HDI Global SE

Annual Report 2015

HDI Global SE at a glance

		2015	2014
Gross premium income	EUR million	3,980	3,787
Increase/decrease in gross premium income	%	5.1	15.8
Income from premiums earned for own account	EUR million	1,785	1,602
Expenses on insurance claims for own account	EUR million	1,411	1,335
Loss ratio for own account	%	79.1	83.3
Expenses for insurance operations for own account	EUR million	455	395
Expense ratio for own account	%	25.5	24.7
Underwriting result before equalisation reserve for own account	EUR million	-84	-124
Combined ratio for own account	%	104.6	108.0
Investments	EUR million	6,600	6,562
Investment income	EUR million	256	350
Result from non-insurance business*	EUR million	151	226
Result from ordinary activities	EUR million	75	125
Tax expense/tax income (-)	EUR million	39	46
Profit transferred under a profit-and-loss transfer agreement	EUR million	27	62
Operating profit/loss (result from ordinary activities less changes in the equalisation reserve)	EUR million	67	103
Capital, reserves and underwriting provisions			
Equity	EUR million	407	407
Subordinated liabilities	EUR million	200	200
Equalisation reserve and similar provisions for own account	EUR million	551	560
Other underwriting provisions for own account**	EUR million	5,213	5,036
Total	EUR million	6,371	6,203
Of earned premiums for own account	%	356.9	387.1
Ratio of underwriting provisions for own account***	%	265.8	287.3
Insurance contracts	1,000	790	789
Reported claims	1,000	279	261
Average number of employees throughout the year	Number	2,563	2,395

** Sum of net investment income and other comprehensive income*
*** Excluding provision for premium refunds*
**** Provision for outstanding claims for own account as a percentage of earned premiums for own account*

For computational reasons, the tables may show rounding differences of +/- one unit count.

Contents

Ladies and Gentlemen,

The past financial year was satisfactory for our Company. We increased gross written premiums and at the same time improved the underwriting result. That shows: We managed the business well and never lost sight of our goal of profitable growth. We also made several important decisions along the way including the decision to transform our Company from HDI-Gerling Industrie Versicherung AG into HDI Global SE.

But the past year also demanded a great deal from us. Several major losses weighed on our results, for example as a consequence of the storms „Niklas“ and „Siegfried“ in Germany, but also as a consequence of a winter storm in Canada and a severe flood in India. However, the explosions in the Chinese port of Tianjin in particular led to major losses at numerous companies that we insure. In particular the property and marine lines were affected by this accumulation event.

We managed these challenges well and increased the underwriting result for the Company‘s own account to EUR -76 (previous year: -101) million. At the same time, gross written premiums rose by more than five percent to EUR 3.98 billion. In contrast, the picture with respect to capital investments is less satisfactory. Net investment income decreased to EUR 194 (272) million. However, the decrease was not unexpected. Among other things, the reasons for this include the sustained low interest rate level – in particular in the Eurozone – and a positive non-recurring effect that led to a considerable increase in net investment income in the previous year. As a consequence of this development with respect to investments, our operating profit also decreased to EUR 67 million (EUR 103 million).

In light of the weak market phase that has persisted for several years, we carried out multiple initiatives on the German market in the past year to strengthen our portfolio quality. The goal was to improve the relationship between risk and premium. It was important that we consider each contract and every customer individually in order to then seek constructive solutions with our business partners. We succeeded in this in the vast majority of cases. In addition to the possibility of increasing prices for risk or even cancelling the contract, we were primarily interested in implementing preventative measures with our customers and reducing the size of risks. We are very pleased with the course and results of this portfolio optimisation. We only abstained from a very small portion of business, while at the same time also achieving recognisable and urgently necessary improvements in the premium/liability relationship in the property, transport and motor lines. In order to permanently secure this trend, we will continue similar measures where necessary also in financial year 2016 – always with sound judgement and faithful collaboration with our customers.

We can be absolutely satisfied with our Company‘s course of internationalisation. Our premium growth can also be attributed largely to foreign markets. We expanded, among other places, in Latin America, the United States and the United Kingdom. For instance, the share of foreign markets in gross written premiums increased once again and meanwhile constitutes 60 percent of the total premium volume in Talanx Group’s Industrial Lines Division. We intend to continue this trend. We are pursuing the goal of realising around 65 percent of our premium income with the international business in 2019. With this in mind, we will also open additional locations abroad this year, for instance in Australia, Italy, Switzerland and France. That brings us much closer to our customers in these countries.

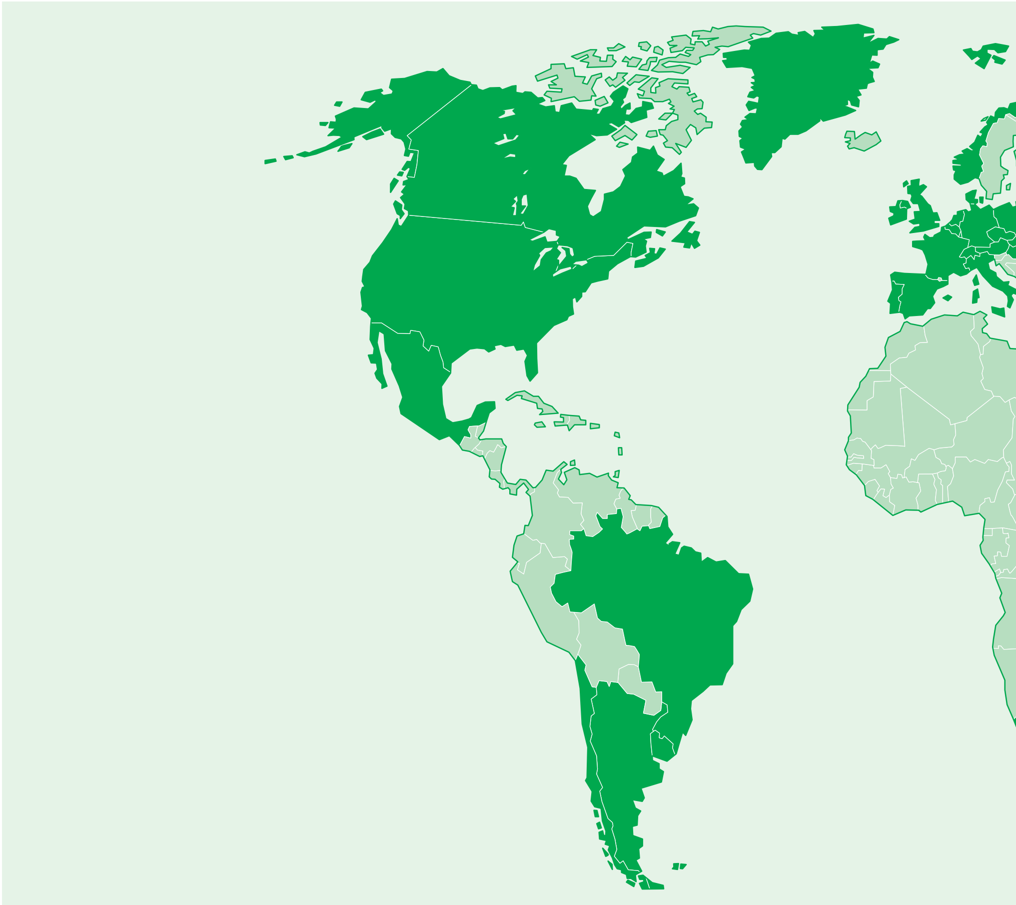
In order to be well-positioned globally also in the future, we have also changed the name of our Company and our legal form in the past year. The renaming of HDI-Gerling Industrie Versicherung AG and the transformation into an SE (Societas Europaea/European stock corporation) was successfully completed on 8 January 2016 with the entry in the commercial register. Since then, we have traded under the name „HDI Global SE“ and appear worldwide under the HDI brand. In my opinion, this transformation was an important milestone in our more than 110-year history. In this manner, the internationalisation of our business is also reflected in our name. Finally, our Company is meanwhile an active provider of insurance solutions for small, medium and large enterprises. Ladies and Gentlemen, as a consequence, you are now holding the first annual report of HDI Global SE in your hands. For the purpose of clarity, the name HDI Global SE is also used consistently throughout this report.

Our employees in Germany and abroad have also made an important contribution to the positive result of the past financial year with their commitment and expertise. In the name of the Board of Management, I would like to thank them for their commitment. I would also like to thank all of our clients and brokers for their loyalty and their trust in our work in the name of all our employees.

Sincerely,

Dr Christian Hinsch
Chairman of the Board of Management of HDI Global SE

HDI worldwide*



Argentina
HDI Seguros S.A.
Buenos Aires

Australia
HDI Global SE
Sydney/Melbourne

Austria
HDI Versicherung AG
Vienna

Bahrain
HDI-Gerling Industrie Versicherung AG
Manama

Belgium
HDI Global SE
Brussels/Antwerp

Brazil
HDI-Gerling Seguros Industriais S.A.
São Paulo

Canada
HDI Global SE
Toronto

Chile
HDI Seguros S.A.
Santiago

China
HDI-Gerling Industrie Versicherung AG
Hong Kong

Czech Republic
HDI Versicherung AG
Prague

Denmark
HDI-Gerling Industrie Versicherung AG
Copenhagen

France
HDI Global SE
Paris

Germany
HDI Global SE
Hannover

Greece
HDI-Gerling Industrie Versicherung AG
Athens

Hungary
HDI Versicherung AG
Budapest

India
Magma HDI General Insurance Company
Limited
Kolkata
(Joint venture)

Russia
OOO Strakhovaya Kompaniya
„HDI Strakhovanie“
Moscow

Singapore
HDI Global SE
Singapore

Slovakia
HDI Versicherung AG
Bratislava

South Africa
HDI-Gerling Insurance of South Africa
Limited
Johannesburg

Spain
HDI-Gerling Industrie Versicherung AG
Madrid/Barcelona

Switzerland
HDI Global SE
Zurich/Lausanne

Ireland
HDI Global SE
Dublin

Italy
HDI Global SE
Milan

Japan
HDI Global SE
Tokyo

Mexico
HDI-Gerling de México Seguros, S.A.
Mexico City

The Netherlands
HDI Global SE
Rotterdam/Amsterdam

HDI-Gerling Verzekeringen N.V.
Rotterdam/Amsterdam

Norway
HDI Global SE
Oslo

Poland
Towarzystwo Ubezpieczeń i
Reasekuracji
„WARTA“ S.A.
Warsaw

Turkey
HDI Sigorta A.Ş.
Istanbul

United Kingdom
HDI Global SE
London/Birmingham/Manchester

USA
HDI Global Insurance Company
Chicago/Los Angeles

Vietnam
PVI Insurance Corporation
Hanoi
(Minority interest)

*As at 10 February 2016

Representatives of the member groups of HDI V.a.G.

01 South German Iron and Steel Industry
Dr Michael H. Müller
Chairman of the Supervisory Board of
Saarstahl AG and of
AG der Dillinger Hüttenwerke, Lawyer,
Saarbrücken

Dr Ing Hansjörg Rieger
Managing Partner of
RUD Ketten Rieger & Dietz
GmbH u. Co. KG, Honorary President of the
IHK (Chamber of Industry and Commerce)
Ostwürttemberg,
Aalen-Unterkochen
(until 17 June 2015)

Dr Benjamin Rieger
Managing Director of
RUD Ketten Rieger & Dietz
GmbH u. Co.KG,
Aalen-Unterkochen
(since 17 June 2015)

02 West German Iron and Steel Industry
Dipl Kfm Bruno Gantenbrink
Personally liable partner of
BEGA Gantenbrink-Leuchten KG,
Menden

Dipl Betriebswirt
Friedhelm Hoffmann
Former Managing Director of
W. Schumacher GmbH,
Hilchenbach
(until 17 June 2015)

Richard A. Hussmanns
Member of the Management Board of
OTTO FUCHS KG,
Meinerzhagen
(since 17 June 2015)

03 North German
Iron and Steel Industry
Jürgen Stulz
Managing Director of
STULZ Holding GmbH and of
STULZ GmbH,
Hamburg

04 Steel Mills and Smelters
Ulrich Grillo
Chairman of the Board of Management of
Grillo-Werke AG,
Duisburg

05 Electrical, Precision Mechanics and Optical Industry
Prof Dr Ing Udo Bechtloff
Member of the Advisory Board of
KSG Leiterplatten GmbH,
Gornsdorf

Manfred Neubert
Chairman of the
Board of Directors of
SKF GmbH,
Schweinfurt

06 Companies in the South German Precious Metals and Non-precious Metals Industry
Maximilian Schäfer
Breitbrunn am Chiemsee
(until 17 June 2015)

Mag Heimo Hübner
Managing Director of MS-Schramberg
Magnet und Kunststofftechnik
GmbH & Co.KG,
Schramberg-Sulgen
(since 17 June 2015)

10 Mining Companies
Dr Jürgen Rupp
Member of the Board of Management of
RAG Aktiengesellschaft,
Herne

20 Chemicals Companies
Dr rer nat Helge Fänger
Chairman of the Supervisory Board of
Serumwerk Bernburg AG,
Bernburg

Dr Reinhard Uppenkamp
Chairman of the Board of Management of
Berlin-Chemie AG,
Berlin

30 Food Companies
Dipl Kfm Rainer Thiele
Chairman of the Advisory Board of
KATHI Rainer Thiele GmbH,
Halle (Saale)

31 Breweries and Malthouses
Alfred Müller
Managing Director of
Bitburger Holding GmbH and of
Bitburger Braugruppe GmbH,
Bitburg

38 Wholesale and Export Companies
Andreas Möbius
Managing Director of
VGA GmbH,
Berlin

40 Paper and Printing Companies
Dipl Ökonom Thomas Thumm
Member of the Management Board of
HERMA GmbH,
Filderstadt

55 Ceramics and Glass Companies
Dipl Kfm Nikolaus Wiegand
Managing Director of
Wiegand-Glas GmbH,
Steinbach am Wald

58 Medical and Welfare Services
Dr Andreas Tecklenburg
Vice President and Member of the Board of Directors responsible
for the Patient Care Division of
Hannover Medical School (MHH),
Hannover

60 Wood and Lumber Companies
Dr Peter M. Hamberger
Managing Director of
Hamberger Industriewerke GmbH,
Stephanskirchen

70 Textile and Leather Companies
Dipl Kfm Heiko A. Westermann
Managing Partner of
ROY ROBSON FASHION
GmbH & CO. KG
Lüneburg

81 Building and Building Materials Industry
Christian Schnieder
Managing Partner of
GOLDBECK GmbH,
Bielefeld

82 Banks, Insurance Companies, Administration, Liberal Professions
Walter Eßer
Lawyer,
Aachen

Dipl Ing Gerhard Heidbrink
Chairman of the Board of Management of
Extremus Versicherungs-AG,
Sehnde

Dr med Hans-Ulrich Küver
Neurologist and Psychiatrist,
Hannover

Dr jur Christian Olearius
Chairman of the Supervisory Board of
M. M. Warburg & CO
(AG & Co.) KGaA,
Hamburg
(until 17 June 2015)

Dr Sandra Reich
Member of the Board of Management of
BÖAG Börsen AG
Managing Director of the Hamburg Stock Exchange
and the Hannover Stock Exchange
Hannover
(since 17 June 2015)

Friedrich Schüßler
Former Chairman of the Board of Management of
Lucura Rückversicherungs AG,
Ludwigshafen
(until 17 June 2015)

Peter Wölker
Lawyer,
Ostbevern
(since 17 June 2015)

83 Transport and Shipping Industry
Michael Eggenschwiler
Chairman of the Board of Directors of
Flughafen Hamburg GmbH,
Hamburg

84 Energy and Utility Companies
Dipl Volkswirt Markus Scheib
Managing Director of
MiRO Mineraloelraffinerie
Oberrhein GmbH & Co. KG,
Karlsruhe

Governing bodies of the Company

Supervisory Board

Herbert Haas
Chairman
Burgwedel
Chairman of the Board of Management of HDI Haftpflichtverband der Deutschen Industrie V.a.G. and of Talanx AG

Dr. Erwin Möller
Deputy Chairman
Hannover
Former Chairman of the Supervisory Board of M. M. Warburg & Co. Gruppe KGaA

Dr Annette Beller
Kassel
Member of the Board of Management of B. Braun Melsungen AG
(effective from 9 October 2015)

Wolfgang Brinkmann
Herford
Managing Partner of bugatti GmbH
(until 9 October 2015)

Sebastian Gascard*
Isernhagen
Employee
(effective from 11 March 2015)

Jutta Mück*
Oberhausen
Employee

Detlev Preugschat*
Burgwedel
Employee
(until 11 March 2015)

Ulrich Weber
Berlin
Member of the Board of Management of Deutsche Bahn AG

* Staff representative

Board of Management

Dr Christian Hinsch
Chairman
Burgwedel

Deputy Chairman of the
Board of Management of
HDI Haftpflichtverband der
Deutschen Industrie V.a.G and of
Talanx AG

Member of the Board of Management of
HDI Global SE
responsible for
- CEO duties as stipulated under the Rules of Procedure
- Internal Auditing

Dr Joachim ten Eicken
Member of the Board of Management of
HDI Global SE
responsible for
- Industrial property insurance line (operations/claims/safety engineering systems)
- Marine and credit insurance
- Supervision of HDI Risk Consulting GmbH

Frank Harting
Member of the Board of Management of
HDI Global SE
responsible for
- Aviation and group accident insurance line
- IT-Demand
- Industry division

Dr Edgar Puls
Member of the Board of Management of
HDI Global SE
responsible for
- European operation
- Industrial motor insurance line (operations/claims/safety engineering systems)

Dr Stefan Sigulla
Member of the Board of Management of
HDI Global SE
responsible for
- Industrial liability and legal protection insurance line (operations/claims/safety engineering systems)
- Corporate division

Jens Wohlthat
Member of the Board of Management of
HDI Global SE
responsible for
- Global operations
- Coordination of general issues in the international industrial lines

Ulrich Wollschläger
Member of the Board of Management of
HDI Global SE
responsible for
- Accounting
- Premium collections
- Investments
- Controlling
- Risk Management
- Coordination of passive reinsurance

Report of the Supervisory Board

The Supervisory Board monitored the conduct of the business by the Board of Management in the past financial year 2015 on a continuous basis in accordance with the law, the Articles of Association and Rules of Procedure and arranged for comprehensive information about the business performance and the financial position of the Company to be presented by the Board of Management in regular written and verbal reports. The Chairman of the Supervisory Board was further informed by the Chairman of the Board of Management about important developments and upcoming decisions on a regular basis.

The Supervisory Board convened for three ordinary meetings on 11 March 2015, 28 August 2015 and 28 October 2015. In the meetings, the reports of the Board of Management on the current financial year and the economic and financial performance of the Company were discussed in detail. As part of the written and verbal reporting, the Supervisory Board was also informed about the Company‘s risk position as well as any changes that had occurred together with their causes.

The Supervisory Board generally participated in the decisions of the Board of Management within the scope of its legal and statutory responsibility and assured itself that the management of the Company was conducted in a manner that was lawful, proper, appropriate and profitable. During the 2015 financial year, there was no occasion for the Supervisory Board to undertake examinations within the meaning of section 111(2) of the German Stock Corporation Act (Aktiengesetz – AktG).

The Supervisory Board‘s Personnel Committee convened for three meetings in the reporting period and made recommendations to the full Supervisory Board regarding resolutions, in particular with respect to the remuneration of the members of the Board of Management. With a view to section 87 (1) AktG, horizontal and vertical remuneration aspects were applied in comparison and orientation.

The Nomination Committee of the Supervisory Board convened for one meeting in 2015.

After the Company‘s Annual General Meeting held on 27 October 2015 resolved to transform the Company‘s legal form and to change its name from HDI-Gerling Industrie Versicherung AG to HDI Global SE, the Supervisory Board of HDI Global SE convened for a constituent session on 28 October 2015.

Points of focus for the deliberations in plenary sessions

The focus of the Supervisory Board consultation included, among other things, the further implementation of the globalisation strategy, the continuation of the restructuring of European foreign units, the course of the restructuring activities and the initiated IT optimisation projects. Furthermore, the operational planning of the Company for financial year 2016 was discussed in detail.

To the extent that the transactions and measures taken by the Board of Management required the approval of the Supervisory Board in accordance with the law, the Articles of Association and the Rules of Procedure, resolutions to that effect were adopted after a review and deliberations.

The Supervisory Board satisfied itself that the internal control and risk management systems were performing well and received ongoing reports on this from the Board of Management.

Audit of the annual financial statements

The annual financial statements as at 31 December 2015 as well as the management report presented by the Board of Management, including the accounting, were audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Hannover. The auditors were appointed by the Supervisory Board, which also awarded the specific audit engagement.

The audit did not lead to any reservations. The unqualified audit opinion states that the accounting and the annual financial statements present fairly, in all material respects, the net assets, financial position and results of operations, and that the management report is consistent with the annual financial statements. The documentation for the annual financial statements and the KPMG AG audit reports were forwarded to all Supervisory Board members on a timely basis.

The independent auditor was present at the meeting that discussed the annual financial statements and the management report to report on the conduct of the audit, and was available to the Supervisory Board to provide further information. The Supervisory Board discussed the annual financial statements prepared by the Board of Management, reviewed the audit report of the independent auditor, and addressed follow-up questions to the independent auditor on some specific points. The Supervisory Board arrived at the conclusion that the audit report was in compliance with sections 317 and 321 of the German Commercial Code (Handelsgesetzbuch - HGB) and that it did not raise any concerns. The Supervisory Board further concluded that the management report satisfied the requirements in section 289 HGB and conformed to the statements in the reports to the Supervisory Board pursuant to section 90 AktG. The management report was also consistent with the Supervisory Board’s own assessment of the Company’s position.

In accordance with the final result of the review of the annual financial statements and the management report undertaken by the Supervisory Board, we concurred with the auditor‘s opinion and approved the annual financial statements as prepared by the Management Board on 10 March 2016, which are thereby adopted. The management report, and in particular the statements made therein regarding the future development of the Company, were also approved.

Composition of the Supervisory Board and the Board of Management

The composition of the Board of Management did not change in the 2015 reporting period.

Mr Brinkmann stepped down from the Supervisory Board effective 8 October 2015. Dr Annette Beller was elected to the Supervisory Board as his successor effective on the same day.

The Supervisory Board wishes to thank the members of the Board of Management and all employees for their commitment and contribution during the reporting period.

Hannover, 10 March 2016

For the Supervisory Board

Herbert K Haas
(Chairman)

Management report

Preliminary remarks

The Extraordinary General Meeting held on 27 October 2015 resolved the transformation of HDI-Gerling Industrie Versicherung AG into a European company (Societas Europaea, SE) named "HDI Global SE". The relevant entry was recorded in the commercial register on 8 January 2016. For this reason, the annual report was prepared under the name "HDI Global SE".

For the purpose of clarity, the name HDI Global SE will be used in the following report to refer to HDI Global SE (formerly: HDI-Gerling Industrie Versicherung AG).

Basic principles of the Company

Business operations

The Company
As an industrial insurance company, HDI Global SE meets the needs of industrial and commercial customers with insurance solutions that are specifically tailored to their requirements. Beyond its prominent presence in the German market, the Company conducts significant activities in more than 130 countries through foreign branch offices, subsidiaries and affiliated companies as well as a network of partners. The Company is thus able to offer its customers local policies for their global operations, which ensure that the established service and insurance protection is extended for all covered risks world-wide.

Report on economic position

Macroeconomic and industry-specific environment

Macroeconomic development
The global economy continued to be characterised by very mixed trends also in 2015. While the moderate upswing in the developed world continued and the cyclical factors driving developments in the Eurozone increased, the weakening in emerging markets had a negative impact on the global upturn. The Eurozone showed a decent trend with improved economic data over the course of 2015. The US economy distinguished itself once again with solid growth, whereas the Chinese economy cooled compared to the previous year.

The economy in the Eurozone exhibited positive growth rates throughout the year and expanded 0.3% in the third quarter. The German economy, which also closed the year with 0.3% growth, performed similarly. Spain impressed with high growth rates in all three quarters, while the Italian economy slowed down slightly over the course of the year. The economy in the United Kingdom was stable in 2015 and expanded 0.4% in the third quarter. The economy in the Eurozone was supported in particular by a tailwind in the form of lower crude oil prices and the weaker euro, which noticeably improved the competitiveness of companies. Consumer spending was a central growth driver. An easing of tension was also observed on the European labour market, where the unemployment rate decreased from 11.2% to 10.7% since the beginning of the year.

After a small dip in growth at the beginning of the year, the US economy developed dynamically and expanded at an annualised rate of 2.0% in the third quarter. The trend on the US labour market was once again impressive. The unemployment rate continued to fall and reached 5.0% in November – the lowest point since 2008. Low unemployment rates, a stable stock market and rising home prices were also reflected in consumer confidence. Growth in China continued to slow down. The high level of debt as a result of robust lending growth in recent years remained a risk factor.

Monetary policy on the part of major central banks was very expansive up until the fourth quarter. In January 2015, the ECB announced its bond buying programme over EUR 60 billion per month, which started in March. In December, the US central bank (Federal Reserve) abandoned its zero interest rate policy with an increase in the key rate of 25 basis points.

The global deflationary trend continued over the course of 2015. Inflation rates fell considerably short of the central banks' target rates from time to time, which could be attributed, among other things, to declining energy prices. In the Eurozone, the rate of inflation fluctuated around 0% throughout the year and was at 0.2% in December. The United Kingdom was also unable to avoid the global deflationary trend; in December, the inflation rate was 0.1%. In the USA, inflation rates were low throughout the entire year, fluctuating around

0%. Not until December was slightly rising inflation observed once again with a rate of 0.5%.

Capital markets

Over the course of 2015, bond markets as described were essentially determined by central bank policy. The following events also influenced the market trend: The Swiss National Bank announced its intention to no longer maintain an exchange rate target of CHF 1.20 per euro. The ECB announced its intention to buy government bonds on a monthly basis from March 2015 until at least September 2016. The Austrian Financial Market Authority decided in favour of a moratorium at the beginning of March for HETA, Hypo Alpe Adria's successor. This affects in particular German banks and insurance companies with a volume of approximately EUR 7 billion.

The sharply falling crude oil prices spurred fears of weak global demand. A renewed shift to highest-rated government bonds began in conjunction with the slower growth rate in China.

Greece continued to be a topic on the capital market: It had shifted somewhat to the background in the third quarter following a temporary agreement with the EU, despite the elections held in September. Instead, the quarter was dominated by the depreciation of the renminbi and stock market turbulence in China. The US central bank (Federal Reserve) allowed itself to be influenced as well by this negative environment and did not change the interest rate in its September meeting.

There was an emphasis on idiosyncratic risk in the second half of the year, for instance the Volkswagen scandal and weakening commodity values. Central banks' monetary policy and the US Federal Reserve's decision in December to raise the interest rate was another area of focus. The primary market – the market for initial public offerings of securities – showed robust activity that, however, did not exceed the prior year's volume. Demand for yield remained strong, with corporate bonds with longer maturities, issuers from the higher interest-bearing segment and subordinate bank issues doing particularly well. Covered bonds showed average new issue activity. As in the previous year net issuance in this area was slightly negative.

The fourth quarter presented a diverse picture for global stock markets. Hope for an even more expansive monetary policy on the part of the ECB, robust US economic data and the prospect of a moderate interest rate path on the part of the US central bank helped the recovery at the beginning of the quarter. The DAX rose 9.6% for the full year, the EuroStoxx50 3.9%. The S&P 500 closed the market year somewhat weaker at –0.7%, while the Nikkei recorded an increase of 9.1%.

International insurance markets

As a whole, premium growth in international property and casualty insurance in 2015 saw a slowdown. Real growth in the developed insurance markets decreased to slightly below the previous year's level. Growth in the emerging markets remained considerably stronger, but declined compared with the previous year.

Despite a succession of natural disasters, loss expenditure was lower for the insurance industry than in 2014, and was also significantly below the average for the past ten years. In contrast, so-called man-made losses turned out higher than in the previous year. The single most costly event and Asia's most expensive insured loss to date in this category was the series of explosions in the harbour of the Chinese city of Tianjin. The results of the insurers' operations continued to be under pressure due to the persistently low interest rate level. As a result, overall profitability in international property and casualty insurance deteriorated compared with the previous year

German insurance industry

After strong premium growth in the previous year, the German insurance industry saw a repeat of this development in 2015, albeit at a somewhat lower level. In the course of the phase of sustained low interest rates, this points to the continuation of disciplined underwriting on the part of property and casualty insurers.

German property insurers were also affected by the winter storms in the first half of the year that impacted in particular Northern Europe. Overall, the balance of property insurers for payments as a result of the consequences of natural disasters in 2015 worsened slightly compared to the previous year. The single most costly event was winter storm Niklas, which alone was responsible for as much as one-third of the losses incurred and counts among the five most severe winter storms in Germany since 1997. The net combined ratio for the entire property and casualty insurance line fluctuated at the previous year's level.

Legal and regulatory environment

Primary insurers and reinsurance companies, banks and capital investment companies are subject to complex legal provisions around the world regarding the regulation of their business operations for the protection of their customers. A strong tendency towards the further development – and thus a constantly associated tightening – of regulatory requirements for monitored companies and therefore also insurance providers has been observed in recent years, not least in light of the first financial crisis in the years 2007 to 2010.

Both the insurance companies of the Talanx Group as well as the affiliated capital investment company Ampega Investment GmbH were confronted with this development. The companies of the Talanx Group view compliance with applicable laws as a requirement for permanently successful operations. The companies always pay close attention in particular to adhering to regulatory frameworks as well as to continuously adapting and further developing the business and its products to any reforms. They have also installed corresponding mechanisms in order to early identify and assess future legal developments as well as the impact on their own business activities and carry out the necessary adjustments.

As at 1 January 2016, the long-expected implementation of the European Solvency II directive in directly applicable German law has now been completed. The revised Insurance Supervision Act has come into force. Delegated legal acts on the part of the European Commission also to be observed beginning 1 January 2016 were already published on 17 January 2015 in the Official Journal of the European Union.

Solvency II follows a three pillar approach, similar to the approach of Basel II for banks. Pillar 1 (quantitative) governs details regarding the required capital endowment for insurance companies. The companies can either rely on a legally stipulated standard model or use their own internal model to calculate their specific capital requirements. The Talanx Group began developing its own internal group model tailored to the Talanx Group's specific risk situation back in 2007 in close cooperation with the Federal Financial Supervisory Authority (BaFin) and had already been successfully implementing it for a long time in its risk management and in its economic corporate management. The BaFin approved this group model in November 2015 and thus confirmed that the methods and processes on which the model is based meet the Solvency II requirements.

Pillar 2 relates to the qualitative risk management system and includes in particular requirements for the insurance company's business organisation. Reporting requirements for insurance companies are governed under Pillar 3, in particular reporting requirements to supervisory authorities and the public, i.e. an annual solvency and financial report beginning in 2017. In addition, reforms related to the supervision of insurance groups have been introduced as a result of the implementation of Solvency II that will also have an impact on the Talanx Group. For example, there is a group supervisor under the new supervisory law, within whose framework the BaFin as the national insurance supervisor of the top-level parent company (and group supervisory authority), the national supervisory authorities of the respective foreign group companies and the European Insurance and Occupational Pensions Authority (EIOPA) work together in a common college of supervisors.

EIOPA continues to publish numerous consultation documents for guidelines and technical implementation standards in connection with the Solvency II implementation. The scope of these publications and their level of detail are resulting in a substantial and in some cases barely manageable proliferation of supervisory rules and regulations across the whole sector. The guidelines are aimed at the national supervisory authorities, who then decide using a "comply or explain" procedure which guidelines they want to implement at national level. The technical and regulatory implementing standards are proposed by EIOPA, formally adopted by the European Commission and enacted by way of a regulation or decision. As a result, they are directly binding.

Business performance

Business performance of HDI Global SE

Insurance business (total)

	2015	2015	2014	2014
EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	3,980	1,794	3,787	1,623
Premiums earned	3,971	1,785	3,756	1,602
Claims expenses	3,234	1,411	2,885	1,335
Expenses for insurance operations	769	455	701	395
Underwriting result for own account		-76		-101
In %				
Loss ratio	81.4	79.1	76.8	83.3
Expense ratio	19.4	25.5	18.7	24.7
Combined (loss/expense) ratio	100.8	104.6	95.5	108.0

As expected, HDI Global SE recorded an overall increase in gross written premiums of EUR 193 million to EUR 3,980 (3,787) million in the reporting period. This generally positive trend prevailed throughout almost all insurance lines. As expected, the crucial factor for this development was essentially a sharp increase in premiums in international business in the amount of 186 EUR million. In addition to the transfer of a portfolio from a subsidiary carried out in the financial year, the increase in premiums abroad can also be attributed in particular to satisfying portfolio growth in nearly all foreign markets as well as positive effects from the exchange rate trend.

Gross premiums for the financial year (total)

EUR millions, %		
Liability insurance	1,187	29.8
All-risk insurance	1,141	28.7
Motor vehicle insurance	396	10.0
Engineering insurance	384	9.6
Marine and aviation insurance	380	9.5
Fire insurance	210	5.3
Casualty insurance	122	3.1
Other insurance	160	4.0
Total	**3,980**	**100.0**

Net premiums earned rose by EUR 183 million to EUR 1,785 (1,602) million.

Gross expenses for insurance claims increased year-on-year more strongly than expected by EUR 349 million to EUR 3,234 (2,885) million. The crucial factor was a significant increase of EUR 323 million in claims expenses for the financial year to EUR 3,651 (3,328) million. This was mainly characterised by major losses as well as by a high burden of claims due to the accumulation event "Tianjin", in particular in the marine insurance line. In addition, the total run-off profit reported in the amount of EUR 417 (442) million was down EUR 25 million compared to the prior year. The gross loss ratio increased accordingly to 81.4% (76.8%).

Net expenses on insurance claims increased somewhat less sharply by EUR 76 million to EUR 1,411 (1,335) million. The reason for the lower increase was reinsurers' considerably higher share of gross claims expenses for the financial year compared to the prior year. The increase in gross claims expenses as a result of the aforementioned major losses was largely passed on to reinsurers. The net loss ratio declined to 79.1% (83.3%).

Gross expenses for insurance operations incurred rose by EUR 68 million to EUR 769 (701) million. The main driver was an increase of EUR 42 million in international business, resulting primarily from growth in foreign markets and the associated increase in costs. The expense ratio rose on a gross basis to 19.4% (18.7%) as expected and amounted to 25.5% (24.7%) on a net basis. The combined ratios reflected the development described above, amounting to 100.8% (95.5%) on a gross and to 104.6% (108.0%) on a net basis.

After withdrawing EUR 8 (23) million from the equalisation reserve, an underwriting result in the amount of EUR -76 (-101) million remained for our Company.

Liability insurance

Direct written insurance business

	2015	2015	2014	2014
EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	842	343	822	209
Premiums earned	838	337	805	212
Claims expenses	792	297	662	155
Expenses for insurance	149	88	139	73
Underwriting result for own account		-36		-33
%				
Loss ratio	94.5	88.2	82.3	73.0
Expense ratio	17.7	26.0	17.2	34.5
Combined (loss/expense) ratio	112.2	114.2	99.5	107.5

Gross written premiums in the industrial liability insurance line increased by a total of EUR 20 million to EUR 842 (822) million in the financial year. A considerable decrease in premiums in Germany, which can be primarily explained by a reorganisation of the risk carried with respect to a major account, was fully offset by premium growth in foreign markets. In addition to the transfer of a portfolio from a subsidiary carried out in the financial year, the increase in premiums abroad can also be attributed in particular to satisfying portfolio growth in nearly all foreign markets.

Net premiums earned rose by EUR 125 million to EUR 337 (212) million and thus at a faster rate than gross premiums. Compared to the previous year, the crucial factor was considerably lower reinsurance premiums. In the previous year, the liability insurance line incurred higher expenses for reinstatement premiums as a result of claims asserted under reinsurance contracts for major losses and therefore had to record higher reinsurance premiums.

Gross expenses on insurance claims climbed EUR 130 million to EUR 792 (662) million. Claims expenses for the financial year decreased by EUR 22 million to EUR 662 (684) million, given the low-key business performance with low expenses from major losses. The crucial factor for this development was a run-off loss of EUR 130 million (previous year: run-off profit of EUR 22 million), primarily resulting from an increase in the general provision for claims incurred but not yet reported. The gross loss ratio rose by 12.2 percentage points to 94.5% (82.3%).

Gross expenses for insurance claims rose by EUR 142 million to EUR 297 (155) million. The reason for this was the reinsurers' considerably lower share of gross claims expenses compared to the previous year. Claims expenses in the previous year arose primarily as a result of major losses, whereby the claims expenses were largely passed on to the reinsurers. In addition, the reinsurers recorded extraordinary income in the financial year from the cancellation of a quota share reinsurance contract. The net loss ratio was 88.2% (73.0%).

Gross expenses for insurance operations for the financial year grew to EUR 149 (139) million. The increase mainly resulted from growth in foreign markets and the associated rising costs. The gross expense ratio rose to 17.7% (17.2%). The net expense ratio decreased to 26.0% (34.5%) which was mainly attributable to the aforementioned increase in net premiums. The combined ratio reflected the developments described above and was equal to 112.2% (99.5%) for the gross ratio and 114.2% (107.5%) for the net ratio.

After withdrawing EUR 12 (previous year: allocating 17) million from (to) the equalisation reserve, the liability insurance line shows a net underwriting loss of EUR -36 (-33) million.

Fire insurance

Direct written insurance business

	2015	2015	2014	2014
EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	188	68	187	74
Premiums earned	190	69	193	69
Claims expenses	310	105	372	140
Expenses for insurance	39	20	42	27
Underwriting result for own account		-51		-82
%				
Loss ratio	163.4	152.4	192.9	203.8
Expense ratio	20.5	28.5	21.6	38.8
Combined (loss/expense) ratio	183.9	180.9	214.5	242.6

Gross written premiums in industrial fire and fire business interruption insurance increased year-on-year to EUR 188 (187) million. Net premiums earned developed similarly and were nearly unchanged at EUR 69 (69) million.

Gross expenses on insurance claims for the financial year declined by EUR 62 million to EUR 310 (372) million. Despite a very high expense as a result of some major and shock losses, at EUR 401 (411) million, claims expenses for the financial year remained below the previous year's level. This was significantly influenced by a major loss in the hundreds of millions of euros. In addition, at EUR 90 (39) million, the run-off result was up year-on-year, since higher run-off profits were realised from a number of losses in the previous year. The gross loss ratio reflected a corresponding decrease to 163.4% (192.9%).

Net expenses for insurance claims decreased more moderately than gross expenses by EUR 35 million to EUR 105 (140) million. The reason for this was reinsurers' higher share of the gross loss expenses for the financial year. Compared to the previous year, a higher loss share exceeding the priority was ceded in optional and non-proportional reinsurance in the year under review. The net loss ratio declined by 51.4 percentage points to 152.4% (203.8%).

Gross expenses for insurance operations decreased to EUR 39 (42) million in the financial year just ended. The gross expense ratio declined to 20.5% (21.6%). Expenses for own account decreased to EUR 20 (27) million. The net expense ratio fell to 28.5% (38.8%). The combined ratio reflected the development described above, declining to 183.9% (214.5%) on a gross and to 180.9% (242.6%) on a net basis.

On balance, this resulted in a net underwriting loss of EUR -51 (-82) million, which included a withdrawal from the equalisation reserve in the amount of EUR 12 (21) million.

Motor insurance

Direct written insurance business

	2015	2015	2014	2014
EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	378	338	391	350
Premiums earned	376	336	390	349
Claims expenses	315	289	342	323
Expenses for insurance	67	59	64	56
Underwriting result for own account		28		-17
%				
Loss ratio	83.9	85.9	87.8	92.6
Expense ratio	17.8	17.5	16.4	16.0
Combined (loss/expense) ratio	101.7	103.4	104.2	108.6

Gross written premiums in the motor insurance line fell to EUR 378 (391) million in the financial year. The decrease in premiums can be largely attributed to restructuring activities in Germany and was only partially compensated by growth in foreign markets. Net premiums earned matched the trend for gross premiums earned, declining by EUR 13 million to EUR 336 (349) million.

Gross expenses on insurance claims decreased by EUR 27 million and were equal to EUR 315 (342) million, whereby claims expenses for the financial year decreased considerably by EUR 43 million to EUR 345 (388) million. Whereas the previous year was characterised by major losses, the progressive restructuring in Germany also contributed to lower claims expenses for the financial year. At EUR 30 (46) million, run-off profit in the motor insurance line fell short of the previous year's level due to a revised estimate with respect to portions of the loss provisions. The gross loss ratio declined by 3.9 percentage points to 83.9% (87.8%).

Net expenses for insurance claims fell to EUR 289 (323) million, thereby essentially tracking the development of gross expenses. The motor insurance line recorded a lower run-off profit of EUR 28 (36) million compared to the previous year, because run-off profits from natural catastrophes were recorded in the previous year in addition to the development of gross run-off profit on the part of reinsurers. The net loss ratio fell to 85.9% (92.6%).

Gross expenses for insurance operations increased by EUR 3 million and were equal to EUR 67 (64) million. Thus, together with the simultaneous decrease in gross premiums, the gross expense ratio increased to 17.8% (16.4%). The net expense ratio of 17.5% (16.0%) changed in line with the gross expense ratio. The combined ratio reflected the development described above, declining to 101.7% (104.2%) on a gross and to 103.4% (108.6%) on a net basis.

After withdrawing EUR 39 (13) million from the equalisation reserve, the overall underwriting result for the financial year was EUR 28 (-17) million.

Marine and aviation insurance

Direct written insurance business

	2015	2015	2014	2014
EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	302	206	291	207
Premiums earned	305	211	290	206
Claims expenses	396	205	183	155
Expenses for insurance	67	57	63	52
Underwriting result for own account		-17		-9
%				
Loss ratio	129.9	97.0	63.2	75.0
Expense ratio	21.9	27.1	21.8	25.5
Combined (loss/expense) ratio	151.8	124.1	85.0	100.5

Gross written premiums for marine and aviation insurance increased to EUR 302 (291) million in the financial year. The classes within the marine and aviation line successfully held their ground in a sharply competitive environment. An increase of EUR 9 million in premiums was generated in the marine insurance business. The aviation line recorded a EUR 2 million increase in gross premiums that can be attributed in particular to the national airline business. Moving in parallel with gross premiums, net premiums earned rose overall to EUR 211 (206) million.

Gross expenses on insurance claims climbed by a total of EUR 213 million to EUR 396 (183) million. Gross loss expenses in the marine insurance line rose significantly by EUR 129 million, whereby claims expenses in the amount of EUR 354 (249) million for the financial year were mainly characterised by a high burden of claims due to the accumulation event "Tianjin". In addition, the run-off result of EUR 65 (89) million was down year-on-year. The previous year was characterised by run-off profits in Germany, in particular in older years of occurrence, as well as a run-off profit in the foreign branch office in Belgium. Gross loss expenses in the aviation line climbed significantly by EUR 84 million to EUR 107 (23) million, whereby claims expenses for the financial year increased year-on-year by EUR 81 million to EUR 117 (36) million. The financial year was significantly characterised by three major losses in the national airline business that had a strong negative impact on overall performance in the financial year, which was otherwise positive. In addition, the aviation line had to record a lower run-off result of EUR 10 (13) million, whereby the previous year was characterised by substantial run-off profits in all aviation segments. Therefore, the gross loss ratio increased significantly overall by 66.7 percentage points to 129.9% (63.2%).

Net expenses for insurance claims increased more moderately than gross expenses by EUR 50 million to EUR 205 (155) million. The increase in gross claims expenses as a result of the aforementioned major losses was largely passed on to reinsurers, both for the marine insurance line as well as for the aviation line. The net loss ratio rose accordingly to a total of 97.0% (75.0%).

Gross expenses for insurance operations grew to EUR 67 (63) million. The expense ratios rose on a gross basis to 21.9% (21.8%) and on a net basis to 27.1% (25.5%).

The combined ratio reflected the aforementioned developments and increased overall on a gross basis to 151.8% (85.0%) as well as on a net basis to 124.1% (100.5%).

After withdrawal from the equalisation reserve in the amount of EUR 35 (additions of EUR 8) million, the underwriting result was a loss of EUR -17 (-9) million.

Engineering insurance

Direct written insurance business

	2015	2015	2014	2014
EUR million	**Gross**	**Net**	Gross	Net
Premiums	265	133	253	133
Premiums earned	248	119	248	125
Claims expenses	144	84	135	71
Expenses for insurance	57	24	57	27
Underwriting result for own account		10		27
%				
Loss ratio	57.9	70.5	54.6	57.1
Expense ratio	22.9	20.1	23.0	21.3
Combined (loss/expense) ratio	80.8	90.6	77.6	78.4

The engineering insurance lines encompass insurance for machinery, installation, construction services, existing structures, electronics and machinery warranties, as well as the respective associated business interruption insurances.

Gross written premiums in the engineering insurance line grew year-on-year to EUR 265 (253) million. This positive trend was primarily generated in Germany as a result of new business. The international business remained overall at the prior year's level. Net premiums earned amounted to EUR 119 (125) million.

Gross expenses on insurance claims climbed EUR 9 million to EUR 144 (135) million. Two opposing effects had an impact: Claims expenses for the financial year fell by EUR 2 million to EUR 175 (177) million due to a low-key loss experience with respect to the engineering insurance line. This development was more than offset by a year-on-year decrease in the run-off result of EUR 31 (42) million. The lower run-off result can be attributed to higher claims incurred but not yet reported as well as retroactive appropriations for reserves in the investing activities on the part of a foreign branch office. At 57.9% (54.6%), the gross loss ratio exceeded the previous year’s level.

Net expenses for insurance claims developed analogous to gross expenses and increased to EUR 84 (71) million. The net loss ratio increased by 13.4 percentage points to 70.5% (57.1%) due to the premium trend.

At EUR 57 (57) million, gross expenses for insurance operations remained the same. The expense ratios decreased slightly on a gross basis to 22.9% (23.0%) and on a net basis to 20.1% (21.3%). The combined ratio was 80.8% (77.6%) on a gross basis and 90.6% (78.4) % on a net basis.

On balance, an underwriting profit of EUR 10 (27) million remained for the engineering insurance line.

Casualty insurance

Direct written insurance business

	2015	2015	2014	2014
EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	115	84	108	77
Premiums earned	117	86	106	77
Claims expenses	79	62	58	47
Expenses for insurance	26	21	23	18
Underwriting result for own account		4		4
%				
Loss ratio	67.7	71.6	54.9	61.4
Expense ratio	22.1	24.4	21.9	23.5
Combined (loss/expense) ratio	89.8	96.0	76.8	84.9

The casualty insurance line includes the general accident, motor accident, clinical trials and aviation accident insurance classes. By far the largest share of gross premium income is attributable to the general accident insurance class, which is, in turn, driven by group accident insurance.

Gross written premiums in the casualty insurance line grew year-on-year by EUR 7 million to a total of EUR 115 (108) million. Gross premiums in the group accident insurance class increased by EUR 6 million to EUR 100 (94) million as a result of premium growth in Germany and in foreign markets. Clinical trials insurance recorded a slight increase in premiums of EUR 1 million to EUR 13 (12) million. Net premiums earned increased by EUR 9 million and amounted to EUR 86 (77) million. As a result of an increase in the retained premium with respect to a foreign fronting account, the group accident insurance class had to record a slight decrease in reinsurance premiums.

Gross expenses for claims incurred rose overall by EUR 21 million to EUR 79 (58) million. The crucial factor was a EUR 15 million decrease in the run-off result in the group accident insurance class, whereby the previous year was characterised by run-off profits due to non-recurring effects in the international business. In contrast, the group accident insurance segment had to record run-off losses in the international business in the year under review as a result of retroactive appropriations for reserves in individual cases. At EUR 86 (83) million, claims expenses for the financial year slightly exceeded the previous year's level. Overall, the gross loss ratio rose by 12.8 percentage points to 67.7% (54.9%).

Net expenses on insurance claims rose by EUR 15 million to EUR 62 (47) million. Some of the run-off losses generated on a gross basis as a result of retroactive appropriations for reserves in individual cases in the group accident insurance segment were passed on to reinsurers; consequently, the increase in net expenses was somewhat smaller than the increase in gross expenses.

Expenses for insurance operations amounted to EUR 26 (23) million on a gross basis and EUR 21 (18) million on a net basis. The gross loss ratio rose slightly to 22.1% (21.9%). The net expense ratio also rose to 24.4% (23.5%). The combined ratios reflected the developments described above and rose to 89.8% (76.8%) for the gross ratio and 96.0% (84.9%) for the net ratio.

The overall underwriting result for the financial year was EUR 4 (4) million after a small addition to the equalisation reserve in the amount of EUR 81 thousand (EUR 6 million).

All-risk insurance

Direct written insurance business

	2015	2015	2014	2014
EUR million	**Gross**	**Net**	Gross	Net
Premiums	490	121	440	125
Premiums earned	487	123	433	118
Claims expenses	428	139	196	73
Expenses for insurance	80	38	62	25
Underwriting result for own account		-54		21
%				
Loss ratio	87.9	113.2	45.3	62.2
Expense ratio	16.4	30.8	14.4	21.6
Combined (loss/expense) ratio	104.3	144.0	59.7	83.8

The all-risk business includes the insurance classes all-risk property insurance and all-risk business interruption insurance.

In the financial year, the all-risk insurance line achieved an increase in gross written premiums by EUR 50 million to EUR 490 (440) million. This positive development can be attributed primarily to the international business, where moderate portfolio growth was achieved in nearly all markets. In addition, the changes in exchange rates had a positive impact on earnings, in particular with respect to USD and GBP. Net premiums earned increased more moderately than gross premiums by EUR 5 million to EUR 123 (118) million. This development can be attributed to an increase in reinsurance premiums thanks to the insurance line's increasing internationalisation and the transfer of risk by means of retrocession in the HDI Global network.

Gross expenses on insurance claims for the financial year rose by an appreciable EUR 232 million to EUR 428 (196) million. The crucial factor was a significant increase in claims expenses for the financial year by EUR 215 million to EUR 493 (278) million. This was substantially characterised by high catastrophe losses. At EUR 65 (82) million, the run-off result fell short of the previous year's level. The gross loss ratio reflected a corresponding noticeable increase by 42.6 percentage points to 87.9% (45.3%).

Net expenses for insurance claims increased somewhat less sharply than gross expenses by EUR 66 million to EUR 139 (73) million, since some of the expenses for major losses were passed on to reinsurers. . The net loss ratio rose by 51.0 percentage points to 113.2% (62.2%).

Expenses for insurance operations increased in the financial year to EUR 80 (62) million on a gross basis and EUR 38 (25) million on a net basis. The expense ratios rose on a gross basis to 16.4% (14.4%) and on a net basis to 30.8% (21.6%). In addition to higher administrative and acquisition costs, the effects of changing exchange rates also had a considerable impact. At 9.2 percentage points, the increase in the net expense ratio was sharper than that of the gross expense ratio, given stable reinsurance commission rates. The combined ratios reflected the developments described above and were recorded at 104.3% (59.7%) for the gross ratio and 144.0% (83.8%) for the net ratio.

In total, an overall underwriting result in the amount of EUR -54 (21) million remained for the all-risk insurance line.

Other insurance

Direct written insurance business

	2015	2015	2014	2014
EUR million	**Gross**	**Net**	Gross	Net
Premiums	155	96	138	92
Premiums earned	153	95	140	89
Claims expenses	79	46	95	69
Expenses for insurance	42	30	38	28
Underwriting result fpr own account		20		-8
%				
Loss ratio	51.4	48.1	68.0	77.0
Expense ratio	27.6	31.2	27.2	31.4
Combined (loss/expense) ratio	79.0	79.3	95.2	108.4

Those insurance classes that, in light of their business volumes, are not required to be reported separately, are combined under other insurance. The most important aspects of this line of business relate to industrial risks in the extended coverage (EC) insurance classes. In addition, the multi-line and multi-risk products, which span across insurance lines, are also included under other insurance.

On balance, gross written premiums in the other insurance line grew year-on-year to EUR 155 (138) million. The increase in premiums includes nearly all classes. Only the insurance class Extended Coverage had to record a slight decrease of EUR 9 million. Net premiums earned essentially tracked the development of gross premiums and amounted to EUR 95 (89) million.

Total gross expenses on insurance claims declined by EUR 16 million to EUR 79 (95) million. Claims expenses for the financial year decreased by EUR 11 million to EUR 115 (126) million. In addition, the other classes reported a higher run-off result of EUR 36 (31) million. The gross loss ratio fell in total by 16.6 percentage points to 51.4% (68.0%).

Net expenses on insurance claims declined by EUR 23 million to EUR 46 (69) million. The net loss ratio declined by a total of 28.9 percentage points to 48.1% (77.0%).

The gross expenses for insurance operations were equal to EUR 42 (38) million, thus rising only moderately. The gross expense ratio rose slightly to 27.6% (27.2%). Net expenses for insurance operations followed the development on a gross basis, rising to EUR 30 (28) million. The net expense ratio fell to 31.2% (31.4%). The combined ratio reflected the aforementioned developments and was 79.0% (95.2%) on a gross basis and 79.3% (108.4%) on a net basis.

An overall underwriting result of EUR 20 (-8) million was recorded in the other insurance classes after a withdrawal in the amount of EUR 1 million from the equalisation reserve (appropriation of EUR 1 million).

Business accepted for reinsurance

	2015	2015	2014	2014
EUR millions	**Gross**	**Net**	**Gross**	**Net**
Premiums	1,245	404	1,157	356
Premiums earned	1,257	410	1,151	357
Claims expenses	691	186	840	302
Expenses for insurance	242	119	213	89
Underwriting result for own account		21		-6
%				
Loss ratio	55.0	45.4	73.0	84.6
Expense ratio	19.3	29.1	18.5	24.9
Combined (loss/expense) ratio	74.3	74.5	91.5	109.5

The business accepted for reinsurance predominantly represents the share of foreign premiums from international insurance programmes for which HDI Global SE acts as the lead or sole underwriter for its customers in Germany and abroad. The ceding companies in these cases are foreign units of HDI Global SE and subsidiaries of the Talanx Group, that have written fronting policies in the respective countries in accordance with the specifications of HDI Global SE as well as our subsidiary HDI Global Network AG (formerly HDI-Gerling Welt Service AG).

Other sources of our indirect insurance business is the reinsurance of captives of German and selected international key accounts as well as the central underwriting, in Hannover, of international risks of large foreign companies.

The gross premium income of the business accepted for reinsurance in the financial year was equal to EUR 1,245 (1,157) million. The major part of this total, or EUR 651 (578) million, was attributable to the all-risk insurance line (incl. business interruption), followed by liability at EUR 345 (313) million and engineering insurance line at EUR 118 (110) million. Premium growth in the classes of the all-risk insurance line can be mainly attributed to changes in exchange rates, in particular with respect to the USD and GBP, which had a positive impact on earnings. The increase in gross written premiums in liability insurance mainly resulted from a new reinsurance relationship with a subsidiary. Net premiums earned increased to EUR 410 (357) million and primarily followed the development of gross premiums earned.

Gross expenses on insurance claims for the financial year declined significantly by EUR 149 million to EUR 691 (840) million. Claims expenses for the financial year increased to EUR 903 (893) million. Essentially, two opposing effects had an impact. Claims expenses for the financial year decreased significantly in the all-risk insurance line as a consequence of declining major losses. This was more than offset by a significant increase in claims expenses for the financial year in the marine insurance line, which was essentially characterised by the accumulation event "Tianjin". In addition, a considerable year-on-year increase of EUR 212 (52) million in run-off profit was reported. In the previous year, the run-off result for the liability insurance line was primarily characterised by the loss run-off of a major loss that had a negative impact on the run-off result. The gross loss ratio declined by 18.0 percentage points to 55.0% (73.0%).

Net expenses for insurance claims decreased by EUR 116 million and amounted to EUR 186 (302) million. The run-off loss on the part of reinsurers in the liability insurance line was clearly smaller than in the prior period. In the previous year, the run-off was primarily characterised by losses due to the loss run-off of a major loss. The net loss ratio reflected a noticeable decrease to 45.4% (84.6%).

Expenses for insurance operations rose by EUR 29 million to EUR 242 (213) million on a gross basis. The gross expense ratio rose to 19.3% (18.5%). Net expenses increased to EUR 119 (89) million. The net expense ratio rose by 4.2 percentage points to 29.1% (24.9%).

In total, the business accepted for reinsurance showed a net underwriting profit of EUR 21 (loss of -6) million. This includes an addition to the equalisation reserve of EUR 92 (previous year: a withdrawal of EUR 20 million).

Business accepted for reinsurance
All-risk insurance line

	2015	2015	2014	2014
EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	651	208	578	207
Premiums earned	654	210	578	203
Claims expenses	351	145	443	177
Expenses for insurance	115	42	96	34
Underwriting result for own account		28		-4
%				
Loss ratio	53.7	68.8	76.5	87.2
Expense ratio	17.6	20.1	16.7	16.6
Combined (loss/expense) ratio	71.3	88.9	93.2	103.8

Business accepted for reinsurance
Liability insurance

	2015	2015	2014	2014
EUR million	**Gross**	**Net**	**Gross**	**Net**
Premiums	345	83	313	67
Premiums earned	341	81	310	75
Claims expenses	152	-3	289	88
Expenses for insurance	65	40	54	26
Underwriting result for own account		-23		-10
%				
Loss ratio	44.6	-4.0	93.1	117.0
Expense ratio	19.1	49.2	17.5	34.8
Combined (loss/expense) ratio	63.7	45.2	110.6	151.8

Non-insurance business

Investment result

Current-year investment income for the reporting period, which was mainly attributable to coupon payments on fixed interest securities was equal to EUR 224 (254) million. This compares to current-year expenses in the amount of EUR 17 (25) million. The current result amounted to EUR 207 (229) million. The sustained, low interest rate level – in particular in the Eurozone – led to further decreases in income from fixed-income securities, since portfolio optimisations could not offer adequate compensation taking an appropriate amount of risk into account. Net income from real estate and other investments in financial year 2015 also fell short of the previous year's result. The special bond fund, Eurorent 3, HDI Global SE's largest special fund, distributed ordinary and extraordinary income in the financial year just ended.

The average rate of return was 3.2% (3.6%).

Net realised gains on the disposal of investments for the year under review were equal to EUR 14 (82) million. This result comprises gains from the disposal of fixed-income securities in the amount of EUR 11 million, from the area of equity interests in the amount of EUR 9 million and from the area of real estate in the amount of EUR 2 million; in contrast, losses were realised in the amount of EUR 8 million from the disposal of a bond fund. In the previous year, large gains were generated from the contribution of shares in HDI Versicherung AG, Vienna, to HDI Global Network AG (formerly: HDI-Gerling Welt Service AG), Hannover, by means of a contribution in kind (in connection with a capital increase on the part of HDI Global Network AG) with a gain of EUR 56 million. The net balance of impairment write-downs and the reversal of impairment write-downs was EUR -27 (-39) million, whereby impairment write-downs were recorded in the total amount of EUR 20 million on other long-term equity investments.

The total to be reported as the extraordinary result was a net loss in the amount of EUR -13 (net profit of 43) million.

The investment result amounted to a total of EUR 194 (272) million and therefore below the previous year's level as expected. The total net return for the reporting period reached 3.0% (4.3%).

Other comprehensive income

The other comprehensive income in the financial year was EUR -43 (-46) million. In the previous year, other comprehensive income was characterised by income from the adjustment of the calculated global valuation allowance for reinsurance claims in the amount of EUR 11 million, income from the reversal of an impairment allowance on other receivables in the amount of EUR 12 million and interest expenses in the amount of EUR 24 million.

Lower interest expenses in the amount of EUR 15 million and an increase in the currency result in the amount of EUR 18 (6) million were reported in the financial year.

Extraordinary result

The extraordinary result in the amount of EUR -9 (-17) million is mainly related to an amount of EUR -8 million for adjustment entries to the provision for pensions required by the German Accounting Law Modernization Act (*Bilanzrechtsmodernisierungsgesetz*; BilMoG).

Comprehensive income of HDI Global SE

	2015	2014
EUR million		
Underwriting result for own account	-76	-101
Total investment income (incl. underwriting interest)	194	272
Other comprehensive income	-43	-46
Result from ordinary activities	**75**	**125**
Extraordinary result	-9	-17
Taxes	39	46
Net profit/loss transferred to Talanx AG	**27**	**62**

In the financial year, HDI Global SE was able to transfer a net profit in the amount of EUR 27 (62) million to the parent company of HDI Global SE, Talanx AG, under the existing profit-and-loss-transfer agreement.

Net assets and financial position

Investments

The volume of investments (excluding funds withheld by ceding companies) of HDI Global SE grew by EUR 40 million in 2015 to a total of EUR 6,534 (6,494) million by the end of the year.

Fixed-interest securities held in the direct portfolio represented 60.9% (61.2%) of total investments at the end of the reporting period; other important investment classes included bond funds with a 15.4% (15.3%) share and participations as well as investments in affiliates with a 15.8% (13.1%) share. Investments in fixed-income securities included in particular bearer bonds with good credit ratings. The quality of the fixed-interest securities remained unchanged from the previous year with an average rating of A (A). The portfolio of bond funds was increased by the reinvestment of the distribution of dividends from the special bond fund Eurorent 3.

The real estate portfolio increased by EUR 12 million to EUR 100 (88) million, in particular due to the completion of a new property.

The carrying amounts of investments in affiliates and other long-term equity investments increased sharply in the reporting period and amounted to EUR 1,033 (849) million at the end of the year, whereby offsetting effects were recorded. The carrying amounts of the investees HDI AI EUR Beteiligungs-GmbH & Co. KG (formerly: HG-I Alternative Investments Beteiligungs-GmbH & Co. KG), Cologne, and HDI AI USD Beteiligungs-GmbH & Co. KG (formerly: HG-I AI USD Beteiligungs-GmbH & Co. KG), Cologne, increased by a total of EUR 216 million to EUR 479 million as a result of the successive capitalisation on the part of HDI Global SE. The investments in equity interests and infrastructure projects, which represented a focus of investment activities, are managed principally over these companies. HDI-Gerling Assurances S.A. Luxembourg, a subsidiary previously controlled by HDI Global SE, was sold in financial year 2015. This restructuring reduced the line item of investments in affiliates and other long-term equity investments by EUR 6 million. Furthermore, impairment write-downswere recognised in the amount of EUR 20 million on strategic other long-term equity investments in the financial year just ended.

The stock portfolio was reduced by EUR 127 million over the course of the year by means of contributions to a mixed special fund.

The fixed-term deposit portfolio decreased slightly and amounted to EUR 171 (189) million at the end of the year.

The currency effect resulting from the translation of portfolios maintained in foreign currencies increased the investments by EUR 142 million on the balance sheet date. EUR 107 million of this amount can be attributed to the US dollar as the primary driver. However, the net underwriting provisions recognised in foreign currencies as at the balance sheet date also increased as a result of this currency effect.

The market value of the investments as at the balance sheet date was equal to EUR 7,003 (7,061) million. The decrease resulted primarily from the portfolio and currency development, which was slightly offset by the interest rate level.

Equity

The Company's capital stock still amounts to EUR 125 million. It is divided into 125,000 registered shares with no par value.

Subordinated liabilities

The EUR 200 million in subordinated liabilities relate to two subordinated loans. The lenders are HDI Versicherung AG, Hannover, with a loan amount of EUR 20 million and HDI Lebensversicherung AG, Cologne, with a loan amount of EUR 180 million. Both loans provide for a fixed interest period lasting until 12 August 2021 with a coupon of 4.25%. After this date, the interest will be calculated based on the three-month Euribor rate plus a margin of 7.17%. The subordinated loans cannot be terminated early by the borrower until 12 August 2021 at the earliest.

Underwriting provisions

Underwriting provisions rose by EUR 171 million to EUR 5,772 (5,601) million. This line item primarily includes provisions for unsettled insurance claims in the amount of EUR 4,744 (4,603) million. Our Company operates on an international scale and therefore recognises underwriting liabilities in foreign currencies. The impact of exchange rate movements on the level of provisions for losses recognised as at 1 January of the financial year as determined by the translation of provisions denominated in foreign currencies at reference date exchange rates was an increase of EUR 258 million in the total amount to be recognised as provision for losses. The movement of underwriting equity and liability items denominated in foreign currencies are covered by matched foreign currency items on the asset site on an on-going basis.

Financial position

The Company realises incoming cash flows from ongoing premium income, investment income and the return flows from investments of capital. According to the current liquidity planning, which covers projected changes in liquidity for the coming twelve months, the cash flows required to meet current payment obligations is assured.

In addition, a profit-and-loss transfer agreement is in effect with Talanx AG.

Other balance sheet items

The composition of the above, as well as other line items on the balance sheet, is set out in the notes to the financial statements.

Personnel and social report

The aim of HDI Global SE's personnel management is to ensure the present and future success of the Company, even – and in particular – in a challenging market environment. All personnel-related policy measures are oriented towards the strategic goals of HDI Global SE and of the Talanx Group. A high degree of professionalism, an above-average level of commitment, creativity and flexibility are the key requirements for the employees.

In the competition for excellent young professionals and qualified specialists, as well as in the strategic development of employees and their successful loyalty and commitment to the Company, personnel-related processes and services are constantly being further developed, while the effectiveness and efficiency of these programs are also improved. Human resources, personnel marketing, initial vocational training and personnel development are key elements of personnel management.

Company employee training
In order to locate talented individuals and ensure their loyalty and commitment to the Company, HDI Global SE continues to focus on the development of its own young professionals by means of classic initial vocational training or a dual course of study. This is accompanied by a one-year industrial insurance trainee programme. Depending on the requirements, the trainees are then employed either as underwriters for the areas of third-party liability, motor, marine, engineering insurance and property insurance, as account managers, or as sales brokers in German branch offices. The trainee programme is sub-divided into various portions that focus on training in special areas and methods and are each completed with a period of practical training.

Personnel marketing
Personnel marketing is geared towards raising the awareness of qualified and motivated employees for HDI Global SE and presenting the Company as an attractive employer. In addition to the classic professions of the insurance industry with an emphasis on law and business administration, the industrial insurer focuses on people with skills in one of the MINT fields with a qualification in mathematics, informatics, natural sciences, or technology. In order to reach these target groups directly, the Company focuses, among other things, on a targeted presence at relevant job fairs and events in the university environment. This way, the departments have the opportunity to present themselves in person and enter into discussions directly with the participants. Editorial contributions, field reports and interviews with employees working in the industrial insurance industry give the readers targeted in academic and career magazines a better understanding of the various professional fields and career prospects.

Development and delegation
The established training and potential development programmes, not least the Management Development Programme for managers from the national and international units, remain very important for the development and commitment of talented individuals. In addition to the existing offering for professional and personal development, in particular the diversity of intercultural training was expanded in order to conform to the further internationalisation and requisite mobility of our employees. The deployment of visiting observers and delegations was intensified between foreign branch offices and headquarters. A set of guidelines adopted by the Group's Board of Management formed the basis for all delegations. They ensure the optimal organisation of such foreign deployments and facilitate a deeper focus on the individual needs of the employees. From the perspective of the Company, the deployments, which can last from a few months to several years, substantially enhance HDI Global SE's network in Germany and abroad. Know-how and expertise in industrial insurance are applied uniformly across all areas of the business.

Diversity management
HDI Global SE's goal with respect to diversity management is to orient personnel-related processes and personnel policies in such a manner that on the one hand the workforce reflects the demographic diversity of the business environment, while on the other hand all employees enjoy respect and appreciation and are motivated to contribute their potential for the benefit of the organisation. Specifically, the compatibility of family and career is facilitated by means of working time solutions adapted to the current stage in life. The employer also supports young professionals and thereby their returno the Company from parental leave with a tax-exempt child-care allowance.

HDI Global SE pledges to support equal opportunities and would like to further increase the number of women in managerial positions. In one of the diversity management measures, women are supported in their advancement into higher management positions under a mentoring programme. In the other development programmes for prospective or current managers, an increasing number of talented women can be observed. In order to prevent a lack of female managers, an effort is made to bring about a balanced level of diversity when hiring trainees. Finally, the Frauen@Talanx network is intended to promote an informal exchange for female professionals at all hierarchical levels.

Remuneration

HDI Global SE offers its employees attractive remuneration models and intends to link them even more closely to the sustainable development of the business. Remuneration for senior executives already comprises a fixed and variable, performance-based component. The weighting between these components is derived based on the level of responsibility and function associated with the respective position, which is determined based on a standard job evaluation system. The size of the variable remuneration component is determined through the achievement of personal and corporate goals.

Key employee indicators

In the reporting year, the annual headcount for HDI Global SE was 2,563 (2,395) employees. The average age of the employees was 44.5 (44.4) years, while the length of service averaged 16.0 (15.9) years. The part-time employment ratio was 13.0% (12.9%).

The Board of Management of HDI Global SE would like to express its thanks to all of the employees for their personal commitment and contribution to the Company's positive results. The Board would also like to thank all social partners for their constructive collaboration.

Non-financial performance indicators

HDI Global SE

In recent years, HDI Global SE has become an increasingly global provider of insurance solutions for industrial and corporate customers. Currently, more than half of the premium volume is generated in foreign markets, with Europe as the core market. This growing international significance has now been taken into account by changing the name and legal form of the Company. The Board of Management and Supervisory Board expressed their intention to change the Company's legal form from a stock corporation under German law (Aktiengesellschaft, AG) to a European company (Societas Europaea, SE) with the new name HDI Global SE by resolution and implemented these changes in January 2016. The Company now appears globally under the HDI brand.

HDI Risk Consulting GmbH (HRC)

The HDI-Gerling Risk Engineering Network was previously known under a number of corporate identities in global markets. Effective 3 August 2015, HDI-Gerling Sicherheitstechnik GmbH was renamed HDI Risk Consulting GmbH. The consolidation of all risky and loss-prevention activities under the HRC brand supports the goal of offering the customers around the world qualified and uniform services across all lines of business in the area of risk consulting. Thanks to the specialists at HDI Risk Consulting GmbH, companies enjoy significant added value in matters of loss prevention. Together with approximately 180 engineers and natural scientists in various fields of study, the HDI Global SE subsidiary is developing special instruments to assess risk and concepts suited to minimise risk. The Risk Engineering Network is represented internationally in 21 countries in the areas fire, motor, engineering insurance and marine insurance.

one.BIZ

In September 2015, the Board of Management of HDI Global SE signalled the start of the one.BIZ programme. one.BIZ is a core pillar of HDI Global SE's growth trajectory. With the goal of worldwide harmonised, optimised processes and IT systems, the programme will create a basic requirement for further expanding the Company's market position. The important goals of one.BIZ include strengthening the Company's competitive position in the international marketimproving reaction times, rapidly providing a range of international programmes and further promoting the global collaboration.

Service excellence
Just as the customers for industrial insurance solutions, HDI Global SE is also subject to constant competition. In addition to superior financial stability and technical expertise, excellent service is a key competitive factor for HDI Global SE. The stated goal is to provide the best possible service for its customers.

For this reason, various projects were successfully implemented as part of the Service Excellence programme. In the meantime, HDI Global SE is implementing region-wide service level agreements. For this purpose, the business processes dealing with sales, underwriting, operations, and losses were and are designed more transparently and continuously optimised. HDI Global SE does not have a self-image for resting on its laurels, but instead allows the entire organisation to participate in the continuous process of improvement. This has already produced ideas such as social and external collaboration that are now being consistently pursued.

In the past financial year, HDI Global SE steadily expanded its global network. International insurance programmes are currently available in 37 countries over foreign branch offices, subsidiaries and affiliated companies as well as joint ventures. HDI Global SE is present in around 100 other countries in collaboration with long-term network partners who have proven themselves in practice.

In light of increasing, country-specific differentiated regulatory requirements on the part of policy holders, HDI Global SE has reacted and correspondingly reformed its international operations. Our customers can turn to their designated contact persons at HDI Global SE for help with these compliance issues as well as for all aspects of insurance coverage. In the event of a loss they benefit from professional claims management and can rely on comprehensive security support – as in their home market.

Overall assessment of our economic position

HDI Global SE regards its business performance in the reporting period to be stable considering the economic and industry-specific environment: Due to the significant strain of major losses, the underwriting result fell short of expectations, but nevertheless benefited from the satisfactory increase in premiums realised in particular in the international business. Net investment income was in particular influenced by the sustained low interest rate phase. HDI Global SE's economic position remains consistently positive at the time the management report was prepared.

Declaration of conformity in accordance with section 289a HGB

In accordance with the German Act to Promote Equal Participation of Women and Men in Management Positions in the Private and Public Sector (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern in der Privatwirtschaft und im öffentlichen Dienst, FührposGleichberG), the Company's Supervisory Board was obligated to specify by 30 September 2015 the quota of women aimed for in the Company's Supervisory Board and in the Board of Management in the period ending 30 June 2017. Following an in-depth consultation, the Supervisory Board decided to base its planning over the cited period – without prejudice for possible contrary decisions based on the circumstances at the applicable time – on a share of women in the Company's Board of Management that is expected to remain at zero and in the Company's Supervisory Board that is expected to remain at 17%, taking into account the current Supervisory Board mandates and the Board of Management mandates and employment contracts. Furthermore, the Board of Management was obligated under the aforementioned act to specify the share of women in the two management levels below the Board of Management. For the first management level, a ratio of 12.0% was resolved, while in the second management level a rate of 10.9% was resolved.

Report on post-balance sheet date events

HDI Global SE (formerly HDI-Gerling Industrie Versicherung AG), based in Hannover, HRB 60320, was transformed into a European company (Societas Europaea, SE) under the name “HDI Global SE” in accordance with the transformation plan dated 24 September 2015. The transformation took effect on 8 January 2016 upon entry in the commercial register of HDI Global SE. The corresponding amendment of the Articles of Association was approved by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin).

The transformation was carried out while preserving the Company's identity; the former HDI-Gerling Industrie Versicherung AG thus continues to exist in the legal form of an SE. All rights and obligations of the former HDI-Gerling Industrie Versicherung AG arising from contractual relationships – including insurance policies – or similar legal positions with third parties remain intact in the form of rights and obligations on the part of HDI Global SE.

Establishment of branch offices

The restructuring of the Dutch subsidiary HDI-Gerling Verzekeringen N.V., Rotterdam, required the new establishment of a branch of HDI Global SE in Denmark, which will continue to carry out the business of the previous location of HDI-Gerling Verzekeringen N.V. in Denmark. The branch office based in Copenhagen commenced operations beginning 1 January 2016. For 2016, the Company expects a gross premium volume of approximately EUR 31 million. The strongest premium volume is expected with the branch’s 20 employees in the third-party liability and property insurance lines. As a result of the direct affiliation with HDI Global SE, the Scandinavian insurance market should be more thoroughly developed.

HDI Global SE is currently establishing a new branch office in Labuan. As an offshore financial centre, Labuan is part of the federal territory of Malaysia and will therefore serve as a location for HDI Global SE in the Malaysian industrial insurance market. The plan is to commence business operations in the first half of the second quarter of the current financial year. For the first year, the Company expects a gross premium volume of approximately EUR 2 million.

Risk report

Risk controlling in a time of change

HDI Global SE offers their policyholders comprehensive insurance protection so that the assumption of risks represents the core of its business. Pronounced risk awareness is an indispensable prerequisite for managing these risks. In this context, the Company developed a variety of processes and instruments some time ago, that are used not only to recognise, assess and manage risk but also to identify opportunities. The Company's risk management is focused on the negative random variations, that are risks.

HDI V. a. G.’s application to use an internal group model was approved by the BaFin. An internal model for HDI Global SE was also approved by the BaFin at the level of the individual companies in connection with this group application. Thus, starting in 2016, an internal model will be used at HDI Global SE to calculate the risk capital for regulatory purposes (whereby operational risk will be calculated using the standard formula).

The monitoring systems and decision-making processes of HDI Global SE are embedded in the standards of the Talanx Group.

Structural organisation of risk management

The structural and organisational framework for the Company’s risk management has been set out using a role concept which defines and delimits the rights and responsibilities. In addition, risk management and risk monitoring functions are separated under the segregation of functions.

The Company’s Board of Management is responsible for the introduction and continued development of the risk management systems as well as the risk strategy. It is assisted by the Risk Committee. The major tasks of the Risk Committee include, for example, the coordination of risk control measures, the analysis of risk positions, with particular regard to the risk strategy adopted by the Board of Management as well as the regular reporting of risk positions.

The roles of the Head of Risk Management include, inter alia, the coordination of activities of the independent Risk Controlling function.

The activities of the independent Risk Controlling function are mainly focused on the identification and assessment of risks at the aggregate level, including the validation of the risk assessments made by the risk management officers. The preparations for risk reporting, including statements about the utilisation of existing limits and thresholds as well as the regular quantitative analysis of risk bearing capacities also fall within the scope of its responsibilities.

The risk management system is regularly reviewed by Talanx AG's internal auditing department.

Risk controlling process

Based on the Company's risk strategy targets, which are consistent with those of Talanx AG, as well as the objectives of its own business strategy, the Company's risk-bearing capacity is regularly reviewed and reported to the Board of Management throughout the year. These quantitative observations are put into operation in connection with a consistent limit and threshold value system at the enterprise level. The utilisation of limits is regularly monitored. Concentration risk is accommodated, among other things, by means of appropriate limits and threshold values.

Within the framework of the qualitative risk control process, HDI Global SE focuses on significant risks. As a general rule, the single risks named by the risk management officers are aggregated into a report on risks and opportunities attached to future developments. The risk meetings, which are regularly held by the divisions and the corporate functions, rely on systems-supported risk identification.

The findings from the qualitative and quantitative analyses of the risk position provide the foundation for an internal risk report that is regularly prepared by HDI Global SE. This ensures that an overview of the Company's risk situation can be provided at all times. The risk categories required under Solvency II are fully covered by HDI Global SE. This enables them to be mapped to the risk categories in the German Accounting Standard DRS 20, which are discussed in the following.

Underwriting risiks

Underwriting risks derive primarily from the premium/loss risk and the reserving risk.

In the property and casualty insurance line the premium/loss risk refers to the risk of having to pay future indemnification from insurance premiums that have been fixed in advance, but that, due to their limited predictability, are not known with certainty when premiums are set (risk of random loss and change). To limit this risk, HDI Global SE uses actuarial models, in particular for the setting of rates, monitors the claims experience on a regular basis and obtains reinsurance coverage.

The reserving risk refers to the risk that underwriting provisions will not be sufficient to settle all unsettled and unreported claims in full. In order to lower this risk, the level of provisions is regularly reviewed on a period-by-period basis and the run-off results are monitored. In addition, a provision (*Spätschadenrückstellung*) is recognised for losses presumed to have occurred but not yet reported.

The following table shows the development of the loss ratio for own account:

Loss ratio for own account

Claims expenses as percentage of premium earned*	
2015	79.1
2014	83.3
2013	85.7
2012	79.3
2011	97.2
2010	75.2
2009	79.5
2008	68.3
2007	80.5

**These key figures are presented beginning with 2007 for reasons of comparability. In this year, the new legal entity, comprising the predecessor companies of the HDI and Gerling Groups came into being.*

HDI Global SE seeks, in particular, to mitigate the potential effect of a simultaneous occurrence of natural disasters within the context of underwriting risk by obtaining adequate reinsurance cover on behalf of the Company for peak claims. In addition, it uses loss analyses, natural disaster models, selective underwriting and regular monitoring of the claims experience to control and reduce risk.

The following table shows the development of the run-off ratio for own account:*

Run-off result

Run-off of the initial loss provision (%*)	
2015	9.0
2014	11.4
2013	10.7
2012	7.9
2011	7.7
2010	7.7
2009	4.5
2008	8.1
2007	9.8

**These key figures are presented beginning with 2007 for reasons of comparability. In this year, the new legal entity, comprising the predecessor companies of the HDI and Gerling Groups, came into being.*

Risks of default on insurance business receivables

HDI Global SE reduces the risk of default on receivables from reinsurers by means of instructions and guidelines that apply to the entire segment. The reinsurance partners are carefully selected by expert committees and their creditworthiness is reviewed on an ongoing basis. The consistent and uniform utilisation of rating information applicable at the respective cut-off date is ensured by means of a rating information system accessible Group-wide. In order to avoid and/or limit default risks from the reinsurance business, appropriate measures are taken to collateralise receivables and/or other contractual obligations on the part of these reinsurance partners. Amounts contractually ceded to reinsurers are managed in particular by the Group's own reinsurance broker by way of operational hedging and placement guidelines.

The default risk from claims due from policy holders and insurance agents is accounted for in the form of general allowances for doubtful debt. Agents are also evaluated in terms of their credit worthiness. In particular a strict reminder and dunning process is carried out to counter potential delays or defaults on premium payments in collections directly from policyholders or from intermediaries and the development of outstanding receivables with respect to amount and age is closely followed.

In the direct written insurance business outstanding receivables due from policy holders and insurance agents that were more than 90 days in arrears as at the balance sheet date totalled EUR 209.2million. This represents 33.8% of gross receivables. Over the past three years, HDI Global SE was required to write-off an average of 1.7% (3.0%) of receivables on reinsurance business as at the balance sheet date.

The receivables from reinsurers based on rating classes are presented as follows as at the reporting date:

Receivables from reinsurers based on rating classes

EUR million, %		
≥ AA	247.4	47.6
A	140.4	27.0
BBB	1.2	.2
NON	131.0	25.2
of which captives	43.0	
Total	**520.0**	**100.0**

Investment risks

Investment risks encompass primarily market risk, credit risk and liquidity risk.

Market risk arises from potential losses due to unfavourable changes in market prices and may be attributable to changes in interest rates, share prices and exchange rates. Credit risk refers to the risk that a debtor will be unable to meet its payment obligations. Liquidity risk involves the inability to meet payment obligations under insurance agreements, in particular, at any and all times.

The measurement, control and management of risks with respect to market price risk rely on stress tests, modified duration and convexity and on the asset-liability management model that has been im implemented. The actual developments in the capital markets are then taken into account as part of the on-going process.

Credit risk is managed by means of a system of ratings classes under the special investment guidelines. Credit risk related to mortgages and land charges as well as real properties is limited under the special investment guidelines. Liquidity and concentration risk is taken into account through adequate fungibility and diversification of investments.

If derivative transactions are effected for the purpose of increasing income, to prepare acquisitions and hedge portfolios as well as transactions with structured products, they are entered into in connection with the circular letters issued by the Federal Insurance Supervisory Authority (Bundesaufsichtsamt für das Versicherungswesen, BAV) (R 3/ 1999 and R 3/2000), the BaFin (R 4/2011 [VA]) and the Company's internal guidelines. Derivatives positions and transactions are shown in detail in the reporting. On the one hand, derivatives are efficient and flexible instruments of portfolio management. On the other hand, the use of derivatives is associated with additional risks such as basis risk, curve risk and spread risk, which must be monitored in detail and systematically managed.

Risk management objectives

The aim of risk management is to ensure that the investment targets give appropriate consideration to safety, profitability and liquidity while maintaining an appropriate asset allocation and diversification. The intent is to consider the overall-risk situation of the Company. This is characterised, in particular, by the underwriting obligations assumed, the existing structure of investments, own funds and other financial reserves of the Company.

The results of liquidity planning and controlling performed throughout the year are incorporated into the risk management and are taken into account in terms of the time horizon.

Management of the investment portfolio

Investments are subject to detailed guidelines and adherence is continuously monitored, as is compliance with the statutory requirements such as the German Regulation on the Investment of Restricted Assets of Insurance Undertakings (Anlagenverordnung) and official circulars. These investment guidelines are designed to serve as framework for the investment strategy, taking into account the operating insurance business and the time horizon, and as evidence vis-à -vis outside parties (German Federal Financial Supervisory Authority [BaFin], independent auditors, etc.). The monitoring of the ratios and limits specified in these guidelines is incumbent on Risk Controlling and on the Chief Financial Officer. All material changes to the investment guidelines including appendices and/or investment policies must be approved by the full Management Board of the Group and reported to the Supervisory Board.

Risk measurement and control

The risk associated with the bond portfolio is monitored by determining the interest rate risk on the basis of scenario analyses. Compliance with the limits established by the Chief Financial Officer with respect to the duration of the bond portfolio is also controlled. To monitor changes in the market values of interest-rate sensitive products, the convexity limits of bond products are further tracked on a daily basis. In connection with listed shares, Risk Controlling determines the risk associated with equity instruments on the basis of scenario analyses and stress tests, which are performed at least monthly in compliance with the supervisory regulations.

Fair value development scenarios for securities

Portfolio changes based on market value in (EUR million)	
Portfolio	
Equities and other non-fixed interest securities	
Share prices - 20%	-38.7
Fixed-interest securities and other loans	
Rise in yield + 100 basis points	-209.4
Decline in yield - 100 basis points	+223.2

In connection with the exchange rate risk, cover in matching currencies is monitored. In addition exposures are controlled with respect to the additional limits by currency set by the Chief Financial Officer.

The default risks to be monitored comprise counterparty and issuer risk. Counterparty and issuer risks are controlled on the basis of counterparty lists issued by the Chief Financial Officer as well as by monitoring the limits that are defined for each rating class.

EUR million, %		
Bearer Bonds:		
Rating AAA	928	35.2
Rating AA	541	20.5
Rating A	779	29.5
Rating BBB	328	12.4
Rating < BBB	63	2.4
Total	2,640	100.0
Registered bonds/ Promissory note loans:		
Rating AAA	565	47.7
Rating AA	282	23.8
Rating A	217	18.3
Rating BBB	76	6.4
Rating < BBB	25	2.1
n. r.	21	1.7
Total	1,185	100.0
Fixed income funds:		
Rating AAA	172	18.0
Rating AA	32	3.3
Rating A	274	28.6
Rating BBB	429	45.0
Rating < BBB	48	5.1
Total	956	100.0
Loans:		
Rating A	104	46.2
Rating BBB	78	34.3
Rating < BBB	39	17.3
n. r.	5	2.2
Total	226	100.0
Total:		
Rating AAA	1,665	33.3
Rating AA	856	17.1
Rating A	1,374	27.4
Rating BBB	911	18.2
Rating < BBB	176	3.5
n. r.	26	0.5
Total	5,007	100.0

As a result of the persistently low interest rate level, there is an elevated rollover risk associated with fixed-interest securities. The capacities on the market for attractive new investments are correspondingly limited.

Liquidity risk refers to the risk of not being able to meet financial obligations, in particular under insurance contracts, if investments are illiquid. The risk is taken into account through adequate fungibility and diversification of investments. The Company ensures sufficient liquidity at all times through the coordination between the investment portfolio and insurance obligations as well as the planning of its cash flows.

Key liquidity indicators are reviewed and reported quarterly to monitor liquidity risk. Compliance with the minimum and maximum limits set by the Chief Financial Officer is tested in connection with the liquidity reserve.

Any risk limit excesses are immediately reported to the Chief Financial Officer and to Portfolio Management.

Operational risk

Operational risks include operating and legal risks. Within the internal risk categories, these risks can be classified under the following sub-groups of operational risk: IT, process, legal and other operational risks.

A failure of EDP systems is considered a typical IT risk. This risk is limited, among other things, by means of a backup computer centre made available by Talanx Systeme AG under a service arrangement as well as by contingency plans.

Process risk is mitigated by the internal management and control system. Based on structured process documentation, material risks and controls are identified, and assessed in a risk/control assessment and action items are formulated where necessary. In a specific case, this might mean that existing controls are adapted and/or that new/additional improvements and measures are initiated by the risk management officers.

Legal risk may arise from contractual agreements or the general legal framework. In organisational terms, the handling of these issues is supported by appropriate organisational and operational arrangements, such as the division of competences between the functional departments at HDI Global SE and the corporate legal department at Talanx AG.

Against the background of a business that grows ever more complex and in which customer orientation plays an important role, among other factors, HDI Global SE attaches a high priority to the qualitative aspects of human resources management as well as the continuing education and training programmes for functional and management staff. This is intended to mitigate other operational risks which might be posed, for example, by a limited availability of personnel.

Other risks

Other risks may include strategic risks, risks to reputation and so-called emerging risks. The principal strategic risk of a rating downgrade is mitigated by the continuous monitoring of capital adequacy and/or the risk bearing capacity as well as regular analyses of plans and forecasts.

Overall summary of the risk position

On balance, there are presently no known risks that could jeopardise the continued existence of HDI Global SE. The Company exceeded the solvency requirements.

Report on expected developments and on opportunities

Economic climate

In the coming quarters the global economy will continue to present a very mixed picture. The USA is on a stable growth trajectory. The solid economic development is reflected in particular in the very robust labour market and in the real estate market. This and the better labour market conditions should provide additional long-term stimulus for the consumption of private households. The disposable income of US households increased considerably, accompanied by increased assets and low inflation rates, while expenses to service debts decreased tangibly. Private consumption should remain the central driver of growth in the USA in the coming quarters.

The economic recovery in the Eurozone should continue in the coming quarters. In addition to the ECB's continued very expansive monetary policy, the low exchange rate of the euro should also continue to have a supporting effect. The recently positive labour market dynamic should continue and increase in connection with the low inflation rate of real incomes and thereby lead to greater consumption. The low commodity prices should also support consumer spending in the next few months. The recent negative dynamic in emerging markets continued to accelerate. We consider them to be confronted with structural and cyclical challenges. However, growth rates should also turn out to be very heterogeneous in the future. The structural problems in China, including the high level of indebtedness, should have a negative impact on the economy.

The mixed economic trends between the developed world and the emerging markets is leading increasingly to an asynchronous economic cycle along with the associated inflation and interest rate cycles. Inflation should arise in the USA as a consequence of a wage and price spiral that necessitates a continuous "normalisation" of monetary policy. In contrast, the monetary policy stance of the ECB should remain highly expansive as a result of low inflation rates, partially high unemployment and mixed, occasionally very moderate growth rates. Inflation rates in the Eurozone should continue to remain very low in the coming months.

Capital markets

In the medium term, a low interest rate environment is expected as a result of low inflation expectations, persistent geopolitical risks and the expansive monetary policy, which was once again accelerated in December 2015. This expansive monetary policy is not expected to end in this reporting period. German government bonds with maturities up to around eight years recorded new historical lows in the fourth quarter. In den USA, the US central bank (Federal Reserve) raised the key interest rate in December 2015. Until the end of 2016, the Federal Reserve considered an interest rate level of 1.375% to be appropriate, for which reason three to four additional interest rate hikes can be expected in 2016.

Legal and political pressure on rating agencies is expected to continue to lead to cautious rating procedures in the future, and in cases of doubt, to lower ratings. The issue of Greece could also flare up again in the reporting period, despite the agreement reached in July 2015, just as the weak growth in China with negative effects on the emerging markets. Clear activity could be seen in the primary market in the fourth quarter of 2015, with issuers focusing in particular on subordinated bank bonds. We presume that new issue volumes will remain stable in 2016 compared to 2015.

Currently, the stock markets in the USA and in Europe are recording relatively high valuation levels. Profit growth should still have the potential to catch up in Europe. At the same time, the low commodity prices in Europe are probably not yet fully priced in, which could also lead to rising profits. Overall, we expect global stock market performance to be neutral to below average until the end of the year.

International insurance markets

In international property and casualty insurance, we expect real premium income growth to be insignificant for 2016. Whereas premium growth is expected to slow down slightly for developed markets, we expect a clear increase for emerging markets. In light of the slightly declining premiums expected in developed markets and an economic trend that is only expected to improve modestly, we are basing our planning on the assumption that our profitability will decrease somewhat in 2016.

German insurance industry

For 2016, we expect premium income to rise in the German property and casualty insurance lines. However, premium growth should continue to weaken compared to the prior year's level. This assessment reflects the expected development in motor insurance as the primary driver for positive premium development in recent years.

HDI Global SE

HDI Global SE is among the market leaders in industrial insurance in Germany and throughout Europe. Rising premium income and the growth of its foreign business are reinforcing its strong position as an international competitor. Industrial insurance customers in Germany and abroad benefit from decades of experience in risk assessment and risk management, because the complex risks to which industry and middle-market firms are exposed, demand special protection. Individually tailored coverage concepts realise comprehensive insurance solutions and thus offer a complete range of products for the coverage of entrepreneurial risks. Just as important: Owing to many years of experience, HDI Global SE can provide professional claims management, which can provide immediate assistance in a loss event.

The Company has built a comprehensive global network in response to the needs of its customers. HDI Global SE is able to offer insurance solutions that meet international standards to industrial customers in 37 countries through primary insurance providers in the Talanx Group and through network partners in around 100 countries.

In the 2016 financial year, plans provide for the further expansion of the industrial insurance business in Europe as well as in Latin America, (South) East Asia and the Arabian Peninsula.

In addition, we are expecting organic growth that – in view of our already high market penetration in Germany – should be generated primarily in our foreign branch offices.

Despite the continued fierce competition in the industrial insurance market, we assume that the unchanged and in part aggressive competition with respect to prices as well as terms and conditions will continue and as a result premium adjustments may only be possible to a limited extent.

The capacity for innovation and a focus on service is becoming increasingly important in the insurance industry. While reinforcing existing strength in direct sales on the basis of close customer contacts and technical and personal competencies, work continues on the ongoing improvement of internal procedures, systems and processes. As a result of this, we expect the expense ratio to increase slightly.

After claims expenses that were characterised by major losses due to numerous fires in 2015, we expect the loss situation to improve significantly for the coming year.

We are assuming that the tensions in the capital markets will continue in 2016, and that the very low level of interest rates will change very little on the whole. This will continue to affect the yields on new investments. Therefore, we expect net investment income to be at the level of 2015. The persistent low interest rate environment also forces us to further improve underwriting.

In summary, we expect a clear increase in net income in 2016, largely based on improved underwriting.

Scope of business operations

The Company operates its business through the following branch offices:

In Germany:
Berlin, Dortmund, Düsseldorf, Essen, Hamburg, Hannover, Leipzig, Mainz, Munich, Nuremberg, Stuttgart.

International:
Athens, Brussels, Copenhagen (effective from 1 January 2016), Dublin, Hong Kong, London, Madrid, Milan, Manama, Oslo, Paris, Rotterdam, Singapore, Sydney, Tokyo, Toronto, Zurich.

Casualty insurance
Aviation accident insurance,
clinical trials insurance,
individual comprehensive accident insurance,
individual partial accident insurance,
group accident insurance,
motor accident insurance,
medical insurance in connection with foreign travel insurance,
other accident insurance

Liability insurance
Occupational and industrial injury liability insurance,
water pollution liability insurance,
business and property damage liability insurance,
property damage liability insurance,
Directors and Officers (individual),
fire liability insurance,
aviation liability insurance,
environmental liability insurance,
space flight liability insurance,
pharmaceutical, radiation and nuclear facility liability insurance,
sports liability insurance,
other general liability coverage

Motor liability insurance

Other motor insurance
Comprehensive motor insurance
partial motor insurance

Legal protection insurance

Fire and property insurance
Industrial fire insurance,
agricultural fire insurance,
fire business interruption insurance,
other fire insurance
machinery insurance,
electronics insurance,
installation insurance,
construction services insurance,
existing buildings' insurance,
TV - business interruption insurance,
other engineering insurance coverage,
extended coverage (EC) insurance,
EC - business interruption insurance,
burglary and theft insurance,
tap water insurance,
glass insurance,
storm insurance,
umbrella insurance,
other property loss insurance (motor),
other property loss insurance (marine),
motor warranty insurance

Marine and aviation insurance
Comprehensive aircraft insurance,
comprehensive aviation war risk insurance,
comprehensive spaceflight insurance,
merchandise insurance,
comprehensive maritime insurance/ ocean-going travel,
traffic liability insurance,
comprehensive maritime insurance/ river travel,
terrorist risk - marine,
goods-in-transport insurance,
valuables insurance,
comprehensive insurance,
other marine insurance,
other aviation and spaceflight insurance

Credit and collateral insurance
Surety insurance,
export credit insurance

Other insurance
Machinery warranty insurance,
other property loss insurance
(motor warranty insurance),
other property damage insurance (aviation)
other property damage insurance (marine),
other property damage insurance (ransom payments),
other property loss insurance
(remediation consultation insurance),
other business interruption insurance,
other miscellaneous insurance,
other property loss insurance (exhibitions, hunting and sporting weapons, motor luggage, musical instruments, cameras, reefer cargo, nuclear facilities, automated devices),
other business interruption insurance
(film production insurance, operations shut-down),
other financial losses (loss of license, loss of rent),
other miscellaneous insurance (tank and barrel leakage).
loss of reputation (computer misuse),
burglary, theft and robbery insurance,
tap water insurance,
glass insurance,
storm insurance,
umbrella insurance,
other casualty insurance

All-risk insurance
All-risk property insurance,
all-risk business interruption insurance,
multi-line insurance,
multi-peril insurance

HDI-Gerling Industrie Versicherung AG also provides reinsurance in the following insurance classes:
Accident insurance,
liability insurance,
motor insurance,
aviation insurance,
legal protection insurance,
industrial fire insurance (including terrorism risk, TV),
fire business interruption insurance,
credit insurance,
other miscellaneous insurance,
loss of reputation insurance,
engineering insurance

In addition HDI Global SE also covers liability risks in relation to nuclear installations, pharmaceuticals and terrorrism risks as part of the business accepted for reinsurance.

Balance sheet as at 31 December 2015

Assets			**31/12/2015**	**31/12/2014**
EUR thousand				
A. Intangible fixed assets				
I. Purchased concessions, industrial and similar rights and assets, and licences				
in such rights and assets			16,519	16,769
B. Investments				
I. Land, land rights and buildings, including buildings on third-party land		100,088		88,202
II. Investments in affiliated companies and other equity investments		1,184,479		1,005,959
III. Other investments		5,249,584		5,400,004
IV. Deposits retained by ceding companies on busniess accepted for reinsurance		66,158		67,444
			6,600,309	**6,561,609**
C. Receivables				
I. Receivables arising from direct written insurance business, due from:				
1. Policy holders	296,241			282,097
2. Intermediaries	314,245			265,205
		610,486		**547,302**
II. Receivables on reinsurance business of which due to affiliated companies: 94,834 EUR thousand (128,154 EUR thousand)		515,657		422,111
III. Other receivables of which due to affiliated companies: 60,159 EUR thousand (48,371 EUR thousand)		231,947		244,190
			1,358,090	**1,213,603**
D. Other assets				
I. Tangible fixed assets and inventories		9,416		8,697
II. Cash at banks, cheques and cash-in-hand		263,228		210,622
III. Other assets		102		102
			272,746	**219,421**
E. Accrued or deferred items				
I. Deferred rent and interest income		65,307		73,519
II. Other prepaid expenses		2,416		8,947
			67,723	**82,466**
F. Excess of plan assets over post-employment benefit liability			3,853	114
Total assets			**8,319,240**	**8,093,982**

Equity and liabilities			**31/12/2015**	**31/12/2014**
EUR thousand				
Equity				
I. Subscribed capital		125,000		125,000
II. Capital reserves		281,536		281,536
			406,536	**406,536**
B. Subordinated liabilities			200,000	200,000
C. Underwriting provisions				
I. Unearned premium reserve				
1. Gross amount	850,950			808,429
2. less: share for business ceded for reinsurance	419,239			409,548
		431,711		**398,881**
II. Provision for outstanding claims				
1. Gross amount	10,257,014			9,588,470
2. less: share for business ceded for reinsurance	5,512,648			4,985,515
		4,744,366		**4,602,955**
III. Provision for profit-related and non-profit related premium refunds				
1. Gross amount	8,410			6,609
2. less: share for business ceded for reinsurance	1,405			1,226
		7,005		**5,383**
IV. Equalization reserve and similar provisions		551,188		559,578
V. Other underwriting provisions				
1. Gross amount	38,941			35,975
2. less: share for business ceded for reinsurance	1,500			1,624
		37,441		**34,351**
			5,771,711	**5,601,148**
D. Other provisions				
I. Provisions for pensions and similar obligations		365,582		339,842
II. Provisions for taxes		49,472		54,842
III. Other provisions		77,185		69,538
			492,239	**464,222**
E. Deposits retained on insurance ceded			72,189	101,800
F. Other liabilities				
I. Liabilities from direct written insurance business due to:				
1. Policy holders	79,543			66,831
2. Intermediaries	195,185			165,198
		274,728		**232,029**
II. Payables on reinsurance business of which due to affiliated companies: 168,014 EUR thousand (157,170 EUR thousand)		833,344		609,493
III. Other liabilities: of which taxes: 60,470 EUR thousand (39,673 EUR thousand) of which social security: 1,800 EUR thousand (2,046 EUR thousand) of which due to affiliated companies: 73,382 EUR thousand (234,808 EUR thousand)		268,111		478,243
			1,376,183	**1,319,765**
G. Deferred and accrued items			382	511
Total equity and liabilities			**8,319,240**	**8,093,982**

The annuity provision recognised on the balance sheet as at the close of the 2015 financial year under equity and liabilities C.II. is equal to EUR 25,763,189. It is confirmed that the annuity provision shown on the balance sheet under line C.II. has been calculated under consideration of section 341f and section 341g as well as the regulations issued based on section 65(1) VAG (in the valid until 31 December 2015).

Hannover, 15 February 2016 The responsible Actuary Schmidt

Income statement for the period from 1 January to 31 December 2015

I. Underwriting account			**2015**	**2014**
EUR thousand				
1. Premiums earned for own account				
a) Gross premiums written	3,979,765			3,787,021
b) Premiums ceded to reinsurance	2,185,884			2,163,842
		1,793,881		1,623,179
c) Change to the gross premium reserve unearned	-8,963			-31,410
d) Adjustment of reinsurers' share in gross premiums unearned	-342			-10,500
		-8,621		**-20,910**
			1,785,260	**1,602,269**
2. Underwriting interest income for own account			346	384
3. Other underwriting income for own account			4,662	5,983
4. Expenses on insurance claims incurred for own account				
a) Claims payments				
aa) Gross amount	2,821,300			2,563,082
bb) Reinsurer's share	1,447,948			1,304,425
		1,373,352		**1,258,657**
b) Changes to the provisions for outstanding claims				
aa) Gross amount	412,355			322,206
bb) Reinsurer's share	374,255			245,606
		38,100		**76,600**
			1,411,452	**1,335,257**
5. Change to other net underwriting provisions			1,980	645
6. Expenses for profit-related and non-profit related premium refunds for own account			4,015	970
7. Expenses for insurance operations for own account				
a) Gross expenses for insurance operations		768,677		701,435
b) less: commissions and profit commissions received for business ceded to reinsurance		313,344		306,013
			455,333	**395,422**
8. Other underwriting expenses for own account			1,654	170
9. Subtotal			**-84,166**	**-123,828**
10. Changes to equalization reserve and similar provisions			8,390	22,661
11. Underwriting result for own account			**-75,776**	**-101,167**

II. Non-underwriting account			**2015**	**2014**
EUR thousand				
1. Investment income				
a) Income from long-term equity investments - of which from affiliated companies: 15,090 EUR thousand (33,324 EUR thousand)	17,950			36,186
b) Income from other investments - of which from affiliated companies: 8,825 EUR thousand (13,955 EUR thousand)				
ba) Income from land, land rights and buildings, including buildings on third-party land	11,209			15,431
bb) Income from other investments	180,140			193,897
c) Income from reversal of write-downs	525			7,044
d) Gains on disposal of investments	30,710			88,523
e) Income from profits received under profit pooling, profit or loss transfer, or partial profit transfer agreements	15,222			8,907
		255,756		**349,988**
2. Investment expenses				
a) Investment management expenses, interest expenses and other expenses related to capital investments	13,012			12,550
b) Write-downs of investments	31,556			58,037
c) Losses on disposal of investments	16,798			6,455
d) Cost of loss absorption	1			102
		61,367		**77,144**
		194,389		**272,844**
3. Underwriting interest income		315		384
			194,074	**272,460**
4. Other income		79,650		80,130
5. Other expenses		122,841		126,236
			-43,191	**-46,106**
6. Result from ordinary activities			**75,107**	**125,187**
7. Extraordinary income		0		7,662
8. Extraordinary expenses		8,800		24,767
9. Extraordinary result			**-8,800**	**-17,105**
10. Taxes on income		32,044		37,494
11. Other taxes		7,204		8,103
			39,248	**45,597**
12. Profit transferred on the basis of profit pooling, profit and loss transfer, or partial profit transfer agreements		27,059		62,485
13. Net profit/loss for the year			**0**	**0**

Notes to the financial statements

General information

The annual financial statements and the management report for the 2015 financial year were prepared in accordance with the regulations in the German Commercial Code (*Handelsgesetzbuch*; HGB), the German Stock Corporation Act (Aktiengesetz; AktG) and the German Insurance Supervision Act (*Versicherungsaufsichtsgesetz*; VAG) in conjunction with the Regulation on the Accounting of Insurance Undertakings (*Verordnung über die Rechnungslegung von Versicherungsunternehmen*; RechVersV) in the version applicable at the balance sheet date.

Assets

Intangible fixed assets

Intangible fixed assets were recognised at cost less amortisation applied in accordance with their customary useful lives. The domains hdi-global.com and hdiglobal.com represent an exception to this rule. They were recognised at cost and are not amortised.

Land, land rights and buildings, including buildings on third-party land

Land and buildings were recognised at historical cost less depreciation according to their customary useful life.
The gross rental value method in accordance with the regulations concerning the principles governing the assessment of the fair market values of properties (German Ordinance on the Valuation of Property/Real estate– *Immobilienwertermittlungverordnung*; ImmoWertV) and the supplementary Valuation Guidelines are applied to determine the fair value of our real properties. The present value of cash flows generated by the property and discounted over its remaining economic useful life is determined using this approach. The gross rental value method is considered a “generally accepted method” within the meaning of § 55 of the Regulation on the Accounting of Insurance Undertakings (RechVersV). In accordance with section 55(3) RechVersV, current fair market values are determined by external auditors no later than every five years. These amounts are reviewed annually and adjusted when and if required. The cost or the value assessed in a report compiled by an external, publicly certified expert is recognised for land and buildings recently acquired as well as properties under construction.

Investments in affiliated companies and other equity investments

Shares in affiliated companies and equity investments are recognised at cost in accordance with section 255(1) of the German Commercial Code less write-downs (if any) to their fair value in accordance with section 341b(1) sentence 2 HGB in conjunction with section 253(3) sentence 4 HGB (modified lower of cost or market principle).
The market value of the shares in affiliated companies and equity investments has been determined in accordance with section 56 RechVersV. As a rule, the present value of future financial surpluses (capitalised value of expected earnings) was recognised as the fair value. A company whose fair value is primarily based on the sum of the capitalised value of expected earnings of its subsidiaries was measured accordingly using a sum-of-parts approach. With respect to a foreign investee in the development phase whose income planning has not yet sufficiently stabilised, a multiple of equity was used in place of the capitalised value of expected earnings. For companies in the development phase whose income planning is not yet sufficiently stabilised, a fair value is derived using comparable market data in place of the capitalised value of expected earnings. If the continuation of operations as a legally independent unit could no longer be assumed in the short to medium term, a net asset value that adequately accounts for the company's future development prospects would be applied. In individual cases, the fair value was set equal to the carrying amount as long as there was no indication of impairment. For companies whose noteworthy assets comprise land and buildings, the fair market value of the land and buildings was taken into account. For companies that underwrite equity instruments not traded on the capital markets, the value was determined by analogy to similar instruments held directly (net asset value of investments held). If the impairment is expected to be permanent, an impairment write-down was recognised.

Amounts lent to affiliated companies were recognised at cost and/or the notional loan amount in the case of amounts provided as loans and at cost for all other forms of lending, less any write-downs to their fair value as at the balance sheet date, if applicable.

The fair values of loans to affiliated companies, of registered bonds, of notes receivable and loans as well as other miscellaneous loans are determined with the help of product and rating-specific yield curves. Special structures such as deposit protection, guaranty obligations, or subordination are taken into account with respect to the spread premiums applied. The fair value of zero coupon registered bonds and zero coupon notes receivable is determined based on the Company's own calculations derived using actuarial methods.

Other investments

Stocks, shares, or investment fund units and other non-fixed-interest securities were measured at cost or the lower market value. Securities designated for use in continuing operations were recognised pursuant to section 341b(2) HGB in conjunction with section 253(3) HGB in accordance with the modified lower of cost or market principle. The permanent nature of the applicable write-down was assessed on a case-by-case basis.

The fair value of other investments was generally determined on the basis of their open market value in accordance with § 56 of the German Regulation on the Accounting of Insurance Undertakings (RechVersV). For investments having a market or listed price, the market value is defined as the market or listed price on the balance sheet date, or on the last day prior to this date for which a market or listed price could be identified. In cases in which no listed prices are available, pricing methods that are established in the financial markets are employed. Investments were valued at maximum at their expected realisable value in accordance with the principle of prudence.

The fair value was determined for shares and stock funds, that are accounted for as fixed assets, using the earnings per share (EPS) method, an income approach for each share on the basis of expected annual profits estimated by independent analysts, or the higher fair market value. If earnings per share exceed 120% of fair market value, they are capped at 120%.

Bonds and bond funds were valued on the basis of a nominal value approach that relies on the nominal value of the bonds expected at their final maturity, provided that no adjustment must be applied due to credit concerns. For mixed funds, the individual components were valued as appropriate in accordance with either method.

Registered bonds, borrower’s note loans including refinancing loans, mortgages and other loans are recognised at amortised cost. For this purpose, investments were recognised at cost upon acquisition and the amount of the difference from the repayment amount is amortised over the remaining term using the effective interest method.

Deposits with banks and deposits retained were recognised at their nominal amounts.

Receivables

Receivables from direct written insurance business were recognised at their notional amounts. For the business in Germany, a global valuation allowance for receivables from policy holders and insurance brokers was calculated in the amount of 1%. For the international business, a global valuation allowance was recognised based on the age structure of receivables from policy holders. For receivables from insurance brokers, the general risk of default was taken into account through the recognition of an adequate global valuation allowance.

Reinsurance receivables and other receivables were recognised on the balance sheet at their nominal amounts. The general default risk related to receivables was accounted for by recognising an appropriate allowance for impairment losses.

Since the cost accounts were closed for new postings before the balance sheet date, costs that were posted after the record date for accrued and deferred items were recognised as other receivables. This item is offset by estimated costs for the period between the closing of the cost accounts and the balance sheet date, which were reported under other provisions.

The corporate tax credit was calculated in accordance with the Act on Fiscal Measures Accompanying the Introduction of the European Corporation and the Amendments of Other Tax Regulations (Gesetz über steuerliche Begleitmaß nahmen zur Einführung der Europäischen Gesellschaft und zur Änderung weiterer steuerlicher Vorschriften; SEStRG). Since the reference yields were negative in this year, an actuarial interest rate of 0.0% was assumed for the purpose of calculating the corporate income tax credit.

Other assets

Tangible fixed assets and inventories are recognised at cost. Operating and office equipment was recognised at cost and is depreciated over the customary useful life. The depreciation was applied according to the straight-line method; the periods of useful life range from 3 to 20 years. Low-value assets of up to EUR 150 are immediately deductible as operating expenses. Low-value assets of up to EUR 410 are fully depreciated/ amortised in the year in which they are acquired. Some inventory items are carried at a fixed value.

Cash at banks, cheques and cash-in-hand have been recognised at their nominal amount.

Prepaid expenses

The items to be included under prepaid expenses were recognised at nominal value.

Excess of plan assets over post-employment benefit liability

The line item "Excess of plan assets over post-employment benefit liability" represents the excess amount remaining after netting post-employment benefit obligations with plan assets under individual contracts (mainly pension liability insurances).

Reversals of write-downs and the requirement to reverse write-downs

In connection with the requirement to reverse write-downs in accordance with section 253(5) of the German Commercial Code, reversals of write-downs are recognised for assets that were written down in previous years up to the depreciated or amortised carrying amount or lower fair market value if the reasons for permanent impairment no longer apply and the value of the asset has recovered. Reversals of write-downs were recognised in profit or loss.

Equity and liabilities

Subordinated liabilities
The subordinated liabilities were recognised at their nominal amount.

Approximation and simplification methods
In the calculation of gross underwriting figures, the gross data were recognised completely on an accrual basis. This also applies for all subsequent years. In order to adequately present the reporting period, the following approximation method was applied to calculate the shares for reinsurance:

In the determination of the reinsurers' contractual shares in all gross basis items, a timing offset of one month was applied. The calculation was made on the basis of gross data written for the first eleven months, and the shares for reinsurance were estimated for the remaining month. The following method was applied to calculate the estimate:

The shares of locally managed reinsurers were deducted from the gross underwriting items relevant for reinsurance for the foreign branch offices, since they were written by year-end similar to the gross values. A standard reinsurance regime representing an average reinsurance valuation was applied to the shares and total German portfolio calculated using this approach. Special cases, e.g. a loss event exceeding the priority for non-proportional reinsurance, were taken into account separately.

The method used is subject to regular technical controls; in aggregate, it does not have a material effect on the net assets, fi-nancial position and results of operations of the Company.

Underwriting provisions
The underwriting provisions were calculated as follows, using the methods and approaches described above:

For both the direct written business and the business accepted for reinsurance – provided no information in this respect was provided by the ceding companies – unearned premiums were determined according to the 1/360 method or for the exact number of days (pro rata temporis) in compliance with the regulations of the supervisory authority and the circular from the German Federal Minister of Finance dated 30 April 1974. The shares ceded for reinsurance are accrued in accordance with the contractual agreements.

For the direct written insurance business, the provision for outstanding claims was determined separately for each individual claim. In the co-insurance business, the information provided by the lead insurers was adopted. If the information from the lead insurers was not available as at the balance sheet date, the provisions were estimated for each business relationship on the basis of past experience. In motor liability, motor comprehensive and motor partial own damage insurance, the group-valuation option was used for unsettled minor claims. In the comprehensive maritime and river travel insurance lines, the provision for the indemnification of claims for the financial year losses was measured globally based on past experience.

Corresponding late loss provisions were recognised for insurance claims of which we were not yet aware at the reporting date. These provisions for claims incurred but not yet reported were calculated based on the origin of the insurance business as well as the distinctive characteristics of the respective lines using various methods. In the motor liability class, the provisions were calculated based on the chain ladder method. In the other classes the calculation is made based on the expected loss expenses and geared towards a three to five year average, taking special factors into account.

The annuity provision calculated in accordance with § 65 VAG (Versicherungsaufsichtsgesetz; German Insurance Supervisory Act) and the provision for anticipated claims settlement expenses were recognised in addition. A two-step method was chosen to calculate the provision for adjustment expenses. The starting point in this approach is the calculation of the provision for claims adjustment expenses in accordance with the Decree issued by the Federal Minister of Finance on 2 February 1973 for each HGB class on the basis of prior year values. The provision for claims adjustment expenses thus calculated was then compared to the residual provisions for indemnification. The resulting percentage rate serves as a factor for the relevant calculation method applied in the current financial year, for which the factors were then applied to the current residual provisions for indemnification. For losses for which it was apparent that the provision thus calculated was insufficient, the provision was increased by an additional individual estimate.

The (gross) annuity provision included in the provision for outstanding claims was calculated based on actuarial principles. Thecalculation was made based on the DAV 2006 HUR mortality tables for women and men. The actuarial interest rate remained unchanged at 1.25%.

Receivables from recoveries, salvages and loss sharing agreements for settled claims have been taken into account as deductions to the loss provision ("loss reserve").

A provision for premium refunds was recognised in accordance with contractual terms and conditions.

The equalisation reserve was calculated in compliance with the regulations according to § 29 RechVersV and the Appendix to § 29 RechVersV as well as the Regulations on Reporting for Insurance Undertakings (*Versicherungsberichterstattungsverordnung*; BerVersV).

The provision for the insurance for nuclear facilities and terrorism risk was calculated in accordance with section 30(2) and (2a) RechVersV. The provision for major risks relating to pharmaceutical risk was determined in accordance with section 30(1) RechVersV.

The other underwriting provisions were determined as follows:

The provision for premium lapse risks was calculated by multiplying the annual premiums by the average ratio of premiums to the provisions for premium lapse risks over the last three years. The provision for obligations arising from membership in the Verkehrsopferhilfe e. V. association was recognised according to the notice from the association. The provision for repayment amounts on suspended motor insurance policies was determined on a contract-by-contract basis.

The provisions for expected losses from directly written insurance business or insurance business assumed under a reinsurance contract reported under other underwriting provisions in accordance with section 31(1) no. 2 of the Regulation on the Accounting of Insurance Undertakings (*Versicherungsunternehmens-Rechnungslegungsverordnung*, RechVersV) are recognised as the negative balance of the income expected for the contracts for which there is a legal obligation at the reporting date and the expected expenses. The income includes the expected premium as well as the effects of interest. The expenses include claim expenses and administrative expenses. The expense items are derived based on past experience and adjusted as needed if the forecast of future performance was distorted by effects in previous loss years.

In the case of the insurance business accepted for reinsurance, the provisions ceded by the lead underwriters were generally recognised as liabilities, except and unless better information was directly available to the Company. To the extent that the amounts ceded were not yet available at the time that the financial statements were prepared, the provision for losses ("loss reserve") was estimated using the amounts ceded last year.

Other provisions
Pursuant to section 253(1), (2) HGB, the provision for pensions was recognised at its settlement amount determined in accordance with the principles of commercial prudence. This measurement required estimates for salary and pension trends as well as probable turnover rates. The provision for pensions for employer-funded commitments and for employee-funded commitments not contingent on securities were calculated in accordance with the entry age normal method. The calculations were based on the actuarial decrement tables for active employees. They relied on the 2005 G actuarial tables of Professor Dr Klaus Heubeck. The total amount was discounted to the balance sheet date assuming a remaining term of 15 years. The applicable interest rate for the calculation was determined and published by the German Bundesbank in accordance with the Regulation on the Discounting of Provisions (*Rückstellungsabzinsungsverordnung* - RückAbzinsVO).

For share-based employee-financed pension obligations, the settlement amount corresponds to the market value of the security.

The calculation of the provisions for partial requirement included all employees of the Company who have already taken advantage of partial retirement and/or who are expected to take advantage of the partial retirement regulations (eligible candidates). The calculations are based on the actuarial tables 2005 G of Professor Dr Klaus Heubeck. The calculations were based on the actuarial decrement tables for active employees. To this end, an actuarial interest rate of 2.17 % was applied assuming an average remaining term of three years. In accordance with section 246(2) sentence 2 HGB the amounts thus calculated were offset against all assets intended for the settlement of this obligation and protected against attachment by all creditors. The net amount is the amount recognised on the balance sheet.

Provisions for anniversary bonuses were recognised depending on tenure with the Company and existing eligibility requirements, taking the increase in eligibility into account.

The provisions for taxes and other provisions took all recognisable risks and contingent liabilities into account.

Provisions with a remaining term of more than one year were discounted at the average market interest rate for the last seven years as determined and published by the German Bundesbank in accordance with the RückabzinzVO.

Deposits retained
Deposits retained on direct written insurance were recognised as a liability at the settlement amount.

Other liabilities
Other liabilities are recognised at their settlement amounts.

Prepaid expenses
Income prior to the balance sheet date was presented under deferred income to the extent that it represents income for a specific period after the balance sheet date.

Currency translation
If there are items denominated in foreign currency, they are translated as at the balance sheet date at the closing rate (mean spot exchange rate) for balance sheet items and at the average rate for items in the income statement. The conversion rate for items in inventory is the average rate, or the respective month-end closing rate for monthly measurements. The translation rate for the monthly measurement of income statement line items is the respective final rate on the last day of the preceding month. These items are translated using a rolling method. The addition of the translated individual items effectively resulted in a translation at average rates.

In order to limit exposure to currency risk as much as possible, liabilities denominated in a foreign currency are largely matched with assets in the same currencies/amount. For the major foreign currencies, any currency translation gains net of currency translation losses during the period were allocated to a provision for currency risk. The provision is reviewed quarterly.

Income statement

The income statement items were calculated in accordance with the RechVersV.

Assets

Changes to assets A., B.I. through B.III in the 2015 financial year

Assets in (EUR thousands)		Balance sheet amount the prior year	Additions
A.	A. Intangible fixed assets		
	1. Purchased concessions, industrial and similar rights and assets, and licenses in such rights and assets	16,769	6,022
B. I.	Land, land rights and buildings, including buildings on third-party land	88,202	22,076
B. II.	Investments in affiliated companies and other equity investments		
	1. Shares in affiliated companies	721,283	210,292
	2. Loans to affiliated companies	157,223	300
	3. Other long-term equity investments	127,452	1,848
	4. Total B.II.	**1,005,958**	**212,440**
B. III.	Other investments***		
	1. Shares, investment shares and other non-fixed interest securities	1,230,874	284,922
	2. Bearer bonds and other fixed-interest securities	2,430,972	510,962
	3. Mortgages, land charges and annuity land charges	1,497	120
	4. Other loans		
	a) Registered bonds	867,999	81,571
	b) Promissory notes and loans	651,358	15,382
	c) Other loans	21,000	–
	5. Deposits with financial institutions	196,305	31,404,728
	6 Other investments	–	2
	7. Total B.III.	**5,400,005**	**32,297,685**
Total		**6,510,934**	**32,538,223**

**The carrying amount of owned properties used in connection with Company operations was equal to EUR 42,907 (44,706) thousand.*

***Disclosure pursuant to section 277(3) HGB*

In the financial year, write-downs in the amount of EUR 24,650 thousand were applied to assets recognised as fixed assets .

The Company has exercised the option pursuant to section 341b(2) HGB to classify investments with a carrying amount of EUR 3,527,375 thousand as fixed assets.

§ 285 no. 18 HGB

The fair values of the following investments recognised at cost were less than the carrying amounts:

Investments with hidden losses

EUR thousand	Carrying amounts	Market values
Stocks, shares, or investment funds units and other non-fixed-interest securities	88,809	83,119
Bearer bonds and other fixed-interest securities	390,387	383,712
Total	**479,196**	**466,831**

A write-down in the amount of EUR 12.4 (9.2) million was avoided by means of dedication as fixed assets in accordance with § 341b (2) HGB. In our estimation the impairment is temporary.

Disposals	Write-ups	Exchange rate fluctuations	Depreciation, amortisation and write-downs	Balance sheet value for the financial year	Market value of Investments
–	–	84	6,356	**16,519**	–
5,762	–	–	4,428	**100,088***	**147,054**
	–				
14,450	–	5,886	–	**923,011**	**1,056,590**
3,076	–	-2,630	–	**151,817**	**152,031**
–	–	–	19,649	**109,651**	**115,800**
17,526	**–**	**3,256**	**19,649**	**1,184,479**	**1,324,421**
276,197	–	13,449	–	**1,253,048**	**1,315,062**
387,730	525	87,854	2,477	**2,640,106**	**2,788,975**
1,070	–	–	–	**547**	**594**
268,975	–	6,122	–	**686,717**	**738,711**
177,240	–	13,586	5,000	**498,086**	**516,886**
21,000	–	–	–	–	–
31,439,777	–	9,824	–	**171,080**	**171,003**
2	–	–	–	–	–
32,571,991	**525**	**130,835**	**7,477**	**5,249,584**	**5,531,231**
32,595,279	**525**	**134,175**	**37,910**	**6,550,670**	**7,002,706**

Shares or shares in investment fund

Disclosures pursuant to section 285 no. 26 HGB. EUR thousand	Balance sheet 31/12/2015	Market value 31/12/2015	Distribution 2015
Fixed income funds			
EURO-RENT 3 Master	934,829	987,044	40,000
BlueBay Emerg Mrkt. Inv. Grade Corp. Bond FD. I***	30,000	26,399	1,491
Ampega CrossoverPlus Rentenfonds I (a)	3,500	3,581	122
Subtotal Fixed income funds	**968,329**	**1,017,024**	**41,613**
Mixed funds			
HDI Global Equities	190,235	202,361	0
Subtotal Mixed funds	**190,235**	**202,361**	**0**
Total	**1,158,564**	**1,219,385**	**41,613**

**Write-downs pursuant to section 253(3) sentence 4 HGB were not applied to the special funds reportable under hidden reserves, since we considered the impairments to be temporary.*

For the equity funds held as fixed assets, the fair value of every single stock in the portfolio was calculated by the EPS ("earnings per share") method. If EPS data was not available, market values (max. 120%) were used as an alternative.

For bond funds held as fixed assets, the fair value of fund shares represents the sum of its constituting components (bonds, cash, accrued interest, payables/receivables, derivatives, etc.).
The fair value of each individual bond in the portfolio corresponds to the nominal value for each bond or the lower market value in a credit event of if the market value is lower than 50% of the nominal value.

B. II. Investments in affiliated companies and other equity investments

Name, registered office	Share[1)] %	Currency	Equity in thousand	Result in in thousand
Gerling Norge A/S, Oslo*	100.00	NOK	376	108
HDI-Gerling Services N.V., Brussels*	100.00	EUR	226	4
HDI AI USD Beteiligungs-GmbH & Co. KG (formerly: HDI AI USD Beteiligungs-GmbH & Co. KG), Cologne	100.00	EUR	90,306	1,795
HDI AI EUR Beteiligungs-GmbH & Co. KG (formerly: HG-I Alternative Investments Beteiligungs-GmbH & Co. KG), Cologne	100.00	EUR	389,390	13,444
HDI Schadenregulierung GmbH (formerly: HDI-Gerling Schadenregulierung GmbH), Hannover [2)]	100.00	EUR	25	-1
HDI Risk Consulting GmbH (formerly: HDI-Gerling Sicherheitstechnik GmbH), Hannover [2)]	100.00	EUR	1,626	416
HDI-Gerling Verzekeringen N.V., Rotterdam*	100.00	EUR	140,027	2,828
HDI Global Network AG (formerly: HDI-Gerling Welt Service AG), Hannover [2)]	100.00	EUR	184,924	14,793
Institutional Venture and Equity Capital GmbH, Cologne	23.80	EUR	97,852	24,093
Magma HDI General Insurance Ltd., Kolkata**	25.50	INR	1,811,396	-225,273
Nassau Assekuranzkontor GmbH, Cologne [2)]	100.00	EUR	25	13
Petro Vietnam Insurance Holdings, Hanoi*	31.82	VND	6,032,701,058	244,364,549
Riethorst Grundstücksgesellschaft AG & Co. KG, Hannover	50.00	EUR	159,325	5,274

**Carrying amounts as at 31 December 2014 **Carrying amounts as at 31 March 2015*

1) The percentage of shares held is determined as the sum of all shares held directly or indirectly.

2) A profit-and-loss transfer agreement is in effect.

C. III. Other receivables

EUR thousand	31/12/2015	31/12/2015
Claims payments/Co-insurance/Share of losses attributable to other companies	82,097	70,810
Receivables from affiliated companies*	60,159	48,371
Receivables due to timing differences in accounting entries	31,510	29,230
Receivables from tax authorities	23,582	30,355
Payments not yet assigned	23,080	47,109
Receivables for incidental expenses incurred in connection with property	2,288	1,715
Costs posted after the cost accounts are closed**	2,212	2,588
Receivables from security deposits and sureties	1,747	2,780
Interest receivable	1,004	1
Receivables from employees	834	1,358
Miscellaneous	3,434	9,873
Total	**231,947**	**244,190**

**These include other receivables from investment income in the amount of EUR 10.6 million. In addition, these also include receivables from HDI Global Network AG (formerly: HDI-Gerling Welt Service AG in the amount of EUR 14,793 thousand, from Nassau Assekuranzkontor GmbH in the amount of EUR 13 thousand and from HDI Risk Consulting GmbH (formerly: HDI-Gerling Sicherheitstechnik GmbH) in the amount of EUR 416 thousand from the transfer of profits.*

*** Costs posted after the closing of the cost accounts (10 December 2015) were recognised as other receivables. In the following period, the accruals were reversed through profit and loss.*

D. Other assets

I. Tangible fixed assets and inventories

EUR thousand	31/12/2015	31/12/2014
Balance as at the start of the financial year	8,697	7,901
Additions	2,925	2,756
Disposals	794	162
Amortisation, depreciation and write-downs	1,567	1,923
Exchange rate fluctuations	155	125
Balance as at the end of the financial year	**9,416**	**8,697**

E. Prepaid expenses

I. Deferred rent and interest income

EUR thousand	31/12/2015	31/12/2014
Interest	65,286	73,498
Rental income	21	21
Total	**65,307**	**73,519**

II. Other prepaid expenses

Other prepaid items in the amount of EUR 2,416 (8,947) thousand represent administrative expenses.

Equity and liabilities

A. I. Subscribed capital

The subscribed capital in the amount of EUR 125,000 thousand is fully paid in and is divided into 125,000 registered shares of EUR 1,000 each. Talanx AG is the sole shareholder.

A. II. Capital reserves

The capital is equal to EUR 281,536 thousand. The creation of a statutory reserve is not required since section 150(2) AktG ("statutory reserve fund") has already been satisfied by the creation of a capital reserve in accordance with section 272(2) no. 1 HGB.

B. Subordinated liabilities

There are two subordinated loans. The lenders are HDI Versicherung AG with a loan amount of EUR 20,000 thousand and HDI Lebensversicherung AG with a loan amount of EUR 180,000 thousand. Both loans provide for a fixed interest period lasting until 12 August 2021 with a coupon of 4.25%. After this date, the variable interest rate will be calculated based on the three-month Euriborplus a margin of 7.17%. The subordinated loans cannot be terminated early by the borrower until 12 August 2021 at the earliest.

C. Total gross underwriting provisions

	31/12/2015	31/12/2014
EUR thousand		
Direct written insurance business		
Casualty insurance	197,999	179,171
Liability insurance	5,115,804	4,793,744
Motor third-party liability insurance	612,348	642,960
Other motor insurance	78,057	77,045
Fire and property insurance	1,065,686	1,100,084
of which:		
a) Fire insurance	478,659	521,865
b) Engineering insurance	525,121	498,945
c) Other property insurance	61,906	79,274
Marine and aviation insurance	649,194	540,254
All-risk insurance	649,042	503,917
Legal protection insurance	94,530	78,118
Other insurance	118,841	138,328
Total	**8,581,501**	**8,053,621**
Business accepted for reinsurance	3,125,002	2,945,440
Total insurance business	**11,706,503**	**10,999,061**

Of which:

a) Gross provision for outstanding claims: EUR 10,257,014 (9,588,470) thousand

b) Equalisation reserve and similar provisions: EUR 551,188 (559,578) thousand.

C. II. 1. Gross provision for outstanding claims

	31/12/2015	31/12/2014
EUR thousand		
Direct written insurance business		
Casualty insurance	140,873	124,852
Liability insurance	4,861,259	4,534,055
Motor liability insurance	542,578	528,933
Other motor insurance	62,207	68,318
Fire and property insurance	870,328	913,268
of which:		
a) Fire insurance	439,814	469,676
b) Engineering insurance	377,002	372,316
c) Other property insurance	53,512	71,276
Marine and aviation insurance	592,255	448,938
All-risk insurance	544,598	405,438
Legal protection insurance	90,607	74,224
Other insurance	109,154	129,592
Total	**7,813,859**	**7,227,618**
Business accepted for reinsurance	2,443,155	2,360,852
Total insurance business	**10,257,014**	**9,588,470**

C.III. 1. Gross provision for profit-related and non-profit-related premium refunds

The provision shown in the financial year for premium refunds in the amount of EUR 8,410 (6,609) thousand relates exclusively to non-profit-related premium refunds.

C. IV. Equalisation reserve and similar provisions

	31/12/2015	31/12/2014
EUR thousand		
Direct written insurance business		
Casualty insurance	25,800	25,881
Liability insurance	55,959	68,351
Motor third-party liability insurance	54,634	100,754
Other motor insurance	6,759	–
Fire and property insurance	16,157	28,641
of which:		
a) Fire insurance	16,157	28,641
Marine and aviation insurance	18,758	53,991
Legal protection insurance	–	1,101
Other insurance	–	150
Total	**178,067**	**278,869**
Business accepted for reinsurance	373,121	280,709
Total insurance business	**551,188**	**559,578**

D. I. Provision for pensions and similar liabilities

As required by the German Accounting Law Modernisation Act (*Bilanzrechtsmodernisierungsgesetz*; BilMoG), the provision for pensions was measured at the settlement amount, taking into account salary and pension trends as well as employee turnover rates, and discounted to the balance sheet date. The assumed rates of increase were 2.50% for salaries and 1.86% for pensions. The assumed probable employee turnover rates are shown in the table below.

Probable staff turnover rates in %

Age	Men	Women
20	37.0	21.2
25	12.3	9.3
30	8.9	8.4
35	7.0	7.4
40	5.8	5.1
45	5.1	4.6
50	4.3	4.6
55	3.2	5.1
60 or older	0.0	0.0

The provision for pensions was discounted using an interest rate of 3.89% and assuming a remaining term of 15 years. In the 2010 balance sheet year, the option in Article 67 Paragraph 1 sentence 1 of the Introductory Act to the German Commercial Code (Einführungsgesetz zum Handelsgesetzbuch; EGHGB) to distribute the required addition to the provisions for pensions over the maximum of 15 years and to recognise in each case as extraordinary expenses, was exercised. This method of allocations was continued in the reporting period.

Provision for pensions

EUR thousand	
Provision for pensions as at 31 December 2014	**339,842**
Use	2,291
Transfers	705
Addition	14,909
Accrued interest/interest rate change	18,527
Offset (carried forward)	-6,110
Provision for pensions recognised as at 31 December 2015	**365,582**

The settlement amount for the employer-funded provision for pensions as at 31 December 2015 was EUR 410,158 thousand. The fair value of the funds held ascover for this amount as at 31 December 2015 was EUR 49,204 thousand. The amortised cost was EUR 49,297 thousand. The settlement amount for the employee-funded provision for pensions was EUR 10,401 thousand. Nettable plan assets totalling EUR 9,625 thousand represent pension liability insuranceclaims offset in the amount of EUR 9,514 thousand with the obligations. The amortised cost determined according to the lower of cost or market principle andthus the fair value within the meaning of section 255(4) sentence 3 HGB is equal to the so-called actuarial reserves of the insurance agreement plus excess. Income from plan assets for pension obligations in the amount of EUR 283 thousand was netted with expenses from the unwinding of the discount on provisions for pension obligations in the amount of EUR 334 thousand in the reporting period.

The amounts not recognised as provisions for current pensions, vested pension benefits or similar obligations on the balance sheet by exercising the optionaccording to Article 67(1)sentence 1 EGHGB are equal to EUR 57,091 thousand.

D. III. Other provisions

EUR thousand	31/12/2015	31/12/2014
Remuneration payable	23,233	19,843
Interest on additional taxes resulting from the tax audit	11,090	8,660
Partial retirement*	7,270	8,390
Consulting costs	5,482	2,662
Vacation claims and credit balances in flextime accounts	5,444	4,544
Foreign exchange risk	5,000	5,000
Anniversary bonuses	4,164	4,089
Exchange differences	3,197	596
Provisions for costs	2,422	2,366
Costs for the preparation of the annual financial statements	2,366	2,380
Administrave expenses of foreign branch offices	1,716	2,094
Outstanding invoices for building-related expenses	1,639	1,700
Miscellaneous	4,162	7,215
Total	**77,185**	**69,539**

** The settlement amount of the provision of partial retirement was equal to EUR 12,033 thousand. The fair value of the funds held as cover for this amount as at 31 December 2015 was EUR 4,496 thousand. The amortised cost was equal to EUR 4,843 thousand.*

F. III. Other liabilities

EUR thousand	31/12/2015	31/12/2014
Liabilities to affiliated companies*	70,107	231,524
Liabilities not yet attributed	79,718	116,421
Liabilities from non-group lead business	42,077	59,657
Liabilities due to tax authorities	60,470	39,673
Liabilities from un-cashed cheques	4,820	4,854
Liabilities from interest on hybrid capital**	3,275	3,284
Liabilities to social security institutions	1,800	2,046
Trade payables	2,242	1,726
Miscellaneous	3,602	19,058
Total	**268,111**	**478,243**

**This includes liabilities from profit transfers in the amount of EUR 27,059 (62,485) thousand due to Talanx AG.*

***EUR 328 thousand of which can be attributed to HDI Versicherung AG and EUR 2,947 thousand to HDI Lebensversicherung AG.*

There are no other liabilities with a remaining term of more than five years.

G. Deferred and accrued items

	31/12/2015	31/12/2014
EUR thousand		
Rents and ancillary expenses	–	39
Other	382	472
Total	**382**	**511**

Income statement

I. 1.a) Gross written premiums

Direct written insurance business

	2015	2014
EUR thousand		
Casualty insurance	114,883	107,565
Liability insurance	842,030	822,073
Motor third-party liability insurance	238,196	248,972
Other motor insurance	139,460	142,259
Fire and property insurance	517,183	495,293
of which:		
a) Fire insurance	188,463	186,662
b) Engineering insurances	265,167	253,461
c) Other property insurance	63,553	55,170
Marine and aviation insurance	302,260	290,845
All-risk insurance	489,566	440,327
Legal protection insurance	20,311	19,119
Other insurance	71,129	64,059
Total	**2,735,018**	**2,630,512**
Business accepted for reinsurance	1,244,747	1,156,508
Total insurance business	**3,979,765**	**3,787,020**

Origin of gross written premiums for the direct written insurance business

	2015	2014
EUR thousand		
a) In Germany	1,553,479	1,570,997
b) Other member states of the European Community as well as other treaty states of the Agreement Creating the European Economic Area	884,661	775,009
c) Third countries	296,878	284,506
Total	**2,735,018**	**2,630,512**

I. 1. Gross premiums earned

Direct written insurance business

	2015	2014
EUR thousand		
Casualty insurance	116,817	106,414
Liability insurance	838,162	804,723
Motor third-party liability insurance	236,394	248,903
Other motor insurance	139,240	140,991
Fire and property insurance	501,080	499,019
of which:		
a) Fire insurance	189,859	192,750
b) Engineering insurances	247,917	247,958
c) Other property insurance	63,304	58,311
Marine and aviation insurance	305,005	289,737
All-risk insurance	486,736	433,180
Legal protection insurance	19,842	18,775
Other insurance	70,124	63,015
Total	**2,713,400**	**2,604,757**
Business accepted for reinsurance	1,257,402	1,150,854
Total insurance business	**3,970,802**	**3,755,611**

I. 1. Net premiums earned

Direct written insurance business

	2015	2014
EUR thousand		
Casualty insurance	85,954	76,638
Liability insurance	336,757	212,323
Motor third-party liability insurance	211,595	223,202
Other motor insurance	124,282	125,789
Fire and property insurance	213,146	219,407
of which:		
a) Fire insurance	69,110	68,555
b) Engineering insurances	118,653	125,068
c) Other property insurance	25,383	25,784
Marine and aviation insurance	211,286	206,037
All-risk insurance	122,547	117,721
Legal protection insurance	16,821	16,554
Other insurance	52,907	47,112
Total	**1,375,295**	**1,244,783**
Business acceptedfor reinsurance	409,965	357,485
Total insurance business	**1,785,260**	**1,602,268**

I. 2. Underwriting interest income

In the direct written gross insurance business, underwriting interest income was calculated on the annuity provision. The underwriting interest income is calculated as 1.25% of the average of the opening balance and the closing balance of the provision.

I. 4. Gross expenses on insurance claims

Direct written insurance business

	2015	2014
EUR thousand		
Casualty insurance	79,100	58,371
Liability insurance	791,945	662,475
Motor third-party liability insurance	196,395	212,241
Other motor insurance	118,603	130,160
Fire and property insurance	467,677	521,886
of which:		
a) Fire insurance	310,309	371,737
b) Engineering insurances	143,601	135,408
c) Other property insurance	13,767	14,741
Marine and aviation insurance	396,275	183,099
All-risk insurance	427,683	196,225
Legal protection insurance	32,464	14,331
Other insurance	32,559	66,137
Total	**2,542,701**	**2,044,925**
Business accepted for reinsurance	690,954	840,363
Total insurance business	**3,233,655**	**2,885,288**

I. 7.a) Gross expenses for insurance operations

Direct written insurance business

	2015	2014
EUR thousand		
Casualty insurance	25,873	23,346
Liability insurance	148,606	138,741
Motor third-party liability insurance	41,678	39,404
Other motor insurance	25,003	24,663
Fire and property insurance	110,866	112,368
of which:		
a) Fire insurance	38,857	41,572
b) Engineering insurances	56,757	57,019
c) Other property insurance	15,252	13,777
Marine and aviation insurance	66,893	63,223
All-risk insurance	79,866	62,476
Legal protection insurance	4,950	5,080
Other insurance	22,689	19,272
Total	**526,424**	**488,573**
Business accepted for reinsurance	242,253	212,862
Total insurance business	**768,677**	**701,435**

Of the gross expenses for insurance operations for the financial year, EUR 101,985 (104,203) thousand are attributable to acquisition expenses and EUR 666,692 (597,232) thousand are attributable to general and administrative expenses.

Reinsurance balance

Direct written insurance business

	2015	2014
EUR thousand		
Casualty insurance	-8,350	-13,085
Liability insurance	54,541	-19,348
Motor third-party liability insurance	-3,447	-8,019
Other motor insurance	-1,965	-5,327
Fire and property insurance	44,468	70,655
of which:		
a) Fire insurance	103,373	122,784
b) Engineering insurances	-36,446	-28,602
c) Other property insurance	-22,459	-23,527
Marine and aviation insurance	107,316	-44,406
All-risk insurance	-33,141	-155,468
Legal protection insurance	8,562	-248
Other insurance	1,370	9,470
Total	**169,354**	**-165,776**
Business accepted for reinsurance	-219,349	-131,523
Total insurance business*	**-49,995**	**-297,299**

- = in favour of the reinsurers

The reinsurance balance is calculated as the reinsurers' earned premiums and the reinsurers' share of gross expense, on insurance claims and gross expenses for insurance operations.

**The balance for the reinsurance business includes a total amount of EUR 444 (342) million for non-cash reinstatement premiums. This breaks down into EUR 388 (327) million for the direct written insurance business and EUR 56 (15) million for the business accepted for reinsurance.*

I. 11. Underwriting result for own account

Direct written insurance business

	2015	2014
EUR thousand		
Casualty insurance	3,880	4,369
Liability insurance	-36,181	-32,854
Motor third-party liability insurance	41,095	2,291
Other motor insurance	-12,976	-19,140
Fire and property insurance	-29,094	-48,450
of which:		
a) Fire insurance	-50,508	-81,739
b) Engineering insurances	9,701	26,951
c) Other property insurance	11,713	6,338
Marine and aviation insurance	-16,767	-8,785
All-risk insurance	-54,238	21,289
Legal protection insurance	-8,564	-1,995
Other insurance	16,350	-11,944
Total	**-96,495**	**-95,219**
Business accepted for reinsurance	20,719	-5,948
Total insurance business	**-75,776**	**-101,167**

Run-off result

In the financial year, HDI Global SE realised a run-off profit in the amount of EUR 422,557 (512,500) thousand. The information on the run-off results for the individual lines of business are discussed in the management report under "results of operations".

Commissions and other compensation for insurance agents, personnel expense

	2015	2014
EUR thousand		
1. Commissions of any kind for insurance agents within the meaning of section 92 HGB for direct written insurance business	242,644	221,257
2. Wages and salaries	198,520	178,870
3. Social insurance contributions and expenditures for benefits	34,885	29,721
4. Expenditures for retirement benefits	22,030	17,557
5. Total expenses	**498,079**	**447,405**

Number of insurance contracts with a minimum term of one year

Direct written insurance business

	2015	2014
Number		
Casualty insurance*	49,561	48,924
Liability insurance	60,538	29,047
Motor liability insurance*	608,446	647,065
Other motor vehicle insurance*	359,491	400,389
Fire and property insurance	41,569	40,824
of which:		
a) Fire insurance	10,107	10,409
b) Engineering insurance	22,812	21,966
c) Other property insurance	8,650	8,449
Marine and aviation insurance	17,150	18,334
All-risk insurance	13,343	10,482
Legal protection insurance	6,639	6,616
Other insurance	22,862	16,825
Total	**1,179,599**	**1,218,506**
Total of all contracts	789,958	789,176
Change due to inclusion of risks under motor insurance	389,641	429,330
Total insurance business	**1,179,599**	**1,218,506**

**With respect to accident insurance and motor insurance, this represents the number of risks.*

II. 4. Other income

EUR thousand	2015	2014
Currency exchange gains	40,123	17,356
Income from services rendered	21,934	19,127
Income from the reversal of other provisions	6,178	4,210
Income from reserval of specific and global valuation allowances	2,765	12,153
Income from agency and portfolio management services	2,564	2,218
Interest and similar income	929	1,494
Income from plan assets for pension obligations	847	5,575
Income from the reversal of write-downs on other receivables	—	11,877
Miscellaneous	4,310	6,120
Total	**79,650**	**80,130**

II. 5. Other expenses

EUR thousand	2015	2014
Currency exchange losses	21,882	11,839
Expenses for services	19,827	18,738
Additions to the interest portion of the provision for pensions	18,361	19,645
Interest expense*	15,321	23,698
Expenses for the Company as a whole	14,882	16,950
Write-downs of receivables	12,280	9,005
Other expenses from cost unit accounting	7,171	6,634
Project cost for the migration of the foreign branch offices	5,991	3,118
Amortisation and write-downs of intangible fixed assets	4,070	2,752
Expenses from provisions for exchange rate risks	—	5,000
Miscellaneous	3,056	8,857
Total	**122,841**	**126,236**

** This also includes expenses of EUR 443 thousand from the application of the discount.*

II. 9. Extraordinary result

The extraordinary result in the amount of EUR -8,800 thousand is mainly related to an amount of EUR 8,268 thousand for adjustment entries to the provision for pensions required by the German Accounting Law Modernization Act (*Bilanzrechts-modernisierungsgesetz*; BilMoG).

II. 10. Taxes on income

In the financial year, taxes on income in the amount of EUR 32,044 thousand only affect the result from ordinary business activities.

II. 11. Other taxes

Other tax expenses in the amount of EUR 7,204 thousand mainly include a tax expense on the part of a foreign branch office in the amount of EUR 6,546 thousand.

Since the Company is a controlled company (Organgesellschaft), deferred taxes on measurement differences of the German parent company were presented at the level of the controlling company (Organträger), so that at the level of the Company only differences between the financial and local tax carrying amounts of the foreign branch office are to be taken into account.

The anticipated future tax expenses and refunds were netted when determining accrued tax amounts. For this purpose, deferred tax liabilities (in particular from other receivables, accounts receivable from the reinsurance business and provisions for unsettled insurance claims) were netted with the deferred tax assets of all foreign branch offices (in particular with respect to the financial and tax carrying amounts of the receivables from direct written insurance business, the equalisation reserve and other liabilities). Deferred taxes were measured based on the local tax rate. The deferred tax assets in excess of net deferred taxes were not recognised in accordance with section 274(1) sentence 2 HGB.

Other disclosures

Employees

	2015	2014
Number		
Full-time employees	2,230	2,093
Part-time employees	333	302
Total	**2,563**	2,395

Governing bodies of the Company

Please find the names of the members of the Supervisory Board and the Board of Management in the overview on pages 8 and 9 of this report.

Remuneration for the members of governing bodies and advisory boards

Remuneration for the members of the Board of Management totalled EUR 4,712 (4,284) thousand. Total remuneration for the Supervisory Board was equal to EUR 71 (76) thousand and remuneration for the Advisory Board totalled EUR 699 (798) thousand. The remuneration of former Board of Management members and their survivors totalled EUR 4,733 (4,729) thousand. A total of EUR 57,696 (57,012) thousand was recognised for pension liabilities due to former Management Board members and their survivors.

Derivative financial instrument

In connection with the management of assets and liabilities, our Company carried out forward purchases in prior years with a total invoiced amount of EUR 3,000 thousand. A promissory note loan was ordered with a value date in January 2016 that matures in 2025. The fair value of the forward purchase was EUR 22 thousand as at the balance sheet date.

Class	Currency	Nominal amount in thousand	Carrying amount in thousand		Market value in thousand
Forward purchases	EUR	3,000	0	1)	22
OTC options	EUR	-9,180	0	1)	0

1) Nominal corresponds to the number multiplied by the value of a contract.

Important agreements

A controlling and profit-and-loss transfer agreement is in effect with Talanx AG as the controlling entity. Control and profit-and-loss transfer agreements are further in effect between HDI Global SE as the controlling company and, respectively, Nassau Assekuranzkontor GmbH, HDI Schadenregulierung GmbH (formerly: HDI-Gerling Schadenregulierung GmbH), HDI Risk Controlling GmbH (formerly: HDI-Gerling Sicherheitstechnik GmbH) and HDI Global Network AG (formerly: HDI-Gerling Welt Service AG) as the controlled companies.

Shareholdings in the Company

The sole shareholder of HDI Global SE is Talanx AG, which holds 100% of the share capital. Talanx AG has notified us that it holds a direct majority interest in HDI-Gerling Industrie Versicherung AG (currently trading under the name of HDI Global SE), Hannover (notice pursuant to section 20(4) AktG) and that it holds more than one fourth of the shares of HDI-Gerling Industrie Versicherung AG (currently trading under the name of HDI Global SE) directly at the same time (notice pursuant to section 20(1) and (3) AktG).

Other financial commitments

HDI Global SE is a member of Verkehrsopferhilfe e.V., Hamburg. As a result of this membership, it is obligated to contribute to the potential payments made by the association as well as its general and administrative expenses in line with our pro-rata share of the premium income generated by the members of the association in direct written motor liability insurance in the next to last calendar year.

As a member of the Pharma-Rückversicherungs-Gemeinschaft, HDI Global SE is required to assume a pro-rata share of the outstanding obligations in the event that any of the remaining members becomes insolvent. The similar obligation exists under a contractual agreement with the Deutsche Kernreaktor-Versicherungsgemeinschaft as regards a default of one of the association members.

The carrying amount of the assets pledged, assigned or deposited as security is equal to EUR 68,957 (53,972) thousand.

Talanx AG, Hannover, assumed the fulfilment of the Company's obligations for old age pensions from former employees for internal and external arrangements. Under this pension commitment, the Company has a joint liability in an amount totalling EUR 56,295 thousand as at the end of the financial year.

As a result of the spin-offs of various divisions from HDI Global SE to HDI-Gerling Firmen und Privat Versicherung AG or HDI Direkt Versicherung AG (currently trading under the name HDI Versicherung AG) completed in 2007, HDI Global SE is joint and severally liable as the transferring legal entity in accordance with section 133 of the German Transformation Act (Umwandlungsgesetz; UmwG) for liabilities to HDI Versicherung AG (as the legal successor of HDI-Gerling Firmen und Privat Versicherung AG) incurred before the spin-off took effect. HDI Global SE is only liable for the obligations transferred to the assuming legal entities for a period of five years or, in the case of pension obligations based on the Occupational Pensions Act (Betriebsrentengesetz; BetrAVG), for a period of ten years. As a result of the spin-offs of various participations from HDI Global SEto HDI-Gerling Firmen und Privat Versicherung AG or HDI Service AG (currently trading under the name Talanx Service AG) or HDI-Gerling International Holding AG (currently trading under the name Talanx International AG) completed in 2007 and 2008, HDI Global SE is joint and severally liable as the transferring legal entity in accordance with section 133 UmwG for the liabilities on the part of HDI Global SE to HDI Versicherung AG (as the legal successor of HDI-Gerling Firmen und Privat Versicherung AG) and/or Talanx Service AG and/or Talanx International AG incurred before the spin-off took effect. As a result of the spin-off of a division from HDI-Gerling Rechtsschutz Versicherung AG to HDI Global SE completed in 2010, HDI Global SE is joint and severally liable as the assuming legal entity for the liabilities on the part of HDI-Gerling Rechtsschutz Versicherung AG (currently trading as ROLAND Rechtsschutz-Versicherungs-AG) incurred before the spin-off took effect. HDI Global SE is only liable for the obligations remaining with the transferring legal entity for a period of five years or, in the case of pension obligations based on the Occupational Pensions Act (*Betriebsrentengesetz*; BetrAVG), for a period of ten years. As a result of the spin-off of various equity investments from HDI-Gerling International Holding AG (currently trading as Talanx International AG) to HDI Global SE that were implemented in the year 2010, HDI Global SE as the legal successor is liable pursuant to section 133 of the German Reorganisation of Companies Act (Umwandlungsgesetz; UmwG) together with Talanx International AG as a joint and several debtor, for the liabilities of Talanx International AG that were created prior to the effectiveness of the spin-off, and is so liable for a period of five years, or for a period of ten years for pension obligations based on the Occupational Pensions Act (Betriebsrentengesetz). The total amount of these liabilities is equal to EUR 34,018 thousand.

The shortfall due to pension obligations within the meaning of Article 28(1) EGHGB that is not recognised on the balance sheet is equal to EUR 870 thousand.

As the sponsoring company for the Gerling Versorgungskasse e.V., Cologne [Pension Fund], the Company is liable, on a pro-rata basis, for shortfalls, if any.

Additional liabilities in the amount of EUR 4,151 thousand are related to guaranteed credits (*Avalkredite*). Letters of credit in effect with various banks total EUR 558,555 thousand.

The Board of Management of our Company views the probability that obligations arising from the above contingent liabilities will result in actual claims and payments to be low.

Call commitments are in effect vis-à-vis HDI AI EUR Beteiligungs-GmbH und Co. KG (formerly: HG-I Alternative Investments Beteiligungs-GmbH & Co. KG) in the amount of EUR 151,490 thousand, vis-à-vis Equity Partners III GmbH & Co. KG in the amount of EUR 1,575 thousand, vis-à-vis Equity Partners IV GmbH & Co. KG in the amount of EUR 2,200 thousand and vis-à-vis HDI AI USD Beteiligungs-GmbH & Co. KG (formerly: HG-I AI USD Beteiligungs-GmbH & Co. KG) in the amount of EUR 157,225 thousand. Furthermore, there are contribution commitments vis-à-vis Ares Capital Europe II (E), L.P. in the amount of EUR 1,520 thousand, vis-à-vis EQT Credit II (No. 1) L.P. in the amount of EUR 2,978 thousand, vis-à-vis NRD Citygate Bremen (Nachrang) MC in the amount of EUR 9,500 thousand and vis-à-vis Fortuna Dong (Gode Wind 1 NSV) in the amount of EUR 29,111 thousand.

There are other contractual commitments vis-à-vis Voith GmbH, Heidenheim, in the amount of EUR 3,000 thousand and vis-à-vis Lang & Cie. Achtzehnte Projektentwicklung GmbH & Co. KG, Frankfurt a. M., in the amount of EUR 51,735 thousand.

There are no further call commitments on shares and equities, notes payable or other contingent liabilities of any kind.

Related party disclosures

The Company is engaged in extensive reinsurance agreements with companies in the Talanx Group. Appropriate considerations are paid and received for all reinsurance coverage as well as any and all services that are received and/or rendered in connection with this protection. To that extent, this business has no effect on the net assets or results of operations when compared to the use and rendering of the described services by or for companies that are not related parties.

In the reporting period, there were no non-arms' length transactions with related parties that were relevant to an assessment of the financial position or results of operations.

Total audit fees
The fee for the financial auditor – broken down into expenses for audit service, for other certification services, for tax advisory services and for other services – are included in the consolidated financial statements of HDI Haftpflichtverband der Deutschen Industrie V. a. G. and Talanx AG on a pro-rata basis.

Consolidated financial statements
The Company is a member company of the HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit, Hannover and of Talanx AG, Hannover. HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit (the parent company of the HDI Group) prepares consolidated financial statements for the Group according to § 341 i HGB that includes the Company within the basis of consolidation. Talanx AG as the parent company of the Talanx Group is further required to prepare consolidated financial statements for the Group pursuant to section 290 HGB, which are prepared – as provided for in section 315a(1) HGB – on the basis of the International Financial Reporting Standards (IFRS) adopted for the European Union (EU) in accordance with article 4 of Regulation (EC) No. 1606/2002. The consolidated financial statements are published in the German Federal Gazette (*Bundesanzeiger*).

Hannover, 4 March 2016

The Board of Management

Dr Hinsch

Dr ten Eicken	Harting
Dr Puls	Dr Sigulla
Wohlthat	Wollschläger

Auditor’s report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of HDI Global SE, Hannover for the financial year from 1 January through 31 December 2015. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and the supplementary provisions of the Company's Articles of Association are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements as promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, Incorporated Association - IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and the supplementary provisions of the Articles of Association and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting (*Grundsätze ordnungsmäßiger Buchführung*; GoB). The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hannover, 9 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Jungsthöfel	Voß
Wirtschaftsprüfer	Wirtschaftsprüfer
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Konzernstruktur
Group structure

Talanx AG

Geschäftsbereich Industrieversicherung *Industrial Lines Division*	Geschäftsbereich Privat- und Firmenversicherung Deutschland *Retail Germany Division*	Geschäftsbereich Privat- und Firmenversicherung International *Retail International Division*	Geschäftsbereich Rückversicherung *Reinsurance Division* – Schaden-Rückversicherung *Non-Life Reinsurance* / Personen-Rückversicherung *Life and Health Reinsurance*	Konzernfunktionen *Corporate Operations*
HDI Global SE[1]	Talanx Deutschland AG	Talanx International AG	Hannover Rück SE	Talanx Asset Management GmbH
HDI Versicherung AG (Austria)	HDI Versicherung AG	HDI Seguros S.A. (Argentina)	Hannover ReTakaful B.S.C. (c) (Bahrain)	Ampega Investment GmbH
HDI-Gerling Seguros Industriais S.A. (Brazil)	HDI Lebensversicherung AG	HDI Seguros S.A. (Brazil)	Hannover Re (Bermuda) Ltd.	Talanx Immobilien Management GmbH
HDI Global Network AG[2]	Talanx Pensionsmanagement AG	HDI Seguros S.A. (Chile)	E+S Rückversicherung AG	Talanx Service AG
HDI-Gerling de México Seguros S.A.	HDI Pensionskasse AG	Magyar Posta Biztosító Zrt. (Hungary)	Hannover Re (Ireland) Plc	Talanx Systeme AG
HDI-Gerling Verzekeringen N.V. (Netherlands)	neue leben Lebensversicherung AG	Magyar Posta Életbiztosító Zrt. (Hungary)	Hannover Reinsurance Africa Limited	Talanx Reinsurance Broker GmbH
HDI-Gerling Insurance of South Africa Ltd.	neue leben Unfallversicherung AG	HDI Assicurazioni S.p.A. (Italy)	International Insurance Company of Hannover SE	Talanx Reinsurance (Ireland) Ltd.
HDI Global Insurance Company (USA)	PB Lebensversicherung AG	HDI Seguros S.A. de C.V. (Mexico)	Hannover Life Re of Australasia Ltd	
	PB Versicherung AG	TUiR WARTA S.A. (Poland)	Hannover Life Reassurance Bermuda Ltd.	
	PB Pensionsfonds AG	TU na Życie WARTA S.A. (Poland)	Hannover Life Reassurance Africa Limited	
	TARGO Lebensversicherung AG	TU Europa S.A. (Poland)	Hannover Life Reassurance Company of America	
	TARGO Versicherung AG	TU na Życie Europa S.A. (Poland)		
		OOO Strakhovaya Kompaniya „CiV Life" (Russia)		
		OOO Strakhovaya Kompaniya „HDI Strakhovanie" (Russia)		
		HDI Sigorta A.Ş. (Turkey)		
		HDI Seguros S.A. (Uruguay)		

[1] Vormals/formerly HDI-Gerling Industrie Versicherung AG
[2] Vormals/formerly HDI-Gerling Welt Service AG

Nur die wesentlichen Beteiligungen
Main participations only

Stand / As at: 08.01.2016

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