Consolidated financial statements

Consolidated balance sheet as at 31 March 2015

Assets in EUR thousand	**31.3.2015**	31.12.2014
Fixed-income securities – held to maturity	2,069,972	2,139,742
Fixed-income securities – loans and receivables	3,150,680	2,988,187
Fixed-income securities – available for sale	29,169,003	26,817,523
Fixed-income securities – at fair value through profit or loss	69,929	64,494
Equity securities – available for sale	38,002	32,804
Other financial assets – at fair value through profit or loss	115,019	66,394
Real estate and real estate funds	1,371,757	1,299,258
Investments in associated companies	149,506	154,822
Other invested assets	1,457,808	1,316,604
Short-term investments	961,616	575,300
Cash and cash equivalents	1,130,464	772,882
Total investments and cash under own management	**39,683,756**	**36,228,010**
Funds withheld	17,511,893	15,826,480
Contract deposits	116,497	92,069
Total investments	**57,312,146**	**52,146,559**
Reinsurance recoverables on unpaid claims	1,383,924	1,376,432
Reinsurance recoverables on benefit reserve	791,889	676,219
Prepaid reinsurance premium	214,061	149,257
Reinsurance recoverables on other technical reserves	4,868	5,446
Deferred acquisition costs	2,156,056	1,914,598
Accounts receivable	4,114,261	3,113,978
Goodwill	62,951	58,220
Deferred tax assets	433,248	393,923
Other assets	675,195	618,280
Accrued interest and rent	6,962	4,672
Assets held for sale	2,620	–
Total assets	**67,158,181**	**60,457,584**

Liabilities in EUR thousand	**31.3.2015**	31.12.2014
Loss and loss adjustment expense reserve	26,682,869	24,112,056
Benefit reserve	12,719,517	11,757,132
Unearned premium reserve	3,522,175	2,748,594
Other technical provisions	310,749	324,240
Funds withheld	864,204	817,137
Contract deposits	6,904,576	6,072,338
Reinsurance payable	1,128,394	1,101,317
Provisions for pensions	190,141	171,501
Taxes	321,936	260,137
Deferred tax liabilities	2,088,855	1,875,591
Other liabilities	931,564	694,234
Long-term debt and subordinated capital	2,295,224	2,270,347
Total liabilities	**57,960,204**	**52,204,624**
Shareholders' equity		
Common shares	120,597	120,597
Nominal value: 120,597 Conditional capital: 60,299		
Additional paid-in capital	724,562	724,562
Common shares and additional paid-in capital	**845,159**	**845,159**
Cumulative other comprehensive income		
Unrealised gains and losses on investments	1,373,286	1,169,255
Cumulative foreign currency translation adjustment	688,960	190,454
Changes from hedging instruments	(6,255)	(8,748)
Other changes in cumulative other comprehensive income	(59,612)	(48,288)
Total other comprehensive income	**1,996,379**	**1,302,673**
Retained earnings	5,682,637	5,402,926
Equity attributable to shareholders of Hannover Rück SE	**8,524,175**	**7,550,758**
Non-controlling interests	673,802	702,202
Total shareholders' equity	**9,197,977**	**8,252,960**
Total liabilities	**67,158,181**	**60,457,584**

Consolidated statement of income as at 31 March 2015

in EUR thousand	1.1.–31.3.2015	1.1.–31.3.2014
Gross written premium	4,400,225	3,624,439
Ceded written premium	502,898	421,971
Change in gross unearned premium	(512,559)	(323,759)
Change in ceded unearned premium	47,082	34,027
Net premium earned	**3,431,850**	**2,912,736**
Ordinary investment income	312,225	241,406
Profit/loss from investments in associated companies	2,501	2,922
Realised gains and losses on investments	44,998	54,105
Change in fair value of financial instruments	(10,638)	7,447
Total depreciation, impairments and appreciation of investments	8,186	5,541
Other investment expenses	24,255	27,803
Net income from investments under own management	**316,645**	**272,536**
Income/expense on funds withheld and contract deposits	99,009	88,615
Net investment income	**415,654**	**361,151**
Other technical income	589	388
Total revenues	**3,848,093**	**3,274,275**
Claims and claims expenses	2,712,847	2,178,786
Change in benefit reserves	(41,366)	49,819
Commission and brokerage, change in deferred acquisition costs	662,783	583,976
Other acquisition costs	1,362	1,341
Other technical expenses	2,045	2,906
Administrative expenses	100,984	93,777
Total technical expenses	**3,438,655**	**2,910,605**
Other income and expenses	19,560	(14,047)
Operating profit (EBIT)	**428,998**	**349,623**
Interest on hybrid capital	24,997	27,794
Net income before taxes	**404,001**	**321,829**
Taxes	125,676	62,330
Net income	**278,325**	**259,499**
thereof		
Non-controlling interest in profit and loss	(1,386)	26,545
Group net income	**279,711**	**232,954**
Earnings per share (in EUR)		
Basic earnings per share	2.32	1.93
Diluted earnings per share	2.32	1.93

Consolidated statement of comprehensive income as at 31 March 2015

in EUR thousand	1.1.–31.3.2015	1.1.–31.3.2014
Net income	**278,325**	**259,499**
Not reclassifiable to the consolidated statement of income		
Actuarial gains and losses		
Gains (losses) recognised directly in equity	(18,326)	(12,753)
Tax income (expense)	5,843	4,073
	(12,483)	**(8,680)**
Income and expense recognised directly in equity that cannot be reclassified		
Gains (losses) recognised directly in equity	(18,326)	(12,753)
Tax income (expense)	5,843	4,073
	(12,483)	**(8,680)**
Reclassifiable to the consolidated statement of income		
Unrealised gains and losses on investments		
Gains (losses) recognised directly in equity	363,383	296,982
Transferred to the consolidated statement of income	(46,157)	(35,057)
Tax income (expense)	(105,269)	(71,557)
	211,957	**190,368**
Currency translation		
Gains (losses) recognised directly in equity	550,361	12,636
Transferred to the consolidated statement of income	–	50
Tax income (expense)	(43,575)	(1,170)
	506,786	**11,516**
Changes from the measurement of associated companies		
Gains (losses) recognised directly in equity	392	14
Transferred to the consolidated statement of income	(424)	–
	(32)	**14**
Changes from hedging instruments		
Gains (losses) recognised directly in equity	3,821	504
Tax income (expense)	(1,220)	(161)
	2,601	**343**
Reclassifiable income and expense recognised directly in equity		
Gains (losses) recognised directly in equity	917,957	310,136
Transferred to the consolidated statement of income	(46,581)	(35,007)
Tax income (expense)	(150,064)	(72,888)
	721,312	**202,241**
Total income and expense recognised directly in equity		
Gains (losses) recognised directly in equity	899,631	297,383
Transferred to the consolidated statement of income	(46,581)	(35,007)
Tax income (expense)	(144,221)	(68,815)
	708,829	**193,561**
Total recognised income and expense	**987,154**	**453,060**
thereof		
Attributable to non-controlling interests	13,737	38,623
Attributable to shareholders of Hannover Rück SE	973,417	414,437

Consolidated statement of changes in shareholders' equity as at 31 March 2015

in EUR thousand	Common shares	Additional paid-in capital	Other reserves (cumulative other comprehensive income)	
			Unrealised gains/losses	Currency translation
Balance as at 1.1.2014	**120,597**	**724,562**	**533,745**	**(246,279)**
Changes in ownership interest with no change of control status	–	–	959	–
Changes in the consolidated group	–	–	–	–
Total income and expense recognised directly in equity	–	–	177,461	11,614
Net income	–	–	–	–
Dividends paid	–	–	–	–
Balance as at 31.3.2014	**120,597**	**724,562**	**712,165**	**(234,665)**
Balance as at 1.1.2015	**120,597**	**724,562**	**1,169,255**	**190,454**
Changes in ownership interest with no change of control status	–	–	–	–
Changes in the consolidated group	–	–	–	–
Total income and expense recognised directly in equity	–	–	204,031	498,506
Net income	–	–	–	–
Dividends paid	–	–	–	–
Balance as at 31.3.2015	**120,597**	**724,562**	**1,373,286**	**688,960**

Continuation: Other reserves (cumulative other comprehensive income)		Retained earnings	Equity attributable to shareholders of Hannover Rück SE	Non-controlling interests	Total shareholders' equity
Hedging instruments	Other				
(9,455)	**(16,452)**	**4,781,718**	**5,888,436**	**641,591**	**6,530,027**
–	–	(1,697)	(738)	738	–
–	–	–	–	(1,387)	(1,387)
343	(7,935)	–	181,483	12,078	193,561
–	–	232,954	232,954	26,545	259,499
–	–	–	–	(39,946)	(39,946)
(9,112)	**(24,387)**	**5,012,975**	**6,302,135**	**639,619**	**6,941,754**
(8,748)	**(48,288)**	**5,402,926**	**7,550,758**	**702,202**	**8,252,960**
–	–	–	–	110	110
–	–	–	–	3	3
2,493	(11,324)	–	693,706	15,123	708,829
–	–	279,711	279,711	(1,386)	278,325
–	–	–	–	(42,250)	(42,250)
(6,255)	**(59,612)**	**5,682,637**	**8,524,175**	**673,802**	**9,197,977**

Consolidated cash flow statement as at 31 March 2015

in EUR thousand	1.1.–31.3.2015	1.1.–31.3.2014
I. Cash flow from operating activities		
Net income	278,325	259,499
Appreciation/depreciation	14,111	7,036
Net realised gains and losses on investments	(44,998)	(54,105)
Change in fair value of financial instruments (through profit or loss)	10,638	(7,447)
Realised gains and losses on deconsolidation	(424)	(2,602)
Amortisation of investments	23,452	21,786
Changes in funds withheld	(469,217)	48,475
Net changes in contract deposits	347,237	(186,857)
Changes in prepaid reinsurance premium (net)	465,477	289,732
Changes in tax assets/provisions for taxes	89,075	17,009
Changes in benefit reserve (net)	(49,069)	43,482
Changes in claims reserves (net)	764,116	628,482
Changes in deferred acquisition costs	(70,777)	(45,857)
Changes in other technical provisions	(36,842)	15,230
Changes in clearing balances	(675,443)	(744,257)
Changes in other assets and liabilities (net)	43,486	6,800
Cash flow from operating activities	**689,147**	**296,406**

in EUR thousand	1.1.–31.3.2015	1.1.–31.3.2014
II. Cash flow from investing activities		
Fixed-income securities – held to maturity		
Maturities	156,301	276,888
Purchases	–	(5)
Fixed-income securities – loans and receivables		
Maturities, sales	27,336	231,666
Purchases	(75,000)	–
Fixed-income securities – available for sale		
Maturities, sales	2,466,413	2,854,047
Purchases	(2,497,244)	(2,874,095)
Fixed-income securities – at fair value through profit or loss		
Maturities, sales	5,190	5,514
Purchases	(4,622)	(1,641)
Equity securities – available for sale		
Sales	511	3,939
Purchases	(1,853)	(3,955)
Other financial assets – at fair value through profit or loss		
Sales	1,668	7,827
Purchases	–	(5,779)
Other invested assets		
Sales	43,634	31,203
Purchases	(84,383)	(45,052)
Affiliated companies and participating interests		
Purchases	(8,049)	(32,638)
Real estate and real estate funds		
Sales	28,076	21,596
Purchases	(56,328)	(14,294)
Short-term investments		
Changes	(329,617)	(16,594)
Other changes (net)	(4,282)	(8,791)
Cash flow from investing activities	**(332,249)**	**429,836**

in EUR thousand	1.1.–31.3.2015	1.1.–31.3.2014
III. Cash flow from financing activities		
Contribution from capital measures	296	–
Payment on capital measures	(35)	(2,574)
Dividends paid	(42,250)	(39,946)
Proceeds from long-term debts	16,166	36,439
Repayment of long-term debts	(16,616)	(750,331)
Cash flow from financing activities	**(42,439)**	**(756,412)**
IV. Exchange rate differences on cash	**43,123**	**3,942**
Cash and cash equivalents at the beginning of the period	**772,882**	**642,936**
Change in cash and cash equivalents (I.+II.+III.+IV.)	**357,582**	**(26,228)**
Changes in the consolidated group	**–**	**(4,053)**
Cash and cash equivalents at the end of the period	**1,130,464**	**612,655**
Supplementary information on the cash flow statement [1]		
Income taxes paid (on balance)	(50,477)	(37,962)
Dividend receipts [2]	9,024	7,158
Interest received	377,383	353,474
Interest paid	(11,157)	(60,325)

[1] The income taxes paid, dividend receipts as well as interest received and paid are included entirely in the cash flow from operating activities.
[2] Including dividend-like profit participations from investment funds

Notes to the consolidated financial statements as at 31 March 2015

Notes

1. General reporting principles

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

The consolidated financial statement of Hannover Re was drawn up in compliance with the International Financial Reporting Standards (IFRS) that are to be used within the European Union. This also applies to all figures provided in this report for previous periods. Since 2002 the standards adopted by the International Accounting Standards Board (IASB) have been referred to as "International Financial Reporting Standards (IFRS)"; the standards dating from earlier years still bear the name "International Accounting Standards (IAS)". Standards are cited in our notes accordingly; in cases where the notes do not make explicit reference to a particular standard, the term IFRS is used. In view of the fact that reinsurance contracts, in conformity with IFRS 4 "Insurance Contracts", are recognised according to the pertinent provisions of United States Generally Accepted Accounting Principles (US GAAP) as applicable on the date of initial application of IFRS 4 on 1 January 2005, we cite individual insurance-specific standards of US GAAP using the designation "Statement of Financial Accounting Standard (SFAS)" that was valid at that time.

As provided for by IAS 34, in our preparation of the consolidated quarterly financial statement, consisting of the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in shareholders' equity and selected explanatory notes, we draw on estimates and assumptions to a greater extent than is the case with the annual financial reporting. This can have implications for items in the balance sheet and the statement of income as well as for other financial obligations. Although the estimates are always based on realistic premises, they are of course subject to uncertainties that may be reflected accordingly in the result. Losses from natural disasters and other catastrophic losses impact the result of the reporting period in which they occur. Furthermore, belatedly reported claims for major loss events can also lead to substantial fluctuations in individual quarterly results. Gains and losses on the disposal of investments are accounted for in the quarter in which the investments are sold.

The present consolidated quarterly financial statement was prepared by the Executive Board on 23 April 2015 and released for publication.

2. Accounting principles including major accounting policies

The quarterly accounts of the consolidated companies included in the consolidated financial statement were drawn up as at 31 March 2015.

The consolidated quarterly financial report was compiled in accordance with IAS 34 "Interim Financial Reporting". Consequently, the accounting policies adopted in the period under review were the same as those applied in the preceding consolidated annual financial statement; changes made in specific justified cases pursuant to IAS 8 are reported separately in the section entitled "Changes in accounting policies". For more details of the accounting policies please see the Group annual financial report for the previous year.

All standards adopted by the IASB as at 31 March 2015 with binding effect for the period under review have been observed in the consolidated financial statement.

New accounting standards or accounting standards applied for the first time

In December 2013 the IASB issued "Annual Improvements to IFRSs 2011–2013 Cycle". The annual improvements involve minor amendments and clarifications relating to the following standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 3 "Business Combinations", IFRS 13 "Fair Value Measurement" and IAS 40 "Investment Property". The improvements are effective for annual periods beginning on or after 1 July 2014 and were endorsed by the EU in December 2014. Initial application of the revised standards did not give rise to any significant implications for Hannover Re.

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

In December 2014 the IASB published "Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception". The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. They are effective for annual periods beginning on or after 1 January 2016 and have still to be endorsed by the EU.

In December 2014 the IASB also issued "Amendments to IAS 1: Disclosure Initiative". The amendments provide clarifications in relation to materiality considerations, the aggregation and disaggregation of disclosures and the understandability and comparability of the notes to the IFRS financial statements. They are effective for annual periods beginning on or after 1 January 2016 and have still to be endorsed by the EU.

In September 2014 the IASB published the "Annual Improvements to IFRSs 2012–2014 Cycle". These annual improvements involve amendments and clarifications relating to the following standards: IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Disclosures", IAS 19 "Employee Benefits" and IAS 34 "Interim Financial Reporting". The amendments are effective for annual periods beginning on or after 1 July 2016 and have still to be endorsed by the EU.

In September 2014 the IASB also published "Amendments to IFRS 10 and IAS 28: Sales or Contributions of Assets between an Investor and its Associate or Joint Venture". These clarify that the extent of gain or loss recognition for transactions between an investor and its associate or joint venture depends upon whether the assets sold or contributed constitute a business. The amendments are effective for annual periods beginning on or after 1 July 2016 and have still to be endorsed by the EU.

In July 2014 the IASB published the final version of IFRS 9 "Financial Instruments", which replaces all previous versions of this standard. The standard now contains requirements governing classification and measurement, impairment based on the new expected loss impairment model and general hedge accounting. The originally included model for macro hedge accounting, which considers risk management that assesses risk exposures on a continuous basis and at a portfolio level, is being treated separately from general hedge accounting by the IASB outside of IFRS 9. Initial mandatory application of the standard, which has still to be endorsed by the EU, is tentatively set for annual periods beginning on or after 1 January 2018. Hannover Re is currently reviewing the implications of this standard and anticipates significant implications for the consolidated financial statement.

In May 2014 the IASB issued IFRS 15 "Revenue from Contracts with Customers". The standard specifies when and in what amount revenue is to be recognised and which disclosures are required for this purpose. IFRS 15 provides a single five-step model to be applied to all contracts with customers. Financial instruments and other contractual rights and obligations which are to be recognised under separate standards as well as (re)insurance contracts within the scope of IFRS 4 are expressly exempted from the standard's scope of application. The standard is to be applied to an annual reporting period beginning on or after 1 January 2017, but has still to be endorsed by the EU.

In May 2014 the IASB also amended a number of existing standards.

The "Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation" provide additional guidance on the methods that can be used to calculate depreciation or amortisation of property, plant and equipment and intangible assets. The new guidelines are effective for annual periods beginning on or after 1 January 2016, but have still to be endorsed by the EU.

The "Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations" clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business as defined in IFRS 11. These amendments are effective for annual periods beginning on or after 1 January 2016, but have still to be endorsed by the EU.

In January 2014 the IASB issued IFRS 14 "Regulatory Deferral Accounts". The standard permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes, for "regulatory deferral account balances" in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. IFRS 14 applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016, but has still to be endorsed by the EU.

In December 2013 the IASB issued "Annual Improvements to IFRSs 2010–2012 Cycle". The annual improvements involve minor amendments and clarifications relating to the following standards: IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations", IFRS 8 "Operating Segments", IFRS 13 "Fair Value Measurement", IAS 16 "Property, Plant and Equipment", IAS 24 "Related Party Disclosures" and IAS 38 "Intangible Assets". The improvements were endorsed by the EU in December 2014 and are effective for annual periods beginning on or after 1 February 2015 pursuant to Commission Regulation (EU) 2015/28.

In November 2013 the IASB issued "Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)" and thereby clarified the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The amendments are intended to provide relief in that entities are allowed to deduct contributions from service cost in the period in which the service is rendered. The amendments were endorsed by the EU in December 2014 and are effective for annual periods beginning on or after 1 February 2015 pursuant to Commission Regulation (EU) 2015/29.

Key exchange rates

The individual companies' statements of income prepared in the national currencies are converted into euro at the average rates of exchange and transferred to the consolidated financial statement. The conversion of foreign currency items in the balance sheets of the individual companies and the transfer of these items to the consolidated financial statement are effected at the mean rates of exchange on the balance sheet date.

Key exchange rates

1 EUR corresponds to:	31.3.2015	31.12.2014	1.1.–31.3.2015	1.1.–31.3.2014
	Mean rate of exchange on the balance sheet date		Average rate of exchange	
AUD	1.4131	1.4879	1.4474	1.5347
BHD	0.4049	0.4583	0.4282	0.5173
CAD	1.3718	1.4131	1.4045	1.5120
CNY	6.6599	7.5533	7.0818	8.3861
GBP	0.7266	0.7825	0.7469	0.8279
HKD	8.3251	9.4289	8.8076	10.6474
KRW	1,196.6396	1,333.7220	1,250.4020	1,460.9588
MYR	3.9715	4.2580	4.0976	4.5122
SEK	9.2910	9.4845	9.3754	8.8950
USD	1.0737	1.2155	1.1358	1.3721
ZAR	13.1079	14.1409	13.3540	14.7868

Changes in accounting policies

With effect from the first quarter of 2015 Hannover Re extended its estimation methods to include an additional partial portfolio. This expansion, which relates to estimated amounts within the year from reinsurance treaties not yet brought to account as well as the deferral of such amounts, served to improve the accuracy of our estimations. This represents a change in an accounting estimate, which pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" was to be performed prospectively in the period under review without restatement of the comparative figures for previous years. Retention of the parameters and methods used until 31 December 2014 would have reduced the gross premium by EUR 93.4 million, the net premium earned by EUR 32.5 million and the operating result (EBIT) by EUR 2.3 million in the period under review. The effects that this adjustment would have in future reporting periods could only be established with disproportionate effort.

3. Consolidated companies and consolidation principles

Capital consolidation

The capital consolidation is carried out according to the requirements of IFRS 10 "Consolidated Financial Statements" on the basis of a consistent consolidation model for all entities that identifies control as the single basis for verifying the consolidation requirement, irrespective of whether control is substantiated in company law, contractually or economically. Group companies are consolidated from the point in time when Hannover Re gains control over them. Control exists if Hannover Re directly or indirectly has decision-making power over a Group company on the basis of voting rights or other rights, if it has exposure or rights to positive and negative variable returns from its involvement with the Group company and if it can use its power to influence these returns. All of these criteria must be met. Other circumstances may also give rise to control, for example the existence of a principal-agent relationship. In this case a party outside the Group with decision-making powers (agent) acts for Hannover Re, but does not control the company since it merely exercises decision-making powers that have been delegated by Hannover Re (principal). In the context of their operational activities some companies belonging to the Hannover Re Group enter into business relations with structured entities that are also to be examined in accordance with IFRS 10 in conjunction with IFRS 12 with an eye to their implications for consolidation. Structured entities are entities designed in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Consolidation decisions are reviewed as necessary and at least once a year. Group companies are consolidated until the Hannover Re Group loses control over them. The accounting policies of Group companies are adjusted, where necessary, in order to ensure consistent application of the Hannover Re Group's accounting policies. The capital consolidation is based on the acquisition method. In the context of the acquisition method the acquisition costs, measured at the fair value of the consideration rendered by the parent company on the acquisition date, are netted with the proportionate shareholders' equity of the subsidiary at the time when it is first included in the consolidated financial statement after the revaluation of all assets and liabilities. After recognition of all acquired intangible assets that in accordance with IFRS 3 "Business Combinations" are to be accounted for separately from goodwill, the difference between the revalued shareholders' equity of the subsidiary and the purchase price is recognised as goodwill. Under IFRS 3 scheduled amortisation is not taken on goodwill. Instead, impairment is taken where necessary on the basis of annual impairment tests. Immaterial and negative goodwill are recognised in the statement of income in the year of their occurrence. Costs associated with acquisition are expensed.

Companies over which Hannover Re is able to exercise a significant influence are consolidated as associated companies using the equity method of accounting with the proportion of the shareholders' equity attributable to the Group. A significant influence is presumed to exist if a company belonging to the Hannover Re Group directly or indirectly holds at least 20% – but no more than 50% – of the voting rights. We also derive evidence of significant influence over an associated company from representation on a governing body of such company, participation in its policy-making processes – e. g. with respect to dividends or other distributions –, the existence of material inter-company transactions, the possibility of interchanging managerial personnel or the provision of key technical information for the company. Income from investments in associated companies is recognised separately in the consolidated statement of income.

Non-controlling interests in shareholders' equity are reported separately within Group shareholders' equity in accordance with IAS 1 "Presentation of Financial Statements". The non-controlling interest in profit or loss, which forms part of net income and is shown separately after net income as a "thereof" note, amounted to EUR -1.4 million (EUR 26.5 million) as at 31 March 2015.

For further details we would refer to the relevant information in the Group annual financial report as at 31 December 2014.

Consolidation of business transactions within the Group

Receivables and liabilities between the companies included in the consolidated financial statement are offset against each other. Profits and expenses from business transactions within the Group are also eliminated. Transactions between a disposal group and the continuing operations of the Group are similarly eliminated in accordance with IFRS 10.

Major acquisitions and new formations

The company Hannover Re Global Alternatives GmbH & Co KG was established in March 2015 with its registered office in Hannover, Germany, and has been included in the consolidated financial statement with effect from the first quarter of 2015. Hannover Rück SE and E+S Rückversicherung AG, both limited partners, hold interests of 85% and 15% respectively in the company. The personally liable partner is HAPEP II Komplementär GmbH, also based in Hannover. The business object of the company is to build, hold and manage a portfolio of investments.

The Group company Hannover Re (Ireland) Limited, Dublin, Ireland, established a branch in Canada in February 2015. The Toronto-based branch trades under the name Hannover Re (Ireland) Limited Canadian Life Branch and was registered on 26 February 2015. The business object of the branch is to transact life and health reinsurance business.

Within our subgroup Hannover Reinsurance Group Africa (Pty) Ltd, Johannesburg, South Africa ("HRGSA"), Compass Insurance Company Ltd, also based in Johannesburg, acquired 60% of the shares in Commercial & Industrial Acceptances (Pty) Ltd, Johannesburg ("CIA"), effective 1 January 2015 for a purchase price equivalent to EUR 4.1 million within the scope of a business combination made in stages. Previously, 40% of the shares in the company, which was included in the subgroup financial statement of HRGSA using the equity method of accounting, were already held by Lireas Holdings (Pty) Ltd, Johannesburg, 51% of which belongs to HRGSA. By means of the acquisition made in stages HRGSA acquired control over CIA, which is now consolidated in the subgroup financial statement of HRGSA. As part of the transaction goodwill equivalent to EUR 3.0 million was capitalised, and in addition the fair value of contingent considerations was recognised. For the purposes of initial consolidation and in accordance with appropriate measurement methods, the fair values of acquired assets and liabilities were to some extent established on the basis of assumptions and estimations based on forecasts of future cash flows. The initial inclusion of the operation in the subgroup financial statement on a provisional basis was therefore carried out using the best available information. IFRS 3 requires that this provisional recognition be finalised within twelve months of the date of acquisition. Resulting changes in the values of carried assets and liabilities are to be recognised in such a way as if their adjusted fair value at the time of initial consolidation had been carried from this date onwards. In the further course of the year under review the provisional carrying amounts of the assets and liabilities acquired in this transaction will be analysed and may in some cases be adjusted.

Other corporate changes

The registered office of the Group company International Insurance Company of Hannover SE, London ("Inter Hannover SE"), was relocated from the United Kingdom to Hannover, Germany. Inter Hannover SE has received approval to commence insurance operations in Germany and was entered in the commercial register in January 2015.

By means of a dividend resolution of 25 March 2015 of ASPECTA Assurance International AG, Vaduz, Liechtenstein, which had hitherto been included in the consolidated financial statement using the equity method of accounting, a purchase option on the part of the majority shareholder became exercisable. Hannover Re consequently lost its significant influence over the company, as a result of which recognition at equity has ended. The company will be carried under other participations until the shares are returned to the majority shareholder. The purchase option had a fair value of EUR 4.0 million as at the balance sheet date and is recognised under other liabilities.

4. Group segment report

The segment information shown here is based on the same principles as those applied in the consolidated financial statement as at 31 December 2014. It follows the system used for internal reporting purposes, on the basis of which the full Executive Board regularly evaluates the performance of segments and decides on the allocation of resources to them. The "Consolidation" column includes not only the elimination of cross-segment transactions but also, more significantly, companies whose business operations cannot be unambiguously allocated to property and casualty reinsurance or life and health reinsurance. These are principally the service and financing companies belonging to the Group. Since the performance indicators used to steer the segments correspond to the system according to which the consolidated financial statement is prepared, a separate reconciliation of the segment results with the Group result is not provided. We would also refer to the relevant information in the Group annual financial report as at 31 December 2014.

The company Hannover Re Global Alternatives GmbH & Co. KG, which was established in the period under review, is allocable to the property and casualty reinsurance segment; Hannover Re (Ireland) Limited Canadian Life Branch is allocable to the life and health reinsurance segment.

Segmentation of assets	Property and casualty reinsurance	
in EUR thousand	31.3.2015	31.12.2014
Assets		
Fixed-income securities – held to maturity	1,774,534	1,841,982
Fixed-income securities – loans and receivables	3,065,611	2,912,110
Fixed-income securities – available for sale	21,693,912	19,822,832
Equity securities – available for sale	38,002	32,804
Financial assets at fair value through profit or loss	102,493	63,648
Other invested assets	2,837,406	2,644,817
Short-term investments	556,065	242,463
Cash and cash equivalents	786,283	580,490
Total investments and cash under own management	**30,854,306**	**28,141,146**
Funds withheld	1,217,878	1,123,858
Contract deposits	–	–
Total investments	**32,072,184**	**29,265,004**
Reinsurance recoverables on unpaid claims	1,028,451	1,052,357
Reinsurance recoverables on benefit reserve	–	–
Prepaid reinsurance premium	212,598	147,846
Reinsurance recoverables on other reserves	408	421
Deferred acquisition costs	728,432	597,299
Accounts receivable	2,646,138	1,493,908
Other assets in the segment	1,352,182	1,416,187
Assets held for sale	2,620	–
Total assets	**38,043,013**	**33,973,022**

Segmentation of liabilities		
in EUR thousand		
Liabilities		
Loss and loss adjustment expense reserve	22,972,657	20,797,820
Benefit reserve	–	–
Unearned premium reserve	3,365,764	2,626,890
Provisions for contingent commissions	128,523	158,410
Funds withheld	427,662	442,211
Contract deposits	5,339	4,285
Reinsurance payable	551,117	358,836
Long-term liabilities	307,314	283,855
Other liabilities in the segment	2,349,754	2,042,408
Total liabilities	**30,108,130**	**26,714,715**

Life and health reinsurance		Consolidation		Total	
31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
178,438	179,209	117,000	118,551	2,069,972	2,139,742
85,069	76,077	–	–	3,150,680	2,988,187
7,137,616	6,639,186	337,475	355,505	29,169,003	26,817,523
–	–	–	–	38,002	32,804
69,583	54,262	12,872	12,978	184,948	130,888
139,707	123,922	1,958	1,945	2,979,071	2,770,684
405,551	332,262	–	575	961,616	575,300
337,198	186,224	6,983	6,168	1,130,464	772,882
8,353,162	**7,591,142**	**476,288**	**495,722**	**39,683,756**	**36,228,010**
16,294,015	14,702,622	–	–	17,511,893	15,826,480
116,497	92,069	–	–	116,497	92,069
24,763,674	**22,385,833**	**476,288**	**495,722**	**57,312,146**	**52,146,559**
356,891	325,534	(1,418)	(1,459)	1,383,924	1,376,432
791,889	676,219	–	–	791,889	676,219
1,497	1,470	(34)	(59)	214,061	149,257
4,460	5,025	–	–	4,868	5,446
1,427,622	1,317,295	2	4	2,156,056	1,914,598
1,468,332	1,620,237	(209)	(167)	4,114,261	3,113,978
722,196	680,215	(896,022)	(1,021,307)	1,178,356	1,075,095
–	–	–	–	2,620	–
29,536,561	27,011,828	(421,393)	(527,266)	67,158,181	60,457,584

3,711,672	3,315,694	(1,460)	(1,458)	26,682,869	24,112,056
12,719,549	11,757,188	(32)	(56)	12,719,517	11,757,132
156,411	121,704	–	–	3,522,175	2,748,594
182,226	165,830	–	–	310,749	324,240
436,542	374,926	–	–	864,204	817,137
6,899,237	6,068,053	–	–	6,904,576	6,072,338
577,511	742,649	(234)	(168)	1,128,394	1,101,317
–	–	1,987,910	1,986,492	2,295,224	2,270,347
2,009,904	1,982,821	(827,162)	(1,023,766)	3,532,496	3,001,463
26,693,052	24,528,865	1,159,022	961,044	57,960,204	52,204,624

Notes

Segment statement of income

in EUR thousand	Property and casualty reinsurance 1.1.–31.3.2015	Property and casualty reinsurance 1.1.–31.3.2014
Gross written premium	2,617,080	2,107,764
thereof		
From insurance business with other segments	–	–
From insurance business with external third parties	2,617,080	2,107,764
Net premium earned	1,882,294	1,631,686
Net investment income	195,069	204,845
thereof		
Change in fair value of financial instruments	(21,096)	(572)
Total depreciation, impairments and appreciation of investments	5,813	5,438
Income/expense on funds withheld and contract deposits	3,888	3,894
Claims and claims expenses	1,330,983	1,116,078
Change in benefit reserve	–	–
Commission and brokerage, change in deferred acquisition costs and other technical income/expenses	423,077	378,069
Administrative expenses	51,635	49,951
Other income and expenses	(16,492)	(11,978)
Operating profit/loss (EBIT)	**255,176**	**280,455**
Interest on hybrid capital	–	–
Net income before taxes	**255,176**	**280,455**
Taxes	82,445	65,363
Net income	**172,731**	**215,092**
thereof		
Non-controlling interest in profit or loss	1,319	17,226
Group net income	**171,412**	**197,866**

Life and health reinsurance		Consolidation		Total	
1.1.–31.3.2015	1.1.–31.3.2014	**1.1.–31.3.2015**	1.1.–31.3.2014	**1.1.–31.3.2015**	1.1.–31.3.2014
1,783,306	1,516,677	(161)	(2)	4,400,225	3,624,439
161	2	(161)	(2)	–	–
1,783,145	1,516,675	–	–	4,400,225	3,624,439
1,549,530	1,281,021	26	29	3,431,850	2,912,736
219,369	151,969	1,216	4,337	415,654	361,151
10,485	7,745	(27)	274	(10,638)	7,447
8	103	2,365	–	8,186	5,541
95,121	84,721	–	–	99,009	88,615
1,381,864	1,062,711	–	(3)	2,712,847	2,178,786
(41,390)	49,767	24	52	(41,366)	49,819
242,522	209,764	2	2	665,601	587,835
49,265	44,103	84	(277)	100,984	93,777
36,692	(1,088)	(640)	(981)	19,560	(14,047)
173,330	**65,557**	**492**	**3,611**	**428,998**	**349,623**
–	–	24,997	27,794	24,997	27,794
173,330	**65,557**	**(24,505)**	**(24,183)**	**404,001**	**321,829**
48,519	12,848	(5,288)	(15,881)	125,676	62,330
124,811	**52,709**	**(19,217)**	**(8,302)**	**278,325**	**259,499**
(2,705)	9,319	–	–	(1,386)	26,545
127,516	**43,390**	**(19,217)**	**(8,302)**	**279,711**	**232,954**

Notes

5. Notes on the individual items of the balance sheet

5.1 Investments under own management

Investments are classified and measured in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". Hannover Re classifies investments according to the following categories: held-to-maturity, loans and receivables, financial assets at fair value through profit or loss and available-for-sale. The allocation and measurement of investments are determined by the investment intent.

The investments under own management also encompass investments in associated companies, real estate and real estate funds (also includes: investment property), other invested assets, short-term investments as well as cash and cash equivalents.

Real estate which is held for sale as defined by IFRS 5 is recognised separately in the consolidated balance sheet. Intentions to sell are substantiated by individual real estate market conditions and specific property circumstances, taking into consideration current and future opportunity / risk profiles. One property was reclassified to assets held for sale in the period under review. At the time of reclassification the gross book value of the property amounted to EUR 4.8 million (EUR 4.8 million) and the accumulated depreciation totalled EUR 2.2 million (EUR 2.1 million). Measurement of the property at fair value less costs of disposal gave rise to a minimal impairment loss.

For further details we would refer to the relevant information in the Group annual financial report as at 31 December 2014.

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

Investments

in EUR thousand	31.3.2015	31.12.2014
Regional origin		
Germany	7,660,911	6,592,773
United Kingdom	2,966,199	2,674,766
France	1,825,252	1,769,512
Other	7,570,619	7,649,712
Europe	**20,022,981**	**18,686,763**
USA	11,243,915	9,875,092
Other	1,678,958	1,468,426
North America	**12,922,873**	**11,343,518**
Asia	2,053,310	1,819,615
Australia	2,606,339	2,556,507
Australasia	**4,659,649**	**4,376,122**
Africa	386,501	352,192
Other	1,691,752	1,469,415
Total	**39,683,756**	**36,228,010**

Maturities of the fixed-income and variable-yield securities

in EUR thousand	31.3.2015		31.12.2014	
	Amortised cost [1]	Fair value	Amortised cost [1]	Fair value
Held to maturity				
due in one year	1,256,758	1,276,797	1,089,446	1,110,905
due after one through two years	427,051	447,802	539,118	561,992
due after two through three years	51,623	54,783	145,300	151,217
due after three through four years	66,880	70,711	97,896	103,592
due after four through five years	29,556	32,832	32,696	35,894
due after five through ten years	237,799	278,845	234,795	273,704
due after more than ten years	305	368	491	568
Total	**2,069,972**	**2,162,138**	**2,139,742**	**2,237,872**
Loans and receivables				
due in one year	316,931	319,602	261,575	265,156
due after one through two years	598,495	624,462	373,036	390,647
due after two through three years	96,657	102,836	268,376	283,396
due after three through four years	163,886	174,776	143,511	152,077
due after four through five years	238,450	266,874	197,584	219,375
due after five through ten years	939,798	1,086,585	979,791	1,122,393
due after more than ten years	796,463	1,019,559	764,314	954,282
Total	**3,150,680**	**3,594,694**	**2,988,187**	**3,387,326**
Available for sale				
due in one year [2]	4,377,596	4,394,612	3,731,723	3,747,673
due after one through two years	2,881,948	2,924,591	2,415,488	2,449,568
due after two through three years	3,198,496	3,278,511	2,908,199	2,972,420
due after three through four years	3,097,199	3,167,929	2,904,276	2,951,154
due after four through five years	2,989,731	3,119,555	2,655,178	2,741,708
due after five through ten years	9,754,555	10,461,165	9,181,834	9,760,031
due after more than ten years	3,364,570	3,914,720	3,122,626	3,543,151
Total	**29,664,095**	**31,261,083**	**26,919,324**	**28,165,705**
Financial assets at fair value through profit or loss				
due in one year	4,040	4,040	5,306	5,306
due after one through two years	5,105	5,105	2,433	2,433
due after two through three years	7,568	7,568	12,251	12,251
due after three through four years	23,300	23,300	20,590	20,590
due after four through five years	15,181	15,181	10,790	10,790
due after five through ten years	–	–	146	146
due after more than ten years	14,735	14,735	12,978	12,978
Total	**69,929**	**69,929**	**64,494**	**64,494**

[1] Including accrued interest

[2] Including short-term investments and cash

Notes

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as held to maturity as well as their fair value

in EUR thousand	31.3.2015				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Investments held to maturity					
Fixed-income securities					
Government debt securities of EU member states	398,317	5,541	8,296	–	406,613
US Treasury notes	292,545	3,316	1,733	–	294,278
Other foreign government debt securities	30,227	397	258	–	30,485
Debt securities issued by semi-governmental entities	427,389	5,293	15,505	7	442,887
Corporate securities	240,581	3,758	10,522	78	251,025
Covered bonds/asset-backed securities	680,913	11,486	55,937	–	736,850
Total	**2,069,972**	**29,791**	**92,251**	**85**	**2,162,138**

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as held to maturity as well as their fair value

in EUR thousand	31.12.2014				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Investments held to maturity					
Fixed-income securities					
Government debt securities of EU member states	391,809	7,071	10,099	–	401,908
US Treasury notes	257,279	1,395	3,067	–	260,346
Other foreign government debt securities	29,196	96	200	–	29,396
Debt securities issued by semi-governmental entities	427,611	6,444	16,019	1,463	442,167
Corporate securities	238,426	3,189	11,051	159	249,318
Covered bonds/asset-backed securities	795,421	15,527	59,316	–	854,737
Total	**2,139,742**	**33,722**	**99,752**	**1,622**	**2,237,872**

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

in EUR thousand	31.3.2015				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Loans and receivables					
Debt securities issued by semi-governmental entities	1,681,404	28,618	294,265	–	1,975,669
Corporate securities	570,836	7,760	22,776	2,418	591,194
Covered bonds / asset-backed securities	898,440	16,034	129,391	–	1,027,831
Total	**3,150,680**	**52,412**	**446,432**	**2,418**	**3,594,694**

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

in EUR thousand	31.12.2014				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Loans and receivables					
Debt securities issued by semi-governmental entities	1,655,060	27,559	260,622	–	1,915,682
Corporate securities	463,830	5,661	20,578	453	483,955
Covered bonds / asset-backed securities	869,297	13,495	118,402	10	987,689
Total	**2,988,187**	**46,715**	**399,602**	**463**	**3,387,326**

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as available for sale as well as their fair value

in EUR thousand	31.3.2015				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Available for sale					
Fixed-income securities					
Government debt securities of EU member states	2,490,341	19,204	216,475	888	2,705,928
US Treasury notes	3,166,598	6,700	58,295	1,201	3,223,692
Other foreign government debt securities	1,898,832	11,988	38,573	27,717	1,909,688
Debt securities issued by semi-governmental entities	4,495,821	50,110	385,457	2,508	4,878,770
Corporate securities	12,341,134	152,910	686,798	31,642	12,996,290
Covered bonds/asset-backed securities	3,108,375	26,673	243,946	6,793	3,345,528
Investment funds	70,914	–	38,193	–	109,107
	27,572,015	**267,585**	**1,667,737**	**70,749**	**29,169,003**
Equity securities					
Shares	13,724	–	9,020	26	22,718
Investment funds	8,046	–	7,238	–	15,284
	21,770	**–**	**16,258**	**26**	**38,002**
Short-term investments	961,616	2,997	–	–	961,616
Total	**28,555,401**	**270,582**	**1,683,995**	**70,775**	**30,168,621**

Amortised cost, unrealised gains and losses and accrued interest on the portfolio of investments classified as available for sale as well as their fair value

in EUR thousand	31.12.2014				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Available for sale					
Fixed-income securities					
Government debt securities of EU member states	2,411,949	18,573	169,231	1,733	2,579,447
US Treasury notes	2,684,743	7,145	36,544	4,904	2,716,383
Other foreign government debt securities	1,816,756	16,522	27,294	33,322	1,810,728
Debt securities issued by semi-governmental entities	4,183,118	42,250	305,078	2,954	4,485,242
Corporate securities	11,371,250	140,368	557,169	46,694	11,881,725
Covered bonds/asset-backed securities	3,030,708	33,214	222,538	7,547	3,245,699
Investment funds	72,618	–	25,681	–	98,299
	25,571,142	**258,072**	**1,343,535**	**97,154**	**26,817,523**
Equity securities					
Shares	12,323	–	7,215	17	19,521
Investment funds	8,011	–	5,272	–	13,283
	20,334	**–**	**12,487**	**17**	**32,804**
Short-term investments	575,300	3,886	–	–	575,300
Total	**26,166,776**	**261,958**	**1,356,022**	**97,171**	**27,425,627**

Fair value of financial assets at fair value through profit or loss before and after accrued interest as well as accrued interest on such financial assets

in EUR thousand	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
	Fair value before accrued interest		Accrued interest		Fair value	
Financial assets at fair value through profit or loss						
Fixed-income securities						
Corporate securities	67,739	63,795	328	699	68,067	64,494
Covered bonds/asset-backed securities	1,862	–	–	–	1,862	–
	69,601	**63,795**	**328**	**699**	**69,929**	**64,494**
Other financial assets						
Derivatives	115,019	66,394	–	–	115,019	66,394
	115,019	**66,394**	**–**	**–**	**115,019**	**66,394**
Total	**184,620**	**130,189**	**328**	**699**	**184,948**	**130,888**

Notes

Information on fair values and fair value hierarchy

The methods and models set out below are used to establish the fair value of financial instruments on the assets and liabilities side of the balance sheet. The fair value of a financial instrument corresponds in principle to the amount that Hannover Re would receive or pay if it were to sell or settle the said financial instrument on the balance sheet date. Insofar as market prices are listed on markets for financial instruments, their bid price is used. In other cases the fair values are established on the basis of the market conditions prevailing on the balance sheet date for financial assets with similar credit rating, duration and return characteristics or using recognised models of mathematical finance. Hannover Re uses a number of different valuation models for this purpose. The details are set out in the following table.

Valuation models

Financial instrument	Parameter	Pricing model
Fixed-income securities		
Unlisted plain vanilla bonds, interest rate swaps	Interest rate curve	Present value method
Unlisted structured bonds	Interest rate curve, volatility surfaces	Hull-White, Black-Karasinski, LIBOR market model etc.
Unlisted ABS/MBS, CDO/CLO	Risk premiums, default rates, prepayment speed and recovery rates	Present value method
Other invested assets		
Unlisted equities and equity investments	Acquisition cost, cash flows, EBIT multiples, as applicable book value	Capitalised earnings method, discounted cash flow method, multiple-based approaches
Private equity funds, private equity real estate funds	Audited net asset values (NAV)	Net asset value method
Unlisted bond, equity and real estate funds	Audited net asset values (NAV)	Net asset value method
Other financial assets – at fair value through profit or loss		
Currency forwards	Interest rate curves, spot and forward rates	Interest parity model
Inflation swaps	Inflation swap rates (Consumer Price Index), historical index fixings, interest rate curve	Present value method with seasonality adjustment
OTC stock options, OTC stock index options	Listing of the underlying share, implicit volatilities, money-market interest rate, dividend yield	Black-Scholes
Insurance derivatives	Fair values, actuarial parameters, interest rate curve	Present value method

Fair value hierarchy

For the purposes of the disclosure requirements pursuant to IFRS 13 "Fair Value Measurement", it is necessary to assign financial assets and liabilities to a three-level fair value hierarchy.

The fair value hierarchy, which reflects characteristics of the price data and inputs used for measurement purposes, is structured as follows:

- Level 1: Assets or liabilities measured at (unadjusted) prices quoted directly in active and liquid markets.
- Level 2: Assets or liabilities which are measured using observable market data and are not allocable to level 1. Measurement is based, in particular, on prices for comparable assets and liabilities that are traded on active markets, prices on markets that are not considered active as well as inputs derived from such prices or market data.
- Level 3: Assets or liabilities that cannot be measured or can only be partially measured using observable market inputs. The measurement of such instruments draws principally on valuation models and methods.

If input factors from different levels are used to measure a financial instrument, the level of the lowest input factor material to measurement is determinative.

The operational units responsible for coordinating and documenting measurement are organisationally separate from the operational units that enter into investment risks. All relevant valuation processes and valuation methods are documented. Decisions on fundamental valuation issues are taken by a valuation committee that meets monthly.

In the comparable period of the previous year financial assets with a fair value of EUR 26.0 million were no longer allocable to level 1 but rather to level 2 as a consequence of their reduced liquidity. The reclassifications related solely to fixed-income securities held as available for sale. The stated reclassification amounts refer in each case to the book value of the investments recognised at the beginning of the period.

The following table shows the breakdown of financial assets and liabilities recognised at fair value into the three-level fair value hierarchy.

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

in EUR thousand	31.3.2015			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	30,081	29,208,260	591	29,238,932
Equity securities	37,992	–	10	38,002
Other financial assets	–	115,019	–	115,019
Real estate and real estate funds	–	–	356,213	356,213
Other invested assets	–	–	1,390,082	1,390,082
Short-term investments	961,616	–	–	961,616
Other assets	–	3,505	–	3,505
Total financial assets	**1,029,689**	**29,326,784**	**1,746,896**	**32,103,369**
Other liabilities	–	149,043	156,142	305,185
Total financial liabilities	**–**	**149,043**	**156,142**	**305,185**

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

in EUR thousand	31.12.2014			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	28,752	26,852,743	522	26,882,017
Equity securities	32,796	–	8	32,804
Other financial assets	–	66,394	–	66,394
Real estate and real estate funds	–	–	320,956	320,956
Other invested assets	–	–	1,258,903	1,258,903
Short-term investments	575,300	–	–	575,300
Other assets	–	1,066	–	1,066
Total financial assets	**636,848**	**26,920,203**	**1,580,389**	**29,137,440**
Other liabilities	–	103,760	136,486	240,246
Total financial liabilities	**–**	**103,760**	**136,486**	**240,246**

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

Movements in level 3 financial assets and liabilities recognised at fair value

in EUR thousand	1.1.–31.3.2015				
	Fixed-income securities	Equities, equity funds and other variable-yield securities	Real estate and real estate funds	Other invested assets	Other liabilities
Net book value at 1 January of the year under review	**522**	**8**	**320,956**	**1,258,903**	**136,486**
Currency translation at 1 January of the year under review	69	2	20,689	103,969	18,025
Net book value after currency translation	**591**	**10**	**31,645**	**1,362,872**	**154,511**
Income and expenses					
recognised in the statement of income	–	–	(308)	8,967	196
recognised directly in shareholders' equity	–	–	(5,215)	(12,804)	–
Purchases	–	–	54,584	84,382	37,673
Sales/Settlements	–	–	33,537	51,288	36,327
Transfers to level 3	–	–	–	–	–
Transfers from level 3	–	–	–	–	–
Currency translation at 31 March of the year under review	–	–	(956)	(2,047)	89
Closing balance at 31 March of the year under review	**591**	**10**	**356,213**	**1,390,082**	**156,142**

Movements in level 3 financial assets and liabilities recognised at fair value

in EUR thousand	1.1.–31.3.2014				
	Fixed-income securities	Equities, equity funds and other variable-yield securities	Real estate and real estate funds	Other invested assets	Other liabilities
Net book value at 1 January of the year under review	**5,179**	**8**	**247,400**	**952,451**	**68,827**
Currency translation at 1 January of the year under review	(4)	–	(204)	(1,110)	–
Net book value after currency translation	**5,175**	**8**	**247,196**	**951,341**	**68,827**
Income and expenses					
recognised in the statement of income	(283)	–	–	1,076	(4,524)
recognised directly in shareholders' equity	–	–	6,355	13,004	–
Purchases	–	–	12,574	44,375	–
Sales/Settlements	581	–	7,354	26,343	–
Transfers to level 3	–	–	–	–	–
Transfers from level 3	–	–	–	–	–
Currency translation at 31 March of the year under review	–	–	(31)	(258)	(107)
Closing balance at 31 March of the year under review	**4,311**	**8**	**258,740**	**983,195**	**64,196**

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

Income and expenses from level 3 financial assets and liabilities recognised at fair value

in EUR thousand	1.1.–31.3.2015			
	Fixed-income securities	Real estate and real estate funds	Other invested assets	Other liabilities
Total in the period under review				
Change in fair value of financial instruments	–	–	9,389	(196)
Total depreciation, impairments and appreciation of investments	–	(308)	(422)	–
Thereof attributable to financial instruments included in the portfolio at 31 March of the year under review				
Change in fair value of financial instruments	–	–	9,014	(196)
Total depreciation, impairments and appreciation of investments	–	(308)	(422)	–

Income and expenses from level 3 financial assets and liabilities recognised at fair value

in EUR thousand	1.1.–31.3.2014			
	Fixed-income securities	Real estate and real estate funds	Other invested assets	Other liabilities
Total in the period under review				
Change in fair value of financial instruments	(283)	–	2,246	4,524
Total depreciation, impairments and appreciation of investments	–	–	(1,170)	–
Thereof attributable to financial instruments included in the portfolio at 31 March of the year under review				
Change in fair value of financial instruments	(283)	–	2,246	4,524
Total depreciation, impairments and appreciation of investments	–	–	(1,170)	–

If models are used to measure financial assets and liabilities included in level 3 under which the adoption of alternative inputs leads to a material change in fair value, IFRS 13 requires disclosure of the effects of these alternative assumptions. Of the financial assets included in level 3 with fair values of altogether EUR 1,746.9 million (EUR 1,580.4 million) as at the balance sheet date, Hannover Re measures financial assets with a volume of EUR 1,625.8 million (EUR 1,474.8 million) using the net asset value method, in respect of which alternative inputs within the meaning of the standard cannot reasonably be established. The remaining financial assets included in level 3 with a volume of EUR 121.1 million (EUR 105.6 million) relate in very large part to acquired life insurance policies, the valuation of which is based on technical parameters. Derivative financial instruments in connection with the reinsurance business were recognised under the other liabilities included in level 3 in the year under review. Their performance is dependent upon the risk experience of an underlying group of primary insurance contracts with statutory reserving requirements. The application of alternative inputs and assumptions has no material effect on the consolidated financial statement.

5.2 Debt and subordinated capital

Hannover Re recognised altogether four (four) subordinated bonds with an amortised cost of EUR 1,987.9 million (EUR 1,986.5 million) as at the balance sheet date. The subordinated debts from the 2005, 2010 and 2012 financial years in amounts of EUR 500.0 million each were placed on the European capital market through Hannover Finance (Luxembourg) S.A. The fair value of the aforementioned bonds as at 31 March 2015 was EUR 1,777.0 million (31 December 2014: EUR 1,717.1 million). A further subordinated debt from the 2014 financial year with a volume of EUR 500.0 million, the fair value of which was EUR 544.6 million (31 December 2014: EUR 506.6 million), was issued by Hannover Rück SE and similarly placed on the European capital market. For further information on these bonds please see the previous year's Group annual financial report.

5.3 Shareholders' equity, non-controlling interests and treasury shares

Shareholders' equity is shown as a separate component of the financial statement in accordance with IAS 1 "Presentation of Financial Statements" and subject to IAS 32 "Financial Instruments: Disclosure and Presentation" in conjunction with IAS 39 "Financial Instruments: Recognition and Measurement". The change in shareholders' equity comprises not only the net income deriving from the statement of income but also the changes in the value of asset and liability items not recognised in the statement of income.

The common shares (share capital of Hannover Rück SE) amount to EUR 120,597,134.00. They are divided into 120,597,134 voting and dividend-bearing registered no-par shares. The shares are paid in in full. Each share carries an equal voting right and an equal dividend entitlement.

Non-controlling interests in the shareholders' equity of the subsidiaries amounted to EUR 673.8 million (EUR 702.2 million) as at the balance sheet date. They were principally attributable to non-controlling interests in the shareholders' equity of E+S Rückversicherung AG in an amount of EUR 638.4 million (EUR 671.9 million).

Authorised capital of up to EUR 60,299 thousand is available with a time limit of 3 May 2015. The subscription right of shareholders may be excluded with the consent of the Supervisory Board. New, no-par-value registered shares may be issued on one or more occasions for contributions in cash or kind. Of the total amount, up to EUR 1,000 thousand may be used to issue employee shares.

In addition, conditional capital of up to EUR 60,299 thousand is available. It can be used to grant shares to holders of convertible bonds and bonds with warrants as well as to holders of participating bonds with conversion rights and warrants and has a time limit of 2 May 2016.

The Executive Board is authorised – with the consent of the Supervisory Board – to acquire treasury shares of up to 10% of the existing share capital. The authorisation is limited until 3 May 2015.

IAS 1 requires separate disclosure of treasury shares in shareholders' equity. The company was not in possession of treasury shares at any time during the period under review.

The increase in the other reserves arising out of currency translation, which is recognised in equity, was attributable in an amount of EUR 43.3 million (EUR 2.8 million) to the translation of long-term debt or loans with no maturity date extended to Group companies and branches abroad.

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

6.1 Gross written premium

Gross written premium

in EUR thousand	1.1.–31.3.2015	1.1.–31.3.2014
Regional origin		
Germany	439,890	439,217
United Kingdom	771,441	633,788
France	195,071	164,310
Other	532,640	460,639
Europe	**1,939,042**	**1,697,954**
USA	971,902	791,848
Other	191,483	148,292
North America	**1,163,385**	**940,140**
Asia	656,956	474,514
Australia	264,714	197,132
Australasia	**921,670**	**671,646**
Africa	120,993	109,311
Other	255,135	205,388
Total	4,400,225	3,624,439

6.2 Investment income

Investment income

in EUR thousand	1.1.–31.3.2015	1.1.–31.3.2014
Income from real estate	30,454	20,365
Dividends	35	25
Interest income	253,625	233,880
Other investment income	28,111	(12,864)
Ordinary investment income	**312,225**	**241,406**
Profit or loss on shares in associated companies	2,501	2,922
Realised gains on investments	60,545	58,301
Realised losses on investments	15,547	4,196
Change in fair value of financial instruments	(10,638)	7,447
Impairments on real estate	5,399	4,371
Impairments on fixed-income securities	2,365	–
Impairments on participating interests and other financial assets	422	1,170
Other investment expenses	24,255	27,803
Net income from assets under own management	**316,645**	**272,536**
Interest income on funds withheld and contract deposits	126,175	128,580
Interest expense on funds withheld and contract deposits	27,166	39,965
Total investment income	**415,654**	**361,151**

The impairments totalling EUR 3.1 million (EUR 1.2 million) were attributable largely – in an amount of EUR 2.4 million (EUR 0.0 million) – to the area of fixed-income securities. Impairments of EUR 0.4 million (EUR 1.2 million) were taken in the area of alternative investments. These were attributable exclusively to private equity investments. An impairment loss of EUR 0.3 million (previous year: none) was recognised on investments in real estate. In the reporting period and in the comparable period of the previous year no impairments were recognised on equities or equity funds because their fair values did not fall significantly – i. e. by at least 20% – or for a prolonged period – i. e. for at least nine months – below acquisition cost. As in the previous year, these write-downs were not opposed by any write-ups on investments that had been written down in previous periods. The portfolio did not contain any overdue, unadjusted assets as at the balance sheet date since overdue securities are written down immediately.

Interest income on investments

in EUR thousand	1.1.–31.3.2015	1.1.–31.3.2014
Fixed-income securities – held to maturity	19,071	22,600
Fixed-income securities – loans and receivables	26,724	27,418
Fixed-income securities – available for sale	200,326	179,219
Financial assets – at fair value through profit or loss	789	252
Other	6,715	4,391
Total	**253,625**	**233,880**

7. Other notes

7.1 Derivative financial instruments and financial guarantees

Hannover Re holds derivative financial instruments to hedge interest rate risks from loans connected with the financing of real estate; these gave rise to recognition of other liabilities in an amount of EUR 4.3 million (31 December 2014: EUR 4.0 million) and other financial assets at fair value through profit or loss of EUR 0.1 million (EUR 0.5 million).

Hannover Re's portfolio contained derivative financial instruments as at the balance sheet date in the form of forward exchange transactions taken out to hedge currency risks. These transactions gave rise to recognition of other liabilities in an amount of EUR 81.8 million (EUR 30.6 million) and other financial assets at fair value through profit or loss in an amount of EUR 57.6 million (EUR 14.5 million).

Hannover Re also holds derivative financial instruments to hedge inflation risks associated with the loss reserves. These transactions resulted in the recognition of other liabilities amounting to EUR 54.9 million (EUR 63.6 million).

In order to hedge the risk of share price changes in connection with the stock appreciation rights granted under the share award plan, Hannover Re took out hedges in the first quarter of 2014 in the form of so-called equity swaps. The fair value of these instruments amounted to EUR 3.5 million (EUR 1.1 million) as at the balance sheet date and was recognised under other liabilities. The hedge gave rise to a change in equity from hedging instruments recognised directly in equity in an amount of EUR 3.8 million (EUR 0.5 million); ineffective components of the hedge were recognised in a minimal amount under other investment expenses.

By means of a dividend resolution of 25 March 2015 of ASPECTA Assurance International AG, Liechtenstein, which had been included in the consolidated financial statement using the equity method of accounting, a purchase option on the part of the majority shareholder became exercisable. This option had a fair value of EUR 4.0 million as at the balance sheet date and is recognised under other liabilities. The reader is further referred to the explanatory remarks in Section 3 "Consolidated companies and consolidation principles".

The net changes in the fair value of the aforementioned instruments resulted in a charge of EUR 22.7 million to the result of the period under review (31 March 2014: EUR 1.5 million).

Derivative financial instruments in connection with reinsurance

Certain reinsurance treaties meet criteria which require application of the prescriptions in IFRS 4 governing embedded derivatives. These accounting regulations require that derivatives embedded in reinsurance contracts be separated from the underlying insurance contract ("host contract") according to the conditions specified in IFRS 4 and IAS 39 and recognised separately at fair value in accordance with IAS 39. Fluctuations in the fair value of the derivative components are to be recognised in income in subsequent periods.

On this basis Hannover Re reported as financial assets at fair value through profit or loss technical derivatives in an amount of EUR 57.3 million as at 31 March 2015 (31 December 2014: EUR 51.4 million) that were separated from the underlying transaction and measured at fair value.

In addition, liabilities from derivatives in connection with the technical account totalling EUR 160.1 million (31 December 2014: EUR 142.1 million) were recognised under other liabilities as at the balance sheet date.

Of this amount, EUR 156.1 million (31 December 2014: EUR 136.5 million) is attributable to a number of transactions in the Life & Health reinsurance business group that are to be classified as derivative financial instruments. Under these transactions Hannover Re companies offer their contracting parties coverage for risks from possible future payment obligations arising out of hedging instruments. The payment obligations result from contractually defined events and relate to the development of an underlying group of primary insurance contracts with statutory reserving requirements. The contracts are to be classified and recognised as stand-alone credit derivatives pursuant to IAS 39. These instruments gave rise to an improvement in investment income of EUR 3.3 million (31 March 2014: EUR 4.5 million).

Of the derivatives carried on the assets side, fair values of EUR 50.7 million (31 December 2014: EUR 44.8 million) were attributable as at the balance sheet date to derivatives embedded in "modified coinsurance" and "coinsurance funds withheld" (ModCo) reinsurance treaties.

Within the scope of the accounting of ModCo reinsurance treaties, under which securities deposits are held by the ceding companies and payments rendered on the basis of the income from certain securities of the ceding company, the interest-rate risk elements are clearly and closely related to the underlying reinsurance arrangements. Embedded derivatives consequently result solely from the credit risk of the underlying securities portfolio. Hannover Re calculates the fair value of the embedded derivatives in ModCo treaties using the market information available on the valuation date on the basis of a "credit spread" method. Under this method the derivative is valued at zero on the date when the contract commences and its value then fluctuates over time according to changes in the credit spreads of the securities.

The ModCo derivatives gave rise to an improvement in investment income of EUR 0.1 million as at 31 March 2015 (31 March 2014: EUR 1.6 million).

Financial guarantees

Structured transactions were entered into in the Life & Health reinsurance business group in order to finance statutory reserves (so-called Triple-X or AXXX reserves) of US ceding companies. In each case such structures necessitated the involvement of a special purpose entity. The special purpose entities carry extreme mortality risks securitised by the cedants above a contractually defined retention and transfer these risks by way of a fixed/floating swap to a member company of the Hannover Re Group. The total amount of the contractually agreed capacities of the transactions is equivalent to EUR 3,486.1 million (EUR 3,079.4 million); an amount equivalent to EUR 2,149.2 million (EUR 1,887.0 million) had been taken up as at the balance sheet date. The variable payments to the special purpose entities that are guaranteed by the Hannover Re Group cover their payment obligations. Under some of the transactions the payments resulting from the swaps in the event of a claim are reimbursed by the parent companies of the cedants by way of compensation agreements. In this case the reimbursement claims from the compensation agreements are to be capitalised separately from and up to the amount of the provision.

Under IAS 39 these transactions are to be recognised at fair value as financial guarantees. To this end Hannover Re uses the net method, according to which the present value of the agreed fixed swap premiums is netted with the present value of the guarantee commitment. The fair value on initial recognition therefore amounted to zero. The higher of the fair value and the amount carried as a provision on the liabilities side pursuant to IAS 37 is recognised at the point in time when utilisation is considered probable. This was not the case as at the balance sheet date.

7.2 Related party disclosures

IAS 24 "Related Party Disclosures" defines related parties as group entities of a common parent, associated entities, legal entities under the influence of key management personnel and the key management personnel of the entity itself. Transactions between Hannover Rück SE and its subsidiaries, which are to be regarded as related parties, were eliminated through consolidation and are therefore not discussed in the notes to the consolidated financial statement. In the year under review the following significant business relations existed with related parties.

Talanx AG holds an unchanged majority interest of altogether 50.22% in Hannover Rück SE. For its part, HDI-Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit, Riethorst 2, 30659 Hannover (HDI) holds a stake of 79.0% in Talanx AG and therefore indirectly holds 39.7% (rounded) of the voting rights in Hannover Rück SE.

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

Within the contractually agreed framework Talanx Asset Management GmbH performs investment and asset management services for Hannover Rück SE and some of its subsidiaries. Assets in special funds are managed by Ampega Investment GmbH. Talanx Immobilien Management GmbH performs services for Hannover Re under a number of management contracts.

Companies belonging to the Talanx Group granted the Hannover Re Group insurance protection inter alia in the areas of public liability, building, group accident and business travel insurance. Divisions of Talanx AG also performed services for us in the areas of taxes and general administration.

Talanx Reinsurance Broker AG grants Hannover Rück SE and E+S Rückversicherung AG a preferential position as reinsurers of cedants within the Talanx Group. In addition, Hannover Rück SE and E+S Rückversicherung AG are able to participate in the protection covers on the retention of Group cedants and share in the protection afforded by them. In certain circumstances Hannover Rück SE and E+S Rückversicherung AG are obliged to assume unplaced shares of the reinsurance of Group cedants from Talanx Reinsurance Broker AG.

The Hannover Re Group provides reinsurance protection for the HDI Group. To this extent, numerous underwriting business relations exist with related parties in Germany and abroad which are not included in Hannover Re's consolidation. This includes business both assumed and ceded at usual market conditions.

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

Business assumed and ceded in Germany and abroad

in EUR thousand	1.1.–31.3.2015		1.1.–31.3.2014	
	Premium	Underwriting result	Premium	Underwriting result
Business assumed				
Property and casualty reinsurance	112,583	(64,189)	96,849	61,422
Life and health reinsurance	36,703	6,387	37,930	7,122
	149,286	**(57,802)**	**134,779**	**68,544**
Business ceded				
Property and casualty reinsurance	(2,942)	6,698	(2,347)	540
Life and health reinsurance	(16,040)	(2,253)	(13,734)	(213)
	(18,982)	**4,445**	**(16,081)**	**327**
Total	**130,304**	**(53,357)**	**118,698**	**68,871**

In the context of a bond issue by Talanx AG the Group companies Hannover Rück SE and E+S Rückversicherung AG invested in a nominal amount of EUR 47.0 million in the issued bearer debt, which has a coupon of 3.125%. The carrying amount of the instrument, which is recognised under fixed-income securities held to maturity, was EUR 47.2 million (EUR 48.3 million) including accrued interest of EUR 0.2 million (EUR 1.3 million).

HDI Lebensversicherung AG, Cologne, participated in a nominal amount of EUR 50.0 million in the subordinated bond issued by Hannover Rück SE in September 2014 with a coupon of 3.375%.

7.3 Staff

The average number of staff employed at the companies included in the consolidated financial statement of the Hannover Re Group was 2,542 during the period under review (average in 2014: 2,475).

As at the balance sheet date altogether 2,550 (2,534) staff were employed by the Hannover Re Group, with 1,297 (1,289) employed in Germany and 1,253 (1,245) working for the consolidated Group companies abroad.

7.4 Earnings per share

Calculation of the earnings per share

	1.1.–31.3.2015	1.1.–31.3.2014
Group net income in EUR thousand	279,711	232,954
Weighted average of issued shares	120,597,134	120,597,134
Basic earnings per share in EUR	2.32	1.93
Diluted earnings per share in EUR	2.32	1.93

The earnings per share is calculated by dividing the net income attributable to the shareholders of Hannover Rück SE by the weighted average number of shares outstanding within the period under review.

Neither in the period under review nor in the previous reporting period were there any dilutive effects.

There were no other extraordinary components of income which should have been recognised or disclosed separately in the calculation of the earnings per share.

The earnings per share could potentially be diluted in future through the issue of shares or subscription rights from the authorised or conditional capital.

7.5 Contingent liabilities and commitments

Hannover Rück SE has secured by subordinated guarantee the subordinated debts issued by Hannover Finance (Luxembourg) S.A. in the 2005, 2010 and 2012 financial years in amounts of EUR 500.0 million each.

The guarantees given by Hannover Rück SE for the subordinated debts attach if the issuer fails to render payments due under the bonds. The guarantees cover the relevant bond volumes as well as interest due until the repayment dates. Given the fact that interest on the bonds is partly dependent on the capital market rates applicable at the interest payment dates (floating rates), the maximum undiscounted amounts that can be called cannot be estimated with sufficient accuracy. Hannover Rück SE does not have any rights of recourse outside the Group with respect to the guarantee payments.

As security for technical liabilities to our US clients, we have established two trust accounts (master trust and supplemental trust) in the United States. They amounted to EUR 3,641.3 million (EUR 3,173.7 million) and EUR 27.6 million (EUR 24.4 million) respectively as at the balance sheet date. The securities held in the trust accounts are shown as available-for-sale investments. In addition, we furnished further collateral to ceding companies in an amount of EUR 1,109.3 million (EUR 979.1 million) in the form of so-called "single trust funds". This amount includes a sum equivalent to EUR 372.5 million (EUR 329.1 million) which was furnished by investors as security for technical liabilities from ILS transactions.

As part of our business activities we hold collateral available outside the United States in various blocked custody accounts and trust accounts, the total amount of which in relation to the Group's major companies was EUR 2,893.3 million (EUR 2,694.0 million) as at the balance sheet date.

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

As security for our technical liabilities, various financial institutions have furnished sureties for our company in the form of letters of credit. The total amount as at the balance sheet date was EUR 3,000.7 million (EUR 2,899.1 million).

In addition, we put up own investments with a book value of EUR 116.0 million (EUR 78.9 million) as collateral for existing derivative transactions. We received collateral with a fair value of EUR 42.9 million (EUR 12.9 million) for existing derivative transactions.

For liabilities in connection with participating interests in real estate companies and real estate transactions the usual collateral under such transactions has been furnished to various banks, the amount of which totalled EUR 613.2 million (EUR 574.3 million) as at the balance sheet date.

Outstanding capital commitments with respect to alternative investments exist on the part of the Group in an amount of EUR 740.8 million (EUR 665.6 million). These primarily involve as yet unfulfilled payment obligations from investment commitments given to private equity funds and venture capital firms.

The application of tax regulations may not have been resolved at the time when tax items are brought to account. The calculation of tax refund claims and tax liabilities is based on what we consider to be the regulations most likely to be applied in each case. The revenue authorities may, however, take a differing view, as a consequence of which additional tax liabilities could arise in the future.

Hannover Rück SE enters into contingent liabilities as part of its normal business operations. A number of reinsurance treaties concluded by Group companies with outside third parties include letters of comfort, guarantees or novation agreements under which Hannover Rück SE guarantees the liabilities of the subsidiary in question or enters into the rights and obligations of the subsidiary under the treaties if particular constellations materialise.

7.6 Events after the end of the quarter

In a notification dated 8 April 2015 Hannover Finance (Luxembourg) S.A. announced repayment of the subordinated debt that it had issued in the 2005 financial year on 1 June 2015.

On 1 April 2015 an explosion occurred on the Abkatun oil production platform in the Gulf of Mexico. Hannover Re anticipates a not inconsiderable major loss in the first half-year from this event; based on the information currently available, however, it should be comfortably covered by the unused portion of the major loss budget from the first quarter.

Based on amended tax notices for past assessment periods, Hannover Re anticipates tax refunds in the first half of the year for Hannover Rück SE and E+S Rückversicherung AG that will boost Group net income by an amount in the double-digit millions.