Q3

Group Interim Report as at 30 September 2012

talanx.

Talanx Group at a glance

		1.1.–30.9.2012	1.1.–30.9.2011	+/– %
Gross written premium	*in EUR million*	**19,847**	**17,843**	**+11**
by region				
Germany	*in %*	36	38	–2 pt.
United Kingdom	*in %*	10	11	–1 pt.
Central and Eastern Europe including Turkey (CEE)	*in %*	5	4	+1 pt.
Rest of Europe	*in %*	16	16	—
USA	*in %*	13	12	+1 pt.
Rest of Northern America	*in %*	2	2	—
Latin America	*in %*	7	7	—
Asia and Australia	*in %*	9	8	+1 pt.
Africa	*in %*	2	2	—
Net premium earned	*in EUR million*	**15,851**	**14,216**[4]	**+12**
Underwriting result	*in EUR million*	**–1,146**	**–1,366**[4]	**+16**
Net investment income	*in EUR million*	**2,817**	**2,352**	**+20**
Return on investment[1]	*in %*	**4.3**	**3.8**	**+0.5 pt.**
Operating profit (EBIT)	*in EUR million*	**1,312**	**718**[4]	**+83**
Net profit/loss for the period (after financing costs and taxes)	*in EUR million*	**955**	**564**[4]	**+69**
thereof shareholders of Talanx AG	*in EUR million*	549	327[4]	+68
Return on equity[2]	*in %*	**12.2**	**8.6**	**+3.6 pt.**
Earnings per share				
Basic earnings per share	*in EUR*	2.64	1.57	+68
Diluted earnings per share	*in EUR*	2.64	1.57	+68
Combined ratio in non-life insurance and reinsurance[3]	*in %*	**97.1**	**102.0**	**–4.9 pt.**
Combined ratio of the property/casualty insurers	*in %*	98.0	98.2	–0.2 pt.
Combined ratio in non-life reinsurance	*in %*	96.5	104.9	–8.4 pt.

		30.9.2012	31.12.2011	+/– %
Policyholders' surplus	*in EUR million*	**13,537**	**11,309**[4]	**+20**
Equity attributable to shareholders of Talanx AG	*in EUR million*	6,572	5,409[4]	+22
Non-controlling interests	*in EUR million*	4,055	3,285	+23
Hybrid capital	*in EUR million*	2,910	2,615	+11
Investments under own management	*in EUR million*	**83,200**	**75,750**	**+10**
Total investments	*in EUR million*	**97,215**	**87,467**	**+11**
Total assets	*in EUR million*	**128,559**	**115,273**[4]	**+12**
Staff	*capacity*	**20,857**	**17,061**	**+22**

[1] Annualised net investment income without interest income on funds withheld and contract deposits relative to average investments under own management (30.9. and 31.12.)
[2] Annualised net profit/loss for the period without non-controlling interests relative to average equity without non-controlling interests
[3] Combined ratio adjusted for interest income on funds withheld and contract deposits, before elimination of intra-Group cross-segment transactions
[4] Adjusted on the basis of IAS 8, see section „Accounting policies", subsection „Changes in accounting policies and accounting errors" of the Notes

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Valid: 30 September 2012

Group Management Report

Markets and business climate

Overall economic development

The European sovereign debt crisis was undisputedly the key issue in the first nine months of 2012. It had an increasing influence over the course of the year on global economic developments, which were characterised overall by disappointing economic data in the Eurozone and most recently by slackening economic growth in the USA and China. The ECB announced details of its new bond purchase programme in September. This will allow it to make unlimited purchases of government bonds from crisis-hit countries such as Spain and Italy in future, after the country in question has applied for assistance from the European Stability Mechanism (ESM). The German Federal Constitutional Court has approved the ESM bailout fund on certain conditions.

The economy in the Eurozone has entered recession as a result of numerous negative factors. Having stagnated in the first quarter of 2012, it contracted by 0.4% in the second quarter. The German economy recorded unexpectedly strong growth in the first quarter of 2012 and also showed an impressive performance in the second quarter, with growth of 0.3% compared with the previous quarter. However, economic indicators also became significantly bleaker in Germany. The respected ifo index fell for the fifth consecutive month in September, reaching a two-year low. The unemployment rate in the Eurozone reached a record level of 11.4% in summer 2012, soaring to almost 26% in Spain in September.

Growth in the USA slowed from an annualised rate of 2.0% in the first quarter to 1.3% in the second quarter. Growth in the third quarter of 2012 was at best moderate, at 2.0% according to provisional figures, after the US economy was still growing impressively at an annualised rate of 4.1% in the fourth quarter of 2011. The US labour market has regained momentum slightly, reflected in an unemployment rate of 7.8% in September, following rates of over 8% so far this year. The UK experienced a recession similar to that of the Eurozone, recording falls of 0.3% and 0.4% respectively in the first and second quarters of 2012, although it then reported growth of 1.0% in the third quarter of 2012 compared with the preceding quarter. There are many indications that this growth was largely a one-off effect that was due in particular to the Olympic Games.

The monetary policy pursued by the major central banks remained expansive during the course of the year. In the Eurozone, the ECB cut its base rate from 1.0% to 0.75% in July. In the USA, the Fed expanded its "quantitative easing" programme and indicated in the third quarter of 2012 that the period of its de facto zero interest rate policy may be extended until mid-2015. In the UK, the Bank of England expanded its securities purchase programme by a further GBP 50 billion to GBP 375 billion.

Having benefited early in the year from a temporary easing of the debt crisis, the euro plummeted in value again in the second quarter. It then recovered in the third quarter after the ECB announced its intention to support the euro, briefly reaching exchange rates of over 1.31 EUR/USD. The euro also appreciated against the pound, peaking at around 0.81 EUR/GBP. The Swiss central bank's declaration that it would no longer tolerate an exchange rate below 1.20 EUR/CHF had an impact, although the euro then rose again to around 1.21 EUR/CHF in September.

Capital markets

The European debt crisis and the liquidity and refinancing situation in the banking sector also dominated developments on the bond markets in the first nine months of 2012. There was very little activity in new issues across much of the market in the second quarter, while the bond markets were much more volatile again. An above-average level of activity in August was followed by even greater activity in September.

Despite the emergence of concerns that the crisis could escalate again, a relatively stable trend in narrowing of spreads on the credit markets began in July/August. This positive development was due above all to the ECB's clear position with the announcement of further bond purchases. In this climate, there was brisk refinancing activity among issuers of corporate bonds and covered bonds, which met with considerable interest from investors. Ratings on the whole remained under pressure. Various banks and countries (Spain, Italy, Slovenia, Cyprus) in the Eurozone underwent downgrades in the third quarter, a trend that may not yet be over.

Overall, yields for low-risk bonds have fallen significantly so far this year, with German government bonds with a remaining term of up to three years even recording negative returns at times. The yields on many AAA government bonds with a maturity of less than one year remained virtually zero at the end of the third quarter. Two-year German government bonds listed at 0.02% and five-year bonds at 0.51% at the end of September, while ten-year German government bonds showed a yield of 1.44%.

Political measures such as base rate cuts in the Eurozone and China, the ECB's plans to buy up more government bonds and further quantitative easing by the Fed boosted share prices in the third quarter, after equities had come under severe pressure in the second quarter. The DAX and the EURO STOXX 50 held their ground very well compared with the beginning of the year. The Dow Jones also registered impressive growth of around 10% in total. The further stabilisation of the US housing market is likely to have had a positive impact here.

The insurance markets

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

Waning economic growth, which has recently led to a slowdown in economic development in Germany, has to date had barely any negative impact on the German insurance sector. This is reflected both in demand for insurance cover remaining robust and sentiment in the German insurance sector staying favourable overall in the third quarter. If we look at the individual lines of business, however, it becomes clear that the mood in the sector is being assessed differently.

The business climate in the German property and casualty insurance sector deteriorated in the third quarter in terms of both the current situation and expectations for the rest of the year. The tendency towards a slowdown was most marked in motor insurance and legal protection insurance. In contrast, the climate in liability insurance and commercial/industrial lines of insurance actually improved slightly.

Estimates for growth in premium income in property and casualty insurance are more optimistic than in the previous quarter. Positive growth rates are expected in motor insurance and in commercial/industrial lines of business in particular, i.e. in non-private property insurance, credit insurance and marine and aviation insurance.

Claims expenses are generally expected to increase year-on-year. Estimates as to the extent of this increase were more moderate in the third quarter than in the previous quarter. The situation is easing, i.e. the increase in claims has been smaller than previously expected, particularly in commercial/industrial lines of business, liability insurance and motor insurance.

The business climate in German life insurance improved in the third quarter, a development influenced by more confident assessments of business prospects for the rest of the year. Sentiment readings for annuity insurance and occupational disability insurance are well above the average figures for the mood in the life insurance sector. The figures for all other lines of life insurance are lower, in some cases significantly so.

Expectations for premium income in new business have been lowered. In single-premium business, premiums experienced a stronger drop in the third quarter than they had to date during the trend towards normalisation that has been observed since 2011. A significant year-on-year drop is now anticipated in single-premium business for 2012 as a whole. New business with regular premium payments also declined in the third quarter, although to a lesser extent. This applied to endowment life insurance, unit-linked life insurance and unit-linked annuity insurance. The development of premiums is expected to be positive in new business with regular premium payments in other lines of life insurance.

The business climate on international non-life reinsurance markets was largely favourable in the third quarter, which was linked above all to a comparatively small number of disasters. Although the single most damaging event was hurricane "Isaac", the hurricane season as a whole was moderate and caused only relatively low claims expenses for reinsurers.

General conditions in international life and health reinsurance remained positive in the third quarter. Mature insurance markets such as the USA, the UK, Germany, France and Scandinavia continue to offer promising business opportunities owing to demographic trends. As the population of emerging countries in Asia and Latin America becomes increasingly affluent, demand is also increasing for life insurance and pension insurance products. This is resulting in opportunities to develop and introduce new insurance products in line with demand, which are geared towards regulatory frameworks and living conditions on these markets.

Business development of the Talanx Group

- Talanx AG goes public on 2 October 2012
- Acquisition of WARTA concluded on 1 July 2012
- More than half of employees abroad

	1.1.–30.9. 2012	1.1.–30.9. 2011[1]	+/– %
Figures in EUR million			
Gross written premium	19,847	17,843	+11
Net premium earned	15,851	14,216	+12
Underwriting result	–1,146	–1,366	+16
Net investment income	2,817	2,352	+20
Operating result (EBIT)	1,312	718	+83
Combined ratio (net, property and casualty only)	97.1%	102.0%	–4.9 pt.

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

The third quarter was shaped at Talanx AG by preparations for the company's IPO. Trading in the company's shares began on 2 October at EUR 19.05, after the shares were issued at a price of EUR 18.30. Talanx is aiming to finance organic growth and acquisitions – the latter partly through the repayment of loans for the acquisitions in Poland – and to strengthen its capital base. As the IPO took place after the end of the third quarter, it is not reflected in the financial statements as at 30 September 2012, apart from the capital contribution paid. Shareholders' equity of Talanx AG increased by EUR 817 million in October as a result of the IPO (before the cost of obtaining equity); after that, the free float among private and institutional investors amounts to 11.2%, while insurance company Meiji Yasuda, Talanx AG's Japanese partner, holds 6.5% and HDI V.a.G., until now the sole shareholder, owns the remaining 82.3%. This mutual is to maintain a majority stake in Talanx AG in the long term. Between 35% and 45% of IFRS Group net income after non-controlling interests is to be paid out in dividends.

As already mentioned in the half-yearly interim report, Talanx concluded the takeover of Polish group WARTA on 1 July. The group had gross premiums of approximately EUR 1.2 billion and 1.5 million customers in the 2011 financial year. This major acquisition will allow Talanx to develop the attractive Polish market as a second core market and will make it the second-largest insurance group represented in the country.

The Group's strong international growth is also reflected in the composition of its workforce of approximately 22,000 (as at 30 September 2012). Over half of our employees are now based outside Germany.

In our German retail business, the merger of the risk carriers HDI Direkt Versicherung AG and HDI-Gerling Firmen und Privat Versicherung AG took place as planned at the end of September. The new company, which offers property and casualty insurance in Germany, has been renamed HDI Versicherung AG. Other HDI-Gerling companies were also rebranded at the same time, ensuring that the entire division will in future operate exclusively under the HDI brand, with the exception of the bancassurance companies. This will improve efficiency in the division. The product range, which until now has been duplicated in many areas, will also become simpler and more transparent for customers. 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 staff measures and resulting cost savings, have got under way.

Premium volume

The Group gross written premium was up 11% year-on-year at EUR 19.9 (17.8) billion. With adjustments for exchange rate effects, the level of growth would have been almost 9%. Double-digit growth was recorded in premiums in all segments apart from Retail Germany. Net premium earned improved by around 12% to EUR 15.9 (14.2) billion. The Retail International Division made a particularly large contribution to this, with an increase of almost one third in net premium volume. A significant part of this increase also came from the two reinsurance segments, which recorded a high level of organic growth.

Underwriting result

Following a good second quarter, the Group underwriting result was also up significantly for the first nine months, owing to the moderate burden of major losses, particularly in the Non-Life Reinsurance segment. It amounted to –EUR 1.1 (–1.4) billion. The burden of major losses at the Group totalled EUR 243 million for the first nine months of 2012, a reduction of almost three quarters compared with the corresponding period of the previous year (EUR 860 million). This was largely due to the much lower major loss ratio in the Non-Life Reinsurance segment. The underwriting result is regularly negative at Group level, since participation of policyholders in the investment income of our life insurers is included.

The combined ratio improved by 4.9 percentage points to 97.1 (102.0)% compared with the same period of the previous year, in which the volume of claims was relatively high. This was due to a total reduction of 4.5 percentage points in the loss ratio – particularly stemming from the Non-Life Reinsurance segment – and a slight drop in the expense ratio, mainly in the Retail International segment.

Net investment income

Net investment income improved significantly. It increased most in the Retail International segment (+79%), due to an improvement in the extraordinary profit at one company in this division; in the Non-Life Reinsurance segment, unrealised gains from inflation swaps and income from the sale of real estate contributed to the increase, while in the Life and Health Reinsurance segment (+39%), an improvement in the unrealised net gain from ModCo derivatives was the reason for the increase. The Group's net investment income as a whole increased by 20% to EUR 2.8 (2.4) billion. A rise in ordinary investment income played a part in this.

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

Operating result

The Group's operating profit (EBIT) grew by 83% to EUR 1,312 (718) million, having been boosted by high net investment income and the moderate level of major losses, together with the associated improvement in the underwriting result.

Taxes on income amounted to –EUR 218 million, including a one-off effect (deferred tax income) from restructuring in the Retail Germany segment. In the same period of the previous year, they amounted to –EUR 30 million, mainly owing to a tax effect in Non-Life Reinsurance. Although this effect no longer applied in the first nine months of 2012, net income for the period rose by 69% to EUR 955 (564) million. Of this sum, EUR 549 (327) million was attributable to shareholders of Talanx AG. Basic earnings per share were EUR 2.64 (1.57), calculated based on the number of shares as at 30 September (208,000,000). Assuming that all capital measures had been carried out during the period under review, basic earnings per share would have been EUR 2.17.

Return on equity (annualised) was 12.2 (8.6)%.

Business development of the segments
Industrial Lines

- Harder market in German motor insurance business has positive impact on premium volume
- Moderate major loss experience in the first nine months
- Net investment income improves by 20%

	1.1.–30.9. 2012	1.1.–30.9. 2011	+/– %
Figures in EUR million			
Gross written premium	2,849	2,556	+11
Net premium earned	1,182	1,095	+8
Underwriting result	69	74	–7
Net investment income	181	151	+20
Operating result (EBIT)	215	168	+28
Combined ratio (net)	94.3%	93.1%	+1.2 pt.

The Industrial Lines Division is led by HDI-Gerling Industrie Versicherung AG (HDI-Gerling Industrie), also by far the largest company in this Group segment. In addition to 11 sites throughout Germany, it operates in around 130 countries through branches, subsidiaries and network partners. As an internationally operating industrial insurer, HDI-Gerling Industrie supports its clients in Germany and around the world with comprehensive insurance solutions optimally tailored to their individual needs. The product range encompasses liability, motor, accident, fire and property insurance as well as marine, special lines and engineering insurance.

Premium volume

The segment's gross written premium amounted to EUR 2.8 (2.6) billion as at 30 September 2012, an increase of around 11%. With adjustments for exchange rate effects, growth would have been one percentage point lower.

The continuing upward trend in premiums, already apparent in the first half of the year, was driven by the fire, liability and motor insurance divisions. However, the marine, accident and aviation insurance divisions also performed well. On the German motor insurance market in particular, ongoing market hardening had a positive impact on premium volumes and the portfolio. The marine insurance division's overall performance was positive, owing to expansion of international programmes, while the accident insurance division was boosted mainly by new business from two major alliances. The German liability insurance business also performed well. Despite the competitive market, we managed to maintain profitable connections as well as gaining new customers.

Overall premium development at foreign companies in the segment was stable. The Dutch and Spanish subsidiaries are worth special mention. As the Dutch insurance market generally offers little opportunity for organic growth, premium growth at our subsidiary HDI-Gerling Verzekeringen was largely due to the acquisition of Nassau Verzekering Maatschappij N.V. in 2011. Gross premiums at the segment's Spanish company were boosted by new business in Latin America and local participation business, despite the difficult overall economic situation.

Reinsurance premium written rose by around 12% year-on-year to EUR 1.5 (1.3) billion, a slightly disproportionate increase that was due mainly to the addition of major fronting connections at HDI-Gerling Industrie and the Belgian subsidiary. Net premium earned in the segment nevertheless rose by 8% to EUR 1.2 (1.1) billion.

Underwriting result

The segment's net underwriting result amounted to EUR 69 (74) million, slightly lower than in the same period of last year. Net technical expenses* rose by almost 10% to EUR 1,129 (1,027) million. This development followed an increase in net premium earned, which led to a very good loss ratio of 73.0 (71.8)%. At 21.2 (21.4)%, the net expense ratio was down slightly year-on-year, resulting in a combined ratio of 94.3 (93.1)% for the Industrial Lines segment.

Owing to high levels of reinsurance cover, the current year's major losses in the fire insurance division had little net impact. While acquisition costs and administrative expenses were largely normal, other technical expenses dropped by 79% to EUR 7 (31) million. This includes the change in reserves for reinstatement premiums, primarily resulting from the natural disaster in Japan in fire insurance, which was recognised in the previous year in other technical expenses, but this year is recognised under reinsurance premiums.

Net investment income

Net investment income grew by 20% to EUR 181 (151) million. This change was mainly due to an improvement in the extraordinary result** of HDI-Gerling Industrie, which had been affected in the previous year by write-downs on securities and, to a lesser extent, write-downs on Greek government bonds. In contrast, the sale of about 75% of the dividend portfolio generated income this year. On the whole, there were no significant differences in net investment income for the other companies compared with the previous year.

Operating result

The segment's operating profit increased significantly to EUR 215 (168) million in the first nine months, owing to the above developments. This was due in particular to the substantial improvement in net investment income and other income, which rose by 40% to –EUR 35 (–57) million. The slight drop in the underwriting result was more than offset. Operating profit of HDI-Gerling Industrie, which dominates the segment, grew by 103% year-on-year to EUR 242 (119) million, due mainly to an increase of 49% in net investment income to EUR 209 (141) million and an improvement in other income to –EUR 17 (–82) million.

There was a noticeable change at the Dutch subsidiary, whose operating result dropped to EUR 8 (12) million compared with the corresponding period of the previous year. However, this development was influenced to a large extent by the integration of Nassau Verzekering Maatschappij N.V., which means that a comparison with the previous year is difficult. Due to a significant improvement of 97% in its net underwriting result to EUR 4 (2) million, the Spanish company increased its operating result to EUR 7 (5) million. The Austrian subsidiary's operating result contracted to EUR 7 (8) million. In contrast to the previous year, only EUR 4 million was attributed to the Industrial Lines segment and the rest to the Retail International segment.

* Claims and claims expenses, acquisition costs and administrative expenses and other technical expenses, taking into account the reinsurers' share in each case

** Income from realised and unrealised gains and losses including appreciation and depreciation/impairments

Retail Germany

- Mergers and consistent use of the HDI brand expected to improve cost efficiency
- Bancassurance companies grow against market trend
- Reinforcement of technical provisions in life insurance

	1.1.–30.9. 2012	1.1.–30.9. 2011[1]	+/– %
Figures in EUR million			
Gross written premium	5,056	5,006	+1
Net premium earned	3,908	3,882	+1
Underwriting result	–1,121	–972	–15
Net investment income	1,236	1,149	+8
Operating result (EBIT)	64	111	–42
Combined ratio (net, property and casualty only)	102.3%	101.8%	+0.5 pt.

[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 German retail clients served by HDI 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.

Property/casualty insurers HDI Direkt Versicherung AG and HDI-Gerling Firmen und Privat Versicherung AG merged at the end of the third quarter and were subsequently renamed HDI Versicherung AG. Life insurer HDI-Gerling Lebensversicherung AG was rebranded HDI Lebensversicherung AG, so that the HDI brand is now used consistently for retail business.

Premium volume and new business

Gross written premium in the Retail Germany segment – including savings elements under unit-linked life insurance – amounted to EUR 5.1 (5.0) billion in the period under review. The previous year's figures included EUR 48 million for the private legal protection insurance business, which was sold in 2011. In life insurance, premium income with gross written premium including savings elements under unit-linked life insurance remained stable at EUR 3.7 (3.7) 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 declined at HDI Lebensversicherung AG in line with the market, the bancassurance companies grew against the market trend both in business with regular premium payments and in single-premium business.

Particularly in motor insurance, higher profitability in business led to an increase in gross premium income at HDI Versicherung AG (+4%). The slight decrease in premiums in property/casualty insurance as a whole was due to the sale of the legal protection insurance business, which was still included in the previous year's figures.

New business for companies in the segment – measured by the internationally used standard of the Annual Premium Equivalent (APE) – amounted to EUR 480 (503) million. The development of the individual risk carriers in life insurance varied considerably, but overall remained at almost the same level as in the previous year. Business was particularly positive at neue leben Lebensversicherung AG, which benefited from strong single-premium business, and at PB Lebensversicherung AG, which recorded significant growth in business with regular premium payments.

Underwriting result

The underwriting result decreased by 15% to –EUR 1,121 (–972) million. Its development was again dominated by life insurance products. Their share amounted to –EUR 1,100 (–954) million. This essentially includes factors such as compounding technical provisions and participation of our policyholders in net investment income. Income corresponding to these expenses, however, is recognised in net investment income and thus in the non-underwriting result. Increased interest-related amortisation taken on acquired insurance portfolios also made a significant contribution to performance. The possible consequences of the transfer to our life insurers of the Federal Court of Justice decision this year on the validity of general conditions of insurance of a non-Group life insurer were taken into account as a precaution. The underwriting result for property insurers remained essentially unchanged year-on-year.

Net investment income

The segment's net investment income grew by 8% to EUR 1.2 (1.1) billion, with life insurance products accounting for 93% of this sum. The lion's share of this figure of around EUR 1,147 (1,064) million was credited pro rata to the life insurance policyholders. This development was due to a significant improvement in the life insurers' extraordinary profit.

Operating result

Operating profit of the Retail Germany segment contracted by 42% to EUR 64 (111) million. Low interest rates on the capital market also had a negative impact.

Overview of the Retail Germany segment – further key figures	1.1.–30.9. 2012	1.1.–30.9. 2011[1]	+/– %
Figures in EUR million			
Gross written premium	**5,056**	**5,006**	**+1**
Property/casualty	1,316	1,336	–2
Life	3,740	3,670	+2
Net premium earned	**3,908**	**3,882**	**+1**
Property/casualty	1,077	1,073	–0,4
Life	2,831	2,809	+1
Underwriting result	**–1,121**	**–972**	**–15**
Property/casualty	–22	–20	+10
Life	–1,100	–954	+15
Other	1	2	–50
Net investment income	**1,236**	**1,149**	**+8**
Property/casualty	89	83	+7
Life	1,147	1,064	+8
Other	—	2	–100
New business measured in annual premium equivalent	**480**	**503**	**–5**
Single premiums (life)	973	866	+12
Regular premiums (life and non-life)	383	416	–8
New business by products in annual premium equivalent	**480**	**503**	**–5**
Motor	106	118	–11
Property insurance	11	9	+19
Liability insurance	21	15	+36
Accident insurance	10	11	–13
Other property/ casualty insurance	10	23	–57
Unit-linked life and annuity insurance	107	102	+5
Classical life and annuity insurance	163	174	–6
Term life products	50	49	+3
Other life products	3	2	+99

[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

- Second-biggest provider on the Polish property and life insurance market following takeovers
- Acquired companies play a significant part in boosting sales and profitability
- Substantial increase in net investment income

	1.1.–30.9. 2012	1.1.–30.9. 2011 [1]	+/– %
Figures in EUR million			
Gross written premium	2,231	1,774	+26
Net premium earned	1,801	1,359	+33
Underwriting result	−25	−51	+51
Net investment income	201	112	+79
Operating result (EBIT)	75	16	+369
Combined ratio (net, property and casualty only) [2]	97.8%	99.9%	−2.1 pt.

[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 Division 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. 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 life insurance.

The Division is present in the two largest and fast-growing core markets within each of our strategic target regions, Brazil and Mexico in Latin America and Poland and Turkey in Central and Eastern Europe.

The main developments in the first nine months of 2012 were the acquisition and integration of companies in these target regions. The takeover of the WARTA Group from the Belgian KBC Group was concluded on 1 July. The acquisition of 50% plus one share in the TU Europa Group, which offers both life and property/casualty insurance products, was completed one month earlier, on 1 June. Our strategic partner Meiji Yasuda owns 30% of shares in WARTA and a significant minority holding in the TU Europa Group. The acquisition of the property/casualty and life insurer Metropolitana Compañía de Seguros S. A. de CV in Mexico had already been completed at the beginning of the year.

Premium volume

The segment's gross written premium (including premiums from unit-linked life and annuity insurance) rose by around 26% year-on-year to EUR 2.2 (1.8) billion. Most of this premium growth was attributable to inorganic growth (acquisitions in Poland and Mexico, reallocation of the Austrian retail business). Organic growth amounted to +3% after conversion into euros. With adjustments for exchange rate effects, the level of growth was +9%.

Gross written premium growth was primarily influenced by positive developments in property/casualty business, where premiums rose by 29% to EUR 1.6 billion, including a significant contribution from the new companies. The life insurance business grew by 19% to EUR 623 million, largely owing to the first-time inclusion of the new Polish life insurers.

In Latin America, around three quarters of our total premium income comes from the Brazilian market, where the Retail International Division operates mainly in motor insurance. The Brazilian company HDI Seguros' written premiums stagnated compared with the previous period, owing to exchange rate effects. With adjustments for exchange rate effects, the company's premium income rose by 7%. In contrast, premium growth of 81% or EUR 46 million was recorded in Mexico, of which EUR 41 million was inorganic growth achieved by Metropolitana Compañía de Seguros S. A. de CV.

The takeover of the WARTA Group and the TU Europa Group has made Talanx the second-largest provider on the Polish property/casualty and life insurance market, according to the Polish supervisory authority's statistics. The Polish companies accounted for 25% (18%) of the division's total written premium. Premium income for TUiR WARTA S. A. and its subsidiaries of EUR 203 million for one quarter was included for the first time. Premium income for the TU Europa Group amounted to EUR 87 million for four months. HDI Asekuracja performed slightly better than in the previous year, while the gross premium income of the life insurer HDI-Gerling Źycie fell by 47% in euros, owing to a one-off effect arising from a higher level of single-premium business in the corresponding period of 2011.

Our Turkish property/casualty insurance company HDI Sigorta recorded premium growth of 29% in euros (in local currency: +30%), mainly due to a rise in average premiums in motor insurance and an increase in sales through agencies in other property/casualty insurance business.

Life insurance premiums at Italian company HDI Assicurazioni rose by 11% compared with the same period of last year, largely owing to higher income from a banking sales channel. Growth of around 9% was achieved in property/casualty insurance, particularly in motor third-party liability insurance, due to higher average premiums and the conclusion of a large number of new contracts.

Within the other life insurance companies, the Hungarian company increased its premium volume by 18% in euros (in local currency: +27%). The Turkish company CiV Hayat Sigorta recorded a 32% increase in premium volume in euros (in local currency: +34%), partly as a result of an increase in sales of single-premium endowment life insurance.

Underwriting result

The combined ratio in international property/casualty insurance was 97.8 (99.9)%, 2.1 percentage points better than in the corresponding period. Although the Polish company HDI Asekuracja was burdened by the consequences of various major loss events – some of which were in the agricultural sector – and by a tornado, and the Italian company HDI Assicurazioni recorded an increase in loss expenditure, these developments were more than offset. In particular, the newly acquired companies TUiR WARTA S. A. in Poland and Metropolitana in Mexico contributed to an improvement in the combined ratio.

The Division's underwriting result amounted to –EUR 25 (–51) million, an improvement of around 51% compared with the corresponding period of the previous year. An additional reserve of a seven-digit sum in euros (in connection with the ruling of the Federal Court of Justice) had a negative impact on the underwriting result for life insurance.

Net investment income

Net investment income in the segment amounted to EUR 201 million as at the end of the third quarter of 2012, a figure almost double that of the comparable period. This increase was due partly to an improvement in ordinary investment income, owing to larger investment portfolios across the board, and partly to the inclusion of the new Polish companies. In contrast, 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 15 million. Net investment income also includes income from investment contracts in the amount of EUR 5 million.

* Income from realised and unrealised gains and losses including appreciation and depreciation/impairments

Operating result

The operating profit (EBIT) of the Retail International Division increased by EUR 59 million year-on-year, thanks to an improvement in the underwriting result combined with higher net investment income. This resulted in an increase of 3.0 percentage points in the EBIT margin, to 4.2%.

Overview of the Retail International segment – further key figures	1.1.–30.9. 2012	1.1.–30.9. 2011 [1]	+/– %
Figures in EUR million			
Gross written premium	**2,231**	**1,774**	**+26**
Property/casualty	1,608	1,249	+29
Life	623	525	+19
Net premium earned	**1,801**	**1,359**	**+33**
Property/casualty	1,398	1,076	+30
Life	403	283	+42
Underwriting result	**–25**	**–51**	**+51**
Property/casualty	30	1	>999
Life	–55	–52	–6
Other	—	—	—
Net investment income	**201**	**112**	**+79**
Property/casualty	112	71	+58
Life	88	41	+115
Other	1	—	—
New business measured in annual premium equivalent	**743**	**651**	**+14**
Single premiums (life)	380	307	+24
Regular premiums (life and non-life)	705	621	+14
New business by products in annual premium equivalent	**743**	**651**	**+14**
Motor	424	438	–3
Property insurance	100	57	+75
Liability insurance	36	23	+56
Accident insurance	10	13	–18
Other property/ casualty insurance	98	60	+65
Unit-linked life and annuity insurance	19	22	–13
Classical life and annuity insurance	19	14	+35
Term life products	22	12	+83
Other life products	15	13	+17

[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

- Good underwriting result supported by moderate major loss development
- Drought in the USA is largest single loss
- Very good net investment income owing to increase in ordinary income and net gains on disposal

	1.1.–30.9. 2012	1.1.–30.9. 2011	+/– %
Figures in EUR million			
Gross written premium	5,897	5,220	+13
Net premium earned	5,017	4,391	+14
Underwriting result	170	–224	+176
Net investment income	730	608	+20
Operating result (EBIT)	806	352	+129
Combined ratio (net)	96.5%	104.9%	–8.4 pt.

The Talanx Group's Reinsurance Division is operated almost exclusively by the Hannover Re Group, a global leader in reinsurance. 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 segment in the first nine months was highly satisfactory, largely owing to moderate overall development of major losses and the predominantly positive situation on international reinsurance markets. We were thus able to achieve rate increases in most cases in renewals on 1 July 2012, focusing on North America, Australia and New Zealand.

Although a consistent pattern of market hardening cannot yet be discerned in North America, we are broadly satisfied with the development of prices. The trend towards further rate increases continued in property catastrophe reinsurance, against the backdrop of adjustments to natural catastrophe models and last year's tornado events. Signs of recovery were noted in casualty business. Although no consistent improvement was achieved in prices and conditions for reinsurance in North America, they at least remained stable. We were very satisfied with renewals for our Canadian business.

The majority of business in Australia and New Zealand is traditionally due for renewal on 1 July 2012. We were able to achieve significant rate increases in these regions following the damage caused by natural disasters incurred in the previous year. Prices rose by a double-digit percentage for loss-impacted programmes, for example. Rate increases were also recorded in the casualty lines. These price increases were not solely due to the natural disasters of 2011. There was also a positive impact from increased purchases of reinsurance cover due to the supervisory authorities strengthening their requirements for improved capital management. Lower investment income resulting from a significant reduction in the interest rate curve has led to greater market player discipline in negotiating improved conditions in primary insurance and reinsurance.

Premium volume

Gross premium for the Non-Life Reinsurance segment was up 13% year-on-year as at 30 September 2012, at EUR 5.9 (5.2) billion. At constant exchange rates, especially against the US dollar, growth would have been about 9%. The retention ratio remained virtually unchanged at 89.9 (90.3)%. Net premium earned climbed 14% to EUR 5.0 (4.4) billion, or 10% after currency adjustments.

Underwriting result

Major losses were once again relatively low in the third quarter. At EUR 61 million, the net burden was well below the loss expectancy of EUR 178 million. The largest single loss for us in the third quarter was the drought in the USA, which caused widespread agricultural damage. However, as our focus in this region was mainly on non-proportional reinsurance contracts with an upper limit, our exposure is very moderate according to the information currently available, at EUR 49 million. As in previous years, the potential losses from hurricanes remained relatively low for reinsurers in 2012. Hurricane "Isaac" resulted in a net burden of losses of EUR 11 million for us. The net burden of major losses for the entire nine-month period was EUR 193 million, compared with EUR 743 million in the corresponding period of the previous year.

The combined ratio as at 30 September 2012 was 96.5 (104.9)%, reflecting our conservative reserving policy. The underwriting result was positive at EUR 170 (–224) million.

Net investment income

Net investment income rose by EUR 122 million to EUR 730 million, mainly owing to unrealised gains from inflation swaps and net gains on disposal, inter alia from the sale of real estate in the USA.

Operating result

Operating profit (EBIT) for Non-Life Reinsurance increased considerably to EUR 806 (352) million as at 30 September 2012.

Life and Health Reinsurance

- High demand for life insurance and pension insurance in emerging markets
- Strong growth in premium income in Asia and Latin America
- Net investment income up 40% owing to ModCo treaties

	1.1.–30.9. 2012	1.1.–30.9. 2011	+/– %
Figures in EUR million			
Gross written premium	4,399	3,844	+15
Net premium earned	3,941	3,487	+13
Underwriting result	–238	–193	–23
Net investment income	486	350	+39
Operating result (EBIT)	215	147	+47

The Group segment of Life/Health Reinsurance combines all reinsurance activities in the life, annuity and health lines. The Hannover Re Group also writes accident insurance provided by life insurers under this segment.

Market development

The positive trend of the first half of the year has continued unabated in the international life and health reinsurance market. We support primary insurers with liquidity and capital management, and in the field of risk management, in mature insurance markets such as the USA, Germany, the UK, France and Scandinavia. Along with major emerging markets in Asia, certain regions in Latin America are increasing in importance. Demand for life insurance and pension insurance is particularly high in these countries, as the population is becoming increasingly affluent. We support our business partners in these regions in designing and implementing new, innovative insurance products in line with the needs and living conditions of policyholders.

Premium volume

The Life/Health Reinsurance segment continued to perform in line with our positive expectations in the third quarter of 2012. Gross premium income amounted to EUR 4.4 (3.8) billion as at 30 September 2012, an increase of around 15%. At constant exchange rates, growth would have come in at 9%. Net premium earned rose by 13% to EUR 3.9 (3.5) billion in the period under review. With adjustments for exchange rates, growth would have been 7%.

The Asian and Latin American markets remain major drivers of growth, with year-on-year growth in premiums of around 28% and 29% respectively. Significant increases in premiums were also recorded in the USA, Australia and France.

Underwriting result

The claims experience was poorer than expected in part of our US mortality business, which had a negative impact on the underwriting result. At –EUR 238 million, it was down 23% compared with the same period of the previous year (–EUR 193 million).

Net investment income

The derivative that we recognise for the default risk associated with securities held for our account by US clients (under so-called ModCo treaties) developed favourably in the third quarter. Income has thus risen by EUR 46 million since the beginning of 2012 and by EUR 116 million year-on-year.

Operating result

Operating profit (EBIT) was positive, with an increase of 47% in the period under review from EUR 147 million in the same period of the previous year to EUR 215 million. The EBIT margin was 5.5 (4.2)%.

Corporate Operations

- Investments under own management up 10%
- Repurchase of selected bonds successful
- Operating result improves by EUR 41 million

The Corporate Operations segment comprises Talanx AG, the in-house service providers Talanx Service AG and Talanx Systeme AG, asset management, Talanx Reinsurance Broker AG and Talanx Reinsurance (Ireland) Limited in Dublin.

Talanx AG's invitation during the third quarter to repurchase selected bonds met with a very positive response. In total, investors offered the company bonds with a nominal value of around EUR 204 million for repurchase, which Talanx redeemed in full on 11 July 2012.

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 contribution of the two companies and of Talanx Immobilien Management GmbH to the segment's operating result for the first nine months of 2012 grew year-on-year by EUR 2 million to EUR 30 million.

As an investment company, AmpegaGerling Investment GmbH administers public and special funds and performs financial portfolio management tasks for institutional clients. It focuses on portfolio management and the administration of investments for clients outside the Group. The total volume of assets managed by AmpegaGerling rose by 11% to EUR 14.1 billion, compared with EUR 12.7 billion at the beginning of the year. Over half of this sum, EUR 7.9 (7.1) billion, was administered on behalf of Group companies through special funds and direct investment mandates. Of the remaining portion, EUR 2.9 (2.5) billion was attributable to institutional third-party clients and EUR 3.3 (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.

At the end of the third quarter of 2012, total investments under own management at the Talanx Group amounted to EUR 83.2 (75.7) billion, an increase of 10% 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 nine months of 2012 rose to EUR 11 (10) million, of which a significant portion will be reallocated to the ceding business segments. EUR 2 (3) million of this company's earnings therefore remained in the Corporate Operations segment.

Operating result

The operating result of the Corporate Operations segment improved to –EUR 18 (–59) million in the first nine months of 2012. This was mainly due to lower expenses for pensions and lower consulting fees at Talanx AG. The contribution of Talanx AG to the segment result thus improved to –EUR 65 (–93) million.

Assets and financial position
Assets

The Talanx Group's balance sheet structure is shaped by its nature as a diversified insurance group and its activities as a large, globally operating insurance group. Investments are the predominant asset, amounting to 65% of total assets – without taking into account funds withheld by ceding ↗ companies and investments under investment contracts (EUR 14.0 billion). 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 89.7 billion. Other important sources of funding include shareholders' equity (8% of the balance sheet total) and issued subordinated debt (2% of the balance sheet total).

Asset structure	30.9.2012		31.12.2011 [1]	
	In EUR million	*In %*	*In EUR million*	*In %*
Intangible assets	2,815	2	2,210	2
Investments	97,215	76	87,467	76
Investments for the account and risk of holders of life insurance policies	7,267	6	6,067	5
Reinsurance recoverables on technical provisions	7,023	5	6,467	6
Accounts receivable on insurance business	5,491	4	4,729	4
Deferred acquisition costs	4,295	3	4,012	3
Cash	1,474	1	1,570	1
Deferred tax assets	435	<1	322	<1
Other assets	1,948	2	1,864	2
Non-current assets and assets of disposal groups classified as held for sale	596	<1	565	1
Total assets	**128,559**	**100**	**115,273**	**100**

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

Amount and composition of assets

The substantial increase of EUR 13.3 billion in our total assets to EUR 128.6 billion can be attributed first and foremost to the integration of the Europa insurance group (TU Europa Group) and the WARTA Group into the Talanx Group, which led to marked growth in investments (+EUR 9,748 million) and a considerable increase in accounts receivable on insurance business (+EUR 762 million). At the same time, intangible assets grew by EUR 605 million (goodwill, PVFP, brand names acquired, distribution networks and customer relationships acquired) and reinsurance recoverables on technical provisions increased by EUR 556 million. Growth of 20% was also 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. For more detailed explanations of investments, please see "Notes on the individual items of the consolidated balance sheet" in the Notes.

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 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. For further explanations of all transactions, please see section VI of the Notes entitled “Non-current assets held for sale and disposal groups”.

Movements in investments

Breakdown of the investment portfolio	30.9.2012	31.12.2011
Figures in EUR million		
Investments under investment contracts	1,338	—
Funds withheld by ceding companies	12,677	11,717
Assets under own management	83,200	75,750
Total	**97,215**	**87,467**

By the third quarter of 2012, the total investment portfolio had grown by EUR 9.7 billion to reach EUR 97.2 billion. These increases can be attributed largely to reinvested ordinary income and cash inflows from underwriting business. 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, and fell during the first half of the year. In the third quarter, however, the US dollar depreciated against the euro. The rate settled at 1.29 USD/EUR at the end of the period under review and was thus essentially unchanged.

By the end of the third quarter, interest rates for low-risk bonds had fallen from their levels at the beginning of the year. Five-year German government bonds had declined about 30 basis points as at 30 September 2012. Interest rates also remained at low levels for ten-year German government bonds. As most funds for reinvestment come from the asset category “Financial assets available for sale”, which is recognised at fair value, falling interest rates are reflected in the balance sheet through higher market values for portfolios and thus lead to an increase in the relevant balance sheet item.

In total, 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 unchanged year-on-year. Equity holdings were reduced significantly in the course of 2011, owing to negative developments on the stock markets. After an 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 2012. There was a further strong increase in the third quarter, despite the continued negative impact from the global economic slowdown. The EURO STOXX 50 stood at 2,454 points at the end of September 2012, up 6% compared with the beginning of the year. The DAX closed at 7,216 points, an increase of 22% in relation to 1 January 2012. Fundamental valuations that have remained favourable in the long term provide support. The Talanx Group did not carry out any significant transactions on the stock market in the period under review.

In compliance with all legal requirements and internal Group guidelines, the diversification of the investment portfolio as at 30 September 2012 is virtually unchanged year-on-year.

Breakdown of the investment portfolio	30.9.2012	31.12.2011
In %		
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**

Breakdown of the assets under own management recognised in the balance sheet by asset class	**30.9.2012**		**31.12.2011**	
	In EUR million	*In %*	*In EUR million*	*In %*
Investment property	1,245	2	1,100	2
Investments in affiliated companies and participations	84	<1	78	<1
Investments in associated companies and joint ventures	257	<1	209	<1
Loans and receivables				
Loans incl. mortgage loans	1,200	1	1,291	2
Loans and receivables due from governmental or quasi-governmental entities, as well as fixed-income securities	31,525	38	31,670	42
Financial assets held to maturity	4,061	5	4,294	6
Financial assets available for sale				
Fixed-income securities	38,538	46	31,009	41
Variable-yield securities	1,168	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	1,048	1	856	1
Variable-yield securities	67	<1	16	<1
Financial assets – trading				
Fixed-income securities	17	<1	5	<1
Variable-yield securities	98	<1	70	<1
Derivatives [1]	84	<1	53	<1
Other invested assets	3,808	5	3,967	4
Total investments under own management	**83,200**	**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 period under review in 2012, while volatility in spreads was high in the third quarter. Provision of significant liquidity by central banks alleviated uncertainty regarding refinancing and liquidity, leading to lower spreads for financial bonds both in the first quarter and again in the third quarter of 2012. Spreads for financial bonds are still relatively high compared with industrial bonds, thus compensating for high volatility and credit risks. We carefully select individual securities based on country risk, capitalisation and the refinancing situation. Industrial bonds were influenced by moderate widening of spreads in the third quarter, largely owing to increasing economic risks.

The performance of government bonds from Eurozone periphery countries 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. The European Central Bank's announcement that it is to buy up government bonds in Spain, together with the implementation of economic structural reforms in Italy, caused interest rates to fall. A solid cost-cutting programme has been implemented in the Republic of Ireland; yields are stable, although there is still a risk of contagion. A cost-cutting programme is also underway in Portugal. With regard to Greece, exit scenarios are now also being discussed at an 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. In the period under review only further write-downs to the market value of these holdings were carried out, which were immaterial from the Group's perspective. Holdings of Spanish government bonds were also cut back in the third quarter, in order to reduce risks further.

The Talanx Group's investment exposure to GIIPS government bonds amounts to EUR 1.0 billion at market value. Italy accounts for EUR 636 million of this sum (of which our Group company HDI Assicurazioni S. p. A. [including InChiaro] accounts for EUR 400 million), Spain EUR 119 million, Ireland EUR 243 million, Portugal EUR 26 million and Greece EUR 3 million.

GIIPS exposure in fixed-income investments as at 30 September 2012*	Government bonds	Semi-government bonds	Corporate bonds: Financial bonds	Corporate bonds: Industrial bonds	Covered bonds, asset-backed securities	Other	Total
In EUR million							
Greece	3	—	—	—	—	—	3
Ireland	243	—	19	34	157	175	628
Italy	636	—	419	269	949	—	2,273
Portugal	26	—	—	3	7	—	36
Spain	119	222	103	237	579	—	1,260
Total	**1,027**	**222**	**541**	**543**	**1,692**	**175**	**4,200**

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

Exposure to Spanish banks	30.9.2012
In EUR million	
Covered bonds/cédulas	579
Financials	103
Banks with a public guarantee	31
Time deposits	7
Equities	1
Total	**721**

The biggest asset class was covered bonds/asset-backed securities and multi-cédulas, which have a similar structure to German Pfandbriefe, at EUR 579 million. The decline in holdings in the third quarter compared with the previous quarter (–EUR 76 million) was mainly due to an active reduction in the portfolio. Only EUR 170 million in this asset class was placed with counterparties that are generally regarded as not uncritical. The covered bonds also include EUR 120 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 27 million) has been placed with the largest, 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 7.4 billion in the course of the year.

The "Fixed-income securities available for sale", which have a volatile impact on shareholders' equity, rose significantly to EUR 38.5 billion, representing 51% of the total holding of this asset class, compared with the same period of the previous year (EUR 31 billion or 46%). Valuation reserves – i.e. the balance of unrealised gains and losses – have risen from EUR 0.5 billion to EUR 2.3 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 sticking to its strategy of making new investments in the category of "Loans and receivables" in order to reduce balance sheet volatility. These holdings had fallen by EUR 0.3 billion to EUR 32.7 billion (44% of total holdings in this asset class) by the end of the third quarter of 2012.

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

Off-balance sheet valuation reserves rose significantly from EUR 2.3 billion to EUR 3.9 billion. In the category of "Financial assets held to maturity", off-balance sheet valuation reserves increased from EUR 147 million to EUR 215 million.

Government bonds with a good rating or instruments of similarly sound issuers continue to be the focus of investments in fixed-income securities. In the last financial year, rating downgrades led to a reduction in the proportion of AAA-rated holdings, and this trend has continued in the current financial year. Various banks and countries in the Eurozone were downgraded in the third quarter. Holdings of AAA-rated bonds stood at EUR 24.2 billion as at the balance sheet date. This represented 30% of the total portfolio of fixed-income securities and loans.

Rating of fixed-income securities	30.9.2012	31.12.2011
In %		
AAA	32	38
AA	31	28
A	20	20
BBB or less	17	14

The Talanx Group continues to pursue a conservative investment policy. Of instruments in the fixed-income securities asset class, 83 (86)% have a rating of A or above.

Investments in corporate bonds grew to EUR 22.0 billion, accounting for 29% of fixed-income securities. A further 31% is attributable to covered bonds, with a total volume of EUR 23.5 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 6.6 years as at 30 September 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 September 2012 remained virtually unchanged.

Equities and equity funds

Overall, the portfolio of equities and equity funds as at 30 September 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 199 million as at the end of September 2012 (31 December 2011: +EUR 129 million).

Real estate including shares in real estate funds

Investment property amounted to EUR 1.2 billion as at the balance sheet date. An additional EUR 378 million is held in real estate funds, which are recognised under the "Financial assets available for sale" category. Depreciation of EUR 17 million was taken on investment property in the period under review, along with impairments of EUR 6 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	30.9.2012	30.9.2011
Figures in EUR million		
Ordinary investment income	2,366	2,190
thereof current income from interest	2,175	2,037
thereof profit/loss from shares in associated companies	4	4
Realised net gains on investments	247	201
Write-ups/write-downs on investments	–32	–104
Unrealised net gains/losses on investments	131	–67
Investment expenses	121	93
Income from investments under own management	**2,591**	**2,127**
Income from investment contracts	**5**	**—**
Interest income on funds withheld and contract deposits	**221**	**225**
Total	**2,817**	**2,352**

Income from investments under own management exceeded the previous year's level by EUR 464 million. The key drivers of income were an increase in ordinary investment income (+EUR 176 million), an improvement in the net gain on disposal (+EUR 46 million) and a lower net loss from write-ups/write-downs (+EUR 72 million). In contrast, an increase was noted in investment expenses (+EUR 28 million). Planned shifts in portfolios and the exploitation of market opportunities in the US real estate sector produced positive results in the reinsurance segments in particular. Losses realised across all segments in 2012 were much lower than in the corresponding period of 2011, owing to market conditions. The unrealised net gain was EUR 198 million higher than in the same period of the previous year. This increase was essentially attributable to the two reinsurance segments and the Retail Germany segment. The unrealised net gain in the two reinsurance segments rose from –EUR 70 million to +EUR 62 million. This was largely due to an increase in the market value of the ModCo derivative and the inflation swaps taken out by Hannover Re. The ModCo derivative resulted in an unrealised gain of EUR 46 million, which contrasted with an unrealised loss of EUR 70 million in the corresponding period of the previous year. The inflation swaps' development was similar, with an unrealised gain of EUR 11 million following an unrealised loss of EUR 11 million in the same period of last year. The unrealised net gain in the Retail Germany segment rose from +EUR 2 million to +EUR 47 million, owing to both interest rate changes and the derivatives (swap option to hedge interest rates).

At –EUR 32 million, the net gain from write-ups/write-downs was well above the previous year's figure (–EUR 104 million). This positive development was due to much larger impairments on equity securities in 2011, owing to market conditions. Impairments fell by EUR 75 million year-on-year. There were no significant impairments on fixed-income securities in the period under review (previous year: EUR 17 million). The impairments were offset by write-ups in the amount of EUR 5 (37) million in the comparative period.

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.

The annualised net return on investment (including the effects of derivatives)* for our assets under own management was 4.3 (3.8)%.

Breakdown of net investment income by Group segments[1]	30.9.2012	30.9.2011
Figures in EUR million		
Industrial Lines	175	146
Retail Germany	1,251	1,163
Retail International	204	115
Non-Life Reinsurance	729	608
Life/Health Reinsurance	485	346
Corporate Operations	–27	–26
Total	**2,817**	**2,352**

[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 6,869 million), guarantee payments under issued subordinated bonds (EUR 2,362 million), blocked cus-

* Annualised net investment income without interest income on funds withheld and contract deposits relative to average investments under own management (30.9. and 31.12.)

tody accounts and other trust accounts (EUR 2,338 million), outstanding commitments and collateral furnished under existing capital participations (EUR 1,138 million) are of material significance to the assessment of its assets. For all other commitments, please refer to the section of the Notes entitled "Other information – Contingent liabilities and other financial commitments". ↗

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.

Capital structure	**30.9.2012**		**31.12.2011 [1)]**	
	In EUR million	*In %*	*In EUR million*	*In %*
Shareholders' equity	10,627	8	8,694	8
Subordinated liabilities	2,910	2	2,615	2
Technical provisions – gross	89,733	70	83,118	72
Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders	7,267	6	6,067	5
Other provisions	2,592	2	2,589	2
Liabilities	12,976	10	10,212	9
Provisions for deferred taxes	1,938	2	1,487	1
Debts of disposal groups classified as held for sale	516	<1	491	1
Total liabilities	**128,559**	**100**	**115,273**	**100**

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

Currency effects

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

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 1,933 million – or 22% – to EUR 10,627 (8,694) million. The Group's share amounted to EUR 6,572 (5,409) 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 of EUR 260 million is now divided into 208,000,000 registered shares. At the extraordinary General Meeting on 29 September 2012, it was decided to increase the share capital by EUR 32 million, divided into 25.5 million shares each representing a proportionate amount of EUR 1.25 of the share capital. The capital contribution was paid in full on the same day and an application was made for an entry in the commercial register. This amount is recognised in equity under the item

"Capital contribution for implementation of the agreed capital increase". For further explanations, please see the section of the Notes entitled "Consolidated statement of changes in shareholders' equity", item 6 "Shareholders' equity", and the section entitled "Other information – events after the end of the reporting period".

The volume of subordinated liabilities increased in net terms by EUR 295 million owing to EUR 205 million of repurchases and the issue of a subordinated liability by Talanx Finanz (Luxembourg) in the amount of EUR 500 million. For a detailed breakdown of subordinated liabilities, please see item 7 of the Notes, "Subordinated liabilities".

The existing line of credit with a nominal volume of EUR 1.5 billion available to Talanx AG, with a total utilisation of EUR 700 million, was completely rescheduled with effect from 31 July 2012. In accordance with the contracts concluded by Talanx AG on 13 July 2011 and 21 December 2011 respectively and the additional agreement dated 30 March 2012, two syndicated variable-interest credit lines are available to the company in the amounts of EUR 500 million and EUR 700 million respectively, each with a term of five years. These provide the company with short- to medium-term financing. The total utilisation as at the balance sheet date was EUR 800 million. The credit lines are to be partly repaid with the proceeds of the IPO.

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:

	30.9.2012	**31.12.2011** [1]
Figures in EUR billion		
Unearned premium reserve	5.4	4.3
Benefit reserve	46.4	44.7
Loss and loss adjustment expense reserve	28.7	26.5
Provision for premium refunds	2.1	1.0
Other technical provisions	0.3	0.3
Total	**82.9**	**76.8**

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

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 – recorded a moderate decline from 88% to 86%. The provisions thus include surplus coverage in the amount of EUR 12.8 (10.7) billion.

The Retail Germany (+EUR 913 million) and Life/Health Reinsurance (+EUR 602 million) segments were the main drivers of the increase in gross benefit reserves. This development was due to growth, particularly at Hannover Re (+EUR 435 million), PB Lebensversicherung AG (+EUR 295 million), neue leben Lebensversicherung AG (+EUR 266 million), TARGO Lebensversicherung AG (+EUR 181 million) and Hannover Life Reassurance, USA (+EUR 134 million).

The increase in the loss and loss adjustment expense reserve (gross) of 7% – corresponding to EUR 2,348 million – related mainly to the Non-Life Reinsurance segment (EUR 996 million), the Retail International segment (EUR 708 million) and the Life/Health Reinsurance segment (EUR 422 million). While growth in the Non-Life Reinsurance segment essentially derived from Hannover Re (+EUR 695 million), growth in the Life/Health Reinsurance segment was driven chiefly by Hannover Life Reassurance Company of America, Orlando, USA (+EUR 127 million), Hannover Life Re of Australasia Ltd., Sydney, Australia (+EUR 121 million) and the French branch of Hannover Re (+EUR 109 million). The substantial increase of +EUR 708 million in the Retail International segment was mainly attributable to new acquisitions in the current year, of which the WARTA Group accounts for 80% (EUR 564 million).

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 68% to EUR 549 (327) million and was allocated in full to retained earnings.

"Cumulative other comprehensive income and other reserves" recorded a substantial increase of 171% compared with the consolidated financial statement as at 31 December 2011, to EUR 932 million. The main reasons for this growth were non-realised gains/losses on investments, which increased by EUR 1,228 million to EUR 1,644 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 787 million), which essentially comprised policyholder participation/shadow accounting for non-realised gains/losses. Measurement gains from cash flow hedges (+EUR 102 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.

The capital contribution of EUR 32 million agreed at the extraordinary General Meeting on 29 September 2012 was provided prior to the IPO and before the capital increase was entered in the commercial register. We have therefore recognised this amount under the special item "Capital contribution for implementation of the capital increase". Please see the section of the Notes entitled "Consolidated statement of changes in shareholders' equity", item 6 "Shareholders' equity", and the section entitled "Other information – events after the end of the reporting period".

Non-controlling interests in shareholders' equity increased by EUR 770 million – or 23% – to EUR 4,055 million, owing to participation in unrealised gains and losses from investments and changes in the scope of consolidation (TU Europa Group and WARTA Group). The non-controlling interest share in net income amounted to EUR 406 (237) 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 202 (182) million.

Changes in shareholders' equity

	30.9.2012	**31.12.2011** [1)]
Figures in EUR million		
Common shares	260	260
Capital contribution for implementation of the agreed capital increase	32	—
Additional paid-in capital	630	630
Retained earnings	4,718	4,175
Cumulative other comprehensive income and other reserves	932	344
Group shareholders' equity	**6,572**	**5,409**
Non-controlling interests in shareholders' equity	4,055	3,285
Total	**10,627**	**8,694**

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

Shareholders' equity by segments[1] including non-controlling interests	30.9.2012	31.12.2011[2]
Figures in EUR million		
Industrial Lines	1,932	1,683
thereof non-controlling interests	—	—
Retail Germany	2,640	2,417
thereof non-controlling interests	27	23
Retail International	1,881	698
thereof non-controlling interests	283	7
Reinsurance[3]	6,560	5,595
thereof non-controlling interests	3,786	3,295
Corporate Operations	–2,388	–1,702
thereof non-controlling interests	—	—
Consolidation	2	3
thereof non-controlling interests	–41	–40
Total shareholders' equity	**10,627**	**8,694**
Group shareholders' equity	6,572	5,409
Non-controlling interest in shareholders' equity	4,055	3,285

[1] Difference between the assets and liabilities of each segment
[2] Adjusted on the basis of IAS 8, see section "Accounting policies", subsection "Changes in accounting policies and accounting errors" of the Notes
[3] For simplicity's sake, non-controlling interests in equity for the Reinsurance Division 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 mainly due to the acquisition of the TU Europa Group and the WARTA 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 809 (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 consolidation column balance 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.

We showed an increase in non-controlling interests in the consolidation column in the first and second quarter of 2012, 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 took place in the reinsurance segments, but instead in the consolidation column (intersegment consolidation). This development was offset by the increase in non-controlling interests in the two reinsurance segments. Hannover Reinsurance (Ireland) Plc merged with Hannover Re (Ireland) Plc (previously Hannover Reinsurance (Ireland) Ltd.) in the third quarter. The latter is assigned to the Life/Health Reinsurance segment, which means that the consolidation effects in the consolidation column described above will no longer apply. Instead, consolidation will take place in the Life/Health Reinsurance segment.

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.

	1.1.–30.9. 2012	1.1.–30.9. 2011 [1)]
Figures in EUR million		
Cash flow from operating activities	4,775	3,370
Cash flow from investing activities	–5,038	–2,802
Cash flow from financing activities	137	–448
Change in cash and cash equivalents	–126	120

1) Adjusted on the basis of IAS 8, see section "Accounting policies", subsection "Changes in accounting policies and accounting errors" of 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 4,775 (3,370) million. The calculation adjusts the net income of EUR 955 (564) million in the consolidated cash flow statement to allow for the increase in technical provisions (net perspective) (EUR 3.6 billion). The increase of EUR 1,405 million in the cash flow from operating activities is therefore almost entirely attributable to the change in other non-cash expenses and income (+EUR 1,316 million), which is essentially due to the change in technical provisions in life insurance, insofar as the investment risk is borne by policyholders. According to the balance sheet as at 30 September 2012, this item has grown by EUR 1,200 million to EUR 7,267 million in net terms.

Cash outflow from investing activities is determined by payments made in purchasing investments. As in the comparable period of the previous year, outflows associated with the purchase of investments exceeded inflows from sales and maturities by EUR 3,552 million, compared with EUR 2,210 million in the corresponding period of last year. In addition, cash outflows are driven by changes in investments for the account and risk of holders of life insurance policies (–EUR 1,414 million) – the latter are closely linked to the development of the corresponding liability item in the cash flow from operating activities. Incoming payments from changes in other invested assets (+EUR 1,153 million) also had a compensatory effect. Furthermore, the acquisition of Metropolitana Compañía de Seguros, the TU Europa Group and the WARTA Group led to a cash outflow in the reporting period of EUR 791 million, taking into account funds received from the companies. Please see section V of the Notes entitled "Business combinations". An outflow of EUR 4 million was recorded in the period under review in connection with the sale of consolidated companies.

Cash inflow from financing activities in the period under review was influenced by the dividend paid of EUR 202 (182) million and the significant increase in other financing activities amounting to EUR 344 million, as against –EUR 266 million in the corresponding period of the previous year. The latter more than offset cash outflow due to the dividend payment.

Inflow from other financing activities in the period under review was influenced by the issuing of a subordinated bond by Talanx Finanz (Luxembourg) in the amount of EUR 500 million and the utilisation of a credit line of EUR 250 million. Cash outflows were also recorded, particularly due to the repurchase of subordinated liabilities amounting to EUR 205 million and interest payments totalling EUR 139 (124) 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 third quarter of 2012, cash and cash equivalents decreased in net terms by EUR 96 million to EUR 1.474 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 is provided in section VI of the Notes.

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	■ Advising and monitoring the Board of Management in its management of the company, inter alia with respect to risk strategy and risk management
Board of Management	■ Overall responsibility for risk management ■ Defining the risk strategy ■ Responsibility for proper functioning of risk management
Risk Committee	■ Risk-monitoring and coordinating body, charged especially with the following tasks: ■ 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	■ 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	■ Group-wide, independent risk monitoring function ■ Methodological competence, inter alia for ■ 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	■ 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	■ 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:	
	■ 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	■ 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:	
	■ Changes in biometric actuarial bases ■ Interest guarantee risk under life insurance contracts with guaranteed interest payments ■ Lapse risks	■ 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:	
	■ Changes in biometric actuarial bases ■ Lapse and credit risk in connection with the prefinancing of cedants' new business acquisition costs	■ Use of secure biometric actuarial bases ■ Systematic monitoring of the MCEV

Risk category	Material risks	Major risk management measures
Default risks under insurance business		
	Across segments:	
	■ Risk of default on receivables due from reinsurers, retrocessionaires, policyholders and insurance agents	■ 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:	
	■ 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	■ 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
Operational risks		
	Across segments:	
	■ Risk of losses due to the failure of persons, systems or processes or on account of external events (including violation of compliance regulations)	■ Multi-faceted and cause-based risk management ■ Internal control system
Other risks		
	Across segments:	
	■ Participation risks of Talanx AG: instability in the performance of subsidiaries and/or the portfolio of participating interests	■ 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
	■ Emerging risks, the content of which is not as yet reliably known and the implications of which are difficult to assess	■ Various management measures, such as reinsurance, diversification, risk exclusions, safety margins, contingency plans, etc.
	■ Strategic risks: the risk of an imbalance between the corporate strategy and the constantly changing general business environment	■ At least annual review of the corporate and risk strategy ■ Adjustment of processes and structures as required
	■ Reputational risks: possible damage to the company’s name as a consequence of an unfavourable public perception	■ Set communication channels ■ Professional approach to corporate communications ■ Tried and tested processes for defined crisis scenarios ■ Established Code of Conduct

The sovereign debt crisis in the Eurozone and fears of a global decline in economic growth are continuing to shape the market environment.

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. 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. The ECB cut its base rate again in July from 1.00% to 0.75% in view of the weak economic outlook in the Eurozone.

Although there is occasionally some positive news from the crisis countries, we have to wait for further political developments and the implementation of planned measures to boost competitiveness in these countries.

As at 30 September 2012, the Talanx Group held government bonds with a market value of EUR 1,027 million from the GIIPS countries (including Greece at EUR 3 million, Italy at EUR 636 million, Spain at EUR 119 million, Ireland at EUR 243 million and Portugal at EUR 26 million, excluding unit-linked investments for the account and risk of holders of life insurance policies), which may lead 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.

Given our very modest holding of Greek government bonds as at 30 September 2012, the write-downs required in the year under review will have only a minimal influence on the Group's net investment income.

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 and opportunities report

Economic environment

With its economy likely to remain overshadowed by the sovereign debt crisis, the Eurozone could remain stuck in the longest recession since its creation. Leading growth indicators for the Eurozone are still falling. Further developments in the euro debt crisis will depend on the extent to which unlimited purchases of government bonds from countries on the Eurozone periphery announced by the ECB stabilise the Eurozone and remove uncertainty from the market, and the extent to which structural measures and adjustments in individual countries are actually effective.

Developments in the USA to date have been very different from those in the Eurozone, with the USA effectively lagging by at least three quarters behind the Eurozone. Budget consolidation is also becoming increasingly urgent in the USA, which is likely to have a negative impact on future growth, given that it is already slowing. The US housing market nevertheless recently appears to have stabilised significantly, a factor that cannot be ignored in terms of consumer confidence and that may give a boost to further economic development in the USA. 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 gradual slackening of the economy is the most likely outcome in emerging markets.

Further expansive monetary policy will not in our view lead to a significant increase in inflation rates in the year under review, as the liquidity provided by central banks has not yet entered the real economy. Inflation risks become urgent only when the economy picks up, which is not the case at present.

Capital markets

The ongoing debt issues that are causing tension in various countries on the periphery of the Eurozone, the considerable challenges faced by the banking sector with regard to liquidity, equity and the earnings situation and increasingly bleak economic expectations mean that we can expect low yields at least for the rest of 2012. Although the market has recovered from its lows in May and July, there still are no fundamental reasons at present for a lasting increase in interest rates, beyond technical countermovements. The ECB also still regards the economic situation as tense and believes that medium-term inflation risks of relevance to monetary policy are limited. We therefore anticipate a further interest rate reduction of 25 basis points in the Eurozone, but probably not until the first quarter of 2013. The USA has effectively committed itself to keeping base rates at their current low level for the next two years.

Even if the current mood on the market can be described as a kind of positive scepticism, the long-term stabilisation of the general risk situation remains uncertain. The structural problems associated with the euro debt crisis are continuing, and yields and risk premiums are set to remain volatile.

We expect negative factors to persist in the form of the global economic slowdown and the ongoing Eurozone crisis. At the same time, the fact that fundamental market valuations remain favourable from a historical perspective, attractive dividend yields relative to the bond markets and the first signs that profit expectations are beginning to stabilise in the DAX and EURO STOXX 50, having been revised downwards significantly in recent months, constitute positive factors. Stock markets also look set to continue to be driven by increasing market liquidity. Abrupt drops following short-term increases in liquidity are therefore inevitable, unless these increases are supported by the stabilisation of the global macroeconomic situation. Overall, we believe that positive signals only slightly outweigh negative signals for the stock markets.

Likely Group development

The Talanx Group is aiming for gross premium volume of around EUR 26 billion in 2012, based on exchange rates as at the end of September. Organic growth in gross premiums looks set to be slightly higher this year than the average growth rate for the last two years. The new acquisitions in Poland have brought us a big step closer to our strategic target of achieving half of our total gross premiums in primary insurance outside Germany in the long term. The net return on investment is expected to be around 4% in 2012, with by far the largest contribution coming from ordinary income. We currently expect Group net income after taxes to be just over EUR 600 million in 2012. We therefore anticipate a return on equity of just under 10%, despite the inflow of equity from the IPO. This profit target is subject to any major losses incurred and to the impact on profit of any movements in exchange rates or capital markets. Group net income after taxes in the third quarter of 2012 cannot be projected for the year as a whole on a linear basis, as we expect a disproportionate share of expenses for the implementation of our restructuring measures in the Retail Germany Division and integration costs for the newly acquired companies in Poland in the Retail International Division to be due in the fourth quarter of 2012. Our express strategic aim is to pay out 35% to 45% of IFRS Group net income as dividends. In 2013, we are aiming for a dividend payment towards the upper end of this range. All shares, including those from the capital increase in connection with the IPO, are fully entitled to dividends for the 2012 financial year.

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. We are aiming for gross premium volume of around EUR 3.4 billion in Industrial Lines in 2012, which represents growth of about 10% compared with 2011.

There is still pressure on premiums on the German market, as demand for cover continues to stagnate while insurance capacity is growing. The market for motor insurance is hardening, however, and rate increases are gradually being pushed through. In the fire line, high claims due to natural disasters in the previous year have also led 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, so that our profit can benefit disproportionately 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 2013, as we are already doing in the current financial year. 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. 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, are further steps towards the internationalisation of the division. HDI-Gerling Industrie Versicherung AG has launched a joint venture in India. The company began cooperating this autumn with Indian company NBFC Magma Fincorp in order to offer property/casualty insurance in the world's second-largest country by population. New branches also opened in Singapore and Bahrain in the first half of 2012. In future, HDI-Gerling Industrie will use the latter as a hub for Industrial Lines in the Gulf region.

Retail Germany

We expect the Retail Germany segment to achieve gross premium income of EUR 6.7 billion in 2012, around the same level as in the previous year. A slight increase in price levels has been observed 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 property insurance for the current financial year 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 in Germany. Another focus in the next two years in particular will be on eliminating cost disadvantages. Management and the Group Employee Council reached an agreement in July on a severance scheme, the aim of which is to compensate for the economic disadvantages for employees caused by this efficiency programme. By bundling the property insurance product range in a single company at the end of September, we have already taken an important step towards reducing complexity in the Group and enhancing client focus. We expect expenses for the implementation of these restructuring measures to be disproportionately high in the fourth quarter of 2012, compared with the year to date.

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 through both organic and inorganic growth. A further focus is on optimising our activities in existing markets.

We are aiming to increase gross premiums to around EUR 3.3 billion in the international markets in which we operate in retail business in 2012. The acquisition of the Polish insurers TU Europa Group and WARTA, concluded on 1 June 2012 and 1 July 2012 respectively, will account for double-digit percentage growth in the segment in 2012.

In the Polish market, where up to now we have mainly transacted motor liability business, we are now the second-largest insurance group in terms of premium volume following the acquisition of TU Europa Group and WARTA. The insurer TU Europa was delisted from the Warsaw stock exchange on 23 October 2012. Following a squeeze-out, the remaining shareholders apart from Talanx (50.0% plus one share) are Meiji Yasuda Life Insurance Company with a holding of 33.46% and Getin Holding with a stake of 16.54%. WARTA is currently preparing for the integration of the existing HDI activities in Poland. Talanx's final holding in WARTA is expected to increase from 70% to about 75% as a result of this. We expect expenses for the integration of the Polish companies to be disproportionately high in the fourth quarter of 2012, compared with the year to date.

Non-Life Reinsurance

Market conditions in non-life reinsurance remain positive. Rates achieved at all treaty renewals during the year were largely risk-adequate. We expect demand for reinsurance cover to remain high, in view of the increasing concentration of assets in urban centres and the introduction of risk-based solvency systems. The positive factors that have determined treaty renewals so far, such as adjustments to models for natural disasters and low interest rates, are also likely to have a beneficial impact on contract pricing on 1 January 2013 and to prevent the softening of the markets. This trend was observed not only in discussions at meetings in the sector in Monte Carlo in September and in Baden-Baden and the USA in October, but also in the most recent renewals in North America in October. We expect prices in non-life reinsurance to remain stable or rise in the medium term.

We have raised our growth forecast for gross premiums for the entire Non-Life Reinsurance segment in 2012, adjusted for exchange rates, from between 5% and 7% to between 8% and 9%.

Life/Health Reinsurance

In life and health reinsurance, we expect dynamic growth on the worldwide markets to continue, given the current conditions. Assuming constant exchange rates, we therefore anticipate organic growth in gross premiums of between 8% and 9% in 2012, having previously forecast growth of 5% to 7%. By setting up two new business centres, "Longevity" and "Asia", we hope to continue to make optimum use of the growth potential of these two areas. In doing so, we want to utilise our outstanding expertise in the field of longevity outside the UK, as well as reflecting Asia's increasing importance and continuing strong potential for new business. We believe that we are very well positioned on these markets to be able to continue our growth in the future.

Corporate Operations

Our central asset management company, Talanx Asset Management, is assigned to the Corporate Operations segment. We expect our planned growth to lead to further strong cash inflows. However, uncertainty about performance remains high in view of the ongoing sovereign debt and financial market crisis.

Talanx Reinsurance (Ireland) Ltd. is in the process of expanding its operations. We are aiming with this in-house reinsurer to reduce our cost of capital by making better use of the advantages offered by diversification. We also want to increase our retention, particularly in Industrial Lines.

Consolidated financial statements

Consolidated balance sheet of Talanx AG
as at 30 September 2012

Assets	Notes			30.9.2012	31.12.2011[1]
Figures in EUR million					
A. Intangible assets	1				
a. Goodwill			1,153		690
b. Other intangible assets			1,662		1,520
				2,815	**2,210**
B. Investments					
a. Investment property			1,245		1,100
b. Investments in affiliated companies and participating interests			84		78
c. Investments in associated companies and joint ventures			257		209
d. Loans and receivables	2		32,725		32,961
e. Other financial assets					
i. Financial assets held to maturity	3	4,061			4,294
ii. Financial assets available for sale	4	39,706			32,141
iii. Financial assets at fair value through profit or loss	5	1,314			1,000
f. Other invested assets		3,808			3,967
Investments under own management			**83,200**		**75,750**
g. Investments under investment contracts			1,338		—
h. Funds withheld by ceding companies			12,677		11,717
Investments				**97,215**	**87,467**
C. Investments for the account and risk of holders of life insurance policies				7,267	6,067
D. Reinsurance recoverables on technical provisions				7,023	6,467
E. Accounts receivable on insurance business				5,491	4,729
F. Deferred acquisition costs				4,295	4,012
G. Cash				1,474	1,570
H. Deferred tax assets				435	322
I. Other assets				1,948	1,864
J. Non-current assets and assets of disposal groups classified as held for sale				596	565
Total assets				**128,559**	**115,273**

[1] Adjusted on the basis of IAS 8. Cf. section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Notes

Liabilities	Notes		30.9.2012		31.12.2011 [1]
Figures in EUR million					
A. Total shareholders' equity	6				
a. Common shares		260			260
Nominal value: 260 Contingent capital: 130					
b. Contributions paid to carry out the resolved capital increase		32			—
c. Reserves		6,280			5,149
Shareholders' equity excluding non-controlling interests			**6,572**		**5,409**
d. Non-controlling interests in shareholders' equity			4,055		3,285
Total shareholders' equity				**10,627**	**8,694**
B. Subordinated liabilities	7		2,910		2,615
C. Technical provisions	8				
a. Unearned premium reserve		6,075			4,677
b. Benefit reserve		47,441			45,739
c. Loss and loss adjustment expense reserve		33,786			31,438
d. Provision for premium refunds		2,159			1,008
e. Other technical provisions		272			256
			89,733		**83,118**
D. Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders			7,267		6,067
E. Other provisions					
a. Provisions for pensions and similar obligations		1,350			1,343
b. Provisions for taxes		583			557
c. Sundry provisions		659			689
			2,592		**2,589**
F. Liabilities					
a. Notes payable and loans		951			762
b. Funds withheld under reinsurance treaties		5,682			5,039
c. Other liabilities		6,343			4,411
			12,976		**10,212**
G. Deferred tax liabilities			1,938		1,487
Total liabilities/provisions				**117,416**	**106,088**
H. Liabilities of disposal groups classified as held for sale				516	491
Total liabilities				**128,559**	**115,273**

[1] Adjusted on the basis of IAS 8. Cf. section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Notes

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 September 2012

	Notes	1.1.–30.9.2012	1.1.–30.9.2011[1]	1.7.–30.9.2012	1.7.–30.9.2011[1]
Figures in EUR million					
1. Gross written premium including premium from unit-linked life and annuity insurance		19,847	17,843	6,264	5,421
2. Savings elements of premium from unit-linked life and annuity insurance		872	824	361	253
3. Ceded written premium		2,470	2,083	744	615
4. Change in gross unearned premium		–898	–861	484	360
5. Change in ceded unearned premium		–244	–141	87	87
Net premium earned	9	**15,851**	**14,216**	**5,556**	**4,826**
6. Claims and claims expenses (gross)		14,847	14,282	5,104	4,283
Reinsurers' share		1,526	2,021	439	381
Claims and claims expenses (net)	12	**13,321**	**12,261**	**4,665**	**3,902**
7. Acquisition costs and administrative expenses (gross)		3,830	3,491	1,388	1,263
Reinsurers' share		323	302	131	112
Acquisition costs and administrative expenses (net)	13	**3,507**	**3,189**	**1,257**	**1,151**
8. Other technical income		39	23	9	5
Other technical expenses		208	155	95	–5
Other technical result		**–169**	**–132**	**–86**	**10**
Net technical result		**–1,146**	**–1,366**	**–452**	**–217**
9. a. Income from investments		2,867	2,683	1,028	914
b. Expenses for investments		276	556	44	280
Net income from investments under own management		**2,591**	**2,127**	**984**	**634**
Income/expense from investment contracts		5	—	3	—
Income/expense from funds withheld and contract deposits		221	225	81	79
Net investment income	10/11	**2,817**	**2,352**	**1,068**	**713**
Income/expense from associated companies and joint ventures recognised using the equity method		4	4	—	1
10. a. Other income		464	505	138	113
b. Other expenses		823	773	295	320
Other income/expenses	14	**–359**	**–268**	**–157**	**–207**
Profit before goodwill impairments		**1,312**	**718**	**459**	**289**
11. Goodwill impairments		—	—	—	—
Operating profit/loss (EBIT)		**1,312**	**718**	**459**	**289**
12. Financing costs		139	124	48	41
13. Taxes on income		218	30	33	42
Net income		**955**	**564**	**378**	**206**
thereof attributable to non-controlling interests		406	237	182	92
thereof attributable to shareholders of Talanx AG		549	327	196	114
Earnings per share					
Basic earnings per share (figures in EUR)		2.64	1.57	0.94	0.55
Diluted earnings per share (figures in EUR)		2.64	1.57	0.94	0.55

[1] Adjusted on the basis of IAS 8. Cf. section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Notes

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

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

Figures in EUR million	1.1.–30.9.2012	1.1.–30.9.2011[1]	1.7.–30.9.2012	1.7.–30.9.2011[1]
Net income	**955**	**564**	**378**	**206**
1. Currency translation				
Gains (losses) recognised directly in other income/expenses during the period	87	–51	–20	84
Reclassification of net realised gain (loss)	—	23	—	23
Tax income (expense)	–6	—	5	–15
	81	**–28**	**–15**	**92**
2. Unrealised gains and losses from investments				
Gains (losses) recognised directly in other income/expenses during the period	2,091	186	981	184
Reclassification of net realised gain (loss)	–160	–14	–57	–11
Tax income (expense)	–342	–59	–159	–55
	1,589	**113**	**765**	**118**
3. Changes in policyholder participation/shadow accounting				
Gains (losses) recognised directly in other income/expenses during the period	–872	–134	–405	–160
Reclassification of net realised gain (loss)	—	—	—	—
Tax income (expense)	29	–2	13	1
	–843	**–136**	**–392**	**–159**
4. Changes from cash flow hedges				
Gains (losses) recognised directly in other income/expenses during the period	102	107	36	94
Reclassification of net realised gain (loss)	—	—	—	—
Tax income (expense)	—	–9	1	–1
	102	**98**	**37**	**93**
5. Changes from the equity measurement of associated companies and joint ventures				
Gains (losses) recognised directly in other income/expenses during the period	2	—	—	—
Reclassification of net realised gain (loss)	—	—	—	—
Tax income (expense)	—	—	—	—
	2	**—**	**—**	**—**
6. Other changes				
Gains (losses) recognised directly in other income/expenses during the period	–20	–26	–4	–24
Reclassification of net realised gain (loss)	—	—	—	—
Tax income (expense)	6	7	2	6
	–14	**–19**	**–2**	**–18**
Income and expense after taxes recognised in other income/expenses during the period	**917**	**28**	**393**	**126**
Total recognised income and expense during the period	**1,872**	**592**	**771**	**332**
thereof attributable to non-controlling interests	735	281	301	204
thereof attributable to shareholders of Talanx AG	1,137	311	470	128

[1] Adjusted on the basis of IAS 8. Cf. section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Notes

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	Misc. items [1]	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
Figures in EUR million											
As at 31.12.2010	**260**	**—**	**630**	**3,668**	**522**	**3**	**–15**	**–123**	**4,945**	**3,035**	**7,980**
Adjusted on the basis of IAS 8	—	—	—	–13	—	—	—	—	–13	—	–13
As at 1.1.2011 adjusted	**260**	**—**	**630**	**3,655**	**522**	**3**	**–15**	**–123**	**4,932**	**3,035**	**7,967**
Net income	—	—	—	327	—	—	—	—	327	237	564
thereof attributable to IAS 8	—	—	—	–2	—	—	—	—	–2	—	–2
Income and expenses recognised in other income/expenses	—	—	—	—	38	–12	–140	98	–16	44	28
thereof currency translation	—	—	—	—	—	*–12*	—	—	*–12*	*–16*	*–28*
thereof attributable to IAS 8	—	—	—	—	—	*2*	—	—	*2*	—	*2*
thereof unrealised gains and losses on investments	—	—	—	—	*38*	—	—	—	*38*	*75*	*113*
thereof change from cash flow hedges	—	—	—	—	—	—	—	*98*	*98*	—	*98*
thereof change from equity measurement	—	—	—	—	—	—	—	—	—	—	—
thereof sundry changes [2]	—	—	—	—	—	—	*–140*	—	*–140*	*–15*	*–155*
Investments including income and expenses	—	—	—	327	38	–12	–140	98	311	281	592
Dividends paid to shareholders	—	—	—	—	—	—	—	—	—	–182	–182
As at 30.9.2011	**260**	**—**	**630**	**3,982**	**560**	**–9**	**–155**	**–25**	**5,243**	**3,134**	**8,377**
As at 31.12.2011	**260**	**—**	**630**	**4,188**	**416**	**46**	**–59**	**–60**	**5,421**	**3,285**	**8,706**
Adjusted on the basis of IAS 8	—	—	—	–13	—	1	—	—	–12	—	–12
As at 31.12.2011 adjusted	**260**	**—**	**630**	**4,175**	**416**	**47**	**– 59**	**– 60**	**5,409**	**3,285**	**8,694**
Change in scope of consolidation	—	—	—	–6	—	—	—	—	–6	242	236
Net income	—	—	—	549	—	—	—	—	549	406	955
Income and expenses recognised in other income/expenses	—	—	—	—	1,228	45	– 787	102	588	329	917
thereof currency translation	—	—	—	—	—	*45*	—	—	*45*	*36*	*81*
thereof unrealised gains and losses on investments	—	—	—	—	*1,228*	—	—	—	*1,228*	*361*	*1,589*
thereof change from cash flow hedges	—	—	—	—	—	—	—	*102*	*102*	—	*102*
thereof change from equity measurement	—	—	—	—	—	—	*2*	—	*2*	—	*2*
thereof sundry changes [2]	—	—	—	—	—	—	*–789*	—	*–789*	*–68*	*–857*
Investments including income and expenses	—	—	—	549	1,228	45	–787	102	1,137	735	1,872
Dividends paid to shareholders	—	—	—	—	—	—	—	—	—	–202	–202
Capital reduction	—	—	—	—	—	—	—	—	—	–6	–6
Capital increase	—	32	—	—	—	—	—	—	32	1	33
As at 30.9.2012	**260**	**32**	**630**	**4,718**	**1,644**	**92**	**–846**	**42**	**6,572**	**4,055**	**10,627**

[1] Miscellaneous items: contributions paid to carry out the resolved capital increase in the amount of EUR 31.875 million. The capital increase was entered in the commercial register on 1 October 2012. Please see our comment 6 "Shareholders' equity" in the section "Notes on individual items of the consolidated balance sheet" in the Notes

[2] 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 September 2012

	1.1.–30.9.2012	1.1.–30.9.2011[1]
Figures in EUR million		
I. 1. Net income	955	564
I. 2. Changes in technical provisions	3,602	4,232
I. 3. Changes in deferred acquisition costs	–289	–333
I. 4. Changes in funds withheld and in accounts receivable and payable	–469	–1,030
I. 5. Changes in other receivables and liabilities as well as investments and liabilities from investment contracts	323	448
I. 6. Changes in financial assets held for trading	–38	68
I. 7. Net gains and losses on investments	–247	–201
I. 8. Other non-cash expenses and income	938	–378
I. Cash flows from operating activities	**4,775**	**3,370**
II. 1. Cash inflow/outflow from the sale of consolidated companies	–4	137
II. 2. Cash inflow/outflow from the purchase of consolidated companies	–791	–153
II. 3. Cash inflow from the sale of real estate	185	84
II. 4. Cash outflow from the purchase of real estate	–196	–142
II. 5. Cash inflow from the sale and maturity of financial instruments	14,088	14,347
II. 6. Cash outflow from the purchase of financial instruments	–17,640	–16,557
II. 7. Changes in investments for the account and risk of holders of life insurance policies	–941	473
II. 8. Changes in other invested assets	350	–803
II. 9. Cash outflows from the acquisition of tangible and intangible assets[2]	–111	–286
II. 10. Cash inflows from the sale of tangible and intangible assets[2]	22	98
II. Cash flows from investing activities	**–5,038**	**–2,802**
III. 1. Cash inflow from capital increases	1	—
III. 2. Cash outflow from capital reductions	–6	—
III. 3. Dividends paid	–202	–182
III. 4. Net changes from other financing activities	344	–266
III. Cash flows from financing activities	**137**	**–448**
Change in cash and cash equivalents (I.+II.+III.)	**–126**	**120**
Cash and cash equivalents at the beginning of the reporting period, including disposal groups	**1,612**	**1,290**
Cash and cash equivalents – exchange-rate differences on cash	**25**	**–13**
Cash and cash equivalents of companies no longer recognised in the consolidated financial statement and companies newly recognised in the consolidated financial statement[3]	**6**	**–17**
Cash and cash equivalents at the end of the reporting period	**1,517**	**1,380**
Cash and cash equivalents of disposal groups	**43**	**13**
Cash and cash equivalents at the end of the reporting period, excluding disposal groups	**1,474**	**1,367**
Additional information		
Taxes paid	164	175
Interest paid	182	249

[1] Adjusted on the basis of IAS 8. Cf. section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Notes
[2] Since the fourth quarter of 2011, we have been reporting cash inflows and outflows from the acquisition of tangible and intangible assets separately, pursuant to DRS 2-20
[3] 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 companies.

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 2,153 million. Dividends received amounted to EUR 38 million.

Cash outflows for the acquisition of companies totalled EUR 887 million. As part of these purchases, cash and cash equivalents totalling EUR 96 million were acquired. Making allowance for these, net cash outflows amounted to EUR 791 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, whose majority shareholder is HDI Haftpflichtverband der Deutschen Industrie V. a. G. (HDI V. a. G.), 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). With respect to changed company circumstances resulting from the capital increase undertaken by Talanx AG in the fourth quarter of 2012, please see our remarks in the subsection "Events after the end of the reporting period" in the section "Other information". The majority shareholder HDI V. a. G. still continues to exercise control over the company.

The consolidated quarterly financial report as at 30 September 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 shareholders' 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 IFRSs whose application is mandatory as at 30 September 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 IFRSs 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 IFRSs 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. The Group applied amended IFRS 7 for the first time with the start of the financial year. Please see our information in section IX, "Other information", subsection "Other information about financial assets".

In addition, with the start of the 2012 financial year, the Group 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 individual 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” is being 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. Nevertheless, application in the Group financial statement can lead to more extensive information. 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”. Both amendments were ratified by the EU on 5 June 2012. 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. According to this logic, taxes on income attributable to items in the Statement of Other Comprehensive Income are also to be allocated. The amendments to IAS 1 are applicable to financial years beginning on or after 1 July 2012. The presentation of items in the Statement of Other Comprehensive Income will be modified accordingly in implementing these new rules.

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 shareholders’ 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 shareholders’ 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. Past service cost is recognised immediately. The stated objective of the amended standard is also to introduce far-reaching disclosure obligations. Since the Group currently uses the corridor method, these new rules will lead to an adjustment of defined-benefit pension plans. Taking the discontinuation of the corridor method into account, and with actuarial gains and losses thus being recognised directly in equity, equity is reduced by an estimated EUR 150 million after deduction of deferred taxes and deferred premium refunds, in accordance with information currently known or subject to reasonably reliable estimation on the date of initial application (1 January 2013). Based on 1 January 2012, equity would accordingly have been reduced by EUR 53 million. By contrast, pension liabilities would correspondingly increase. The initial application of amended IAS 19 is planned for financial years beginning on or after 1 January 2013. Apart from certain exceptions, the rules are to be applied retroactively.

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 “Financial Instruments: Disclosures”. 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

In accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", we retroactively adjusted prior-year figures in the following cases during the year under review. To the extent that the corrections relate to adjustments made in the prior year with consequential effects on the comparable quarter 30 September 2011, please see the 2011 Annual Report (section: "Accounting policies", subsection: "Changes in accounting policies and accounting errors", page 136 et seqq.).

a) 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 "Unearned premium reserve" was consequently reduced by EUR 1,265 million as at 30 September 2011, while the "Benefit reserve" rose by the same amount. This modification resulted in a shift of EUR 102 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, p. 136, letter c).

b) 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 "Available-for-sale investments; variable-yield securities, investment funds"). This change in the recognition of investments led to an increase in "Investment property" of EUR 233 million as at the balance sheet date of 30 September 2011, which was balanced out by an identical decline in "Financial instruments, 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, p. 137, letter d).

c) With effect from 30 September 2012, the Group changed and harmonised the accounting methods for pension benefit reserves that form part of the technical provisions (item: "Loss and loss adjustment expense reserve") for its Polish property/casualty insurance companies (Retail International segment). Because of this change of method, which was undertaken retroactively and thus had no effect on income, pension benefits reserves at our Polish companies are uniformly discounted. As a result, in the opening balance sheet as at 1 January 2011, the "Loss and loss adjustment expense reserve" rose by EUR 22 million and "Reinsurance recoverables on technical provisions" rose by EUR 7 million, while "Deferred acquisition costs" declined by EUR 1 million. Taking into account deferred taxes (item: "Deferred tax assets", EUR 3 million), retained earnings were reduced by EUR 13 million. As at 30 September 2011, the equity attributable to shareholders of Talanx AG after tax effects (including the recognised adjustments as at 1 January 2011) declined by EUR 13 million. The net income attributable to shareholders of Talanx AG dropped by EUR 2 million compared to the amount recognised in the prior year, while currency translation reserves rose by the same amount. As a consequence of this adjustment and taking into account currency translation (EUR 1 million), the reserves attributable to shareholders of Talanx AG as at 31 December 2011 were reduced by a total of EUR 12 million compared to the amount recognised in the prior year.

Since the described corrections to recognition (letters a and b) had no effect on shareholders' equity or Group income/expenses during either of the previous reporting periods, and since the change of method described under letter c had no significant implications for the Group's assets, financial position or net income, we decided against presenting a complete opening balance sheet (start of the earliest comparable period) within the consolidated balance sheet. Instead, the adjustments to the respective balance sheet items in the statement of income are depicted below in tabular form.

These corrections undertaken 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**
Figures in EUR million			Re a)	Re b)	Re c)	
B. a.	Investment property	860	—	235	—	1,095
B. e.ii.	Available-for-sale financial instruments	30,635	—	–235	—	30,400
D.	Reinsurance recoverables on technical provisions	5,523	—	—	7	5,530
F.	Deferred acquisition costs	3,715	—	—	–1	3,714
H.	Deferred tax assets	268	—	—	3	271
A. b.	Reserves	4,685	—	—	–13	4,672
C. a.	Unearned premium reserve	5,411	–1,144	—	—	4,267
C. b.	Benefit reserve	42,466	1,144	—	—	43,610
C. c.	Loss and loss adjustment expense reserve	28,538	—	—	22	28,560

Consolidated balance sheet as at 30 September 2011		**As reported at 30.9.2011**	**Changes due to adjustments in accordance with IAS 8 (including adjustments as at 1 January 2011)**			**30.9.2011**
Figures in EUR million			Re a)	Re b)	Re c)	
B. a.	Investment property	857	—	233	—	1,090
B. e.ii.	Available-for-sale financial instruments	32,214	—	–233	—	31,981
D.	Reinsurance recoverables on technical provisions	6,461	—	—	6	6,467
F.	Deferred acquisition costs	3,998	—	—	–2	3,996
H.	Deferred tax assets	287	—	—	3	290
A. b.	Reserves	4,996	—	—	–13	4,983
C. a.	Unearned premium reserve	6,332	–1,265	—	—	5,067
C. b.	Benefit reserve	44,185	1,265	—	—	45,450
C. c.	Loss and loss adjustment expense reserve	30,529	—	—	20	30,549

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

Consolidated statement of income	As reported at 30.9.2011	Changes due to adjustments in accordance with IAS 8		30.9.2011
Figures in EUR million		Re a)	Re c)	
4. Change in gross unearned premium	–959	98	—	–861
5. Change in ceded unearned premium	–137	–4	—	–141
6. Claims and claims expenses (gross)	14,184	98	—	14,282
Reinsurers' share	2,026	–4	–1	2,021
7. Acquisition costs and administrative expenses (gross)	3,491	—	—	3,491
Reinsurers' share	303	—	–1	302
13. Taxes on income	30	—	—	30

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"), the Group has since the second quarter of 2011 been reporting investment contracts that do not involve discretionary profit participation. Since these investment contracts do not entail a significant underwriting risk, they are recognised as financial instruments in accordance with the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" and IAS 18 "Revenue". 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, "Investments under investment contracts", while 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 item under net investment income as "Income/expense from investment contracts". The resulting cash flow movements are reported in the cash flow statement under operating activities.

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 premium (cf. also our explanatory remarks in the 2011 Annual Report, p. 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 reporting period, this reclassification had no implications either for "Net premium earned" or for "Other technical result". After carrying out a cost-benefit analysis, we decided against making any changes to the corresponding figures for the previous year.

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:

		Balance sheet (balance sheet date)		Statement of income (average)	
Exchange rates		**30.9.2012**	**31.12.2011**	**1.1.–30.9.2012**	**1.1.–30.9.2011**
1 EUR corresponds to					
ARS	Argentina	6.0641	5.5731	5.7585	5.7621
AUD	Australia	1.2392	1.2723	1.2435	1.3525
BHD	Bahrain	0.4872	0.4881	0.4860	0.5312
BRL	Brazil	2.6241	2.4153	2.4738	2.3060
CAD	Canada	1.2677	1.3198	1.2897	1.3813
CHF	Switzerland	1.2096	1.2169	1.2049	1.2371
CLP	Chile	608.8625	672.4126	633.9045	668.1091
CNY	China	8.1214	8.1489	8.1496	9.1514
GBP	United Kingdom	0.7979	0.8362	0.8142	0.8752
HKD	Hong Kong	10.0201	10.0565	10.0024	10.9713
HUF	Hungary	284.6848	313.5951	291.3433	272.2937
JPY	Japan	100.3068	100.1632	101.7448	113.1318
KRW	South Korea	1,439.1588	1,500.6009	1,464.1497	1,547.4153
MXN	Mexico	16.6035	18.0413	17.0444	17.0934
MYR	Malaysia	3.9499	4.1038	3.9874	4.2747
PLN	Poland	4.1061	4.4652	4.2182	4.0330
SEK	Sweden	8.4449	8.9063	8.7250	9.0061
TRY	Turkey	2.3195	2.4320	2.3190	2.2965
UAH	Ukraine	10.5296	10.3695	10.3970	11.2409
UYU	Uruguay	27.2027	25.8267	26.3682	26.9459
USD	USA	1.2923	1.2946	1.2892	1.4091
ZAR	South Africa	10.6783	10.4800	10.3437	9.8247

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 consolidated financial statement 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 liability 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 and 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.

For the sake of better comparability of after-tax segment results during the year, the Group modified the segment allocation of tax expenditures in the area of industrial insurance in the second quarter of 2012. Accordingly, in calculating income tax, we use a tax rate that would have resulted under an independent tax obligation of the companies within the Group. After carrying out a cost-benefit analysis, we decided against making any changes to the corresponding comparable figures.

* 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 September 2012

	Industrial Lines		Retail Germany		Retail International	
Assets	**30.9.2012**	**31.12.2011**	**30.9.2012**	**31.12.2011**	**30.9.2012**	**31.12.2011[1)]**
Figures in EUR million						
A. Intangible assets						
a. Goodwill	153	153	403	403	581	118
b. Other intangible assets	20	24	1,096	1,275	347	28
	173	**177**	**1,499**	**1,678**	**928**	**146**
B. Investments						
a. Investment property	38	36	693	594	81	73
b. Investments in affiliated companies and participating interests	16	9	24	23	6	—
c. Investments in associated companies and joint ventures	122	78	45	38	22	22
d. Loans and receivables	2,508	2,606	26,696	26,877	263	7
e. Other financial instruments						
i. Held to maturity	128	118	295	293	398	269
ii. Available for sale	3,345	2,984	11,661	9,122	3,390	2,274
iii. At fair value through profit or loss	71	7	323	287	706	523
f. Other invested assets	643	774	1,065	848	526	316
Investments under own management	**6,871**	**6,612**	**40,802**	**38,082**	**5,392**	**3,484**
g. Investments under investment contracts	—	—	—	—	1,338	—
h. Funds withheld by ceding companies	31	29	2	2	1	—
Investments	**6,902**	**6,641**	**40,804**	**38,084**	**6,731**	**3,484**
C. Investments for the account and risk of holders of life insurance policies	—	—	6,170	5,283	1,097	784
D. Reinsurance recoverables on technical provisions	4,612	4,332	2,560	2,454	712	588
E. Accounts receivable on insurance business	1,097	1,004	392	423	717	424
F. Deferred acquisition costs	32	27	1,939	1,739	259	209
G. Cash	312	245	259	581	265	158
H. Deferred tax assets	26	25	102	18	92	66
I. Other assets	357	419	950	1,110	275	245
J. Non-current assets and assets of disposal groups classified as held for sale	5	5	130	111	602	572
Total assets	**13,516**	**12,875**	**54,805**	**51,481**	**11,678**	**6,676**

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

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
30.9.2012	31.12.2011	30.9.2012	31.12.2011	30.9.2012	31.12.2011	30.9.2012	31.12.2011	30.9.2012	31.12.2011 1)
16	16	—	—	—	—	—	—	1,153	690
23	26	102	105	74	62	—	—	1,662	1,520
39	**42**	**102**	**105**	**74**	**62**	**—**	**—**	**2,815**	**2,210**
431	395	2	2	—	—	—	—	1,245	1,100
12	18	—	—	26	28	—	—	84	78
122	122	6	6	13	14	–73	–71	257	209
3,335	3,497	75	28	—	—	–152	–54	32,725	32,961
3,590	3,956	200	200	—	17	–550	–559	4,061	4,294
14,987	12,142	6,016	5,356	307	263	—	—	39,706	32,141
138	142	76	40	—	1	—	—	1,314	1,000
1,749	1,954	245	364	331	467	–751	–756	3,808	3,967
24,364	**22,226**	**6,620**	**5,996**	**677**	**790**	**–1,526**	**–1,440**	**83,200**	**75,750**
—	—	—	—	—	—	—	—	1,338	—
901	836	13,532	12,506	—	—	–1,790	–1,656	12,677	11,717
25,265	**23,062**	**20,152**	**18,502**	**677**	**790**	**–3,316**	**–3,096**	**97,215**	**87,467**
—	—	—	—	—	—	—	—	7,267	6,067
1,508	1,446	732	586	—	—	–3,101	–2,939	7,023	6,467
2,167	1,977	1,379	1,162	—	—	–261	–261	5,491	4,729
505	459	1,422	1,468	—	—	138	110	4,295	4,012
429	388	158	119	51	79	—	—	1,474	1,570
33	37	27	25	155	151	—	—	435	322
1,129	1,069	143	44	431	448	–1,337	–1,471	1,948	1,864
2	2	—	—	—	—	–143	–125	596	565
31,077	**28,482**	**24,115**	**22,011**	**1,388**	**1,530**	**–8,020**	**–7,782**	**128,559**	**115,273**

Segment reporting.
Balance sheet as at 30 September 2012

Liabilities	Industrial Lines		Retail Germany		Retail International	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011	30.9.2012	31.12.2011 [1)]
Figures in EUR million						
B. Subordinated liabilities	258	261	214	215	—	—
C. Technical provisions						
a. Unearned premium reserve	1,083	777	993	786	1,485	968
b. Benefit reserve	1	1	35,030	34,114	1,999	1,811
c. Loss and loss adjustment expense reserve	8,122	7,960	2,626	2,580	2,011	1,303
d. Provision for premium refunds	11	9	2,065	985	83	14
e. Other technical provisions	29	29	7	8	21	12
	9,246	**8,776**	**40,721**	**38,473**	**5,599**	**4,108**
D. Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders	—	—	6,170	5,283	1,097	784
E. Other provisions						
a. Provisions for pensions	406	405	66	64	13	11
b. Provisions for taxes	152	109	112	90	58	44
c. Sundry provisions	93	100	274	313	63	37
	651	**614**	**452**	**467**	**134**	**92**
F. Liabilities						
a. Notes payable and loans	—	—	—	—	—	—
b. Funds withheld under reinsurance treaties	13	14	2,134	2,022	178	155
c. Other liabilities	1,313	1,456	2,073	2,242	2,068	249
	1,326	**1,470**	**4,207**	**4,264**	**2,246**	**404**
G. Deferred tax liabilities	103	71	300	263	121	25
Total liabilities/provisions	**11,584**	**11,192**	**52,064**	**48,965**	**9,197**	**5,413**
H. Liabilities of disposal groups classified as held for sale	—	—	101	99	600	565

	Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011	30.9.2012	31.12.2011	30.9.2012	31.12.2011	30.9.2012	31.12.2011 [1]
	1,735	1,731	99	100	912	509	−308	−201	2,910	2,615
	2,532	2,110	93	106	—	—	−111	−70	6,075	4,677
	—	—	10,864	10,309	—	—	−453	−496	47,441	45,739
	19,046	18,030	3,160	2,739	—	—	−1,179	−1,174	33,786	31,438
	—	—	—	—	—	—	—	—	2,159	1,008
	133	146	83	61	—	—	−1	—	272	256
	21,711	**20,286**	**14,200**	**13,215**	**—**	**—**	**−1,744**	**−1,740**	**89,733**	**83,118**
	—	—	—	—	—	—	—	—	7,267	6,067
	70	68	19	20	776	775	—	—	1,350	1,343
	191	172	23	13	47	129	—	—	583	557
	78	79	25	31	127	130	−1	−1	659	689
	339	**319**	**67**	**64**	**950**	**1,034**	**−1**	**−1**	**2,592**	**2,589**
	143	203	280	283	1,656	1,421	−1,128	−1,145	951	762
	474	411	5,976	5,242	—	—	−3,093	−2,805	5,682	5,039
	872	629	1,353	1,309	250	267	−1,586	−1,741	6,343	4,411
	1,489	**1,243**	**7,609**	**6,834**	**1,906**	**1,688**	**−5,807**	**−5,691**	**12,976**	**10,212**
	956	739	427	367	8	1	23	21	1,938	1,487
	26,230	**24,318**	**22,402**	**20,580**	**3,776**	**3,232**	**−7,837**	**−7,612**	**117,416**	**106,088**
	—	—	—	—	—	—	−185	−173	516	491
					Shareholders' equity [2]				**10,627**	**8,694**
					Total liabilities				**128,559**	**115,273**

[1] Adjusted on the basis of IAS 8. Cf. section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Notes

[2] Group shareholders' equity incl. non-controlling interests

Segment reporting.
Statement of income for the period from 1 January to 30 September 2012

	Industrial Lines		Retail Germany		Retail International	
	1.1.– 30.9.2012	1.1.– 30.9.2011 [1]	1.1.– 30.9.2012	1.1.– 30.9.2011 [2]	1.1.– 30.9.2012	1.1.– 30.9.2011 [1], [2]
Figures in EUR million						
1. Gross written premium including premium from unit-linked life and annuity insurance	2,849	2,556	5,056	5,006	2,231	1,774
thereof attributable to other segments	49	19	46	44	—	—
third parties	2,800	2,537	5,010	4,962	2,231	1,774
2. Savings elements of premium from unit-linked life and annuity insurance	—	—	709	642	163	182
3. Ceded written premium	1,495	1,334	234	296	258	172
4. Change in gross unearned premium	–308	–229	–218	–184	–27	–72
5. Change in ceded unearned premium	–136	–102	–13	2	–18	–11
Net premium earned	**1,182**	**1,095**	**3,908**	**3,882**	**1,801**	**1,359**
6. Claims and claims expenses (gross)	1,806	1,850	4,404	4,210	1,407	1,101
Reinsurers' share	934	1,089	106	150	98	87
Claims and claims expenses (net)	**872**	**761**	**4,298**	**4,060**	**1,309**	**1,014**
7. Acquisition costs and administrative expenses (gross)	485	438	714	855	544	388
Reinsurers' share	235	203	73	111	81	18
Acquisition costs and administrative expenses (net)	**250**	**235**	**641**	**744**	**463**	**370**
8. Other technical income	16	6	12	5	10	7
Other technical expenses	7	31	102	55	64	33
thereof attributable to amortisation PVFP	4	—	92	41	27	1
Other technical result	**9**	**–25**	**–90**	**–50**	**–54**	**–26**
Net technical result	**69**	**74**	**–1,121**	**–972**	**–25**	**–51**
9. a. Income from investments	203	209	1,377	1,385	224	153
b. Expenses for investments	21	59	117	214	27	40
Net income from investments under own management	**182**	**150**	**1,260**	**1,171**	**197**	**113**
Income/expense from investment contracts	—	—	—	—	5	—
Income/expense from funds withheld and contract deposits	–1	1	–24	–22	–1	–1
Net investment income	**181**	**151**	**1,236**	**1,149**	**201**	**112**
thereof attributable to interest and similar income	160	164	1,159	1,149	156	108
impairments/depreciation on investments	1	25	15	74	4	15
write-ups on investments	1	2	—	17	3	1
income/expense from associated companies and joint ventures recognised using the equity method	—	—	4	2	–1	–2
10. a. Other income	64	96	126	117	28	26
b. Other expenses	99	153	177	183	129	71
Other income/expenses	**–35**	**–57**	**–51**	**–66**	**–101**	**–45**
thereof attributable to interest and similar income	2	4	8	6	8	4
write-ups on accounts receivable and other assets	—	—	1	1	1	—
interest and similar expenses	15	21	14	11	3	1
write-downs on accounts receivable and other assets	9	59	3	16	29	8
Profit before goodwill impairments	**215**	**168**	**64**	**111**	**75**	**16**
11. Goodwill impairments	—	—	—	—	—	—
Operating profit/loss (EBIT)	**215**	**168**	**64**	**111**	**75**	**16**
12. Financing costs	10	10	10	7	1	—
13. Taxes on income	69	33	–58	12	25	8
Net income	**136**	**125**	**112**	**92**	**49**	**8**
thereof attributable to non-controlling interests	—	—	6	6	10	–2
thereof attributable to shareholders of Talanx AG	136	125	106	86	39	10

[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 September 2011) were not adjusted

[2] Adjusted on the basis of IAS 8. Cf. section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Notes

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
1.1.– 30.9.2012	1.1.– 30.9.2011	1.1.– 30.9.2012	1.1.– 30.9.2011	1.1.– 30.9.2012	1.1.– 30.9.2011	1.1.– 30.9.2012	1.1.– 30.9.2011	1.1.– 30.9.2012	1.1.– 30.9.2011[2)]
5,897	5,220	4,399	3,844	—	—	−585	−557	19,847	17,843
333	307	157	187	—	—	−585	−557	—	—
5,564	4,913	4,242	3,657	—	—	—	—	19,847	17,843
—	—	—	—	—	—	—	—	872	824
593	504	472	342	—	—	−582	−565	2,470	2,083
−398	−380	12	−17	—	—	41	21	−898	−861
−111	−55	−2	−2	—	—	36	27	−244	−141
5,017	**4,391**	**3,941**	**3,487**	**—**	**—**	**2**	**2**	**15,851**	**14,216**
3,881	4,286	3,641	3,112	—	—	−292	−277	14,847	14,282
300	781	390	236	—	—	−302	−322	1,526	2,021
3,581	**3,505**	**3,251**	**2,876**	**—**	**—**	**10**	**45**	**13,321**	**12,261**
1,321	1,168	972	852	—	—	−206	−210	3,830	3,491
59	54	49	49	—	—	−174	−133	323	302
1,262	**1,114**	**923**	**803**	**—**	**—**	**−32**	**−77**	**3,507**	**3,189**
1	1	—	6	—	—	—	−2	39	23
5	−3	5	7	—	—	25	32	208	155
1	—	2	2	—	—	—	—	126	44
−4	**4**	**−5**	**−1**	**—**	**—**	**−25**	**−34**	**−169**	**−132**
170	**−224**	**−238**	**−193**	**—**	**—**	**−1**	**—**	**−1,146**	**−1,366**
829	763	267	198	23	18	−56	−43	2,867	2,683
107	165	20	85	46	45	−62	−52	276	556
722	**598**	**247**	**113**	**−23**	**−27**	**6**	**9**	**2,591**	**2,127**
—	—	—	—	—	—	—	—	5	—
8	10	239	237	—	—	—	—	221	225
730	**608**	**486**	**350**	**−23**	**−27**	**6**	**9**	**2,817**	**2,352**
582	517	486	480	6	4	−56	−49	2,493	2,373
14	21	3	—	—	5	—	—	37	140
1	17	—	—	—	—	—	—	5	37
5	5	—	—	1	1	−5	−2	4	4
103	171	76	38	555	456	−488	−399	464	505
197	203	109	48	550	488	−438	−373	823	773
−94	**−32**	**−33**	**−10**	**5**	**−32**	**−50**	**−26**	**−359**	**−268**
2	70	4	2	11	9	−5	−6	30	89
5	12	—	—	—	—	—	—	7	13
21	9	44	23	51	52	−10	−11	138	106
26	23	16	9	3	3	—	—	86	118
806	**352**	**215**	**147**	**−18**	**−59**	**−45**	**−17**	**1,312**	**718**
—	—	—	—	—	—	—	—	—	—
806	**352**	**215**	**147**	**−18**	**−59**	**−45**	**−17**	**1,312**	**718**
76	78	4	4	81	60	−43	−35	139	124
176	−36	38	25	−34	−18	2	6	218	30
554	**310**	**173**	**118**	**−65**	**−101**	**−4**	**12**	**955**	**564**
299	176	92	57	—	—	−1	—	406	237
255	134	81	61	−65	−101	−3	12	549	327

Segment reporting.
Statement of income for the period from 1 July to 30 September 2012

	Industrial Lines		Retail Germany		Retail International	
	1.7.– 30.9.2012	1.7.– 30.9.2011 [1]	1.7.– 30.9.2012	1.7.– 30.9.2011 [2]	1.7.– 30.9.2012	1.7.– 30.9.2011 [1), 2)]
Figures in EUR million						
1. Gross written premium including premium from unit-linked life and annuity insurance	602	550	1,539	1,482	897	580
thereof attributable to other segments	20	6	15	33	—	—
third parties	582	544	1,524	1,449	897	580
2. Savings elements of premium from unit-linked life and annuity insurance	—	—	273	196	88	57
3. Ceded written premium	402	390	73	91	88	52
4. Change in gross unearned premium	301	306	108	110	8	–28
5. Change in ceded unearned premium	101	99	3	11	6	2
Net premium earned	**400**	**367**	**1,298**	**1,294**	**723**	**441**
6. Claims and claims expenses (gross)	540	427	1,444	1,382	558	345
Reinsurers' share	219	226	25	41	52	22
Claims and claims expenses (net)	**321**	**201**	**1,419**	**1,341**	**506**	**323**
7. Acquisition costs and administrative expenses (gross)	163	159	260	345	218	143
Reinsurers' share	77	87	43	54	23	17
Acquisition costs and administrative expenses (net)	**86**	**72**	**217**	**291**	**195**	**126**
8. Other technical income	5	1	—	2	5	—
Other technical expenses	–13	–48	73	39	31	10
thereof attributable to amortisation PVFP	—	—	69	33	20	—
Other technical result	**18**	**49**	**–73**	**–37**	**–26**	**–10**
Net technical result	**11**	**143**	**–411**	**–375**	**–4**	**–18**
9. a. Income from investments	73	70	462	475	63	54
b. Expenses for investments	5	42	32	84	–20	28
Net income from investments under own management	**68**	**28**	**430**	**391**	**83**	**26**
Income/expense from investment contracts	—	—	—	—	3	—
Income/expense from funds withheld and contract deposits	—	—	–7	–6	–3	—
Net investment income	**68**	**28**	**423**	**385**	**83**	**26**
thereof attributable to interest and similar income	54	55	394	384	64	43
impairments/depreciation on investments	—	19	5	40	1	12
write-ups on investments	1	—	—	2	3	—
income/expense from associated companies and joint ventures recognised using the equity method	1	—	1	2	–1	–1
10. a. Other income	15	25	37	36	–6	11
b. Other expenses	40	88	61	48	50	26
Other income/expenses	**–25**	**–63**	**–24**	**–12**	**–56**	**–15**
thereof attributable to interest and similar income	—	1	1	1	1	1
write-ups on accounts receivable and other assets	—	—	—	—	—	—
interest and similar expenses	5	6	7	5	2	1
write-downs on accounts receivable and other assets	1	21	1	5	21	2
Profit before goodwill impairments	**54**	**108**	**–12**	**–2**	**23**	**–7**
11. Goodwill impairments	—	—	—	—	—	—
Operating profit/loss (EBIT)	**54**	**108**	**–12**	**–2**	**23**	**–7**
12. Financing costs	3	4	3	3	1	—
13. Taxes on income	16	19	–71	–17	6	—
Net income	**35**	**85**	**56**	**12**	**16**	**–7**
thereof attributable to non-controlling interests	—	—	2	2	8	–1
thereof attributable to Talanx AG shareholders	35	85	54	10	8	–6

[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 September 2011) were not adjusted

[2] Adjusted on the basis of IAS 8. Cf. section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Notes

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
1.7.– 30.9.2012	**1.7.– 30.9.2011**	**1.7.– 30.9.2012**	**1.7.– 30.9.2011**	**1.7.– 30.9.2012**	**1.7.– 30.9.2011**	**1.7.– 30.9.2012**	**1.7.– 30.9.2011**	**1.7.– 30.9.2012**	**1.7.– 30.9.2011** [2)]
1,817	1,676	1,590	1,344	—	—	–181	–211	6,264	5,421
96	98	50	74	—	—	–181	–211	—	—
1,721	1,578	1,540	1,270	—	—	—	—	6,264	5,421
—	—	—	—	—	—	—	—	361	253
192	149	168	143	—	—	–179	–210	744	615
72	4	–5	–14	—	—	—	–18	484	360
–17	–12	–3	–2	—	—	–3	–11	87	87
1,714	**1,543**	**1,420**	**1,189**	**—**	**—**	**1**	**–8**	**5,556**	**4,826**
1,339	1,164	1,326	1,069	—	—	–103	–104	5,104	4,283
105	91	135	103	—	—	–97	–102	439	381
1,234	**1,073**	**1,191**	**966**	**—**	**—**	**–6**	**–2**	**4,665**	**3,902**
434	416	373	286	—	—	–60	–86	1,388	1,263
28	17	28	24	—	—	–68	–87	131	112
406	**399**	**345**	**262**	**—**	**—**	**8**	**1**	**1,257**	**1,151**
—	—	—	1	—	—	–1	1	9	5
5	—	1	–1	—	—	–2	–5	95	–5
—	—	1	1	—	—	—	—	90	34
–5	**—**	**–1**	**2**	**—**	**—**	**1**	**6**	**–86**	**10**
69	**71**	**–117**	**–37**	**—**	**—**	**—**	**–1**	**–452**	**–217**
330	233	119	84	2	14	–21	–16	1,028	914
30	56	7	67	14	21	–24	–18	44	280
300	**177**	**112**	**17**	**–12**	**–7**	**3**	**2**	**984**	**634**
—	—	—	—	—	—	—	—	3	—
2	4	89	82	—	—	—	–1	81	79
302	**181**	**201**	**99**	**–12**	**–7**	**3**	**1**	**1,068**	**713**
195	182	153	154	2	2	–19	–15	843	805
4	5	—	—	—	5	—	—	10	81
—	2	—	—	—	—	—	—	4	4
2	2	—	—	–1	–1	–2	–1	—	1
18	6	27	11	224	164	–177	–140	138	113
39	74	35	12	211	177	–141	–105	295	320
–21	**–68**	**–8**	**–1**	**13**	**–13**	**–36**	**–35**	**–157**	**–207**
—	3	2	1	4	4	–1	–2	7	9
2	3	—	—	—	—	—	—	2	3
3	3	15	19	13	12	–3	–4	42	42
13	4	2	3	1	–10	—	—	39	25
350	**184**	**76**	**61**	**1**	**–20**	**–33**	**–35**	**459**	**289**
—	—	—	—	—	—	—	—	—	—
350	**184**	**76**	**61**	**1**	**–20**	**–33**	**–35**	**459**	**289**
26	26	2	2	30	21	–17	–15	48	41
74	23	16	19	–5	3	–3	–5	33	42
250	**135**	**58**	**40**	**–24**	**–44**	**–13**	**–15**	**378**	**206**
143	71	29	20	—	—	—	—	182	92
107	64	29	20	–24	–44	–13	–15	196	114

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 clients. During the reporting period, there were no transactions with any one external client 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 origin[1)]

	Primary Insurance	Reinsurance	Corporate Operations	30.9.2012 Total
Figures in EUR million				
Germany	26,428	6,032	126	32,586
United Kingdom	3,185	2,819	82	6,086
Central and Eastern Europe (CEE), including Turkey	2,466	57	—	2,523
Rest of Europe	17,282	7,858	305	25,445
USA	940	7,971	—	8,911
Rest of North America	89	1,109	—	1,198
Latin America	870	753	—	1,623
Asia and Australia	993	3,411	—	4,404
Africa	17	407	—	424
Total	**52,270**	**30,417**	**513**	**83,200**

	Primary Insurance	Reinsurance	Corporate Operations	31.12.2011 Total
Figures in EUR million				
Germany	27,374	5,850	347	33,571
United Kingdom	2,691	2,323	123	5,137
Central and Eastern Europe (CEE), including Turkey	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]

Figures in EUR million	Primary Insurance	Reinsurance	1.1.–30.9.2012 Total
Germany	6,433	605	7,038
United Kingdom	92	1,937	2,029
Central and Eastern Europe (CEE), including Turkey	898	142	1,040
Rest of Europe	1,556	1,592	3,148
USA	152	2,341	2,493
Rest of North America	8	488	496
Latin America	800	593	1,393
Asia and Australia	81	1,720	1,801
Africa	21	388	409
Total	**10,041**	**9,806**	**19,847**

Figures in EUR million	Primary Insurance	Reinsurance	1.1.–30.9.2011 Total
Germany	6,274	599	6,873
United Kingdom	84	1,801	1,885
Central and Eastern Europe (CEE), including Turkey	594	124	718
Rest of Europe	1,451	1,408	2,859
USA	91	1,992	2,083
Rest of North America	—	326	326
Latin America	717	569	1,286
Asia and Australia	55	1,399	1,454
Africa	7	352	359
Total	**9,273**	**8,570**	**17,843**

[1] After elimination of internal transactions within the Group across segments. This can lead to deviations from the figures shown in the Management Report

Figures in EUR million	Primary Insurance	Reinsurance	1.7.–30.9.2012 Total
Germany	1,750	152	1,902
United Kingdom	30	711	741
Central and Eastern Europe (CEE), including Turkey	467	39	506
Rest of Europe	413	533	946
USA	38	750	788
Rest of North America	2	189	191
Latin America	275	169	444
Asia and Australia	33	577	610
Africa	–5	141	136
Total	**3,003**	**3,261**	**6,264**

Figures in EUR million	Primary Insurance	Reinsurance	1.7.–30.9.2011 Total
Germany	1,681	151	1,832
United Kingdom	21	616	637
Central and Eastern Europe (CEE), including Turkey	179	41	220
Rest of Europe	391	450	841
USA	14	653	667
Rest of North America	—	113	113
Latin America	266	185	451
Asia and Australia	18	516	534
Africa	2	124	126
Total	**2,572**	**2,849**	**5,421**

[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 level[1]

Figures in EUR million	1.1.–30.9.2012	1.1.–30.9.2011	1.7.–30.9.2012	1.7.–30.9.2011
Property/casualty primary insurance	5,723	5,122	1,493	1,261
Life primary insurance	4,318	4,151	1,510	1,312
Non-life reinsurance	5,564	4,913	1,721	1,578
Life/health reinsurance	4,242	3,657	1,540	1,270
Total	**19,847**	**17,843**	**6,264**	**5,421**

[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, 125 individual companies, 23 special purpose entities, and three foreign subgroups – collectively as a group (including associated companies) – were included in full in the Talanx consolidated financial statement, as were nine companies (eight associated companies and one joint venture) that were measured using the equity method (these 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 these acquisitions 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 the first quarter of 2012 been booked as a participating interest. Due to increasing business volume, the company was consolidated for the first time with effect from 30 June 2012. As at the date of initial consolidation, Funis had a shareholding of 69.2%, and as at the balance sheet date, the ownership interest was unchanged. The asset-side 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 have been allocated to the Retail International segment. Please see our remarks in section V, "Business combinations" of the Notes.

Effective 1 July 2012, Talanx International AG acquired the property insurance company Towarzystwo Ubezpieczeń i Reasekuracji WARTA S. A. (WARTA), Warsaw, Poland, from the Belgian KBC Group. As at the closing date (1 July 2012), on the basis of the agreements made, the Group has acquired 70% of the shares in WARTA. The remaining 30% are reported as non-controlling interests. Towarzystwo Ubezpieczeń na Życie WARTA S. A. (WARTA life), which is wholly owned by WARTA, and the special fund KBC ALFA Specjalistyczny Fundusz Inwestycyjny Otwarty (ALFA Fonds) were likewise included in the scope of consolidation starting in the third quarter of 2012 (all companies have been allocated to the Retail International segment). For more extensive information about this transaction, please see section V, "Business combinations" of the Notes.

In July 2012, HR GLL Central Europe GmbH & Co. KG was established, with its registered office located in Munich. The company's purpose consists of the acquisition, management, leasing and sale of commercial real estate and land rights in Europe, with the focus on EU Member States in Central Europe. The company was included in the consolidated financial statement for the first time with effect from the third quarter of 2012. As at the date of initial consolidation and as at the balance sheet date, Hannover Re held 90.9% of the interests in the company through its subsidiary, Hannover Re Euro RE Holdings GmbH, Hannover.

In August 2012, TAM AI Komplementär GmbH, Cologne, was established (Corporate Operations segment). The sole member of the company is Talanx Asset Management GmbH (TAM), Cologne. This company acts as the general partner for TD-Sach Private Equity GmbH & Co. KG (TDSPE), Cologne, which was likewise newly established in August 2012 (Retail Germany segment). TAM is the managing limited partner, with HDI Versicherung AG participating as investor limited partner. The purpose of TDSPE consists of the development, holding and management of a portfolio of equity, equity-like, and debt-capital participations, predominantly in Europe and the United States. Both companies were consolidated for the first time in the third quarter of 2012.

In September 2012, Leine Investment General Partner S.à.r.l. and Leine Investment SICAV-SIF were established, both with their registered office located in Luxembourg. The companies, all of whose interests are held by Hannover Re, were consolidated for the first time with effect from the third quarter of 2012. Leine Investment General Partner S.à.r.l. is the managing partner of the asset management company Leine Investment SICAV-SIF, whose purpose consists of the development, holding and management of a portfolio of insurance-linked securities (CAT bonds), including for investors outside the Group. As at the balance sheet date, the company has yet to make any investments.

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 (PO), Cologne (both Retail Germany segment) 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 (see our remarks in the section "Non-current assets held for sale and disposal groups").

Mergers

In the third quarter of 2012, Hannover Reinsurance (Ireland) Public Limited Company (formerly Hannover Reinsurance (Ireland) Limited), a wholly owned subsidiary of Hannover Rück Beteiligung Verwaltungs GmbH (HRBV), was merged by absorption into Hannover Life Reassurance (Ireland) Public Limited Company (formerly Hannover Life Reassurance (Ireland) Limited), a wholly owned subsidiary of Hannover Life Re AG. In implementing the merger, HRBV brought Hannover Reinsurance (Ireland) into Hannover Life Reassurance (Ireland) by means of a capital increase in exchange for contributions in kind. On 19 July 2012, the Irish High Court (Commercial Court Division) definitively sanctioned the merger. The merger became legally effective on 3 September 2012. The new name of the absorbing company is Hannover Re (Ireland) Plc. Since this internal Group restructuring involves a transaction between companies under common control, the transaction neither generated goodwill nor had an impact on Group net income.

Upon entry in the commercial register on 28 September 2012, the merger of HDI-Gerling Firmen und Privat Versicherung AG, Hannover, into HDI Versicherung AG (formerly HDI Direkt Versicherung AG), Hannover, became legally effective (retroactive to 1 January 2012).

Other changes to the scope of consolidation and key name changes

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 net income 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.

Upon entry on 28 September 2012 in the respective commercial registers, the renaming of the following companies became legally effective: HDI Direkt Versicherung AG became HDI Versicherung AG, HDI-Gerling Lebensversicherung AG became HDI Lebensversicherung AG, HDI-Gerling Pensionskasse AG became HDI Pensionskasse AG, HDI-Gerling Pensionsfonds AG became HDI Pensionsfonds AG, HDI-Gerling Vertrieb Firmen und Privat AG became HDI Vertriebs AG and HDI-Gerling Pensionsmanagement AG became Talanx Pensionsmanagement AG.

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

	Individual companies		Subgroups	
Consolidated subsidiaries (fully consolidated)	**Domestic**	**Foreign**	**Foreign**	**Total**
31.12.2011	66	50	3	**119**
Additions	—	1	—	**1**
Disposals	1	1	—	**2**
31.3.2012	65	50	3	**118**
Additions	—	6	—	**6**
Disposals	1	—	—	**1**
30.6.2012	64	56	3	**123**
Additions	3	4	—	**7**
Disposals	1	1	—	**2**
30.9.2012	**66**	**59**	**3**	**128**

Consolidation of special purpose entities

With regard to the consolidation of special purpose entities, in the following the Group makes a distinction 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 IFRSs 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.

In the third quarter of 2012, the Group for the first time consolidated the special fund KBC ALFA Specjalistyczny Fundusz Inwestycyjny Otwarty (ALFA Fonds) in the Retail Germany segment (see also our remarks in the subsection "Scope of consolidation" in this section). The special fund HG-I Commodity Strategie was set up and consolidated in the Industrial Lines segment. Two special funds (Ampega-nl-Balanced-Fonds and CSHG Hannover FI Multimercado Credito Privado) were liquidated during the reporting period (Retail Germany and Retail International segments, respectively).

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 – primarily through the companies Secquaero ILS Fund Ltd. and Hannover Insurance-Linked Securities GmbH & Co. KG – by investing in catastrophe (CAT) bonds in a number of special purpose entities for the securitisation of catastrophe risks. 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.

In September 2012, Hannover Re once again issued a catastrophe (CAT) bond with the aim of transferring to the capital market peak natural catastrophe exposures deriving from European storm events. The term of the CAT bond, which had a volume of nominally EUR 100 million, runs until 31 March 2016 and was placed with institutional investors from Europe, North America, and Asia by Eurus III Ltd., a special purpose entity domiciled in Hamilton, Bermuda that was registered in August 2012 as a "Special Purpose Insurer" under the Bermuda Insurance Act 1978. The retrocessions concluded in connection with the transaction with the special purpose entity afford Hannover Re, E+S Rückversicherung AG and Hannover Re (Bermuda) Ltd. with protection against the aforementioned catastrophe risks. Since Hannover Re does not exercise any controlling influence over Eurus III Ltd., there is no consolidation requirement for the special purpose entity.

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, namely 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 387 million; the underwriting volume remains unchanged, although equivalent to EUR 194 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 premium 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 and 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 273 (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 has written 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 selling 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 term of the retrocession runs 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 consolidation requirement for this special purpose entity.

Associated companies valued at equity

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

In July 2012, HDI-Gerling Industrie Versicherung AG increased its holding in Petro Vietnam Insurance Holdings, Hanoi, Vietnam, from 25% to 31.82% in connection with a capital increase.

Joint ventures valued at equity

Credit Life International Services GmbH, Neuss, which formerly had been consolidated proportionately, began being booked as a participating interest starting in the second quarter of 2012, since based on its total assets and net income 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 handled property and liability insurance business during the third quarter 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 consolidated the company at equity.

Interests in joint ventures consolidated 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 during the reporting period

Business combinations during the first quarter of 2012 – Metropolitana Compañía de Seguros

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 (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 acquisition-related costs were incurred.

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 (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 provisions for deferred taxes (EUR 10 million). The assets include intangible and tangible assets of EUR 17 million. Equity under IFRS amounted to EUR 34 million as at the acquisition date.

The amount recognised for accounts receivable corresponds to 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 contingent liabilities as at the balance sheet date. Premium volume ("Net premium earned") amounted to EUR 53 million for the first three quarters of 2012. The profit generated by the company stood at EUR 7 million as at 30 September 2012.

Business combinations during the second quarter of 2012 – Europa insurance group (TU Europa)

In its press 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, acquired the Europa insurance group (TU Europa Group). In connection with this transaction, on 1 June 2012 (the closing date) TINT acquired 50% plus one share of 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). The purchase price was paid in cash. TU Europa Non-Life holds participating interests in the 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%) 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 was 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. Moreover, the Group has enhanced its presence in Central and Eastern Europe 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 amounted to EUR 134 million and primarily reflects the expected profitable growth in the Polish market, particularly in the bancassurance segment. Goodwill is not tax deductible.

In connection with a written put option as part of the acquisition, TINT undertook in principle to acquire interests in the TU Europa Group that are held by Getin in exchange for financial assets. In this regard, TINT recognised 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 subsequent periods in compliance with IAS 39. The Group booked the obligation against the minority interest in shareholders' equity (the "anticipated acquisition method"). The acquisition of a total of 66.54% plus one vote was therefore recorded, and as a result, goodwill was also shown at this (higher) proportion. Minority interests in the amount of EUR 105 million were measured at the pro-rata fair value of the identified net assets and pro-rata recognition of goodwill, less the obligation under the put option.

The transaction costs for the acquisition amounted to EUR 3 million, which were brought to account under "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 – essentially under investment contracts) and deferred tax liabilities (EUR 7 million). The assets (EUR 203 million) include intangible assets (EUR 201 million) and tangible assets (EUR 2 million). The acquired intangible assets consist primarily of insurance-related intangible assets (= PVFP), sales networks and customer relationships. Equity under IFRS 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 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.

In the period from 1 June 2012 to 30 September 2012, premium volume ("Net premium earned") amounted to EUR 64 million. In the event of acquisition on 1 January 2012, it would have amounted to EUR 139 million (calculation simplified on the basis of local IFRS data for January to May 2012). As at 30 September 2012, the result generated by the company amounted to EUR 5 million. In the event of acquisition on 1 January 2012, it would have amounted to EUR 18 million (calculation simplified on the basis of local IFRS data for January to May 2012).

Business combinations during the third quarter of 2012 – Insurance group WARTA

Effective 1 July 2012, Talanx International AG (TINT) acquired the property insurance company Towarzystwo Ubezpieczeń i Reasekuracji WARTA S. A. (WARTA), Warsaw, Poland, from the Belgian KBC group. Effective 3 July 2012, Talanx's Japanese partner, Meiji Yasuda Life Insurance Company, acquired 30% of the shares of WARTA from TINT, which had held them in trust since the acquisition. As at the closing date (1 July 2012), on the basis of the agreements made, the Group has acquired only 70% of the shares in WARTA. The other 30% are reported as non-controlling interest. The total purchase price for the WARTA Group, as adjusted, amounted to EUR 842 million, of which EUR 602 million is attributable to TINT, and was paid in cash on or before the date the interim report was prepared.

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%) – which 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 were therefore not included in the scope of consolidation on initial consolidation.

The purpose of this acquisition is to move forward with further expansion in the Retail International segment. The WARTA insurance group is a "full-range" insurance provider that has its own nationwide sales network for property and life business. The Talanx Group has enhanced its presence in Eastern Europe through the acquisition and is thus able to make the most of the available opportunities in the Polish market. Goodwill from the acquisition amounted to EUR 271 million and reflects the expected profitable growth, as well as considerable synergistic effects. Goodwill is not tax deductible.

To date, the transaction costs for the acquisition have amounted to EUR 5 million, which were brought to account under "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 148 million – essentially, PVFP, sales networks, customer relationships, and acquired brand names), investments (EUR 1,277 million), investments for the account and risk of holders of life insurance policies (EUR 226 million), reinsurance recoverables on technical provisions (EUR 96 million), accounts receivable on insurance business (EUR 167 million), cash and cash equivalents (EUR 10 million), deferred tax assets (EUR 4 million) and other assets (EUR 34 million), as well as liabilities in the form of technical provisions (EUR 949 million), technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders (EUR 225 million), other provisions (EUR 17 million), other liabilities (EUR 237 million – primarily under investment contracts) and deferred tax liabilities (EUR 61 million). The assets include intangible and tangible assets of EUR 176 million. Equity under IFRS amounted to EUR 473 million as at the acquisition date.

Minority interests in the amount of EUR 142 million were measured at the pro-rata fair value of the identified net assets.

The amount recognised for accounts receivable (EUR 167 million) corresponds to fair value. Accounts receivable include impairments totalling EUR 23 million. No further payment defaults are currently anticipated. Of the impairments, EUR 18 million is attributable to accounts receivable from policyholders (fair value of EUR 138 million, gross amount of EUR 156 million), EUR 2 million to accounts receivable from insurance intermediaries (fair value of EUR 14 million, gross amount of EUR 16 million) and EUR 1 million to accounts receivable from reinsurance business (fair value of EUR 15 million, gross amount of EUR 16 million). Other impairments essentially relate to other accounts receivable in the amount of EUR 2 million.

Pursuant to IFRS 3.23, contingent liabilities of EUR 3 million were brought to account. They were created for potential contingent tax liabilities. The likelihood of an outflow of resources is essentially estimated to be 40–50%. The obligation depends on decisions by the local authorities, which can be expected in the short to medium term. There is no claim to indemnification. Other conditional payments, indemnification assets and separate transactions as defined by IFRS 3 were not brought to account.

In the period from 1 July to 30 September 2012, premium volume ("Net premium earned") amounted to EUR 172 million. In the event of acquisition on 1 January 2012, it would have amounted to EUR 591 million (calculation simplified on the basis of data in accordance with local IFRS accounting policies for January to June 2012). As at 30 September 2012, the result generated by the companies amounted to EUR 22 million. In the event of acquisition on 1 January 2012, it would have amounted to EUR 72 million (calculation simplified on the basis of data in accordance with local IFRS accounting policies for January to June 2012).

Business combinations after the reporting period

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 amounts to EUR 6 million. We expect closing to take place in the fourth quarter of 2012 once this Group interim report has been prepared. Local regulatory approval has been granted. In 2011 gross written premium amounted to EUR 8 million (ascertained according to local accounting rules).

To date, no significant transaction costs have been incurred.

No further information pursuant to IFRS 3 can be provided, since at this time, preparation of the opening balance sheet has yet to be completed.

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 during 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 (A-Lie), Vaduz, Liechtenstein (Retail International segment). The purchaser of the 30% shareholding is a subsidiary of Hannover Re. All shares were held by TINT. The agreed purchase price amounted to EUR 2.7 million. This transaction is part of Talanx International AG's strategy of corporate focus. The transaction closed on 31 October 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 1.6 million, which was recognised in "Other income and expenses". Cumulative other comprehensive income amounted to EUR 0 (–1) million as at the balance sheet date. 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:

Figures in EUR million	30.9.2012	31.12.2011
Assets		
Investments	3	1
Investments for the account and risk of holders of life insurance policies	285	261
Reinsurance recoverables on technical provisions	26	24
Accounts receivable on insurance business	2	3
Deferred acquisition costs	86	99
Cash	43	46
Deferred tax assets	2	1
Other assets	5	5
Assets held for sale	**452**	**440**
Liabilities		
Technical provisions	75	81
Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders	285	261
Sundry provisions	5	4
Funds withheld under reinsurance treaties	19	16
Other liabilities	22	24
Liabilities related to assets held for sale	**406**	**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 amounted to EUR 96 (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 provisions for deferred taxes that are offset by assets of EUR 104 (96) million. These relate to EUR 6 (6) million in intangible assets, EUR 93 (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. Pursuant to contract dated 29 June 2012, the purchase price for the portfolio is EUR 5 million. On 10 October 2012, the purchaser forwarded the draft portfolio transfer agreement with PB Pensionskasse to the regulatory authorities for approval. We anticipate that the transaction will close in the fourth quarter.

HDI Seguros S. A. de C. V. reported technical provisions in the amount of EUR 8 (6) million, other liabilities in the amount of EUR 1 (0) million, investments in the amount of EUR 5 (5) million, reinsurance recoverables on technical provisions of EUR 1 (0) million, other assets in the amount of EUR 1 (0) million and accounts receivable on insurance business in the amount of EUR 0 (1) million. The agreed purchase price is EUR 2 million. The transaction closed on 1 October 2012. The portfolio thus departs in the fourth quarter of 2012.

As at the balance sheet date, the cumulative income and expenses recognised directly in shareholders' equity and associated with the two disposal groups amounted to EUR 3 (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.

Moreover, HDI-Gerling Industrie Versicherung AG (Industrial Lines segment), HDI Lebensversicherung AG, neue leben Lebensversicherung AG (both Retail Germany segment) and E+S Rückversicherung AG (Non-Life Reinsurance segment) intend to sell real estate portfolios with book values amounting to a total of EUR 33 (15) million and have classified these as "held for sale". The sale prices of the various properties amount to EUR 35 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 mainly in 2013.

VII. Notes on individual items of the consolidated balance sheet

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

(1) Intangible assets

	30.9.2012	31.12.2011
Figures in EUR million		
a. Goodwill	1,153	690
b. Other intangible assets	1,662	1,520
thereof attributable to		
Insurance-related intangible assets	1,332	1,333
Software	150	145
Other	180	42
Total	**2,815**	**2,210**

The increase in goodwill of EUR 463 million resulted from the acquisitions of the Polish TU Europa Group (EUR 134 million), the Polish insurance group WARTA (EUR 271 million) and the Mexican insurance company Metropolitana Compañía de Seguros (EUR 43 million), which were recognised in the reporting period in the Retail International segment. In addition, there were total currency effects in the amount of EUR 15 million. Please see our presentation in section V "Business combinations".

"Insurance-related intangible assets" (= PVFP) with respect to life primary insurance companies derived principally from the insurance portfolios of the former Gerling Group acquired in 2006 (EUR 771 million), from the portfolios of the former BHW Lebensversicherung AG (formerly PBV Lebensversicherung, now PB Lebensversicherung AG) (EUR 293 million) acquired in 2007, and from neue leben Lebensversicherung AG (EUR 59 million). In addition, EUR 93 million is attributable to Hannover Life Reassurance (Ireland) Ltd. (Life/Health Reinsurance segment). Business combinations in the year under review resulted in a PVFP of EUR 155 million for the Polish TU Europa Group and in a PVFP of EUR 18 million for the Polish life insurance company WARTA Life.

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 amortisation. Only 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.

PVFPs with respect to life primary insurance companies amounted to EUR 1,191 (1,233) million, of which EUR 693 (659) million was attributable to the shareholders' portion and EUR 498 (574) million to the policyholders' portion.

Amortisation of insurance-related intangible assets amounted to EUR 185 (30 September 2011: 81) million, of which EUR 130 (30 September 2011: 44) million was attributable to the shareholders' portion – of this, EUR 5 million to investment contracts – and EUR 55 (30 September 2011: 37) million to the policyholders' portion. This amortisation relates mainly to the Retail Germany and Retail International segments. Amortisation of PVFP from investment contracts is recognised in the statement of income under "Income/expense from investment contracts" in "Net investment income". Amortisation of the shareholders' portion (without amortisation of investment contracts) is recognised in the statement of income under "Other technical expenses".

"Other intangible assets" include, inter alia, acquired brand names (EUR 34 million) and acquired sales networks and customer relationships (EUR 112 million). The increase in this item is related primarily to the acquisition of majority interests in the WARTA insurance group and in TU Europa. For further information, see our explanatory remarks in section V "Business combinations".

Apart from certain amounts of goodwill, intangible assets are recognised in their entirety in the Group. Excluding non-controlling interests and the policyholders' portion, intangible assets attributable to the Group, separated into "Goodwill" and "Other intangible assets", are as follows:

Figures in EUR million	**30.9.2012**	**31.12.2011**
Intangible assets before deduction of non-controlling interests and the policyholders' portion and including deferred taxes		
a. Goodwill	1,153	690
b. Other intangible assets	1,662	1,520
Total	**2,815**	**2,210**
less non-controlling interests:		
a. Goodwill	35	—
b. Other intangible assets	223	92
Total	**258**	**99**
less policyholders' portion:		
a. Goodwill	—	—
b. Other intangible assets	498	574
Total	**498**	**574**
less deferred taxes:		
a. Goodwill	—	—
b. Other intangible assets	173	200
Total	**173**	**200**
Intangible assets after deduction of non-controlling interests and the policyholders' portion and excluding deferred taxes		
a. Goodwill	1,118	690
b. Other intangible assets	768	654
Total	**1,886**	**1,344**

(2) Loans and receivables

	Amortised cost		Unrealised gains/losses		Fair value	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011	30.9.2012	31.12.2011
Figures in EUR million						
Mortgage loans	1,004	1,100	140	132	1,144	1,232
Loans and prepayments on insurance policies	196	191	—	—	196	191
Loans and receivables due from governmental or semi-governmental entities[1)]	9,775	10,216	1,186	876	10,961	11,092
Corporate securities	6,725	6,674	487	162	7,212	6,836
Covered bonds, asset-backed securities	14,767	14,453	2,088	1,112	16,855	15,565
Participation rights	258	327	– 9	–19	249	308
Total	**32,725**	**32,961**	**3,892**	**2,263**	**36,617**	**35,224**

[1)] Debt securities issued by semi-governmental entities include securities of EUR 2,455 (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 14,473 (14,428) million, which corresponds to 99 (99)%.

(3) Financial assets held to maturity

	Amortised cost		Unrealised gains/losses		Fair value	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011	30.9.2012	31.12.2011
Figures in EUR million						
Government debt securities of EU member states	576	426	36	24	612	450
US treasury notes	925	927	33	44	958	971
Other foreign government debt securities	60	81	1	1	61	82
Debt securities issued by semi-governmental entities[1)]	689	851	45	36	734	887
Corporate securities	516	574	16	6	532	580
Covered bonds, asset-backed securities	1,295	1,435	84	36	1,379	1,471
Total	**4,061**	**4,294**	**215**	**147**	**4,276**	**4,441**

[1)] Debt securities issued by semi-governmental entities include securities of EUR 170 (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 1,282 (1,424) million, which corresponds to 99 (99)%.

(4) Financial assets available for sale

	Amortised cost		Unrealised gains/losses		Fair value	
	30.9.2012	31.12.2011	30.9.2012	31.12.2011	30.9.2012	31.12.2011
Figures in EUR million						
Government debt securities of EU member states	5,339	4,205	255	3	5,594	4,208
US treasury notes	1,556	1,224	51	56	1,607	1,280
Other foreign government debt securities	1,397	1,320	37	35	1,434	1,355
Debt securities issued by semi-governmental entities[1]	6,775	5,126	444	208	7,219	5,334
Corporate securities	13,456	12,153	845	86	14,301	12,239
Investment funds	778	675	60	2	838	677
Covered bonds, asset-backed securities	6,809	5,657	568	72	7,377	5,729
Participation rights	171	188	–3	–1	168	187
Total fixed-income securities	**36,281**	**30,548**	**2,257**	**461**	**38,538**	**31,009**
Equities	362	422	140	97	502	519
Investment funds	567	541	59	32	626	573
Participation rights	40	40	—	—	40	40
Total variable-yield securities	**969**	**1,003**	**199**	**129**	**1,168**	**1,132**
Total	**37,250**	**31,551**	**2,456**	**590**	**39,706**	**32,141**

[1] Debt securities issued by semi-governmental entities include securities of EUR 2,981 (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 6,484 (5,052) million, which corresponds to 88 (88)%.

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

Figures in EUR million	30.9.2012	31.12.2011
Government debt securities of EU member states	53	5
Other foreign government debt securities	195	137
Debt securities issued by semi-governmental entities[1]	42	50
Corporate securities	459	412
Investment funds	114	90
Covered bonds, asset-backed securities	99	78
Participation rights	86	84
Total fixed-income securities	**1,048**	**856**
Investment funds (variable-yield securities)	40	16
Other variable-yield securities	27	—
Total financial assets classified at fair value through profit or loss	**1,115**	**872**
Government debt securities of EU member states	14	4
Other foreign government debt securities	1	—
Corporate securities	1	—
Other securities	1	1
Total fixed-income securities	**17**	**5**
Investment funds (variable-yield securities)	98	70
Derivatives	84	53
Total financial assets held for trading	**199**	**128**
Total	**1,314**	**1,000**

[1] Debt securities issued by semi-governmental entities include securities of EUR 8 (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 11 (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 value shares. The share capital is fully paid up. With regard to the composition of shareholders’ equity, please see the “Consolidated statement of changes in shareholders’ equity”.

At the Extraordinary General Meeting on 29 September 2012, it was resolved to increase the subscribed capital of Talanx AG by EUR 31.875 million to EUR 291.875 million through the issuance of 25.5 million no-par value shares of EUR 1.25 each, with total capital as increased being divided into 233,500,000 registered no-par value shares. The cash contributions were immediately paid in full. The entry was submitted to the commercial register on the same day. The entry was made in the commercial register on 1 October 2012. The capital increase thus became effective. We report this sum as at the balance sheet date in shareholders' equity in the item "contributions paid to carry out the resolved capital increase".

On 15 November 2010, the General Meeting resolved to contingently increase share capital by up to EUR 26 million through the issuance of up to 20,800,000 new no-par value shares (contingent capital). The contingent capital increase is designed to grant no-par value shares to bondholders, which, on the basis of the aforementioned authorisation, Talanx AG or a subordinate Group company will issue in exchange for cash in satisfaction of the contingent conversion obligation. The amendment to the Talanx AG Articles of Association became effective upon its entry in the commercial register on 6 April 2011 and 2 May 2012, respectively. In the course of the initial public offering and the associated conversion of Talanx AG subordinated convertible bonds, this contingent capital was used as intended. Please see "Consolidated statement of changes in shareholders' equity", as well as note 7 and section IX "Other Information" under "Events after the end of the reporting period".

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

On 28 August 2012, the Extraordinary General Meeting resolved to contingently increase share capital by up to EUR 26 million through the issuance of up to 20,800,000 new no-par value shares with a pro-rata amount of share capital of EUR 1.25 each (contingent capital III). The contingent capital increase is designed to grant no-par value shares to holders of convertible bonds, warrant bonds and participating bonds with conversion or warrant rights, which, on the basis of the aforementioned authorisation, Talanx AG or a subordinate Group company will issue by 27 August 2017 in exchange for cash in satisfaction of the contingent conversion obligation. In addition, § 8 of the Articles of Association (Transfer of Shares) was deleted, thus eliminating the restricted transferability of shares. The amendment to the Talanx AG Articles of Association became effective upon its entry in the commercial register on 5 September 2012.

On 21 November 2011, the General Meeting resolved to authorise the Board of Management, 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 values 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.

On 29 September 2012, the Extraordinary General Meeting resolved to rescind the authorised capital under § 7, Para. 1, of the Talanx AG Articles of Association, as amended by the General Meeting on 21 November 2011, and to replace it with a new § 7, Para. 1, which authorises the Board of Management, subject to the approval of the Supervisory Board, to increase share capital by 28 September 2017 in one or more tranches, but up to a total amount of EUR 146 million, through the issuance of new registered no-par values shares in exchange for cash or contribution in kind. The amendment became effective upon its entry in the commercial register on 1 October 2012. For further details, please see our reporting in section IX "Other Information" under "Events after the end of the reporting period".

Non-controlling interests in shareholders' equity	30.9.2012	31.12.2011
Figures in EUR million		
Unrealised gains and losses from investments	631	270
Non-controlling interest in net income	406	377
Other shareholders' equity	3,018	2,638
Total	**4,055**	**3,285**

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

(7) Subordinated liabilities

	Nominal amount	Coupon	Maturity	Rating[4]	30.9.2012	31.12.2011
	Figures in EUR million				*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)	489	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[1]	142	fixed (7%), then floating rate	2004/2024	(bbb+; A–)	150	261
HDI Lebensversicherung AG (formerly HDI-Gerling Lebensversicherung AG)[2]	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[3]	113	fixed (4.5%), then floating rate	2005/2025	(bbb; BBB)	112	209
Talanx Finanz	500	fixed (8.37%), then floating rate	2012/2042	(—; BBB)	500	—
Total					**2,910**	**2,615**

[1] As at the balance sheet date, Group companies also hold bonds with a nominal value of EUR 108 million (consolidated in the consolidated financial statement)
[2] As at the balance sheet date, Group companies also hold bonds with a nominal value of EUR 50 million (consolidated in the consolidated financial statement)
[3] As at the balance sheet date, Group companies also hold bonds with a nominal value of EUR 96 million (consolidated in the consolidated financial statement). This includes a bond with a nominal value of EUR 1 million acquired by a Group company in the first quarter of 2012. The remaining volume was reduced accordingly. In addition, in the third quarter of 2012, the company acquired bonds with a nominal value of EUR 56 million from a Group company at market value. Following the sale, these were definitively cancelled
[4] (Debt rating A. M. Best; debt rating S&P)

With respect to other features, please see the published 2011 Annual Report, p. 241.

On 28 March 2012 – with admission to the regulated market on 4 April 2012 – Talanx AG issued new bonds via its subsidiary Talanx Finanz (Luxemburg) S. A., Luxembourg, primarily to European investors. These subordinated fixed to floating rate notes with a nominal value of EUR 500 million have a 30-year term and cannot be called for ten years. The bond, 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 3-month Euribor rate plus 7.056%.

In connection with the ongoing long-term optimisation of its capital structure, Talanx AG granted investors the opportunity to redeem select bonds. In all, debt securities with a nominal value of approximately EUR 204 million were presented by investors to the company for redemption, and Talanx AG took them back in full. By way of settlement on 11 July 2012, Talanx redeemed nominal amounts of EUR 108 million in bonds of HDI-Gerling Industrie Versicherung AG that mature in 2024 (ISIN: XS0198106238) and EUR 96 million in bonds of Talanx Finanz (Luxemburg) S. A. that mature in 2025 (ISIN: XS0212420987).

In the course of the Talanx AG initial public offering on 2 October 2012, perpetual subordinated convertible bonds of Talanx AG in the amount of EUR 300 million (ISIN: DE000A1E83Z3) were converted into 16,393,442 new shares of Talanx AG and then issued. Please see section IX "Other Information" under "Events after the end of the reporting period".

(8) Technical provisions

	30.9.2012			31.12.2011 [1]		
	Gross	Re	Net	Gross	Re	Net
Figures in EUR million						
a. Unearned premium reserve	6,075	648	5,427	4,677	389	4,288
b. Benefit reserve	47,441	1,058	46,383	45,739	988	44,751
c. Loss and loss adjustment expense reserve	33,786	5,124	28,662	31,438	4,920	26,518
d. Provision for premium refunds	2,159	1	2,158	1,008	1	1,007
e. Other technical provisions	272	2	270	256	9	247
Total	**89,733**	**6,833**	**82,900**	**83,118**	**6,307**	**76,811**

[1] Adjusted on the basis of IAS 8. Cf. section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Notes

Of the technical provisions where the investment risk is borne by policyholders in the amount of EUR 7,267 (6,067) million, EUR 190 (160) million is attributable to reinsurers.

VIII. Notes on the consolidated statement of income

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

(9) Net premium earned

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

1.1.–30.9.2012[1]	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Total
Figures in EUR million						
Gross written premium, including premiums from unit-linked life and annuity insurance	2,800	5,010	2,231	5,564	4,242	**19,847**
Savings elements of premiums from unit-linked life and annuity insurance	—	709	163	—	—	**872**
Ceded written premium	1,205	92	160	578	435	**2,470**
Change in gross unearned premium	–293	–218	–28	–372	13	**–898**
Change in ceded unearned premium	–111	–14	–11	–106	–2	**–244**
Net premium earned	**1,413**	**4,005**	**1,891**	**4,720**	**3,822**	**15,851**

[1] After elimination of internal transactions within the Group across segments

1.1.–30.9.2011[1]	Industrial Lines	Retail Germany[2]	Retail International[2]	Non-Life Reinsurance	Life/Health Reinsurance	Total
Figures in EUR million						
Gross written premium, including premiums from unit-linked life and annuity insurance	2,537	4,962	1,774	4,913	3,657	17,843
Savings elements of premiums from unit-linked life and annuity insurance	—	642	182	—	—	824
Ceded written premium	1,083	127	76	490	307	2,083
Change in gross unearned premium	–228	–184	–73	–359	–17	–861
Change in ceded unearned premium	–90	2	2	–53	–2	–141
Net premium earned	**1,316**	**4,007**	**1,441**	**4,117**	**3,335**	**14,216**

[1] After elimination of internal transactions within the Group across segments
[2] Adjusted on the basis of IAS 8. Cf. section “Accounting policies”, subsection “Changes in accounting policies and accounting errors” in the Notes

(10) Net investment income

1.1.–30.9.2012 [1]	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Figures in EUR million							
Income from real estate	3	41	1	36	—	—	81
Dividends [2]	5	10	4	6	—	13	38
Current interest income	150	1,142	155	549	176	3	2,175
Other income	8	14	—	49	1	—	72
Ordinary investment income	**166**	**1,207**	**160**	**640**	**177**	**16**	**2,366**
Appreciation	1	—	3	1	—	—	5
Realised gains on investments	21	100	32	142	41	3	339
Unrealised gains on investments	4	49	28	27	49	—	157
Investment income	**192**	**1,356**	**223**	**810**	**267**	**19**	**2,867**
Realised losses on investments	8	41	9	28	6	—	92
Unrealised losses on investments	2	2	7	12	2	1	26
Total	**10**	**43**	**16**	**40**	**8**	**1**	**118**
Impairments/depreciation on investment property							
scheduled	1	8	—	8	—	—	17
unscheduled	—	3	3	—	—	—	6
Impairments on equity securities	—	4	1	—	2	—	7
Impairments on fixed-income securities	—	—	—	—	—	—	—
Impairments on other investments	—	1	—	6	—	—	7
Expenses for the administration of investments	3	7	1	7	1	41	60
Other expenses	2	21	3	28	3	4	61
Other investment expenses/ impairments	**6**	**44**	**8**	**49**	**6**	**45**	**158**
Investment expenses	**16**	**87**	**24**	**89**	**14**	**46**	**276**
Net income from investments under own management	**176**	**1,269**	**199**	**721**	**253**	**–27**	**2,591**
Income from investment contracts	**—**	**—**	**5**	**—**	**—**	**—**	**5**
Interest income from funds withheld and contract deposits	—	—	—	15	304	—	319
Interest expense from funds withheld and contract deposits	1	18	—	7	72	—	98
Net interest income from funds withheld and contract deposits	**–1**	**–18**	**—**	**8**	**232**	**—**	**221**
Net investment income	**175**	**1,251**	**204**	**729**	**485**	**–27**	**2,817**

[1] After elimination of internal transactions within the Group across segments
[2] Income from investments in associated companies and joint ventures amounts to EUR 4 (4) million and is recognised under “Dividends”

1.1.–30.9.2011[1]	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Figures in EUR million							
Income from real estate	4	29	1	27	—	—	61
Dividends[2]	6	17	1	9	—	14	47
Current interest income	153	1,133	108	485	154	4	2,037
Other income	3	9	—	32	1	—	45
Ordinary investment income	**166**	**1,188**	**110**	**553**	**155**	**18**	**2,190**
Appreciation	2	17	1	17	—	—	37
Realised gains on investments	32	140	24	167	27	—	390
Unrealised gains on investments	—	23	18	9	16	—	66
Investment income	**200**	**1,368**	**153**	**746**	**198**	**18**	**2,683**
Realised losses on investments	21	81	6	76	5	—	189
Unrealised losses on investments	3	21	13	23	72	1	133
Total	**24**	**102**	**19**	**99**	**77**	**1**	**322**
Impairments/depreciation on investment property							
scheduled	1	5	—	6	—	—	12
unscheduled	1	15	—	—	—	—	16
Impairments on equity securities	16	45	15	1	—	5	82
Impairments on fixed-income securities	6	5	1	5	—	—	17
Impairments on other investments	1	4	—	9	—	—	14
Expenses for the administration of investments	4	6	1	11	2	34	58
Other expenses	2	8	2	17	2	4	35
Other investment expenses/ impairments	**31**	**88**	**19**	**49**	**4**	**43**	**234**
Investment expenses	**55**	**190**	**38**	**148**	**81**	**44**	**556**
Net income from investments under own management	**145**	**1,178**	**115**	**598**	**117**	**–26**	**2,127**
Income/expense from investment contracts	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Interest income from funds withheld and contract deposits	2	2	—	15	317	—	336
Interest expense from funds withheld and contract deposits	1	17	—	5	88	—	111
Income/expense from funds withheld and contract deposits	**1**	**–15**	**—**	**10**	**229**	**—**	**225**
Net investment income	**146**	**1,163**	**115**	**608**	**346**	**–26**	**2,352**

[1] After elimination of internal transactions within the Group across segments
[2] Income from investments in associated companies and joint ventures amounts to EUR 4 (4) million and is recognised under "Dividends"

Of impairments totalling EUR 20 (129) million, EUR 7 (82) million was attributable to equity securities and EUR 7 (12) million to private equity. Impairments on structured and other fixed-income securities in the amount of EUR 0 (17) million were taken to only an insignificant extent. In addition, impairments on investment property in the amount of EUR 6 (16) million were incurred. This contrasted with appreciation of EUR 5 (37) 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 17 million).

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

Figures in EUR million	30.9.2012	30.9.2011
Investments in affiliated companies and participating interests	3	4
Loans and receivables	1,027	1,032
Financial assets held to maturity	116	101
Financial assets available for sale		
Fixed-income securities	1,091	972
Variable-yield securities	86	–19
Financial assets at fair value through profit or loss		
Financial assets classified at fair value through profit or loss		
Fixed-income securities	82	33
Variable-yield securities	4	—
Financial assets held for trading		
Fixed-income securities	—	2
Variable-yield securities	—	–1
Derivatives	58	12
Other invested assets, insofar as they are financial assets	123	103
Other[1]	122	–19
Investments under own management	**2,712**	**2,220**
Investment contracts investments/liabilities[2]	5	—
Funds withheld by ceding companies/funds withheld under reinsurance treaties	221	225
Total	**2,938**	**2,445**

[1] For the purposes of reconciliation with the consolidated statement of income, the “Other” item combines the gains on investment property, associated companies, joint ventures and derivative financial instruments – insofar as the fair 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] Includes income and expenses from the administration of investment contracts, which net out at EUR 13 million. Of income and expenses, –EUR 17 million/EUR 12 million is attributable to financial assets at fair value through profit or loss (assets/liabilities), EUR 7 million to loans and receivables, and –EUR 5 million to other liabilities. In addition, amortisation of PVFP in the amount of EUR 5 million is taken into consideration under expenses

Making allowance for “Expenses for investments under own management” in the amount of EUR 60 (58) million and for “Other expenses” in the amount of EUR 61 (35) million, “Net investment income” as at the balance sheet date amounted to EUR 2,817 (2,352) million.

(12) Claims and claims expenses

1.1.–30.9.2012[1]	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Total
Figures in EUR million						
Gross						
Claims and claims expenses paid	1,628	2,665	1,243	2,819	2,987	11,342
Change in loss and loss adjustment expense reserve	152	42	152	855	327	1,528
Change in benefit reserve	–1	918	–2	—	289	1,204
Expenses for premium refunds	13	746	14	—	—	773
Total	**1,792**	**4,371**	**1,407**	**3,674**	**3,603**	**14,847**
Reinsurers' share						
Claims and claims expenses paid	657	85	54	302	327	1,425
Change in loss and loss adjustment expense reserve	112	–11	4	–14	36	127
Change in benefit reserve	—	–30	–4	—	1	–33
Expenses for premium refunds	—	—	7	—	—	7
Total	**769**	**44**	**61**	**288**	**364**	**1,526**
Net						
Claims and claims expenses paid	971	2,580	1,189	2,517	2,660	9,917
Change in loss and loss adjustment expense reserve	40	53	148	869	291	1,401
Change in benefit reserve	–1	948	2	—	288	1,237
Expenses for premium refunds	13	746	7	—	—	766
Total	**1,023**	**4,327**	**1,346**	**3,386**	**3,239**	**13,321**

1.1.–30.9.2011[1]	Industrial Lines	Retail Germany[2]	Retail International[2]	Non-Life Reinsurance	Life/Health Reinsurance	Total
Figures in EUR million						
Gross						
Claims and claims expenses paid	1,617	2,788	970	2,369	2,435	10,179
Change in loss and loss adjustment expense reserve	202	–39	76	1,744	180	2,163
Change in benefit reserve	—	959	46	—	453	1,458
Expenses for premium refunds	3	470	9	—	—	482
Total	**1,822**	**4,178**	**1,101**	**4,113**	**3,068**	**14,282**
Reinsurers' share						
Claims and claims expenses paid	617	200	22	276	224	1,339
Change in loss and loss adjustment expense reserve	322	–76	6	482	–12	722
Change in benefit reserve	—	–42	–3	—	–2	–47
Expenses for premium refunds	1	—	6	—	—	7
Total	**940**	**82**	**31**	**758**	**210**	**2,021**
Net						
Claims and claims expenses paid	1,000	2,588	948	2,093	2,211	8,840
Change in loss and loss adjustment expense reserve	–120	37	70	1,262	192	1,441
Change in benefit reserve	—	1,001	49	—	455	1,505
Expenses for premium refunds	2	470	3	—	—	475
Total	**882**	**4,096**	**1,070**	**3,355**	**2,858**	**12,261**

[1] After elimination of internal transactions within the Group across segments
[2] Adjusted on the basis of IAS 8. Cf. section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Notes

(13) Acquisition costs and administrative expenses

1.1.–30.9.2012 [1]	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Total
Figures in EUR million						
Gross						
Acquisition costs and reinsurance commissions	341	713	413	1,170	743	3,380
Change in deferred acquisition costs and change in reserves for commissions	–20	–223	—	–51	12	–282
Total acquisition costs	**321**	**490**	**413**	**1,119**	**755**	**3,098**
Administrative expenses	157	218	130	124	103	732
Total acquisition costs and administrative expenses	**478**	**708**	**543**	**1,243**	**858**	**3,830**
Reinsurers' share						
Acquisition costs and reinsurance commissions	185	9	26	72	39	331
Change in deferred acquisition costs and change in reserves for commissions	–13	5	10	–16	6	–8
Total acquisition costs	**172**	**14**	**36**	**56**	**45**	**323**
Net						
Acquisition costs and reinsurance commissions	156	704	387	1,098	704	3,049
Change in deferred acquisition costs and change in reserves for commissions	–7	–228	–10	–35	6	–274
Total acquisition costs	**149**	**476**	**377**	**1,063**	**710**	**2,775**
Administrative expenses	157	218	130	124	103	732
Total acquisition costs and administrative expenses	**306**	**694**	**507**	**1,187**	**813**	**3,507**

1.1.–30.9.2011 [1]	Industrial Lines	Retail Germany	Retail International [2]	Non-Life Reinsurance	Life/Health Reinsurance	Total
Figures in EUR million						
Gross						
Acquisition costs and reinsurance commissions	283	756	298	1,063	658	3,058
Change in deferred acquisition costs and change in reserves for commissions	–22	–127	–11	–86	–32	–278
Total acquisition costs	**261**	**629**	**287**	**977**	**626**	**2,780**
Administrative expenses	172	221	102	121	95	711
Total acquisition costs and administrative expenses	**433**	**850**	**389**	**1,098**	**721**	**3,491**
Reinsurers' share						
Acquisition costs and reinsurance commissions	166	25	13	52	2	258
Change in deferred acquisition costs and change in reserves for commissions	–16	7	10	–2	45	44
Total acquisition costs	**150**	**32**	**23**	**50**	**47**	**302**
Net						
Acquisition costs and reinsurance commissions	117	731	285	1,011	656	2,800
Change in deferred acquisition costs and change in reserves for commissions	–6	–134	–21	–84	–77	–322
Total acquisition costs	**111**	**597**	**264**	**927**	**579**	**2,478**
Administrative expenses	172	221	102	121	95	711
Total acquisition costs and administrative expenses	**283**	**818**	**366**	**1,048**	**674**	**3,189**

[1] Presentation after elimination of intra-Group relations
[2] Adjusted on the basis of IAS 8. Cf. section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Notes

(14) Other income/expenses

	30.9.2012	30.9.2011
Figures in EUR million		
Other income		
Foreign exchange gains	75	87
Income from services, rents and commissions	175	168
Reversals of impairments on receivables	7	13
Income from contracts recognised in accordance with the deposit accounting method	43	36
Income from the release of other non-technical provisions	16	17
Interest income	30	89
Miscellaneous income	118	95
Total	**464**	**505**
Other expenses		
Foreign exchange losses	98	157
Other interest expenses	138	106
Depreciation and impairments	86	118
Expenses for the company as a whole	179	158
Expenses for personnel	24	28
Expenses for services and commissions	121	96
Other taxes	30	22
Miscellaneous expenses	147	88
Total	**823**	**773**
Other income/expenses	**–359**	**–268**

"Other income/expenses" does not in general include personnel expenses of our insurance companies, insofar 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 resulting from the 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 German Foreign Transactions Tax Act.

IX. Other information

Staff

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

	30.9.2012	31.12.2011
Industrial Lines	2,765	2,610
Retail Germany	5,382	5,810
Retail International	8,600	5,013
Reinsurance companies	2,251	2,210
Corporate Operations	2,544	2,176
Total excluding apprentices	**21,542**	**17,819**
Apprentices	480	475
Total	**22,022**	**18,294**

The marked increase in the Retail International segment is due mainly to the acquisition of Metropolitana Compañía de Seguros (Mexico), the TU Europa Group (Poland) and TUiR WARTA S. A. (Poland) during the year under review.

As at the balance sheet date, a total workforce of 20,857 (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 the majority of the shares of Talanx AG, all subsidiaries that are not consolidated due to their immaterial contributions, and associated companies and joint ventures. 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.

Related individuals comprise members of the Board of Management and the Supervisory Board of Talanx AG and of HDI V. a. G.

Transactions between Talanx 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 Versicherung AG (HV). 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/HV). In connection with operating activity, there is a contractual relationship between Ampega-Gerling Investment GmbH, Cologne, and C-QUADRAT Investment AG, Vienna (an associated company measured at equity in the consolidated financial statement), for the outsourcing of the portfolio management of special investment funds. As at the balance sheet date, the transactions gave rise to receivables in the amount of EUR 0.8 million and expenses for portfolio management services provided in the amount EUR 9 million.

Business relations with unconsolidated companies and with associated companies and joint ventures are of minor importance overall.

In addition, 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.

Other information about financial assets

As at the balance sheet date, the Group recognised securities that had been sold to third parties under an obligation to redeem at a fixed price (true pension transactions), since the essential risks and opportunities under the financial assets remained within the Group. As at the balance sheet date, these transactions had an effect on investments in the categories "Financial assets held to maturity" in the amount of EUR 19 million (carrying amount prior to transfer: EUR 19 million; fair value as at the balance sheet date: EUR 20 million) and "Financial assets available for sale" in the amount of EUR 63 million (carrying amount prior to transfer: EUR 63 million; fair value as at the balance sheet date: corresponded to the carrying amount). There are no restrictions on use of the transferred financial assets. The Group recognised the redemption obligation under "Other liabilities" in the amount of the payment received (EUR 81 million). The difference between the amount received for the transfer and that agreed to for retransfer is allocated in accordance with the effective interest-rate method for the term of the pension transaction and is shown under "Net investment income".

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.

The Group had only insignificant investments in Greek sovereign bonds as at the balance sheet date. Nominal values totalling EUR 15 million contrast with market values amounting to EUR 3 million (0.003% of the portfolio of investments). Since the recognised securities are measured at an average rate of 20%, there were no material impairments as at 30 September 2012.

During the reporting period, there were no changes in the classification of financial assets attributable to a change in the purpose or use of these financial assets.

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

Lawsuits

In September 2011, the Italian antitrust 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 appealed this ruling to the competent administrative court, which held in favour of the company in part. The fine was reduced to EUR 5 million. The company is reviewing whether to lodge a further appeal against the decision of the administrative court.

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

	1.1.–30.9.2012	1.1.–30.9.2011[1)]	1.7.–30.9.2012	1.7.–30.9.2011[1)]
Net income attributable to shareholders of Talanx AG for calculating earnings per share (figures in EUR million)	549	327	196	114
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 (figures in EUR)	2.64	1.57	0.94	0.55
Diluted earnings per share (figures in EUR)	2.64	1.57	0.94	0.55

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

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 value shares. Previous periods have been adjusted in this respect.

We depict changes to accounting policies for the current financial year in the section "Accounting policies", subsection "Changes in accounting policies and accounting errors" (letter c). We depict the effects on earnings per share in the following table:

	1.1.–30.9.2011		1.7.–30.9.2011	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
Figures in EUR				
Effect due to change in accounting policies	–0.01	–0.01	—	—

In connection with the initial public offering, a total of 44,625,682 shares were issued. Since the shares were vested with legal effect and entered in the commercial register after the balance sheet date, there is no need for adjustment as at the balance sheet date. For further details, please see the section "Events after the end of the reporting period".

Had all capital measures been undertaken during the reporting period, basic earnings per share would have been EUR 2.17 as at 30 September 2012.

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, as well as from taxes:

Figures in EUR million	30.9.2012	31.12.2011
Trust accounts in the United States (master trust funds, supplemental trust funds and single trust funds) as security for technical liabilities to US cedants[1]	3,474	3,136
Sureties in the form of letters of credit furnished by various financial institutions as security for technical liabilities	3,395	3,164
Guarantees for subordinated debts issued: the guarantees cover the relevant bond volumes as well as interest due	2,362	1,959
Blocked custody accounts and other trust accounts as collateral in favour of reinsurers and cedants; generally outside the US[1]	2,338	2,071
Outstanding capital commitments with respect to existing investment exposures: the commitments primarily involve private equity funds and venture capital firms in the form of partnerships	736	648
Commitments arising out of rental/lease agreements[2]	477	477
Funding commitments and contribution payments pursuant to §§124 et seq. Insurance Supervision Act (VAG) as a member of the Security Fund for Life Insurers	410	410
Collateral for liabilities to various banks in connection with participating interests in real estate companies and real estate transactions	257	309
Commitments based on service agreements – primarily in connection with IT outsourcing contracts	183	165
Assets in blocked custody accounts as collateral for existing derivative transactions: we have received collateral with a fair value of EUR 4 (5) million for existing derivative transactions[3]	68	37
Other financial commitments in connection with envisaged acquisitions	6	277
Obligations in connection with structured securities through issuers' rights to take delivery: the potential amounts that could be drawn upon totalled EUR 0 million for 2012 (31 December 2011: EUR 10 million for 2012)	—	10
Other commitments	77	63
Total	**13,783**	**12,726**

[1] Securities held in the trust accounts are predominantly recognised as "Financial assets available for sale" in the portfolio of investments. The amount stated refers primarily to fair value/carrying amount
[2] Fresh data is collected only at year-end
[3] The amount stated refers primarily to fair value/carrying amount

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 Verkehrsopferhilfe 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 Re enters into contingent commitments. A number of reinsurance contracts between Group companies and external third parties contain letters of comfort, guarantees or novation agreements under which, if certain sets of circumstances occur, Hannover Re will guarantee the liabilities of the relevant subsidiary or assume its 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., which forms the legal basis for excluding the minority shareholders of TU Europa and assigning their 5.48% shareholding in TU Europa to Meiji Yasuda in exchange for a settlement payment of PLN 193 per share. Under this concert party agreement, Talanx International AG undertook to assume joint and several liability with Meiji Yasuda for Getin Holding's liability for losses, obligations, costs and expenses arising from the conclusion or implementation of the concert party agreement and to indemnify 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 statutory prescription period for asserting any such claim is up to ten years after payment of the cash settlement. There is in principle no limitation on the amount that could be claimed against Getin Holding S. A. As a result of firm rules under Polish securities law regarding the calculation of a cash settlement for a listed stock corporation – which require that a cash settlement must generally correspond to the average market price over the last three or six months, as the case may be – the Board of Management at present believes that there is little likelihood of a claim being made against Getin Holding S. A. by minority shareholders of TU Europa and, consequently, of Talanx International AG having to assume liability or provide indemnification under the terms of the concert party agreement. The exclusion of the minority shareholders through assignment of their shares to Meiji Yasuda and the payment of the cash settlement were effected on 25 July 2012. In accordance with a resolution adopted by the general meeting of TU Europa, TU Europa was delisted effective 23 October 2012.

The application of tax regulations may be unresolved when the tax items are brought to account. In calculating tax refund claims 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 could in future give rise to additional tax liabilities.

In connection with the initial public offering, Talanx AG committed under the underwriting agreement dated 19 September 2012 to indemnify all banks involved in the IPO against any liability arising from it. In this regard, Talanx AG provided customary guarantees and assurances. As things currently stand, Talanx AG does not believe that any claims will be made under this agreement.

Events after the end of the reporting period

Other events

On 2 October 2012, Talanx AG launched its initial public offering (ISIN: DE000TLX1005). In connection with this IPO, the General Meeting resolved to increase capital by issuing shares to satisfy the conversion right of subordinated bonds of Talanx AG (ISIN: DE000A1E83Z3) and to further increase capital by using authorised capital to satisfy the Greenshoe option held by banks engaged to handle the initial public offering.

At the Extraordinary General Meeting on 29 September 2012, it was resolved to increase the subscribed capital of Talanx AG by EUR 31.875 million to EUR 291.875 million through the issuance of 25.5 million no-par value shares of EUR 1.25 each, with total capital as increased being divided into 233,500,000 registered no-par value shares. One half of the shares were subscribed to by Deutsche Bank AG and one half by Berenberg Bank (Joh. Berenberg Gossler & Co. KG). The cash contributions were immediately paid in full. The entry in the commercial register was submitted on the same day. The entry was made in the commercial register on 1 October 2012. The capital increase thus became effective.

On the basis of authorisation by the General Meeting on 15 November 2010, the company issued mandatorily convertible perpetual subordinated bonds in the amount of EUR 300 million to Meiji Yasuda Life Insurance Company on 18 November 2010. In connection with the publication of the final IPO offer price on 1 October 2012, all conditions for the mandatory conversion of these bonds were fulfilled. According to Section 3(2) of the controlling Subscription and Conversion Agreement and Section 11(1)(b) of the terms and conditions for the bonds, the date following that on which the conversion conditions have been fulfilled is the "Conversion Closing Date". The number of shares to be delivered is determined by dividing the nominal value of the bonds by the final IPO offer price, with fractions to be paid in cash. The company has the right to choose whether they satisfy the conversion obligation using the contingent capital resolved on 15 November 2010 (§ 6, Para. 1, of the Articles of Association) or instead using existing shares. The delivered shares must have the same features and be furnished with the same rights as the shares offered in connection with the initial public offering. With occurrence of the conversion condition on 2 October 2012, the Talanx bonds (ISIN: DE000A1E83Z3) were converted into 16,393,442 new shares with a pro-rata amount of share capital of EUR 1.25 per no-par value share using the contingent capital under § 6, Para. 1 of the Articles of Association, and the shares were then issued.

On 8 October 2012, Deutsche Bank AG and Joh. Berenberg Gossler & Co. KG exercised the Greenshoe option (one half each) in connection with the initial public offering of Talanx AG. The option consisted of 2,732,240 new shares with a pro-rata amount of share capital of EUR 1.25 per no-par value share, which corresponds to an amount of EUR 3.415 million. This capital increase was made out of authorised capital under § 7, Para. 1, in the amount of EUR 146 million. The resolutions necessary for this were adopted on 29 September 2012. This capital increase was recorded on 22 October 2012 and thus became effective. Taking into account the final IPO offer price, the total equivalent value of the Greenshoe option amounts to EUR 50 million.

In connection with the initial public offering, the equity of Talanx AG will be increased by a total of EUR 817 million, prior to booking directly attributable equity costs. Of this amount, the company received EUR 517 million in cash. After conclusion of the capital measures, HDI V. a. G. will hold 82.3% of the share capital of Talanx AG, and Meiji Yasuda 6.5%, with 11.2% of the shares being in free float.

As at 11 October 2012, expenses in connection with the initial public offering, some of which have been estimated, amount to EUR 34 million, before taxes. We believe that the expenses are to be booked in full for tax purposes (tax rate: 31.79%). This amount will be netted against equity in accordance with the provisions of IAS 32 "Financial Instruments: Presentation".

Major loss events

As a result of the hurricane "Sandy" in October 2012, the Group is expecting a major loss.

The Group interim financial statement as well as the Group interim management report as at 30 September 2012 was reviewed by independent auditors in accordance with § 37x, Para. 3, of the German Securities Trading Act.

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

Hannover, 7 November 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

Contact information

Talanx AG
Riethorst 2
30659 Hannover
Germany
Phone +49 511 3747-0
Fax +49 511 3747-2525
info@talanx.com
www.talanx.com

Contact for Corporate Communications
Thomas von Mallinckrodt
Phone +49 511 3747-2020
Fax +49 511 3747-2025
thomas.mallinckrodt@talanx.com

Contact for Investor Relations
Dr. Wolfram Schmitt
Phone +49 511 3747-2185
Fax +49 511 3747-2286
wolfram.schmitt@talanx.com

Interim Report online:
www.talanx.com ► Investor Relations

Financial calendar 2013

21 March 2013
Annual Results Press Conference
Annual Report 2012

6 May 2013
Annual General Meeting

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

Talanx AG
Riethorst 2
30659 Hannover
Germany
Phone +49 511 3747-0
Fax +49 511 3747-2525
info@talanx.com
www.talanx.com