



Group Interim Report as at 30 June 2012

talanx.

Key figures		1.1.–30.6.2012	1.1.–30.6.2011	+/- %
Talanx Group overall				
Gross written premium	<i>In EUR million</i>	13,582	12,422	+9
Germany	<i>In %</i>	38	41	-3 pt.
Great Britain	<i>In %</i>	9	10	-1 pt.
Central and Eastern Europe including Turkey (CEE)	<i>In %</i>	4	4	—
Rest of Europe	<i>In %</i>	16	16	—
USA	<i>In %</i>	13	11	+2 pt.
Rest of Northern America	<i>In %</i>	2	2	—
Latin America	<i>In %</i>	7	7	—
Asia and Australia	<i>In %</i>	9	7	+2 pt.
Africa	<i>In %</i>	2	2	—
Net premium earned	<i>In EUR million</i>	10,294	9,390⁵⁾	+10
Underwriting result	<i>In EUR million</i>	-693	-1,147	+40
Net investment income	<i>In EUR million</i>	1,748	1,639	+7
Return on investment¹⁾	<i>In %</i>	4.1	4.1	—
Operating profit (EBIT)	<i>In EUR million</i>	855	431	+98
Net profit/loss for the period (after financing costs and taxes)	<i>In EUR million</i>	579	360	+61
of which shareholders in Talanx AG	<i>In EUR million</i>	354	215	+65
Return on equity²⁾	<i>In %</i>	12.3	8.5	+3.8 pt.
Earnings per share				
Basic earnings per share	<i>In EUR</i>	1.70	1.03	+65
Diluted earnings per share	<i>In EUR</i>	1.70	1.03	+65
Breakdown by segments³⁾				
Industrial Lines				
Gross written premium	<i>In EUR million</i>	2,246	2,006	+12
Net premium earned	<i>In EUR million</i>	782	728	+7
Underwriting result	<i>In EUR million</i>	58	-69	+184
Investment result	<i>In EUR million</i>	113	123	-8
Operating profit (EBIT)	<i>In EUR million</i>	161	60	+168
Retail Germany				
Gross written premium	<i>In EUR million</i>	3,516	3,525	—
Net premium earned	<i>In EUR million</i>	2,610	2,588	+1
Underwriting result	<i>In EUR million</i>	-711	-597	-19
Investment result	<i>In EUR million</i>	812	764	+6
Operating profit (EBIT)	<i>In EUR million</i>	75	113	-34
Retail International				
Gross written premium	<i>In EUR million</i>	1,334	1,194	+12
Net premium earned	<i>In EUR million</i>	1,078	918	+17
Underwriting result	<i>In EUR million</i>	-19	-30	+38
Investment result	<i>In EUR million</i>	118	86	+37
Operating profit (EBIT)	<i>In EUR million</i>	54	25	+116
Non-Life Reinsurance				
Gross written premium	<i>In EUR million</i>	4,080	3,544	+15
Net premium earned	<i>In EUR million</i>	3,304	2,848	+16
Underwriting result	<i>In EUR million</i>	100	-295	+134
Investment result	<i>In EUR million</i>	429	427	+1
Operating profit (EBIT)	<i>In EUR million</i>	456	169	+170
Life/Health Reinsurance				
Gross written premium	<i>In EUR million</i>	2,809	2,500	+12
Net premium earned	<i>In EUR million</i>	2,521	2,298	+10
Underwriting result	<i>In EUR million</i>	-121	-156	+22
Investment result	<i>In EUR million</i>	286	251	+14
Operating profit (EBIT)	<i>In EUR million</i>	140	86	+63
Combined ratio in non-life insurance and reinsurance⁴⁾	<i>In %</i>	98.0	107.4	-9.4 pt.
Combined ratio of the property/casualty insurers	<i>In %</i>	99.7	103.7	-4.0 pt.
Combined ratio in non-life reinsurance	<i>In %</i>	96.8	110.1	-13.3 pt.
		30.6.2012	31.12.2011	+/- %
Policyholders' surplus				
Shareholders' equity of Talanx AG	<i>In EUR million</i>	12,833	11,321	+13
Non-controlling interests	<i>In EUR million</i>	6,083	5,421	+12
Hybrid capital	<i>In EUR million</i>	3,636	3,285	+11
	<i>In EUR million</i>	3,114	2,615	+19
Investments under own management	<i>In EUR million</i>	80,053	75,750	+6
Total investments	<i>In EUR million</i>	93,540	87,467	+7
Total assets	<i>In EUR million</i>	124,590	115,268	+8
Staff	<i>capacity</i>	17,883	17,061	+5

¹⁾ Annualised net investment income without interest income on funds withheld and contract deposits relative to average investments under own management (30.6. and 31.12.)

²⁾ Annualised net profit/loss for the period without non-controlling interests relative to average equity without non-controlling interests

³⁾ Before elimination of intra-Group cross-segment transactions

⁴⁾ Combined ratio adjusted for interest income on funds withheld and contract deposits, before elimination of intra-Group cross-segment transactions

⁵⁾ Adjusted on the basis of IAS 8, see section "Accounting policies" of the Notes

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Supervisory Board

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Deputy Chairman

Employee,
HDI-Gerling Vertrieb Firmen
und Privat AG,
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Prof. Dr. Eckhard Rohkamm

Deputy Chairman

Former Chairman of the Board of
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Lawyer,
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Hannover

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Gerald Herrmann

Trade union secretary,
Norderstedt

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Employee, HDI-Gerling
Industrie Versicherung AG,
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Otto Müller

Employee,
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Gräfelfing

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Hannover

Group management report

Markets and business climate

Overall economic development

The first half of 2012 continued to be overshadowed by the European sovereign debt crisis. Economic data in the Eurozone were disappointing, and growth slowed in the USA and China. While sometimes drastic measures such as the pact between EU countries ensuring stricter budgetary discipline, the European Central Bank's (ECB) second three-year tender, a "voluntary" debt waiver by Greece's private creditors and the extension of the rescue package eased the debt crisis in the short term early in the year, Greece's impending exit from the Eurozone and the crisis in the Spanish banking sector in particular have sparked fresh concerns about the stability of the single currency area. In response, it was decided at the EU summit at the end of June that the European Stability Mechanism (ESM) will in future support banks directly, following the creation of a unified bank regulator for the Eurozone under the overall control of the ECB.

The German economy achieved surprisingly strong growth of 0.5% in the first quarter of 2012 compared with the previous quarter. Economic indicators in Germany became significantly bleaker in the second quarter, however, as in the Eurozone as a whole, with the respected ifo index dropping to a two-year low. The unemployment rate in the Eurozone reached a record level of 11.1% in May.

In the USA, weaker economic data and a decline in momentum in the labour market have recently triggered discussions about a further dip in growth. Development in the UK was similarly weak to that of the Eurozone.

The monetary policy pursued by the major central banks remained very expansive in the first half of the year. The ECB took over central functions in order to preserve the Eurozone, providing commercial banks with virtually "unlimited" liquidity and supporting them indirectly with the purchase of government bonds. The Fed announced unexpectedly that the period of its de facto zero interest rate policy would be extended until the end of 2014 and would thus be longer than originally expected.

Inflation rates in the Eurozone have fallen from 2.7% to 2.4% in the course of the year. In the USA, there was a substantial decline in inflation rates from around 3% to 1.7% in the first half of the year, while inflation in the UK also fell significantly from around 4% to 2.8%.

The euro declined in value significantly in the second quarter of 2012 and stood at 1.26 EUR/USD in June. It also lost ground against the British pound as the crisis intensified in the second quarter of 2012, reaching around EUR 0.80/GBP at the end of the first half of the year. In relation to the Swiss franc, it levelled out just above the Swiss central bank's target of EUR 1.20/CHF, with extremely low volatility.

Capital markets

The European debt crisis and the liquidity and refinancing situation in the banking sector dominated developments on the bond markets in the first half of 2012. There was very little activity in new issues across much of the market in the second quarter. Various EU summits, the result of the involvement of private investors in Greece's debt restructuring, the election debacle in Greece with the need for further elections in the short term, the worsening situation of Spanish banks and general aggravation of the economic situation in the big GIIPS countries have led to considerable volatility on the bond markets. Ten-year German government bonds reached a new historic low of around 1.17% at the beginning of June. The EU summit at the end of June then led to positive development on the market again, at least in the short term.

Overall, yields fell significantly during the quarter. Yields on various AAA government bonds with a maturity of less than one year remained virtually zero and at times even became negative. At the end of June, two-year German government bonds listed at 0.12% and five-year bonds at 0.61%, while ten-year German government bonds again showed a yield of 1.59%.

After strong price gains in the first quarter, which were largely driven by liquidity, stock markets came under severe pressure in the second quarter owing to new concerns relating to the European sovereign debt crisis and the banking crisis in Spain.

The DAX held its ground well compared with the beginning of the year, however, with an increase of 8.8%. In contrast, the EURO STOXX 50 lost around 2.2% in the first half of 2012, falling 8.6% in the second quarter alone. The Dow Jones achieved impressive growth of 5.4% in the first half of the year. The impact of further stabilisation in the US housing market is likely to have been positive.

Insurance markets

The commentary on insurance markets are based mainly on information published by the ifo Institute for Economic Research and the German Insurance Association (GDV).

The business climate in the German insurance sector became slightly gloomier in the second quarter, but remained favourable from a long-term perspective. This deterioration in sentiment was mainly due to a less favourable assessment of the current business situation, while assessments of prospects for the next six months were more positive. Forecasts for the insurance industry were more optimistic than for the economy as a whole. Positive forecasts were prevalent with regard to the development of premium income; this trend was more pronounced in property and casualty insurance than in life insurance.

The mood in the German property and casualty insurance sector deteriorated compared with the previous quarter. There was a tendency towards a slowdown in all segments, with the exception of legal aid insurance. Following a good start at the beginning of the year, growth in premium income has recently slowed, although overall it is still positive. This means that the sector is still mainly anticipating growth in premium income. Premium income development was particularly positive in motor insurance in the first half of the year. However, premium growth is also expected in most other lines of business for the year as a whole.

The development of claims has not improved so far this year compared with last year, and expectations for the financial year as a whole were less optimistic than in the preceding quarter. Development of claims is only expected to ease in the industrial and commercial sectors and in liability insurance.

The business climate has improved slightly in German life insurance. In contrast to the first quarter, the current situation was assessed less favourably than expectations for the next six months. This is likely to be the result of the recent problems in the Eurozone – unclear political prospects in Greece and the banking crisis in Spain – which have led to greater scepticism regarding the economy. On the other hand, the economic environment has, in principle, remained relatively favourable for Germany, which has had a stabilising effect. Forecasts for unit-linked life and annuity insurance and endowment life insurance remained lower than the big average for all life insurance. Classic life insurance products have suffered as a result of continuing low interest rates and uncertainty with regard to future tightening of capital requirements.

Forecasts for new business with regular premium payments were at a similar level to the previous quarter. Expansion is expected for the year as a whole in all sectors, with the exception of unit-linked life and annuity insurance and endowment life insurance. In new single-premium business, the downward trend observed in previous quarters weakened in the period under review.

In the first six months of 2012, claims in international non-life reinsurance remained below the average first-half figures for the past years. Although the absolute number of natural disasters impacting claims was higher than usual for this period, it did not include any major disasters as in 2011. Claims statistics for the first half of the year were dominated by extreme weather in the USA, where tornadoes occurred earlier than usual this year.

The environment in international life and health reinsurance continues to offer advantageous overall conditions. The demographic trend in industrial nations, with an ageing population, has led to increasing awareness of the need to

make provisions for retirement. This has boosted demand for annuity and nursing care insurance products, just as demand has benefited from ongoing population growth and the rise in the level of development in major emerging markets such as China, India and Brazil. Financially oriented reinsurance solutions that will ease pressure on primary life insurers in terms of solvency and equity also offer further business opportunities.

Business development of the Talanx Group

	1.1.–30.6. 2012	1.1.–30.6. 2011 ¹⁾
<i>Figures in EUR million</i>		
Gross written premium	13,582	12,422
Net premium earned	10,294	9,390
Underwriting result	–693	–1,147
Net investment income	1,748	1,639
Operating result (EBIT)	855	431
Combined ratio (net, property and casualty only)	98.0%	107.4%

¹⁾ Adjusted on the basis of IAS 8, see section "Accounting policies", subsection "Changes in accounting policies and accounting errors" of the Notes

The Talanx Group further expanded its international presence in both retail and industrial lines in the second quarter of 2012. HDI-Gerling Industriever sicherung AG strengthened its commitment to the Asian target market by opening branches in Singapore and Bahrain (the latter at the beginning of the third quarter). It also founded a joint venture with Indian company NBFC Magma Fincorp in June, which is to issue its first policies in the autumn.

The second quarter was also positive for Talanx International AG, with the takeover of the Polish companies TU Europa Group and TUIR WARTA S.A. WARTA was also rewarded with an improved counterparty credit rating and insurer financial strength rating following the takeover concluded at the beginning of July, when Standard & Poor's upgraded both ratings from BBB+ to A with a stable outlook.

In Germany, preparations are underway in the Retail division to bundle the HDI and HDI-Gerling brands under the "new" old brand HDI. The life insurance companies, including Pensionsfonds and Pensionskasse, will be renamed from HDI-Gerling to HDI in the second half of 2012. The two risk carriers in the property/casualty insurance business, HDI Direkt Versicherung AG and HDI-Gerling Firmen und Privat Versicherung AG, are to be merged. The future risk carrier will be called HDI Versicherung AG. This will improve efficiency in the division, and the removal of partial duplication will make the product range in property/casualty insurance simpler and more transparent for customers. The switch to HDI is to be completed in 2013. The HDI-Gerling brand will then be reserved for industrial lines.

Further measures relating to the realignment of this Group segment, such as the bundling of operational functions – including contract processing, policy issuance, complaints management and telephony – with appropriate cost savings, may get under way now that a basic agreement has been concluded with the Group Employee Council.

Premium volume

The Group gross written premium was up around 9% year-on-year at EUR 13.6 (12.4) billion; with adjustments for exchange rate effects, the level of growth would have been 7%. Net premium earned rose by almost 10% to EUR 10.3 (9.4) billion. In particular, organic growth in reinsurance and industrial lines and international acquisitions in the first half of the year contributed to this. All insurance segments, with the exception of Retail Germany, achieved double-digit percentage growth rates before adjustments for currency effects. The strongest growth of 15% was recorded by Non-Life Reinsurance.

Underwriting result

The burden of major losses for the first half of 2012 not only remained well below the previous year's figure, but has so far also been lower than expected. This led to a significant improvement in the underwriting result, particularly in the Non-Life Reinsurance segment – the major loss ratio here was only 4 (22)%. For the Group, it stood at –EUR 693 (–1,147) million. At Group level, the underwriting result is regularly negative, since the participation of policyholders in the investment income of our life insurers is included here.

The combined ratio improved by 9.4 percentage points from 107.4% to 98.0% compared with the corresponding period of the previous year, which had been hit by major losses. In particular, a substantial reduction in the loss ratios of the Industrial Lines and Non-Life Reinsurance segments contributed to this.

Net investment income

Net investment income development was positive. In the Retail International segment (+37%), it rose due to an improvement in the extraordinary profit at our Italian company; in the Life and Health Reinsurance segment (+14%), an improvement in the unrealised net gain from so-called ModCo derivatives contributed to the increase. The Group's net investment income as a whole increased by 7% to EUR 1.7 (1.6) billion.

Government bonds holdings from countries on the Eurozone periphery (the so-called GIIPS states), which were already low, were reduced further.

Operating result

The Group's operating result (EBIT) virtually doubled to EUR 855 (431) million, having been boosted by the increase in net investment income and the moderate level of major losses, together with the associated improvement in the underwriting result.

Income tax expenses amounted to EUR 186 million. Tax income for the same period of the previous year was EUR 11 million, mainly owing to a tax effect in Non-Life Reinsurance. Although this positive effect no longer applied, net income for the period rose by 61% to EUR 579 million. Group net income improved to a similar extent. For the first half of 2012, it amounted to EUR 354 (215) million, which represented an increase of 65%. Earnings per share were EUR 1.70 (1.03).

Return on equity (annualised) was 12.3 (8.5)%.

Business development of the segments Industrial Lines

	1.1.–30.6. 2012	1.1.–30.6. 2011
<i>Figures in EUR million</i>		
Gross written premium	2,246	2,006
Net premium earned	782	728
Underwriting result	58	-69
Net investment income	113	123
Operating result (EBIT)	161	60
Combined ratio (net)	92.6%	109.3%

The Industrial Lines division is led by HDI-Gerling Industrie Versicherung AG (HDI-Gerling Industrie), which is at the same time by far the largest company in this Group segment. As an internationally operating industrial insurer, HDI-Gerling Industrie supports its clients in Germany and around the world with bespoke solutions optimally tailored to their individual needs. Comprehensive insurance solutions are assembled on the basis of customised coverage concepts, thereby providing the complete product range needed to protect against entrepreneurial risks. Just as importantly, due to its many years of experience and proven expertise, HDI-Gerling provides professional claims management that delivers the fastest possible assistance worldwide in the event of loss or damage.

Premium volume

The segment's gross written premium amounted to EUR 2.2 (2.0) billion as at 30 June 2012, an increase of around 12%. The ongoing upward trend in premiums was driven by the fire and motor insurance divisions, although the marine, accident insurance and aviation lines also performed well. On the German motor insurance market in particular, the hardening market had a positive impact on premium volume. The accident insurance division benefited above all from new business through two major alliances. In the liability insurance division, HDI-Gerling Industrie played a large part in positive development. It accounted for over 80% of the segment's gross premium; in the first half of the year, this amounted to EUR 1.9 (1.7) billion. Across all divisions, it maintained profitable connections and gained new customers in highly competitive markets. The development of international markets was particularly positive in the fire and liability insurance divisions.

With regard to our foreign companies, the Dutch and Spanish subsidiaries are particularly worth mentioning. The Dutch insurance market in general currently offers little opportunity for organic growth. Premium growth at our subsidiary HDI-Gerling Verzekeringen N.V., Rotterdam (HDI-Gerling Netherlands), in liability insurance was largely due to Nassau Verzekering Maatschappij N.V., Rotterdam (Nassau), which was not yet included in the figures for the first quarter of last year, but was acquired in 2011 and then merged with HDI-Gerling Netherlands. Total gross written premium grew by a substantial 32% to EUR 252 (191) million. Net premium earned achieved even stronger growth of 52% to EUR 78 (51) million, as the portfolios taken over by Nassau were reinsured on a non-proportional basis. The Spanish subsidiary held its ground well in a difficult market environment. Although its liability insurance division came under pressure owing to the overall economic situation, this was more than offset when a major contact was gained in the fire insurance division. Gross premium remained virtually unchanged for the companies in Austria at EUR 113 (111) million (only part of which is assigned to Industrial Lines) and Belgium at EUR 86 (90) million.

The segment's reinsurance premiums increased by around 16% to EUR 1.1 (0.9) billion, a disproportionately high level of growth that was due mainly to the fire and liability insurance divisions and to the addition of major fronting connections at HDI-Gerling Industrie. Net premium earned in the segment nevertheless rose by around 7% to EUR 782 (728) million.

Underwriting result

The net underwriting result in Industrial Lines amounted to EUR 58 (−69) million, an improvement of EUR 127 million that was essentially due to premium growth. The net cost ratio also improved to 21.0 (22.3)%, while the net loss ratio fell by 15.6 percentage points to 71.5 (87.1)%. The combined ratio of the Industrial Lines segment was thus 92.6 (109.3)%.

Net technical expenses fell by around 8% to EUR 735 (802) million. Net claims expenditure was down almost 2% at EUR 551 (560) million compared with the corresponding period of the previous year, which had been affected by natural disasters. Owing to the high level of reinsurance cover, the major losses in the fire insurance division that occurred in the current year have little net impact. While acquisition costs and administrative expenses were largely normal, other technical expenses dropped by 75% to EUR 20 (80) million.

Net investment income

Despite a higher underwriting cash flow, net investment income fell by 8% to EUR 113 (123) million. The main reason for this change was the drop of EUR 9 million in extraordinary profit. The extraordinary profit of HDI-Gerling Industrie was stimulated in the corresponding period of the previous year by high share price gains and income from the sale of registered bonds. On the whole, there were no significant differences in net investment income for the other companies compared with the previous year.

Operating result

Thanks to the above developments – particularly the significant improvement in the net underwriting result, which more than offset the slight drop in net investment income and that in other income (by EUR 16 million to −EUR 10 million) – the segment's operating result more than doubled to EUR 161 (60) million.

The operating result of the company dominating the segment, HDI-Gerling Industrie Versicherung AG, rose by EUR 185 million to EUR 173 (−12) million. The main reason for this was an improvement of EUR 139 million in the net underwriting result to EUR 43 (−96) million.

There was a noticeable change at the Dutch subsidiary, whose result plummeted to EUR 5 (14) million compared with the corresponding period of the previous year. However, the result was caused to a large extent by the integration of Nassau, which means that a comparison with the previous year is difficult. Thanks to a significant improvement of EUR 2 mil-

lion in its net underwriting result to EUR 4 million, the Spanish company showed an increase in its operating result to EUR 7 (4) million. The Austrian subsidiary's operating result fell to EUR 9 (14) million. However, the increase in net claims expenditure, owing to a much lower level of relief from reinsurers compared with the corresponding period of the previous year, had a negative impact on the net underwriting result. EUR 5 million of the company's operating profit is attributed to the Industrial Lines segment and the rest to the Retail International segment.

Retail Germany

	1.1.–30.6. 2012	1.1.–30.6. 2011 ¹⁾
<i>Figures in EUR million</i>		
Gross written premium	3,516	3,525
Net premium earned	2,610	2,588
Underwriting result	–711	–597
Net investment income	812	764
Operating result (EBIT)	75	113
Combined ratio (net, property and casualty only)	108.6%	102.1%

¹⁾ Adjusted on the basis of IAS 8, see section "Accounting policies", subsection "Changes in accounting policies and accounting errors" of the Notes

The Retail Germany division bundles the German retail clients served by HDI, HDI-Gerling and the Talanx Group's German bancassurance activities and offers them insurance cover tailored to their needs. In the field of life insurance, the division also operates in Austria. The product range extends from property/casualty insurance via life insurance to company pension schemes, which are offered through a variety of distribution channels.

Premium volume and new business

Written premiums in the Retail Germany segment – including the savings elements under unit-linked life insurance – amounted to EUR 3.5 (3.5) billion in the period under review. The figures for the corresponding period of the previous year included EUR 36 million for the legal aid insurance business, which was sold in 2011. Excluding the legal aid insurance business, there was a slight increase of almost 1% in gross premiums.

In life insurance, premium income with gross written premium including savings elements under unit-linked life insurance remained stable at EUR 2.5 (2.5) billion. There were no significant changes in the composition of single premiums and business with regular premium payments. Developments at the individual companies varied. While premiums at HDI-Gerling Lebensversicherung AG and PB Lebensversicherung AG declined, neue leben Lebensversicherung AG once again achieved growth in its single-premium business. TARGO Lebensversicherung AG continued the positive trend in business with a regular premium payment, thereby more than offsetting a decline in single premiums.

Gross premium income from our property/casualty insurance products, which was influenced by adjustments to premiums, increased by about 2% after factoring out the premiums for legal aid insurance which were included in the previous year's figures.

The retention ratio for the segment rose to 94.8 (93.3)% owing to a fall in reinsurance cessions in property/casualty insurance. The savings elements for our unit-linked products fell slightly owing to a shift in the composition of premium income in favour of conventional insurance. Allowing for the change in unearned premiums, the net premium earned thus totalled EUR 2.6 (2.6) billion, of which EUR 706 (703) million related to property/casualty insurance products.

New business for companies in the segment – measured by the internationally recognised yardstick of the Annual Premium Equivalent (APE) – amounted to EUR 327 (356) million. Development of the individual risk carriers in life insurance varied considerably, owing to single-premium business volatility.

Underwriting result

The underwriting result amounted to –EUR 711 (–597) million. Its development was again dominated by life insurance products. Its share amounted to –EUR 652 (–583) million. This includes factors such as compounding technical liabilities and participation of our policyholders in net investment income. Income opposing these expenses, however, is recognised in net investment income, so that the underwriting result is negative. The drop in life insurers' underwriting results in the period under review was due primarily to an increase in net investment income and a rise in allocations to the provision for premium refunds arising from the financial statements of the individual companies that are relevant from a regulatory viewpoint. Net claims expenditure for life insurance products thus rose to EUR 2.4 (2.2) billion.

The change in the underwriting result from our property/casualty insurance products was influenced primarily by investment in IT and higher loss expenditure of EUR 507 (490) million; in total, it amounted to –EUR 59 (–15) million.

Net investment income

The segment's net investment income grew by 6% to EUR 812 (764) million, with life insurance products accounting for 93% of this sum. The lion's share of this figure of around EUR 754 (702) million, was credited pro rata to the holders of life insurance policies. With a slight rise in ordinary investment income in line with the portfolio, a significant improvement in the extraordinary profit caused this development. The previous year's figures had been influenced to a large extent by losses on the disposal of bonds.

Operating result

Overall, the segment result for Retail Germany fell short of the previous year's figure, owing to an increase in expenses for insurance operations in the field of property/casualty

insurance. There was a positive change in other income/expenses. Division realignment and adjustment costs applicable in the corresponding period of the previous year no longer applied. The overall operating result was thus reduced to EUR 75 (113) million, primarily owing to the drop in underwriting results.

Overview of the Retail Germany segment – further key figures	1.1.–30.6. 2012	1.1.–30.6. 2011 ¹⁾
<i>Figures in EUR million</i>		
Gross written premium	3,516	3,525
Property/casualty	1,045	1,057
Life	2,471	2,468
Net premium earned	2,610	2,588
Property/casualty	706	703
Life	1,904	1,885
Underwriting result	–711	–597
Property/casualty	–59	–15
Life	–652	–583
Other	–	1
Net investment income	812	764
Property/casualty	59	61
Life	754	702
Other	–1	1
New business measured in annual premium equivalent	327	356
Single premiums (life)	624	605
Regular premiums (life and non-life)	264	295
New business by products in annual premium equivalent	327	356
Motor	87	94
Property/casualty insurance	8	7
Liability insurance	15	11
Accident insurance	6	7
Other property/casualty insurance	7	20
Unit-linked life and annuity insurance	68	67
Classical life and annuity insurance	101	117
Term life products	33	31
Other life products	1	1

¹⁾ Adjusted on the basis of IAS 8, see section "Accounting policies", subsection "Changes in accounting policies and accounting errors" of the Notes

Retail International

	1.1.–30.6. 2012	1.1.–30.6. 2011 ¹⁾
<i>Figures in EUR million</i>		
Gross written premium	1,334	1,194
Net premium earned	1,078	918
Underwriting result	-19	-30
Net investment income	118	86
Operating result (EBIT)	54	25
Combined ratio (net, property and casualty only) ²⁾	98.8%	99.6%

¹⁾ Adjusted on the basis of IAS 8, see section "Accounting policies", subsection "Changes in accounting policies and accounting errors" of the Notes

²⁾ Including interest income on funds withheld and contract deposits

The Retail International segment brings together the activities of the companies serving retail clients in property/casualty insurance, life insurance and bancassurance outside Germany, and now operates in 15 countries with over eight million customers. Its local, industry-specific know-how and presence via an extensive distribution network enable the division to identify its clients' particular requirements and provide customised solutions in all markets in which it operates. The product range encompasses motor insurance, property and casualty insurance, marine and fire insurance as well as various offerings in the life insurance sector.

The first half of 2012 was marked by further expansion in our target markets in Central and Eastern Europe and Latin America and in particular by the takeover of 50% plus one share in the TU Europa Group, which offers both life and property/casualty insurance products. The takeover of TUiR WARTA S. A. from the Belgian KBC Group was completed immediately after the end of the first half of the year, on 1 July. Our strategic partner Meiji Yasuda owns 30% of the shares in WARTA and a significant minority holding in the TU Europa Group. The acquisition of the property and life insurer Metropolitana Compañía de Seguros S. A. de C. V. in Mexico had already been completed in the first quarter.

We are present in the two largest and fastest-growing core markets within each of our strategic target regions, Brazil and Mexico in Latin America and Poland and Turkey in Eastern Europe.

Premium volume

The segment's gross written premium (including premiums under unit-linked life and annuity insurance policies) rose by around 12% compared with the corresponding period of the previous year, to EUR 1.3 (1.2) billion. Most of this premium growth was attributable to inorganic growth (reallocation of the Austrian retail business and acquisitions in Mexico and Poland). Organic growth amounted to 4% after conversion into euros; with adjustments for exchange rate effects, the level of growth was +9%.

Gross written premium growth was primarily influenced by the positive development in property/casualty business, in which gross written premiums rose by 19% to EUR 966 million. In contrast, the life insurance business experienced a decline of 4% to EUR 368 million owing to a drop in single premiums in Poland.

In Latin America, around three quarters of our total premium income comes from the Brazilian market, where we operate mainly in motor insurance. Once again, the Brazilian company HDI Seguros was a key driver behind the increase in gross written premiums in property insurance business, with premium growth equivalent to EUR 13 million. Here, as well as in other countries, growth in property insurance products was heavily influenced by exchange rate effects, particularly in Mexico and Turkey.

Our Turkish property insurance company HDI Sigorta recorded premium growth of 26% in local currency, mainly due to a rise in average premiums in motor insurance and an increase in sales through agencies in other property insurance business. After conversion into euros, the increase was 20%.

The Polish property insurance company HDI Asekuracja remained stable in relation to the same period of the previous year, while the gross premium income of the life insurer HDI-Gerling Życie fell by 49% in euros, owing to a one-off effect arising from a higher level of single-premium business in the first half of 2011. Premium income from TU Europa and its subsidiaries equivalent to EUR 18 million was included for one month in Talanx International's premium volume for the first time. Following the takeover of the insurance companies TU Europa and TUiR Warta S. A., Talanx will likely be the second-largest operator on the Polish property and life insurance market, according to statistics of the Polish supervisory authority.

Life insurance premiums at Italian company HDI Assicurazioni rose by 10% compared with the same period of last year, largely owing to higher income from a banking sales channel. Growth of around 8% was achieved in property/casualty insurance, particularly in motor third-party liability insurance, thanks to higher average premiums and the conclusion of a large number of new contracts.

Among the life insurance companies, the Hungarian company increased its premium volume by 19% in euros (in local currency: +30%). The Turkish company CiV Hayat Sigorta recorded a 24% increase in premium volume in euros (in local currency: +31%), partly as a result of an increase in protection for credit card balances. These two companies are among the fastest-growing companies, in relative terms, on their markets.

Underwriting result

The combined ratio in international property/casualty insurance was 98.8 (99.6)%, 0.8 percentage points better than in the previous period. Although the Polish company HDI Asekuracja was burdened by the consequences of a major loss event in the agricultural sector and the Turkish company HDI Sigorta recorded a significant increase in claims, particularly in motor third-party liability business, these developments were more than offset. In particular, the newly acquired companies TU Europa and Metropolitana contributed to an improvement in the combined ratio.

The underwriting result in the segment amounted to –EUR 19 (–30) million, an improvement of around 38% compared with the corresponding period of the previous year.

Net investment income

Net investment income of EUR 118 million was recorded in the segment in the first half of 2012. This represents an increase of 37% year-on-year. This was partly the result of an improvement in the ordinary investment income, owing to larger investment portfolios across the board, and partly due to more favourable interest rates in some cases. Extraordinary investment income benefited from gains realised on the sale of Italian government bonds, among other factors. The Italian company HDI Assicurazioni particularly contributed to this positive development with extraordinary investment income of EUR 13 million.

Operating result

Thanks to both the improvement in the underwriting result and the increase in net investment income, the Retail International segment closed the first half of 2012 with an improved operating result (EBIT) compared with the corresponding period of the previous year, at EUR 54 (25) million, and a positive EBIT margin of 5.0 (2.8)%.

Overview of the Retail International segment – further key figures

	1.1.–30.6. 2012	1.1.–30.6. 2011 ¹⁾
<i>Figures in EUR million</i>		
Gross written premium	1,334	1,194
Property/casualty	966	812
Life	368	382
Net premium earned	1,078	918
Property/casualty	822	703
Life	256	215
Underwriting result	–19	–30
Property/casualty	10	3
Life	–29	–33
Other	–	–
Net investment income	118	86
Property/casualty	67	49
Life	50	37
Other	1	–
New business measured in annual premium equivalent	416	431
Single premiums (life)	220	232
Regular premiums (life and non-life)	394	408
New business by products in annual premium equivalent	416	431
Motor	260	283
Property/casualty insurance	40	42
Liability insurance	20	16
Accident insurance	4	8
Other property/casualty insurance	48	39
Unit-linked life and annuity insurance	9	16
Classical life and annuity insurance	12	9
Term life products	11	8
Other life products	11	10

¹⁾ Adjusted on the basis of IAS 8, see section „Accounting policies“, subsection „Changes in accounting policies and accounting errors“ of the Notes

Non-Life Reinsurance

	1.1.–30.6. 2012	1.1.–30.6. 2011
<i>Figures in EUR million</i>		
Gross written premium	4,080	3,544
Net premium earned	3,304	2,848
Underwriting result	100	–295
Net investment income	429	427
Operating result (EBIT)	456	169
Combined ratio (net)	96.8%	110.1%

The Reinsurance division within the Talanx Group is operated almost exclusively by the Hannover Re Group, one of the leading reinsurance groups in the world. It offers its clients in the Group segment of Non-Life Reinsurance a comprehensive product range in treaty and facultative reinsurance in the field of structured reinsurance solutions and in direct business.

Market development

The performance of the Non-Life Reinsurance segment in the first half of the year was pleasing, with a largely positive situation on the international reinsurance markets. In some cases, treaty renewals on 1 April 2012 even exceeded the good results achieved in renewals at the beginning of the year.

Following the rise last year, rates increased significantly again for Japan in particular. Percentage increases in rates for earthquake cover ran into the mid-double-digits. The conditions for proportional property/casualty business also improved. Furthermore, there were substantial rate increases in Korea, particularly in programmes containing exposures to the earthquake in Japan or the floods in Thailand. Rates also climbed in US catastrophe business. We were similarly satisfied with the outcome of the treaty renewals in marine and aviation business.

The major loss situation was also relatively moderate in the second quarter. The net burden of major losses as at 30 June 2012 was lower than expected, at EUR 132 (625) million. The biggest loss events in the second quarter were severe earthquakes on 20 and 29 May 2012 in several provinces in the Emilia-Romagna region of Italy. The earthquakes caused not only immense human suffering, but also a huge amount of economic damage and destruction in this exceptional Italian cultural region. The net burden of losses from these events totalled around EUR 61 million.

Premium volume

The gross premium grew by 15% to EUR 4.1 (3.5) billion in relation to the corresponding period of the previous year. At constant exchange rates, especially against the US dollar, growth would have been 11%. The retention remained virtually unchanged at 90.2 (90.0)%. Net premium earned climbed 16% to EUR 3.3 (2.8) billion, or 12% adjusted for exchange rate effects.

Underwriting result

The underwriting result closed at a pleasing EUR 100 (−295) million. The combined ratio for the first half of 2012 was 96.8%, an improvement on the figure of 110.1% for the corresponding period of the previous year.

Operating result (EBIT)

The operating result (EBIT) for non-life reinsurance more than doubled to EUR 456 (169) million as at 30 June 2012.

Life and Health Reinsurance

	1.1.–30.6. 2012	1.1.–30.6. 2011
<i>Figures in EUR million</i>		
Gross written premium	2,809	2,500
Net premium earned	2,521	2,298
Underwriting result	−121	−156
Net investment income	286	251
Operating result (EBIT)	140	86

The Group segment of Life/Health Reinsurance combines our reinsurance activities in the life, annuity and health lines. The Hannover Re Group also writes the accident line in this segment, to the extent that it is transacted by life insurers.

Market development

The international life and health reinsurance market continues to offer promising business opportunities. In this respect, the considerable part played by mature insurance markets such as the United States, Germany, the United Kingdom, France and Scandinavia remains undiminished. Along with strong demand for annuity, health and long-term care insurance products driven by the demographic trend, major emerging markets such as China, India and some Latin American countries – such as Brazil – offer attractive new business potential. Clients here are looking for tailored financing solutions as well as traditional risk-oriented products. On the basis of long-term business partnerships, which form a key part of our business practice, we assist primary insurers, among others, with the optimisation of their risk, capital and liquidity management.

Developments in the Life/Health Reinsurance segment were within the bounds of our expectations in the first half of 2012. A below-average biometric risk experience in part of our US mortality portfolio was offset by a better-than-anticipated claims experience in some other areas, both in the US itself and in other regions. The pensions market continues to offer attractive potential, both in the UK and especially in other countries.

Premium volume

The gross written premium as at 30 June 2012 amounted to EUR 2.8 (2.5) billion. This represents growth of 12%, or 8% with adjustments for exchange rates. Net premium earned amounted to EUR 2.5 (2.3) billion in the period under review; at constant exchange rates, growth would have been almost 5%.

Following the positive development of risk premiums on securities in the first quarter of 2012, the normalisation of credit spreads on the US bond markets in the second quarter led to a decline in market value of the derivative that we recognise for the default risk associated with securities held

for our account by US clients (ModCo and Coinsurance Funds withheld Treaties). The resulting unrealised gains amounted to a low eight-figure sum. These were offset by unrealised losses in a similar amount in the corresponding period of the previous year.

Operating result (EBIT)

The operating result (EBIT) amounted to EUR 140 (86) million, a reflection of the good quality and positive performance of our book of business. The EBIT margin rose to 5.5 (3.8)%.

Corporate Operations

The Corporate Operations segment comprises Talanx AG, the in-house service providers Talanx Service AG and Talanx Systeme AG, asset management through Talanx Asset Management GmbH, AmpegaGerling Investment GmbH and Talanx Immobilien Management GmbH, as well as Talanx Reinsurance Broker AG. The Dublin-based company previously known as HDI Reinsurance (Ireland) Limited, a subsidiary of Talanx AG, has operated under the Talanx brand since the end of June.

Talanx Asset Management GmbH – in cooperation with its subsidiary AmpegaGerling Investment GmbH – is chiefly responsible for handling the management and administration of the Group companies' securities portfolios and provides related services such as investment accounting and reporting. The total operating profit of Talanx Asset Management GmbH, AmpegaGerling Investment GmbH and Talanx Immobilien Management GmbH remained stable in the first half of 2012 compared with the same period of the previous year, at EUR 20 million.

As an investment company, AmpegaGerling Investment GmbH administers public and special funds and performs financial portfolio management tasks for institutional clients. The emphasis is on portfolio management and the administration of investments for clients outside the Group.

The total volume of assets managed by AmpegaGerling rose by 5% to EUR 13.4 billion, compared with EUR 12.7 billion at the beginning of the year. Over half of this sum, EUR 7.6 (7.1) billion, was administered on behalf of Group companies through special funds and direct investment mandates. Of the remaining portion, EUR 2.6 (2.5) billion was attributable to institutional third-party clients and EUR 3.2 (3.1) billion to retail business. The latter is offered both through the Group's own sales channels and products such as unit-linked life insurance as well as through external asset managers and banks. Ampega C-Quadrat Fondsmarketing GmbH, in which AmpegaGerling Investment GmbH and C-QUADRAT Investment AG from Vienna each hold a stake of 50%, was established on 16 April 2012. The joint venture is geared specifically towards institutional sales partners such as banks and savings banks, asset managers, family offices, umbrella fund managers, pension funds and professional associations and is thus intended to open up new sales channels.

At the end of the second quarter of 2012, the total investments under own management at the Talanx Group amounted to EUR 80.1 billion, an increase of 6% compared with the end of 2011.

Talanx Reinsurance Broker AG is wholly owned by Talanx AG and handles the complete spectrum of the reinsurance business process for Group cedants. The company's operating profit for the first half of the year was EUR 7 (7) million, of which a significant portion will be reallocated to the ceding business segments. Thus, approximately EUR 1 (3) million of its earnings remained in the Corporate Operations segment in the first half of 2012.

Operating result

The operating result of the Corporate Operations segment improved in the first half of 2012 to –EUR 18 million, compared with –EUR 38 million in the same period of the previous year. The main reasons for this were higher dividend income at Talanx Beteiligungs-GmbH & Co. KG and a reduction in interest expense and an improvement in fee income at Talanx AG. Its contribution to the segment result thus improved to EUR 53 (–61) million.

Assets and financial position

Assets

The balance sheet structure of the Talanx Group is shaped by its nature as a diversified insurance group and its activities as a large, globally operating insurance group. The predominant item on the assets side are investments, which – without taking into account funds withheld by ceding companies and investments under investment contracts (EUR 13.5 billion) – amount to 64% of total assets. They serve first and foremost as security for provisions constituted in insurance business,

which – excluding provisions in the area of life insurance insofar as the investment risk is borne by policyholders – totalled EUR 88.0 billion. The most important sources of funding also include shareholders' equity (8% of the balance sheet total) and issued subordinated debt (2% of the balance sheet total).

Amount and composition of assets

The Group's assets are described on the basis of the following overview, which is based on the assets shown in the consolidated balance sheet.

Analysis of the asset structure

Asset structure over a multi-year period	30.6.2012		31.12.2011	
	In EUR million	In %	In EUR million	In %
Intangible assets	2,545	2	2,210	2
Investments	93,540	75	87,467	76
Investments for the account and risk of holders of life insurance policies	6,586	5	6,067	5
Reinsurance recoverables on technical provisions	6,984	6	6,462	6
Accounts receivable on insurance business	5,683	5	4,729	4
Deferred acquisition costs	4,276	3	4,013	3
Cash	2,188	2	1,570	1
Deferred tax assets	352	<1	320	<1
Other assets	1,859	2	1,865	2
Non-current assets and assets of disposal groups classified as held for sale	577	<1	565	1
Total assets	124,590	100	115,268	100

The substantial increase of EUR 9.3 billion in our total assets to EUR 124.6 billion can be attributed first and foremost to the integration of the TU Europa group into the Talanx Group, which led to marked growth in investments (+EUR 6,073 million) and a considerable increase in accounts receivable on insurance business (+EUR 954 million). At the same time, cash grew by EUR 618 million and reinsurance recoverables on technical provisions increased by EUR 522 million. Growth of 9% was noted in investments for the account and risk of holders of life insurance policies compared with the same period of the previous year. No

significant compensatory effects were recorded in the period under review. More detailed explanations of the investments are provided under "Notes on the individual items of the consolidated balance sheet".

In addition to the planned sale of the Group company ASPECTA Assurance International AG, Vaduz, Liechtenstein (Retail International segment), the planned transfers of portfolios of PB Pensionskasse AG, Cologne (Retail Germany segment) and HDI Seguros S. A. de C. V., León, Mexico (Retail

International segment) are reported under the item "Non-current assets and assets of disposal groups classified as held for sale". We have also recognised a real estate portfolio of HDI-Gerling Lebensversicherung AG, Cologne, neue leben Lebensversicherung, Hamburg (both in the Retail Germany segment), HDI-Gerling Industrie Versicherung AG, Hannover (Industrial Lines segment) and E+S Rückversicherung AG (Non-Life Reinsurance segment) separately as assets held for sale. All transactions are discussed in section VI of the Notes entitled "Non-current assets held for sale and disposal groups".

Movements in investments

Breakdown of the investment portfolio	30.6.2012	31.12.2011
<i>Figures in EUR million</i>		
Investments under investment contracts	1,050	—
Funds withheld by ceding companies	12,437	11,717
Assets under own management	80,053	75,750
Total	93,540	87,467

In the first half of 2012, the total investment portfolio grew by EUR 6.1 billion to reach EUR 93.5 billion. These increases can be attributed largely to reinvested ordinary income and cash inflows from underwriting business. Investment contracts worth EUR 1.1 billion were also taken over with the purchase of the TU Europa group. Changes in parameters on the capital market also led to further growth in the value of the portfolio.

The exchange rate against the US dollar at the beginning of the year was 1.29 USD/EUR. At the end of the first half of the year, the rate was slightly lower at 1.26 USD, showing that the US dollar had appreciated against the euro.

Interest rates were lower at the end of the first half than at the beginning of the year, having remained constant in the first quarter. There was a decline of about 14 basis points in the category of five-year German government bonds as at 30 June 2012. Interest rates also remained at a low level for ten-year government bonds. The main category of funds for

reinvestment is the asset category "Financial assets available for sale", which is recognised at fair value. Falling interest rates have thus been reflected in the volume of the investment portfolio through higher market values for portfolio items.

Altogether, fixed-income securities accounted for 77% of the total investment portfolio. Reinvestments were guided by the existing investment structure in this asset class.

The current equity allocation is still low at 1% and has remained constant year-on-year. Equity holdings were reduced significantly in the course of 2011, owing to negative developments on the stock markets. After the easing of the euro debt crisis ensured a strong start to the performance of the stock markets in the first quarter of 2012, fears of a Greek exit from the Eurozone, problems in the Spanish banking sector and concerns about a global recession led to a significant correction in May. At the end of June, the EURO STOXX 50 stood at 2,265 points, down 2% compared with the beginning of the year. The DAX closed at 6,416 points, an increase of 9% in relation to 1 January 2012. The Talanx Group did not carry out any significant transactions on the stock market in the period under review.

In particular, cash deriving from cash inflows from underwriting business that have still to be invested led to an increase in short-term assets (+12%). Short-term assets are recognised under other invested assets. In compliance with all legal requirements and internal Group guidelines, the diversification of the investment portfolio as at 30 June 2012 is virtually unchanged compared with the end of 2011.

Breakdown of the investment portfolio	30.6.2012	31.12.2011
<i>In %</i>		
Fixed-income securities	77	78
Equities and other variable-yield securities	1	1
Funds withheld by ceding companies	13	13
Real estate	2	2
Other	7	6
Total	100	100

The composition of the assets under own management recognised in the balance sheet is shown below.

Breakdown of the assets under own management by asset class

	30.6.2012		31.12.2011	
	In EUR million	In %	In EUR million	In %
Investment property	1,289	2	1,100	2
Investments in affiliated companies and participations	79	<1	78	<1
Investments in associated companies and joint ventures	235	<1	209	<1
Loans and receivables				
Loans incl. mortgage loans	1,221	2	1,291	2
Loans and receivables due from governmental or quasi-governmental entities, as well as fixed-income securities	31,008	39	31,670	42
Financial assets held to maturity	4,081	5	4,294	6
Financial assets available for sale				
Fixed-income securities	35,518	44	31,009	41
Variable-yield securities	1,100	1	1,132	2
Financial assets at fair value through profit or loss				
Financial assets classified at fair value through profit or loss				
Fixed-income securities	987	1	856	1
Variable-yield securities	38	<1	16	<1
Financial assets – trading				
Fixed-income securities	15	<1	5	<1
Variable-yield securities	80	<1	70	<1
Derivatives ¹⁾	30	<1	53	<1
Other invested assets	4,372	6	3,967	4
Total investments under own management	80,053	100	75,750	100

¹⁾ Derivatives only with positive fair values and excluding hedging instruments used in the context of hedge accounting

Fixed-income securities

Interest rates were low for all maturities in the first half of 2012. A further increase in risk aversion was also observed in the second quarter of 2012, owing to the unresolved debt problems of some countries, particularly Greece and Spain, and the growing economic downturn. Provision of significant liquidity by central banks alleviated uncertainty regarding refinancing and liquidity, thus leading to lower spreads for financial bonds in the first quarter of 2012. This effect had subsided by the second quarter. Increasing risk aversion has led to widening spreads for all seniorities, which is intended to compensate for risks. Corporate bonds were also shaped in the first half of the year by moderate widening of spreads, in line with the growing risk aversion.

The performance of government bonds from countries on the Eurozone periphery was in some cases very different from that of German government bonds. Further developments in Spain and Italy are likely to have a determining influence on the development of the Eurozone. In the Republic of Ireland, a cost-cutting programme has been implemented; yields are stable, although there is still a risk of contagion. A cost-cutting programme has also got underway in Portugal. With regard to Greece, exit scenarios are now also being discussed at the official political level.

In the light of risk considerations, we sold the Greek government bonds in our portfolio in 2011 with the exception of a small residual holding. This residual holding was written down to its current market value of an average of 20% in the third quarter of 2011. The write-downs in the first half of 2012 therefore amount to only EUR 64,000 for the Group as a whole. Holdings of Italian and Spanish government bonds

were cut back in the first half of the year in order to reduce risks further. In the case of Italian government bonds, lower spreads have counteracted this active reduction.

The Talanx Group's investment exposure to the GIIPS states in terms of government bonds amounts to EUR 1.1 billion at market values. Italy accounts for EUR 606 million of

this sum (of which our Group company HDI Assicurazioni S.p.A. (including InChiaro) accounts for EUR 383 million), Spain EUR 196 million, Ireland EUR 228 million, Portugal EUR 23 million and Greece EUR 3 million.

In addition to government bonds, we held the following fixed-income investments in the GIIPS states as at 30 June 2012*.

GIIPS exposure as at 30 June 2012	Corporate bonds						Other	Total
	Government bonds	Semi-government bonds	Financial bonds	Industrial bonds	Covered bonds, asset-backed securities			
Greece	3	—	—	—	—	—	—	3
Ireland	228	—	18	27	152	142	567	
Italy	606	—	465	254	942	—	2,267	
Portugal	23	—	—	3	14	—	40	
Spain	196	241	130	228	655	—	1,450	
Total	1,056	241	613	512	1,763	142		4,327

The breakdown of exposures in which a Spanish bank was the risk carrier was as follows for all asset classes as at 30 June 2012*.

Exposure to Spanish banks	30.6.2012
Covered bonds/cédulas	655
Financials	130
Banks with a public guarantee	33
Time deposits	14
Equities	2
Total	834

The biggest asset class was covered bonds/asset-backed securities and multi-cédulas, which have a similar structure to German Pfandbriefe, at EUR 655 million. Only EUR 170 million of this sum was placed with counterparties that are generally regarded as critical. The covered bonds also include EUR 130 million at non-Spanish subsidiaries of Spanish parent companies. These issues were carried out in accordance with UK law and are generally backed only by UK mortgages.

The entire remaining volume of investment in unsecured senior bonds and subordinated loans (EUR 40 million) has been placed with the largest and globally operating Spanish commercial banks.

The bulk of the Talanx Group's portfolio of assets under own management is comprised of investments in fixed-income securities and loans. Total holdings of this asset class grew by EUR 3.7 billion in the course of the year.

The "Fixed-income securities available for sale", which have a volatile impact on shareholders' equity, remained relatively stable at EUR 35.5 billion and 50% of the total holding of this asset class. Valuation reserves – i.e. the balance of unrealised gains and losses – have risen from EUR 0.5 billion to EUR 1.4 billion since the end of 2011, owing to low interest rates. Along with the category of "Financial assets available for sale", the Talanx Group is fundamentally standing by its strategy of making new investments in the category of "Loans and receivables" in order to reduce balance sheet volatility. In the first half of 2012, however, a reduction was noted in assets

* With regard to the allocation of countries, the country of the banking group, rather than the issuer, is decisive

under the item "Loans and receivables". There was a drop of –EUR 0.7 billion to EUR 32.2 billion (45% of the total portfolio). The reserves here rose to EUR 3.4 billion, compared with EUR 2.3 billion at year-end 2011.

The focus of investments in fixed-income securities continues to be government bonds with a good rating or instruments of similarly sound issuers. In the last financial year, rating downgrades led to a reduction in the proportion of AAA-rated holdings, and this trend continued in the first half of 2012. Spain, Italy and several banks in particular were downgraded in the second quarter. Holdings of AAA-rated bonds stood at EUR 23.5 billion as at the balance sheet date. This represented 33% of the total portfolio of fixed-income securities and loans.

Rating of fixed-income securities <i>In %</i>	30.6.2012	31.12.2011
AAA	33	38
AA	31	28
A	19	20
BBB or less	17	14

The Talanx Group continues to pursue a conservative investment policy. Of instruments in the asset class of fixed-income securities, 83% have a rating of A or above.

Investments in corporate bonds grew to EUR 21.2 billion, accounting for 30% of fixed-income securities. A further 32% is attributable to covered bonds, with a total volume of EUR 22.9 billion. These holdings consist almost exclusively of German mortgage-backed and public covered bonds (Pfandbriefe).

The modified duration of the total portfolio of fixed-income securities held within the Talanx Group stood at 6.5 years as at 30 June 2012.

With an eye to matching currency coverage, investments in US dollars continue to account for the largest share (15%) of the foreign currency portfolio within the Talanx Group. The total proportion held in foreign currencies as at 30 June 2012 remained virtually unchanged.

Equities and equity funds

Overall, the portfolio of equities and equity funds as at 30 June 2012 was stable at EUR 0.9 billion. With an equity allocation of 1% (gross), the equity exposure of the Talanx Group therefore remains at a low level.

The net balance of unrealised gains and losses on holdings within the Group (excluding the category of other invested assets) amounted to +EUR 140 million as at the end of June 2012 (31 December 2011: +EUR 129 million).

Real estate including shares in real estate funds

Investment property amounted to EUR 1.3 billion as at the balance sheet date. An additional EUR 368 million is held in real estate funds, which are recognised under the "Financial assets available for sale" category. Depreciation of EUR 11 million was taken on investment property in the period under review, along with impairments of EUR 2 million. There were virtually no write-ups to offset these write-downs in the period under review.

Real estate allocation, which also includes investments in real estate funds, was unchanged at 2%. Own-use real estate is recognised under the item "Other assets" and is not included in the calculation of this ratio.

Net investment income

Development of net investment income	30.6.2012	30.6.2011
<i>Figures in EUR million</i>		
Ordinary investment income	1,547	1,422
thereof current income from interest	1,429	1,335
thereof profit/loss from shares in associated companies	4	3
Realised net gains on investments	140	92
Write-ups/write-downs on investments	-24	-25
Unrealised net gains/losses on investments	42	64
Investment expenses	98	60
Income from investments under own management	1,607	1,493
Income from investment contracts	2	-
Interest income on funds withheld and contract deposits	139	146
Total	1,748	1,639

Income from investments under own management exceeded the previous year's level by EUR 114 million. The key drivers of income were an increase in ordinary investment income (+EUR 125 million) and an improvement in the net gain on disposal (+EUR 48 million), while there was a rise in investment expenses (+EUR 38 million). The planned shift from government to corporate bonds in the reinsurance segments in particular produced positive results. In contrast, the unrealised net gain was EUR 22 million lower than in the corresponding period of the previous year. While the unrealised net gain in the Retail Germany segment rose from -EUR 9 million to +EUR 23 million owing to changes in interest rates in the first half of the year, it fell in the two reinsurance segments from +EUR 54 million to +EUR 2 million. This was largely due to a decline in the market value of the inflation swaps taken out by Hannover Re. The performance of a currency hedge in South African rand also reduced the unrealised net gain. Changes in the market value of the ModCo derivative mitigated these effects somewhat.

The net gain from write-ups/write-downs remained more or less constant at -EUR 24 (-25) million; a reduction in impairment on real estate and equities in the Retail Germany segment and on fixed-income securities in non-life reinsurance was offset by a decline in income from write-ups.

The rise in ordinary investment income can be attributed in particular to the enlarged total portfolio of fixed-income assets, with a slight drop in the average coupon.

For our assets under own management, the annualised net return on investment (including the effects of derivatives)* was 4.1%.

Net investment income is shown below broken down into Group segments.

Breakdown of net investment income by Group segments ¹⁾	30.6.2012	30.6.2011
<i>Figures in EUR million</i>		
Industrial Lines	109	120
Retail Germany	821	775
Retail International	119	87
Non-Life Reinsurance	428	428
Life/Health Reinsurance	283	248
Corporate Operations	-12	-19
Total	1,748	1,639

¹⁾ Presentation after elimination of intra-Group relations

Off-balance sheet financing instruments

The Talanx Group enters into various commitments. Letters of credit and trust accounts put up as security for technical liabilities (EUR 6,965 million), guarantee payments under issued subordinated bonds (EUR 2,458 million), blocked custody accounts and other trust accounts (EUR 2,241 million), outstanding commitments and collateral furnished under existing capital participations (EUR 1,010 million) and financial commitments in connection with planned company acquisitions (EUR 564 million) are of material significance to the assessment of its assets. All other commitments are described in the section of the Notes entitled "Other information – Contingent liabilities and other financial commitments".

* Annualised net investment income without interest income on funds withheld and contract deposits relative to average investments under own management (30.6. and 31.12.)

Financial position

The capital structure and composition of the liabilities of the Talanx Group are shaped by its primary insurance and reinsurance business. Technical provisions, which, in accordance with the requirements of regulators, are to be covered by assets, account for the largest share. In addition, the Group

finances itself most notably through shareholders' equity as well as through subordinated debt and liabilities, which also represent our most important sources of funds.

The financial position of the Group is illustrated by the following overview, which we have based on the liabilities shown in the consolidated balance sheet.

Analysis of the capital structure

	30.6.2012		31.12.2011	
	In EUR million	In %	In EUR million	In %
Shareholders' equity	9,719	8	8,706	8
Subordinated liabilities	3,114	2	2,615	2
Technical provisions – gross	87,997	71	83,100	72
Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders	6,586	5	6,067	5
Other provisions	2,529	2	2,589	2
Liabilities	12,405	10	10,212	9
Provisions for deferred taxes	1,722	1	1,488	1
Debts of disposal groups classified as held for sale	518	<1	491	1
Total liabilities	124,590	100	115,268	100

Currency effects

Currency-related interdependencies inevitably exist between the assets and financial position in view of the international orientation of the insurers brought together in the Talanx Group.

In principle, however, internationally operating insurers normally receive payments and pay claims in their respective national currencies. This means that assets to cover liabilities are also held in foreign currencies (matching currency coverage). For the purposes of the consolidated financial statement, relevant national currencies are presented in the Notes under "Accounting policies – Currency translation".

Development of major items

In the period just ended, the shareholders' equity increased significantly by EUR 1,013 million – or 12% – to EUR 9,719 (8,706) million. The Group's share amounted to EUR 6,083 (5,421) million.

The share split agreed at the Annual General Meeting of Talanx AG on 30 March 2012 came into effect on 2 May 2012. As a result, the unchanged share capital is now divided into 208,000,000 registered shares.

With effect from 6 April 2011 and 4 June 2012 respectively, the conditional capital increases of up to EUR 26 million (contingent capital) and up to EUR 78 million (contingent capital II), divided into up to 20,800,000 or 62,400,000 registered no-par shares respectively, which were approved at the General

Meetings on 15 November 2010 and 15 May 2012, came into force. This had no implications for the balance sheet in the period under review; for further explanation, please see our remarks under item 6 of the Notes "Shareholders' equity".

The volume of subordinated liabilities increased in net terms by EUR 499 million following a repurchase in the amount of EUR 1 million and the issue of a subordinated liability by Talanx Finanz in the amount of EUR 500 million. The features are described in the remarks on item 7 of the Notes "Subordinated liabilities".

In addition, a line of credit with a nominal volume of EUR 1.5 billion is available to Talanx AG, of which an additional amount of EUR 150 million was utilised in the period under review, bringing the total drawdown to EUR 700 million. The available floating-rate loan matures at the latest on 31 July 2012. Furthermore, on 13 July 2011 and 21 December 2011 Talanx AG concluded agreements on two syndicated variable-interest credit lines in the amounts of EUR 500 million and EUR 650 million respectively, each with a term of five years. In an additional agreement on 30 March 2012, the credit line of EUR 650 million was increased by a further EUR 50 million to EUR 700 million. These are follow-on funding agreements that come into effect only when the existing credit line matures or is cancelled or when the new credit line is paid out.

With respect to further loan agreements and letters of credit, please see the presentation of off-balance sheet financial instruments and the explanatory remarks in the Notes.

Provisions connected with the insurance business after consolidation and allowing for the shares of reinsurers can be broken down as follows:

	30.6.2012	31.12.2011
<i>Figures in EUR billion</i>		
Unearned premium reserve	5.6	4.3
Benefit reserve	45.8	44.7
Loss and loss adjustment expense reserve	27.9	26.5
Provision for premium refunds	1.7	1.0
Other technical provisions	0.2	0.3
Total	81.2	76.8

Liabilities to policyholders must be covered by assets in at least the same amount. The proportion of net provisions connected with the insurance business relative to the total assets as at the balance sheet date – including funds withheld by ceding companies but excluding investments under investment contracts – stood at 88%, as in the previous period. The provisions thus include surplus coverage in the amount of EUR 11.3 (10.7) billion.

The increase in gross benefit reserves was driven in particular by the Retail Germany (+EUR 546 million) and Life/Health Reinsurance (+EUR 510 million) segments. This development was due to growth in these segments, particularly at Hannover Rückversicherung AG (+EUR 303 million), neue leben Lebensversicherung AG (+EUR 233 million), PB Lebensversicherung AG (+EUR 167 million), Hannover Life Reassurance, USA (+EUR 106 million) and TARGO Lebensversicherung AG (+EUR 103 million).

The increase in the loss and loss adjustment expense reserve (gross) of 5% – corresponding to EUR 1,481 million – related mainly to the Non-Life Reinsurance segment (EUR 866 million) and to the Life/Health Reinsurance segment (EUR 344 million). While growth in the Non-Life Reinsurance segment was essentially driven by Hannover Rückversicherung AG (+EUR 666 million), growth in life reinsurance was recorded throughout the entire segment.

Shareholders' equity

Major movements in shareholders' equity were driven by the following factors:

The Group net income apportionable to shareholders of Talanx AG increased significantly by 65% to EUR 354 (215) million and was allocated in full to retained earnings.

"Cumulative other comprehensive income and other reserves" increased substantially by 92% compared with the consolidated financial statement as at 31 December 2011, to EUR 657 million. The main reasons for this growth were non-realised gains/losses on investments, which increased from EUR 626 million to EUR 1,042 million (before policyholder participation/shadow accounting and after taxes). This was due above all to low interest rates, which have led to an increase in the value shown on the balance sheet for our fixed-income securities in the category "Financial assets available for sale". In contrast, there was a significant decline in other changes in shareholders' equity (–EUR 423 million), which essentially comprised policyholder participation/shadow accounting for non-realised gains/losses. Measurement gains from cash flow hedges (+EUR 64 million) also had a positive impact on this development. Equity generated by the hedging of interest rate risks for future transactions increased, largely owing to changes in interest rates.

Non-controlling interests in shareholders' equity increased by EUR 351 million – or 11% – to EUR 3,636 million, owing to participation in unrealised gains and losses from investments and changes in the scope of consolidation (TU Europa group). The non-controlling interest share in net income amounted to EUR 225 (145) million. On the other hand, dividends paid to non-Group shareholders reduced the shareholders' equity – principally from the Hannover Re Group in the amount of EUR 183 (182) million.

Changes in shareholders' equity

	30.6.2012	31.12.2011
<i>Figures in EUR million</i>		
Common shares	260	260
Additional paid-in capital	630	630
Retained earnings	4,536	4,188
Cumulative other comprehensive income and other reserves	657	343
Group shareholders' equity	6,083	5,421
Non-controlling interests in shareholders' equity	3,636	3,285
Total	9,719	8,706

Shareholders' equity by segments¹⁾ including non-controlling interests

	30.6.2012	31.12.2011
<i>Figures in EUR million</i>		
Segment		
Industrial Lines	1,864	1,683
thereof non-controlling interests	—	—
Retail Germany	2,535	2,417
thereof non-controlling interests	23	23
Retail International	1,627	709
thereof non-controlling interests	120	7
Reinsurance	6,084	5,595
thereof non-controlling interests	3,778	3,295
Corporate Operations	–2,400	–1,702
thereof non-controlling interests	—	—
Consolidation	9	4
thereof non-controlling interests	–285	–40
Total shareholders' equity	9,719	8,706
Group shareholders' equity	6,083	5,421
Non-controlling interest in shareholders' equity	3,636	3,285

¹⁾ The shareholders' equity per segment is defined as the difference between the assets and liabilities of each segment

Note: For simplicity's sake, non-controlling interests in equity for the reinsurance business sector are derived from Group non-controlling interests in the Hannover Re Group; for this purpose, the two reinsurance segments are combined.

The increase in non-controlling interests in shareholders' equity in the Retail International segment is essentially due to the acquisition of the TU Europa group.

The Corporate Operations segment has posted a negative value that reflects the debt leverage of Talanx AG. As the Group's holding company, Talanx AG performs a financing function for the Group in the primary insurance sector and for the companies in corporate operations. The liabilities concerned are mainly retirement pension provisions amounting to EUR 753 (753) million, subordinated liabilities of EUR 300 (300) million and loans in the amount of EUR 709 (559) million. These liabilities are offset on Talanx AG's balance sheet by the value of its participations in its subsidiaries, which are consolidated against the pro-rata equity of the subsidiaries in the consolidated financial statements.

The balance in the consolidation column is essentially the result of differences in the valuation of receivables from life reinsurance and liabilities under life primary insurance policies. These differences are unavoidable due to mandatory application of different accounting standards for primary insurance and reinsurance.

The increase in non-controlling interests in the consolidation column is due to the fact that the parent company of Hannover Reinsurance (Ireland) Plc (until 2011: Hannover Rück Beteiligung Verwaltungs-GmbH) is no longer assigned to the Non-Life Reinsurance segment; the new parent company (from 2012: Hannover Life Reassurance (Ireland) Plc) is reported in the Life/Health Reinsurance segment. From a technical viewpoint, consolidation therefore no longer takes place in the reinsurance segments, but instead in the consolidation column (intersegment consolidation). This development is offset by the increase in non-controlling interests in the two reinsurance segments.

Liquidity and financing

We generate liquidity primarily from our operational insurance and reinsurance business, from current income on our investments and from financing measures. Regular liquidity planning and an investment strategy aligned with liquidity requirements ensure that the Talanx Group is able to meet its payment obligations at all times. Accordingly, no liquidity shortages were experienced.

Analysis of the consolidated cash flow statement

We have published the entire cash flow in the cash flow statement in the Notes; it can be summarised as follows.

Figures in EUR million	1.1.–30.6. 2012	1.1.–30.6. 2011 ¹⁾
Cash flow from ongoing operative activities	3,206	2,789
Cash flow from investment activities	-2,981	-2,084
Cash flow from financial activities	366	-427
Change in cash and cash equivalents	591	278

¹⁾ Adjusted on the basis of IAS 8, see section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Notes

Cash flow from operating activities, which also includes inflows from the investment income generated, increased in comparison with the same period of the previous year to EUR 3,206 (2,789) million. The calculation adjusts the net income of EUR 579 (360) million in the consolidated cash flow statement to allow for the increase in technical provisions (net perspective) (EUR 3.0 billion). The increase of EUR 417 million in the cash flow from ongoing operative activities is therefore almost entirely attributable to the change in other non-cash expenses and income (+EUR 613 million), which is essentially due to the change in technical provisions in life insurance, insofar as the investment risk is borne by policy-holders. According to the balance sheet as at 30 June 2012, this item has grown by EUR 519 million to EUR 6,586 million in net terms.

Cash outflow from investment activities is determined by payments made in purchasing investments. As in the comparable period of the previous year, the outflows associated with the purchase of investments exceeded inflows from sales and maturities by an amount of EUR 1,789 million, compared with EUR 1,064 million in the corresponding period of last year. In addition, the cash outflows are driven by payments for other invested assets (-EUR 357 million) and changes in investments for the account and risk of holders of life insurance policies (-EUR 489 million) – the latter are closely linked to the development of the corresponding liability item in the cash flow from operating activities. They

decreased on balance by EUR 31 million to –EUR 846 million. Furthermore, the acquisition of Metropolitana Compañía de Seguros and of the TU Europa group led to a cash outflow in the reporting period of EUR 200 million, taking into account the funds received from the companies. Please see our remarks in section V “Business combinations in the period under review”. An outflow of EUR 4 million was recorded in the period under review in connection with the sale of consolidated companies.

Cash outflow from financing activities in the period under review was shaped by the dividend paid in an amount of EUR 183 (182) million and the significant increase in other financing activities amounting to EUR 549 million, as against –EUR 245 million in the corresponding period of the previous year. Other financing activities in the period under review involved the issuing of a subordinated bond by Talanx Finanz (Luxembourg) in the amount of EUR 500 million and the utilisation of the credit line. There were also interest payments in the amount of EUR 90 (82) million. The corresponding period of the previous year also included the repayment of the subordinated debt (nominal value: EUR 138 million) called by Hannover Finance (Luxembourg) S.A.

In the first half of 2012, cash and cash equivalents increased in net terms by EUR 618 million to EUR 2.2 billion (compared with 31 December 2011). An amount of EUR 43 million was deducted from cash and cash equivalents for disposal groups pursuant to IFRS 5 “Non-current assets held for sale and discontinued operations”. Detailed information on disposal groups is provided in the Notes (section VI).

Risk report

We consider opportunity and risk management to be one of our core tasks. A central mandate performed by Talanx AG is comprehensive monitoring and precise management of our risk position within the Group and the divisions, with the aim of avoiding developments that could jeopardise the Group’s continued existence while at the same time maximising available opportunities.

Deriving from our corporate strategy, our risk strategy formulates the objectives and structure of our risk management. Our acceptance of risks is governed by the guidelines and decisions of the Board of Management concerning the Group’s risk budget. Our risk strategy is a stand-alone set of rules that provides the foundation for Group-wide risk management. It is, in conjunction with value-oriented steering, an integral component of our entrepreneurial activities and is reflected in the detailed strategies of the various divisions.

As an internationally operating insurance and financial services group, we consciously enter into a wide range of risks that are indivisibly bound up with our business activities. Both our corporate strategy and our risk strategy are subject to an established review process. Through this regular scrutiny and, if necessary, adjustment of the underlying assumptions, we seek to ensure that our strategic guidelines are appropriate at all times and hence that actions are based on adequate information.

The Talanx Group satisfies all currently applicable solvency requirements.

The interplay of the individual functions and bodies within the overall system is vital to an efficient risk management system. Talanx has defined the roles and responsibilities as follows.

Controlling elements	Key risk management tasks
Supervisory Board	<ul style="list-style-type: none"> ■ Advising and monitoring the Board of Management in its management of the company, <i>inter alia</i> with respect to risk strategy and risk management
Board of Management	<ul style="list-style-type: none"> ■ Overall responsibility for risk management ■ Defining the risk strategy ■ Responsibility for proper functioning of risk management
Risk Committee	<ul style="list-style-type: none"> ■ Risk-monitoring and coordinating body, charged especially with the following tasks: <ul style="list-style-type: none"> ■ critical observation and analysis of the risk position of the Group as a whole, with particular attention paid to the risk budget approved by the Board of Management and the risk strategy ■ monitoring of steering measures within the Group with a focus on risks that could threaten the Group's continued existence
Chief Risk Officer	<ul style="list-style-type: none"> ■ Responsible for holistic risk monitoring across divisions (systematic identification and assessment, control/monitoring and reporting) of all risks that are material from the Group perspective
Central Risk Management	<ul style="list-style-type: none"> ■ Group-wide, independent risk monitoring function ■ Methodological competence, <i>inter alia</i> for <ul style="list-style-type: none"> ■ development of processes/methods for risk assessment, management and analysis ■ risk limitation and reporting ■ risk monitoring and quantifying the risk capital needed across the Group
Local Risk Management	<ul style="list-style-type: none"> ■ Risk monitoring function in the divisions ■ Observance of the centrally defined guidelines, methods and processes and systems of limits and thresholds that serve as a framework for local implementation, monitoring and reporting
Internal Auditing	<ul style="list-style-type: none"> ■ Process-independent review of the functional areas of the Group

In addition to these (risk) functions and bodies, organisational structures have been set up to deal with special issues, e.g. task forces for managing contingencies and crises.

Risk reporting in the interim report focuses on material changes in the risk position that have occurred since the compilation of the Talanx Group Annual Report 2011. For a thorough presentation of the various types of risk, which is omitted here, the reader is referred to the detailed information contained in the Annual Report.

The risk situation of the Talanx Group can be broken down into the risk categories described below. They are based on German Accounting Standard DRS 5-20 as well as the risk catalogue contained in the Minimum Requirements for Risk Management in Insurance Undertakings (MaRisk [VA]).

Risk category	Material risks	Major risk management measures		
Underwriting risks				
Across segments:				
■ Concentration risk		■ Risk balancing through diversification		
Property/casualty primary insurance and non-life reinsurance:				
<ul style="list-style-type: none"> ■ Actual claims experience diverges from the expected claims experience (premium/loss risk) ■ Technical provisions do not suffice to fully pay for claims that have not yet been settled or reported 	<ul style="list-style-type: none"> ■ Claims analysis and regular monitoring of the claims experience ■ Actuarial modelling and monitoring of the natural hazards exposure ■ Selective underwriting ■ Technical audits ■ Commensurate reinsurance protection ■ Establishment of IBNR reserves ■ External actuarial review of provisions 			
Life primary insurance:				
<ul style="list-style-type: none"> ■ Changes in biometric actuarial bases ■ Interest guarantee risk under life insurance contracts with guaranteed interest payments ■ Lapse risks 	<ul style="list-style-type: none"> ■ Regular review of the biometric actuarial bases ■ Factoring of safety loadings into the actuarial bases ■ Constant monitoring of investments and markets, initiation of appropriate steering measures ■ Interest rate hedges ■ Adjustment of the surplus distribution ■ Cost controlling, focus on variable sales costs ■ Careful selection of intermediaries ■ Systematic monitoring of the MCEV 			
Life/health reinsurance:				
<ul style="list-style-type: none"> ■ Changes in biometric actuarial bases ■ Lapse and credit risk in connection with the prefunding of cedants' new business acquisition costs 	<ul style="list-style-type: none"> ■ Use of secure biometric actuarial bases ■ Systematic monitoring of the MCEV 			
Default risks under insurance business				
Across segments:				
■ Risk of default on receivables due from reinsurers, retrocessionaires, policyholders and insurance agents	<ul style="list-style-type: none"> ■ Careful selection of reinsurers and retrocessionaires ■ Constant monitoring of credit status ■ Measures to secure receivables ■ Effective dunning and reduction of outstandings ■ Establishment of adequate general bad debt provisions 			
Investment risks				
Across segments:				
<ul style="list-style-type: none"> ■ Potential losses due to adverse changes in market prices (interest rates, share prices and exchange rates) ■ Losses of value due to adverse changes in the credit status of debtors ■ Illiquidity risk: holdings/open positions cannot be sold or closed or can only be sold/closed with delays/price mark-downs 	<ul style="list-style-type: none"> ■ Management of market price risks using the value at risk (VaR) ■ Performance of enterprise-specific stress tests and those required by regulators ■ Matching currency coverage ■ Inclusion of ratings (rating agencies, internal ratings) in investment decisions ■ Liquid asset structure 			

Risk category	Material risks	Major risk management measures
Operational risks		
Across segments:		
	<ul style="list-style-type: none"> ■ Risk of losses due to the failure of persons, systems or processes or on account of external events (including violation of compliance regulations) 	<ul style="list-style-type: none"> ■ Multi-faceted and cause-based risk management ■ Internal control system
Other risks		
Across segments:		
	<ul style="list-style-type: none"> ■ Participation risks of Talanx AG: instability in the performance of subsidiaries and/or the portfolio of participating interests 	<ul style="list-style-type: none"> ■ Appropriate tools in the areas of controlling, internal auditing and risk management ■ Segmental and regional diversification ■ Investments in growth markets and in product and portfolio segments that stabilise results ■ Due diligence checks ■ Liquidity analyses and forecasts
	<ul style="list-style-type: none"> ■ Emerging risks, the content of which is not as yet reliably known and the implications of which are difficult to assess 	<ul style="list-style-type: none"> ■ Various management measures, such as reinsurance, diversification, risk exclusions, safety margins, contingency plans, etc.
	<ul style="list-style-type: none"> ■ Strategic risks: the risk of an imbalance between the corporate strategy and the constantly changing general business environment 	<ul style="list-style-type: none"> ■ At least annual review of the corporate and risk strategy ■ Adjustment of processes and structures as required
	<ul style="list-style-type: none"> ■ Reputational risks: possible damage to the company's name as a consequence of an unfavourable public perception 	<ul style="list-style-type: none"> ■ Set communication channels ■ Professional approach to corporate communications ■ Tried and tested processes for defined crisis scenarios ■ Established Code of Conduct

The German economy has remained stable despite high levels of sovereign debt and the difficulties encountered in efforts to reschedule or write off debts in the Eurozone. Economic momentum has recently actually increased slightly, even if indicators of sentiment are becoming increasingly bleak. However, the global economy's weaker growth and doubts as to the long-term financial viability of some countries are fuelling forecasts of a slowdown.

Problems resulting from the Eurozone's sovereign debt crisis remain unresolved. Spain, Greece, Ireland, Portugal and Cyprus now have to refinance their debt directly or indirectly via European and international bail-out funds. In Greece in particular, urgently needed consolidation of state-sector budgets is being impeded by the deep and persistent recession. The debt write-down legislation approved by the Greek Parliament in February 2012 led to further write-downs on the Talanx Group's holdings of Greek government bonds,

which had a market value of EUR 2.7 million on the balance sheet date of 30 June 2012. Given our very modest holding at the end of 2011, the write-downs required in the year under review will have only a minimal influence on the Group's net investment income. Spain and Italy's financing costs on the capital markets rose to such a level in the quarter under review that it appears increasingly doubtful whether these countries will be able to either refinance their existing debt or finance the necessary new borrowing via capital markets. As at 30 June 2012, the Talanx Group held government bonds with a market value of EUR 1,056 million from the GIIPS countries (including Italy at EUR 606 million, Spain at EUR 196 million, Ireland at EUR 228 million and Portugal at EUR 23 million, excluding unit-linked investments for the account and risk of holders of life insurance policies), which may give rise to rating-related impairments. Thanks to support measures at European level (the European "rescue package"), however, there is currently no elevated risk of default on bonds from the GIIPS countries, with the exception of Greece.

On the international markets, the banking and economic crisis and the prospect of adjustments to regulatory standards are increasingly driving a tendency towards more exacting capital requirements. This trend could also affect some individual foreign Group subsidiaries and make it necessary to boost their capital.

No definite risks are as yet discernible that could have a significant negative impact on the assets, financial position or net income of the Talanx Group. There is, however, considerable uncertainty as to whether associated risks could take an even more concrete form in future and have a lasting impact on the assets, financial position or net income of the Talanx Group, particularly with respect to further development of the banking, economic and sovereign debt crisis which, above all, may also have lasting implications for the behaviour of policyholders. In this context, we should point out that, despite the active efforts of both European and German legislators to improve the regulatory framework for insurance groups, some important issues are still the subject of ongoing discussions. This means that there is uncertainty with regard to the legal framework that will govern our entrepreneurial activities in future. In particular, it is unclear what charges will ultimately arise in connection with the fulfilment of legal requirements.

Forecast

The following remarks concerning the expected development of the Talanx Group and its member companies are based on well-founded assessments by external experts and on in-house plans and forecasts that we consider logically consistent. Nevertheless, they are our own subjective assessments, and by their nature are therefore uncertain. Although we arrived at the underlying assumptions with great diligence and to the best of our knowledge, the fundamental uncertainties applicable to all statements regarding the future, and particularly as regards future developments on the capital markets, natural catastrophes and the legal environment, make it impossible to rule out that actual events may diverge from the developments anticipated here. The uncertainties inherent in any forecasting have been aggravated still further by global intermeshing of economic relations and capital markets. The effects of the financial and economic crisis will, in our opinion, continue to reverberate in the insurance industry.

Economic environment

Although its economy is likely to remain overshadowed by the sovereign debt crisis, the Eurozone is nevertheless moving increasingly towards a transfer and sanction union. We consider it problematic that enthusiasm for consolidation within the Eurozone is waning, which means that structural problems are being pushed into the background. It will be difficult to win back necessary trust in financial markets in this way. In dealing with its national debt crisis, Spain is certain to play a key role in the further development of the euro crisis. Budget consolidation will also become increasingly urgent in the USA over the coming quarters, which is likely to have a negative impact on future growth, given that growth is already slowing. Furthermore, we see no lasting improvement in the US labour market. Developments remain tense in emerging markets, where the upturn has recently lost considerable momentum. In view of the global slowdown that can already be observed, we believe that a soft landing is the most likely outcome in emerging markets, i.e. a slow waning of growth.

Ongoing expansive monetary policy should not in our view lead to a significant increase in inflation rates in the year under review, as the liquidity provided by the central banks has not yet entered the real economy. Moreover, lower prices for commodities are gradually beginning to affect inflation rates.

Capital markets

We can expect yields to remain low at least in 2012 given the debt problems in the EU that are still unresolved despite Greek debt write-downs, continuing substantial challenges in the banking sector with regard to liquidity, equity and earnings, and an increasingly subdued and weak economic outlook. There are presently no fundamental reasons for an increase in interest rates extending beyond technical corrections. Following the ECB's most recent interest rate cut in July, we believe that a further interest rate reduction of 25 basis points is possible in the Eurozone in the year under review. The USA has effectively committed itself to keeping base rates at their current low level for the next two years.

To date, it has not been possible to stabilise the general risk situation on a lasting basis. Even after solutions that initially appeared promising, market players have switched back into risk-off mode within a matter of days and have invested in safe but low-yield investments. Demand for refinancing remains high, particularly in the government bonds segment; yields and risk premiums are set to remain volatile.

We expect the slowdown in the global economy and the ongoing crisis in the Eurozone to significantly restrict potential on stock markets. However fundamental share valuations remaining at a historically favourable level and attractive dividend yields in relation to the bond markets are positive factors. Stock markets also look set to continue to benefit from increasing market liquidity in the short term, although in our opinion volatility is likely to remain high. Abrupt drops following short-term increases in liquidity are inevitable, unless these are supported by the stabilisation of the global macroeconomic situation.

Likely Group development

For the Talanx Group on a consolidated basis, we are striving for organic growth in gross booked premiums on a par with the average improvement rate of the past two years. The Industrial Lines, Retail International and Reinsurance divisions are expected to play a major part in achieving this aim. Further contributions will be made by the acquisition in Poland of Europa Group and WARTA, concluded in June and July 2012 respectively.

Industrial Lines

HDI-Gerling Industrie Versicherung AG is one of the biggest industrial insurers in Europe and one of the market leaders in Germany in terms of premium volume. Rising premium income and expanding international business underline its strong position among global competition. On this basis we anticipate further encouraging premium growth.

We are expecting long-term pressure on premiums as a result of essentially stagnating demand for cover in times of increasing insurance capacities. Rate increases are slowly being pushed through in motor insurance. In the fire division, high claims due to natural disasters in the previous year will in all probability lead to rate increases in some markets. Building upon the good capital base of our Industrial Lines segment, one of our strategic aims is to successively increase our retentions in the coming years, in order to derive disproportionately high benefits from premium growth.

The best opportunities for growth are, in our opinion, still to be found outside Germany – particularly in view of the fact that our domestic market penetration is already high. For this reason, we intend to reinforce our position as a global player in 2012 and 2013. Europe-wide, we are striving to expand our industrial insurance business for local business, small and medium enterprises and international insurance programmes. Our target regions outside Europe continue to be Latin America, (South-)East Asia and the Arabian peninsula. We are well on our way thanks to the expansion of HDI Seguros Madrid (Spain) into a hub for industrial insurance solutions in Latin America and our strategic partnership with PVI Holdings, the leading Vietnamese industrial insurer. The division is launching a joint venture in India. This autumn,

HDI-Gerling Industrie Versicherung AG will begin offering property/casualty insurance together with Indian company NBFC Magma Fincorp in the world's second-largest country by population. Branches have also opened in Singapore and Bahrain. In future, HDI-Gerling Industrie will use the latter as a hub for Industrial Lines in the Gulf region.

Retail Germany

We are aiming to maintain gross premium income in the Retail Germany segment at the same level as last year in the year under review. Due to our relatively high market penetration, we do not expect any major quantitative impact on premium growth in property insurance. Price levels on the market could rise slightly in motor insurance, which accounts for a high proportion of premium income in property. We are aiming for a slight increase in premium volumes in 2012 in connection with this. However, we expect premium income from life insurance products to fall slightly, based on the current market situation.

We are continuing with the restructuring of the division. The aim here is to align our business processes and organisation with the wishes of our clients and sales partners in order to emerge as a particularly efficient and strongly client-focused insurer. Another focus in the next two years will be on eliminating cost disadvantages. Management and the Group Employee Council reached an agreement on 6 July 2012 on a severance scheme, the aim of which is to compensate for the economic disadvantages for employees of the division caused by the restructuring programme. A further step on the way to reducing complexity in the Group and enhancing client focus will be to bundle the property insurance product range in a single company, as described above.

Retail International

In our international retail business, we are pursuing a clear expansionary strategy with an emphasis on premium growth and adequate profitability. We are concentrating on further build-up of business in our target regions of Latin America and Central and Eastern Europe including Turkey through both organic and inorganic growth. We also want to take advantage of market opportunities for joint international growth together with our strategic partner Meiji Yasuda. A further focus is on optimising our activities in existing markets.

We are expecting premium volume to grow in the international markets in which we operate in retail business. The acquisition of the Polish insurers Europa Group and WARTA will contribute additional premium income to this segment. In the Polish market, where up to now we have mainly transacted motor liability business, the acquisition of Europa Group and WARTA will significantly broaden our product range and presumably make us the second-largest insurance group in terms of premium volume. The most dynamic driver of growth in international retail business up to now has been HDI Seguros in Brazil.

Non-Life Reinsurance

Market conditions in non-life reinsurance are very promising. Rate increases were achieved in most cases in the renewals on 1 July 2012, where the focus was on North America, Australia and New Zealand. We were able to push through significant rate increases and improved conditions in Australia and in particular in New Zealand following the damage caused by natural disasters in 2011 in these regions. Rate increases of an average of 5% to 10% were also recorded in the liability insurance divisions. The increased requirements of the supervisory authorities also had a positive impact,

with more reinsurance cover being purchased. Overall, we managed to increase the premium volume of our portfolio in Australia and New Zealand slightly, with a lower level of liability. We expect the positive price trend to continue during the next treaty renewals on 1 October 2012 and 1 January 2013.

We were broadly satisfied with the outcome of the renewals for our North American business, even though a consistent pattern of market hardening cannot yet be discerned. In property catastrophe reinsurance the trend towards further price increases was again sustained in this round of renewals. We obtained rate increases here of between 5% and 10% on average. Price rises of 20% to 30% were possible for loss-impacted programmes in non-proportional property reinsurance, and increases of up to 5% in the case of programmes that had been spared losses. Rates and conditions in proportional reinsurance were very largely unchanged. Treaty renewal on 1 July 2012 in Canadian business once again passed off very favourably for our company. It is our expectation that the positive trend here will be sustained.

Overall, we anticipate good results in further treaty renewals. We aim to achieve growth of 5% to 7% in gross premium income – at constant exchange rates – in non-life reinsurance for 2012 as a whole.

Life and Health Reinsurance

The prospects for international life and health reinsurance remain bright. Long-term care and retirement provision products, as well as classic life insurance, are benefiting from the progressive ageing of the population in industrialised nations, combined with consistent growth in Asia's emerging markets, driven above all by China and India. We also expect financially oriented reinsurance solutions that will ease pres-

sure on primary life insurers in terms of solvency and equity to offer growth opportunities. Demand is set to increase, especially for European insurers, with an eye to the implementation of Solvency II. As the most mature market, the UK continues to offer the most attractive business prospects in the area of longevity, with regard to both enhanced annuity and the assumption of risks from existing pension funds.

We are currently looking at a promising second half of 2012 and aim at organic growth of between 5% and 7% in gross premium income for the current year at constant exchange rates.

Corporate Operations

Investments under own management are one of the most important key figures for this segment. In line with our efforts to expand our insurance business, an increase in these is also intended, based on anticipated positive cash flow and the new acquisitions in Poland. As a result of the ongoing sovereign debt and financial market crisis, however, there is still uncertainty as regards the future performance of investments.

Our strategic partnership with the Austrian asset manager C-QUADRAT Investment AG, in which Talanx Asset Management GmbH holds a share of 25.1%, is to be further strengthened. A further step in the consolidation of this partnership was the establishment of the joint venture Ampega C-Quadrat Fondsmarketing GmbH in April. The bundling of capacity will not only strengthen our sales, but will also make our range of funds considerably more attractive. Both companies will benefit from this, as will existing and potential customers.

Consolidated financial statements

Consolidated balance sheet of Talanx AG as at 30 June 2012

Assets	Notes	30.6.2012	31.12.2011
<i>Figures in EUR million</i>			
A. Intangible assets	1		
a. Goodwill		867	690
b. Other intangible assets		1,678	1,520
		2,545	2,210
B. Investments			
a. Investment property		1,289	1,100
b. Investments in affiliated companies and participating interests		79	78
c. Investments in associated companies and joint ventures		235	209
d. Loans and receivables	2	32,229	32,961
e. Other financial instruments			
i. Financial assets held to maturity	3	4,081	4,294
ii. Financial assets available for sale	4	36,618	32,141
iii. Financial assets classified at fair value through profit or loss	5	1,150	1,000
f. Other invested assets		4,372	3,967
Investments under own management		80,053	75,750
g. Assets from investment contracts		1,050	—
h. Funds withheld by ceding companies		12,437	11,717
Investments		93,540	87,467
C. Investments for the account and risk of holders of life insurance policies			
		6,586	6,067
D. Reinsurance recoverables on technical provisions			
		6,984	6,462
E. Accounts receivable on insurance business			
		5,683	4,729
F. Deferred acquisition costs			
		4,276	4,013
G. Cash			
		2,188	1,570
H. Deferred tax assets			
		352	320
I. Other assets			
		1,859	1,865
J. Non-current assets and assets of disposal groups classified as held for sale			
		577	565
Total assets		124,590	115,268

Liabilities	Notes	30.6.2012	31.12.2011
<i>Figures in EUR million</i>			
A. Shareholders' equity	6		
a. Common shares		260	260
Nominal value: 260			
Contingent capital: 104			
b. Reserves		5,823	5,161
Shareholders' equity excluding non-controlling interests		6,083	5,421
c. Non-controlling interests		3,636	3,285
Total shareholders' equity		9,719	8,706
B. Subordinated liabilities	7	3,114	2,615
C. Technical provisions	8		
a. Unearned premium reserve		6,262	4,677
b. Benefit reserve		46,865	45,739
c. Loss and loss adjustment expense reserve		32,901	31,420
d. Reserve for premium refunds		1,712	1,008
e. Other technical provisions		257	256
		87,997	83,100
D. Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders		6,586	6,067
E. Other provisions			
a. Provisions for pensions		1,347	1,343
b. Provisions for taxes		538	557
c. Sundry provisions		644	689
		2,529	2,589
F. Liabilities			
a. Notes payable and loans		909	762
b. Funds withheld under reinsurance treaties		5,464	5,039
c. Other liabilities		6,032	4,411
		12,405	10,212
G. Deferred tax liabilities		1,722	1,488
Total liabilities/provisions		114,353	106,071
H. Liabilities of disposal groups classified as held for sale		518	491
Total liabilities		124,590	115,268

The following Notes form an integral part of the consolidated financial statement.

Consolidated statement of income of Talanx AG for the period from 1 January to 30 June 2012

Notes	1.1. 30.6.2012	1.1. 30.6.2011 ¹⁾	1.4. 30.6.2012	1.4. 30.6.2011 ¹⁾
<i>Figures in EUR million</i>				
1. Gross written premium including premium from unit-linked life and annuity insurance	13,582	12,422	5,977	5,383
2. Savings elements of premium from unit-linked life and annuity insurance	510	572	259	264
3. Ceded written premium	1,725	1,467	635	508
4. Change in gross unearned premium	-1,383	-1,220	312	307
5. Change in ceded unearned premium	-330	-227	66	175
Net premium earned	9	10,294	9,390	5,329
6. Claims and claims expenses (gross)	9,742	9,998	5,074	4,948
Reinsurers' share	1,087	1,640	528	852
Claims and claims expenses (net)	12	8,655	8,358	4,546
7. Acquisition costs and administrative expenses (gross)	2,442	2,228	1,232	1,146
Reinsurers' share	193	191	81	97
Acquisition costs and administrative expenses (net)	13	2,249	2,037	1,151
8. Other technical income	30	18	16	4
Other technical expenses	113	160	54	85
Other technical result	-83	-142	-38	-81
Net technical result	-693	-1,147	-406	-483
9. a. Income from investments	1,839	1,769	845	819
b. Investment expenses	232	276	125	93
Net income from investments under own management	1,607	1,493	720	726
Profit (or loss) on investment contracts	2	—	2	—
Income/expense on funds withheld and contract deposits	139	146	65	78
Net investment income	10/11	1,748	1,639	787
thereof attributable to profit/loss from investments in associated companies and joint ventures using the equity method	4	3	2	1
10. a. Other income	327	392	181	149
b. Other expenses	527	453	253	185
Other income/expenses	14	-200	-61	-72
Profit before goodwill impairments	855	431	309	285
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	855	431	309	285
12. Financing costs	90	82	49	40
13. Taxes on income	186	-11	38	17
Net income	579	360	222	228
thereof attributable to non-controlling interests	225	145	79	90
thereof attributable to shareholders of Talanx AG	354	215	143	138
Earnings per share				
Basic earnings per share (in EUR)	1.70	1.03	0.69	0.66
Diluted earnings per share (in EUR)	1.70	1.03	0.69	0.66

¹⁾ Adjusted on the basis of IAS 8, see section "Accounting policies", subsection "Changes in accounting policies and accounting errors" of the Notes

Consolidated statement of comprehensive income of Talanx AG for the period from 1 January to 30 June 2012

	1.1. – 30.6.2012	1.1. – 30.6.2011	1.4. – 30.6.2012	1.4. – 30.6.2011
<i>Figures in EUR million</i>				
Net income	579	360	222	228
1. Currency translation				
Gains (losses) recognised directly in other income/expenses during the period	106	–137	142	35
Reclassification of net realised gain (loss)	–	–	–	–
Tax income (expense)	–11	15	–19	1
	95	–122	123	36
2. Unrealised gains and losses on investments				
Gains (losses) recognised directly in other income/expenses during the period	1,110	2	227	181
Reclassification of net realised gain (loss)	–103	–3	–50	–5
Tax income (expense)	–183	–4	–43	–38
	824	–5	134	138
3. Changes in policyholder participation/shadow accounting				
Gains (losses) recognised directly in other income/expenses during the period	–467	26	–51	–45
Reclassification of net realised gain (loss)	–	–	–	–
Tax income (expense)	16	–3	–2	1
	–451	23	–53	–44
4. Changes from cash flow hedges				
Gains (losses) recognised directly in other income/expenses during the period	66	13	16	6
Reclassification of net realised gain (loss)	–	–	–	–
Tax income (expense)	–1	–8	3	–1
	65	5	19	5
5. Changes from the equity measurement of associated companies and joint ventures				
Gains (losses) recognised directly in other income/expenses during the period	2	–	2	–
Reclassification of net realised gain (loss)	–	–	–	–
Tax income (expense)	–	–	–	–
	2	–	2	–
6. Other changes				
Gains (losses) recognised directly in other income/expenses during the period	–16	–2	–25	4
Reclassification of net realised gain (loss)	–	–	–	–
Tax income (expense)	4	1	7	–
	–12	–1	–18	4
Income and expense after taxes recognised in other income/expenses during the period	523	–100	207	139
Total recognised income and expense during the period	1,102	260	429	367
thereof attributable to non-controlling interests	434	77	210	138
thereof attributable to shareholders of Talanx AG	668	183	219	229

The following Notes form an integral part of the consolidated financial statement.

Consolidated statement of changes in shareholders' equity

Cumulative other comprehensive income (other reserves)										
	Common shares	Additional paid-in capital	Retained earnings	Unrealised gains/losses on investments	Gains/losses from currency translation	Other changes in shareholders' equity	Measurement gains and losses from cash flow hedges	Equity attributable to shareholders of Talanx AG	Non-controlling interests	Total shareholders' equity
<i>Figures in EUR million</i>										
As at 31.12.2010	260	630	3,678	522	4	-15	-123	4,956	3,035	7,991
Adjusted on the basis of IAS 8	—	—	-10	—	-1	—	—	-11	—	-11
As at 31.12.2010	260	630	3,668	522	3	-15	-123	4,945	3,035	7,980
As at 1.1.2011	260	630	3,668	522	3	-15	-123	4,945	3,035	7,980
Net income	—	—	215	—	—	—	—	215	145	360
Income and expenses recognised in other income/expenses	—	—	—	-7	-46	16	5	-32	-68	-100
<i>thereof attributable to currency translation</i>	—	—	—	—	-46	—	—	-46	-76	-122
<i>thereof attributable to unrealised gains and losses on investments</i>	—	—	—	-7	—	—	—	-7	2	-5
<i>thereof attributable to change from cash flow hedges</i>	—	—	—	—	—	—	5	5	—	5
<i>thereof attributable to change from equity measurement</i>	—	—	—	—	—	—	—	—	—	—
<i>thereof attributable to sundry changes¹⁾</i>	—	—	—	—	—	16	—	16	6	22
Investments including income and expenses	—	—	215	-7	-46	16	5	183	77	260
Dividends paid to shareholders	—	—	—	—	—	—	—	—	-182	-182
As at 30.6.2011	260	630	3,883	515	-43	1	-118	5,128	2,930	8,058
As at 1.1.2012	260	630	4,188	416	46	-59	-60	5,421	3,285	8,706
Change in scope of consolidation	—	—	-6	—	—	—	—	-6	100	94
Net income	—	—	354	—	—	—	—	354	225	579
Income and expenses recognised in other income/expenses	—	—	—	626	47	-423	64	314	209	523
<i>thereof attributable to currency translation</i>	—	—	—	—	47	—	—	47	48	95
<i>thereof attributable to unrealised gains and losses on investments</i>	—	—	—	626	—	—	—	626	198	824
<i>thereof attributable to change from cash flow hedges</i>	—	—	—	—	—	—	64	64	1	65
<i>thereof attributable to change from equity measurement</i>	—	—	—	—	—	2	—	2	—	2
<i>thereof attributable to sundry changes¹⁾</i>	—	—	—	—	—	-425	—	-425	-38	-463
Investments including income and expenses	—	—	354	626	47	-423	64	668	434	1,102
Dividends paid to shareholders	—	—	—	—	—	—	—	—	-183	-183
As at 30.6.2012	260	630	4,536	1,042	93	-482	4	6,083	3,636	9,719

¹⁾ The sundry changes consist of the policyholder participation/shadow accounting as well as other changes

The following Notes form an integral part of the consolidated financial statement.

Consolidated cash flow statement of Talanx AG for the period from 1 January to 30 June 2012

	1.1.–30.6.2012	1.1.–30.6.2011 ¹⁾
<i>Figures in EUR million</i>		
I. 1. Net income	579	360
I. 2. Change in technical provisions	2,968	3,847
I. 3. Changes in deferred acquisition costs	–233	–356
I. 4. Changes in funds withheld and in accounts receivable and payable	–729	–1,168
I. 5. Changes in other receivables and liabilities as well as investments and liabilities from investment contracts	387	386
I. 6. Changes in financial assets held for trading	–13	38
I. 7. Net gains and losses on investments	–140	–92
I. 8. Other non-cash expenses and income	387	–226
I. Cash flows from operating activities	3,206	2,789
II. 1. Cash inflow/outflow from the sale of consolidated companies	–4	–3
II. 2. Cash inflow/outflow from the purchase of consolidated companies	–200	–146
II. 3. Cash inflow from the sale of real estate	15	73
II. 4. Cash outflow from the purchase of real estate	–95	–102
II. 5. Cash inflow from the sale and maturity of financial instruments	8,677	9,267
II. 6. Cash outflow from the purchase of financial instruments	–10,466	–10,331
II. 7. Changes in investments for the account and risk of holders of life insurance policies	–489	–73
II. 8. Changes in other invested assets	–357	–804
II. 9. Cash outflows from the acquisition of tangible and intangible assets	–83	–116
II. 10. Cash inflows from the sale of tangible and intangible assets	21	151
II. Cash flows from investing activities	–2,981	–2,084
III. 1. Cash inflow from capital increases	–	–
III. 2. Cash outflow from capital reductions	–	–
III. 3. Dividends paid	–183	–182
III. 4. Net changes from other financing activities	549	–245
III. Cash flows from financing activities	366	–427
Change in cash and cash equivalents (I. + II. + III.)	591	278
Cash and cash equivalents at the beginning of the reporting period	1,612	1,290
Cash and cash equivalents – exchange-rate differences on cash	22	–32
Cash and cash equivalents of companies no longer recognised in the consolidated financial statement and companies newly recognised in the consolidated financial statement²⁾	6	–3
Cash and cash equivalents at the end of the reporting period	2,231	1,533
Cash and cash equivalents of disposal groups	43	16
Cash and cash equivalents at the end of the reporting period excluding disposal groups	2,188	1,517
Additional information		
Taxes paid	179	135
Interest paid	119	171

¹⁾ Adjusted on the basis of IAS 8, see section "Accounting policies", subsection "Changes in accounting policies and accounting errors" of the Notes

²⁾ This item essentially includes changes in the scope of consolidation excluding disposals and acquisitions

The following Notes form an integral part of the consolidated financial statement.

Notes on the consolidated cash flow statement

The cash flow statement shows how the cash and cash equivalents of the Group changed in the course of the reporting period due to inflows and outflows. In this context a distinction is made between cash flow movements from operating activities and those from investing and financing activities.

The cash flows are presented in accordance with IAS 7 "Statement of Cash Flows" and the principles set out in German Accounting Standard (DRS) No. 2 regarding the preparation of cash flow statements, which were supplemented and specified more precisely by DRS 2-20 for insurance enterprises.

Following the recommendations of DRS 5-20 for insurance companies the cash flow statement was drawn up using the indirect method for cash flows from operating activities. The liquid funds are limited to cash and cash equivalents and correspond to the balance sheet item "Cash".

The cash flow movements of the Group are influenced principally by the business model of an insurance and reinsurance enterprise. Normally, we first receive premiums for risk assumption and subsequently make payments for claims. The effects of exchange rate differences and the influences of changes in the scope of consolidation are reported separately in the cash flow statement. The acquisition of new subsidiaries is shown in the line "Cash inflow/outflow from the purchase of consolidated companies"; the sum total of purchase prices paid less acquired cash and cash equivalents is recognised here.

Income taxes paid are allocated to the cash flows from operating activities (IAS 7.35). In the reporting period, interest received amounted to EUR 1,477 million; dividends received amounted to EUR 37 million.

Cash outflows for the acquisition of companies totalled EUR 288 million. As part of these purchases, cash and cash equivalents totalling EUR 88 million were acquired; making allowance for these net cash outflows amounted to EUR 200 million. In the context of disposals, an outflow of EUR 4 million resulted after allowance for the purchase price paid.

The informational value of the cash flow statement for the Group is to be considered minimal. For us, it is not a substitute for liquidity and financial planning, nor is it used as a management tool.

Notes and explanatory remarks

I. General accounting principles and application of International Financial Reporting Standards (IFRS)

General accounting principles

Talanx AG is a wholly owned subsidiary of HDI Haftpflichtverband der Deutschen Industrie V. a. G. (HDI V. a. G.) and is the parent company for all Group companies belonging to HDI V. a. G. As the parent company of the Talanx Group, Talanx AG has drawn up a consolidated financial statement pursuant to § 290 of the German Commercial Code (HGB).

The consolidated quarterly financial report as at 30 June 2012 has been compiled in accordance with International Financial Reporting Standards (IFRS) in the form adopted for use in the European Union. The condensed consolidated financial statement, consisting of the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and select explanatory notes, reflects in particular the requirements of IAS 34 "Interim Financial Reporting".

We have observed all new or revised IFRS whose application is mandatory as at 30 June 2012, as well as the interpretations thereof issued by the IFRS Interpretations Committee (IFRS IC, formerly known as the International Financial Reporting Interpretation Committee [IFRIC]) and the previous Standing Interpretations Committee (SIC) (see also the section "Newly applicable standards/interpretations and changes in standards"). In addition, the accounting policies and the consolidation principles for already existing and unchanged IFRS correspond to those of our consolidated financial statement as at 31 December 2011.

In conformity with IAS 34.41, in our preparation of the consolidated quarterly financial statement we draw on estimates and assumptions to a greater extent than is the case with annual financial reporting. Changes in estimates during the current interim reporting period with significant implications for the Group's assets, financial position or net income did not arise. The tax expenditure (domestic income taxes, comparable taxes on income at foreign subsidiaries and changes in deferred taxes) is calculated during the year using an effective rate of taxation anticipated for the full financial year, which is applied to the net income of the reporting period. The actuarial pension assumptions are not updated during the year.

Since 2002 the standards adopted by the International Accounting Standards Board (IASB) have been referred to as IFRS (International Financial Reporting Standards); the standards approved in earlier years still bear the name IAS (International Accounting Standards). 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. Insurance-specific transactions for which IFRS do not contain any separate standards are recognised in compliance with IFRS 4 "Insurance Contracts" according to the pertinent provisions of United States Generally Accepted Accounting Principles (US GAAP).

The interim financial statement was drawn up in euros (EUR). The amounts shown have been rounded to EUR millions (EUR million). This may give rise to rounding differences in the tables presented in this report. Figures indicated in brackets refer to the previous year.

Newly applicable standards/interpretations and changes in standards

In October 2010, the IASB published amendments to IFRS 7 "Financial Instruments", which are applicable to financial years beginning on or after 1 July 2011. The amendments relate to expanded disclosure obligations in connection with the transfer of financial assets: For transferred financial assets that are not derecognised in their entirety (e.g. with typical repo transactions), the entity must describe, *inter alia*, the nature of the relationship between the transferred assets and the associated liabilities, as well as the nature of the risks and rewards of ownership to which the entity is exposed. For certain transferred financial assets that are derecognised in their entirety (e.g. with the sale of receivables), the entity must disclose the nature and risk of any continuing involvement in the derecognised financial assets. These amendments, which became applicable starting with the 2012 financial year, had no implications for the Group during the reporting period.

In addition, with the start of the 2012 financial year, the Group for the first time applied the rules of IAS 33 "Earnings per Share". With respect to the required information, please see section IX "Other information", subsection "Earnings per share".

Standards, interpretation and changes to published standards, application of which was not yet mandatory in 2012 and which were not applied early by the Group

In December 2010 the IASB published amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" concerning the abolition of fixed transition dates and the effects of severe hyperinflation. Reference to 1 January 2004 as the fixed date of transition was replaced by more general wording. In addition, this standard for the first time provides guidance for cases in which an entity was unable to comply with IFRSs for a period prior to the date of transition because its functional currency was subject to severe hyperinflation. The amendment is applicable to reporting years beginning on or after 1 July 2011. We do not expect these amendments, which are awaiting ratification by the EU and therefore are not yet being applied by the Group, to have any implications for the consolidated financial statement.

In December 2010 the IASB published amendments to IAS 12 "Income Taxes". These new rules include clarification of the treatment of temporary tax differences in connection with measurement using the fair value model of IAS 40 "Investment Property". The amendment enters into force for reporting years beginning on or after 1 January 2012, although it has yet to be ratified by the EU. Since the Group recognises its investment property according to the amortised cost model, this amendment is not expected to have any effect.

On 12 May 2011 the IASB published three new and two revised standards governing consolidation, the accounting of interests in associated companies and joint ventures, and the related disclosures in the Notes.

IFRS 10 "Consolidated Financial Statements" replaces the regulations previously contained in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special-purpose Entities"; it defines the principle of control as the universal basis for establishing the existence of a parent-subsidiary relationship. We are currently examining the implications of the new IFRS 10 for the consolidated financial statement.

In the future, the revised IAS 27 will contain only provisions on the accounting requirements for interests in subsidiaries, associated entities and joint ventures disclosed in the parent company's separate financial statement. Apart from several minor changes, the wording of the previous standard was retained.

IFRS 11 "Joint Arrangements" addresses the accounting requirements in cases where an entity shares management control over a joint venture or joint operation. The new standard replaces the pertinent regulations in IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". According to IFRS 11, proportionate consolidation of the assets of a joint venture is no longer admissible, and the "equity method" must be applied in the future in the event of classification as a joint venture.

The revised IAS 28 "Investments in Associates" will be expanded to include rules governing accounting for interests in joint ventures. The "equity method" must be applied as standard in the future.

The disclosure obligations in connection with the consolidation and accounting of interests in associated entities and joint ventures are collated in IFRS 12 "Disclosure of Interests in Other Entities". To some extent, the duties of disclosure under the new standard for subsidiaries, associated companies, joint arrangements and all other participating interests extend far beyond what was previously the case, the aim being to provide users of financial statements with a clearer picture of the nature of the company's interests in other entities and the effects on assets, financial position and net income.

The provisions of IFRS 10, 11 and 12 and the amended IAS 27 and 28 are applicable to financial years beginning on or after 1 January 2013. It has been proposed that they first become applicable in the EU on 1 January 2014. All these standards have yet to be ratified by the EU. We are currently reviewing the implications of these amendments for the consolidated financial statement. In June 2012, the IASB published Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). The amendments clarify the transition guidance and also provide additional relief, limiting the requirement to provide comparative information. The effective date of the amendments is aligned with the effective date of IFRS 10, 11 and 12.

Also on 12 May 2011, the IASB published its new IFRS 13 "Fair Value Measurement", which standardises the definition of fair value and sets down a framework of applicable methods for measuring fair value. Fair value is defined as the price that would be received to sell an asset, the measurement of this price being based as far as possible on observable market parameters. In addition, the quality of the fair-value measurement is to be described by way of comprehensive explanatory and quantitative disclosures. We are currently examining the implications of the new IFRS 13, but we do not expect application to result in significant changes to our accounting practices. IFRS 13 is applicable to financial years beginning on or after 1 January 2013 and has yet to be ratified by the EU.

In June 2011 the IASB published amendments to IAS 1 "Presentation of Financial Statements" and to IAS 19 "Employee Benefits". IAS 1 stipulates that in the future, items in the Statement of Other Comprehensive Income must be disclosed separately according to whether they can be carried in the income statement through profit and loss. If certain items in Other Comprehensive Income are presented "before tax", corresponding tax entries must be disclosed separately for each group featured in the Statement of Other Comprehensive Income. The amendments to IAS 1 are applicable to financial years beginning on or after 1 July 2012. The key amendment to IAS 19 is the abolishment of the option available to companies to recognise future actuarial gains and losses either immediately (with no impact on profit and loss) under "Other Comprehensive Income" in their equity or on a deferred basis using the "corridor method". Future actuarial gains and losses must now be accounted for fully under "Other Comprehensive Income" in equity, the corridor method no longer being admissible. Moreover, calculation of the net interest income from so-called plan assets will be determined based on the discount rate rather than on the expected rate of return. The stated objective of the amended standard is also to introduce far-reaching disclosure obligations. The Group currently uses

the corridor method. Taking the discontinuation of the corridor method into account (already as at 1 January 2012), and with actuarial gains and losses thus being recognised directly in equity, the change would have resulted in a reduction in equity of EUR 53 million after deduction of deferred taxes and deferred premium refunds. Initial application of the amended IAS 19 is intended for financial years beginning on or after 1 January 2013. The amendments to IAS 1 and IAS 19 were ratified by the EU on 5 June 2012.

The IASB has adapted the provisions governing the presentation of financial assets and liabilities and published changes on 16 December 2011 in the form of amendments to IAS 32 "Financial Instruments: Presentation" and IFRS 7. The presentation requirements set down in IAS 32 were retained more or less in their entirety and were merely clarified by additional guidelines on application. The amendment is applicable retrospectively to financial years beginning on or after 1 January 2014. IFRS 7 contains new disclosure requirements with regard to specific netting arrangements. These requirements must be observed regardless of whether the netting arrangement actually resulted in offsetting of the relevant financial assets and liabilities. The amendment is applicable retrospectively to financial years beginning on or after 1 January 2013. We are currently reviewing the implications of these two amendments for the consolidated financial statement.

On 13 March 2012, the IASB published amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards". The amendments stipulate how first-time adopters of IFRSs are, on transition, to account for loans received from governments at a below market rate of interest. The EU has yet to ratify them. The amendments are mandatory for financial years beginning on or after 1 January 2013. We do not expect these amendments to have any implications for the consolidated financial statement.

The "Annual Improvements 2009–2011 Cycle", a collection of amendments to IFRSs issued by IASB on 17 May 2012 forms part of the annual improvement process of the standards issued by IASB; it contains a multitude of minor amendments to IFRS. The amendments take effect for financial years beginning on or after 1 January 2013. The EU has yet to ratify them.

In November 2009 the IASB published a new standard on the classification and measurement of financial instruments. IFRS 9 "Financial Instruments" is the first step in a three-phase project intended to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new provisions for classifying and measuring financial assets. This standard was expanded in October 2010 to include rules governing the accounting of financial liabilities and derecognition of financial instruments, the latter having been imported 1:1 from IAS 39. The Group has still to analyse the full implications of IFRS 9. It is already becoming clear, however, that the revised rules will have an influence, *inter alia*, on the accounting of financial assets within the Group. In addition, on 16 December 2011 the IASB published further amendments to IFRS 9 and IFRS 7 "Financial Instruments: Disclosures" under the heading "Mandatory effective date and transition disclosures". Accordingly, the mandatory effective date of IFRS 9 has been deferred to financial years beginning on or after 1 January 2015. Also in this context, the IASB incorporated in IFRS 7 detailed disclosures related to transition to IFRS 9. The standard and its amendments have yet to be ratified by the EU.

II. Accounting policies

Changes in accounting policies and accounting errors

The adjustments described below relate solely to the changes made in the previous year in accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" that had an effect on the figures contained in the consolidated quarterly financial report as at 30 June 2011. With respect to the specific adjustments, please therefore see the 2011 Annual Report (section: "Accounting policies", subsection: "Changes in accounting policies and accounting errors").

- a) With effect from 30 September 2011, the Group introduced uniform methods of recognising insurance-related intangible assets in respect of life insurance companies acquired in previous years (PVFP) in the Retail Germany segment. As a result, the PVFP in favour of policyholders (balance sheet item: "Other intangible assets") was offset in the amount of the provision for deferred premium refunds (balance sheet item: "Provision for premium refunds") as measured and recognised upon initial consolidation. The amendment of this accounting policy, along with the associated adjustment of amortisation patterns, was applied retrospectively and had no effect on either Group net income or shareholders' equity in any of the preceding reporting periods. As at 30 June 2011, the balance sheet items "Other intangible assets" and "Provision for premium refunds" were reduced by a total of EUR 264 million compared with the amounts previously recognised. In the opening balance sheet as at 1 January 2011, each of these balance sheet items was reduced by EUR 268 million (cf. 2011 Annual Report, page 136, letter b).
- b) In the fourth quarter of 2011, the Group harmonised the recognition of technical provisions in the balance sheet. In accordance with the applicable US GAAP standards (FASB ASC 944-40; formerly FAS 97), unearned revenue liabilities for life insurance contracts classified according to the "universal life" model are recognised in the "Benefit reserve" (previously recognised in the "Unearned premium reserve"). The change in the method of recognition had no implications for Group net income or shareholders' equity in any of the previous reporting periods. The unearned premium reserve was consequently reduced by EUR 1,233 million as at 30 June 2011, while the benefit reserve rose by the same amount. This modification resulted in a shift of EUR 90 million in the consolidated statement of income between net premium earned and claims and claims expenses (net). In the opening balance sheet as at 1 January 2011, this reclassification amounted to EUR 1,144 million in both cases (cf. 2011 Annual Report, page 136, letter c).
- c) As at 31 December 2011, we retrospectively corrected the recognition of certain items of real estate held in a special fund as investment property. In accordance with IAS 40 "Investment Property", these assets are measured at amortised cost and thus correctly posted under the balance sheet item "Investment property" (previously: "Financial assets available for sale"; variable-yield securities, investment funds). At no time did this change in the recognition of investments have any effect on shareholders' equity or income/expenses. On the contrary, the increase of EUR 234 million in investment property as at the balance sheet date of 30 June 2011 was balanced out by an identical decline in financial assets available for sale. As at 1 January 2011, the amount of investment property recognised in the balance sheet rose by EUR 235 million, while the amount recognised for financial instruments declined by EUR 235 million (cf. 2011 Annual Report, page 137, letter d).

These adjustments had implications for the following items in the consolidated balance sheet:

Consolidated balance sheet as at 1 January 2011	As reported at 1.1.2011	Changes due to adjustments in accordance with IAS 8			1.1.2011
		Re a)	Re b)	Re c)	
<i>Figures in EUR million</i>					
A. b. Other intangible assets	1,851	–268	–	–	1,583
B. a. Investment property	860	–	–	235	1,095
B. e.ii. Financial assets available for sale	30,635	–	–	–235	30,400
C. a. Unearned premium reserve	5,411	–	–1,144	–	4,267
C. b. Benefit reserve	42,466	–	1,144	–	43,610
C. d. Provision for premium refunds	1,113	–268	–	–	845

Consolidated balance sheet as at 30 June 2011	As reported at 30.6.2011	Changes due to adjustments in accordance with IAS 8			30.6.2011
		Re a)	Re b)	Re c)	
<i>Figures in EUR million</i>					
A. b. Other intangible assets	1,817	–264	–	–	1,553
B. a. Investment property	823	–	–	234	1,057
B. e.ii. Financial assets available for sale	31,261	–	–	–234	31,027
C. a. Unearned premium reserve	6,627	–	–1,233	–	5,394
C. b. Benefit reserve	43,388	–	1,233	–	44,621
C. d. Provision for premium refunds	1,211	–264	–	–	947

The effects on the consolidated statement of income for the 2011 financial year are as follows:

Consolidated statement of income	As reported at 30.6.2011	Changes due to adjustments in accordance with IAS 8		30.6.2011
		Re b)	Re c)	
<i>Figures in EUR million</i>				
4. Change in gross unearned premium	–1,307	87	–1,220	
5. Change in ceded unearned premium	–224	–3	–227	
6. Claims and claims expenses (gross)	9,911	87	9,998	
Reinsurers' share	1,643	–3	1,640	

Innovations and changes in the presentation of the consolidated balance sheet and consolidated statement of income

As part of its acquisition in Poland (cf. our explanatory remark in section V, "Business combinations"), in the reporting period the Group for the first time reports investment contracts that do not involve discretionary profit participation. Since these investment contracts do not entail a significant underwriting risk, in accordance with the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" and IAS 18 "Revenue" they are recognised as financial instruments. In this connection, deposit liabilities in the amount of the relevant financial instruments are reported instead of premiums. Financial assets arising from investment contracts are reported under assets as a separate balance sheet item, "Assets from investment contracts"; financial liabilities are recognised in the liability item "Other liabilities". The impact on earnings resulting from these contracts (e.g. fluctuations in the value of financial assets or liabilities) and the fees collected from asset management activities less the relevant administrative expenses are presented as a separate balanced item in the net investment income as "Profit (or loss) on investment contracts". The resulting cash flow movements are reported in the cash flow statement under operating activity.

Reinstatement premiums, which until 30 September 2011 had been booked under the reinsurers' portion of "Other technical provisions", were recognised as from the fourth quarter of 2011 under illiquid ceded written premiums (cf. also our explanatory remarks in the 2011 Annual Report, page 139). Overall, this approach results in a more appropriate form of presentation since, in economic terms, reinstatement premiums are nothing more than reinsurance premiums, even though their amount and the time of their payment are still uncertain. In the 2012 reporting period, this reclassification resulted in a reduction of EUR 15 million in "Net premium earned" and an improvement in "Other technical result". After a cost-benefit analysis, it was decided not to adjust the figures of prior years.

Currency translation

Items in the financial statements of Group companies are measured on the basis of the currency corresponding to that of the primary economic environment in which the company operates (functional currency). The reporting currency in which the consolidated financial statement is prepared is the euro.

The Group 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 as at the balance sheet date. All resulting currency translation differences – including those arising out of capital consolidation – are recognised as a separate item within "Other reserves" in shareholders' equity. Goodwill is treated as an asset of the foreign entity and translated accordingly.

The exchange rates for the Talanx Group's key foreign currencies are as follows:

Exchange rates	Balance sheet (balance sheet date)		Statement of income (average)	
	30.6.2012	31.12.2011	1.1.–30.6.2012	1.1.–30.6.2011
<i>1 EUR corresponds to</i>				
ARS Argentina	5.6994	5.5731	5.7250	5.7116
AUD Australia	1.2355	1.2723	1.2587	1.3541
BHD Bahrain	0.4749	0.4881	0.4909	0.5317
BRL Brazil	2.6154	2.4153	2.4323	2.2916
CAD Canada	1.2872	1.3198	1.3075	1.3762
CHF Switzerland	1.2030	1.2169	1.2053	1.2634
CLP Chile	642.4284	672.4126	647.4722	666.3020
CNY China	8.0027	8.1489	8.2251	9.2164
GBP United Kingdom	0.8063	0.8362	0.8238	0.8750
HKD Hong Kong	9.7698	10.0565	10.1036	10.9758
HUF Hungary	287.6658	313.5951	295.2916	269.7426
JPY Japan	100.0816	100.1632	103.1848	115.2021
KRW South Korea	1,441.4932	1,500.6009	1,483.8824	1,548.4548
MXN Mexico	16.8804	18.0413	17.2582	16.7886
MYR Malaysia	3.9934	4.1038	4.0223	4.2719
PLN Poland	4.2561	4.4652	4.2563	3.9648
SEK Sweden	8.7651	8.9063	8.8718	8.9355
TRY Turkey	2.2834	2.4320	2.3404	2.2240
UAH Ukraine	10.1752	10.3695	10.4668	11.2341
UYU Uruguay	27.3320	25.8267	26.1377	27.0328
USD USA	1.2595	1.2946	1.3020	1.4103
ZAR South Africa	10.3547	10.4800	10.3018	9.6412

III. Segment reporting

Identification of reportable segments

In conformity with IFRS 8 "Operating Segments", the reportable segments were determined in accordance with the internal reporting and management structure of the Group, on the basis of which the Group Board of Management regularly assesses the performance of the segments and decides on the allocation of resources to the segments. The Group splits its business activities into the areas of insurance and Corporate Operations. The insurance activities are further subdivided into five reportable segments; in view of the different product types, risks and capital allocations, a differentiation is initially made between primary insurance and reinsurance.

Since they are managed according to customer groups and geographical regions (domestic versus international) – and therefore span various lines of business – insurance activities in the **primary sector** are organised into three reportable segments: "Industrial Lines", "Retail Germany" and "Retail International". This segmentation also corresponds to the responsibilities of the members of the Board of Management.

Reinsurance business is handled solely by the Hannover Re Group and is divided into the two segments Non-Life Reinsurance and Life/Health Reinsurance in accordance with that group's internal reporting system. In a departure from the segmentation used in the group financial statements of Hannover Re, however, we allocate that group's holding functions to its Non-Life Reinsurance segment. By contrast, cross-segment loans within the Hannover Re Group are allocated to the two reinsurance segments in the consolidated financial statement of the Talanx Group (in the consolidated financial statement of Hannover Re, these loans are shown in the consolidation column). Deviations between the segment results for reinsurance business as presented in the consolidated financial statement of Talanx AG and those reported in the financial statement of Hannover Re are thus unavoidable.

The major products and services with which these reportable segments generate income are set out below.

Industrial Lines: In the Industrial Lines segment we report worldwide industrial business as an independent segment. The scope of business operations encompasses a wide selection of insurance products, such as liability, motor, accident, fire, marine, special lines and engineering insurance for large and mid-sized enterprises in Germany and abroad. In addition, reinsurance is provided in various classes of insurance.

Retail Germany: Insurance activities serving German retail and commercial customers that span the various lines of business, including bancassurance business transacted Germany-wide – i.e. insurance products sold over the counter at banks – are managed in this reportable segment. In addition to traditional composite insurance products, numerous life insurance products are offered in the form of individual, group and collective policies for a single or regular premium: endowment, annuity and term life insurance, accident insurance, unit-linked life insurance, occupational disability and strict "any occupation" disability insurance, foreign travel insurance and occupational pension insurance.

Retail International: The scope of operations in this segment encompasses insurance business transacted across the various lines of insurance with retail and commercial customers, including bancassurance activities in foreign markets. The broad selection of insurance products largely reflects those offered in the Retail Germany segment.

Non-Life Reinsurance*: The most important activities concentrate on property and casualty business with retail, commercial and industrial customers (first and foremost in the US and German markets), marine and aviation business, credit/surety business, facultative business and catastrophe business.

Life/Health Reinsurance*: The segment comprises the international activities of the Hannover Re Group in the life, health, annuity and accident lines.

Corporate Operations: In contrast to the five operating segments, the Corporate Operations segment encompasses management and other functional activities that support the business conducted by the Group, primarily relating to asset management and, in the primary insurance sector, the run-off and placement of portions of reinsurance cessions, as well as Group financing. Asset management for private and institutional investors outside the Group by AmpegaGerling Investment GmbH, Cologne, is also shown in this segment. This segment also encompasses centralised service companies that provide select billable services – such as IT, collection, personnel and accounting services – mainly to the Group's primary insurers based in Germany.

Measurement bases for the performance of the reportable segments

All transactions between reportable segments are measured on the basis of standard market transfer prices that would also be applicable to transactions at arm's length. Cross-segment transactions within the Group are consolidated in the consolidation column, whereas income from dividend payments and profit/loss transfer agreements accruing to the Group holding company are eliminated in the respective segment. For reasons of consistency and comparability, we have adjusted the consolidated statement of income in line with the segment statement of income; the same applies to the consolidated balance sheet and the segment balance sheet. Non-current assets are considered largely to consist of intangible assets and own-use real estate/investment property.

Depending upon the nature and time frame of the commercial activities, various management ratios and performance indicators are used to assess the financial success of the reportable segments within the Group; however, the operating profit (EBIT) – determined from IFRS profit contributions – is used as a consistent measurement basis. The net profit or loss for the period before income taxes is highlighted as a means of capturing true operating profitability and for the sake of better comparability. In addition, the result is adjusted for interest charges incurred for borrowing (financing costs).

Changes in segment reporting

Since 31 December 2011, the Group has been reporting the private-customer property insurance business of its Austrian subsidiary (HDI Versicherung AG, Vienna) in the Retail International segment (previously reported under Industrial Lines). The same subsidiary's industrial insurance business continues to be reported under the Industrial Lines segment. After carrying out a cost-benefit analysis, we decided against making any changes to the corresponding figures for the previous year.

To improve the informational value provided during the year by the segment results after tax, in the second quarter of 2012 the Group changed the segment allocation of tax expenditure in the area of Industrial Lines. Accordingly, we determine taxes on income using the rate of taxation that would have arisen if the companies within the Group's scope of consolidation had been taxable independently. In accordance with the cost-benefit analysis, we have not adjusted the comparative values.

* With regard to the deviations between the segment results of Talanx Group and Hannover Re Group please see our explanatory remarks at the beginning of this chapter

Segment reporting.
Balance sheet as at 30 June 2012

Assets	Industrial Lines		Retail Germany		Retail International	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011
<i>Figures in EUR million</i>						
A. Intangible assets						
a. Goodwill	153	153	403	403	295	118
b. Other intangible assets	20	24	1,239	1,275	230	28
	173	177	1,642	1,678	525	146
B. Investments						
a. Investment property	38	36	705	594	76	73
b. Investments in affiliated companies and participating interests	16	9	26	23	—	—
c. Investments in associated companies and joint ventures	104	78	43	38	23	22
d. Loans and receivables	2,450	2,606	26,473	26,877	40	7
e. Other financial instruments						
i. Held to maturity	132	118	307	293	310	269
ii. Available for sale	3,230	2,984	10,808	9,122	2,471	2,274
iii. At fair value through profit or loss	29	7	289	287	641	523
f. Other invested assets	721	774	1,306	848	432	316
Investments under own management	6,720	6,612	39,957	38,082	3,993	3,484
g. Investments under investment contracts	—	—	—	—	1,050	—
h. Funds withheld by ceding companies	31	29	2	2	—	—
Investments	6,751	6,641	39,959	38,084	5,043	3,484
C. Investments for the account and risk of holders of life insurance policies	—	—	5,756	5,283	830	784
D. Reinsurance recoverables on technical provisions	4,757	4,332	2,501	2,454	593	583
E. Accounts receivable on insurance business	1,334	1,004	368	423	536	424
F. Deferred acquisition costs	48	27	1,884	1,739	217	210
G. Cash	371	245	424	581	844	158
H. Deferred tax assets	26	25	35	18	77	64
I. Other assets	445	419	844	1,110	232	245
J. Non-current assets and assets of disposal groups classified as held for sale	5	5	118	111	586	572
Total assets	13,910	12,875	53,531	51,481	9,483	6,670

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011
16	16	—	—	—	—	—	—	867	690
25	26	103	105	61	62	—	—	1,678	1,520
41	42	103	105	61	62	—	—	2,545	2,210
468	395	2	2	—	—	—	—	1,289	1,100
10	18	—	—	27	28	—	—	79	78
120	122	6	6	14	14	—75	—71	235	209
3,344	3,497	81	28	—	—	—159	—54	32,229	32,961
3,704	3,956	199	200	1	17	—572	—559	4,081	4,294
14,084	12,142	5,779	5,356	246	263	—	—	36,618	32,141
149	142	42	40	—	1	—	—	1,150	1,000
1,937	1,954	247	364	377	467	—648	—756	4,372	3,967
23,816	22,226	6,356	5,996	665	790	—1,454	—1,440	80,053	75,750
—	—	—	—	—	—	—	—	1,050	—
924	836	13,182	12,506	—	—	—1,702	—1,656	12,437	11,717
24,740	23,062	19,538	18,502	665	790	—3,156	—3,096	93,540	87,467
—	—	—	—	—	—	—	—	6,586	6,067
1,441	1,446	715	586	—	—	—3,023	—2,939	6,984	6,462
2,430	1,977	1,301	1,162	—	—	—286	—261	5,683	4,729
539	459	1,438	1,468	—	—	150	110	4,276	4,013
379	388	122	119	48	79	—	—	2,188	1,570
36	37	24	25	154	151	—	—	352	320
1,096	1,069	42	44	503	448	—1,303	—1,470	1,859	1,865
2	2	—	—	—	—	—134	—125	577	565
30,704	28,482	23,283	22,011	1,431	1,530	—7,752	—7,781	124,590	115,268

Segment reporting.
Balance sheet as at 30 June 2012

Liabilities	Industrial Lines		Retail Germany		Retail International	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011
<i>Figures in EUR million</i>						
B. Subordinated liabilities	259	261	214	215	—	—
C. Technical provisions						
a. Unearned premium reserve	1,390	777	1,101	786	1,166	968
b. Benefit reserve	1	1	34,662	34,114	1,882	1,811
c. Loss and loss adjustment expense reserve	8,150	7,960	2,587	2,580	1,341	1,285
d. Provision for premium refunds	11	9	1,646	985	55	14
e. Other technical provisions	26	29	6	8	16	12
	9,578	8,776	40,002	38,473	4,460	4,090
D. Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders	—	—	5,756	5,283	830	784
E. Other provisions						
a. Provisions for pensions	406	405	66	64	12	11
b. Provisions for taxes	125	109	87	90	58	44
c. Sundry provisions	102	100	274	313	46	37
	633	614	427	467	116	92
F. Liabilities						
a. Notes payable and loans	—	—	—	—	—	—
b. Funds withheld under reinsurance treaties	13	14	2,057	2,022	172	155
c. Other liabilities	1,472	1,456	2,117	2,242	1,651	249
	1,485	1,470	4,174	4,264	1,823	404
G. Deferred tax liabilities	91	71	309	263	44	26
Total liabilities/provisions	12,046	11,192	50,882	48,965	7,273	5,396
H. Liabilities of disposal groups classified as held for sale	—	—	114	99	583	565

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011
1,734	1,731	103	100	1,008	509	-204	-201	3,114	2,615
2,629	2,110	90	106	—	—	-114	-70	6,262	4,677
—	—	10,774	10,309	—	—	-454	-496	46,865	45,739
18,910	18,030	3,083	2,739	—	—	-1,170	-1,174	32,901	31,420
—	—	—	—	—	—	—	—	1,712	1,008
146	146	64	61	—	—	-1	—	257	256
21,685	20,286	14,011	13,215	—	—	-1,739	-1,740	87,997	83,100
—	—	—	—	—	—	—	—	6,586	6,067
69	68	19	20	775	775	—	—	1,347	1,343
176	172	13	13	79	129	—	—	538	557
81	79	21	31	121	130	-1	-1	644	689
326	319	53	64	975	1,034	-1	-1	2,529	2,589
200	203	282	283	1,554	1,421	-1,127	-1,145	909	762
453	411	5,695	5,242	—	—	-2,926	-2,805	5,464	5,039
959	629	1,160	1,309	287	267	-1,614	-1,741	6,032	4,411
1,612	1,243	7,137	6,834	1,841	1,688	-5,667	-5,691	12,405	10,212
851	739	391	367	7	1	29	21	1,722	1,488
26,208	24,318	21,695	20,580	3,831	3,232	-7,582	-7,612	114,353	106,071
—	—	—	—	—	—	-179	-173	518	491
Shareholders' equity¹⁾								9,719	8,706
Total liabilities								124,590	115,268

¹⁾ Group shareholders' equity incl. non-controlling interests

Segment reporting.

Statement of income for the period from 1 January to 30 June 2012

	Industrial Lines		Retail Germany		Retail International	
	1.1.– 30.6.2012	1.1.– 30.6.2011 ¹⁾	1.1.– 30.6.2012	1.1.– 30.6.2011 ²⁾	1.1.– 30.6.2012	1.1.– 30.6.2011 ^{1), 2)}
<i>Figures in EUR million</i>						
1. Gross written premium including premium from unit-linked life and annuity insurance	2,246	2,006	3,516	3,525	1,334	1,194
thereof attributable to other segments	29	13	31	11	—	—
to third parties	2,217	1,993	3,485	3,514	1,334	1,194
2. Savings elements of premium from unit-linked life and annuity insurance	—	—	436	446	74	126
3. Ceded written premium	1,093	945	161	205	170	119
4. Change in gross unearned premium	–609	–534	–326	–294	–36	–44
5. Change in ceded unearned premium	–238	–201	–17	–8	–24	–13
Net premium earned	782	728	2,610	2,588	1,078	918
6. Claims and claims expenses (gross)	1,266	1,422	2,961	2,827	848	755
Reinsurers' share	715	862	82	109	46	65
Claims and claims expenses (net)	551	560	2,879	2,718	802	690
7. Acquisition costs and administrative expenses (gross)	322	278	454	510	325	245
Reinsurers' share	158	116	30	57	58	2
Acquisition costs and administrative expenses (net)	164	162	424	453	267	243
8. Other technical income	11	5	11	3	5	7
Other technical expenses	20	80	29	17	33	22
thereof attributable to amortisation PVFP	4	—	22	9	8	—
Other technical result	–9	–75	–18	–14	–28	–15
Net technical result	58	–69	–711	–597	–19	–30
9. a. Income from investments	130	139	915	910	161	98
b. Expenses for investments	16	17	86	130	47	12
Net income from investments under own management	114	122	829	780	114	86
Income/expense from investment contracts	—	—	—	—	2	—
Income/expense on funds withheld and contract deposits	–1	1	–17	–16	2	—
Net investment income	113	123	812	764	118	86
thereof attributable to interest and similar income	106	109	765	765	92	64
impairments/depreciation on investments	1	6	9	33	3	3
write-ups on investments	—	1	—	16	—	1
profit/loss from associated companies and joint ventures, valued at equity	—	—	2	—	—	–2
10. a. Other income	49	71	89	81	35	16
b. Other expenses	59	65	115	135	80	47
Other income/expenses	–10	6	–26	–54	–45	–31
thereof attributable to interest and similar income	1	3	7	5	5	3
write-ups on accounts receivable and other assets	—	—	1	—	—	—
interest and similar expenses	10	15	7	6	1	—
write-downs on accounts receivable and other assets	8	38	2	12	8	6
Profit before goodwill impairments	161	60	75	113	54	25
11. Goodwill impairments	—	—	—	—	—	—
Operating profit/loss (EBIT)	161	60	75	113	54	25
12. Financing costs	7	7	6	5	—	—
13. Taxes on income	53	13	13	29	20	8
Net income	101	40	56	79	34	17
thereof attributable to non-controlling interests	—	—	5	4	2	–1
thereof attributable to Talanx AG shareholders	101	40	51	75	32	18

¹⁾ As at 31 December 2011, private-customer property insurance business in Austria was allocated to the Retail International segment (previously shown in the Industrial Lines segment); prior-year figures (30 June 2011) were not adjusted

²⁾ Adjusted on the basis of IAS 8, see section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Group Notes

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
1.1.– 30.6.2012	1.1.– 30.6.2011	1.1.– 30.6.2012	1.1.– 30.6.2011	1.1.– 30.6.2012	1.1.– 30.6.2011	1.1.– 30.6.2012	1.1.– 30.6.2011	1.1.– 30.6.2012	1.1.– 30.6.2011 ²⁾
4,080	3,544	2,809	2,500	—	—	—403	—347	13,582	12,422
237	209	106	114	—	—	—403	—347	—	—
3,843	3,335	2,703	2,386	—	—	—	—	13,582	12,422
—	—	—	—	—	—	—	—	510	572
400	355	304	198	—	—	—403	—355	1,725	1,467
—470	—384	17	—3	—	—	41	39	—1,383	—1,220
—94	—43	1	1	—	—	42	37	—330	—227
3,304	2,848	2,521	2,298	—	—	—1	10	10,294	9,390
2,542	3,122	2,315	2,043	—	—	—190	—171	9,742	9,998
195	689	255	133	—	—	—206	—218	1,087	1,640
2,347	2,433	2,060	1,910	—	—	16	47	8,655	8,358
887	751	599	567	—	—	—145	—123	2,442	2,228
31	37	21	26	—	—	—105	—47	193	191
856	714	578	541	—	—	—40	—76	2,249	2,037
1	—	—	5	—	—	2	—2	30	18
2	—4	4	8	—	—	25	37	113	160
—	—	1	1	—	—	—	—	35	10
—1	4	—4	—3	—	—	—23	—39	—83	—142
100	—295	—121	—156	—	—	—	—	—693	—1,147
499	530	148	114	21	5	—35	—27	1,839	1,769
76	109	12	18	31	24	—36	—34	232	276
423	421	136	96	—10	—19	1	7	1,607	1,493
—	—	—	—	—	—	—	—	2	—
6	6	150	155	—	—	—1	—	139	146
429	427	286	251	—10	—19	—	7	1,748	1,639
387	336	333	325	4	2	—37	—33	1,650	1,568
10	16	2	—	—	—	—	—	25	58
1	15	—	—	—	—	—	—	1	33
4	3	—	—	1	2	—3	—	4	3
85	165	49	27	331	292	—311	—260	327	392
158	128	74	36	339	311	—298	—269	527	453
—73	37	—25	—9	—8	—19	—13	9	—200	—61
2	67	2	1	8	5	—4	—5	21	79
3	10	—	—	—	—	—	—	4	10
18	6	29	4	38	40	—7	—7	96	64
13	19	14	6	2	12	—	—	47	93
456	169	140	86	—18	—38	—13	16	855	431
—	—	—	—	—	—	—	—	—	—
456	169	140	86	—18	—38	—13	16	855	431
50	52	3	2	52	40	—28	—24	90	82
102	—59	22	6	—29	—21	5	13	186	—11
304	176	115	78	—41	—57	10	27	579	360
156	106	62	36	—	—	—	—	225	145
148	70	53	42	—41	—57	10	27	354	215

Segment reporting.

Statement of income for the period from 1 April to 30 June 2012

	Industrial Lines		Retail Germany		Retail International	
	1.4.– 30.6.2012	1.4.– 30.6.2011 ¹⁾	1.4.– 30.6.2012	1.4.– 30.6.2011 ²⁾	1.4.– 30.6.2012	1.4.– 30.6.2011 ^{1), 2)}
<i>Figures in EUR million</i>						
1. Gross written premium including premium from unit-linked life and annuity insurance	637	572	1,487	1,469	687	606
thereof attributable to other segments	14	7	17	6	—	—
to third parties	623	565	1,470	1,463	687	606
2. Savings elements of premium from unit-linked life and annuity insurance	—	—	216	209	43	55
3. Ceded written premium	349	340	27	59	77	60
4. Change in gross unearned premium	183	176	149	155	-15	-25
5. Change in ceded unearned premium	63	131	30	27	-1	-7
Net premium earned	408	277	1,363	1,329	553	473
6. Claims and claims expenses (gross)	661	912	1,606	1,478	439	383
Reinsurers' share	349	689	36	50	30	40
Claims and claims expenses (net)	312	223	1,570	1,428	409	343
7. Acquisition costs and administrative expenses (gross)	162	150	169	248	166	130
Reinsurers' share	66	68	-8	16	36	1
Acquisition costs and administrative expenses (net)	96	82	177	232	130	129
8. Other technical income	2	1	10	2	2	-2
Other technical expenses	9	50	2	3	21	8
thereof attributable to amortisation PVFP	—	—	-3	-3	8	—
Other technical result	-7	-49	8	-1	-19	-10
Net technical result	-7	-77	-376	-332	-5	-9
9. a. Income from investments	61	78	463	456	76	52
b. Expenses for investments	5	8	33	36	38	7
Net income from investments under own management	56	70	430	420	38	45
Income/expense from investment contracts	—	—	—	—	2	—
Income/expense on funds withheld and contract deposits	-1	—	-8	-8	2	—
Net investment income	55	70	422	412	42	45
thereof attributable to interest and similar income	51	55	377	388	48	32
impairments/depreciation on investments	1	3	4	10	2	2
write-ups on investments	—	—	—	3	—	1
profit/loss from associated companies and joint ventures, valued at equity	—	—	3	—	—	-1
10. a. Other income	31	33	41	52	26	7
b. Other expenses	19	12	54	78	46	23
Other income/expenses	12	21	-13	-26	-20	-16
thereof attributable to interest and similar income	—	—	4	2	3	2
write-ups on accounts receivable and other assets	—	—	1	—	—	—
interest and similar expenses	4	7	3	3	—	-1
write-downs on accounts receivable and other assets	2	35	1	4	4	3
Profit before goodwill impairments	60	14	33	54	17	20
11. Goodwill impairments	—	—	—	—	—	—
Operating profit/loss (EBIT)	60	14	33	54	17	20
12. Financing costs	4	4	3	3	—	—
13. Taxes on income	12	3	-3	5	6	8
Net income	44	7	33	46	11	12
thereof attributable to non-controlling interests	—	—	4	2	2	-1
thereof attributable to Talanx AG shareholders	44	7	29	44	9	13

¹⁾ As at 31 December 2011, private-customer property insurance business in Austria was allocated to the Retail International segment (previously shown in the Industrial Lines segment); prior-year figures (31 March 2011) were not adjusted

²⁾ Adjusted on the basis of IAS 8, see section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Group Notes

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
1.4.– 30.6.2012	1.4.– 30.6.2011	1.4.– 30.6.2012	1.4.– 30.6.2011	1.4.– 30.6.2012	1.4.– 30.6.2011	1.4.– 30.6.2012	1.4.– 30.6.2011	1.4.– 30.6.2012	1.4.– 30.6.2011 ²⁾
1,963	1,620	1,415	1,281	—	—	—212	—165	5,977	5,383
127	94	54	58	—	—	—212	—165	—	—
1,836	1,526	1,361	1,223	—	—	—	—	5,977	5,383
—	—	—	—	—	—	—	—	259	264
214	121	176	94	—	—	—208	—166	635	508
—52	—21	22	—2	—	—	25	24	312	307
—52	6	1	1	—	—	25	17	66	175
1,749	1,472	1,260	1,184	—	—	—4	8	5,329	4,743
1,305	1,206	1,171	1,066	—	—	—108	—97	5,074	4,948
73	127	151	65	—	—	—111	—119	528	852
1,232	1,079	1,020	1,001	—	—	3	22	4,546	4,096
479	380	325	290	—	—	—69	—52	1,232	1,146
15	17	17	10	—	—	—45	—15	81	97
464	363	308	280	—	—	—24	—37	1,151	1,049
1	—	—	2	—	—	1	1	16	4
1	—5	3	4	—	—	18	25	54	85
—	—	—	1	—	—	—	—	5	—2
—	5	—3	—2	—	—	—17	—24	—38	—81
53	35	—71	—99	—	—	—	—1	—406	—483
204	190	45	54	15	3	—19	—14	845	819
45	33	6	13	16	11	—18	—15	125	93
159	157	39	41	—1	—8	—1	1	720	726
—	—	—	—	—	—	—	—	2	—
3	3	70	82	—	—	—1	1	65	78
162	160	109	123	—1	—8	—2	2	787	804
192	168	181	162	2	1	—18	—17	833	789
4	2	1	—	—	—	—	—	12	17
1	1	—	—	—	—	—	—	1	5
2	1	—	—	1	1	—4	—	2	1
44	24	27	15	169	157	—157	—139	181	149
86	33	32	21	178	166	—162	—148	253	185
—42	—9	—5	—6	—9	—9	5	9	—72	—36
1	6	1	1	4	3	—1	—4	12	10
1	7	—	—	—	—	—	—	2	7
13	3	14	1	20	18	—	—4	54	27
8	10	11	3	1	10	—	—	27	65
173	186	33	18	—10	—17	3	10	309	285
—	—	—	—	—	—	—	—	—	—
173	186	33	18	—10	—17	3	10	309	285
25	25	2	1	31	20	—16	—13	49	40
28	18	5	—13	—16	—12	6	8	38	17
120	143	26	30	—25	—25	13	15	222	228
60	74	13	15	—	—	—	—	79	90
60	69	13	15	—25	—25	13	15	143	138

Geographical breakdown of investments and written premium

The geographical breakdown shown below is based on the regional origin of the investments and the gross written premium with respect to external customers. During the reporting period, there were no transactions with any one external customer that amounted to 10% or more of total gross premium. Segmentation has been simplified to show only Primary Insurance, Reinsurance and Corporate Operations.

Above and beyond this, we show the gross written premium for each type or line of insurance at Group level.

Investments under own management by geographical origin¹⁾

Investments excluding funds withheld by ceding companies ¹⁾	Primary Insurance	Reinsurance	Corporate Operations	30.6.2012 Total
<i>Figures in EUR million</i>				
Germany	26,924	5,875	241	33,040
United Kingdom	3,102	2,705	113	5,920
Central and Eastern Europe including Turkey (CEE)	527	—	—	527
Rest of Europe	16,641	7,728	259	24,628
USA	851	7,654	—	8,505
Rest of North America	93	1,076	—	1,169
Latin America	867	771	—	1,638
Asia and Australia	815	3,357	—	4,172
Africa	28	426	—	454
Total	49,848	29,592	613	80,053

Investments excluding funds withheld by ceding companies ¹⁾	Primary Insurance	Reinsurance	Corporate Operations	31.12.2011 Total
<i>Figures in EUR million</i>				
Germany	27,374	5,850	347	33,571
United Kingdom	2,691	2,323	123	5,137
Central and Eastern Europe including Turkey (CEE)	228	—	—	228
Rest of Europe	14,899	7,245	264	22,408
USA	853	6,628	3	7,484
Rest of North America	97	1,415	1	1,513
Latin America	771	634	—	1,405
Asia and Australia	448	3,100	1	3,549
Africa	53	402	—	455
Total	47,414	27,597	739	75,750

¹⁾ After elimination of internal transactions within the Group across segments; this can lead to deviations from the figures quoted in the Management Report

Gross written premium by geographical origin (by domicile of customer)¹⁾

Gross written premium ¹⁾	Primary Insurance	Reinsurance	1.1.–30.6.2012	
			Total	
<i>Figures in EUR million</i>				
Germany	4,681	454		5,135
United Kingdom	62	1,226		1,288
Central and Eastern Europe including Turkey (CEE)	431	103		534
Rest of Europe	1,143	1,059		2,202
USA	114	1,591		1,705
Rest of North America	6	299		305
Latin America	525	424		949
Asia and Australia	48	1,143		1,191
Africa	26	247		273
Total	7,036	6,546		13,582

Gross written premium ¹⁾	Primary Insurance	Reinsurance	1.1.–30.6.2011	
			Total	
<i>Figures in EUR million</i>				
Germany	4,593	448		5,041
United Kingdom	63	1,185		1,248
Central and Eastern Europe including Turkey (CEE)	415	83		498
Rest of Europe	1,060	958		2,018
USA	77	1,339		1,416
Rest of North America	—	213		213
Latin America	451	384		835
Asia and Australia	37	883		920
Africa	5	228		233
Total	6,701	5,721		12,422

¹⁾ After elimination of internal transactions within the Group across segments; this can lead to deviations from the figures shown in the Management Report

Gross written premium ¹⁾	1.4.–30.6.2012		
	Primary Insurance	Reinsurance	Total
<i>Figures in EUR million</i>			
Germany	1,681	140	1,821
United Kingdom	26	629	655
Central and Eastern Europe including Turkey (CEE)	221	50	271
Rest of Europe	499	470	969
USA	37	799	836
Rest of North America	5	165	170
Latin America	257	214	471
Asia and Australia	31	606	637
Africa	23	124	147
Total	2,780	3,197	5,977

Gross written premium ¹⁾	1.4.–30.6.2011		
	Primary Insurance	Reinsurance	Total
<i>Figures in EUR million</i>			
Germany	1,652	158	1,810
United Kingdom	20	526	546
Central and Eastern Europe including Turkey (CEE)	200	38	238
Rest of Europe	469	491	960
USA	27	646	673
Rest of North America	—	105	105
Latin America	241	197	438
Asia and Australia	22	475	497
Africa	3	113	116
Total	2,634	2,749	5,383

¹⁾ After elimination of internal transactions within the Group across segments; this can lead to deviations from the figures shown in the Management Report

Gross written premium by type and line of insurance at Group level¹⁾

<i>Figures in EUR million</i>	1.1.–30.6.2012	1.1.–30.6.2011	1.4.–30.6.2012	1.4.–30.6.2011
	1.1.–30.6.2012	1.1.–30.6.2011	1.4.–30.6.2012	1.4.–30.6.2011
Property/casualty primary insurance	4,228	3,862	1,324	1,216
Life primary insurance	2,808	2,839	1,456	1,418
Non-life reinsurance	3,844	3,335	1,836	1,526
Life/health reinsurance	2,702	2,386	1,361	1,223
Total	13,582	12,422	5,977	5,383

¹⁾ After elimination of internal transactions within the Group across segments; this can lead to deviations from the figures shown in the Management Report

IV. Consolidation

As at the balance sheet date 120 individual companies, 23 special purpose entities, and three foreign subgroups – collectively as a group (incl. associated companies) – were included in full in the Talanx consolidated financial statement. Nine companies (eight associated companies and one joint venture) were included at equity (figures are exclusive of foreign subgroups).

The major changes in the scope of consolidation relative to year-end 2011, including significant relations with special purpose entities, are set out below.

Scope of consolidation

Acquisitions and establishments

By way of an agreement dated 24 June 2011, Talanx International AG, Hannover, and HDI Seguros S.A. de C.V., León, Mexico (both Retail International segment) acquired all of the shares of the Mexican insurance company Metropolitana Compañía de Seguros, Mexico City, Mexico, for the purchase price of USD 100 million. Closing took place on 1 January 2012. Further information on the initial consolidation of this acquisition can be found in the Notes to section V. "Business combinations".

In March 2010, Funis GmbH & Co. KG, a wholly owned subsidiary of Hannover Re, made an investment in Svedea AB, a newly established company based in Stockholm, Sweden. The investment corresponded to a shareholding of 75.2%. The company's business purpose essentially consists of brokering liability insurance policies for vehicles and yachts. For reasons of materiality, Svedea had until now been booked as a participating interest. As at the balance sheet date, Funis held shares worth EUR 15 million, corresponding to shareholding of 69.2%. Due to increasing business volume, the company was consolidated for the first time with effect from 30 June 2012. The difference of EUR 13 million arising in the context of initial consolidation was netted with cumulative retained earnings. Of this, EUR 6 million was attributable to "Non-controlling interests in shareholders' equity". Accordingly, no goodwill was recognised.

On 1 June 2012, Talanx International AG closed on the purchase of 50% plus one share of the insurance company Towarzystwo Ubezpieczeń Europa S.A., Wrocław, Poland, from the Getin Holding Group. The purchase included the subsidiaries Towarzystwo Ubezpieczeń na Życie Europa S.A., Wrocław, and Open Life Towarzystwo Ubezpieczeń Życie S.A., Warsaw (both in Poland), as well as the joint stock companies Towarzystwo Ubezpieczeń Europa.UA and Towarzystwo Ubezpieczeń Europa.UA Życie (both in Lviv, Ukraine). All of the acquired insurance companies (TU Europa) have been allocated to the Retail International segment; cf. our remarks in section V, "Business combinations".

Disposals

By way of an agreement dated 29 December 2011, HDI-Gerling Vertrieb Firmen und Privat AG, Hannover, sold all its shares in its subsidiary PARTNER OFFICE AG, Cologne (both Retail Germany segment) (PO) to Kapitalwerk Beteiligungsgesellschaft mbH, Bonn, for the purchase price of EUR 1. The transaction closed in the first quarter of 2012. The deconsolidation gave rise to income of EUR 2 million, which was recognised in Other Income and Expenses (cf. our remarks in section VI "Non-current assets held for sale and disposal groups").

Other changes to the scope of consolidation

HDI-GERLING Financial Service GmbH, Vienna, Austria (Retail Germany segment), which until now had been fully consolidated, is no longer included in the consolidated financial statement with effect from the first quarter of 2012, since based on its total assets and result it is immaterial to the assessment of the Group's assets, financial position and net income. The deconsolidation gave rise to a loss of EUR 0.2 million, which was recognised in Other Income and Expenses.

HEPEP III Komplementär GmbH, Cologne (Corporate Operations segment), which until now had been fully consolidated, is no longer included in the consolidated financial statement with effect from the second quarter of 2012, since it is immaterial to the assets, financial position and net income of the Group. The deconsolidation gave rise to a gain of EUR 7 thousand, which was recognised in Other Income and Expenses.

The scope of consolidation as at the balance sheet date encompasses the following companies:

Consolidated subsidiaries (fully consolidated)	Individual companies		Subgroups		Total
	Domestic	Foreign	Foreign		
31.12.2011	66	50	3		119
Additions	—	1	—		1
Retirements	1	1	—		2
31.3.2012	65	50	3		118
Additions	—	6	—		6
Retirements	1	—	—		1
30.6.2012	64	56	3		123

Consolidation of special purpose entities

With regard to the consolidation of special purpose entities, the Group makes a distinction in the following between special funds, investments, securitisation of reinsurance risks, retrocessions and insurance-linked securities (ILS). Relations with such special purpose entities are to be examined, *inter alia*, in accordance with SIC-12 "Consolidation – Special Purpose Entities" with an eye to their consolidation requirement. In cases where IFRS do not currently contain any specific standards, our analysis also falls back – in application of IAS 8 – on the relevant standards of US GAAP.

Special funds

Within the scope of SIC-12 are, among other things, special investment funds that are created to serve a narrowly defined purpose. As such the Group must assess whether economic control according to IAS 27.13 in conjunction with SIC-12 exists for its special investment funds. Economic control exists e.g. when the majority of the economic benefits or risks arising out of the activities of the special fund is attributable to a Group company.

In this connection, 20 special funds and one public fund were included as at the balance sheet date in the consolidated financial statement due to the existence of a controlling relationship or economic control with respect to the special fund; of these, 13 were domestic funds. Two special funds (HG-I Aktien VC Strategie and TAL-Corp Rentenspezial) were set up in the first quarter of 2012 and recognised in the Industrial Lines and Retail Germany segments, respectively. One special fund (Ampega-TAL-A-Fonds) was liquidated in the second quarter of 2012.

Investments

Within the scope of its asset management activities, the Group participates in numerous special purpose entities – predominantly funds – which for their part transact certain types of equity and debt capital investments. On the basis of our analysis of the relations with these entities, we concluded that the Group does not exercise a controlling influence in any of these transactions and that a consolidation requirement therefore does not exist.

Hannover Re participates in a number of special purpose entities for the securitisation of catastrophe risks, primarily by investing in disaster bonds (or “CAT” bonds) through its companies Secquaero ILS Fund Ltd. and Hannover Insurance-Linked Securities GmbH & Co. KG. Since Hannover Re does not exercise a controlling influence in any of these transactions either, there is no consolidation requirement for the special purpose vehicles in question.

Securitisation of reinsurance risks

The securitisation of reinsurance risks is largely structured through the use of special purpose entities.

Effective 30 March 2011 a structured transaction was entered into by Hannover Re in order to finance the statutory reserves (so-called XXX reserves) of a US cedant. The structure necessitated the involvement of a special purpose entity, Delaware-based Maricopa LLC. The special purpose entity carries extreme mortality risks securitised by the cedant above a contractually defined retention and transfers these risks by way of a fixed/floating swap with a ten-year term to a Group company of the Hannover Re Group. The maximum capacity of the transaction is equivalent to EUR 397 million. The underwriting volume remains unchanged although equivalent to EUR 199 million as at the balance sheet date. The variable payments to the special purpose entity guaranteed by Hannover Re cover its payment obligations. By way of a compensation agreement, Hannover Re is reimbursed by the cedant’s parent company for all payments resulting from the swap in the event of a claim. Since Hannover Re does not bear the majority of the economic risks or benefits arising out of its business relations with the special purpose entity and does not exercise a controlling influence over it, there is no consolidation requirement for Hannover Re. Under IAS 39 this transaction is to be recognised at fair value as a financial guarantee. 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. In this case the reimbursement claims from the compensation agreement are to be capitalised separately from and up to the amount of the provision.

In July 2009 Hannover Re issued a catastrophe (“CAT”) bond with the aim of transferring to the capital market peak natural catastrophe exposures deriving from European winter storm events. The term of the CAT bond, which had a volume of nominally EUR 150 million, ran until 31 March 2012. It had been placed with institutional investors from Europe and North America by Eurus II Ltd., a special purpose entity domiciled in the Cayman Islands. Hannover Re did not exercise a controlling influence over this special purpose entity. Under IFRS this transaction is to be recognised as a financial instrument.

Within the scope of its “K” transactions, Hannover Re raised further underwriting capacity for catastrophe risks on the capital market. “K-cession”, which was placed with institutional investors in North America, Europe and Asia, involves a quota share cession on worldwide natural catastrophe business as well as aviation and marine risks. The volume of “K-cession” was increased several times and was equivalent to EUR 281 (259) million as at the balance sheet date. The transaction has an indefinite term and can be cancelled annually by the investors.

Hannover Re uses Kaith Re Ltd., a special purpose entity domiciled in Bermuda, for some of the “K”-cession, as well as for various retrocessions of its traditional covers to institutional investors. In accordance with SIC-12, Kaith Re Ltd. is included in the consolidated financial statement.

Retrocessions and insurance-linked securities (ILS)

As part of its extended insurance-linked securities (ILS) activities, Hannover Re writes so-called collateralised fronting arrangements, under which risks assumed from ceding companies are passed on to institutional investors outside the Group using special purpose entities. The purpose of such transactions is to directly transfer clients' business. Due to the lack of a controlling influence over the special purpose entities involved, there is no consolidation requirement for Hannover Re with respect to these structures.

In the course of the sale of the operational companies of the subgroup Clarendon Insurance Group, Inc. (CIGI), Wilmington, to Enstar Group Ltd., Hamilton, Bermuda, a partial portfolio of CIGI was retroceded to a special purpose entity. The retrocession has a term running until final settlement of the underlying obligations. Since Hannover Re is not the major beneficiary of the special purpose entity and exercises neither indirect nor direct control over it, there is no requirement to consolidate this special purpose entity.

Associated companies measured at equity

Relative to year-end 2011, there were no material changes in the first and second quarters of 2012. Four domestic and four foreign associated companies therefore continue to be included at equity as at the balance sheet date. The figures are exclusive of foreign subgroups.

Joint ventures measured at equity

Credit Life International Services GmbH, Neuss, which until now had been consolidated proportionately, is being booked as a participating interest starting in the second quarter of 2012, since based on its total assets and result it is immaterial to the assessment of the Group's assets, financial position and net income. The deconsolidation gave rise to a gain of EUR 28 thousand, which was recognised in Other Income and Expenses.

On 15 May 2012, HDI-Gerling Industrie Versicherung AG (HG-I) closed on the formation of a joint venture with NBFC Magma Fincorp. In connection with this transaction, HG-I directly acquired 25.5% of the shares of the Indian insurance company Magma HDI General Insurance Company Limited, Calcutta, for a purchase price equivalent to EUR 24 million. Together with NBFC Magma Fincorp, this company will handle property and liability insurance business starting in the second half of 2012. Based on contractual agreements between the partner companies with respect to the exercise of joint control, Magma HDI General Insurance Company Limited constitutes a joint venture, which is to be recognised in accordance with the provisions of IAS 31 “Interests in Joint Ventures”. In exercise of its right of choice under this accounting standard, the Group included the company at equity.

Interests in joint ventures included at equity are recognised in the balance sheet item “Interests in associated companies and joint ventures” in the area of “Assets under own management”. The share of net income attributable to the Group is contained in net investment income.

V. Business combinations

Business combinations in the reporting period

By agreement dated 24 June 2011, Talanx International AG and HDI Seguros Mexico (both Retail International segment) acquired all of the shares of the Mexican insurance company Metropolitana Compañía de Seguros, Mexico City, Mexico, for the purchase price of USD 100 million (equivalent to EUR 77 million). Closing took place on 1 January 2012. The Mexican company transacts primarily motor business. In addition, business is conducted in the life and property lines. Premium volume amounted to EUR 75 million in 2011. The sales organisation concentrates on Mexico City and the centre of the country.

The purpose of this acquisition is to move forward with further internationalisation in the Retail International segment. The Group has enhanced its presence in Latin America through the acquisition and is thus able to make the most of the available opportunities in local markets. Goodwill from the acquisition amounts to EUR 43 million and reflects the growth expected, primarily in motor business, as well as considerable synergistic and cross-selling effects. Goodwill is not tax-deductible. No significant costs were incurred in connection with the acquisition.

The amounts recognised under IFRS as at the acquisition date for each main group of acquired assets and assumed liabilities are as follows: we acquired assets in the form of intangible assets (EUR 5 million), investments (EUR 77 million), accounts receivable on insurance business (EUR 34 million), reinsurance recoverables on technical provisions (EUR 2 million), cash and cash equivalents (EUR 5 million), deferred tax assets (EUR 9 million) and other assets (EUR 16 million) as well as liabilities in the form of technical provisions (EUR 84 million), other provisions (EUR 12 million), funds withheld under reinsurance treaties (EUR 2 million), other liabilities (EUR 6 million) and deferred tax liabilities (EUR 10 million). The assets include intangible and tangible assets of EUR 17 million. The IFRS equity amounted to EUR 34 million as at the acquisition date.

The amount recognised for accounts receivable corresponds to the fair value. No further payment defaults are anticipated. Moreover, pursuant to IFRS 3.23, contingent liabilities of EUR 2 million were brought to account, which are primarily attributable to contingent tax liabilities. The obligation depends on a pending decision by the local authorities, which is expected in the short to medium term. A claim to indemnification exists for these contingent liabilities, for which a corresponding indemnification asset of the same amount was brought to account. In addition, contingent liabilities of approximately EUR 1.7 million were identified, recognition of which was omitted due to lack of reliable measurement of fair value. Other conditional payments, indemnification assets and separate transactions as defined by IFRS 3 were not brought to account.

There have been no significant changes to the contingent liabilities as at the balance sheet date. The premium volume (net premium earned) amounted to EUR 36 million for the first two quarters of 2012. The result generated by the company stood at EUR 5 million as at 30 June 2012.

In its corporate statement of 14 December 2011, Talanx International AG (TINT) announced that it was launching a long-term strategic bancassurance partnership in Poland jointly with our Japanese strategic partner Meiji Yasuda Life Insurance Company and the Polish company Getin Holding Group (Getin). To this end TINT and Meiji Yasuda Life Insurance Company, together with Getin, have taken over the Europa insurance group (TU Europa Group). Within the scope of this transaction, on 1 June 2012 (the closing date) TINT took over 50% plus one share in the parent company of TU Europa Non-Life (Towarzystwo

Ubezpieczeń Europa S.A.) at a price of PLZ 912 million (equivalent to EUR 211 million). TU Europa Non-Life holds participating interests in Poland-based enterprises TU Europa Life (Towarzystwo Ubezpieczeń na Życie Europa S.A.) (100%) and Open Life (Open Life Towarzystwo Ubezpieczeń Życie S.A.) (51%). The Group also includes the Ukraine-based insurance companies Europa UA Non-Life (Towarzystwo Ubezpieczeń Europa.UA) (90% interest) and Europa UA Life (Towarzystwo Ubezpieczeń Europa.UA Życie) (92%). The ownership interests have been calculated by adding all directly and indirectly held interests.

In addition, a public tender offer has been made to all shareholders of the TU Europa Group, which is publicly traded on the Warsaw stock exchange. For further details, please see our explanatory remarks in section IX "Other information", subsection "Contingent liabilities and other financial commitments".

The purpose of this acquisition is to move forward with further internationalisation in the Retail International segment. The Group has also enhanced its presence in Central and Eastern Europe through the acquisition and is thus able to make the most of the available opportunities in local markets. The Polish companies within the TU Europa Group primarily operate in three business areas: life insurance (providing cover for mortgage loans), property and casualty insurance (providing cover for consumer loans) and investment products (fund-linked policies as savings products). The insurance group is by its own account one of the leading Polish providers of insurance via the banking channel; we believe it to be an innovative and profitable market participant with a strong, entrepreneurial management team.

Goodwill from the acquisition amounts to EUR 134 million and primarily reflects the expected profitable growth in the Polish market, particularly in the bancassurance segment; this goodwill is not tax deductible.

In the course of the acquisition, within the scope of a written put option TINT undertook in principle to acquire interests in the TU Europa Group that are held by Getin in exchange for financial assets. In this connection, TINT recorded a financial obligation in the amount of the present value of the repurchase price of these interests (EUR 42 million); this obligation is to be measured and recognised in the profit and loss account in subsequent periods in compliance with IAS 39. The Group has entered the obligation on the books for the account of the minority interest (the "anticipated acquisition method"). The acquisition of a total of 66.54% plus one vote was therefore recorded; consequently, the goodwill was also shown at this (higher) proportion.

The transaction costs of the acquisition were EUR 0.7 million; they are brought to account in "Other income and expenses".

The amounts recognised under IFRS as at the acquisition date for each main group of acquired assets and assumed liabilities are as follows: we acquired assets in the form of intangible assets (EUR 201 million), investments (EUR 1,233 million), investments for the account and risk of holders of life insurance policies (EUR 28 million), reinsurance recoverables on technical provisions (EUR 4 million), accounts receivable on insurance business (EUR 38 million), cash and cash equivalents (EUR 80 million), deferred tax assets (EUR 15 million) and other assets (EUR 7 million) as well as liabilities in the form of technical provisions (EUR 164 million), technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders (EUR 28 million), other provisions (EUR 6 million), other liabilities (EUR 1,177 million) and deferred tax liabilities (EUR 7 million). The assets include intangible and tangible assets of EUR 210 million. The IFRS equity amounted to EUR 224 million as at the acquisition date (including direct non-controlling interests of EUR 6 million).

The amount recognised for accounts receivable corresponds to the fair value. No further payment defaults are anticipated. No contingent liabilities pursuant to IFRS 3.23 were identified. Other conditional payments, indemnification assets and separate transactions as defined by IFRS 3 were not brought to account.

The premium volume (net premium earned) for the acquired companies since initial consolidation, i.e. for the month of June, is EUR 16 million; in the event of acquisition on 1 January 2012 it would have been EUR 91 million (calculation simplified on the basis of local IFRS data for January to May 2012). As at 30 June 2012, the result generated by the company was EUR 2 million; in the event of acquisition on 1 January 2012 it would have been EUR 15 million (calculation simplified on the basis of local IFRS data for January to May 2012).

Business combinations after the reporting period

Retail International segment

With effect from 1 July 2012, Talanx International AG (TINT) has taken over all of the shares of Warta non-life (Towarzystwo Ubezpieczeń i Reasekuracji Warta S.A.) from the Belgian company KBC Group. With effect from 3 July 2012, Talanx's Japanese partner Meiji Yasuda Life Insurance Company has acquired 30% of the shares in Warta from TINT, which has held them in trust since the acquisition. As at the closing date (1 July 2012), on the basis of the agreements made the Group thus presents the acquisition by reporting non-controlling interests of 70%. The total purchase price for the Warta Group was EUR 770 million, of which EUR 553 million is attributable to TINT. The acquisition price is still subject to retrospective adjustments, expected to be in the region of a lower double-digit figure of millions of euro.

Warta non-life holds interests in the following subsidiaries: Warta life (Towarzystwo Ubezpieczeń na Życie WARTA S.A.) (100%), ALFA Fund (KBC ALFA Specjalistyczny Fundusz Inwestycyjny Otwarty) (100%) — the latter exclusively holds investments of TUIR Warta S.A. —, Warta Real Estate (Warta Nieruchomości Sp. z o.o. w likwidacji) (100%), Warta 24 (Warta 24 plus Sp. z o.o. w likwidacji) (100%), Warta Finance (WARTA Finance S.A. w likwidacji) (100%) and Gdynia Shipping (Gdynia America Shipping Lines (London) Limited) (73.68%). Warta Real Estate, Warta 24 and Warta Finance are in liquidation. From the Group's perspective, these enterprises and Gdynia Shipping are insignificant in terms of the Group's assets, financial position and net income and are therefore not included in the scope of consolidation on initial consolidation.

By 30 June 2012, according to a local (unaudited) rendering of accounts Warta non-life and Warta life had recorded a premium volume (net premium earned) equivalent to approximately EUR 544 million. Profits equated to around EUR 61 million. The transaction costs of the acquisition to date therefore amount to EUR 1.7 million and are included in "Other income and expenses".

No further information under IFRS 3 can be provided since at the current time the opening balance sheet has not yet been completed.

Industrial Lines segment

On 25 April 2012, our subsidiaries HDI-Gerling Assurance S.A., Brussels, Belgium and HDI Verzekeringen N.V., Rotterdam, Netherlands (both Industrial Lines segment) signed an agreement to purchase all of the shares of the Luxembourg insurance company Les Assurances Mutuelles d'Europe Lux S.A., Luxembourg (A.M.E. Lux S.A.), which offers property and casualty insurance on the Luxembourg market. The purchase price for the company is EUR 6 million. We expect closing to take place in the third quarter of 2012 once this Group interim report has been prepared. The acquisition is still subject to local regulatory approval. In 2011 gross written premium amounted to EUR 8 million.

VI. Non-current assets held for sale and disposal groups

PARTNER OFFICE AG (PO), Cologne, which was sold by HDI-Gerling Vertrieb Firmen und Privat AG, Hannover (both Retail Germany segment) under a contract dated 29 December 2011 and which we measured and recognised as a disposal group in the consolidated financial statement as at 31 December 2011, was sold in the first quarter of 2012 and thus deconsolidated.

Contracts dated April 2012 and May 2012 resulted in the execution of an agreement for the sale of, respectively, 70% and 30% of the holdings of Talanx International AG (TINT), Hannover, in the subsidiary ASPECTA Assurance International AG, Vaduz, Liechtenstein (A-Lie; Retail International segment). The purchaser of the 30% share is a subsidiary of Hannover Rückversicherung AG. All shares are held by TINT. The agreed purchase price amounts to EUR 2.7 million. This transaction is part of Talanx International AG's strategy of corporate focus. It is expected that the transaction will be executed in the third quarter of 2012.

Pursuant to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", A-Lie continues to constitute a disposal group, which is to be measured at the lower of the carrying amount and fair value less costs to sell. During the current reporting period, measurement of the disposal group led to an expense amounting to EUR 0.6 million, which is recognised in "Other income and expenses". The cumulative other comprehensive income as at the balance sheet date amounted to EUR 0 (-1) million. In compliance with IFRS 5, the assets and liabilities of disposal groups are recognised in a balance sheet item distinct from continuing operations. Transactions between a disposal group and the Group's continuing operations continue to be entirely eliminated in conformity with IAS 27.

The assets and liabilities of the disposal group A-Lie with regard to their major components are as follows:

	30.6.2012	31.12.2011
<i>Figures in EUR million</i>		
Assets		
Investments	2	1
Investments for the account and risk of holders of life insurance policies	274	261
Reinsurance recoverables on technical provisions	25	24
Accounts receivable on insurance business	2	3
Deferred acquisition costs	90	99
Cash	43	46
Deferred tax assets	2	1
Other assets	5	5
Assets held for sale	443	440
Liabilities		
Technical provisions	77	81
Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders	274	261
Sundry provisions	5	4
Funds withheld under reinsurance treaties	18	16
Other liabilities	23	24
Liabilities related to assets held for sale	397	386

Consistent with the consolidated financial statement as at 31 December 2011, the Group continues to bring to account as disposal groups the intended disposals of the life insurance portfolios of PB Pensionskasse AG, Cologne (Retail Germany segment) and HDI Seguros S.A. de C.V., León, Mexico (Retail International segment). These transactions involve selling not only insurance-related assets and liabilities but also investments for covering obligations to the purchaser.

PB Pensionskasse AG technical provisions amount to EUR 109 (86) million plus EUR 3 (3) million in technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders, as well as EUR 2 (2) million in deferred tax liabilities that are offset by assets of EUR 102 (96) million. These relate to EUR 6 (6) million in intangible assets, EUR 91 (85) million in investments, EUR 3 (3) million in investments for the account and risk of holders of life insurance policies and EUR 2 (2) million in other assets. On the basis of the contractual agreement of 29 June 2012, the purchase price for the portfolio will be EUR 5 million.

HDI Seguros S.A. de C.V. reports technical provisions in the amount of EUR 7 (6) million, investments in the amount of EUR 6 (5) million, reinsurance recoverables on technical provisions of EUR 1 (0) million and accounts receivable on insurance business of EUR 0 (1) million. The agreed purchase price is EUR 2 million.

As at the balance sheet date, the cumulative income and expenses recognised directly in shareholders' equity and associated with the two disposal groups amount to EUR 2 (1) million. Both transactions are part of the corporate focusing strategy and will lead – particularly for our Mexican company – to cost optimisation in the area of IT and personnel expenses. On the basis of current developments, we anticipate the completion of both portfolio transfers in the third quarter of 2012.

Moreover, HDI-Gerling Industrie Versicherung AG (Industrial Lines segment), HDI-Gerling Lebensversicherung AG, neue leben Lebensversicherung AG (both Retail Germany segment) and E+S Rückversicherung AG (Non-Life Reinsurance segment) still intend to sell real estate portfolios with book values amounting to a total of EUR 25 (15) million and have classified these as "held for sale." The sale prices of the various properties amount to EUR 27 million. The reasons for the intention to sell are, in addition to the poor rental situation, high administrative costs. Based on current developments, we anticipate that the transfers will take place in the second half of 2012.

VII. Notes on individual items of the consolidated balance sheet

The main items of the consolidated balance sheet can be broken down as follows:

(1) Intangible assets

	30.6.2012	31.12.2011
<i>Figures in EUR million</i>		
a. Goodwill	867	690
b. Other intangible assets	1,678	1,520
thereof attributable to:		
Insurance-related intangible assets	1,468	1,333
Software	142	145
Other	68	42
Total	2,545	2,210

The increase in goodwill of EUR 177 million resulted from the acquisitions of the Polish TU Europa Group (EUR 134 million) and of the Mexican insurance company Metropolitana Compañía de Seguros (EUR 43 million) that were recognised in the reporting period in the Retail International segment. Please see our presentation in section V "Business combinations".

"Insurance-related intangible assets" (= PVFP) with respect to life primary insurance undertakings derived principally from the insurance portfolios of the former Gerling Group acquired in 2006 (EUR 796 million) and the portfolios of the former BHW Lebensversicherung AG (formerly PBV Lebensversicherung, now PB Lebensversicherung AG) (EUR 307 million) purchased in 2007, as well as from neue leben Lebensversicherung AG (EUR 95 million). In addition, an amount of EUR 94 million is apportionable to Hannover Life Reassurance (Ireland) Ltd. (Life/Health Reinsurance segment). The business combination in the second quarter resulted in a PVFP of EUR 173 million for the Polish TU Europa Group (of which life insurance accounts for EUR 112 million and property and casualty insurance EUR 61 million).

The PVFP is composed of a shareholders' portion – on which deferred taxes are established – and a policyholders' portion. It is capitalised in order to spread the charge to Group shareholders' equity under IFRS upon acquisition of an insurance portfolio equally across future periods in step with the amortisation. Only the amortisation of the shareholders' portion results in a charge to future earnings. The PVFP in favour of policyholders is recognised by life insurance companies that are obliged to enable their policyholders to participate in all results through the establishment of a provision for deferred premium refunds.

Of the allocation of the PVFPs for life primary insurance companies (EUR 1,312 [1,233] million), an amount of EUR 749 (659) million was attributable to the shareholders' portion and EUR 563 (574) million to the policyholders' portion.

Of the amortisation on insurance-related intangible assets totalling EUR 34 (30 June 2011: 21) million, an amount of EUR 35 (30 June 2011: 10) million was attributable to the shareholders' portion and –EUR 1 million (30 June 2011: EUR 11 million) to the policyholders' portion; this amortisation relates mainly to the Retail Germany and Retail International segments. The amortisation on the policyholder's portion is recognised in the statement of income in the item "Other technical expenses".

Other intangible assets include, inter alia, brand names acquired (EUR 1 million) and distribution networks and customer relationships acquired (EUR 37 million). The strengthening of this item is related primarily to the acquisition of the majority interest in TU Europa. For further information, see our explanatory remarks in section V "Business combinations".

Intangible assets are recognised in their entirety in the Group. Excluding non-controlling interests and the shareholders' portion, the intangible assets attributable to the Group, separated into "Goodwill" and "Other intangible assets", are as follows:

	30.6.2012	31.12.2011
<i>Figures in EUR million</i>		
Intangible assets before deduction of non-controlling interests		
a. Goodwill	867	690
b. Other intangible assets	1,678	1,520
Total	2,545	2,210
minus non-controlling interests		
a. Goodwill	34	—
b. Other intangible assets	211	99
Total	245	99
minus policyholders' portion		
a. Goodwill	—	—
b. Other intangible assets	563	574
Total	563	574
Intangible assets after deduction of non-controlling interests and policyholders' portion		
a. Goodwill	833	690
b. Other intangible assets	904	847
Total	1,737	1,537

(2) Loans and receivables

	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011
<i>Figures in EUR million</i>						
Mortgage loans	1,030	1,100	134	132	1,164	1,232
Loans and prepayments on insurance policies	191	191	—	—	191	191
Loans and receivables due from governmental or semi-governmental entities ¹⁾	9,751	10,216	1,080	876	10,831	11,092
Corporate securities	6,506	6,674	357	162	6,863	6,836
Covered bonds/asset-backed securities	14,486	14,453	1,792	1,112	16,278	15,565
Participation rights	265	327	—11	—19	254	308
Total	32,229	32,961	3,352	2,263	35,581	35,224

¹⁾ The debt securities issued by semi-governmental entities include securities of EUR 2,473 (2,389) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states

The item "Covered bonds/asset-backed securities" includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 14,461 (14,428) million, which corresponds to 99 (99)%.

(3) Financial assets held to maturity

	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011
<i>Figures in EUR million</i>						
Government debt securities of EU member states	512	426	28	24	540	450
US treasury notes	948	927	36	44	984	971
Other foreign government debt securities	74	81	1	1	75	82
Debt securities issued by semi-governmental entities ¹⁾	697	851	43	36	740	887
Corporate securities	505	574	11	6	516	580
Covered bonds/asset-backed securities	1,345	1,435	62	36	1,407	1,471
Total	4,081	4,294	181	147	4,262	4,441

¹⁾ The debt securities issued by semi-governmental entities include securities of EUR 172 (230) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states

The item "Covered bonds/asset-backed securities" includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 1,332 (1,424) million, which corresponds to 99 (99)%.

(4) Financial assets available for sale

	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011	30.6.2012	31.12.2011
<i>Figures in EUR million</i>						
Government debt securities of EU member states	4,339	4,205	111	3	4,450	4,208
US treasury notes	1,298	1,224	54	56	1,352	1,280
Other foreign government debt securities	1,435	1,320	44	35	1,479	1,355
Debt securities issued by semi-governmental entities ¹⁾	6,224	5,126	304	208	6,528	5,334
Corporate securities	13,247	12,153	504	86	13,751	12,239
Investment funds	756	675	44	2	800	677
Covered bonds/asset-backed securities	6,652	5,657	340	72	6,992	5,729
Participation rights	159	188	7	-1	166	187
Total fixed-interest securities	34,110	30,548	1,408	461	35,518	31,009
Equities	378	422	85	97	463	519
Investment funds	542	541	55	32	597	573
Participation rights	40	40	—	—	40	40
Total variable-yield securities	960	1,003	140	129	1,100	1,132
Total	35,070	31,551	1,548	590	36,618	32,141

¹⁾ The debt securities issued by semi-governmental entities include securities of EUR 2,864 (2,484) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states

The item "Covered bonds/asset-backed securities" includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 6,183 (5,052) million, which corresponds to 88 (88)%.

(5) Financial assets at fair value through profit or loss

	30.6.2012	31.12.2011
<i>Figures in EUR million</i>		
Government debt securities of EU member states	10	5
Other foreign government debt securities	199	137
Debt securities issued by semi-governmental entities ¹⁾	49	50
Corporate securities	443	412
Investment funds	92	90
Covered bonds/asset-backed securities	107	78
Participation rights	87	84
Total fixed-interest securities	987	856
Investment funds (variable-yield securities)	15	16
Other variable-yield securities	23	—
Total financial assets classified at fair value through profit or loss	1,025	872
Government debt securities of EU member states	14	4
Other securities	1	1
Total fixed-interest securities	15	5
Investment funds (variable-yield securities)	80	70
Derivatives	30	53
Total financial assets held for trading	125	128
Total	1,150	1,000

¹⁾ The debt securities issued by semi-governmental entities include securities of EUR 6 (4) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states

The item "Covered bonds/asset-backed securities" includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 11 (11) million, which corresponds to 10 (14)%.

(6) Shareholders' equity

Shareholders' equity is shown as a separate component of the consolidated financial statement in accordance with IAS 1 "Presentation of Financial Statements" and IAS 32 "Financial Instruments: 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 stock split (amendment to the Articles of Association) resolved by the Annual General Meeting of Talanx AG on 30 March 2012 became effective upon its entry in the commercial register on 2 May 2012. The share capital of Talanx AG remains unchanged at EUR 260 million and is now divided into 208,000,000 registered no-par shares; it is fully paid up. With regard to the composition of shareholders' equity, please see the "Consolidated statement of changes in shareholders' equity".

On 15 November 2010, the General Meeting resolved to conditionally increase share capital by up to EUR 26 million through the issuance of up to 20,800,000 new no-par value shares (conditional capital). The conditional capital increase is designed to grant no-par value shares to holders of bonds that, on the basis of the aforementioned authorisation, will be issued by Talanx AG or a subordinate Group company up until 14 November 2015 in exchange for cash, in satisfaction of the conditional conversion obligation. The amendment to the Articles of Association of Talanx AG became effective upon its entry in the commercial register on 6 April 2011 and, respectively, 2 May 2012.

In addition, on 15 May 2012, the General Meeting resolved to conditionally increase share capital by up to EUR 78 million through the issuance of up to 62,400,000 new no-par value shares (conditional capital II). The conditional capital increase is designed to grant no-par value shares to holders of bonds that, on the basis of the aforementioned authorisation, will be issued by Talanx AG or a subordinate Group company up until 14 May 2017 in exchange for cash, in satisfaction of the conditional conversion obligation. The amendment to the Articles of Association of Talanx AG became effective upon its entry in the commercial register on 4 June 2012.

By virtue of a resolution adopted by the General Meeting on 21 November 2011, the Board of Management is authorised, subject to the approval of the Supervisory Board, to increase share capital by 18 November 2016 in one or more tranches, but up to a total amount of EUR 130 million, through the issuance of new registered no-par shares in exchange for cash or contribution in kind. Subject to the approval of the Supervisory Board, shareholders may be precluded from exercising subscription rights for certain enumerated purposes connected with cash capital increases, provided the pro-rata amount of share capital attributable to the new shares does not exceed 10% of share capital. Subject to the approval of the Supervisory Board, EUR 1 million of this may be used to issue employee shares. Subject to the approval of the Supervisory Board, the exercise of subscription rights may be precluded with contribution-in-kind capital increases if such exclusion is in the company's predominant interest.

Non-controlling interests in shareholders' equity	30.6.2012	31.12.2011
<i>Figures in EUR million</i>		
Unrealised gains and losses from investments	469	270
Non-controlling interest in net income	224	377
Other shareholders' equity	2,943	2,638
Total	3,636	3,285

Non-controlling interests in shareholders' equity refer principally to shares held by companies outside the Group in the shareholders' equity of the Hannover Re Group.

(7) Subordinated liabilities

	Nominal amount	Return	Maturity	Rating ³⁾	30.6.2012	31.12.2011
					Figures in EUR million	Figures in EUR million
Hannover Finance (Luxembourg) S.A.	500	fixed (5%), then floating rate	2005/no final maturity	(a; A)	488	486
Hannover Finance (Luxembourg) S.A.	500	fixed (5.75%), then floating rate	2010/2040	(a; A)	498	498
Hannover Finance (Luxembourg) S.A.	750	fixed (5.75%), then floating rate	2004/2024	(a; A)	748	748
HDI-Gerling Industrie Versicherung AG	250	fixed (7%), then floating rate	2004/2024	(bbb+; A-)	259	261
HDI-Gerling Lebensversicherung AG ¹⁾	110	fixed (6.75%)	2005/no final maturity	(-; A-)	113	113
Talanx AG	300	fixed, then floating rate	2010/no final maturity	(-; BBB)	300	300
Talanx Finanz ²⁾	209	fixed (4.5%)	2005/2025	(bbb; BBB)	208	209
Talanx Finanz	500	fixed (8.37%), then floating rate	2012/2042	(-; BBB)	500	—
Total					3,114	2,615

¹⁾ As at the balance sheet date, Group companies also hold debts worth a nominal amount of EUR 50 million (consolidated in the consolidated financial statement)

²⁾ As at the balance sheet date, Group companies also hold debts worth a nominal amount of EUR 56 million (consolidated in the consolidated financial statement). This item includes portions of the debt worth a nominal amount of EUR 1 million that were acquired by a Group company in the first quarter of 2012; the remaining volume was reduced accordingly

³⁾ (Debt rating A. M. Best; Debt rating S&P)

Talanx AG, via its subsidiary Talanx Finanz (Luxemburg) S.A., Luxembourg, issued new debt on 28 March 2012, primarily to European investors, with admission to the regulated market on 4 April 2012. This subordinated fixed to floating rate debt with a nominal value of EUR 500 million has a 30-year term and cannot be called for ten years. The debt, which has been guaranteed by Talanx AG, bears fixed interest for the first ten years at the rate of 8.3673% p.a. and thereafter at a rate equal to the three-month EURIBOR rate plus 7.056%.

Within the scope of the ongoing long-term optimisation of its capital structure, Talanx AG granted investors an opportunity to redeem selected debts up until 6 July 2012. In all, investors offered the company debt securities with a nominal value of approximately EUR 204 million for redemption; Talanx AG will take these back in their entirety. By the settlement of 11 July 2012, Talanx redeemed nominal amounts of EUR 108 million of the debt of HDI-Gerling Industrie Versicherung AG that matures in 2024 (ISIN: XS0198106238) and EUR 96 million of the debt of Talanx Finanz (Luxemburg) S.A. that matures in 2025 (ISIN: XS0212420987).

(8) Technical provisions

	30.6.2012			31.12.2011		
	Gross	Re	Net	Gross	Re	Net
<i>Figures in EUR million</i>						
a. Unearned premium reserve	6,262	709	5,553	4,677	389	4,288
b. Benefit reserve	46,865	1,081	45,784	45,739	988	44,751
c. Loss and loss adjustment expense reserve	32,901	5,011	27,890	31,420	4,915	26,505
d. Provision for premium refunds	1,712	1	1,711	1,008	1	1,007
e. Other technical provisions	257	2	255	256	9	247
Total	87,997	6,804	81,193	83,100	6,302	76,798

Of the technical provisions where the investment risk is borne by policyholders amounting to EUR 6,586 (6,067) million, an amount of EUR 180 (160) million is attributable to reinsurers.

VIII. Notes on individual items of the consolidated statement of income

The major items of the consolidated statement of income can be broken down as follows:

(9) Net premium earned

The gross written premium includes the savings elements of premiums under unit-linked life and annuity policies. These savings elements were eliminated from the net premium earned.

1.1.–30.6.2012 ¹⁾	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Total
<i>Figures in EUR million</i>						
Written premium including premium from unit-linked life and annuity insurance	2,217	3,485	1,334	3,844	2,702	13,582
Savings elements of premium from unit-linked life and annuity insurance	—	436	74	—	—	510
Ceded written premium	886	64	106	391	278	1,725
Change in gross unearned premium	–600	–326	–37	–437	17	–1,383
Change in ceded unearned premium	–205	–16	–20	–90	1	–330
Net premium earned	936	2,675	1,137	3,106	2,440	10,294

¹⁾ After elimination of internal transactions within the Group across segments

1.1.–30.6.2011 ¹⁾	Industrial Lines	Retail Germany ²⁾	Retail International ²⁾	Non-Life Reinsurance	Life/Health Reinsurance	Total
<i>Figures in EUR million</i>						
Written premium including premium from unit-linked life and annuity insurance	1,993	3,514	1,194	3,335	2,386	12,422
Savings elements of premium from unit-linked life and annuity insurance	—	446	126	—	—	572
Ceded written premium	778	102	50	344	193	1,467
Change in gross unearned premium	–528	–294	–44	–351	–3	–1,220
Change in ceded unearned premium	–182	–8	3	–41	1	–227
Net premium earned	869	2,680	971	2,681	2,189	9,390

¹⁾ After elimination of internal transactions within the Group across segments

²⁾ Adjusted on the basis of IAS 8, see section "Accounting policies", subsection "Changes in accounting policies and accounting errors" of the Notes

(10) Net investment income

1.1.–30.6.2012 ¹⁾	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
<i>Figures in EUR million</i>							
Income from real estate	2	28	1	23	—	—	54
Dividends ²⁾	5	10	4	4	—	14	37
Current interest income	100	755	90	365	116	3	1,429
Other income	3	5	—	18	1	—	27
Ordinary investment income	110	798	95	410	117	17	1,547
Appreciation	—	—	—	1	—	—	1
Realised gains on investments	12	75	25	64	17	3	196
Unrealised gains on investments	1	28	41	12	13	—	95
Investment income	123	901	161	487	147	20	1,839
Realised losses on investments	6	31	6	11	2	—	56
Unrealised losses on investments	3	5	21	20	3	1	53
Total	9	36	27	31	5	1	109
Impairments/depreciation on investment property							
scheduled	1	5	—	5	—	—	11
unscheduled	—	2	—	—	—	—	2
Impairments on equity securities	—	2	3	—	2	—	7
Impairments on fixed-income securities	—	—	—	—	—	—	—
Impairments on other investments	—	—	—	5	—	—	5
Expenses for the administration of investments	2	7	1	5	1	28	44
Other expenses	1	15	14	19	2	3	54
Other investment expenses/ impairments	4	31	18	34	5	31	123
Investment expenses	13	67	45	65	10	32	232
Net income from investments under own management	110	834	116	422	137	–12	1,607
Income from investment contracts	—	—	2	—	—	—	2
Interest income on funds withheld and contract deposits	—	—	1	10	212	—	223
Interest expense on funds withheld and contract deposits	1	13	—	4	66	—	84
Net interest income on funds withheld and contract deposits	–1	–13	1	6	146	—	139
Net investment income	109	821	119	428	283	–12	1,748

¹⁾ After elimination of internal transactions within the Group across segments²⁾ The profit or loss on investments in associated companies and joint ventures amounts to EUR 4 (3) million and is recognised under dividends

The reallocations between levels of the fair value hierarchy used to establish the fair value of financial instruments that were made in the reporting period, as well as changes in the classification of financial assets, were of no material significance to the Group's assets, financial position and net income.

1.1.–30.6.2011 ¹⁾	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
<i>Figures in EUR million</i>							
Income from real estate	2	21	—	17	—	—	40
Dividends ²⁾	5	15	1	7	—	3	31
Current interest income	101	755	64	316	97	2	1,335
Other income	2	6	—	7	1	—	16
Ordinary investment income	110	797	65	347	98	5	1,422
Appreciation	1	16	1	15	—	—	33
Realised gains on investments	21	82	12	101	7	—	223
Unrealised gains on investments	1	5	20	56	9	—	91
Investment income	133	900	98	519	114	5	1,769
Realised losses on investments	5	59	3	60	4	—	131
Unrealised losses on investments	—	14	2	1	10	—	27
Total	5	73	5	61	14	—	158
 Impairments/depreciation on investment property							
scheduled	1	3	—	4	—	—	8
unscheduled	1	14	—	—	—	—	15
Impairments on equity securities	3	13	3	—	—	—	19
Impairments on fixed-income securities	—	—	—	5	—	—	5
Impairments on other investments	1	3	—	7	—	—	11
Expenses for the administration of investments	2	4	1	8	1	23	39
Other expenses	1	4	2	12	1	1	21
Other investment expenses/ impairments	9	41	6	36	2	24	118
Investment expenses	14	114	11	97	16	24	276
Net income from investments under own management	119	786	87	422	98	–19	1,493
 Income from investment contracts							
Interest income on funds withheld and contract deposits	2	—	—	9	222	—	233
Interest expense on funds withheld and contract deposits	1	11	—	3	72	—	87
Net interest income on funds withheld and contract deposits	1	–11	—	6	150	—	146
Net investment income	120	775	87	428	248	–19	1,639

¹⁾ After elimination of internal transactions within the Group across segments

²⁾ The profit or loss on investments in associated companies and joint ventures amounts to EUR 4 (3) million and is recognised under dividends

Of the impairments totalling EUR 14 (50) million, an amount of EUR 7 (19) million was attributable to equity securities and EUR 5 (11) million to private equity. Impairments on structured and other fixed-income securities in the amount of EUR 0 (5) million were taken to only an insignificant extent. In addition, impairments on investment property in the amount of EUR 2 (15) million were incurred. This contrasted with appreciation of EUR 1 (33) million on investments that had been written down in previous periods; total volume in the comparable period was attributable principally to real estate (EUR 13 million) and fixed-income securities (EUR 15 million).

The Group had only insignificant investments in Greek sovereign bonds as at the closing date. Nominal amounts totalling EUR 15 million (0.02% of the portfolio of assets under own management) contrast with a market value of EUR 3 million. Since we recognised a value of on average 20% for the securities, there were no material impairments as at 30 June 2012.

As at the balance sheet date, the portfolio did not contain any other overdue, unadjusted securities, because overdue securities are written down immediately.

(11) Net gains and losses on investments by asset types

	30.6.2012	30.6.2011
<i>Figures in EUR million</i>		
Investments in affiliated companies and participating interests	2	3
Loans and receivables	684	696
Financial assets held to maturity	79	62
Financial assets available for sale		
Fixed-income securities	700	599
Variable-yield securities	68	28
Financial assets at fair value through profit or loss		
Financial assets classified at fair value through profit or loss		
Fixed-income securities	52	40
Variable-yield securities	-1	-
Financial assets held for trading		
Fixed-income securities	-	2
Variable-yield securities	-1	-
Derivatives	18	-6
Other invested assets, insofar as they are financial assets	52	48
Other ¹⁾	52	81
Total investments under own management	1,705	1,553
Assets/liabilities from investment contracts ²⁾	2	-
Funds withheld by ceding companies/funds withheld under reinsurance treaties	139	146
Total	1,846	1,699

¹⁾ For the purposes of reconciliation with the consolidated statement of income, the "Other" item combines the gains on investment property, associated companies and joint ventures and on derivative financial instruments, insofar as the market values are negative; derivatives held for hedging purposes within the scope of hedge accounting are not included in the list if they do not relate to hedges in the area of investments

²⁾ These include income and expenses arising from the administration of investment contracts balanced in the amount of EUR 2 million, EUR 5 million and, respectively, -EUR 5 million of the income and expenses are attributable to "Financial assets at fair value through profit or loss" (assets/liabilities); EUR 1 million and, respectively, -EUR 1 million of the income and expenses are attributable to "Loans and receivables" and "Other liabilities"

Making allowance for Expenses for the administration of investments under own management (EUR 44 [39] million) and Other expenses (EUR 54 [21] million), the total net investment income as at the balance sheet date amounted to EUR 1,748 (1,639) million.

(12) Claims and claims expenses

1.1.–30.6.2012 ¹⁾	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Total
<i>Figures in EUR million</i>						
Gross						
Claims and claims expenses paid	1,118	1,797	799	1,868	1,886	7,468
Change in loss and loss adjustment expense reserve	134	3	51	532	247	967
Change in benefit reserve	–1	635	–8	–	160	786
Expenses for premium refunds	12	503	6	–	–	521
Total	1,263	2,938	848	2,400	2,293	9,742
Reinsurers' share						
Claims and claims expenses paid	480	56	36	288	220	1,080
Change in loss and loss adjustment expense reserve	118	–7	–2	–100	8	17
Change in benefit reserve	–	–18	–4	–	8	–14
Expenses for premium refunds	–	–	4	–	–	4
Total	598	31	34	188	236	1,087
Net						
Claims and claims expenses paid	638	1,741	763	1,580	1,666	6,388
Change in loss and loss adjustment expense reserve	16	10	53	632	239	950
Change in benefit reserve	–1	653	–4	–	152	800
Expenses for premium refunds	12	503	2	–	–	517
Total	665	2,907	814	2,212	2,057	8,655
1.1.–30.6.2011 ¹⁾	Industrial Lines	Retail Germany ²⁾	Retail International ²⁾	Non-Life Reinsurance	Life/Health Reinsurance	Total
<i>Figures in EUR million</i>						
Gross						
Claims and claims expenses paid	1,079	1,872	623	1,481	1,551	6,606
Change in loss and loss adjustment expense reserve	330	–40	52	1,519	166	2,027
Change in benefit reserve	–	640	73	–	295	1,008
Expenses for premium refunds	1	349	7	–	–	357
Total	1,410	2,821	755	3,000	2,012	9,998
Reinsurers' share						
Claims and claims expenses paid	408	159	16	200	144	927
Change in loss and loss adjustment expense reserve	345	–73	1	479	–7	745
Change in benefit reserve	–	–26	–4	–	–6	–36
Expenses for premium refunds	1	–	3	–	–	4
Total	754	60	16	679	131	1,640
Net						
Claims and claims expenses paid	671	1,713	607	1,281	1,407	5,679
Change in loss and loss adjustment expense reserve	–15	33	51	1,040	173	1,282
Change in benefit reserve	–	666	77	–	301	1,044
Expenses for premium refunds	–	349	4	–	–	353
Total	656	2,761	739	2,321	1,881	8,358

¹⁾ After elimination of internal transactions within the Group across segments

²⁾ Adjusted on the basis of IAS 8, see section "Accounting policies", subsection "Changes in accounting policies and accounting errors" of the Notes

(13) Acquisition costs and administrative expenses

1.1.–30.6.2012 ¹⁾	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Total
<i>Figures in EUR million</i>						
Gross						
Acquisition costs and reinsurance commissions	255	484	224	814	421	2,198
Changes in deferred acquisition costs and change in reserves for commissions	–44	–178	26	–68	25	–239
Total acquisition costs	211	306	250	746	446	1,959
Administrative expenses	107	144	75	86	71	483
Total acquisition costs and administrative expenses	318	450	325	832	517	2,442
Reinsurers' share						
Acquisition costs and reinsurance commissions	134	6	18	34	15	207
Changes in deferred acquisition costs and change in reserves for commissions	–19	–	6	–5	4	–14
Total acquisition costs	115	6	24	29	19	193
Net						
Acquisition costs and reinsurance commissions	121	478	206	780	406	1,991
Changes in deferred acquisition costs and change in reserves for commissions	–25	–178	20	–63	21	–225
Total acquisition costs	96	300	226	717	427	1,766
Administrative expenses	107	144	75	86	71	483
Total acquisition costs and administrative expenses	203	444	301	803	498	2,249

1.1.–30.6.2011 ¹⁾	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Total
<i>Figures in EUR million</i>						
Gross						
Acquisition costs and reinsurance commissions	215	511	197	691	456	2,070
Changes in deferred acquisition costs and change in reserves for commissions	–46	–140	–20	–73	–32	–311
Total acquisition costs	169	371	177	618	424	1,759
Administrative expenses	108	138	68	88	67	469
Total acquisition costs and administrative expenses	277	509	245	706	491	2,228
Reinsurers' share						
Acquisition costs and reinsurance commissions	107	21	12	36	–19	157
Changes in deferred acquisition costs and change in reserves for commissions	–24	7	5	1	45	34
Total acquisition costs	83	28	17	37	26	191
Net						
Acquisition costs and reinsurance commissions	108	490	185	655	475	1,913
Changes in deferred acquisition costs and change in reserves for commissions	–22	–147	–25	–74	–77	–345
Total acquisition costs	86	343	160	581	398	1,568
Administrative expenses	108	138	68	88	67	469
Total acquisition costs and administrative expenses	194	481	228	669	465	2,037

¹⁾ Presentation after elimination of intra-Group relations

(14) Other income/expenses

	30.6.2012	30.6.2011
<i>Figures in EUR million</i>		
Other income		
Foreign exchange gains	83	103
Income from services, rents and commissions	120	108
Reversals of impairments on receivables	4	10
Income from contracts recognised in accordance with the deposit accounting method	28	22
Income from the release of other non-technical provisions	3	14
Interest income	21	79
Income from the repurchase of own securities	—	3
Sundry income	68	53
Total	327	392
Other expenses		
Foreign exchange losses	99	126
Other interest expenditures	96	64
Depreciation and impairments	47	93
Expenses for the company as a whole	118	117
Expenses for personnel	17	6
Expenses for services and commissions	74	31
Other taxes	18	13
Allocation to provisions for restructuring (“WIR” project)	2	—
Sundry expenses	56	3
Total	527	453
Other income/expenses	−200	−61

The expenses for provisions for restructuring relate to the implementation of our strategic focus. The amount reported includes costs within the scope of our “WIR” project (WIR = Wachstum, Innovation und Resultate [growth, innovation and results]). As at 30 June 2012, the provisions for restructuring amounted to EUR 89 (87) million. No amounts were released in this respect.

Other income/expenses does not in general include personnel expenses of our insurance companies, in as far as these expenses are attributed according to function units by means of cost object accounting and allocated to expenses for investments, claims and claims expenses as well as acquisition costs and administrative expenses. In the same way, this also applies to depreciation and impairments of intangible and other assets of our insurance companies.

The high amount of interest income in 2011 stems primarily from the interest portion of the tax refund as a result of the Federal Fiscal Court (BFH) ruling in connection with the additional taxation of investment income generated by the Group's reinsurance subsidiaries domiciled in the Republic of Ireland pursuant to the Foreign Transactions Tax Act.

IX. Other information

Staff

The average number of staff employed throughout the reporting period can be broken down as follows:

	30.6.2012	31.12.2011
Industrial Lines	2,754	2,610
Retail Germany	5,442	5,810
Retail International	5,800	5,013
Reinsurance companies	2,237	2,210
Corporate Operations	2,480	2,176
Total excluding apprentices	18,713	17,819
Apprentices	455	475
Total	19,168	18,294

The increase in the Retail International segment is due mainly to the acquisition of the Mexican insurance company Metropolitana Compañía de Seguros and the Polish insurance group TU Europa.

As at the balance sheet date, a total workforce of 17,883 (17,061) was employed by the Talanx Group. This figure refers to full-time equivalents (FTEs).

Related-party disclosures

The related entities within the Talanx Group consist of HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit (HDI V.a.G.), which directly holds all shares of Talanx AG, all subsidiaries that are not consolidated due to their immaterial contributions, and associated companies and joint ventures valued at equity. In addition, there are the provident funds that pay benefits in favour of employees of Talanx AG or one of its related entities after termination of their employment.

Transactions between Talanx AG and its subsidiaries are eliminated through consolidation and hence not discussed in the Notes. During the reporting period, there were outstanding loans to HDI V.a.G. in the amount of EUR 110 million, due for repayment in October 2013. In addition, HDI V.a.G. conducts primary insurance business in the form of co-insurance, with the lead insurance companies being HDI-Gerling Industrie Versicherung AG (HG-I) and HDI-Gerling Firmen und Privat Versicherung AG (HG-FP). Pursuant to the Articles of Association of HDI V.a.G., insurance business is split in the ratio 0.1% (HDI V.a.G.) to 99.9% (HG-I/HG-FP). Business relations with unconsolidated companies and with associated companies and joint ventures are of minor importance overall.

There were no significant changes in related-party disclosures in the course of the 2012 reporting period relative to the position as at 31 December 2011.

Lawsuits

In September 2011, the Italian anti-trust authority imposed a fine of EUR 6 million on HDI-Gerling Industrie Versicherung AG on the grounds of alleged cartel agreements in the Campania region. The company has appealed against this ruling.

Apart from the aforesaid proceedings, there were no significant court cases pending during the reporting period or as at the balance sheet date, with the exception of proceedings in connection with ordinary insurance and reinsurance business.

Earnings per share

Earnings per share are calculated by dividing the Group net income attributable to the shareholders of Talanx AG by the average number of shares outstanding. Dilutive effects, which have to be presented separately when calculating earnings per share, were not present either as at the balance sheet date or in the previous year. In the future, earnings per share may be diluted as a result of the issuance of shares or subscription rights from contingent or authorised capital.

	1.1.–30.6.2012	1.1.–30.6.2011	1.4.–30.6.2012	1.4.–30.6.2011
Net income attributable to shareholders of Talanx AG for calculating earnings per share (in EUR million)	354	215	143	138
Weighted average number of ordinary shares outstanding (in units)	208,000,000	208,000,000	208,000,000	208,000,000
Basic earnings per share (in EUR)	1.70	1.03	0.69	0.66
Diluted earnings per share (in EUR)	1.70	1.03	0.69	0.66

The amendment to the Articles of Association resolved by the Annual General Meeting of Talanx AG on 30 March 2012 became effective upon its entry in the commercial register on 2 May 2012. Pursuant to the amendment, the share capital amounts to EUR 260 million, divided into 208,000,000 registered no-par shares.

Previous periods have been adjusted in this respect.

Contingent liabilities and other financial commitments

As at the balance sheet date the following contingent liabilities and other financial commitments derived from contracts and memberships that had been entered into:

	30.6.2012	31.12.2011
<i>Figures in EUR million</i>		
Trust accounts in the United States (master trust funds, supplemental trust funds and single trust funds) as security for technical liabilities to US cedants; the securities held in the trust accounts are largely recognised in the investment portfolio as "financial assets available for sale" ¹⁾	3,548	3,136
Sureties in the form of letters of credit furnished by various financial institutions as security for technical liabilities	3,417	3,164
Guarantees for the subordinated debts issued: the guarantees cover the relevant bond volumes as well as interest due	2,458	1,959
Blocked custody accounts and other trust accounts as collateral in favour of reinsurers and cedants; generally outside the US	2,241	2,071
Outstanding capital commitments with respect to existing investment exposures: the commitments involve primarily private equity funds and venture capital firms in the form of private limited companies	677	648
Other financial commitments in connection with envisaged acquisitions	564	277
Commitments arising out of rental/lease agreements ²⁾	477	477
Funding commitments and contribution payments pursuant to §§124 et seqq. Insurance Supervision Act (VAG) as a member of the Security Fund for Life Insurers	391	410
Collateral for liabilities to various banks in connection with participating interests in real estate companies and real estate transactions	293	309
Commitments based on service agreements – primarily in connection with IT outsourcing contracts	185	165
Assets in blocked custody accounts as collateral for existing derivative transactions: we have received collateral with a fair value of EUR 0 (5) million for existing derivative transactions ¹⁾	40	37
Obligations in connection with structured securities through issuers' rights to take delivery: the potential amounts that could be drawn upon total EUR 0 million for 2012 (31.12.2011: EUR 10 million for 2012)	—	10
Other commitments	53	63
Total	14,344	12,726

¹⁾ The amount stated refers primarily to the fair value/carrying amount

²⁾ Fresh data is collected only at year-end

The amounts stated in the table are nominal amounts.

As guarantor institutions for Gerling Versorgungskasse VVaG, various Group companies are liable pro rata for any deficits that may be incurred by Gerling Versorgungskasse.

Several Group companies are members of the association for the reinsurance of pharmaceutical risks, the association for the insurance of German nuclear reactors and the traffic accident pool Verkehrssicherheit e.V. In the event of one of the other pool members failing to meet its liabilities, an obligation exists to take over such other member's share within the framework of the quota participation.

Within the scope of its regular activities, our subsidiary Hannover Rückversicherung AG enters into contingent commitments. A number of reinsurance contracts between Group companies and external third parties contain letters of comfort, guarantees or substituted contracts in accordance with which, if certain sets of circumstances occur, Hannover Rückversicherung AG guarantees the liabilities of the relevant subsidiary and/or enters into the subsidiary's rights and obligations under the contracts.

On 29 June 2012, Talanx International AG entered into a concert party agreement with Meiji Yasuda Life Insurance Company and Getin Holding S. A. that forms the legal basis for excluding the minority shareholders of TU Europa and assigning the 5.48% of shares in TU Europa that are in the possession of minority shareholders to Meiji Yasuda in return for a lump-sum settlement of PLN 193 per share. In this concert party agreement, Talanx International AG undertook to assume joint and several liability with Meiji Yasuda from Getin Holding for losses, liabilities and expenses arising from the conclusion or implementation of the concert party agreement and to exempt Getin Holding in the event of claims by third parties. Claims against Getin Holding S. A. would be conceivable in particular if minority shareholders were to take legal action regarding the adequacy of the cash settlement. The legal period allowed for raising such a matter is up to ten years after the cash settlement has been paid. There is in principle no limitation on the amount that could be claimed against Getin Holding S. A. As a result of the firm rules in Polish securities law on the calculation of the cash settlement for a listed stock corporation, i.e. that the cash settlement must fundamentally correspond to the average market price over the last three or six months, the Board of Management at present assumes that there is little likelihood of a claim against Getin Holding S. A. by minority shareholders of TU Europa and of Talanx International AG consequently having to assume liability and/or issue a declaration of exemption in accordance with the terms of the concert party agreement. The exclusion of the minority shareholders by the assignment of the shares of the previous minority shareholders to Meiji Yasuda and the payment of the cash settlement were effected on 25 July 2012.

The application of tax regulations may be unresolved when the tax items are brought to account. In calculating tax refund entitlements and tax liabilities, we have adopted the application that we believe to be most probable. However, the revenue authorities may come to different views which will in future give rise to additional tax liabilities.

Events after the end of the reporting period

On 29 June 2012, TINT paid the purchase price to acquire all of the shares of TUiR Warta S.A. (Towarzystwo Ubezpieczeń i Reasekuracji Warta S.A.) to the previous owner, Belgian company KBC Group. The shares were transferred with effect from 1 July 2012, and the Group will therefore consolidate TUiR Warta S.A. from this date (the acquisition date). Subsequently, with effect from 3 July 2012, 30% of the shares in TUiR Warta S.A. were resold to our Japanese strategic partner Meiji Yasuda Life Insurance Company; for further explanatory remarks, see section V "Business combinations".

Talanx AG granted investors an opportunity to redeem selected debts up until 6 July 2012. By the settlement of 11 July 2012, Talanx redeemed nominal amounts of EUR 108 million of the debt of HDI-Gerling Industrie Versicherung AG that matures in 2024 (ISIN: XS0198106238) and EUR 96 million of the debt of Talanx Finanz (Luxemburg) S.A. that matures in 2025 (ISIN: XS0212420987). For further information, see section VII "Notes on the consolidated balance sheet", subsection "Subordinated liabilities".

In the third quarter of 2012, Hannover Reinsurance (Ireland) Public Limited Company (previously Hannover Reinsurance (Ireland) Limited, a wholly owned subsidiary of Hannover Rück Beteiligung Verwaltungs GmbH, HRBV) will be merged with Hannover Life Reassurance (Ireland) Public Limited Company (previously Hannover Life Reassurance (Ireland) Limited, a wholly owned subsidiary of Hannover Life Re AG). At the balance sheet date, the transaction was still awaiting regulatory approval. The new name of the absorbing company is Hannover Re (Ireland) Plc. In preparation for the merger, HRBV yielded Hannover Reinsurance (Ireland) to Hannover Life Reassurance (Ireland) via several intermediate steps by way of a capital increase in return for a contribution in kind. Since this internal restructuring constitutes a transaction between companies under joint control, it does not produce any goodwill or affect Group net income. On 19 July 2012, the Irish High Court (Commercial Court Division) gave final approval for the merger of Hannover Reinsurance (Ireland) Plc with Hannover Life Reassurance (Ireland) Plc. The step will be legally executed on 3 September 2012.

On 23 July 2012, HDI-Gerling Industrie Versicherung AG successfully completed the licensing procedure before the Bahraini regulatory authority and opened a branch in Bahrain. The new branch covers the significant areas within Industrial Lines and will also look after customers in the other countries that are members of the Gulf Cooperation Council.

Within the scope of an equity increase, HDI-Gerling Industrie Versicherung AG boosted its holding in Petro Vietnam Insurance Holdings, Hanoi, Vietnam, from 25% to 32%. The purchase price equated to EUR 22 million. The closing date for this transaction was 26 July 2012.

With effect from 25 July 2012, as part of a co-investment Talanx AG acquired an interest in Luxembourg energy provider Enovos International S.A. via HDI Gerling Industriever sicherung AG and HDI Gerling Firmen und Privat Versicherung AG. The acquisition was effected as a co-investment together with an AXA Private Equity infrastructure fund. The Talanx Group's investment volume is approximately 11% of the total investment volume of EUR 361 million. The term of the investment is between eight and 15 years.

On 25 July 2012, the Federal Court of Justice (BGH) issued a judgment on contractual clauses that concern the surrender values, the set-off of acquisition costs and the lapse discounts for life insurance. We must wait for the written grounds for the judgment in order to be able to assess its significance for our customers' contracts. We will publish the relevant customer information once we have examined the written grounds.

The ongoing dry spell in the USA in July has resulted in a severe drought. We assume that we will be affected by this due to the agricultural risks that we underwrite, although the market share held by our subsidiary Hannover Rückversicherung AG in the region is relatively small. It is too early for a reliable loss estimate.

Drawn up and released for publication in Hannover, 7 August 2012.

Hannover, 7 August 2012

Board of Management

Herbert K. Haas,
Chairman

Dr. Christian Hinsch,
Deputy Chairman

Torsten Leue

Dr. Thomas Noth

Dr. Immo Querner

Dr. Heinz-Peter Roß

Ulrich Wallin

Responsibility statement

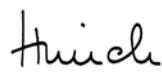
We affirm to the best of our knowledge that in accordance with the applicable accounting principles for interim financial reporting the Group interim financial statement gives a true picture of the Group's assets, financial position and net income and that the Group interim management report presents the course of business, including the net income and the Group's circumstances, in such a way that a true picture is given and significant opportunities for and risks to the Group's expected development in the remaining part of the financial year are described.

Hannover, 7 August 2012

Board of Management



Herbert K. Haas,
Chairman



Dr. Christian Hinsch,
Deputy Chairman



Torsten Leue



Dr. Thomas Noth



Dr. Immo Querner



Dr. Heinz-Peter Roß



Ulrich Wallin

Review report by the independent auditors

To Talanx Aktiengesellschaft, Hannover

We have produced an auditor's review of the condensed Group interim financial statement as at 30 June 2012 – consisting of the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and select explanatory notes – and the Group interim management report of Talanx AG, Hannover, for the period from 1 January to 30 June 2012. The preparation of the condensed Group interim financial statement pursuant to the IFRS for interim financial reporting, in the form adopted for use in the EU, and of the Group interim management report is the responsibility of the company's legal representatives. Our task is to issue a certificate relating to the condensed Group interim financial statement and Group interim management report on the basis of our review.

We have reviewed the condensed Group interim financial statement and Group interim management report in compliance with the German principles, established by the Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW), for reviewing financial statements. According to these principles, a review must be planned and conducted such that on critical appraisal we are able with a certain degree of assurance to exclude the possibility that in essential respects the condensed Group interim financial statement has not been prepared in accordance with the IFRS for interim financial reporting, in the form adopted for use in the EU, and that in essential respects the Group interim management report has not been prepared in accordance with the standards applicable to Group interim management reports. An auditor's review is essentially limited to questioning company employees and to analytical evaluations, and therefore does not offer the certainty that can be achieved by an audit of annual accounts. Since it was not our task to undertake an audit of annual accounts, we cannot provide an audit certificate.

On the basis of our review, we did not learn any facts that cause us to assume that the condensed Group interim financial statement has not in essential respects been prepared in accordance with the IFRS for interim financial reporting, in the form adopted for use in the EU, or that the Group interim management report has not in essential respects been prepared in accordance with the standards applicable to Group interim management reports.

Hannover, 9 August 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Husch
(German Public Auditor)

Stiede
(German Public Auditor)

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This is a translation of the original German text; the German version shall be authoritative in case of any discrepancies in the translation.

Interim Report online:

www.talanx.com ► Investor Relations

Financial calendar 2012/13

14 November 2012

Interim Report as at 30 September

21 March 2013

Annual Results Press Conference
Annual Report 2012

15 May 2013

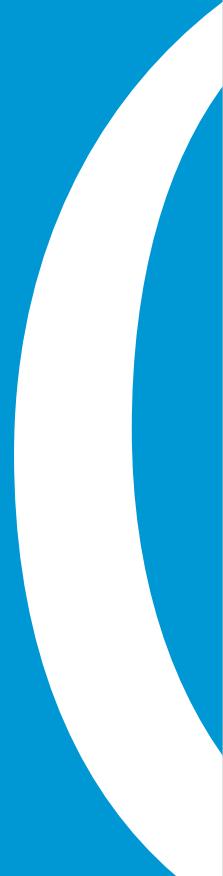
Interim Report as at 31 March

14 August 2013

Interim Report as at 30 June

14 November 2013

Interim Report as at 30 September



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