Consolidated financial statements

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Consolidated balance sheet as at 30 June 2015

Assets in EUR thousand	30.6.2015	31.12.2014
Fixed-income securities – held to maturity	1,688,898	2,139,742
Fixed-income securities – loans and receivables	3,057,935	2,988,187
Fixed-income securities – available for sale	28,091,699	26,817,523
Fixed-income securities – at fair value through profit or loss	86,115	64,494
Equity securities – available for sale	34,372	32,804
Other financial assets – at fair value through profit or loss	54,857	66,394
Real estate and real estate funds	1,372,032	1,299,258
Investments in associated companies	147,380	154,822
Other invested assets	1,432,320	1,316,604
Short-term investments	541,227	575,300
Cash and cash equivalents	892,788	772,882
Total investments and cash under own management	**37,399,623**	**36,228,010**
Funds withheld	17,770,758	15,826,480
Contract deposits	155,020	92,069
Total investments	**55,325,401**	**52,146,559**
Reinsurance recoverables on unpaid claims	1,409,235	1,376,432
Reinsurance recoverables on benefit reserve	870,885	676,219
Prepaid reinsurance premium	211,881	149,257
Reinsurance recoverables on other technical reserves	7,600	5,446
Deferred acquisition costs	2,137,757	1,914,598
Accounts receivable	3,848,961	3,113,978
Goodwill	60,057	58,220
Deferred tax assets	359,220	393,923
Other assets	721,833	618,280
Accrued interest and rent	7,262	4,672
Assets held for sale	2,620	–
Total assets	**64,962,712**	**60,457,584**

Liabilities in EUR thousand	30.6.2015	31.12.2014
Loss and loss adjustment expense reserve	26,131,490	24,112,056
Benefit reserve	12,786,369	11,757,132
Unearned premium reserve	3,537,008	2,748,594
Other technical provisions	325,059	324,240
Funds withheld	812,528	817,137
Contract deposits	7,127,087	6,072,338
Reinsurance payable	1,110,481	1,101,317
Provisions for pensions	152,855	171,501
Taxes	209,040	260,137
Deferred tax liabilities	1,894,014	1,875,591
Other liabilities	731,970	694,234
Long-term debt and subordinated capital	1,794,856	2,270,347
Total liabilities	**56,612,757**	**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	929,079	1,169,255
Cumulative foreign currency translation adjustment	519,896	190,454
Changes from hedging instruments	(7,474)	(8,748)
Other changes in cumulative other comprehensive income	(36,343)	(48,288)
Total other comprehensive income	**1,405,158**	**1,302,673**
Retained earnings	5,422,281	5,402,926
Equity attributable to shareholders of Hannover Rück SE	**7,672,598**	**7,550,758**
Non-controlling interests	677,357	702,202
Total shareholders' equity	**8,349,955**	**8,252,960**
Total liabilities and shareholders´ equity	**64,962,712**	**60,457,584**

Consolidated statement of income as at 30 June 2015

in EUR thousand	1.4.–30.6.2015	1.1.–30.6.2015	1.4.–30.6.2014	1.1.–30.6.2014
Gross written premium	4,186,311	8,586,536	3,440,453	7,064,892
Ceded written premium	501,398	1,004,296	444,088	866,059
Change in gross unearned premium	(105,622)	(618,181)	(63,707)	(387,466)
Change in ceded unearned premium	8,215	55,297	(6,034)	27,993
Net premium earned	**3,587,506**	**7,019,356**	**2,926,624**	**5,839,360**
Ordinary investment income	286,453	598,678	248,737	490,143
Profit/loss from investments in associated companies	2,118	4,619	1,385	4,307
Realised gains and losses on investments	21,646	66,644	34,393	88,498
Change in fair value of financial instruments	9,013	(1,625)	2,550	9,997
Total depreciation, impairments and appreciation of investments	6,526	14,712	4,795	10,336
Other investment expenses	28,010	52,265	22,246	50,049
Net income from investments under own management	**284,694**	**601,339**	**260,024**	**532,560**
Income/expense on funds withheld and contract deposits	98,418	197,427	86,330	174,945
Net investment income	**383,112**	**798,766**	**346,354**	**707,505**
Other technical income	436	1,025	1,223	1,611
Total revenues	**3,971,054**	**7,819,147**	**3,274,201**	**6,548,476**
Claims and claims expenses	2,710,539	5,423,386	2,230,315	4,409,101
Change in benefit reserves	40,556	(810)	(35,122)	14,697
Commission and brokerage, change in deferred acquisition costs	760,027	1,422,810	626,324	1,210,300
Other acquisition costs	858	2,220	1,043	2,384
Other technical expenses	180	2,225	1,227	4,133
Administrative expenses	109,454	210,438	92,094	185,871
Total technical expenses	**3,621,614**	**7,060,269**	**2,915,881**	**5,826,486**
Other income and expenses	10,949	30,509	(24,257)	(38,304)
Operating profit (EBIT)	**360,389**	**789,387**	**334,063**	**683,686**
Interest on hybrid capital	23,456	48,453	21,053	48,847
Net income before taxes	**336,933**	**740,934**	**313,010**	**634,839**
Taxes	58,486	184,162	93,325	155,655
Net income	**278,447**	**556,772**	**219,685**	**479,184**
thereof				
Non-controlling interest in profit and loss	26,255	24,869	8,217	34,762
Group net income	**252,192**	**531,903**	**211,468**	**444,422**
Earnings per share (in EUR)				
Basic earnings per share	2.09	4.41	1.75	3.69
Diluted earnings per share	2.09	4.41	1.75	3.69

Consolidated statement of comprehensive income as at 30 June 2015

in EUR thousand	1.4.–30.6.2015	1.1.–30.6.2015	1.4.–30.6.2014	1.1.–30.6.2014
Net income	**278,447**	**556,772**	**219,685**	**479,184**
Not reclassifiable to the consolidated statement of income				
Actuarial gains and losses				
Gains (losses) recognised directly in equity	37,839	19,513	(6,197)	(18,950)
Tax income (expense)	(12,118)	(6,275)	1,976	6,049
	25,721	**13,238**	**(4,221)**	**(12,901)**
Income and expense recognised directly in equity that cannot be reclassified				
Gains (losses) recognised directly in equity	37,839	19,513	(6,197)	(18,950)
Tax income (expense)	(12,118)	(6,275)	1,976	6,049
	25,721	**13,238**	**(4,221)**	**(12,901)**
Reclassifiable to the consolidated statement of income				
Unrealised gains and losses on investments				
Gains (losses) recognised directly in equity	(629,703)	(266,320)	326,003	622,985
Transferred to the consolidated statement of income	(37,167)	(83,324)	(30,017)	(65,074)
Tax income (expense)	201,650	96,381	(84,108)	(155,665)
	(465,220)	**(253,263)**	**211,878**	**402,246**
Currency translation				
Gains (losses) recognised directly in equity	(187,709)	362,652	73,995	86,631
Transferred to the consolidated statement of income	–	–	–	50
Tax income (expense)	15,832	(27,743)	(8,659)	(9,829)
	(171,877)	**334,909**	**65,336**	**76,852**
Changes from the measurement of associated companies				
Gains (losses) recognised directly in equity	(4)	388	9	23
Transferred to the consolidated statement of income	–	(424)	–	–
	(4)	**(36)**	**9**	**23**
Changes from hedging instruments				
Gains (losses) recognised directly in equity	(1,621)	2,200	76	580
Tax income (expense)	336	(884)	(24)	(185)
	(1,285)	**1,316**	**52**	**395**
Reclassifiable income and expense recognised directly in equity				
Gains (losses) recognised directly in equity	(819,037)	98,920	400,083	710,219
Transferred to the consolidated statement of income	(37,167)	(83,748)	(30,017)	(65,024)
Tax income (expense)	217,818	67,754	(92,791)	(165,679)
	(638,386)	**82,926**	**277,275**	**479,516**
Total income and expense recognised directly in equity				
Gains (losses) recognised directly in equity	(781,198)	118,433	393,886	691,269
Transferred to the consolidated statement of income	(37,167)	(83,748)	(30,017)	(65,024)
Tax income (expense)	205,700	61,479	(90,815)	(159,630)
	(612,665)	**96,164**	**273,054**	**466,615**
Total recognised income and expense	**(334,218)**	**652,936**	**492,739**	**945,799**
thereof				
Attributable to non-controlling interests	4,811	18,548	21,398	60,021
Attributable to shareholders of Hannover Rück SE	(339,029)	634,388	471,341	885,778

Consolidated statement of changes in shareholders' equity as at 30 June 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	–	–	–	–
Capital increase/additions	–	–	–	–
Acquisition/disposal of treasury shares	–	–	–	–
Total income and expense recognised directly in equity	–	–	376,152	76,374
Net income	–	–	–	–
Dividends paid	–	–	–	–
Balance as at 30.6.2014	**120,597**	**724,562**	**910,856**	**(169,905)**
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	–	–	–	–
Capital increase/additions	–	–	–	–
Acquisition/disposal of treasury shares	–	–	–	–
Total income and expense recognised directly in equity	–	–	(240,176)	329,442
Net income	–	–	–	–
Dividends paid	–	–	–	–
Balance as at 30.6.2015	**120,597**	**724,562**	**929,079**	**519,896**

	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)
	–	–	–	–	–	–
	–	–	(13)	(13)	–	(13)
	395	(11,565)	–	441,356	25,259	466,615
	–	–	444,422	444,422	34,762	479,184
	–	–	(361,791)	(361,791)	(40,017)	(401,808)
	(9,060)	**(28,017)**	**4,862,639**	**6,411,672**	**660,946**	**7,072,618**
	(8,748)	**(48,288)**	**5,402,926**	**7,550,758**	**702,202**	**8,252,960**
	–	–	–	–	–	–
	–	–	–	–	(56)	(56)
	–	–	–	–	58	58
	–	–	(10)	(10)	–	(10)
	1,274	11,945	–	102,485	(6,321)	96,164
	–	–	531,903	531,903	24,869	556,772
	–	–	(512,538)	(512,538)	(43,395)	(555,933)
	(7,474)	**(36,343)**	**5,422,281**	**7,672,598**	**677,357**	**8,349,955**

Consolidated cash flow statement as at 30 June 2015

in EUR thousand		1.1.–30.6.2015	1.1.–30.6.2014
I.	**Cash flow from operating activities**		
	Net income	556,772	479,184
	Appreciation/depreciation	21,357	18,835
	Net realised gains and losses on investments	(66,644)	(88,498)
	Change in fair value of financial instruments (through profit or loss)	1,625	(9,997)
	Realised gains and losses on deconsolidation	(424)	(2,602)
	Amortisation of investments	54,982	35,662
	Changes in funds withheld	(838,937)	(123,085)
	Net changes in contract deposits	563,128	(114,012)
	Changes in prepaid reinsurance premium (net)	562,403	359,726
	Changes in tax assets/provisions for taxes	29,154	70,703
	Changes in benefit reserve (net)	(23,908)	13,124
	Changes in claims reserves (net)	750,266	717,593
	Changes in deferred acquisition costs	(101,880)	(63,890)
	Changes in other technical provisions	(15,538)	(4,060)
	Changes in clearing balances	(533,933)	(576,961)
	Changes in other assets and liabilities (net)	(109,979)	(52,327)
	Cash flow from operating activities	**848,444**	**659,395**

in EUR thousand	1.1.–30.6.2015	1.1.–30.6.2014
II. Cash flow from investing activities		
Fixed-income securities – held to maturity		
Maturities	515,198	387,412
Purchases	–	(241)
Fixed-income securities – loans and receivables		
Maturities, sales	111,213	232,579
Purchases	(97,001)	–
Fixed-income securities – available for sale		
Maturities, sales	5,036,713	5,965,672
Purchases	(5,211,552)	(6,011,660)
Fixed-income securities – at fair value through profit or loss		
Maturities, sales	18,358	9,636
Purchases	(36,354)	(24,147)
Equity securities – available for sale		
Sales	3,467	9,809
Purchases	(4,038)	(8,397)
Other financial assets – at fair value through profit or loss		
Sales	47,228	19,609
Purchases	(10,982)	(6,005)
Other invested assets		
Sales	89,933	66,795
Purchases	(146,588)	(105,334)
Affiliated companies and participating interests		
Sales	111	–
Purchases	(11,224)	(33,759)
Real estate and real estate funds		
Sales	41,546	31,075
Purchases	(94,300)	(103,610)
Short-term investments		
Changes	62,342	64,241
Other changes (net)	(13,781)	(20,724)
Cash flow from investing activities	**300,289**	**472,951**

in EUR thousand	1.1.–30.6.2015	1.1.–30.6.2014
III. Cash flow from financing activities		
Contribution from capital measures	663	1,325
Payment on capital measures	(459)	(4,587)
Structural change without loss of control	–	–
Dividends paid	(555,933)	(401,808)
Proceeds from long-term debts	23,035	59,543
Repayment of long-term debts	(517,425)	(750,957)
Other changes	(10)	(13)
Cash flow from financing activities	**(1,050,129)**	**(1,096,497)**
IV. Exchange rate differences on cash	**21,302**	**12,272**
Cash and cash equivalents at the beginning of the period	**772,882**	**642,936**
Change in cash and cash equivalents (I.+II.+III.+IV.)	**119,906**	**48,121**
Changes in the consolidated group	**–**	**(4,059)**
Cash and cash equivalents at the end of the period	**892,788**	**686,998**
Supplementary information on the cash flow statement[1]		
Income taxes paid (on balance)	(142,457)	(58,259)
Dividend receipts[2]	39,108	9,909
Interest received	755,703	587,741
Interest paid	(87,124)	(93,896)

[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 30 June 2015

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Notes

1. General reporting principles

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

The consolidated financial statement of Hannover Re was drawn up in compliance with the International Financial Reporting Standards (IFRS) that are to be used within the European Union. This also applies to all figures provided in this report for previous periods. 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 July 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 30 June 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 30 June 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. According to the original IASB timetable, the standard was to be applied to an annual reporting period beginning on or after 1 January 2017. The IASB has since proposed deferral of the effective date for one year to annual reporting periods beginning on or after 1 January 2018 in order to allow time for consultation on specific amendments that would provide further clarification. The standard 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:	30.6.2015	31.12.2014	1.1.–30.6.2015	1.1.–30.6.2014
	Mean rate of exchange on the balance sheet date		Average rate of exchange	
AUD	1.4528	1.4879	1.4416	1.5071
BHD	0.4221	0.4583	0.4244	0.5170
CAD	1.3826	1.4131	1.3876	1.5000
CNY	6.9252	7.5533	7.0014	8.4507
GBP	0.7109	0.7825	0.7349	0.8213
HKD	8.6557	9.4289	8.7251	10.6378
KRW	1,247.5193	1,333.7220	1,235.9627	1,433.9958
MYR	4.2045	4.2580	4.0869	4.4731
SEK	9.2165	9.4845	9.3342	8.9883
USD	1.1165	1.2155	1.1253	1.3714
ZAR	13.6529	14.1409	13.3789	14.6357

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 104.6 million, the net premium earned by EUR 36.0 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 24.9 million (EUR 34.8 million) as at 30 June 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

Within the 95.1%-owned US subgroup Hannover Re Real Estate Holdings, Inc., all the shares of two special purpose property companies were acquired in the second quarter of 2015 via the subsidiary GLL HRE Core Properties, LP, Wilmington. The business object of the two companies, which are expected to commence their operations in the third quarter of 2015, is to hold and manage one property each.

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 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.

Major disposals and retirements

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 ended. The company was carried under other participations until the shares were returned to the majority shareholder on 4 May 2015. Disposal of the company gave rise to an expense of EUR 4.0 million, which is recognised in investment income. In addition, cumulative other comprehensive income of EUR 0.4 million was realised from currency translation.

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.

4. Group segment report

Segmentation of assets

	Property and casualty reinsurance	
in EUR thousand	30.6.2015	31.12.2014
Assets		
Fixed-income securities – held to maturity	1,423,573	1,841,982
Fixed-income securities – loans and receivables	2,991,440	2,912,110
Fixed-income securities – available for sale	20,850,096	19,822,832
Equity securities – available for sale	34,372	32,804
Financial assets at fair value through profit or loss	88,105	63,648
Other invested assets	2,820,546	2,644,817
Short-term investments	168,723	242,463
Cash and cash equivalents	704,783	580,490
Total investments and cash under own management	**29,081,638**	**28,141,146**
Funds withheld	1,263,430	1,123,858
Contract deposits	–	–
Total investments	**30,345,068**	**29,265,004**
Reinsurance recoverables on unpaid claims	1,067,581	1,052,357
Reinsurance recoverables on benefit reserve	–	–
Prepaid reinsurance premium	211,201	147,846
Reinsurance recoverables on other reserves	(817)	421
Deferred acquisition costs	739,522	597,299
Accounts receivable	2,301,280	1,493,908
Other assets in the segment	1,606,285	1,416,187
Assets held for sale	2,620	–
Total assets	**36,272,740**	**33,973,022**

Segmentation of liabilities

in EUR thousand		
Liabilities		
Loss and loss adjustment expense reserve	22,459,391	20,797,820
Benefit reserve	–	–
Unearned premium reserve	3,404,583	2,626,890
Provisions for contingent commissions	126,506	158,410
Funds withheld	359,139	442,211
Contract deposits	7,686	4,285
Reinsurance payable	463,682	358,836
Long-term liabilities	305,344	283,855
Other liabilities in the segment	2,069,932	2,042,408
Total liabilities	**29,196,263**	**26,714,715**

Life and health reinsurance		Consolidation		Total	
30.6.2015	31.12.2014	30.6.2015	31.12.2014	30.6.2015	31.12.2014
170,766	179,209	94,559	118,551	1,688,898	2,139,742
66,495	76,077	–	–	3,057,935	2,988,187
7,025,030	6,639,186	216,573	355,505	28,091,699	26,817,523
–	–	–	–	34,372	32,804
53,058	54,262	(191)	12,978	140,972	130,888
129,401	123,922	1,785	1,945	2,951,732	2,770,684
365,004	332,262	7,500	575	541,227	575,300
183,468	186,224	4,537	6,168	892,788	772,882
7,993,222	**7,591,142**	**324,763**	**495,722**	**37,399,623**	**36,228,010**
16,507,328	14,702,622	–	–	17,770,758	15,826,480
155,020	92,069	–	–	155,020	92,069
24,655,570	**22,385,833**	**324,763**	**495,722**	**55,325,401**	**52,146,559**
343,125	325,534	(1,471)	(1,459)	1,409,235	1,376,432
870,885	676,219	–	–	870,885	676,219
1,173	1,470	(493)	(59)	211,881	149,257
8,417	5,025	–	–	7,600	5,446
1,398,232	1,317,295	3	4	2,137,757	1,914,598
1,547,891	1,620,237	(210)	(167)	3,848,961	3,113,978
751,484	680,215	(1,209,397)	(1,021,307)	1,148,372	1,075,095
–	–	–	–	2,620	–
29,576,777	**27,011,828**	**(886,805)**	**(527,266)**	**64,962,712**	**60,457,584**

3,673,570	3,315,694	(1,471)	(1,458)	26,131,490	24,112,056
12,786,421	11,757,188	(52)	(56)	12,786,369	11,757,132
132,425	121,704	–	–	3,537,008	2,748,594
198,553	165,830	–	–	325,059	324,240
453,389	374,926	–	–	812,528	817,137
7,119,401	6,068,053	–	–	7,127,087	6,072,338
647,595	742,649	(796)	(168)	1,110,481	1,101,317
–	–	1,489,512	1,986,492	1,794,856	2,270,347
2,122,677	1,982,821	(1,204,730)	(1,023,766)	2,987,879	3,001,463
27,134,031	**24,528,865**	**282,463**	**961,044**	**56,612,757**	**52,204,624**

Segment statement of income

	Property and casualty reinsurance	
in EUR thousand	1.1.–30.6.2015	1.1.–30.6.2014
Gross written premium	4,972,221	4,078,141
thereof		
From insurance business with other segments	–	–
From insurance business with external third parties	4,972,221	4,078,141
Net premium earned	3,894,160	3,370,248
Net investment income	425,189	398,849
thereof		
Change in fair value of financial instruments	(338)	3,238
Total depreciation, impairments and appreciation of investments	12,332	10,226
Income/expense on funds withheld and contract deposits	10,144	9,460
Claims and claims expenses	2,722,852	2,332,410
Change in benefit reserve	–	–
Commission and brokerage, change in deferred acquisition costs and other technical income/expenses	892,548	782,667
Administrative expenses	107,845	96,839
Other income and expenses	(12,425)	(36,212)
Operating profit/loss (EBIT)	**583,679**	**520,969**
Interest on hybrid capital	–	–
Net income before taxes	**583,679**	**520,969**
Taxes	141,608	148,475
Net income	**442,071**	**372,494**
thereof		
Non-controlling interest in profit or loss	23,644	24,549
Group net income	**418,427**	**347,945**

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 special purpose property companies acquired in the period under review within our subgroup Hannover Re Real Estate Holdings, Inc. are allocated to the property and casualty reinsurance segment, while ASPECTA Assurance International AG – which was disposed of – belonged to the life and health reinsurance segment.

Life and health reinsurance		Consolidation		Total	
1.1.–30.6.2015	1.1.–30.6.2014	1.1.–30.6.2015	1.1.–30.6.2014	1.1.–30.6.2015	1.1.–30.6.2014
3,614,530	2,986,851	(215)	(100)	8,586,536	7,064,892
215	100	(215)	(100)	–	–
3,614,315	2,986,751	–	–	8,586,536	7,064,892
3,124,759	2,468,950	437	162	7,019,356	5,839,360
366,675	299,526	6,902	9,130	798,766	707,505
(1,352)	6,641	65	118	(1,625)	9,997
15	110	2,365	–	14,712	10,336
187,283	165,485	–	–	197,427	174,945
2,700,534	2,076,702	–	(11)	5,423,386	4,409,101
(814)	14,698	4	(1)	(810)	14,697
533,682	432,539	–	–	1,426,230	1,215,206
102,420	88,879	173	153	210,438	185,871
44,432	(876)	(1,498)	(1,216)	30,509	(38,304)
200,044	**154,782**	**5,664**	**7,935**	**789,387**	**683,686**
–	–	48,453	48,847	48,453	48,847
200,044	**154,782**	**(42,789)**	**(40,912)**	**740,934**	**634,839**
53,210	29,158	(10,656)	(21,978)	184,162	155,655
146,834	**125,624**	**(32,133)**	**(18,934)**	**556,772**	**479,184**
1,225	10,213	–	–	24,869	34,762
145,609	**115,411**	**(32,133)**	**(18,934)**	**531,903**	**444,422**

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 first quarter of 2015. 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	30.6.2015	31.12.2014
Regional origin		
Germany	6,952,704	6,592,773
United Kingdom	2,798,492	2,674,766
France	1,695,323	1,769,512
Other	7,078,245	7,649,712
Europe	**18,524,764**	**18,686,763**
USA	10,962,760	9,875,092
Other	1,623,853	1,468,426
North America	**12,586,613**	**11,343,518**
Asia	1,909,197	1,819,615
Australia	2,497,635	2,556,507
Australasia	**4,406,832**	**4,376,122**
Africa	371,134	352,192
Other	1,510,280	1,469,415
Total	**37,399,623**	**36,228,010**

Maturities of the fixed-income and variable-yield securities

in EUR thousand	30.6.2015		31.12.2014	
	Amortised cost[1]	Fair value	Amortised cost[1]	Fair value
Held to maturity				
due in one year	1,000,403	1,012,470	1,089,446	1,110,905
due after one through two years	309,357	324,567	539,118	561,992
due after two through three years	58,230	60,947	145,300	151,217
due after three through four years	52,784	55,682	97,896	103,592
due after four through five years	34,615	38,478	32,696	35,894
due after five through ten years	232,969	266,209	234,795	273,704
due after more than ten years	540	345	491	568
Total	**1,688,898**	**1,758,698**	**2,139,742**	**2,237,872**
Loans and receivables				
due in one year	285,749	288,103	261,575	265,156
due after one through two years	582,543	606,575	373,036	390,647
due after two through three years	63,921	67,201	268,376	283,396
due after three through four years	156,178	166,036	143,511	152,077
due after four through five years	250,202	277,856	197,584	219,375
due after five through ten years	989,872	1,126,758	979,791	1,122,393
due after more than ten years	729,470	876,825	764,314	954,282
Total	**3,057,935**	**3,409,354**	**2,988,187**	**3,387,326**
Available for sale				
due in one year[2]	3,531,860	3,544,266	3,731,723	3,747,673
due after one through two years	2,873,017	2,915,668	2,415,488	2,449,568
due after two through three years	3,441,388	3,512,649	2,908,199	2,972,420
due after three through four years	2,807,757	2,868,941	2,904,276	2,951,154
due after four through five years	3,149,560	3,230,688	2,655,178	2,741,708
due after five through ten years	9,515,866	9,884,649	9,181,834	9,760,031
due after more than ten years	3,276,503	3,568,853	3,122,626	3,543,151
Total	**28,595,951**	**29,525,714**	**26,919,324**	**28,165,705**
Financial assets at fair value through profit or loss				
due in one year	3,255	3,255	5,306	5,306
due after one through two years	16,777	16,777	2,433	2,433
due after two through three years	24,011	24,011	12,251	12,251
due after three through four years	7,562	7,562	20,590	20,590
due after four through five years	14,510	14,510	10,790	10,790
due after five through ten years	–	–	146	146
due after more than ten years	20,000	20,000	12,978	12,978
Total	**86,115**	**86,115**	**64,494**	**64,494**

[1] Including accrued interest
[2] Including short-term investments and cash

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

in EUR thousand	30.6.2015				
	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	372,650	7,692	5,381	–	378,031
US Treasury notes	126,126	771	668	–	126,794
Other foreign government debt securities	22,290	69	152	–	22,442
Debt securities issued by semi-governmental entities	372,364	5,221	11,149	28	383,485
Corporate securities	199,425	4,160	7,184	100	206,509
Covered bonds/asset-backed securities	596,043	11,941	45,588	194	641,437
Total	**1,688,898**	**29,854**	**70,122**	**322**	**1,758,698**

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	30.6.2015				
	Amortised cost including accrued interest	thereof accrued interest	Unrealised gains	Unrealised losses	Fair value
Loans and receivables					
Debt securities issued by semi-governmental entities	1,669,062	26,802	239,879	–	1,908,941
Corporate securities	496,737	7,422	17,680	4,548	509,869
Covered bonds/asset-backed securities	892,136	19,472	98,503	95	990,544
Total	**3,057,935**	**53,696**	**356,062**	**4,643**	**3,409,354**

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	30.6.2015				
	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	2,391,202	20,388	135,220	6,116	2,520,306
US Treasury notes	3,513,619	8,664	33,068	8,137	3,538,550
Other foreign government debt securities	1,875,513	16,437	23,907	25,633	1,873,787
Debt securities issued by semi-governmental entities	4,470,346	40,613	262,428	13,850	4,718,924
Corporate securities	11,955,017	144,140	408,870	87,505	12,276,382
Covered bonds/asset-backed securities	2,880,521	25,247	184,282	10,378	3,054,425
Investment funds	75,718	–	33,607	–	109,325
	27,161,936	**255,489**	**1,081,382**	**151,619**	**28,091,699**
Equity securities					
Shares	12,674	–	6,816	11	19,479
Investment funds	8,189	–	6,704	–	14,893
	20,863	**–**	**13,520**	**11**	**34,372**
Short-term investments	541,227	3,293	–	–	541,227
Total	**27,724,026**	**258,782**	**1,094,902**	**151,630**	**28,667,298**

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	30.6.2015	31.12.2014	30.6.2015	31.12.2014	30.6.2015	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	65,743	63,795	372	699	66,115	64,494
Covered bonds/asset-backed securities	20,000	–	–	–	20,000	–
	85,743	**63,795**	**372**	**699**	**86,115**	**64,494**
Other financial assets						
Derivatives	54,857	66,394	–	–	54,857	66,394
	54,857	**66,394**	**–**	**–**	**54,857**	**66,394**
Total	**140,600**	**130,189**	**372**	**699**	**140,972**	**130,888**

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	30.6.2015			
	Level 1	Level 2	Level 3	Total
Fixed-income securities	33,531	28,144,283	–	28,177,814
Equity securities	34,363	–	9	34,372
Other financial assets	–	54,857	–	54,857
Real estate and real estate funds	–	–	375,581	375,581
Other invested assets	–	2,548	1,365,749	1,368,297
Short-term investments	541,227	–	–	541,227
Other assets	–	–	–	–
Total financial assets	**609,121**	**28,201,688**	**1,741,339**	**30,552,148**
Other liabilities	–	42,269	151,695	193,964
Total financial liabilities	**–**	**42,269**	**151,695**	**193,964**

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.–30.6.2015				
	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	46	1	13,890	69,805	12,102
Net book value after currency translation	**568**	**9**	**334,846**	**1,328,708**	**148,588**
Income and expenses					
recognised in the statement of income	–	–	(308)	7,622	641
recognised directly in shareholders' equity	–	–	(9,478)	(13,374)	–
Purchases	–	–	91,455	137,096	36,957
Sales	–	–	40,907	93,304	34,516
Settlements	567	–	–	–	–
Transfers to level 3	–	–	–	–	–
Transfers from level 3	–	–	–	–	–
Currency translation at 30 June of the year under review	(1)	–	(27)	(999)	25
Closing balance at 30 June of the year under review	**–**	**9**	**375,581**	**1,365,749**	**151,695**

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

in EUR thousand	1.1.–30.6.2014				
	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	62	–	863	4,698	–
Net book value after currency translation	**5,241**	**8**	**248,263**	**957,149**	**68,827**
Income and expenses					
recognised in the statement of income	–	–	–	2,107	(1,212)
recognised directly in shareholders' equity	–	–	7,072	38,443	–
Purchases	–	–	26,869	104,651	7,910
Sales	586	–	14,351	59,225	–
Settlements	4,118	–	–	–	–
Transfers to level 3	–	–	–	–	–
Transfers from level 3	–	–	–	–	–
Currency translation at 30 June of the year under review	(72)	–	43	907	583
Closing balance at 30 June of the year under review	**465**	**8**	**267,896**	**1,044,032**	**76,108**

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.–30.6.2015		
	Real estate and real estate funds	Other invested assets	Other liabilities
Total in the period under review			
Change in fair value of financial instruments	–	8,875	(641)
Total depreciation, impairments and appreciation of investments	(308)	(1,253)	–
Thereof attributable to financial instruments included in the portfolio at 30 June of the year under review			
Change in fair value of financial instruments	–	8,875	3,313
Total depreciation, impairments and appreciation of investments	(308)	(1,253)	–

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

in EUR thousand	1.1.–30.6.2014		
	Real estate and real estate funds	Other invested assets	Other liabilities
Total in the period under review			
Change in fair value of financial instruments	–	3,442	1,212
Total depreciation, impairments and appreciation of investments	–	(1,335)	–
Thereof attributable to financial instruments included in the portfolio at 30 June of the year under review			
Change in fair value of financial instruments	–	3,442	1,212
Total depreciation, impairments and appreciation of investments	–	(1,335)	–

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 1,741.3 million (EUR 1,580.4 million) as at the balance sheet date, Hannover Re measures financial assets with a volume of EUR 1,637.7 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 103.6 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 three (four) subordinated bonds with an amortised cost of EUR 1,489.5 million (EUR 1,986.5 million) as at the balance sheet date. The subordinated debts from the 2010 and 2012 financial years in amounts of EUR 500.0 million each were placed on the European capital market through Hannover Finance (Luxembourg) S.A. The fair value of the aforementioned bonds as at 30 June 2015 was EUR 1,176.3 million (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 496.8 million (EUR 506.6 million), was issued by Hannover Rück SE and similarly placed on the European capital market.

The subordinated debt of EUR 500.0 million issued in 2005 by Hannover Finance (Luxembourg) S.A. was called by the issuer in the full nominal amount at the first scheduled redemption date and repaid on 1 June 2015.

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 677.4 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 642.3 million (EUR 671.9 million).

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.

IAS 1 requires separate disclosure of treasury shares in shareholders' equity. As part of this year's employee share option plan Hannover Rück SE acquired altogether 12,922 (21,608) treasury shares during the second quarter of 2015 and delivered them to eligible employees at preferential conditions. These shares are blocked until 31 May 2019. This transaction resulted in an expense of EUR 0.3 million (EUR 0.4 million), which was recognised under personnel expenditure, as well as a negligible increase in retained earnings recognised in equity. The company was no longer in possession of treasury shares as at 30 June 2015.

The increase in the other reserves arising out of currency translation, which is recognised in equity, was attributable in an amount of EUR 24.9 million (EUR 18.2 million) to the translation of long-term debt or loans with no maturity date extended to Group companies and branches abroad.

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

6.1 Gross written premium

Gross written premium

in EUR thousand	1.1.–30.6.2015	1.1.–30.6.2014
Regional origin		
Germany	836,711	757,249
United Kingdom	1,438,651	1,230,916
France	352,740	303,827
Other	992,778	830,339
Europe	**3,620,880**	**3,122,331**
USA	1,991,330	1,553,486
Other	401,668	332,908
North America	**2,392,998**	**1,886,394**
Asia	1,342,953	1,081,378
Australia	530,838	468,944
Australasia	**1,873,791**	**1,550,322**
Africa	248,160	134,257
Other	450,707	371,588
Total	**8,586,536**	**7,064,892**

6.2 Investment income

Investment income

in EUR thousand	1.1.–30.6.2015	1.1.–30.6.2014
Income from real estate	58,252	40,899
Dividends	1,112	1,974
Interest income	503,637	462,744
Other investment income	35,677	(15,474)
Ordinary investment income	**598,678**	**490,143**
Profit or loss on shares in associated companies	4,619	4,307
Realised gains on investments	116,597	99,847
Realised losses on investments	49,953	11,349
Change in fair value of financial instruments	(1,625)	9,997
Impairments on real estate	11,094	9,001
Impairments on fixed-income securities	2,365	–
Impairments on participating interests and other financial assets	1,253	1,335
Other investment expenses	52,265	50,049
Net income from assets under own management	**601,339**	**532,560**
Interest income on funds withheld and contract deposits	255,206	238,385
Interest expense on funds withheld and contract deposits	57,779	63,440
Total investment income	**798,766**	**707,505**

The impairments totalling EUR 3.9 million (EUR 1.3 million) were attributable largely – in an amount of EUR 2.4 million (previous year: none) – to the area of fixed-income securities. Impairments of EUR 1.3 million (EUR 1.3 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.–30.6.2015	1.1.–30.06.2014
Fixed-income securities – held to maturity	36,204	43,862
Fixed-income securities – loans and receivables	53,503	54,083
Fixed-income securities – available for sale	402,463	357,803
Financial assets – at fair value through profit or loss	1,461	420
Other	10,006	6,576
Total	**503,637**	**462,744**

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 3.7 million (EUR 4.0 million) and other financial assets at fair value through profit or loss of EUR 0.3 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 32.7 million (EUR 30.6 million) and other financial assets at fair value through profit or loss in an amount of EUR 11.0 million (EUR 14.5 million). The decrease in equity from hedging instruments recognised directly in equity pursuant to IAS 39 in an amount of EUR 0.6 million derived solely from the forward exchange transactions taken out to hedge currency risks from long-term investments in foreign operations. These hedging instruments resulted in the recognition of other liabilities in an amount of EUR 0.7 million. Ineffective components of the hedge were recognised in profit or loss under other investment expenses in an amount of EUR 0.1 million.

In the course of the second quarter derivative financial instruments held to hedge inflation risks within the loss reserves were disposed of in a total volume of EUR 67.9 million, allowing for a negative exchange rate effect of EUR 4.3 million. This derivative instrument was recognised under other liabilities in an amount of EUR 63.6 million as at 31 December 2014.

In order to hedge the risk of share price changes in connection with the stock appreciation rights granted under the share award plan, Hannover Re took out hedges in 2014 in the form of so-called equity swaps. The fair value of these instruments amounted to EUR 1.6 million as at the balance sheet date and was recognised under other liabilities (EUR 1.1 million recognised under other financial assets at fair value through profit or loss). The hedge gave rise to an increase in equity from hedging instruments recognised directly in equity in an amount of EUR 2.8 million (EUR 0.4 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 previously 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. Exercise of the option and the associated return of the shares of ASPECTA Assurance International AG, Liechtenstein, took place in full on 4 May 2015.

The net changes in the fair value of the aforementioned instruments resulted in a charge of EUR 3.8 million to the result of the period under review (30 June 2014: improvement of EUR 1.0 million in the result of the period under review).

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 recognised under financial assets at fair value through profit or loss derivatives in connection with the reinsurance business that were separated from the underlying transaction and measured at fair value in an amount of EUR 43.6 million as at the balance sheet date (EUR 51.4 million).

In addition, derivatives in connection with the reinsurance business were recognised under other liabilities in an amount of EUR 156.0 million (EUR 142.1 million) as at the balance sheet date.

Of this amount, EUR 151.7 million (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 7.3 million (30 June 2014: EUR 1.2 million).

Of the derivatives carried on the assets side, fair values of EUR 42.4 million (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 a charge to investment income of EUR 6.4 million (30 June 2014: improvement in investment income of EUR 4.6 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 3,486.9 million (EUR 3,079.4 million); an amount equivalent to EUR 2,181.0 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 period 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.–30.6.2015		1.1.–30.6.2014	
	Premium	Underwriting result	Premium	Underwriting result
Business assumed				
Property and casualty reinsurance	298,156	(31,197)	254,481	40,396
Life and health reinsurance	73,253	11,937	75,717	13,186
	371,409	**(19,260)**	**330,198**	**53,582**
Business ceded				
Property and casualty reinsurance	(6,539)	1,601	(5,714)	(2,484)
Life and health reinsurance	(31,469)	(6,190)	(27,569)	(2,634)
	(38,008)	**(4,589)**	**(33,283)**	**(5,118)**
Total	**333,401**	**(23,849)**	**296,915**	**48,464**

In the context of a bond issue by Talanx AG the Group companies Hannover Rück SE and E+S Rückversicherung AG invested in a nominal amount of EUR 47.0 million in the issued bearer debt, which has a coupon of 3.125%. The carrying amount of the instrument, which is recognised under fixed-income securities held to maturity, was EUR 47.5 million (EUR 48.3 million) including accrued interest of EUR 0.6 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 2,544 during the period under review (average in 2014: 2,475).

As at the balance sheet date altogether 2,548 (2,468) staff were employed by the Hannover Re Group, with 1,315 (1,256) employed in Germany and 1,233 (1,212) working for the consolidated Group companies abroad.

7.4 Earnings per share

Calculation of the earnings per share

	1.1.–30.6.2015	1.1.–30.6.2014
Group net income in EUR thousand	531,903	444,422
Weighted average of issued shares	120,596,920	120,596,774
Basic earnings per share in EUR	4.41	3.69
Diluted earnings per share in EUR	4.41	3.69

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.

On the basis of this year's employee share option plan Hannover Rück SE acquired treasury shares in the course of the second quarter of 2015 and sold them to eligible employees. The weighted average number of shares does not include 12,922 (21,608) treasury shares pro rata temporis for the duration of the holding period. For further details please see our comments in Section 5.3 "Shareholders' equity, non-controlling interests and treasury shares".

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 2010 and 2012 financial years in amounts of EUR 500.0 million each. A subordinated debt issued in 2005 by Hannover Finance (Luxembourg) S.A. with a volume of EUR 500.0 million, which was also secured by a subordinated guarantee, was redeemed on 1 June 2015 at the first scheduled call date.

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 3,479.0 million (EUR 3,173.7 million) and EUR 26.6 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 1,967.6 million (EUR 979.1 million) in the form of so-called "single trust funds". This amount includes a sum equivalent to EUR 1,253.9 million (EUR 329.1 million) which was furnished by investors as security for potential reinsurance obligations from ILS transactions.

As part of our business activities we hold collateral available outside the United States in various blocked custody accounts and trust accounts, the total amount of which in relation to the Group's major companies was EUR 2,836.9 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 2,887.3 million (EUR 2,899.1 million).

In addition, we put up own investments with a book value of EUR 30.6 million (EUR 78.9 million) as collateral for existing derivative transactions. We received collateral with a fair value of EUR 6.0 million (EUR 12.9 million) for existing derivative transactions.

As collateral for commitments in connection with participating interests in real estate companies and real estate transactions the usual collateral under such transactions has been furnished to various banks, the amount of which totalled EUR 594.8 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 800.3 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

No significant events occurred after the balance sheet date.

Hannover, 3 August 2015

Executive Board

Wallin

Althoff

Chèvre

Gräber

Dr. Miller

Dr. Pickel

Vogel