controlling interests in shareholders’ equity are reported separately within Group shareholders’ equity in accordance with IAS 1 “Presentation of Financial Statements”. 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 31.0 million (EUR 40.9 million) as at 30 June 2019.

For further details we would refer to the relevant information in the Group annual financial report as at 31 December 2018.

#### Consolidation of business transactions within the Group

Receivables and liabilities between the companies included in the consolidated financial statement are offset against each other. Profits and expenses from business transactions within the Group are also eliminated.

Transactions between a disposal group and the continuing operations of the Group are similarly eliminated in accordance with IFRS 10.

## Major acquisitions and new formations

No major acquisitions and no new formations have taken place in the current financial year.

## Major disposals

With economic effect from 1 January 2019 HDI Global SE acquired 50.2% of the shares in HDI Global Specialty SE (formerly: International Insurance Company of Hannover SE) for a purchase price of EUR 107.2 million. HDI Global Specialty SE was wholly owned by Hannover Rück SE. Deconsolidation of the company gave rise to income of EUR 6.3 million in the first quarter of 2019, which was recognised in other income and expenses. The remaining interest in the company in an amount of 49.8% was included at equity in the consolidated financial statement.

In the second quarter of 2019 the Executive Board of Hannover Re decided to dispose of Svedea AB, Stockholm. The shares in Svedea AB in an amount of 53% are held by FUNIS GmbH & Co. KG, Hannover, a wholly owned subsidiary of Hannover Rück SE.

With economic effect from 1 July 2019 HDI Global Specialty SE, Hannover, acquired the shares held by Funis in Svedea AB for a purchase price of EUR 52.9 million. The company will be deconsolidated in the third quarter of 2019.

Pursuant to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” Svedea AB was classified as at the balance sheet date as a disposal group, which is to be measured at the lower of the carrying amount and fair value less costs to sell. This measurement did not give rise to any impairment expense.

The cumulative other comprehensive income of EUR -0.4 million arising out of the currency translation of the assets and liabilities belonging to the disposal group will only be realised in the context of deconsolidation.

In compliance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” we recognise the assets and liabilities of the disposal group in corresponding balance sheet items. Transactions between the disposal group and the other consolidated companies continue to be entirely eliminated in conformity with IFRS 10 “Consolidated Financial Statements”.

The assets and liabilities are presented on a consolidated basis in the following table and broken down into their major components.

### Assets and liabilities of the disposal group

in EUR thousand	30.6.2019
<b>Assets</b>	
Other invested assets	5
Cash and cash equivalents	17,296
Other assets	20,608
<b>Assets held for sale</b>	<b>37,909</b>
<b>Liabilities</b>	
Taxes	2,976
Other liabilities	30,802
<b>Liabilities related to assets held for sale</b>	<b>33,778</b>

In addition, the company ITAS Vita S.p.A., Trento/Italy, which is held for sale pursuant to a resolution of the Executive Board dated 24 June 2019 and had until this date been recognised at equity, was recognised under “Assets held for sale”. Hannover Rück SE holds 27.1% of the shares in the company. Measurement at the lower of the carrying amount and fair value less costs to sell did not give rise to an impairment expense. The carrying amount of the company at the time of reclassification and at the balance sheet date was EUR 47.1 million.

A property was reclassified to assets held for sale in the reporting period. The carrying amount of the real estate was EUR 93.5 million at the time of reclassification and at the end of the period. The measurement of the real estate in the context of classification as an asset held for sale did not result in an impairment expense.

In March 2019 all shares in the special purpose property company Mustela s.r.o., Prague, were sold through HR GLL Europe Holding S.à.r.l., Luxembourg, for a purchase price of EUR 76.6 million.

In the context of the acquisition of Generali Lebensversicherung AG by Viridium Group the shareholding structure was reorganised. In this connection Hannover Re sold its indirectly held participation in Viridium, realising income of EUR 99.5 million that was recognised in investment income. At the same time Hannover Re participated again indirectly in Viridium Group including Generali Lebensversicherung AG, with the result that it holds a participating interest of around 17%.





## 4. Group segment report

Segmentation of assets in EUR thousand	Property and casualty reinsurance	
	30.6.2019	31.12.2018
<b>Assets</b>		
Fixed-income securities – held to maturity	199,426	198,596
Fixed-income securities – loans and receivables	2,399,487	2,349,266
Fixed-income securities – available for sale	26,534,393	24,689,122
Equity securities – available for sale	30,587	28,729
Financial assets at fair value through profit or loss	91,565	94,333
Other invested assets	3,993,601	3,735,054
Short-term investments	284,581	262,068
Cash and cash equivalents	763,344	734,942
<b>Total investments and cash under own management</b>	<b>34,296,984</b>	<b>32,092,110</b>
Funds withheld	2,548,835	1,931,254
Contract deposits	2,242	2,180
<b>Total investments</b>	<b>36,848,061</b>	<b>34,025,544</b>
Reinsurance recoverables on unpaid claims	1,739,325	1,903,289
Reinsurance recoverables on benefit reserve	–	–
Prepaid reinsurance premium	149,001	93,614
Reinsurance recoverables on other technical reserves	534	543
Deferred acquisition costs	1,175,188	774,751
Accounts receivable	3,671,357	2,689,084
Other assets in the segment	1,682,373	1,781,317
Assets held for sale	131,456	1,041,043
<b>Total assets</b>	<b>45,397,295</b>	<b>42,309,185</b>
<b>Segmentation of liabilities</b> in EUR thousand		
<b>Liabilities</b>		
Loss and loss adjustment expense reserve	26,775,860	24,542,826
Benefit reserve	–	–
Unearned premium reserve	4,689,826	2,915,904
Provisions for contingent commissions	319,685	300,093
Funds withheld	346,222	389,754
Contract deposits	72,810	71,607
Reinsurance payable	801,270	772,313
Long-term debt and notes payable	329,500	323,235
Other liabilities in the segment	2,299,492	1,718,949
Liabilities related to assets held for sale	33,778	2,246,129
<b>Total liabilities</b>	<b>35,668,443</b>	<b>33,280,810</b>

Life and health reinsurance		Consolidation		Total	
30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
51,060	51,347	–	–	250,486	249,943
40,203	34,635	15,496	15,049	2,455,186	2,398,950
8,698,915	8,531,051	12,043	19,512	35,245,351	33,239,685
–	–	–	–	30,587	28,729
704,049	656,176	–	–	795,614	750,509
383,846	263,917	29,401	35,686	4,406,848	4,034,657
176,754	159,867	1,695	15	463,030	421,950
397,353	333,031	38,422	4,942	1,199,119	1,072,915
<b>10,452,180</b>	<b>10,030,024</b>	<b>97,057</b>	<b>75,204</b>	<b>44,846,221</b>	<b>42,197,338</b>
8,567,360	8,760,514	–	–	11,116,195	10,691,768
199,761	170,693	–	–	202,003	172,873
<b>19,219,301</b>	<b>18,961,231</b>	<b>97,057</b>	<b>75,204</b>	<b>56,164,419</b>	<b>53,061,979</b>
192,683	181,341	–	–	1,932,008	2,084,630
748,066	909,056	–	–	748,066	909,056
1,321	64	(83)	–	150,239	93,678
12,756	6,627	–	–	13,290	7,170
1,367,276	1,381,069	–	–	2,542,464	2,155,820
1,438,982	1,287,072	(295)	(378)	5,110,044	3,975,778
538,125	565,346	(1,080,806)	(1,165,321)	1,139,692	1,181,342
47,059	–	–	(1,859)	178,515	1,039,184
<b>23,565,569</b>	<b>23,291,806</b>	<b>(984,127)</b>	<b>(1,092,354)</b>	<b>67,978,737</b>	<b>64,508,637</b>
4,482,390	4,215,749	–	–	31,258,250	28,758,575
8,835,560	9,184,356	–	–	8,835,560	9,184,356
283,702	251,060	–	–	4,973,528	3,166,964
290,832	275,903	–	–	610,517	575,996
586,089	579,507	–	–	932,311	969,261
3,518,478	3,540,047	–	–	3,591,288	3,611,654
444,591	383,918	(166)	–	1,245,695	1,156,231
–	–	2,236,897	2,235,649	2,566,397	2,558,884
2,174,975	2,192,760	(1,050,120)	(1,173,150)	3,424,347	2,738,559
–	–	–	–	33,778	2,246,129
<b>20,616,617</b>	<b>20,623,300</b>	<b>1,186,611</b>	<b>1,062,499</b>	<b>57,471,671</b>	<b>54,966,609</b>

Segment statement of income in EUR thousand	Property and casualty reinsurance	
	1.1.–30.6.2019	1.1.–30.6.2018
Gross written premium	7,847,453	6,467,100
Net premium earned	5,963,846	5,174,847
Net investment income	498,493	502,973
thereof		
Change in fair value of financial instruments	(998)	1,339
Total depreciation, impairments and appreciation of investments	37,554	21,044
Income/expense on funds withheld and contract deposits	22,932	16,278
Claims and claims expenses	4,041,082	3,346,565
Change in benefit reserve	–	–
Commission and brokerage, change in deferred acquisition costs and other technical income/expenses	1,637,332	1,510,540
Administrative expenses	112,434	113,072
Other income and expenses	(14,636)	(18,871)
<b>Operating profit/loss (EBIT)</b>	<b>656,855</b>	<b>688,772</b>
Financing costs	1,125	–
<b>Net income before taxes</b>	<b>655,730</b>	<b>688,772</b>
Taxes	194,613	213,394
<b>Net income</b>	<b>461,117</b>	<b>475,378</b>
thereof		
Non-controlling interest in profit or loss	29,793	40,947
<b>Group net income</b>	<b>431,324</b>	<b>434,431</b>

The segment information shown here is based on the same principles as those applied in the consolidated financial statement as at 31 December 2018. It 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. 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. We would also refer to the relevant information in the Group annual financial report as at 31 December 2018.

Changes in the consolidated group in the current financial year affected exclusively the property and casualty reinsurance segment.

Life and health reinsurance		Consolidation		Total	
1.1.–30.6.2019	1.1.–30.6.2018	1.1.–30.6.2019	1.1.–30.6.2018	1.1.–30.6.2019	1.1.–30.6.2018
3,846,531	3,518,192	–	–	11,693,984	9,985,292
3,391,826	3,170,719	83	76	9,355,755	8,345,642
365,487	239,102	1,658	1,523	865,638	743,598
44,743	18,279	–	(57)	43,745	19,561
3,940	16	–	–	41,494	21,060
70,914	97,518	–	–	93,846	113,796
2,812,709	2,672,631	–	–	6,853,791	6,019,196
55,819	(58,803)	–	–	55,819	(58,803)
604,180	554,805	–	–	2,241,512	2,065,345
128,263	106,131	254	129	240,951	219,332
129,624	84,328	(2,176)	(2,346)	112,812	63,111
<b>285,966</b>	<b>219,385</b>	<b>(689)</b>	<b>(876)</b>	<b>942,132</b>	<b>907,281</b>
784	–	40,454	37,684	42,363	37,684
<b>285,182</b>	<b>219,385</b>	<b>(41,143)</b>	<b>(38,560)</b>	<b>899,769</b>	<b>869,597</b>
26,322	72,605	(14,629)	(12,626)	206,306	273,373
<b>258,860</b>	<b>146,780</b>	<b>(26,514)</b>	<b>(25,934)</b>	<b>693,463</b>	<b>596,224</b>
1,165	(28)	–	–	30,958	40,919
<b>257,695</b>	<b>146,808</b>	<b>(26,514)</b>	<b>(25,934)</b>	<b>662,505</b>	<b>555,305</b>

## 5. Notes on the individual items of the balance sheet

### 5.1. 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 as well as cash and cash equivalents. Real estate as well as investments held by dis-

posal groups which are intended for sale as defined by IFRS 5 are 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.

For further details we would refer to the relevant information in the Group annual financial report as at 31 December 2018.

The following table shows the regional origin of the investments under own management.

<b>Investments</b>		
in EUR thousand	<b>30.6.2019</b>	31.12.2018
<b>Regional origin</b>		
Germany	8,475,034	7,781,666
United Kingdom	3,359,521	3,274,473
France	1,483,840	1,299,239
Other	5,385,846	5,479,327
<b>Europe</b>	<b>18,704,241</b>	<b>17,834,705</b>
USA	15,015,115	14,348,172
Other	2,093,149	1,790,371
<b>North America</b>	<b>17,108,264</b>	<b>16,138,543</b>
Asia	3,773,053	3,201,846
Australia	2,811,822	2,723,189
<b>Australasia</b>	<b>6,584,875</b>	<b>5,925,035</b>
Africa	321,594	341,005
Other	2,127,247	1,958,050
<b>Total</b>	<b>44,846,221</b>	<b>42,197,338</b>

## Maturities of the fixed-income and variable-yield securities

in EUR thousand	30.6.2019		31.12.2018	
	Amortised cost <sup>1</sup>	Fair value	Amortised cost <sup>1</sup>	Fair value
<b>Held to maturity</b>				
due in one year	32,953	33,467	27,597	28,255
due after one through two years	85,584	90,610	35,210	37,680
due after two through three years	83,615	91,293	138,040	150,358
due after three through four years	47,538	53,183	–	–
due after four through five years	–	–	48,280	53,358
due after five through ten years	–	–	–	–
due after more than ten years	796	267	816	266
<b>Total</b>	<b>250,486</b>	<b>268,820</b>	<b>249,943</b>	<b>269,917</b>
<b>Loans and receivables</b>				
due in one year	223,180	226,394	178,975	182,670
due after one through two years	201,950	209,802	200,522	209,143
due after two through three years	362,999	380,623	303,603	314,716
due after three through four years	242,924	270,911	213,694	232,687
due after four through five years	113,450	128,954	228,382	252,883
due after five through ten years	857,765	1,008,909	842,190	959,706
due after more than ten years	452,918	491,246	431,584	453,879
<b>Total</b>	<b>2,455,186</b>	<b>2,716,839</b>	<b>2,398,950</b>	<b>2,605,684</b>
<b>Available for sale</b>				
due in one year <sup>2</sup>	5,361,858	5,372,908	6,159,368	6,157,352
due after one through two years	3,451,279	3,492,511	3,217,098	3,230,856
due after two through three years	2,689,481	2,738,357	3,264,200	3,253,202
due after three through four years	3,538,740	3,619,281	2,828,576	2,831,536
due after four through five years	2,676,282	2,784,803	3,047,032	3,043,361
due after five through ten years	11,368,024	11,929,607	10,040,715	10,051,258
due after more than ten years	6,489,641	6,970,033	6,086,028	6,166,985
<b>Total</b>	<b>35,575,305</b>	<b>36,907,500</b>	<b>34,643,017</b>	<b>34,734,550</b>
<b>Financial assets at fair value through profit or loss</b>				
due in one year	353,312	353,312	427,918	427,918
due after one through two years	174,966	174,966	86,411	86,411
due after two through three years	20,216	20,216	13,075	13,075
due after three through four years	22,250	22,250	10,358	10,358
due after four through five years	–	–	17,740	17,740
due after five through ten years	10,762	10,762	4,248	4,248
due after more than ten years	–	–	–	–
<b>Total</b>	<b>581,506</b>	<b>581,506</b>	<b>559,750</b>	<b>559,750</b>

<sup>1</sup> Including accrued interest

<sup>2</sup> Including short-term investments and cash

**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**

in EUR thousand	30.6.2019				
	Amortised cost including accrued interest	Thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
<b>Investments held to maturity</b>					
Fixed-income securities					
Debt securities issued by semi-governmental entities	24,350	579	1,743	–	26,093
Corporate securities	70,364	1,227	5,881	–	76,245
Covered bonds/asset-backed securities	155,772	3,557	11,239	529	166,482
<b>Total</b>	<b>250,486</b>	<b>5,363</b>	<b>18,863</b>	<b>529</b>	<b>268,820</b>

**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**

in EUR thousand	31.12.2018				
	Amortised cost including accrued interest	Thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
<b>Investments held to maturity</b>					
Fixed-income securities					
Debt securities issued by semi-governmental entities	23,833	130	1,865	–	25,698
Corporate securities	70,804	1,449	5,605	–	76,409
Covered bonds/asset-backed securities	155,306	3,002	13,054	550	167,810
<b>Total</b>	<b>249,943</b>	<b>4,581</b>	<b>20,524</b>	<b>550</b>	<b>269,917</b>



**Amortised cost, unrealised gains and losses and accrued interest on loans and receivables as well as their fair value**

in EUR thousand	30.6.2019				
	Amortised cost including accrued interest	Thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
<b>Loans and receivables</b>					
Debt securities issued by semi-governmental entities	1,437,299	23,301	158,159	–	1,595,458
Corporate securities	566,051	4,165	30,581	1,908	594,724
Covered bonds/asset-backed securities	451,836	9,449	74,821	–	526,657
<b>Total</b>	<b>2,455,186</b>	<b>36,915</b>	<b>263,561</b>	<b>1,908</b>	<b>2,716,839</b>

**Amortised cost, unrealised gains and losses and accrued interest on loans and receivables as well as their fair value**

in EUR thousand	31.12.2018				
	Amortised cost including accrued interest	Thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
<b>Loans and receivables</b>					
Debt securities issued by semi-governmental entities	1,451,697	22,045	132,424	2,487	1,581,634
Corporate securities	482,638	2,776	16,857	2,744	496,751
Covered bonds/asset-backed securities	464,615	7,511	62,684	–	527,299
<b>Total</b>	<b>2,398,950</b>	<b>32,332</b>	<b>211,965</b>	<b>5,231</b>	<b>2,605,684</b>

**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**

in EUR thousand	30.6.2019				
	Amortised cost including accrued interest	Thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
<b>Available for sale</b>					
Fixed-income securities					
Government debt securities of EU member states	4,842,330	18,616	250,163	613	5,091,880
US Treasury notes	7,669,521	32,646	162,280	8,522	7,823,279
Other foreign government debt securities	2,132,351	16,111	79,116	2,619	2,208,848
Debt securities issued by semi-governmental entities	5,472,449	43,395	288,869	2,758	5,758,560
Corporate securities	11,153,216	121,514	483,704	11,197	11,625,723
Covered bonds/asset-backed securities	2,511,331	17,560	89,920	12,434	2,588,817
Investment funds	132,100	–	16,144	–	148,244
	<b>33,913,298</b>	<b>249,842</b>	<b>1,370,196</b>	<b>38,143</b>	<b>35,245,351</b>
Equity securities					
Shares	12,194	–	6,031	–	18,225
Investment funds	5,647	–	6,715	–	12,362
	<b>17,841</b>	<b>–</b>	<b>12,746</b>	<b>–</b>	<b>30,587</b>
Short-term investments	462,888	4,352	167	25	463,030
<b>Total</b>	<b>34,394,027</b>	<b>254,194</b>	<b>1,383,109</b>	<b>38,168</b>	<b>35,738,968</b>

**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**

in EUR thousand	31.12.2018				
	Amortised cost including accrued interest	Thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
<b>Available for sale</b>					
Fixed-income securities					
Government debt securities of EU member states	4,812,680	24,143	104,587	8,016	4,909,251
US Treasury notes	7,620,338	24,653	8,952	111,169	7,518,121
Other foreign government debt securities	2,146,289	17,987	17,738	26,084	2,137,943
Debt securities issued by semi-governmental entities	5,039,941	41,088	144,688	25,358	5,159,271
Corporate securities	11,064,028	121,084	153,661	200,049	11,017,640
Covered bonds/asset-backed securities	2,390,624	22,052	56,340	35,917	2,411,047
Investment funds	74,388	–	12,635	611	86,412
	<b>33,148,288</b>	<b>251,007</b>	<b>498,601</b>	<b>407,204</b>	<b>33,239,685</b>
Equity securities					
Shares	12,194	–	5,897	–	18,091
Investment funds	5,647	–	4,991	–	10,638
	<b>17,841</b>	<b>–</b>	<b>10,888</b>	<b>–</b>	<b>28,729</b>
Short-term investments	421,814	4,813	145	9	421,950
<b>Total</b>	<b>33,587,943</b>	<b>255,820</b>	<b>509,634</b>	<b>407,213</b>	<b>33,690,364</b>

**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**

in EUR thousand	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
	Fair value before accrued interest		Accrued interest		Fair value	
<b>Financial assets at fair value through profit or loss</b>						
Fixed-income securities						
US Treasury notes	56,407	55,855	–	289	56,407	56,144
Other foreign government debt securities	280,987	271,933	–	–	280,987	271,933
Corporate securities	243,670	231,355	442	318	244,112	231,673
	<b>581,064</b>	<b>559,143</b>	<b>442</b>	<b>607</b>	<b>581,506</b>	<b>559,750</b>
Other financial assets						
Derivatives	213,971	190,759	137	–	214,108	190,759
	<b>213,971</b>	<b>190,759</b>	<b>137</b>	<b>–</b>	<b>214,108</b>	<b>190,759</b>
<b>Total</b>	<b>795,035</b>	<b>749,902</b>	<b>579</b>	<b>607</b>	<b>795,614</b>	<b>750,509</b>

**Information on fair values and fair value hierarchy**

The methods and models set out below are used to establish the fair value of financial instruments on the assets and liabilities side of the balance sheet. The fair value of a financial instrument corresponds in principle 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 instru-

ments, their bid price is used. 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 following table.

**Valuation models**

Financial instrument	Parameter	Pricing model
<b>Fixed-income securities</b>		
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
<b>Other invested assets</b>		
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
<b>Other financial assets – at fair value through profit or loss</b>		
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

### Fair value hierarchy

For the purposes of the disclosure requirements pursuant to IFRS 13 “Fair Value Measurement”, it is necessary to assign financial assets and liabilities 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 current reporting period, as in the comparable period of the previous year, no financial assets or liabilities had to be reclassified to a different level of the fair value hierarchy.

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

in EUR thousand	30.6.2019			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	34,435	35,792,422	–	35,826,857
Equity securities	30,587	–	–	30,587
Other financial assets	–	69,697	144,411	214,108
Real estate funds	–	–	486,332	486,332
Other invested assets	–	–	1,680,897	1,680,897
Short-term investments	463,030	–	–	463,030
Other assets	–	3,546	–	3,546
<b>Total financial assets</b>	<b>528,052</b>	<b>35,865,665</b>	<b>2,311,640</b>	<b>38,705,357</b>
Other liabilities	–	19,667	26,994	46,661
<b>Total financial liabilities</b>	<b>–</b>	<b>19,667</b>	<b>26,994</b>	<b>46,661</b>

#### Fair value hierarchy of financial assets and liabilities recognised at fair value

in EUR thousand	31.12.2018			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	28,040	33,771,395	–	33,799,435
Equity securities	28,729	–	–	28,729
Other financial assets	–	58,420	132,339	190,759
Real estate funds	–	–	433,899	433,899
Other invested assets	–	–	1,647,992	1,647,992
Short-term investments	421,950	–	–	421,950
Other assets	–	988	–	988
<b>Total financial assets</b>	<b>478,719</b>	<b>33,830,803</b>	<b>2,214,230</b>	<b>36,523,752</b>
Other liabilities	–	57,940	24,548	82,488
<b>Total financial liabilities</b>	<b>–</b>	<b>57,940</b>	<b>24,548</b>	<b>82,488</b>

The following table provides a reconciliation of the fair values of financial assets and liabilities included in level 3 at the beginning of the period with the fair values as at the balance sheet date.

#### Movements in level 3 financial assets and liabilities

	1.1. – 30.6.2019				
	Equities, equity funds and other variable-yield securities	Other financial assets	Real estate funds	Other invested assets	Other liabilities
in EUR thousand					
<b>Net book value at 31 December of the previous year</b>	–	132,339	433,899	1,647,992	24,548
Currency translation at 1 January of the year under review	–	937	23,449	7,738	174
<b>Net book value after currency translation</b>	–	133,276	457,348	1,655,730	24,722
Income and expenses					
recognised in the statement of income	–	17,991	(1,618)	(19,339)	(2,741)
recognised directly in shareholders' equity	–	–	(1,847)	(24,138)	–
Purchases	–	38,493	48,796	177,605	5,024
Sales	–	45,389	16,238	108,736	–
Transfers to level 3	–	–	–	–	–
Transfers from level 3	–	–	–	–	–
Currency translation at 30 June of the year under review	–	40	(109)	(225)	(11)
<b>Closing balance at 30 June of the year under review</b>	–	144,411	486,332	1,680,897	26,994

### Movements in level 3 financial assets and liabilities

in EUR thousand	1.1.–30.6.2018				
	Equities, equity funds and other variable-yield securities	Other financial assets	Real estate funds	Other invested assets	Other liabilities
<b>Net book value at 31 December of the previous year</b>	<b>102</b>	<b>49,039</b>	<b>384,973</b>	<b>1,639,065</b>	<b>185,498</b>
Currency translation at 1 January of the year under review	–	1,438	3,944	28,792	5,437
<b>Net book value after currency translation</b>	<b>102</b>	<b>50,477</b>	<b>388,917</b>	<b>1,667,857</b>	<b>190,935</b>
Income and expenses					
recognised in the statement of income	–	976	–	51,314	(15,692)
recognised directly in shareholders' equity	–	–	(4,209)	(58,147)	–
Transfers	(103)	–	–	–	–
Purchases	–	23,806	40,307	183,338	7,718
Sales	–	6,552	33,502	273,045	–
Settlements	–	–	–	4,756	–
Reclassifications pursuant to IFRS 5	–	–	(7,013)	–	–
Transfers to level 3	–	–	–	–	–
Transfers from level 3	–	–	–	–	–
Currency translation at 30 June of the year under review	1	(1,692)	130	2,467	(1,159)
<b>Closing balance at 30 June of the year under review</b>	<b>–</b>	<b>67,015</b>	<b>384,630</b>	<b>1,569,028</b>	<b>181,802</b>

The breakdown of income and expenses recognised in the statement of income in the reporting period in connection with financial assets and liabilities assigned to level 3 is as follows.

### Income and expenses from level 3 financial assets and liabilities

in EUR thousand	1.1.–30.6.2019				
	Equities, equity funds and other variable-yield securities	Other financial assets	Real estate funds	Other invested assets	Other liabilities
<b>Total in the period under review</b>					
Ordinary investment income	–	–	–	(14)	–
Realised gains and losses on investments	–	–	–	278	–
Change in fair value of financial instruments	–	17,991	–	(2,292)	2,741
Total depreciation, impairments and appreciation of investments	–	–	(1,618)	(17,311)	–
<b>Thereof attributable to financial instruments included in the portfolio at 30 June</b>					
Ordinary investment income	–	–	–	(14)	–
Change in fair value of financial instruments	–	17,991	–	240	2,741
Total depreciation, impairments and appreciation of investments	–	–	(1,618)	(17,311)	–

## Income and expenses from level 3 financial assets and liabilities

in EUR thousand	1.1.–30.6.2018				
	Equities, equity funds and other variable-yield securities	Other financial assets	Real estate funds	Other invested assets	Other liabilities
<b>Total in the period under review</b>					
Ordinary investment income	–	–	–	63	–
Realised gains and losses on investments	–	–	–	54,793	–
Change in fair value of financial instruments	–	976	–	920	15,692
Total depreciation, impairments and appreciation of investments	–	–	–	(4,462)	–
<b>Thereof attributable to financial instruments included in the portfolio at 30 June</b>					
Ordinary investment income	–	–	–	63	–
Change in fair value of financial instruments	–	976	–	920	15,692
Total depreciation, impairments and appreciation of investments	–	–	–	(4,462)	–

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 2,311.6 million (EUR 2,214.2 million) as at the balance sheet date, Hannover Re measures financial assets with a volume of EUR 2,029.4 million (EUR 1,924.9 million) using the net asset value method. These items consist principally of shares in private equity and real estate funds. Assuming that the present values of the assets and liabilities contained in the funds would be 10% lower than used for measurement as at the balance sheet date, the fair values

for these items would amount to EUR 1,826.5 million. The remaining financial assets included in level 3 with a volume of EUR 282.2 million (EUR 289.3 million) relate to financial assets, 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.

## 5.2. Notes payable

Hannover Re recognised altogether three (three) subordinated bonds placed on the European capital market with an amortised cost of EUR 1,494.0 million (EUR 1,493.1 million) as at the balance sheet date.

The subordinated debts from the 2010 and 2012 financial years in amounts of EUR 500.0 million each were issued through Hannover Finance (Luxembourg) S.A. The fair value of the aforementioned bonds as at 30 June 2019 was EUR 1,166.7 million (EUR 1,126.1 million).

A further subordinated debt from the 2014 financial year with a volume of EUR 500.0 million, the fair value of which was

EUR 552.1 million (EUR 520.6 million), was issued by Hannover Rück SE.

In April 2018 Hannover Rück SE issued a senior unsecured bond with a volume of EUR 750.0 million. The bond has a maturity of 10 years. The fair value of this bond was EUR 794.8 million (EUR 741.3 million) as at the balance sheet date.

For further information regarding the maturity and coupon of these bonds please see the Group annual financial report for the previous year.



### 5.3. Shareholders' equity, non-controlling interests 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 shares. The shares are paid in full. Each share carries an equal voting right and an equal dividend entitlement.

Non-controlling interests in the shareholders' equity of the subsidiaries amounted to EUR 774.3 million (EUR 765.2 million) as at the balance sheet date. They were principally attributable to non-controlling interests in the shareholders' equity of E+S Rückversicherung AG in an amount of EUR 706.8 million (EUR 706.1 million).

Conditional capital of up to EUR 60,299 thousand is available. It can be used to grant shares to holders of bonds and/or profit-sharing rights with conversion rights and warrants and has a time limit of 9 May 2021.

In addition, authorised capital of up to EUR 60,299 thousand is available with a time limit of 9 May 2021.

The subscription right of shareholders may be excluded in each case with the consent of the Supervisory Board under certain conditions.

The Executive Board is authorised, with the consent of the Supervisory Board, to acquire treasury shares – including through the use of derivatives – up to an amount of 10% of the share capital. The authorisation has a time limit of 5 May 2020.

The Executive Board is additionally authorised, with the consent of the Supervisory Board, to use an amount of up to EUR 1,000 thousand of the existing authorised capital to issue employee shares.

The Annual General Meeting of Hannover Rück SE resolved on 8 May 2019 to distribute a gross dividend of EUR 5.25 per share, altogether EUR 633.1 million (EUR 603.0 million), for the 2018 financial year. The distribution is comprised of a dividend of EUR 3.75 per share and a special dividend of EUR 1.50 per share.

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 16,452 (16,530) treasury shares during the second quarter of 2019 and delivered them to eligible employees at preferential conditions. These shares are blocked until 31 May 2023. 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 change in retained earnings recognised in equity. The company was no longer in possession of treasury shares as at the balance sheet date.

The increase in the other reserves arising out of currency translation, which is recognised in equity, was attributable in an amount of EUR 12.6 million (30 June 2018: EUR 6.0 million) to the translation of long-term debt or loans with no maturity date extended to Group companies and branches abroad.

## 6. Notes on the individual items of the statement of income

### 6.1. Gross written premium

#### Gross written premium

in EUR thousand	1.1.–30.6.2019	1.1.–30.6.2018
<b>Regional origin</b>		
Germany	905,326	714,979
United Kingdom	1,449,215	1,321,328
France	456,127	401,942
Other	1,421,444	1,282,995
<b>Europe</b>	<b>4,232,112</b>	<b>3,721,244</b>
USA	3,791,664	3,074,313
Other	426,699	391,049
<b>North America</b>	<b>4,218,363</b>	<b>3,465,362</b>
Asia	1,927,425	1,450,483
Australia	552,121	638,023
<b>Australasia</b>	<b>2,479,546</b>	<b>2,088,506</b>
Africa	267,306	264,266
Other	496,657	445,914
<b>Total</b>	<b>11,693,984</b>	<b>9,985,292</b>

### 6.2. Investment income

#### Investment income

in EUR thousand	1.1.–30.6.2019	1.1.–30.6.2018
Income from real estate	87,868	82,588
Dividends	2,735	1,045
Interest income	484,965	451,450
Other investment income	118,924	97,393
<b>Ordinary investment income</b>	<b>694,492</b>	<b>632,476</b>
Profit or loss on shares in associated companies	7,507	1,792
Realised gains on investments	187,775	163,635
Realised losses on investments	60,306	110,255
Change in fair value of financial instruments	43,745	19,561
Impairments on real estate	20,205	16,597
Impairments on fixed-income securities	128	–
Impairments on participating interests and other financial assets	21,161	4,463
Other investment expenses	59,927	56,347
<b>Net income from assets under own management</b>	<b>771,792</b>	<b>629,802</b>
Interest income on funds withheld and contract deposits	115,279	164,065
Interest expense on funds withheld and contract deposits	21,433	50,269
<b>Total investment income</b>	<b>865,638</b>	<b>743,598</b>

The impairments totalling EUR 23.0 million (EUR 4.5 million) were attributable in an amount of EUR 17.3 million (EUR 4.5 million) to alternative investments. Impairments of EUR 1.7 million (EUR 0.0 million) were recognised on real estate and

real estate funds. The write-downs taken on fixed-income securities totalled EUR 0.1 million (EUR 0.0 million). Impairments of EUR 3.9 million (EUR 0.0 million) were taken on other invested assets.

These write-downs were not opposed by any reversals. 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

in EUR thousand	1.1.–30.6.2019	1.1.–30.6.2018
Fixed-income securities – held to maturity	4,857	5,767
Fixed-income securities – loans and receivables	41,230	40,908
Fixed-income securities – available for sale	419,898	388,159
Financial assets – at fair value through profit or loss	2,193	960
Other	16,787	15,656
<b>Total</b>	<b>484,965</b>	<b>451,450</b>

## 7. Other notes

### 7.1. Derivative financial instruments and financial guarantees

Derivatives are financial instruments, the fair value of which is derived from an underlying trading 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.

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 1.5 million (EUR 0.5 million) and other financial assets at fair value through profit or loss of EUR 0.1 million (EUR 0.5 million).

Hannover Re's portfolio contained derivative financial instruments as at the balance sheet date in the form of forward exchange transactions taken out to hedge currency risks. These transactions gave rise to recognition of other liabilities in an amount of EUR 8.9 million (EUR 6.1 million) and other financial assets at fair value through profit or loss in an amount of EUR 9.6 million (EUR 16.4 million). The increase in equity from hedging instruments recognised directly in equity pursuant to IAS 39 derived in an amount of EUR 1.4 million (EUR 2.3 million) from the forward exchange transactions

#### Derivative financial instruments in connection with reinsurance

A number of treaties in life and health reinsurance meet criteria which require application of the stipulations contained 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

taken out to hedge currency risks from long-term investments in foreign operations. These hedging instruments resulted in the recognition of other financial assets at fair value through profit or loss in an amount of EUR 0.3 million (EUR 3.8 million) and other liabilities of EUR 0.7 million (EUR 0.0 million). Ineffective components of the hedge were recognised in a negligible amount under other investment expenses (EUR 1.1 million under other investment income).

In order to hedge the risk of share price changes in connection with the stock appreciation rights granted under the share award plan, Hannover Re took out hedges in 2014 in the form of so-called equity swaps. The fair value of these instruments amounted to EUR 3.5 million (EUR 1.0 million) as at the balance sheet date and was recognised under other financial assets at fair value through profit or loss. The hedge gave rise to an increase in equity from hedging instruments recognised directly in equity in an amount of EUR 7.1 million (EUR 1.6 million); ineffective components of the hedge were recognised in a minimal amount under other investment expenses.

The net changes in the fair value of the aforementioned instruments resulted in a charge of EUR 1.5 million to the result of the period under review (improvement in the result of EUR 0.1 million).

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 under-

lying 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 has no value on the date when the contract commences and its value then fluctuates over time according to changes in the credit spreads of the securities. The derivative had a positive value of EUR 23.0 million (EUR 14.0 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 income of EUR 8.9 million (charge of EUR 5.9 million) before tax.

A derivative financial instrument was also unbundled from another similarly structured transaction. This gave rise to recognition of other financial assets at fair value through profit or loss in an amount of EUR 19.2 million (EUR 4.8 million). The performance of this derivative has improved the result by EUR 14.7 million in the financial year to date (EUR 0.4 million).

A number of transactions concluded in the Life & Health reinsurance business group in previous years, under which Hannover Re companies offer their contracting parties coverage for risks from possible future payment obligations arising out of hedging instruments, are also to be classified as derivative financial instruments. The payment obligations result from contractually defined events and relate to the development of an underlying group of primary insurance contracts with statutory reserving requirements. The contracts are to be categorised and recognised as stand-alone credit derivatives pursuant to IAS 39. These derivative financial instruments were carried in equity on initial recognition. The fair value of these instruments was EUR 47.3 million (EUR 53.2 million) on the balance sheet date and was recognised under other financial assets at fair value through profit or loss. The change in value in subsequent periods is dependent upon the risk experience and has led to an improvement of EUR 18.3 million (EUR 16.0 million) in investment income in the financial year to date.

A retrocession agreement exists in the area of life and health reinsurance under which the premiums were deposited with Hannover Re and invested in a structured bond. The retrocessionaire has furnished a guarantee for its fair value. In ac-

#### 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 ced-

cordance with the requirements of IFRS 4 this guarantee was to be unbundled from the retrocession agreement and is carried as a derivative financial instrument at fair value. The derivative was recognised with a positive fair value of EUR 9.8 million (EUR 22.7 million) as at the balance sheet date 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 resulted in an expense of EUR 13.2 million (income of EUR 7.0 million). Conversely, the performance of the structured bond, which is also measured at fair value, gave rise to income (expense) in the same amount.

In the area of life and health reinsurance a reinsurance treaty with a financing component was also written in previous years under which the amount and timing of the return flows are dependent on lapse rates within an underlying primary insurance portfolio. This treaty and a corresponding retrocession agreement, which were classified as financial instruments pursuant to IAS 39, resulted in the recognition of other liabilities of EUR 27.0 million (EUR 24.5 million) and other financial assets at fair value through profit or loss in an amount of EUR 97.1 million (EUR 79.2 million). Altogether, these arrangements have given rise to an improvement in income of EUR 2.5 million (EUR 0.6 million) in the course of the financial year to date.

At the end of the 2017 financial year an index-linked cover was written for longevity risks. The resulting derivative was recognised as at the balance sheet date with a positive fair value of EUR 7.7 million under other financial assets at fair value through profit or loss (EUR 45.5 million recognised under other liabilities). The change in the fair value of the derivative has given rise to income of EUR 5.6 million (EUR 6.0 million) in the course of the financial year to date.

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 204.0 million (EUR 173.9 million) as well as recognition of liabilities in an amount of EUR 35.6 million (EUR 75.9 million) from the derivatives resulting from technical items as at the balance sheet date. Improvements in investment income amounting to EUR 49.9 million (EUR 30.7 million) as well as charges to income of EUR 15.9 million (EUR 5.9 million) have been recognised in the current year under review from all separately measured derivatives in connection with the technical account.

ants 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 3,291.9 million (EUR 3,268.7 million); an amount equivalent to EUR 2,678.6 million (EUR 2,623.4 million) had

been taken up as at the balance sheet date. The variable payments to the special purpose entities that are guaranteed by companies belonging to 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

## 7.2. 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 period under review the following significant business relations existed with related parties.

Talanx AG holds an unchanged majority interest of 50.22% in Hannover Rück SE. For its part, HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit (HDI), Hannover, holds a stake of 79.0% in Talanx AG.

The business relationship between Hannover Rück SE and its subsidiary E+S Rückversicherung AG is based on a cooperation agreement. A retrocession by Hannover Rück SE to E+S Rückversicherung AG exists in property and casualty reinsurance. The exclusive responsibilities of E+S Rückversicherung AG for German business and of Hannover Rück SE for international markets have been preserved.

Companies belonging to the Talanx Group granted the Hannover Re Group insurance protection inter alia in the areas of public liability, building, contractors all risks, group accident and business travel insurance. Divisions of Talanx AG also

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.

performed services for the Hannover Re Group in the areas of taxes and general administration. Divisions of Hannover Rück SE performed services in connection with the insurance and reinsurance business of HDI Global Specialty SE, a joint venture of Hannover Rück SE and HDI Global SE.

Talanx Reinsurance Broker GmbH 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 GmbH.

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.

The reinsurance relationships with related parties in the period under review are shown with their total amounts in the following table.

## Business assumed and ceded in Germany and abroad

in EUR thousand	1.1.–30.6.2019			1.1.–30.6.2018		
	Property and casualty reinsurance	Life and health reinsurance	Total	Property and casualty reinsurance	Life and health reinsurance	Total
<b>Material items in the statement of income</b>						
<b>Business assumed</b>						
Premium	658,737	69,766	728,503	185,059	73,030	258,089
Underwriting result	(20,779)	10,487	(10,292)	(11,705)	12,150	445
<b>Business ceded</b>						
Premium	(1,986)	(32,804)	(34,790)	1,040	(27,610)	(26,570)
Underwriting result	(899)	(5,733)	(6,632)	(1,183)	(4,254)	(5,437)
<b>Total</b>						
Premium	656,751	36,962	693,713	186,099	45,420	231,519
Underwriting result	(21,678)	4,754	(16,924)	(12,888)	7,896	(4,992)

  

in EUR thousand	30.6.2019			31.12.2018		
	Property and casualty reinsurance	Life and health reinsurance	Total	Property and casualty reinsurance	Life and health reinsurance	Total
<b>Material items in the balance sheet</b>						
<b>Assets</b>						
Funds withheld	73,131	936,933	1,010,064	54,767	906,427	961,194
Deferred acquisition costs	198,715	21,843	220,558	32,651	33,153	65,804
Accounts receivable	340,582	9,219	349,801	35,491	16,050	51,541
<b>Liabilities</b>						
Loss and loss adjustment expense reserve	2,589,910	46,393	2,636,303	1,166,164	46,553	1,212,717
Benefit reserve	–	112,774	112,774	–	118,207	118,207
Unearned premium reserve	655,629	12	655,641	92,643	25	92,668
Contract deposits	–	799,893	799,893	–	770,066	770,066
Reinsurance payable	7,292	2,733	10,025	27,065	6,252	33,317

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 47.5 million (EUR 47.5 million) including accrued interest of EUR 0.5 million (EUR 0.5 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 Ampega 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 Invest-

ment GmbH. Ampega Real Estate GmbH performs services for Hannover Re under a number of management contracts.

Hannover Rück SE has concluded agreements with Ampega Asset Management GmbH and with HDI Global Specialty SE that enable these companies to use software for checking sanctions lists.

Under long-term lease arrangements companies belonging to the Hannover Re Group rented out business premises in 2015 to HDI Service AG, Hannover. In addition, lease agreements exist with HDI Service AG for use of a portion of the space in our data 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 HDI Pensionsmanagement AG and HDI Lebensversicherung AG under an actuarial service contract.

Talanx AG performs various services in the area of taxes for a number of investment vehicles of the Hannover Re Group in the asset classes of private equity and real estate. In this regard corresponding agreements have been concluded with altogether nine Hannover Re companies.

Since 2012 a service agreement has existed between Hannover Rück SE and Talanx AG regarding the receipt of services

### 7.3. Staff

As at the balance sheet date altogether 3,169 (3,317) staff were employed by the Hannover Re Group, with 1,363 (1,426)

for operation of data acquisition software used in the preparation of the consolidated financial statement.

Hannover Rück SE has concluded a service contract with HDI Service AG in the area of flight services as well as a contract regarding the reciprocal provision of business continuity management services.

Since 2004 a service agreement has existed between Hannover Rück SE, E+S Rückversicherung AG and Talanx Reinsurance Broker GmbH regarding the receipt of market security services and access to the business partner information system of Hannover Rück SE.

employed in Germany and 1,806 (1,891) working for the consolidated Group companies abroad.

### 7.4. Earnings per share

#### Calculation of the earnings per share

	1.1.–30.6.2019	1.1.–30.6.2018
Group net income in EUR thousand	662,505	555,305
Weighted average of issued shares	120,596,861	120,596,856
Basic earnings per share in EUR	5.49	4.60
Diluted earnings per share in EUR	5.49	4.60

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 period under review nor in the previous reporting period were there any dilutive effects.

The weighted average number of issued shares was slightly below the number of shares outstanding as at the balance sheet date. On the basis of this year's employee share option plan Hannover Rück SE acquired treasury shares in the course of the second quarter of 2019 and sold them to eligible employees at a later date.

### 7.5. Contingent liabilities and commitments

Hannover Rück SE has secured by subordinated guarantee the subordinated debts issued by Hannover Finance (Luxembourg) S.A. in the 2010 and 2012 financial years in amounts of EUR 500.0 million each.

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

The weighted average number of shares does not include 16,452 (16,530) treasury shares pro rata temporis for the duration of the holding period. For further details please see our comments in section 6.3 "Shareholders' equity, non-controlling interests 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.

(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 4,047.5 million (EUR 3,904.8 million) and EUR 136.4 million (EUR 132.3 million) respectively as at the balance sheet date. The securities held in the trust accounts are shown as availa-

ble-for-sale investments. In addition, we furnished further collateral to ceding companies in an amount of EUR 3,101.3 million (EUR 2,555.3 million) in the form of so-called “single trust funds”. This amount includes a sum equivalent to EUR 2,673.5 million (EUR 2,042.6 million) which was furnished by investors as security for potential reinsurance obligations from ILS transactions.

As part of our business activities we hold collateral available outside the United States in various blocked custody accounts and trust accounts, the total amount of which in relation to the Group’s major companies was EUR 2,964.4 million (EUR 2,915.0 million) as at the balance sheet date.

The securities held in the blocked custody accounts and trust accounts are recognised predominantly as available-for-sale investments.

As security for our technical liabilities, various financial institutions have furnished sureties for our company in the form of letters of credit. The total amount as at the balance sheet date was EUR 1,206.7 million (EUR 1,330.3 million).

We put up own investments with a book value of EUR 5.8 million (EUR 5.6 million) as collateral for existing derivative transactions. We received collateral with a fair value of EUR 7.4 million (EUR 15.6 million) for existing derivative transactions.

As collateral for commitments 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 650.0 million (EUR 647.4 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 1,416.9 million (EUR 1,326.4 million). These primarily involve as yet unfulfilled payment obligations from investment commitments given to private equity funds and venture capital firms.

Group companies are members of the association for the reinsurance of pharmaceutical risks and several atomic and nuclear pools. The failure of one of the other pool members to meet its liabilities would result in an additional call according to the quota participation.

Hannover Rück SE has put up a guarantee limited to GBP 10.0 million (EUR 11.2 million) for an indefinite period in favour of the pension scheme “The Congregational & General Insurance Plc Pension and Life Assurance Scheme” of the company Congregational & General Insurance Plc., Bradford/UK, which is in liquidation, at usual market conditions.

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 Rück SE 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.



## 7.6. Events after the end of the reporting period

No significant events beyond the scope of ordinary business activities have occurred since the balance sheet date.

Hannover, 5 August 2019

Executive Board



Henchoz



Althoff



Chèvre



Dr. Miller



Dr. Pickel



Sehm



Vogel

## Review report by the independent auditors

To Hannover Rück SE, Hannover

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and the notes to the consolidated financial statements – together with the interim Group management report of Hannover Rück SE, Hannover, for the period from 1 January to 30 June 2019, which are components of the half-yearly financial report pursuant to §115 of the German Securities Trading Act (WpHG). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim management report for the Group in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim management report for the Group based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim management report for the Group in accordance with German generally accepted standards for the review of financial statements

Hannover, 6 August 2019

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Mathias Röcker  
Wirtschaftsprüfer

ppa. Dennis Schnittger  
Wirtschaftsprüfer

promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim management report for the Group has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and thus provides less assurance than an audit. Since, in accordance with our mandate, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU or that the interim management report for the Group has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

## Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management re-

port of the Group 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 for the remaining months of the financial year.

Hannover, 5 August 2019

Executive Board



Henchoz



Althoff



Chèvre



Dr. Miller



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Sehm



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