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Talanx Group Interim Report as at 30 June 2013

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The Talanx Group at a glance

		Q1 2013	Q2 2013	6M 2013	Q1 2012	Q2 2012	6M 2012	+/- % 6M 2013/ 6M 2012
Gross written premium	<i>in EUR million</i>	8,458	6,508	14,966	7,605	5,977	13,582	+10
by regions								
Germany	<i>in %</i>	40	29	36	44	30	38	-2 pt.
UK	<i>in %</i>	8	10	9	8	11	9	—
Central and Eastern Europe including Turkey (CEE)	<i>in %</i>	8	10	9	4	5	4	+5 pt.
Rest of Europe	<i>in %</i>	15	15	15	16	16	16	-1 pt.
USA	<i>in %</i>	12	14	12	11	14	13	-1 pt.
Rest of North America	<i>in %</i>	2	3	2	2	3	2	—
Latin America	<i>in %</i>	6	7	7	6	8	7	—
Asia and Australia	<i>in %</i>	7	10	8	7	11	9	-1 pt.
Africa	<i>in %</i>	2	2	2	2	2	2	—
Net premium earned	<i>in EUR million</i>	5,715	5,783	11,498	4,965	5,329	10,294	+12
Underwriting result	<i>in EUR million</i>	-263	-467	-730	-289	-406	-695 ⁴⁾	-5
Net investment income	<i>in EUR million</i>	875	1,002	1,877	961	787	1,748	+7
Net return on investment¹⁾	<i>in %</i>	3.7		4.0	4.6		4.1	-0.1 pt.
Operating profit (EBIT)	<i>in EUR million</i>	516	502	1,018	538	315	853 ⁴⁾	+19
Net income (after financing costs and taxes)	<i>in EUR million</i>	341	320	661	352	225	577 ⁴⁾	+15
of which attributable to shareholders of Talanx AG	<i>in EUR million</i>	203	204	407	206	147	353 ⁴⁾	+15
Return on equity²⁾	<i>in %</i>	11.2		11.7	14.8		12.5 ⁴⁾	-0.8 pt.
Earnings per share								
Basic earnings per share at the end of the period	<i>in EUR</i>	0.80	0.81	1.61	0.99	0.71	1.69 ⁴⁾	-5
Diluted earnings per share at the end of the period	<i>in EUR</i>	0.80	0.81	1.61	0.99	0.71	1.69 ⁴⁾	-5
Combined ratio in non-life primary and reinsurance³⁾	<i>in %</i>	95.0	97.0	96.0	96.4	99.5	98.0	-2.0 pt.
Combined ratio of property/ casualty primary insurers	<i>in %</i>	96.2	100.3	98.2	95.9	103.5	99.8	-1.6 pt.
Combined ratio for Non-Life Reinsurance	<i>in %</i>	94.0	94.3	94.2	96.8	96.8	96.8	-2.6 pt.
		30.6.2013			31.12.2012			+/- %
Policyholders' surplus	<i>in EUR million</i>	13,755			14,416 ⁴⁾			-5
Equity attributable to shareholders of Talanx AG	<i>in EUR million</i>	6,791			7,153 ⁴⁾			-5
Non-controlling interests	<i>in EUR million</i>	3,857			4,156 ⁴⁾			-7
Hybrid capital	<i>in EUR million</i>	3,107			3,107			—
Assets under own management	<i>in EUR million</i>	85,670			84,052			+2
Total investments	<i>in EUR million</i>	100,389			98,948			+1
Total assets	<i>in EUR million</i>	132,663			130,350 ⁴⁾			+2
Carrying amount per share at the end of the period	<i>in EUR</i>	26.88			28.31 ⁴⁾			-5
Share price at the end of the period	<i>in EUR</i>	24.26			21.48			+13
Market capitalisation of Talanx AG at the end of the period	<i>in EUR million</i>	6,129			5,426			+13
Staff	<i>full-time equivalents</i>	20,537			20,887			-2

¹⁾ Annualised net investment income excluding interest income on funds withheld and contract deposits and profit on investment contracts relative to average assets under own management (30.6.2013 and 31.12.2012)

²⁾ Annualised net income excluding non-controlling interests relative to average shareholders' equity excluding 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, cf. "Accounting policies" section of the Notes

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Boards and Officers of Talanx AG

Supervisory Board

[Wolf-Dieter Baumgartl](#)

Chairman

Berg

Former Chairman of the Board
of Management of Talanx AG

[Ralf Rieger*](#)

Deputy Chairman

Raesfeld

Employee

HDI Vertriebs AG

[Prof. Dr. Eckhard Rohkamm](#)

Deputy Chairman

Hamburg

Former Chairman of the Board
of Management
of ThyssenKrupp Technologies AG

[Antonia Aschendorf](#)

Hamburg

Lawyer

Member of the Board of Management
of APRAXA eG

[Karsten Faber*](#)

Hannover

Managing Director

Hannover Rück SE,

E+S Rückversicherung AG

[Jutta Hammer*](#)

Bergisch Gladbach

Employee

HDI Kundenservice AG

[Gerald Herrmann*](#)

Norderstedt

Trade union secretary

[Dr. Hermann Jung](#)

Heidenheim

Member of the Board of Management
of Voith GmbH
(since 6 May 2013)

[Dr. Thomas Lindner](#)

Albstadt

Chairman of the Board of Management
of Groz-Beckert KG

[Dirk Lohmann](#)

Forch, Switzerland

President of the Administrative

Board and Chairman of the Board of
Management of Secquaero Advisors AG
(since 6 May 2013)

[Jutta Mück*](#)

Oberhausen

Employee

HDI-Gerling Industrie Versicherung AG

[Otto Müller*](#)

Hannover

Employee

Hannover Rück SE

[Dr. Hans-Dieter Petram](#)

Inning

Former Member of the Board
of Management of Deutsche Post AG
(until 6 May 2013)

[Dr. Michael Rogowski](#)

Heidenheim

Chairman of the Foundation Council
of Hanns-Voith-Stiftung
(until 6 May 2013)

[Katja Sachtleben-Reimann*](#)

Hannover

Employee

Talanx Service AG

[Dr. Erhard Schipporeit](#)

Hannover

Former Member of the Board
of Management of E.ON AG

[Norbert Steiner](#)

Baunatal

Chairman of the Board of Management
of K+S AG
(since 6 May 2013)

[Prof. Dr. Ulrike Wendeling-Schröder*](#)

Hannover

Professor at

Leibniz University Hannover

[Werner Wenning](#)

Leverkusen

Chairman of the Supervisory Board
of Bayer AG
(until 6 May 2013)

Board of Management

[Herbert K. Haas](#)

Chairman

Burgwedel

[Dr. Christian Hinsch](#)

Deputy Chairman

Burgwedel

[Torsten Leue](#)

Hannover

[Dr. Thomas Noth](#)

Hannover

[Dr. Immo Querner](#)

Celle

[Dr. Heinz-Peter Roß](#)

Gräfelfing

[Ulrich Wallin](#)

Hannover

** Staff representative*

As at: 30 June 2013

Interim Group Management Report

Markets and business climate

Overall economic development

The first half of 2013 was marked by setbacks and concerns relating to the euro debt crisis. Economic data in the Eurozone were disappointing, with the unemployment rate reaching a new record high of 12.2%. The crisis-hit countries in the Eurozone remain in a deep recession. In the context of this difficult economic situation, GDP in the Eurozone fell by a further 0.3% in the first quarter, resulting in the sixth consecutive quarter of negative growth. Germany's GDP grew by only 0.1% in the first quarter, following a decline of 0.7% in the fourth quarter of 2012. However, the ifo index recovered in June, while the Eurozone purchasing managers' index also grew in June. This suggests that economic data are stabilising on the whole.

US economic data were also relatively robust in the second quarter of 2013. The US economy grew at an annualised rate of 1.8% in the first quarter of 2013 compared with the preceding quarter. The unemployment rate stabilised at 7.6% in the course of the year, and the housing market, an important indicator of US consumer confidence, continued to recover.

The monetary policy of major central banks remained expansionary in the first half of the year. In Europe, the ECB cut its prime rate by 25 basis points to 0.50%.

Inflation rates in the Eurozone dropped to 1.2% in the course of the year, but had risen again to 1.6% by June. The USA also experienced a decline in inflation rates in the first half of the year, with a temporary low of 1.1% in April. However, inflation had returned to 1.8% by June. The inflation rate in the UK has hovered around the 2.7% mark during the course of the year.

Political uncertainty in Italy and Cyprus had a negative impact on the euro early in the year, causing it to fall against the US dollar from USD 1.32 to USD 1.28/EUR. As at the end of June, it had returned to USD 1.31/EUR. The euro gained ground against the pound sterling, rising from levels of around GBP 0.82/EUR at the beginning of the year to GBP 0.86/EUR after the first six months. Having stood at just under CHF 1.21/EUR in early January, the euro recorded significant gains against the Swiss franc after mid-April in particular, although it had slipped back to around CHF 1.23/EUR by the end of the second quarter of 2013.

Capital markets

The weak economy, political uncertainty and ongoing expansionary monetary policies also had a considerable influence on developments on the bond markets. Following a favourable start to the year, market players again began to focus more strongly on fundamental problems as time went by.

Changes in interest rates in the second quarter were dominated by measures taken and statements issued by central banks. German government bonds rose by up to 50 basis points compared with the previous quarter, while US treasuries even climbed more than 70 basis points at their peak, for maturities of five to ten years.

At the end of the second quarter, bonds with maturities of less than one year were up slightly, two-year German government bonds stood at 0.19%, five-year German government bonds had grown significantly to 0.73% and ten-year German government bonds had risen to 1.73%.

There was a great deal of activity in new issues on the primary market at the beginning of the year, particularly for corporate securities, short-term senior financials and the high-yield segment. Unlike in the previous year, issuers of covered bonds were very restrained throughout the first quarter. There was then a significant decline in the volume of new issues in June, owing to volatility in interest rates.

In terms of performance, it was clear in the first half of the year that investments in high-risk bonds had paid off. High-yield investments, subordinated bank bonds and covered bonds (particularly from the peripheral countries of Spain, Ireland, Portugal and, to a lesser extent, Italy) performed the best in the first half of the year, despite intermittent uncertainty and volatility in spreads.

Robust US economic data, the end of the two-month political stalemate in Italy and the expansionary policy of Japan's central bank led to record new highs on the German and US stock markets in the second quarter. However, the Fed's indication that it would reduce its bond purchases and cut down quantitative easing then ended the rally in share prices. The DAX nevertheless rose slightly in net terms in the second quarter, closing up 2%, while the EURO STOXX 50 closed down 1%. Following a strong first quarter, US stock markets recorded further slight gains in the second quarter, with the Dow Jones climbing 2%.

Insurance markets

The business climate in the German insurance sector weakened slightly in the second quarter and was below average from a long-term perspective. This deterioration in sentiment was due to a less favourable assessment of business prospects for the next six months. This also took into account lowered expectations with regard to the development of premium income for 2013 as a whole. Although growth in premiums accelerated in the reporting period, it is estimated that the increase over the financial year as a whole will be smaller than had been anticipated in the previous quarter. If we look at the individual lines of business – property and casualty insurance and life insurance – we can see that assessments of the mood in the sector vary.

The mood in the German **property and casualty insurance** sector deteriorated compared with the previous quarter. This trend was apparent in all segments, with the exception of motor insurance and private property insurance.

Premium income in property and casualty insurance rose year-on-year in the quarter under review. The same applies to new business, although growth rates were lower. Development of premium income is expected to be positive for all lines for the year as a whole, with slightly lower growth in private accident insurance and private liability insurance than in the other lines.

Development of claims in the reporting period was dominated by the floods caused by heavy rain in large parts of Germany and neighbouring countries in June. With insured losses of at least EUR 2 billion in Germany alone – according to an initial estimate by the German Insurance Association (GDV) – this was one of the German insurance industry's most expensive ever disasters. Insured losses were higher than those involved in the floods in 2002. Most losses related to buildings, householders, motor and business interruption insurance. Despite the high volume of losses, the floods are expected to have a limited impact on the sector's underwriting result for the year as a whole and on the business climate.

The mood in German **life insurance** improved slightly in the period under review, having stagnated in the previous quarter. This was due to a more favourable assessment of the current business situation, while estimates of prospects for the coming months became more pessimistic. Sentiment readings for occupational disability insurance, followed by unit-linked life and annuity insurance, were well above the average figures for the mood in the life insurance sector as a whole. The mood in endowment life insurance did not improve, owing to persistent low interest rates and uncertain growth prospects for countries in the Eurozone. It came last in the assessment of the life insurance lines.

With regard to premium income in new business, estimates for new business with regular premiums in the reporting period indicated a lower result than in the previous year. For 2013 as a whole, a decline is expected in endowment life insurance and, more rarely, in annuity insurance. The trend towards stabilisation in new single-premium business continued in the second quarter, and the level of premiums is expected to remain unchanged for the financial year as a whole.

Competitive pressure has increased in international **non-life reinsurance**. While market conditions in Japan were positive following significant rate increases in the last two years, expected price increases in the USA did not occur, owing to additional capacity in the non-traditional reinsurance market.

A series of major losses occurred in the second quarter, following a very uneventful first quarter. The number of natural disasters of relevance to claims recorded worldwide in the first half of 2013 was higher than average for the same period of the last few years. However, the total insured losses were well below the ten-year average. Claims statistics for the first half of the year were dominated by floods in large parts of Germany and Austria, the Czech Republic and other European countries and a flood in Canada, followed by storms and severe tornadoes in the USA.

International **life/health reinsurance** offered attractive business opportunities in the period under review. These resulted in particular from the need to protect an ageing population in established insurance markets such as the USA, the UK, Germany, France and Scandinavia, an issue that has been dominant for some time. Demand for financing-oriented reinsurance solutions was also boosted by persistent low interest rates, which are putting an increasing strain on the

insurance sector. The need to build up additional reserves to cover payments of future claims, together with new capital and solvency requirements, mean that we need to find reinsurance solutions that offer alternative ways of raising capital. In emerging countries in Asia, Latin America and Eastern Europe, where an increasingly affluent society is leading to rising demand for life insurance and pension insurance, the focus was on reinsurance products covering underwriting risks relating to mortality, morbidity and disability.

Business development of the Talanx Group

- Good results despite substantial burdens from major losses
- Flooding in Europe costs the Group EUR 232 million
- Expansion abroad contributes to good results

	6M 2013	6M 2012 ¹⁾	+/- %
<i>Figures in EUR million</i>			
Gross written premium	14,966	13,582	+10
Net premium earned	11,498	10,294	+12
Underwriting result	-730	-695	-5
Net investment income	1,877	1,748	+7
Operating profit (EBIT)	1,018	853	+19
Combined ratio (net, property/casualty only) in %	96.0	98.0	-2.0 pt.

¹⁾ Adjusted on the basis of IAS 8, cf. "Accounting policies" section of the Notes

Talanx AG's free float currently stands at 14.4%. It increased immediately after the end of the second quarter following the sale of a further 8.2 million shares, which did not dilute income attributable to shareholders. This step is expected to consolidate Talanx's position in the MDAX midcap index. HDI V.a.G. remains the main shareholder with a stake of 79.1%, and our Japanese partner Meiji Yasuda is an anchor shareholder with 6.5%.

Premium volume

Group gross written premium was up around 10% year-on-year at EUR 15.0 (13.6) billion; with adjustments for exchange rate effects, the level of growth would have been about 11%. Net premium earned even grew by around 12% to EUR 11.5 (10.3) billion. In particular, the Life/Health Reinsurance segment contributed to this increase through organic growth and the takeover of annuity business in the UK. However, Retail International also played a part, both through organic growth and through acquisitions, as these companies' results were included in full for the first time in the current year. Organic growth in the Group's gross premium amounted to 6%.

Underwriting result

The underwriting result is regularly negative at Group level, since participation of policyholders in our life insurers' investment income is included. It fell by around 5% to -EUR 730 (-695) million compared with the same period of the previous year, partly owing to higher catastrophe losses. Major losses occurred in the Industrial Lines and Non-Life Reinsurance segments in particular, while the Life/Health Reinsurance segment was impacted by burdens arising from US mortality business. The floods in June resulted in a net burden of EUR 232 million for the Group, including a net burden of EUR 137 million in the reinsurance business.

The combined ratio improved by 2.0 percentage points to 96.0 (98.0)% compared with the same period of the previous year.

Net investment income

Net investment income rose by around 7% to EUR 1,877 (1,748) million. This was primarily due to good extraordinary investment income in the Retail Germany and Corporate Operations segments.

Operating profit and Group net income

The Group's operating profit (EBIT) grew by 19% to EUR 1,018 (853) million, of which EUR 98 million came from a one-off effect resulting from the reduction of our stake in Swiss Life. Group net income attributable to shareholders of Talanx AG was up 15% year-on-year, at EUR 407 (353) million. Earnings per share amounted to EUR 1.61 (1.69), while the (annualised) Group return on equity was 11.7 (12.5)%.

Business development of the segments Industrial Lines

- Premium growth continues
- Major losses have negative impact on income
- Net investment income affected by low interest rates

	6M 2013	6M 2012 ¹⁾	+/- %
<i>Figures in EUR million</i>			
Gross written premium	2,399	2,246	+7
Net premium earned	895	782	+14
Underwriting result	-11	58	-119
Net investment income	108	113	-4
Operating profit (EBIT)	78	157	-50
Combined ratio (net) ²⁾ in %	101.2	92.6	+8.6 pt.

¹⁾ Adjusted on the basis of IAS 8, cf. "Accounting policies" section of the Notes

²⁾ Including net interest income on funds withheld and contract deposits

The Industrial Lines Division is led by HDI-Gerling Industrie Versicherung AG (HDI-Gerling Industrie), by far the largest company in this Group segment. In addition to 11 sites throughout Germany, it operates in over 130 countries through subsidiaries and network partners. As an industrial insurer that operates internationally, 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 third-party liability, motor, accident, fire and property insurance as well as marine, special lines and engineering insurance.

Industrial customers also benefit from decades of experience in risk assessment and risk management, with specialist commercial cover being required in particular by large industrial groups and small and medium enterprises, owing to the complex risk environment. HDI-Gerling Industrie's range of services is rounded off by professional claims management that delivers the fastest possible assistance worldwide in the event of loss or damage.

Premium volume

The segment's gross written premium amounted to EUR 2.4 (2.2) billion as at 30 June 2013, an increase of around 7%. This continued 2012's positive trend. HDI-Gerling Industrie contributed to this growth with an increase of EUR 166 million. The increase in premiums was largely due to growth at foreign branches and successful restructuring projects in Germany. Growth was strongest in fire, third-party liability and motor insurance. Overall performance was positive despite ongoing intense competition in Germany, owing to the expansion of international programmes. Premium growth in the fire insurance business was mainly the result of international programmes and successful restructuring projects in Germany. Market hardening also continued in motor insurance in the second quarter of 2013.

We were also pleased with overall premium development at foreign companies in the segment. The Belgian and Austrian subsidiaries are worth special mention. The Belgian company HDI-Gerling Assurances S. A. achieved significant premium growth of 26% to EUR 108 (86) million in the first half of 2013 by extending existing customer relationships and gaining new ones. Gross written premium grew to EUR 65 (62) million at the Austrian company HDI Versicherung AG, owing to new business in all lines.

Net premium earned rose to EUR 895 (782) million. This represents an increase of 14%, a higher level of growth than in gross written premium. Retentions increased at HDI-Gerling Industrie in particular. At the same time, there was a disproportionate increase in reinsurance premiums at the Austrian subsidiary caused by the reporting system, owing to the separation of the portfolio into industrial business and retail business.

Underwriting result

The segment's net underwriting result amounted to -EUR 11 (58) million, well below the previous year's figure. This was due to high catastrophe losses at HDI-Gerling Industrie. At 19.4 (21.0)%, the net expense ratio was down year-on-year, while the net loss ratio rose to 81.9 (71.5)%. The combined ratio of the Industrial Lines segment was thus 101.2 (92.6)%.

HDI-Gerling Industrie achieved a net underwriting result of -EUR 1 (43) million. In addition to the floods in southern and eastern Germany, major losses in the fire insurance business had a negative impact on the result.

Our Dutch subsidiary recorded a decline to –EUR 4 (7) million, largely owing to additional provisions in the amount of EUR 12 million in the first quarter of 2013. The Austrian company's underwriting result rose slightly to EUR 3 (2) million despite flood damage.

Net investment income

Net investment income fell by 4% to EUR 108 (113) million. The interest-induced decline in current income at HDI-Gerling Industrie was offset by higher income from real estate. The Dutch subsidiary also wrote off a bond from the nationalised bank SNS Reaal Bank completely in the amount of EUR 3 million. On the whole, there were no significant developments in net investment income for the other companies.

Operating profit and Group net income

The segment's operating profit fell to EUR 78 (157) million, owing to the above developments and in particular the lower underwriting result. HDI-Gerling Industrie, which dominates the segment, made a substantial contribution of EUR 91 (170) million to this figure. The decline was largely due to the net underwriting result of –EUR 1 (43) million, which was affected by major losses.

The performance of the Dutch subsidiary was positive, after the abovementioned one-off effects placed a burden on the company in the first quarter of 2013. The operating result for the first half of 2013 amounted to –EUR 5 (5) million, following a loss of –EUR 11 million in the first quarter. The results of the other companies in the segment remained stable year-on-year.

Income attributable to shareholders of Talanx AG (Group net income) for the segment amounted to EUR 47 (99) million.

Retail Germany

- Gross premium of life insurers up 5% thanks to higher single premiums
- Measures to improve profitability at HDI Versicherung AG begin to pay off
- Previous year's result significantly exceeded

	6M 2013	6M 2012 ¹⁾	+/-%
<i>Figures in EUR million</i>			
Gross written premium	3,623	3,516	+3
Net premium earned	2,663	2,610	+2
Underwriting result	–732	–711	–3
Net investment income	872	812	+7
Operating profit (EBIT)	90	73	+23
Combined ratio (net, property/casualty only) ²⁾ in %	99.9	108.6	–8.7 pt.

¹⁾ Adjusted on the basis of IAS 8, cf. "Accounting policies" section of the Notes

²⁾ Including net interest income on funds withheld and contract deposits

The Retail Germany Division bundles HDI's German retail and commercial business and the Talanx Group's bancassurance activities and offers German retail clients insurance cover tailored to their needs. The division also operates in Austria in the field of life insurance. Its range of services extends from property and life insurance through all lines to complete solutions for small and medium-sized companies and freelance professionals. Various distribution channels are available, from our own tied agents' organisation to sales through independent intermediaries and multiple agents, and through various cooperations with partners such as banks.

A functional organisation ensures clear responsibilities and establishes the foundations for operating across the previous line-based boundaries separating property and life insurance. This perspective spanning various lines of business is a vital prerequisite for improving processes and services to the benefit of clients.

Premium volume

Gross written premium of the Retail Germany segment – including savings elements under unit-linked life insurance – rose by 3% to EUR 3.6 (3.5) billion in the period under review.

Gross written premium for our life insurers – including savings elements under unit-linked life insurance – rose by 5% to EUR 2.6 (2.5) billion, owing to higher single premiums (excluding capitalisation products). Developments at individual companies varied. While HDI Lebensversicherung AG was unable to compensate for the disposal of portfolios with new premiums, premium income for the bancassurance companies increased by 8%.

Gross premium income of property/casualty insurers remained virtually unchanged year-on-year, at EUR 1.0 (1.0) billion. Their share in the segment as a whole was thus 29 (30)%. Our most important property line – motor – recorded a slight decrease in premiums owing to measures to make the business more profitable, which was offset by an increase in premium income in liability insurance as a result of the take-over of portfolios from competitors.

The segment's retention ratio was 94.5 (94.8)%. Allowing for higher savings elements under our unit-linked products and the change in unearned premiums, net premium earned in the segment increased by 2% to EUR 2.7 (2.6) billion.

New business – measured by the international standard of the Annual Premium Equivalent (APE) – amounted to EUR 315 (327) million. New business with life insurance products grew by 4% to EUR 214 (204) million. While new business declined at HDI Lebensversicherung AG, bancassurance life insurers surpassed their result for the corresponding period of the previous year by 20% overall. Targeted management of new business to ensure profitability led to a rise in the proportion of biometric products (particularly occupational disability and residual debt insurance). We were also pleased with growth in single-premium business (excluding capitalisation products). Measures to improve profitability at HDI Versicherung AG led to a decline in new business at property/casualty insurers to EUR 101 (123) million, while there was a rise in average premiums at the same time.

Underwriting result

The segment's underwriting result remained stable at –EUR 0.7 (–0.7) billion. This result is dominated by life insurance companies and is regularly negative. The compounding of technical provisions and participation of our policyholders in net investment income are offset by net investment income, which is recognised in the non-underwriting result.

The change in the underwriting result from our property insurance products was influenced by measures to increase profitability at HDI Versicherung AG, which continued in the period under review. Despite flood and storm damage, we improved our loss ratio for the financial year. Together with positive run-off results, this led to an increase in the company's underwriting result.

Net investment income

The segment's net investment income rose by 7% to EUR 0.9 (0.8) billion. This was mainly attributable to the life insurance companies, which accounted for 94% of this figure. Unrealised gains on investments were realised in order to finance the additional interest reserve at life insurance companies. This explains the increase in extraordinary investment income.

Operating profit and Group net income

Low interest rates on the capital market continued to have a negative impact on our life insurers' results for the first six months. Despite the ongoing restructuring process, the operating profit for the segment as a whole increased to EUR 90 (73) million. This improvement in results was mainly due to the success of measures to improve profitability – such as securing rates that are commensurate with risk – and positive run-off effects at HDI Versicherung AG. After taking into account taxes on income and financing costs, Group net income attributable to shareholders of Talanx AG rose to EUR 52 (50) million.

The Retail Germany segment at a glance – further key figures

	6M 2013	6M 2012	+/- %
<i>Figures in EUR million</i>			
Gross written premium	3,623	3,516	+3
Property/casualty	1,038	1,045	-1
Life	2,585	2,471	+5
Net premium earned	2,663	2,610	+2
Property/casualty	702	706	-1
Life	1,961	1,904	+3
Underwriting result	-732	-711	-3
Property/casualty	1	-59	+102
Life	-733	-652	-12
Other	—	—	—
Net investment income	872	812	+7
Property/casualty	55	59	-7
Life	—	754	+8
Other	—	-1	+100
New business measured in Annual Premium Equivalent	315	327	-4
Single premiums (life)	769	624	+23
Regular premiums (life and non-life)	238	264	-10
New business by product in Annual Premium Equivalent	315	327	-4
Motor	63	87	-27
Property insurance	11	8	+48
Liability insurance	13	15	-14
Accident insurance	7	6	+13
Other property/casualty insurance	7	7	—
Unit-linked life and annuity insurance	70	68	+2
Traditional life and annuity insurance	109	101	+7
Term life products	33	33	—
Other life products	2	1	+48

Retail International

- Expansion abroad boosts results
- Poland is largest foreign market following takeovers
- Flood damage has negligible impact on loss ratio

	6M 2013	6M 2012 ¹⁾	+/- %
<i>Figures in EUR million</i>			
Gross written premium	2,151	1,334	+61
Net premium earned	1,748	1,078	+62
Underwriting result	17	-21	+181
Net investment income	146	118	+24
Operating profit (EBIT)	113	52	+117
Combined ratio (net, property/casualty only) ²⁾ in %	94.9	99.0	-4.1 pt.

¹⁾ Adjusted on the basis of IAS 8, cf. "Accounting policies" section of the Notes

²⁾ Including net interest income on funds withheld and contract deposits

The Retail International Division brings together the activities of companies serving retail clients in property insurance, life insurance and bancassurance outside Germany, and now operates in 14 countries through 27 insurance companies.

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. The product range encompasses motor insurance, property/casualty insurance, marine and fire insurance as well as life insurance.

The division operates in two strategic target regions and focuses on two high-growth core markets within each of these. In Latin America, it is present in the two largest countries in terms of premium income, Brazil and Mexico. In Central and Eastern Europe, the division operates in Poland and Turkey, two of the three markets with the highest premium income. International business is conducted to a large extent through agents and brokers. In addition, postal service partners and banks are an important sales channel for several companies.

The main development in the first half of 2013 was once again the integration of companies acquired in these target regions in 2012. The Mexican insurer Metropolitana Compañía de Seguros S.A. merged with HDI Seguros S.A. de C.V. with effect from 1 January 2013. The new company is being run under

the name HDI Seguros S.A. de C.V. The Talanx Group became the second-largest operator on the Polish insurance market in the 2012 financial year following the takeover of the WARTA Group and the TU Europa Group. Both acquisitions were carried out with our strategic partner Meiji Yasuda, which owned just under 25% of shares in WARTA and a significant minority holding in the TU Europa Group at the end of the second quarter of 2013. The merger of the property insurance companies HDI and WARTA will be followed at the end of 2013 by the merger of Polish life insurers TUnŻ WARTA S.A. and HDI-Gerling Życie; however, the HDI brand will continue to be represented on the Polish market.

Only a limited comparison with the prior-year period is possible. The WARTA and TU Europa companies are included in the figures for the first six months of 2013, while only the TU Europa companies were included for one month in the first half of 2012.

A restructuring project was started in Turkey in response to ongoing difficulties on the market and to ensure long-term stabilisation of income. The aim is to bring the product portfolio into line with the market and to achieve a profitable sales structure, efficient cost and claims management, appropriate pricing and improved risk selection.

Premium volume

The segment's gross written premium (including premiums from unit-linked life and annuity insurance) rose by 61% year-on-year to EUR 2.2 (1.3) billion. Over EUR 640 million of this premium growth was attributable to the companies acquired in Poland in 2012.

Gross written premium growth was primarily influenced by positive developments in property business, where premium rose by 49% to EUR 1.4 billion, including a significant contribution from the new Polish companies. Life insurance business also grew by 93% to EUR 712 million owing to the first-time inclusion of the new Polish life insurers.

Around three quarters of our total premium income in Latin America comes from the Brazilian market, where the Retail International Division operates mainly in motor insurance. The Brazilian company HDI Seguros S.A. increased its written premium by 8% year-on-year to EUR 421 million, taking into account exchange rate effects. With adjustments for exchange

rate effects, the company's premium income rose by 19%, largely owing to higher premiums and the conclusion of a large number of new contracts in motor insurance business. The Mexican company HDI Seguros S.A. de C.V. increased its gross written premium to EUR 88 million, mainly owing to growth in new business and increases in premiums in motor insurance. The combined gross written premium of HDI Seguros and Metropolitana in the previous year was EUR 69 million.

The Polish companies accounted for 41% of the division's total written premium, compared with 14% in the previous year. Following the merger with HDI Asekuracja S.A., TUIR WARTA S.A. recorded premium volume in property insurance of EUR 444 million. The combined gross written premium of the life insurers TUnŻ WARTA S.A. and HDI-Gerling Życie amounted to EUR 152 (44) million. Premium income for the TU Europa Group amounted to EUR 280 million, most of which came from life insurance.

The Turkish property insurer HDI Sigorta began to benefit from the effects of the abovementioned project to improve profitability. The company achieved profitable year-on-year growth of 23%; with adjustments for exchange rate effects, premium growth was 25%. Written premium in other property insurance increased by 70%. In motor insurance, average premiums in local currency were up 65%, while the number of contracts declined by 37%. Motor insurance accounted for 59% of the company's entire portfolio, compared with 70% in the same period of the previous year. HDI Sigorta is thus well on the way to achieving a more diversified and more profitable product portfolio.

The Italian company HDI Assicurazioni held its ground well in a property insurance market that was in decline overall. Growth of around 6% was achieved in property/casualty insurance, particularly in fire, householders and motor third-party liability insurance, partly owing to the expansion of the distribution network. Life insurance premiums rose by 37% year-on-year, largely owing to higher income from sales through banks.

Underwriting result

The combined ratio in international property/casualty insurance was 94.9 (99.0)%, 4.1 percentage points better than in the comparable period. The newly acquired Polish companies with their comparatively low combined ratios contributed to this, as did the improvement in loss ratios in motor insurance as a result of increases in premiums and improved portfolios, particularly in core markets. This applies in particular to the Brazilian company HDI Seguros S.A. and the Turkish company HDI Sigorta. Damage caused by floods and heavy rain in June 2013 resulted in a net burden of EUR 8 million for the Polish company TUIR WARTA S.A. in the reporting period. The company was affected by a major loss event in the agricultural sector (frost damage) in the corresponding period of the previous year. Other property insurance companies assigned to the segment were not affected by floods in the first half of 2013, or the impact of the floods was only minimal. The underwriting result of Italian company HDI Assicurazioni remained largely stable.

The division's underwriting result amounted to +EUR 17 (–21) million. This increase was mainly due to the Polish companies (contribution to results: EUR 30 million).

Net investment income

Net investment income in the division amounted to EUR 146 million as at the end of the second quarter of 2013, a year-on-year rise of 24%. Extraordinary investment income accounted for EUR 22 million of this figure, compared with EUR 35 million in the prior-year period. The Polish companies contributed EUR 45 million or 31% to total net investment income for the second quarter, compared with EUR 8 million or 6% in the same period of the previous year. The negative effects on ordinary investment income of lower interest rates in almost all countries were offset by the inclusion of the new companies. Higher investment portfolios across the board and the effects of shifting parts of the liquid investment portfolio into bonds yielding a higher rate of interest also had a positive impact on the development of ordinary investment income. Net investment income includes profit on investment contracts in the amount of EUR 4 million. Investment contracts are policies that, in accordance with IFRS, provide too little risk cover to be classified as insurance contracts.

Operating profit and Group net income

The Retail International Division reported an improvement in its underwriting result and higher net investment income as a result of the acquisitions in Poland. This led to a year-on-year increase of 117% in the operating profit (EBIT) to EUR 113 million. As a result, the EBIT margin rose by 1.7 percentage points to 6.5%. Group net income attributable to shareholders of Talanx AG grew by 113% to EUR 66 (31) million.

The Retail International segment at a glance – further key figures	6M 2013	6M 2012 ¹⁾	+/- %
<i>Figures in EUR million</i>			
Gross written premium	2,151	1,334	+61
Property/casualty	1,439	966	+49
Life	712	368	+93
Net premium earned	1,748	1,078	+62
Property/casualty	1,173	822	+43
Life	575	256	+125
Underwriting result	17	–21	+181
Property/casualty	59	8	+638
Life	–42	–29	–45
Other	—	—	—
Net investment income	146	118	+24
Property/casualty	83	67	+24
Life	63	50	+26
Other	—	1	–100
New business measured in Annual Premium Equivalent	713	416	+71
Single premiums (life)	572	220	+160
Regular premiums (life and non-life)	656	394	+66
New business by product in Annual Premium Equivalent	713	416	+71
Motor	373	260	+44
Property insurance	80	40	+101
Liability insurance	34	20	+68
Accident insurance	8	4	+84
Other property/casualty insurance	115	48	+142
Unit-linked life and annuity insurance	17	9	+90
Traditional life and annuity insurance	27	12	+115
Term life products	44	11	+290
Other life products	15	11	+29

¹⁾ Adjusted on the basis of IAS 8, cf. "Accounting policies" section of the Notes

Non-Life Reinsurance

- Underwriting result significantly higher as at 30 June 2013
- Major losses largely as expected in the second quarter
- Satisfactory renewals on 1 April despite tough competition

	6M 2013	6M 2012 ¹⁾	+/- %
<i>Figures in EUR million</i>			
Gross written premium	4,097	4,080	—
Net premium earned	3,404	3,304	+3
Underwriting result	191	100	+91
Net investment income	378	429	-13
Operating profit (EBIT)	567	449	+26
Combined ratio (net) ²⁾ in %	94.2	96.8	-2.6 pt.

¹⁾ Adjusted on the basis of IAS 8, cf. "Accounting policies" section of the Notes

²⁾ Including net interest income on funds withheld and contract deposits

Non-Life Reinsurance is the larger of our two reinsurance segments, both of which are operated by our subsidiary Hannover Rück SE. The Group hopes to achieve further profitable growth in this segment. Our strategy is aimed at active cycle management. We expand our business based on the different lines if the rate situation is favourable and scale it back if prices do not appear commensurate with risk.

Business development

The situation on international reinsurance markets is more competitive than in the comparable period. Our non-life reinsurance business nevertheless developed favourably. Following good results in renewals at the beginning of the year, we were thoroughly satisfied with the results of treaty renewals on 1 April 2013. We are pleased with market conditions in Japan, following significant rate increases there in the last two years. Rates remain at a high level. In line with our strategy of consistent cycle management, we have also increased our shares in existing contracts, resulting in premium growth of around 6% in the original currency. In Korea, on the other hand, market conditions are more difficult. We have therefore reduced our involvement in proportional business and expanded our non-proportional business, in which margins are higher. Expected price increases in our US property catastrophe business – where only a small proportion of contracts were renewed on 1 April 2013 – failed to materialise. This was due to additional capacity offered by the non-traditional reinsurance market.

Premium development

Gross premium for our Non-Life Reinsurance segment increased marginally compared with the corresponding period of the previous year, to EUR 4.1 (4.1) billion. At constant exchange rates, especially against the US dollar, growth would have been 1%. The retention ratio remained unchanged at 90.2 (90.2)%. Net premium earned climbed 3% to EUR 3.4 (3.3) billion, or 4% after currency adjustments.

Net investment income

Net investment income in the Non-Life Reinsurance segment decreased from EUR 429 million to EUR 378 million in the first half of 2013. This was due to a significant decline of EUR 29 million in the unrealised net gain, resulting mainly from changes in inflation swaps. Ordinary investment income fell from EUR 410 million to EUR 385 million owing to a reduction in interest rates.

Underwriting result

Following a very calm major loss experience in the first quarter, we incurred a series of major losses in the second quarter. The net burden of the recent floods came to EUR 137 million. Other major losses also occurred in the second quarter, such as hail damage in Germany and a flood in Canada. Catastrophe losses as at 30 June 2013 amounted to EUR 260 (132) million in total. This was within the expected range for the first half of the year. The underwriting result for the Non-Life Reinsurance segment as a whole nevertheless rose significantly to EUR 191 (100) million, owing to an increase in net premium earned and positive run-off of loss reserves from previous years. The combined ratio for the first half of 2013 was positive, at 94.2 (96.8)%.

Operating profit and Group net income

The operating profit (EBIT) for the Non-Life Reinsurance segment surged by a pleasing 26% to EUR 567 (449) million as at 30 June 2013. Group net income attributable to shareholders of Talanx AG grew to EUR 166 (143) million.

Life/Health Reinsurance

- Gross premium income up 11% as at 30 June 2013
- Solid net investment income despite persistent low interest rates
- Operating profit (EBIT) lower than expected

	6M 2013	6M 2012 ¹⁾	+/- %
<i>Figures in EUR million</i>			
Gross written premium	3,130	2,809	+11
Net premium earned	2,787	2,521	+11
Underwriting result	-194	-121	-60
Net investment income	315	286	+10
Operating profit (EBIT)	108	153	-29

¹⁾ Adjusted on the basis of IAS 8, cf. "Accounting policies" section of the Notes

As one of the five largest established life and health reinsurers operating internationally, this segment of the Talanx Group offers worldwide reinsurance cover to customers in all lines of life and health insurance. We have an excellent international network and a presence on all continents.

Business development

Persistent low interest rates and the resulting decline in investment income are placing an increasing burden on the insurance sector, requiring additional reserves to be established and held for future claims payments and giving rise to new capital and solvency requirements. The latter call for reinsurance solutions that offer an alternative way of raising capital. The increasing concentration of insurance in important markets of the future, such as Latin America, Eastern Europe and Asia, ensured further gratifying growth in these regions in the first half of the year. These markets focus primarily on traditional reinsurance products that cover underwriting risks relating to mortality, morbidity and disability and on products for the financing of new business.

Premium development

Gross premium income in life/health reinsurance amounted to EUR 3.1 (2.8) billion as at 30 June 2013. This represents pleasing growth of 11%. At constant exchange rates, growth would even have amounted to 13%. The retention ratio rose slightly to 89.6 (89.2)%. Net premium earned grew by 11% to EUR 2.8 (2.5) billion. At constant exchange rates, growth in net premium earned would have come in at 13%.

Net investment income

Net investment income in the Life/Health Reinsurance segment rose from EUR 286 million to EUR 315 million in the first half of 2013, despite ongoing low interest rates and the resulting decrease in investment income. The main factor influencing this was growth in net interest income from funds withheld and contract deposits, which rose from EUR 150 million to EUR 180 million. While ModCo derivatives had no significant impact, ordinary investment income grew from EUR 117 million to EUR 121 million.

Operating profit and Group net income

Business development was generally slightly below our expectations in the reporting period. This was mainly due to losses in part of our US mortality business. The Life/Health Reinsurance segment achieved a total operating profit (EBIT) of EUR 108 (153) million in the reporting period as at 30 June 2013. Group net income attributable to shareholders of Talanx AG amounted to EUR 40 (62) million.

Corporate Operations

- Underwriting business reported in the segment for the first time in 2013
- Group's assets under own management up by 2%
- Operating profit of EUR 85 million owing to one-off effects

The most important companies in the Corporate Operations segment are the Group holding company Talanx AG, the in-house service companies Talanx Service AG and Talanx Systeme AG, the asset management companies, Talanx Reinsurance Broker GmbH and Talanx Reinsurance (Ireland) Ltd. in Dublin.

Talanx AG sold shares in Swiss Life Holding AG via the market in small tranches in the first and second quarters of 2013. This reduced its stake in the company from 9.26% at the beginning of the year to 5.03%. This sale was a result of our conservative investment strategy, derived from our holistic risk management system, which aims to limit accumulation risks. We still regard our remaining investment in Swiss Life as a long-term investment of Talanx AG.

Reinsurance specialists at the Group

Underwriting business written through our subsidiary Talanx Reinsurance (Ireland) Ltd. has been reported for the first time in the Corporate Operations segment since 2013. The aim of this in-house reinsurance is to increase retentions and optimise capital utilisation. In-house business written by Talanx Re (Ireland) will be partly reallocated to the ceding segments, to enable the respective segments to exploit the benefits of diversification. Furthermore, any business that includes additional cross-segment diversification benefits will be reported in the Corporate Operations segment. Gross written premium in this business amounted to EUR 25 million in the first half of 2013. It resulted mainly from reinsurance cessions in the Retail International and Retail Germany segments. Owing to extraordinary start-up costs, Talanx Re (Ireland) posted an operating result of EUR 0 (1) million for the Corporate Operations segment in the first half of 2013.

Talanx Reinsurance Broker GmbH is wholly owned by Talanx AG and handles the complete spectrum of the reinsurance business process for Group cedants. In 2013, it once again managed to obtain the necessary reinsurance capacity for all of the Group cedants that it manages on the global market. The company's operating profit for the first half of 2013 was EUR 8 (7) million, of which a significant portion will be re-allocated to the business ceding segments. EUR 1 (1) million of this company's earnings therefore remained in the Corporate Operations segment.

Investment specialists at the Group

Talanx Asset Management GmbH – in cooperation with its subsidiary Ampega Investment GmbH (until 1 July 2013 AmpegaGerling Investment GmbH) – is chiefly responsible for handling the management and administration of the Group companies' investments 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 profit remained stable in the first half of 2013, at EUR 20 (20) million.

As an investment company, Ampega 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 volume of assets it managed rose by 5% in total to EUR 14.7 billion, compared with EUR 14.0 billion at the beginning of the year. Over half of this sum, EUR 8.0 (7.9) billion, was administered on behalf of Group companies through special funds and direct investment mandates. Of the remaining portion, EUR 3.2 (2.8) billion was attributable to institutional third-party clients and EUR 3.5 (3.3) billion to retail business. The latter is offered both through the Group's own distribution channels and products such as unit-linked life insurance as well as through external asset managers and banks.

Operating profit and Group net income

The operating result of the Corporate Operations segment improved by EUR 105 million to EUR 85 (–20) million in the first half of 2013, largely owing to the sale of shares in Swiss Life Holding AG by Talanx AG. This transaction resulted in a pre-tax profit of EUR 98 million. For further details, cf. "Notes on the consolidated statement of income", item 12 "Net investment income", in the Notes. Group net income attributable to shareholders of Talanx AG amounted to EUR 31 (–42) million in the first half of 2013.

Assets and financial position

Assets

The balance sheet structure of the Talanx Group is shaped by its character as a diversified insurance group and its activities as a large insurance group with operations all over the world. The predominant asset item is investments, accounting for 76% of total assets. Without taking into account funds with-held by ceding companies and investments under investment contracts, investments amounted to EUR 85.7 billion or [↗](#)

65% of total assets. These investments serve first and foremost as cover for insurance business provisions (69% of total assets), which – excluding provisions in the area of life insurance in-sofar as the investment risk is borne by policyholders – totalled EUR 91.9 billion. The most important sources of funding are shareholders' equity (8% of the balance sheet total) and issued subordinated debt (2% of the balance sheet total).

Asset structure	30.6.2013		31.12.2012 ¹⁾	
	Figures in EUR million	In %	Figures in EUR million	In %
Intangible assets	2,641	2	2,793	2
Investments	100,389	76	98,948	76
Investments for the account and risk of holders of life insurance policies	7,888	6	7,451	6
Reinsurance recoverables on technical provisions	7,058	5	6,989	5
Accounts receivable on insurance business	5,737	4	5,081	4
Deferred acquisition costs	4,440	3	4,378	3
Cash	1,740	1	2,119	2
Deferred tax assets	536	<1	529	<1
Other assets	2,190	2	2,006	2
Non-current assets and assets of disposal groups classified as held for sale	44	<1	56	<1
Total assets	132,663	100	130,350	100

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

Amount and composition of assets

The increase of EUR 2.3 billion in our total assets to EUR 132.7 billion in the first half of 2013 can be attributed principally to growth in our investment portfolio (+EUR 1.4 billion) and an increase in accounts receivable on insurance business (+EUR 656 million). The growth in investments was the result of an increase in the portfolio of "Other invested assets" (+EUR 1.4 billion), particularly in short-term investments

(+EUR 1.5 billion). For more detailed explanations of investments, cf. the section below and "Notes on individual items of the consolidated balance sheet" in the Notes. Growth in accounts receivable on insurance business was mainly attributable to accounts receivable (+EUR 434 million, of which +EUR 426 million was in the Non-Life Reinsurance segment) and accounts receivable from policyholders (+EUR 190 million, of which +EUR 142 million was in the Industrial Lines segment).

Movements in investments

Breakdown of the investment portfolio	30.6.2013		31.12.2012	
	Figures in EUR million	In % of total assets	Figures in EUR million	In % of total assets
Investments under investment contracts	1,530	1	1,698	1
Funds withheld by ceding companies	13,189	10	13,198	10
Assets under own management	85,670	65	84,052	65
Total	100,389	76	98,948	76

The investment portfolio grew by 1% to just over EUR 100 billion in the first half of the financial year. Investments under investment contracts fell slightly, while funds withheld by ceding companies remained stable. The increase in the portfolio therefore related mainly to assets under own management, which grew by EUR 1.6 billion. This growth was attributable to cash inflows from underwriting business, which were reinvested in accordance with respective corporate guidelines.

Following a fall in interest rates for all maturities at the end of the first quarter of 2013, interest rates were up again at the end of the second quarter, irrespective of maturities. Interest rates on two-year German government bonds stood at 0.19% at the end of the second quarter, 17 basis points higher than at the end of 2012. For ten-year bonds in the same risk class, the interest rate was 1.73%, up 35 basis points on the comparable period.

The decline in the value of the US dollar against the euro in the first half of the year had a direct impact on investments held in USD, increasing the value of the portfolio. The exchange rate as at 31 December 2012 was USD 1.32/EUR. Following an initial increase, the exchange rate stood at USD 1.31/EUR at the end of the second quarter. Our holdings of investments in US dollars amounted to EUR 12.9 billion at the end of the second quarter, representing 15% of assets under own management.

Fixed-income investments were once again the most significant asset class as at 30 June 2013. Most reinvestments also occurred in this class, with due consideration being given to the respective technical requirements and the existing investment structure. Fixed-income securities accounted for 76% of the total investment portfolio. The contribution to earnings of this asset class amounted to EUR 1.6 billion, the majority of which was reinvested in the period under review.

Equity exposure did not increase significantly in the second quarter of the 2013 financial year. Equity allocation after taking account of derivatives (equity ratio) was still 1.0% at the end of the second quarter. Although the increase in the weighting of alternative investments and real estate asset classes was negligible, they nevertheless diversified and thus added stability to the various portfolios.

In compliance with all legal requirements and internal Group guidelines, the investment portfolio as at 30 June 2013 was made up as follows:

Breakdown of the investment portfolio	30.6.2013	31.12.2012
In %		
Fixed-income securities	76	77
Equities and other variable-yield securities	1	1
Funds withheld by ceding companies	13	13
Real estate	2	2
Investments under investment contracts	2	2
Other	6	5
Total	100	100

Breakdown of assets under own management recognised on the balance sheet by asset class

	30.6.2013		31.12.2012	
	Figures in EUR million	In %	Figures in EUR million	In %
Investment property	1,584	2	1,297	2
Investments in affiliated companies and participating interests	118	<1	80	<1
Investments in associated companies and joint ventures	238	<1	237	<1
Loans and receivables				
Loans incl. mortgage loans	1,108	1	1,182	1
Loans and receivables due from governmental or quasi-governmental entities together with fixed-income securities	31,222	36	30,919	37
Financial assets held to maturity	3,336	4	3,857	5
Financial assets available for sale				
Fixed-income securities	40,648	47	40,080	48
Variable-yield securities	1,279	1	1,257	1
Financial assets at fair value through profit or loss				
Financial assets classified at fair value through profit or loss				
Fixed-income securities	972	1	1,346	1
Variable-yield securities	84	<1	83	<1
Financial assets held for trading				
Fixed-income securities	13	<1	16	<1
Variable-yield securities	126	<1	123	<1
Derivatives ¹⁾	70	<1	74	<1
Other invested assets	4,872	6	3,501	4
Total assets under own management	85,670	100	84,052	100

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

Fixed-income securities

Interest rates remained low in the first half of 2013, but were up again slightly by the end of the second quarter. Ongoing excess liquidity kept interest rates down overall.

Volatility of financial bond spreads is still driven by the unresolved debt crisis in various countries within and outside the Eurozone, political uncertainty in parts of southern Europe and the fragile situation of the Spanish banking system. In view of declining profitability and falling interest margins, we continued to invest only in senior bonds and selective subordinated bonds from institutions with solid credit ratings.

The portfolio of fixed-income investments (excluding mortgage and policy loans) amounted to EUR 76.2 billion at the end of the second quarter, almost the same level as at the beginning of the year. At 76% of total investments, this asset class continued to represent the most significant share of our investments in terms of volume. Fixed-income investments were primarily divided into the investment categories of “Loans and receivables” and “Financial assets available for sale”.

“Fixed-income securities available for sale”, which have a volatile impact on shareholders’ equity, increased to EUR 40.6 billion, or 53% of total investments in this asset class, in the first half of the year. This represented net growth of EUR 0.6 billion. We invested in German covered bonds (Pfandbriefe) and corporate securities, avoiding countries at risk of default. Valuation reserves – i.e. the net balance of unrealised gains and losses – have fallen from EUR 2.6 billion to EUR 1.6 billion since the end of 2012, owing to the slight rise in interest rates.

Alongside the “Financial assets available for sale” category, the Talanx Group is essentially adhering to its strategy of making new investments in the “Loans and receivables” category in order to reduce balance sheet volatility. These holdings had risen by EUR 0.2 billion to EUR 32.3 billion (42% of total holdings in this asset class) by the end of the period under review. Further investment in government bonds was limited, due to extremely low yields. Our portfolio of government securities or securities with a similar level of security in this holdings category thus amounted to EUR 10.1 billion. German covered bonds (Pfandbriefe) still represent the largest item in the portfolio. Off-balance sheet valuation reserves fell from EUR 4.3 billion at the end of 2012 to EUR 3.3 billion at the end of the second quarter of 2013, owing to market conditions.

At the end of 2012, the Group had manageable exposure to government bonds from the so-called GIIPS countries. 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. As a result, accumulated write-downs in 2012 amounted to only EUR 81 thousand for the Group as a whole. No further write-downs were required on these securities in the period under review. Our exposure to the GIIPS countries increased only for Italian government bonds in ➔

the reporting period compared with 2012, mainly through our Italian subsidiary. This process is subject to strict risk assessment and monitoring.

The Talanx Group's investment exposure to GIIPS government bonds amounted to EUR 1,125 million at **market value**. Italy accounted for EUR 758 million of this sum (of which our Italian Group company accounted for EUR 522 million), Spain EUR 86 million, Ireland EUR 256 million, Portugal EUR 20 million and Greece EUR 5 million.

GIIPS exposure in fixed-income investments as at 30 June 2013 ¹⁾	Corporate securities					Other	Total
	Government bonds	Quasi-government bonds	Financial bonds	Industrial bonds	Covered bonds/asset-backed securities		
<i>Figures in EUR million</i>							
Greece	5	—	—	—	—	—	5
Ireland	256	—	6	27	170	224	683
Italy	758	—	229	259	836	19	2,101
Portugal	20	—	—	1	8	—	29
Spain	86	268	68	228	477	—	1,127
Total	1,125	268	303	515	1,491	243	3,945

GIIPS exposure in fixed-income investments as at 31 December 2012 ¹⁾	Corporate securities				Covered bonds/asset-backed securities	Other	Total
	Government bonds	Quasi-government bonds	Financial bonds	Industrial bonds			
<i>Figures in EUR million</i>							
Greece	4	—	—	—	—	—	4
Ireland	235	—	14	29	162	188	628
Italy	647	—	420	279	961	—	2,307
Portugal	26	—	—	1	8	—	35
Spain	88	254	90	231	522	—	1,185
Total	1,000	254	524	540	1,653	188	4,159

¹⁾ With regard to the allocation of countries, the country of the banking group, rather than that of the issuer, is decisive

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

Exposure to Spanish banks ¹⁾	30.6.2013	31.12.2012
<i>Figures in EUR million</i>		
Covered bonds and asset-backed securities/cédulas	477	522
Financial bonds	68	90
Banks with a public guarantee	—	21
Time deposits	1	2
Equities	3	2
Derivatives	5	6
Total	554	643

¹⁾ With regard to the allocation of countries, the country of the banking group, rather than that of the issuer, is decisive

The biggest asset class involving Spanish banks is covered bonds/asset-backed securities and multi-cédulas, which have a similar structure to German covered bonds (Pfandbriefe), at EUR 477 million. The portfolio decline is essentially attributable to disposals and repayments. Only EUR 124 million in this asset class has been invested with counterparties that are generally to be viewed as critical. The covered bonds also include EUR 113 million with non-Spanish subsidiaries of Spanish parent companies. These bonds were issued under British law and generally contain exclusively British mortgage cover. The remainder of the investment volume in unsecured senior bonds and subordinated loans has been placed with the largest, globally operating Spanish commercial banks.

With respect to its assets under own management, the Talanx Group also holds fixed-income investments in the following countries at the market values below:

Exposure in fixed-income investments as at 30 June 2013 ¹⁾	Corporate securities					Other	Total
	Government bonds	Quasi-government bonds	Financial bonds	Industrial bonds	Covered bonds/asset-backed securities		
<i>Figures in EUR million</i>							
Belgium	404	233	69	100	762	—	1,568
Hungary	188	—	15	41	11	—	255
Slovenia	—	—	1	—	—	—	1
Slovakia	121	—	—	—	—	—	121
Total	713	233	85	141	773	—	1,945

Exposure in fixed-income investments as at 31 December 2012 ¹⁾	Corporate securities				Covered bonds/asset-backed securities	Other	Total
	Government bonds	Quasi-government bonds	Financial bonds	Industrial bonds			
<i>Figures in EUR million</i>							
Belgium	210	249	78	101	981	—	1,619
Hungary	163	—	5	32	6	—	206
Slovenia	41	—	—	—	—	—	41
Slovakia	111	—	—	—	—	—	111
Total	525	249	83	133	987	—	1,977

¹⁾ With regard to the allocation of countries, the country of the banking group, rather than that of the issuer, is decisive

Holdings in the “Financial assets held to maturity” category amounted to EUR 3.3 billion at the end of the first half of 2013, compared with EUR 3.9 billion at the end of 2012. Having increased our holdings in this category in 2011 through restructuring, particularly in the two reinsurance segments, we have undertaken no further expansion in this category since then. The option and intention of holding these investments to maturity enables companies to reduce the volatility in their balance sheets caused by movements in interest rates.

When investing in fixed-income securities, we continue to focus on government bonds with good ratings or securities from similarly sound issuers. There were no significant rating downgrades affecting the entire portfolio in the last quarter. There was therefore no change in the proportion of holdings rated AAA.

Rating of fixed-income securities	30.6.2013	31.12.2012
<i>In %</i>		
AAA	32	32
AA	29	30
A	20	20
BBB or less	19	18

The Talanx Group pursues a conservative investment policy. Of instruments in the fixed-income securities asset class, 81% have a rating of A or above.

The Macaulay duration of the total fixed-income securities investment portfolio of the Talanx Group stood at 6.98 years as at 30 June 2013.

As far as matching currency cover is concerned, USD-denominated investments continue to account for the largest share (15%) of the foreign currency portfolio within the Talanx Group. The total share of assets under own management held in foreign currencies as at 30 June 2013 remained virtually unchanged at 27%.

Funds withheld by ceding companies in respect of collateral provided for cedants' technical provisions in the reinsurance segments have remained unchanged at EUR 13.2 billion since the end of 2012. Allowing for increased total investment portfolios, this corresponds to a ratio of 13%, as in the previous year.

Equities and equity funds

European equities made a positive start to the year, with stock markets on the periphery of Europe performing well. After peaking in May, markets then went into decline by the end of the second quarter. The EURO STOXX 50 closed at 2,603 points, down 1% compared with the beginning of the year. The DAX gained 5%, closing at 7,959 points. During the period under review, Talanx AG sold a not insignificant portion of the shares it held in Swiss Life Holding AG via the stock market. The effects of this are described in the "Net investment income" section below.

The net balance of unrealised gains and losses on holdings within the Group (excluding the category of "Other invested assets") fell only slightly by EUR 2 million to EUR 235 (237) million.

Real estate including shares in real estate funds

Investment property totalled EUR 1.6 billion as at the balance sheet date. An additional EUR 434 million was held in real estate funds, which are recognised under "Financial assets available for sale". The Retail Germany segment and the two reinsurance segments invested directly in real estate in the second quarter. Depreciation of EUR 14 million was taken on investment property in the period under review. There were no significant impairments or write-ups in the second quarter of 2013.

The real estate allocation, which also includes investments in real estate funds, was unchanged at 2%.

Alternative investments

Holdings of alternative investments are still at a low level and serve to diversify the portfolio. The Talanx Group invested a total of EUR 55 million in a gas cavern fund through its subsidiaries in the first quarter. The Group's investment represented around 20% of the total volume of investment of EUR 278 million.

Net investment income

Changes in net investment income	6M 2013	6M 2012
<i>Figures in EUR million</i>		
Ordinary investment income	1,553	1,547
thereof current interest income	1,435	1,429
thereof income from investments in associated companies and joint ventures	6	4
Realised net gains on investments	320	140
Write-ups/write-downs on investments	-36	-24
Unrealised net gains/losses on investments	-47	42
Investment expenses	93	98
Income from assets under own management	1,697	1,607
Profit on investment contracts	4	2
Net interest income from funds withheld and contract deposits	176	139
Total	1,877	1,748

Income from assets under own management exceeded the previous year's level by EUR 90 million. The key driver of income was a significant increase in the net gain on disposal (+EUR 180 million). The considerable decline in unrealised net gains/losses on investments of -EUR 89 million had a negative impact on income, while ordinary investment income remained virtually unchanged (+EUR 6 million) and net write-ups/write-downs were slightly higher (-EUR 12 million).

Of the gains and losses of EUR 320 million realised in the period under review, EUR 81 million related to the sale of variable-yield securities. This mainly included the sale of the strategic stake in Swiss Life Holding AG (EUR 70 million). A further EUR 28 million came from foreign exchange gains on CHF-denominated equities, which were reported under "Other income/expenses".

The Retail Germany segment invested more heavily in callable bonds with a good rating (single callables) and a minimum term of ten years in order to optimise its return and extend durations. To implement this strategy, securities in the portfolio, mostly with a short residual term, were sold. These transactions resulted in realised gains of EUR 100 million, which were used to build up additional interest reserves in accordance with the German Commercial Code (HGB).

Across all segments, short-term bonds were used to realise unrealised gains and then invested in long-term bonds from sound issuers or covered bonds. This measure further narrowed the gap in durations in real terms between the assets side and the liabilities side.

The decline in the unrealised net gain from +EUR 42 million in the previous year to –EUR 47 million was driven mainly by the volatility of derivatives in the two reinsurance segments. The unrealised net gain on the ModCo derivative (EUR 1 [11] million) and the inflation swaps (–EUR 40 [–10] million) taken out by Hannover Rück SE in the previous year were not matched in the reporting period, owing to developments in the markets. Furthermore, the net balance of unrealised gains and losses in the Retail Germany (–EUR 3 [23] million) and Retail International (–EUR 5 [20] million) segments was not as high as in the comparable period of 2012.

At –EUR 36 million, the net gain from write-ups/write-downs was higher than in the comparable period. Significant write-downs were taken on equities (EUR 11 million), in addition to write-downs on dormant participations (EUR 3 million). Moreover, a fixed-income security of Dutch bank SNS Reaal Bank was completely written off in the amount of a further EUR 3 million in connection with the bank's controversial nationalisation, which has not involved any compensation and has since been contested. Please see item 12 "Net investment income" in the Notes for the results for individual asset classes and further details.

The level of current interest income from investments was maintained, with a larger overall investment portfolio. Ongoing low interest rates and the resulting drop in the average coupon have counteracted an increase.

The annualised net return on investment (including the effects of derivatives)* for our assets under own management was 4.0 (4.1)%.

Performance was more or less stable across all segments. Owing to the development of the unrealised net gain, net investment income was down year-on-year in the reinsurance segments. For further comments, please see item 12 "Net investment income", in the Notes.

Breakdown of net investment income by Group segment¹⁾

	6M 2013	6M 2012
<i>Figures in EUR million</i>		
Industrial Lines	105	109
Retail Germany	886	821
Retail International	148	119
Non-Life Reinsurance	382	428
Life/Health Reinsurance	312	283
Corporate Operations	44	–12
Total	1,877	1,748

¹⁾ Presentation after elimination of intra-Group relations

Net investment income for the Corporate Operations segment, which essentially comprises costs for the management of investments, includes the gains realised on the sale of shares in the period under review. A substantial profit was achieved as a result of this.

Off-balance sheet financial instruments

The Group has entered into various commitments. Those that are of material significance to the assessment of its assets are displayed below.

Off-balance sheet financial instruments	30.6.2013	31.12.2012
<i>Figures in EUR million</i>		
Letters of credit and trust accounts as security for technical liabilities	6,715	6,824
Blocked custody accounts and other trust accounts	2,493	2,392
Guarantee payments under issued subordinated bonds	2,862	2,862
Outstanding commitments under existing capital participations	933	1,010
Other	1,632	1,599
Total	14,635	14,687

For all other commitments, please refer to the section of the Notes entitled "Other information – Contingent liabilities and other financial commitments".

* Annualised net investment income excluding interest income on funds withheld and contract deposits and profit on investment contracts relative to average assets under own management (30.6.2013 and 31.12.2012)

Financial position

The Talanx Group's capital structure and the composition of its liabilities are shaped by its primary insurance and reinsurance business. Technical provisions, which must be covered by assets in accordance with regulatory requirements, account for the largest share. In addition, the Group finances itself above all through shareholders' equity and through subordinated bonds and liabilities, which also represent our most important sources of funds.

Analysis of capital structure

	30.6.2013		31.12.2012 ¹⁾	
	In EUR million	In %	In EUR million	In %
Shareholders' equity	10,648	8	11,309	9
Subordinated liabilities	3,107	2	3,107	2
Technical provisions – gross	91,919	69	89,484	69
Technical provisions for life insurance insofar as the investment risk is borne by policyholders	7,888	6	7,451	6
Other provisions	3,218	2	3,264	2
Liabilities	14,040	11	13,731	10
Deferred tax liabilities	1,821	1	1,984	2
Liabilities of disposal groups classified as held for sale	22	<1	20	<1
Total liabilities	132,663	100	130,350	100

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

Currency effects

In view of the international nature of the various insurers involved in the Group, currency-related interdependencies between its assets and financial position are inevitable.

In principle, however, insurers that operate internationally 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). In this context cf. our remarks in the risk report. For the purposes of the consolidated financial statements, respective national currencies are presented as explained in the Notes under "Summary of major accounting policies – Currency translation".

Movements in major items

Talanx AG issued a first-rate unsecured bond with a volume of EUR 750 million on 13 February 2013, of which EUR 185 million is held by Group companies. The issue price was 99.958%. The features are described under item 10 of the Notes, "Notes payable and loans".

The Group has two syndicated variable-interest credit lines with a nominal value of EUR 1.2 billion and a term of five years, which are intended to provide short- to medium-term financing. Total utilisation as at 30 June 2013 was EUR 250 million. Existing syndicated credit lines can be terminated by the lenders if there is a change of control, i.e. if a person or persons acting jointly, other than HDI Haftpflichtverband der Deutschen Industrie V.a.G., gains direct or indirect control over more than 50% of the voting rights or share capital of Talanx AG.

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

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

	30.6.2013	31.12.2012 ¹⁾
<i>Figures in EUR billion</i>		
Unearned premium reserve	5.8	4.9
Benefit reserve	48.0	47.2
Loss and loss adjustment expense reserve	28.9	28.0
Provision for premium refunds	2.1	2.3
Other technical provisions	0.3	0.3
Total	85.1	82.7

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

Liabilities to policyholders must be covered by assets in at least the same amount. The proportion of net provisions relating to insurance business relative to total assets as at the balance sheet date – including funds withheld by ceding companies but excluding investments under investment contracts – stood at 86 (85)%. Provisions thus include surplus coverage in the amount of EUR 13.8 (14.6) billion.

Gross provisions rose by 3% or EUR 2.4 billion in total compared with the previous year. EUR 1.2 billion of this increase related to the unearned premium reserve, under which portions of premiums for subsequent insurance periods that are not yet due are reported. There was also an increase in the benefit reserve (+1% or EUR 722 million) and in the loss and loss adjustment expense reserve (+2% or EUR 648 million).

The increase in gross benefit reserves was driven principally by life insurance business in the Retail Germany (+EUR 636 million) and Retail International (+EUR 219 million) segments. The performance of the Retail Germany segment was largely due to neue leben Lebensversicherung AG (+EUR 239 million), PB Lebensversicherung AG (+EUR 216 million) and TARGO Lebensversicherung AG (+EUR 118 million).

The increase in the loss and loss adjustment expense reserve (gross) related mainly to the Non-Life Reinsurance segment (EUR 565 million). Growth in the Non-Life Reinsurance segment was driven primarily by Hannover Rück SE (+EUR 377 million) and E+S Rück (+EUR 152 million).

Shareholders' equity

Changes in shareholders' equity

In the reporting period just ended, shareholders' equity fell by EUR 661 million – or 6% – to EUR 10,648 (11,309) million.

The Group's share amounted to EUR 6,791 (7,153) million. Major movements in shareholders' equity were driven by the following factors:

Group net income rose by 15% to EUR 407 (353) million and is reported in retained earnings.

Other reserves fell significantly by EUR 503 million year-on-year, to EUR 121 million. This change was mainly due to a decline in unrealised gains/losses on investments, which fell by EUR 573 million to EUR 1.4 billion in the period under review, owing to a rise in interest rates. Gains/losses from currency translation also declined by EUR 177 million. This was essentially due to the depreciation of the Australian dollar and the Polish zloty against the euro. Other changes in shareholders' equity, which essentially comprise policyholder participation/shadow accounting and actuarial gains and losses from pension provisions, had a compensatory effect (+EUR 290 [–561] million). The cash flow hedge reserve fell to EUR 44 (87) million.

Furthermore, the payment of a dividend to shareholders of Talanx AG in May of the period under review led to a decline of EUR 265 million in shareholders' equity.

Standard IAS 19, "Employee Benefits", which must be applied from 1 January 2013, had a significant impact on changes in shareholders' equity at the Group. This led to a retroactive reduction of EUR 46 million in Group shareholders' equity as at 1 January 2012 and to a reduction of EUR 334 million as at 31 December 2012. For further details, cf. "Accounting policies" section, subsection "Changes in accounting policies and accounting errors" of the Notes.

Non-controlling interests in shareholders' equity fell by EUR 299 million – or 7% – to EUR 3.8 billion. The non-controlling interest share in net income amounted to EUR 254 (224) million. The significantly higher dividend payment to non-Group shareholders totalling EUR 257 (183) million stemmed mainly from the Hannover Re Group.

Changes in shareholders' equity	30.6.2013	31.12.2012 ¹⁾
<i>Figures in EUR million</i>		
Common shares	316	316
Additional paid-in capital	1,369	1,369
Retained earnings	4,985	4,844
Cumulative other comprehensive income and other reserves	121	624
Group shareholders' equity	6,791	7,153
Non-controlling interests in shareholders' equity	3,857	4,156
Total	10,648	11,309

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

Shareholders' equity by segment ¹⁾ including non-controlling interests	30.6.2013	31.12.2012 ²⁾
<i>Figures in EUR million</i>		
Industrial Lines	1,759	1,906
thereof non-controlling interests	—	—
Retail Germany	2,642	2,675
thereof non-controlling interests	58	63
Retail International	1,927	1,998
thereof non-controlling interests	253	285
Reinsurance ³⁾	6,225	6,707
thereof non-controlling interests	3,565	3,849
Corporate Operations	–1,871	–1,950
thereof non-controlling interests	—	—
Consolidation	–34	–27
thereof non-controlling interests	–19	–41
Total shareholders' equity	10,648	11,309
Group shareholders' equity	6,791	7,153
Non-controlling interest in shareholders' equity	3,857	4,156

¹⁾ Difference between the assets and liabilities of each segment

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

³⁾ In the interests of simplicity, 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 Corporate Operations segment posted a negative value that reflects Talanx AG's debt leverage. 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 were mainly retirement pension provisions amounting to EUR 1,051 (1,046) million, liabilities from the utilisation of credit lines in the amount of EUR 250 (500) million, notes payable amounting to EUR 565 (9) million and provisions for taxes totalling EUR 129 (129) million. These liabilities were offset on Talanx AG's balance sheet by the value of its participations in subsidiaries, which are consolidated against the pro-rata equity of the subsidiaries in the consolidated financial statements.

Liquidity and financing

We generate liquidity primarily from our operational primary 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 Group is able to meet its payment obligations at all times. Accordingly, no liquidity shortages have occurred.

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. – 30.6.2013	1.1. – 30.6.2012 ¹⁾
<i>Figures in EUR million</i>		
Cash flow from operating activities	3,362	3,206
Cash flow from investing activities	–3,403	–2,981
Cash flow from financing activities	–290	366
Change in cash and cash equivalents	–331	591

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

Cash inflows from operating activities, which also include inflows from investment income generated, increased year-on-year from EUR 3,206 million to EUR 3,362 million. The calculation adjusts the net income of EUR 661 (577) million in the consolidated cash flow statement to take account of the increase in technical provisions (net) (EUR 3.4 [3.0] billion). There was also an improvement of EUR 121 million in “Changes in deferred acquisition costs” to –EUR 113 million. However, the above increases were offset by a reduction in cash flows from other components. In particular, the decline of –EUR 260 million in “Changes in other receivables and liabilities as well as investments and liabilities from investment contracts” had a compensatory effect. “Other non-cash expenses and income”, which were up by EUR 57 million and mainly resulted from “Changes in technical provisions in life insurance insofar as the investment risk is borne by policyholders”, amounted to –EUR 466 (–489) million (cf. corresponding changes in cash flow from investing activities).

The item “Changes in funds withheld and in accounts receivable and payable” fell marginally year-on-year by EUR 96 million to –EUR 823 million. The change in funds withheld is a result of the provision of collateral by reinsurers; cf. the comments on movements in investments.

Cash outflows from investing activities were determined by payments made for investment purchases. In real estate, cash inflows from sales are more than offset by cash outflows for new investments. Net cash outflow from sales and new investments was –EUR 279 (–80) million. As in the previous year, outflows associated with the purchase of investments, amounting to EUR 1,226 (1,789) million, exceeded inflows from sales and maturities. The “Change in other invested assets” also rose significantly by –EUR 1,024 million to –EUR 1,381 million. This increase is mainly attributable to investments in and divestments of short-term investments. The item “Changes in investments for the account and risk of holders of life insurance policies” increased moderately in the period under review to –EUR 466 (–489) million. Cash outflows from investing activities totalled –EUR 3,403 (–2,981) million in the reporting period, higher than in the previous year.


Cash flow from financing activities in the period under review was determined by dividend payments. These rose by EUR 339 million to –EUR 522 (–183) million; EUR 265 million related to Talanx AG, EUR 180 million to our subsidiary Hannover Rück SE and EUR 47 million to our subsidiary E+S Rückversicherung AG. The “Change in other financing activities” was determined by Talanx AG’s issuing of a first-rate unsecured bond in the amount of EUR 565 million. The company’s credit line was also reduced by EUR 250 million. For further explanation, cf. “Notes on the consolidated balance sheet”, item 10 “Notes payable and loans”, in the Notes. This item also includes interest payments in the amount of EUR 122 (90) million. The net cash flow from financing activities fell by EUR 536 million year-on-year.

Cash and cash equivalents decreased by EUR 448 million in total to EUR 1.7 billion in the year under review. EUR 2 (11) million was deducted from cash through reclassification in the reporting period for disposal groups pursuant to IFRS 5.

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.

Derived 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 management, an integral component of our entrepreneurial activities and is reflected in the detailed strategies of the various divisions.

As an international 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 regulatory 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:

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

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

Risk reporting in the interim report focuses on material changes in the risk position that have occurred since the compilation of the Talanx Group Annual Report 2012. For a thorough presentation of the various types of risk, which is omitted here, the reader is referred to the detailed information contained in the Annual Report.

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

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

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

The Talanx Group has reported a net burden of EUR 232 million from flood damage in Germany and neighbouring countries. Overall, major losses so far this year exceed the relevant portion of the budget for major losses.

The sovereign debt crisis in parts of the Eurozone, a weak global economy, the stability of the banking sector and the low interest rate policy associated with the cause of all these concerns are continuing to shape the market environment.

The German economy is very stable despite high levels of sovereign debt and difficulties encountered in efforts to re-schedule and write off debts in the Eurozone. Weak growth in the global economy, the recession in the Eurozone and doubts as to the long-term financial viability of some countries are nevertheless putting a strain on the German economy.

Problems arising from the sovereign debt crisis in the Eurozone remain largely unresolved, and the ongoing recession is impeding urgently needed consolidation of state-sector budgets. However, progress has been achieved in some cases with cost-cutting programmes and thus with the restructuring of public finances.

As at 30 June 2013, the Talanx Group held government bonds with a market value of EUR 1,125 million from the GIIPS countries (including Italy at EUR 758 million, Ireland at EUR 256 million, Spain at EUR 86 million, Portugal at EUR 20 million and Greece at EUR 5 million) based on assets under own management, which may lead to rating-related impairments. Thanks to support measures at European level (the European Financial Stability Facility), however, there is currently no elevated risk of default on bonds from the GIIPS countries, with the exception of Greece.

The crisis and the prospect of regulatory innovations are increasingly driving a tendency towards more exacting capital requirements on the part of supervisory authorities. This trend could also affect some Group companies and require capital measures to be taken.

The “full fair value” principle required by Solvency II leads to severe fluctuations in the capital requirements of German life insurers for long-term guarantees. Long-term guarantees must be taken into account when calculating the market value of underwriting commitments and must be backed up by equity. Persistent low interest rates are further exacerbating the situation, as life insurers face the challenge of generating the contractually agreed return for commitments with high interest guarantees. In view of the uncertainties involved in ensuring that reporting is consistent with the market in accordance with Solvency II, life insurers may therefore require additional equity or may need to reduce their net risks.

The continuation of the average interest rates that prevailed in the second quarter of 2013 into the longer term, the associated financing of the additional interest reserve and the simultaneous payout of valuation reserves will together put a considerable strain on German life insurance companies.

European and national supervisory authorities are also preoccupied with the question of whether regulations on drawing up preventive restructuring plans for large international insurers would be advisable, based on the model used for the regulation of banks, and which minimum requirements, if any, would be necessary. If guidelines were issued on drawing up such restructuring plans, which is conceivable, this could lead to unplanned expenses for the Talanx Group.

There is also a risk that the planned financial transaction tax could affect the Group. The European Commission presented a proposal for a directive on a financial transaction tax in February 2013. According to the current plans, this is to be introduced by some member states (including Germany) on 1 January 2014, although this does not seem to be certain in view of the short time frame. It is still unclear whether and

to what extent pension insurance products and the associated investments could be exempt from the financial transaction tax.

There are also proceedings pending before the courts that could have implications for the entire German insurance industry and hence also for the Talanx Group once their outcome is legally finalised. This applies in particular to the area of life insurance.

Issues that are to be decided before the courts include, for example, the question of how to deal with a monthly, quarterly or half-yearly method of payment in insurance contracts. Court decisions vary with regard to treatment of surcharges for instalment payments, although higher regional courts appear to have ruled unanimously in favour of insurers. In a judgment relating to an individual action, issued on 6 February 2013, the Federal Court of Justice decided in favour of the insurer. Moreover, appeals have been withdrawn by the consumer association Verbraucherzentrale Hamburg in two lawsuits involving class actions. Another lawsuit is continuing, however. Elements that have so far been strongly challenged in court have been adjusted in new business as a precaution and for reasons of consumer-friendliness. This is not possible for in-force business on practical grounds.

No definite risks are as yet discernible that could have a significant negative impact on the Talanx Group's assets, financial position or net income. There is, however, considerable uncertainty as to whether risks associated with the sovereign debt crisis 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. In particular, the further development of the crisis 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

The Eurozone economy is likely to remain overshadowed by the sovereign debt crisis, as the euro crisis is not yet over. Overall, however, the situation has eased noticeably and the policy of persevering with rescuing the euro is taking effect. Macroeconomic indicators have to date been mixed, although results should start to become visible soon. Economic sentiment in the Eurozone has been pointing towards a recovery since the second quarter, after leading indicators fell unexpectedly sharply at the beginning of the year. This improvement in mood is based on increasingly stable macroeconomic foundations. The Eurozone's trade balance is showing structural improvements, with peripheral countries in particular becoming net exporters.

We still expect the US economy to boost momentum generally in the Eurozone. Economic data have become more stable, while private household debt has been cut significantly following a painful adjustment process. The US housing crisis is over, which is likely to boost US consumer confidence further. The upturn in emerging markets has lost momentum, with disappointing economic data in China, for example. However, growth rates are expected to remain relatively high in future. The monetary policy of central banks, which has so far remained expansionary, will not in our view lead to a significant increase in inflationary expectations in the current year.

Capital markets

In view of the general environment and the remaining political risks, we expect interest rates to remain low in the medium term. The market had come a long way from its historic lows by the end of the second quarter; returns fell again in July, which showed that a restrictive central bank policy cannot be expected for the time being. Market players generally showed a low level of risk elasticity and a high level of interest in spread products, despite the uncertain climate.

Although the market currently appears to be very stable, the general risk situation has not yet been stabilised in the long term. Demand for refinancing will remain high, particularly in the area of government bonds. We expect returns and risk premiums to remain volatile.

Possible setbacks in the euro debt crisis continue to constitute a risk for the stock markets. As long as central banks continue to pursue expansionary strategies, 2012's liquidity-driven development is likely to continue in 2013. Fears of a radical about-turn by the US central bank are expected to be short-lived, as the Fed will not reduce its bond purchases until the US economy is growing. This in turn should create a positive climate for the stock markets. The recent strong growth on US stock markets makes European equities even more attractive in relative terms, as their valuation has basically remained low, which would support the possibility of rising share prices in Europe. Profit estimates for European companies seem to be stabilising. This creates positive momentum for share price indices in the Eurozone and boosts European equities' potential for making up ground.

Anticipated Group development

When assessing the anticipated development of the Talanx Group, we have made the following assumptions:

- moderate global economic growth
- steady inflation rates
- continuing low interest rates
- no sudden upheavals on the capital markets
- no significant fiscal or regulatory changes
- catastrophe losses in line with expectations

Talanx Group

Based on steady exchange rates, the Talanx Group is aiming for gross premium growth in 2013 of at least 4%. The new acquisitions in Poland, recognised for an entire financial year for the first time in 2013, bring us significantly closer to achieving our strategic long-term target of generating half of our total gross premium in primary insurance outside Germany. In 2013, we expect over 40% of total gross premium in primary insurance to come from abroad. Net return on investment is expected to be above 3.5% in 2013, with by far the largest contribution coming from ordinary income. We are cautiously optimistic that we will be able to achieve Group net income after taxes of around EUR 700 million in 2013. We therefore anticipate a return on equity of around 10%, despite the inflow of equity from the IPO and ongoing low interest rates. This profit target is subject to any major losses incurred and to the impact on profit of movements in exchange rates and capital markets. Our express aim is to pay out 35% to 45% of IFRS Group net income as dividends.

Industrial Lines

HDI-Gerling Industrie Versicherung AG is one of the biggest industrial insurers in Europe and, in terms of premium volume, one of the market leaders in Germany. Its strong position in global competition is underpinned by rising premium income and expanding international business. We are aiming for growth of around 4% to 6% in gross premium income in Industrial Lines in 2013, along with an EBIT margin of over 10%.

The German market overall is still experiencing pressure on premiums, as demand for cover remains stagnant whilst insurance capacity is growing. The market is hardening, however, particularly in motor insurance, and it is proving possible to push through some rate increases. One of our strategic aims is to use the strong capital position of our Industrial Lines segment to gradually increase our retention over the next few years and thereby profit from premium growth disproportionately.

We believe that the best opportunities for growth are still to be found outside Germany – particularly as our domestic market penetration is already high. Our foreign business units will therefore continue to play a major role in 2013 in our drive to become a global player. Throughout Europe, we are aiming to expand our industrial insurance business in the fields of 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 in Madrid into a hub for industrial insurance solutions in Latin America, our strategic partnership with PVI Holdings, the leading Vietnamese industrial insurer, and the joint venture initiated in 2012 with Indian company NBFC Magma Fincorp are further steps towards internationalisation of the division.

Retail Germany

We expect gross premium income in the Retail Germany Division to remain more or less stable year-on-year in 2013. Operating profit (EBIT) is expected to increase significantly compared with the previous year, particularly as the one-off factors that impacted negatively in 2012 no longer apply. A particular focus in life insurance in 2013 will be on establishing an even closer working relationship with our business partners in bancassurance. There is likely to be a further increase in prices in motor insurance, which accounts for a

high proportion of total premium income in property/casualty insurance. We also expect future growth to be boosted by further expansion of our partnerships with automotive groups (e.g. Chevrolet).

We are continuing our restructuring of the division, having reached the first milestone in 2012 when we began the move to the two large sites in Essen and Hannover. This is expected to be completed in 2013. Our aim is to align our business procedures and organisation with the requirements of our clients and sales partners, so that we are regarded in Germany as a particularly efficient and client-focused insurer. Cost disadvantages vis-à-vis our competitors should also be eliminated by this realignment.

Retail International

We are following a clear expansionary strategy in our international retail business, with an emphasis on premium growth and adequate profitability. We are concentrating on continuing to build up 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 for gross premium growth of around 17% to 20% in the foreign markets where our retail business operates in 2013, although there could be some changes in the recognition of contracts as insurance products in accordance with IFRS at newly acquired companies. We expect an EBIT margin of over 5% and a significant year-on-year increase in operating profit (EBIT) in 2013, largely owing to the fact that the newly acquired groups of companies will be recognised for an entire financial year for the first time. The acquisitions of Polish insurers TU Europa Group and WARTA, completed on 1 June 2012 and 1 July 2012 respectively, will be recognised for the entire financial year from 2013 onwards.

We are continuing to make progress in integrating the recently acquired companies. The merger of Polish WARTA and HDI property and casualty companies at the end of 2012 will be followed in 2013 by the merger of Polish WARTA and HDI-Gerling life companies. The merger of the Mexican companies HDI Seguros and Metropolitana was legally concluded on 20 March 2013 and is retroactively effective from 1 January 2013. The company's official name is now HDI Seguros S.A. de C.V. México.

Non-Life Reinsurance

As competition has intensified in some Non-Life Reinsurance lines, our strategy of consistent cycle management, together with strict discipline in underwriting, remains vital. We expect to achieve growth of 3% to 5% in gross premium in Non-Life Reinsurance for 2013 as a whole, with adjustments for exchange rate effects, along with an EBIT margin of at least 10%.

Life/Health Reinsurance

Our organic growth forecast for gross premium in the Life/Health Reinsurance segment remains at 5% to 7% for the current financial year, adjusted for exchange rate effects. With regard to the EBIT margin, we expect to at least achieve our target of 2% in the areas of financial solutions and longevity and 6% in mortality and morbidity business.

Corporate Operations

Underwriting business written through our Irish subsidiary Talanx Reinsurance (Ireland) Ltd. has been reported in the Corporate Operations segment for the first time in 2013. We expect gross premium income for 2013 to amount to a medium eight-figure sum in euros.

In line with our efforts to grow our insurance business, we also aim to increase assets under own management. However, investment performance is precisely the area that is currently subject to great uncertainty as a result of the sovereign debt and financial market crises and low interest rates.

Operating profit (EBIT) in the Corporate Operations segment should be clearly positive in 2013, as the abovementioned sale of shares resulted in an after-tax net gain of EUR 96 million.

Interim consolidated financial statements

Consolidated balance sheet of Talanx AG as at 30 June 2013

Assets	Notes		30.6.2013	31.12.2012 ¹⁾
<i>Figures in EUR million</i>				
A. Intangible assets	1			
a. Goodwill		1,121		1,152
b. Other intangible assets		1,520		1,641
			2,641	2,793
B. Investments				
a. Investment property		1,584		1,297
b. Investments in affiliated companies and participating interests		118		80
c. Investments in associated companies and joint ventures		238		237
d. Loans and receivables	2	32,330		32,101
e. Other financial instruments				
i. Held to maturity	3	3,336		3,857
ii. Available for sale	4/6	41,927		41,337
iii. At fair value through profit or loss	5/6	1,265		1,642
f. Other invested assets	6	4,872		3,501
Assets under own management		85,670		84,052
g. Investments under investment contracts		1,530		1,698
h. Funds withheld by ceding companies		13,189		13,198
Investments			100,389	98,948
C. Investments for the account and risk of holders of life insurance policies			7,888	7,451
D. Reinsurance recoverables on technical provisions			7,058	6,989
E. Accounts receivable on insurance business			5,737	5,081
F. Deferred acquisition costs			4,440	4,378
G. Cash			1,740	2,119
H. Deferred tax assets			536	529
I. Other assets			2,190	2,006
J. Non-current assets and assets of disposal groups classified as held for sale ²⁾			44	56
Total assets			132,663	130,350

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

²⁾ For further remarks, cf. "Non-current assets held for sale and disposal groups" section of the Notes

Liabilities	Notes	30.6.2013	31.12.2012 ¹⁾
<i>Figures in EUR million</i>			
A. Shareholders' equity	7		
a. Common shares		316	316
Nominal value: 316 (previous year: 316)			
Conditional capital: 104 (previous year: 104)			
b. Reserves		6,475	6,837
Shareholders' equity excluding non-controlling interests		6,791	7,153
c. Non-controlling interests in shareholders' equity		3,857	4,156
Total shareholders' equity		10,648	11,309
B. Subordinated liabilities	8	3,107	3,107
C. Technical provisions	9		
a. Unearned premium reserve		6,663	5,440
b. Benefit reserve		48,970	48,248
c. Loss and loss adjustment expense reserve		33,891	33,243
d. Provision for premium refunds		2,075	2,279
e. Other technical provisions		320	274
		91,919	89,484
D. Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders		7,888	7,451
E. Other provisions			
a. Provisions for pensions and other post-employment benefits		1,886	1,869
b. Provisions for taxes		616	632
c. Other provisions		716	763
		3,218	3,264
F. Liabilities			
a. Notes payable and loans	10	1,035	677
b. Funds withheld under reinsurance treaties		6,071	5,975
c. Other liabilities	6	6,934	7,079
		14,040	13,731
G. Deferred tax liabilities		1,821	1,984
H. Liabilities of disposal groups classified as held for sale ²⁾		22	20
Total liabilities/provisions		122,015	119,041
Total liabilities		132,663	130,350

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

²⁾ For further remarks, cf. "Non-current assets held for sale and disposal groups" section of the Notes

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

Consolidated statement of income of Talanx AG for the period from 1 January to 30 June 2013

	Notes	6M 2013	6M 2012 ¹⁾	Q2 2013	Q2 2012 ¹⁾
<i>Figures in EUR million</i>					
1. Gross written premium including premium from unit-linked life and annuity insurance		14,966	13,582	6,508	5,977
2. Savings elements of premium from unit-linked life and annuity insurance		583	510	325	259
3. Ceded written premium		1,899	1,725	736	635
4. Change in gross unearned premium		-1,344	-1,383	352	312
5. Change in ceded unearned premium		-358	-330	16	66
Net premium earned	11	11,498	10,294	5,783	5,329
6. Claims and claims expenses (gross)		10,344	9,744	5,356	5,075
Reinsurers' share		969	1,087	642	528
Claims and claims expenses (net)	14	9,375	8,657	4,714	4,547
7. Acquisition costs and administrative expenses (gross)		3,000	2,442	1,583	1,232
Reinsurers' share		268	192	129	81
Acquisition costs and administrative expenses (net)	15	2,732	2,250	1,454	1,151
8. Other technical income		27	30	14	16
Other technical expenses		148	112	96	53
Other technical result		-121	-82	-82	-37
Net technical result		-730	-695	-467	-406
9. a. Income from investments		1,948	1,839	1,067	845
b. Investment expenses		251	232	154	125
Net income from assets under own management		1,697	1,607	913	720
Profit on investment contracts		4	2	2	2
Net interest income from funds withheld and contract deposits		176	139	87	65
Net investment income	12/13	1,877	1,748	1,002	787
thereof income from associated companies and joint ventures valued using the equity method		6	4	5	3
10. a. Other income		394	321	164	181
b. Other expenses		523	521	197	247
Other income/expenses	16	-129	-200	-33	-66
Profit before goodwill impairments		1,018	853	502	315
11. Goodwill impairments		—	—	—	—
Operating profit (EBIT)		1,018	853	502	315
12. Financing costs		104	91	54	50
13. Taxes on income		253	185	128	40
Net income		661	577	320	225
thereof attributable to non-controlling interests		254	224	116	78
thereof attributable to shareholders of Talanx AG		407	353	204	147
Earnings per share					
Basic earnings per share (figures in EUR)		1.61	1.69	0.81	0.71
Diluted earnings per share (figures in EUR)		1.61	1.69	0.81	0.71

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

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

Consolidated statement of comprehensive income of Talanx AG for the period from 1 January to 30 June 2013

	6M 2013	6M 2012 ¹⁾	Q2 2013	Q2 2012 ¹⁾
<i>Figures in EUR million</i>				
Net income	661	577	320	225
Not reclassifiable in the consolidated statement of income				
Actuarial gains (losses) on pension provisions				
Gains (losses) recognised directly in other income/expenses during the period	-18	-220	2	-110
Tax income (expense)	6	66	—	33
	-12	-154	2	-77
Changes in policyholder participation/shadow accounting				
Gains recognised directly in other income/expenses during the period	1	8	1	4
Tax income (expense)	—	—	—	—
	1	8	1	4
Total non-reclassifiable income (expenses) after taxes recognised in other income/expenses during the period	-11	-146	3	-73
Reclassifiable in the consolidated statement of income				
Unrealised gains (losses) from investments				
Gains (losses) recognised directly in other income/expenses during the period	-847	1,110	-834	227
Shifted to the consolidated statement of income	-199	-103	-134	-50
Tax income (expense)	219	-183	201	-43
	-827	824	-767	134
Currency translation				
Gains (losses) recognised directly in other income/expenses during the period	-247	105	-300	145
Shifted to the consolidated statement of income	-4	—	—	—
Tax income (expense)	14	-11	25	-19
	-237	94	-275	126
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised directly in other income/expenses during the period	331	-466	284	-50
Tax income (expense)	-11	16	-8	-2
	320	-450	276	-52
Changes from cash flow hedges				
Gains (losses) recognised directly in other income/expenses during the period	-48	66	-43	16
Shifted to the consolidated statement of income	—	—	—	—
Tax income (expense)	1	-1	1	3
	-47	65	-42	19
Changes from equity measurement				
Gains (losses) recognised directly in other income/expenses during the period	-1	2	-1	2
Shifted to the consolidated statement of income	—	—	—	—
Tax income (expense)	—	—	—	—
	-1	2	-1	2
Other changes				
Gains (losses) recognised directly in other income/expenses during the period	24	-16	9	-25
Shifted to the consolidated statement of income	—	—	—	—
Tax income (expense)	-7	5	-3	8
	17	-11	6	-17
Total reclassifiable income (expenses) after taxes recognised in other income/expenses during the period	-775	524	-803	212
Income (expenses) after taxes recognised in other income/expenses during the period	-786	378	-800	139
Total recognised income (expenses) during the period	-125	955	-480	364
thereof attributable to non-controlling interests	-29	427	-178	208
thereof attributable to shareholders of Talanx AG	-96	528	-302	156

¹⁾ Adjusted on the basis of IAS 8. Cf. "General accounting principles and application of International Financial Reporting Standards (IFRS)" section of the Notes, subsection "Newly applicable standards/interpretations and changes in standards"; IAS 1 "Presentation of Financial Statements", section "Presentation of items of other comprehensive income"

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

Consolidated statement of changes in shareholders' equity

	Other reserves									
	Common shares	Add- itional paid-in capital	Retained earnings	Unrealised gains/ losses on invest- ments	Gains/ losses from currency translation	Other changes in share- holders' equity ³⁾	Measure- ment gains and losses from cash flow hedges	Equity attributable to share- holders of Talanx AG	Non-con- trolling interests	Total share- holders' equity
<i>Figures in EUR million</i>										
As at 31.12.2011	260	630	4,170	416	49	-58	-60	5,407	3,284	8,691
Adjustments on the basis of IAS 8 ¹⁾	—	—	14	—	—	-58	—	-44	-2	-46
As at 1.1.2012 adjusted	260	630	4,184	416	49	-116	-60	5,363	3,282	8,645
Change in scope of consolidation	—	—	-6	—	—	—	—	-6	100	94
Net income	—	—	353	—	—	—	—	353	224	577
thereof attributable to IAS 8 ¹⁾	—	—	-2	—	—	—	—	-2	—	-2
Income and expenses recognised in other income/expenses	—	—	—	626	46	-561	64	175	203	378
thereof attributable to IAS 8 ¹⁾	—	—	—	—	-1	-139	—	-140	-6	-146
thereof not reclassifiable	—	—	—	—	—	-140	—	-140	-6	-146
thereof actuarial gains or losses on pension provisions	—	—	—	—	—	-147	—	-147	-7	-154
thereof changes in policyholder participation/shadow accounting	—	—	—	—	—	7	—	7	1	8
thereof reclassifiable	—	—	—	626	46	-421	64	315	209	524
thereof unrealised gains and losses on investments	—	—	—	626	—	—	—	626	198	824
thereof currency translation	—	—	—	—	46	—	—	46	48	94
thereof change from cash flow hedges	—	—	—	—	—	—	64	64	1	65
thereof change from equity measurement	—	—	—	—	—	2	—	2	—	2
thereof sundry changes ²⁾	—	—	—	—	—	-423	—	-423	-38	-461
Total recognised income and expenses	—	—	353	626	46	-561	64	528	427	955
Dividends paid to shareholders	—	—	—	—	—	—	—	—	-183	-183
As at 30.6.2012	260	630	4,531	1,042	95	-677	4	5,885	3,626	9,511
As at 31.12.2012	316	1,369	4,829	1,949	48	-1,126	87	7,472	4,171	11,643
Adjustments on the basis of IAS 8 ¹⁾	—	—	15	—	—	-334	—	-319	-15	-334
As at 31.12.2012 adjusted	316	1,369	4,844	1,949	48	-1,460	87	7,153	4,156	11,309
Change in ownership interest with no change of control status	—	—	-1	—	—	—	—	-1	1	—
Other change in scope of consolidation	—	—	—	—	—	—	—	—	-14	-14
Net income	—	—	407	—	—	—	—	407	254	661
Income and expenses recognised in other income/expenses	—	—	—	-573	-177	290	-43	-503	-283	-786
thereof not reclassifiable	—	—	—	—	—	-12	—	-12	1	-11
thereof actuarial gains or losses on pension provisions	—	—	—	—	—	-13	—	-13	1	-12
thereof changes in policyholder participation/shadow accounting	—	—	—	—	—	1	—	1	—	1
thereof reclassifiable	—	—	—	-573	-177	302	-43	-491	-284	-775
thereof unrealised gains and losses on investments	—	—	—	-573	—	—	—	-573	-254	-827
thereof currency translation	—	—	—	—	-177	—	—	-177	-60	-237
thereof change from cash flow hedges	—	—	—	—	—	—	-43	-43	-4	-47
thereof change from equity measurement	—	—	—	—	—	-1	—	-1	—	-1
thereof sundry changes ²⁾	—	—	—	—	—	303	—	303	34	337
Total recognised income and expenses	—	—	407	-573	-177	290	-43	-96	-29	-125
Other capital increase	—	—	—	—	—	—	—	—	2	2
Other capital reduction	—	—	—	—	—	—	—	—	-2	-2
Dividends paid to shareholders	—	—	-265	—	—	—	—	-265	-257	-522
As at 30.6.2013	316	1,369	4,985	1,376	-129	-1,170	44	6,791	3,857	10,648

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

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 statements.

Consolidated cash flow statement of Talanx AG for the period from 1 January to 30 June 2013

	6M 2013	6M 2012 ¹⁾
<i>Figures in EUR million</i>		
I. 1. Net income	661	577
I. 2. Changes in technical provisions	3,383	2,970
I. 3. Changes in deferred acquisition costs	-113	-234
I. 4. Changes in funds withheld and in accounts receivable and payable	-823	-727
I. 5. Changes in other receivables and liabilities as well as investments and liabilities from investment contracts	127	387
I. 6. Changes in financial assets held for trading	-1	-13
I. 7. Net losses on investments	-315	-140
I. 8. Other non-cash income	443	386
I. 9. Other changes ²⁾	—	—
I. Cash flows from operating activities	3,362	3,206
II. 1. Cash inflow from the sale of consolidated companies	-6	-4
II. 2. Cash outflow from the purchase of consolidated companies	—	-200
II. 3. Cash inflow from the sale of real estate	29	15
II. 4. Cash outflow from the purchase of real estate	-308	-95
II. 5. Cash inflow from the sale and maturity of financial instruments	11,476	8,677
II. 6. Cash outflow from the purchase of financial instruments	-12,702	-10,466
II. 7. Changes in investments for the account and risk of holders of life insurance policies	-466	-489
II. 8. Changes in other invested assets	-1,381	-357
II. 9. Cash outflows from the acquisition of tangible and intangible assets	-55	-83
II. 10. Cash inflows from the sale of tangible and intangible assets	10	21
II. Cash flows from investing activities	-3,403	-2,981
III. 1. Cash inflow from capital increases	2	—
III. 2. Cash outflow from capital reductions	-2	—
III. 3. Dividends paid	-522	-183
III. 4. Net changes from other financing activities	232	549
III. Cash flows from financing activities	-290	366
Change in cash and cash equivalents (I.+II.+III.)	-331	591
Cash and cash equivalents at the beginning of the reporting period, excluding disposal groups	2,119	1,570
Cash and cash equivalents – exchange-rate differences on cash	-53	10
Changes in cash and cash equivalents attributable to scope of consolidation	3	6
Changes in cash and cash equivalents of disposal groups in the reporting period	2	11
Cash and cash equivalents at the end of the reporting period, excluding disposal groups	1,740	2,188
Additional information		
Taxes paid	268	218
Interest paid	149	125
Dividends received	38	59
Interest received	1,768	1,655

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

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

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

Notes to the consolidated cash flow statement

The cash flow statement shows how the Group's cash and cash equivalents changed in the course of the year under review 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.

Cash flows are presented in accordance with IAS 7 "Statement of Cash Flows".

The cash flow statement is presented using the indirect method for cash flows from operating activities. 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 characterised 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 on cash and cash equivalents 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 outflow from the purchase of consolidated companies". The sum of purchase prices paid less acquired cash and cash equivalents is recognised here.

Taxes paid on income as well as dividends and interest received are allocated to cash flows from operating activities.

Dividends received also comprise dividend-like distributions from investment funds and private equity companies, which results in deviations from our figures in Note 12 "Net investment income".

EUR 122 (99) million of interest paid pertains to cash flows from financing activities, and EUR 27 (26) million to cash flows from operating activities.

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., Hannover/Germany (HDI V.a.G.), is the parent company for all Group companies belonging to HDI V.a.G. 11.2% of the shares are in free float with private and institutional investors, 6.5% is held by the Japanese partner of Talanx AG (insurance company Meiji Yasuda) while the remaining 82.3% is held by HDI V.a.G. With effect from 2 July 2013, HDI V.a.G. placed an additional 3.2% of its shares on the market, meaning that the HDI V.a.G. shareholding fell to 79.1% and free float rose to 14.4%.

As the parent company of the Talanx Group, Talanx AG has drawn up consolidated financial statements pursuant to § 290 of the German Commercial Code (HGB). In addition, the financial statements of Talanx AG and its subsidiaries are included in the Group financial statements of HDI V.a.G., which are prepared in accordance with §§ 341 i et seqq. HGB.

The consolidated half-yearly financial report as at 30 June 2013 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 statements, 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 June 2013, 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 statements as at 31 December 2012. We report about changes made pursuant to IAS 8 in specific, justified cases in the section "Accounting policies", subsection "Changes in accounting policies and accounting errors".

In conformity with IAS 34.41, in our preparation of the consolidated quarterly financial statements 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. When extrapolating the provisions for pensions during the year, the actuarially estimated effect of interest rate changes on pension commitments as at the end of the quarter is recognised under "Other income/expenses" ("Other reserves"). Other actuarial parameters are not updated during the year.

Since 2002 the standards adopted by the International Accounting Standards Board (IASB) have been referred to as IFRS. 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).

These interim financial statements were 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

As at 1 January 2013, the Group for the first time applied the following changed or new IFRSs:

IFRS 13 “Fair Value Measurement” was published in May 2011, and its application is mandatory for financial years beginning on or after 1 January 2013. It is to be applied prospectively as of the beginning of the financial year in which it is initially applied. It 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, an entity is required to provide comprehensive explanatory and quantitative disclosures, which are to describe, in particular, the quality of the fair value measurement. The scope of IFRS 13 is more extensive and comprises non-financial items alongside financial items. The amendments will essentially be applied if another standard calls for fair value measurement or information on the fair value is prescribed. Initial application did not result in significant changes to figures in the consolidated financial statements. With respect to the new disclosures that are required to be provided in the interim report, cf. comment 6, “Information about fair value and fair value hierarchy” in the Notes.

In June 2011 the IASB published an amendment to **IAS 1 “Presentation of Financial Statements”** designed to improve how items of other comprehensive income (OCI) should be presented. It is applicable retrospectively to financial years beginning on or after 1 July 2012. IAS 1 stipulates that in the future, items under “Other income/expenses” must be disclosed separately according to whether they can be carried in the consolidated statement of income through profit and loss (reclassifiable) or must remain under “Other income/expenses” (not reclassifiable in the consolidated statement of income). Sub-totals must be shown as required in both cases. According to this logic, taxes on income attributable to items under “Other income/expenses” are also to be allocated. These amendments relate exclusively to the presentation of other income and expenses. Pursuant to the transition guidelines, and in conformity with IAS 8, the Group made corresponding adjustments to recognition in the previous period. These amendments had no implications for the figures in the consolidated financial statements or Group net income. With respect to the adjusted depiction of individual items under “Other income/expenses”, cf. the consolidated statement of comprehensive income.

Amended **IAS 19 “Employee Benefits”** (revised in 2011), which was ratified by the EU in 2012, is mandatory for financial years beginning on or after 1 January 2013. Pursuant to the transition rules, the standard is to be applied retroactively, apart from several exceptions. The Group thoroughly explains the impact of initial application in the section “Accounting policies”, sub-section “Changes in accounting policies and accounting errors” (letter c).

In December 2011, the IASB published amendments to **IFRS 7 “Financial Instruments: Disclosures”** dealing with the set-off of financial assets and liabilities. They mandate comprehensive disclosures regarding certain netting arrangements. The amended standard is applicable retrospectively to financial years beginning on or after 1 January 2013. These amendments had no material impact for the Group.

The “**Annual Improvements 2009–2011 Cycle**”, a collection of amendments to IFRSs issued by the IASB on 17 May 2012, forms part of the annual improvement process of the standards issued by the IASB. It contains a multitude of minor amendments to IFRS. The amendments, which were approved by the EU in March 2013, are applicable to financial years beginning on or after 1 January 2013. Application of these amendments had no significant impact for the Group.

Standards, interpretation and changes to published standards, application of which was not yet mandatory in 2013 and which were not applied early by the Group

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. The standard also contains additional guidelines demonstrating when control exists. We are currently examining the implications of the new IFRS 10 for the consolidated financial statements. In the future, the revised IAS 27 will contain only provisions on the accounting requirements for interests in subsidiaries, associated companies and joint ventures disclosed in the parent company’s individual financial statements. Aside 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 a joint venture is no longer admissible, and the equity method must be applied in the future where an entity is classified as a joint venture. The Group does not expect any significant impact from this new rule as the joint ventures in the financial statement are already included at equity.

The revised **IAS 28 “Investments in Associates and Joint Venture”** 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 requirements relating to the consolidation and accounting treatment of interests in associated companies and joint ventures are brought together 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. We are currently reviewing the implications of these expanded disclosure requirements for the Group.

Application of the provisions of IFRS 10, 11 and 12 and the amended IAS 27 and 28 – ratified by the EU on 11 December 2012 – is mandatory for financial years beginning on or after 1 January 2014.

In June 2012 the IASB published transitional provisions (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. In October 2012 the IASB announced further amendments to IFRS 10 and 12 and IAS 27, which contain an exception to the full consolidation of controlled subsidiaries. These amendments provide that parent companies meeting the definition of an investment entity must measure their investments in subsidiaries at fair value through profit or loss. As a non-investment entity, Talanx AG will not be affected by this exception, meaning that this amendment has no practical relevance for the consolidated financial statements. The June 2012 amendment was ratified by the EU on 4 April 2013. It has yet to ratify the amendment announced in October 2012.

The IASB adapted the provisions governing the set-off of financial assets and liabilities and published changes on 16 December 2011 in the form of amendments to IAS 32 “Financial Instruments: Presentation” dealing with the set-off of financial assets and liabilities. The offsetting 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. We are currently reviewing the implications of these two amendments, ratified by the EU on 13 December 2012, for the consolidated financial statements.

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”. Amongst other things, IFRS 9 introduces new provisions for classifying and measuring financial assets. In this context, financial assets must be classified into two measurement categories (at fair value or amortised cost). Crucial for this categorisation are the contractually agreed cash flows associated with the financial instrument as well as the type of financial instrument management employed by the Group (business model). This standard was expanded in October 2010 to include rules governing the accounting treatment of financial liabilities and derecognition of financial instruments, the latter having been imported unchanged from IAS 39. Furthermore, the IASB published a draft amendment on IFRS 9 in November 2012, which provides for a third measurement model for financial assets. Under certain conditions, debt instruments can therefore be measured at fair value, recognising any changes in value under “Other income/expenses”. In relation to first-time application, on 16 December 2011 the IASB published further amendments to IFRS 9 and IFRS 7 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. The Group has still to analyse the full implications of IFRS 9, including the two additional phases (rules on recording impairments and on recognising hedging relationships). It is already becoming clear, however, that the revised rules will have an influence, inter alia, on the accounting treatment of financial assets within the Group.

The following table provides a summary of all other standards and interpretations that have not yet entered into effect or whose application is not yet mandatory. The Group is currently reviewing the implications that may result from their application in future reporting periods.

Standards/Interpretations	Application mandatory for financial years beginning on or after	Adoption by the EU Commission
IFRIC 21 “Leases”, an interpretation of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”	1 January 2014	Pending
Amendments to IAS 36 “Recoverable amount disclosures for non-financial assets”	1 January 2014	Pending
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	1 January 2014	Pending

II. Accounting policies

Changes in accounting policies and accounting errors

The changes in accounting policies and error corrections described in letters a) and b) relate solely to adjustments made in the prior year in accordance with the requirements of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” with consequential effects for the comparable quarter 30 June 2012. For the individual changes, cf. the 2012 Annual Report (section “Accounting policies”, subsection “Changes in accounting policies and accounting errors”, pages 144 et seq.).

In letter c), the Group explains the changes resulting from initial application of revised IAS 19 “Employee Benefits” in conformity with the transition guidelines. In addition, in depicting a merger, an error occurred with respect to the netting of deferred tax assets and liabilities. We explain the error under letter d).

- a) With effect from 30 September 2012, the Group changed and harmonised the accounting methods for pension benefit reserves established within loss reserves in respect of annuity policies (item: “Loss and loss adjustment expense reserve”) for its Polish property insurance companies (Retail International segment). Because of this change of method, which was undertaken retroactively and thus had no effect on the statement of income, pension benefits reserves at our Polish companies are uniformly discounted.
- b) Due to errors in the consolidation method, Group net income was retroactively adjusted in the fourth quarter of 2012. In the comparable period 2012, Group net income increased by EUR 5 million. The correction resulted from the recognition of differences in connection with debt consolidation and with the allocation of controlling and non-controlling interests within shareholders’ equity. The processing logic was accordingly adjusted with respect to both debt and capital consolidation.
- c) In accordance with the transition guidelines, revised IAS 19 “Employee Benefits” was applied retrospectively, in conformity with IAS 8. 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 income/expenses” in shareholders’ equity or on a deferred basis using the “corridor method”. Previous application of the corridor method in connection with the recognition of defined-benefit pension plans led to the situation where actuarial gains and losses were recognised only when they exceeded certain threshold values. In addition, the portion to be recognised was spread across several years. Off-balance sheet recognition of partial amounts of the defined benefit obligation also resulted from the previously applicable rules on retroactive plan changes, which led to an increase in the existing obligation and thus to a past service cost. This past service cost was required to be recognised immediately only if the additional entitlements had already vested. Amounts exceeding this were recognised on a pro-rata basis until the resulting entitlements had vested.

In accordance with revised IAS 19, all actuarial gains and losses are to be recognised immediately and in full under “Other income/expenses” with no impact on profit or loss, and past service cost is to be recognised immediately and in full in net income. The effects on the balance-sheet item “Provisions for pensions and other post-employment benefits” and on shareholders’ equity, as reduced by deferred taxes and deferred premium refunds, are depicted in the following tables. In addition, the yield on plan assets is in future to be derived from the discount rate underlying the measurement of the defined benefit obligation. Since pension commitments are financed to only a limited extent using plan assets, there were no material effects on Group net income. Furthermore, application of revised IAS 19 on the change in recognition of supplemental benefits led to a modification of the German obligations regarding partial retirement. In particular, when applying the so-called block model, supplemental amounts are no longer to be accumulated in full when the contract on partial retirement is concluded but instead pro-rata over the phase of the contract when the beneficiary is working. The effects on the balance-sheet item “Other provisions”, where partial retirement benefits are recognised, and on shareholders’ equity, as reduced by deferred taxes and deferred premium refunds, are likewise depicted in the following tables.

Shareholders' equity was reduced by a total of EUR 195 million as at 30 June 2012, of which EUR 187 million is attributable to the shareholders of Talanx AG. After-tax net income as at 30 June 2012 was reduced by EUR 6 million as a result of the adjustment made to conform to the changed accounting standards. For the overall effect on shareholders' equity compared with the 2012 financial statements, cf. the subsection "Changes in shareholders' equity" in the section "Assets and Financial Position" in the Management Report, page 24.

d) In depicting a merger of two entities (Retail Germany segment), a netting of deferred tax assets and liabilities was overlooked in both the first and second quarters of 2012. As a result, the amounts reported in the corresponding items of the balance sheets as at 31 March and 30 June 2012 were too high. There were no effects on shareholders' equity or net income.

The corrections undertaken had implications for the following items in the consolidated balance sheets as at 1 January 2012, 30 June 2012 and 31 December 2012:

Consolidated balance sheet as at 1 January 2012		As reported at				1.1.2012
		1.1.2012	Changes due to adjustments in accordance with IAS 8			
Figures in EUR million			Re a)	Re b)	Re c)	
Assets						
D.	Reinsurance recoverables on technical provisions	6,462	5	—	—	6,467
F.	Deferred acquisition costs	4,013	−1	—	—	4,012
H.	Deferred tax assets	319	2	4	1	326
Liabilities						
A. b.	Reserves	5,160	−11	−2	−44	5,103
A. c.	Non-controlling interests in shareholders' equity	3,286	—	−2	−2	3,282
C. c.	Loss and loss adjustment expense reserve	31,420	18	—	—	31,438
C. d.	Provision for premium refunds	1,008	—	—	−2	1,006
E. a.	Provisions for pensions and other post-employment benefits	1,343	—	—	87	1,430
E. c.	Other provisions	689	—	—	−17	672
G.	Deferred tax liabilities	1,487	−1	8	−22	1,472

Consolidated balance sheet as at 30 June 2012		As reported at 30.6.2012	Changes due to adjustments in accordance with IAS 8 (including adjustments as at 1 January 2012)				30.6.2012
<i>Figures in EUR million</i>			Re a)	Re b)	Re c)	Re d)	
Assets							
D.	Reinsurance recoverables on technical provisions	6,984	5	—	—	—	6,989
H.	Deferred tax assets	352	2	—	56	–20	390
Liabilities							
A. b.	Reserves	5,824	–14	2	–187	—	5,625
A. c.	Non-controlling interests in shareholders' equity	3,636	—	–2	–8	—	3,626
C. c.	Loss and loss adjustment expense reserve	32,901	20	—	—	—	32,921
C. d.	Provision for premium refunds	1,712	—	—	–10	—	1,702
E. a.	Provisions for pensions and other post-employment benefits	1,347	—	—	305	—	1,652
E. b.	Provisions for taxes	538	—	—	–1	—	537
E. c.	Other provisions	644	—	—	–8	—	636
F. c.	Other liabilities	6,032	2	—	–1	—	6,033
G.	Deferred tax liabilities	1,722	–1	—	–34	–20	1,667

Consolidated balance sheet as at 31 December 2012		As reported at 31.12.2012	Changes due to adjustments in accordance with IAS 8 (including adjustments as at 1 January 2012)			31.12.2012
<i>Figures in EUR million</i>			Re a)	Re b)	Re c)	
Assets						
H.	Deferred tax assets	433	—	—	96	529
Liabilities						
A. b.	Reserves	7,156	—	—	–319	6,837
A. c.	Non-controlling interests in shareholders' equity	4,171	—	—	–15	4,156
C. d.	Provision for premium refunds	2,297	—	—	–18	2,279
E. a.	Provisions for pensions and other post-employment benefits	1,347	—	—	522	1,869
E. c.	Other provisions	776	—	—	–13	763
F. c.	Other liabilities	7,080	—	—	–1	7,079
G.	Deferred tax liabilities	2,044	—	—	–60	1,984

The effects on the consolidated statement of income for the 2012 financial year were as follows:

Consolidated statement of income 2012		As reported at 6M 2012	Changes due to adjustments in accordance with IAS 8			6M 2012
<i>Figures in EUR million</i>			Re a)	Re b)	Re c)	
6.	Claims and claims expenses (gross)	9,742	1	—	1	9,744
7.	Acquisition costs and administrative expenses – reinsurers' share	193	–1	—	—	192
10. a.	Other income	327	—	–6	—	321
b.	Other expenses	527	—	–13	7	521
13.	Taxes on income	186	–1	2	–2	185

The changes in accounting policies in the comparable period resulting from retrospective application of IAS 19 had the following effect on earnings per share:

	6M 2012 as reported	Adjustment	6M 2012
<i>Figures in EUR</i>			
Basic earnings per share	1.70	–0.01	1.69
Diluted earnings per share	1.70	–0.01	1.69

The corrected amounts for the current period are the result of the difference between the actual IAS 19 being applied from the start of the period (letter c)) and the old IAS 19 standard no longer being applied from the start of the period.

Consolidated balance sheet as at 30 June 2013

	Changes due to adjustments in accordance with IAS 8
<i>Figures in EUR million</i>	Re c)
A. b. Reserves	–348
C. d. Provision for premium refunds	–18
E. a. Provisions for pensions and other post-employment benefits	520
E. c. Other provisions	–14
G. Deferred tax liabilities	–154

Consolidated statement of income as at 6M 2013

	Changes due to adjustments in accordance with IAS 8
<i>Figures in EUR million</i>	Re c)
6. Claims and claims expenses (gross)	–1
10. b. Other expenses	21
13. Taxes on income	–6

The changes in accounting policies in the current financial year resulting from retrospective application of IAS 19 had the following effect on earnings per share:

	6M 2013 prior to adjustment	Adjustment	6M 2013
<i>Figures in EUR</i>			
Basic earnings per share	1.66	−0.05	1.61
Diluted earnings per share	1.66	−0.05	1.61

	Q2 2013 prior to adjustment	Adjustment	Q2 2013
<i>Figures in EUR</i>			
Basic earnings per share	0.84	−0.03	0.81
Diluted earnings per share	0.84	−0.03	0.81

Currency translation

The reporting currency of Talanx AG is the euro (EUR).

Exchange rates for our key foreign currencies	Balance sheet (balance sheet date)		Statement of income (average)	
	30.6.2013	31.12.2012	6M 2013	6M 2012
<i>1 EUR corresponds to</i>				
AUD Australia	1.4172	1.2690	1.3019	1.2587
BRL Brazil	2.8749	2.6942	2.6835	2.4323
CHF Switzerland	1.2325	1.2081	1.2256	1.2053
CNY China	8.0249	8.2148	8.1166	8.2251
GBP United Kingdom	0.8581	0.8180	0.8489	0.8238
MXN Mexico	17.0193	17.1341	16.6573	17.2582
PLN Poland	4.3359	4.0776	4.1966	4.2563
USD USA	1.3075	1.3182	1.3114	1.3020
ZAR South Africa	13.0765	11.2069	12.1184	10.3018

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. 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 statements of Hannover Rück SE, 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 statements of Hannover Rück SE, these loans are shown in the consolidation column). Deviations between the segment results for reinsurance business as presented in the consolidated financial statements of Talanx AG and those reported in the financial statements of Hannover Rück SE 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, property, legal protection, 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 the area of life insurance, this segment provides insurance services across the border in Austria too. The products range from property insurance through all segments of life insurance and occupational pension insurance to all-round solutions for small and medium-sized companies and freelancers. The Group employs a wide range of sales channels, including its own exclusivity organisation as well as sales through independent brokers and multiple agents, direct sales and bank cooperations.

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 range of insurance products includes car insurance, property/casualty insurance, marine and fire insurance as well as many products in the field of life insurance. A large part of international business is transacted by brokers and agents. Additionally, many companies in this segment use post offices and banks as sales channels.

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, and facultative and NatCat business.

Life/health reinsurance*: The segment comprises the international activities of the Hannover Re Group in the life, health, annuity and accident lines – provided such are conducted by life insurers. The Group also has speciality line products, such as Sharia-compliant reinsurance.

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, including intra-group reinsurance as well as Group financing. Asset management for private and institutional investors outside the Group by Ampega Investment GmbH, Cologne, is also shown in this segment. This segment also encompasses centralised service companies that provide specific 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 eliminated 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 amounting to EUR 4,833 (4,704) million are considered largely to consist of intangible assets (including goodwill) and own-use real estate/investment property. For cost-benefit considerations, no breakdown was calculated by country of origin.

Depending upon the nature and time frame of the commercial activities, various management metrics 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).

* Cf. our remarks at the start of the section regarding the differences in segment results between the Talanx Group and the Hannover Re Group

Segment reporting.

Balance sheet as at 30 June 2013

Assets	Industrial Lines		Retail Germany		Retail International	
	30.6.2013	31.12.2012 ¹⁾	30.6.2013	31.12.2012 ¹⁾	30.6.2013	31.12.2012 ¹⁾
<i>Figures in EUR million</i>						
A. Intangible assets						
a. Goodwill	153	153	403	403	549	580
b. Other intangible assets	19	20	1,050	1,104	251	313
	172	173	1,453	1,507	800	893
B. Investments						
a. Investment property	35	35	740	689	81	82
b. Investments in affiliated companies and participating interests	19	19	20	19	—	5
c. Investments in associated companies and joint ventures	128	126	45	38	—	—
d. Loans and receivables	2,277	2,383	26,332	26,210	506	247
e. Other financial assets						
i. Held to maturity	25	113	116	294	338	389
ii. Financial assets available for sale	3,683	3,427	12,520	12,338	3,335	3,221
iii. At fair value through profit or loss	95	89	322	329	747	1,016
f. Other invested assets	780	567	1,888	849	605	565
Assets under own management	7,042	6,759	41,983	40,766	5,612	5,525
g. Investments under investment contracts	—	—	—	—	1,530	1,698
h. Funds withheld by ceding companies	23	24	24	23	—	1
Investments	7,065	6,783	42,007	40,789	7,142	7,224
C. Investments for the account and risk of holders of life insurance policies	—	—	6,839	6,354	1,049	1,097
D. Reinsurance recoverables on technical provisions	4,825	4,687	2,593	2,495	671	703
E. Accounts receivable on insurance business	1,382	1,177	330	340	807	756
F. Deferred acquisition costs	31	24	2,021	1,977	355	315
G. Cash	405	317	345	869	459	305
H. Deferred tax assets	12	8	114	115	83	80
I. Other assets	424	381	932	1,074	326	319
J. Non-current assets and assets of disposal groups classified as held for sale	6	9	19	23	19	18
Total assets	14,322	13,559	56,653	55,543	11,711	11,710

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

	Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
	30.6.2013	31.12.2012	30.6.2013	31.12.2012	30.6.2013	31.12.2012 ¹⁾	30.6.2013	31.12.2012	30.6.2013	31.12.2012 ¹⁾
	16	16	—	—	—	—	—	—	1,121	1,152
	20	23	99	101	81	80	—	—	1,520	1,641
	36	39	99	101	81	80	—	—	2,641	2,793
	726	489	2	2	—	—	—	—	1,584	1,297
	55	12	—	—	24	25	—	—	118	80
	120	118	15	15	12	13	–82	–73	238	237
	3,297	3,340	76	75	1	1	–159	–155	32,330	32,101
	2,835	3,407	198	200	11	10	–187	–556	3,336	3,857
	16,319	16,162	5,782	5,806	288	383	—	—	41,927	41,337
	45	132	54	76	2	—	—	—	1,265	1,642
	1,568	1,598	323	247	385	303	–677	–628	4,872	3,501
	24,965	25,258	6,450	6,421	723	735	–1,105	–1,412	85,670	84,052
	—	—	—	—	—	—	—	—	1,530	1,698
	873	951	13,966	13,800	—	—	–1,697	–1,601	13,189	13,198
	25,838	26,209	20,416	20,221	723	735	–2,802	–3,013	100,389	98,948
	—	—	—	—	—	—	—	—	7,888	7,451
	1,381	1,426	785	763	2	—	–3,199	–3,085	7,058	6,989
	2,160	1,691	1,284	1,376	11	—	–237	–259	5,737	5,081
	507	476	1,272	1,365	2	—	252	221	4,440	4,378
	365	411	143	161	23	56	—	—	1,740	2,119
	16	16	30	32	281	278	—	—	536	529
	1,100	935	129	94	497	573	–1,218	–1,370	2,190	2,006
	—	6	—	—	—	—	—	—	44	56
	31,403	31,209	24,158	24,113	1,620	1,722	–7,204	–7,506	132,663	130,350

Segment reporting.

Balance sheet as at 30 June 2013

Liabilities	Industrial Lines		Retail Germany		Retail International	
	30.6.2013	31.12.2012 ¹⁾	30.6.2013	31.12.2012 ¹⁾	30.6.2013	31.12.2012 ¹⁾
<i>Figures in EUR million</i>						
B. Subordinated liabilities	255	149	213	214	—	—
C. Technical provisions						
a. Unearned premium reserve	1,450	856	1,147	815	1,575	1,525
b. Benefit reserve	1	1	36,214	35,579	2,292	2,073
c. Loss and loss adjustment expense reserve	8,269	8,196	2,589	2,574	2,060	2,040
d. Provision for premium refunds	16	11	1,986	2,167	73	101
e. Other technical provisions	30	34	6	8	14	18
	9,766	9,098	41,942	41,143	6,014	5,757
D. Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders	—	—	6,839	6,354	1,049	1,097
E. Other provisions						
a. Provisions for pensions and other post-employment benefits	557	547	104	103	14	13
b. Provisions for taxes	116	101	111	90	85	69
c. Other provisions	89	96	258	299	76	83
	762	744	473	492	175	165
F. Liabilities						
a. Notes payable and loans	—	—	—	—	—	—
b. Funds withheld under reinsurance treaties	13	13	2,157	2,074	185	179
c. Other liabilities	1,691	1,553	2,074	2,254	2,227	2,355
	1,704	1,566	4,231	4,328	2,412	2,534
G. Deferred tax liabilities	76	96	313	337	112	139
H. Liabilities of disposal groups classified as held for sale	—	—	—	—	22	20
Total liabilities/provisions	12,563	11,653	54,011	52,868	9,784	9,712

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
30.6.2013	31.12.2012 ¹⁾	30.6.2013	31.12.2012 ¹⁾	30.6.2013	31.12.2012 ¹⁾	30.6.2013	31.12.2012	30.6.2013	31.12.2012 ¹⁾
2,236	2,233	69	97	612	612	-278	-198	3,107	3,107
2,537	2,254	102	86	13	—	-161	-96	6,663	5,440
—	—	10,797	10,975	—	—	-334	-380	48,970	48,248
19,112	18,595	2,993	3,017	5	—	-1,137	-1,179	33,891	33,243
—	—	—	—	—	—	—	—	2,075	2,279
147	141	123	73	—	—	—	—	320	274
21,796	20,990	14,015	14,151	18	—	-1,632	-1,655	91,919	89,484
—	—	—	—	—	—	—	—	7,888	7,451
97	97	30	30	1,084	1,079	—	—	1,886	1,869
157	207	9	31	138	134	—	—	616	632
79	91	35	32	180	163	-1	-1	716	763
333	395	74	93	1,402	1,376	-1	-1	3,218	3,264
220	168	240	275	1,296	1,352	-721	-1,118	1,035	677
509	517	6,330	6,101	—	—	-3,123	-2,909	6,071	5,975
919	893	1,298	1,315	163	329	-1,438	-1,620	6,934	7,079
1,648	1,578	7,868	7,691	1,459	1,681	-5,282	-5,647	14,040	13,731
985	1,015	312	372	—	3	23	22	1,821	1,984
—	—	—	—	—	—	—	—	22	20
26,998	26,211	22,338	22,404	3,491	3,672	-7,170	-7,479	122,015	119,041
Shareholders' equity ²⁾								10,648	11,309
Total liabilities								132,663	130,350

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

²⁾ Group shareholders' equity incl. non-controlling interests

Segment reporting.

Statement of income for the period from 1 January to 30 June 2013

	Industrial Lines		Retail Germany		Retail International	
	6M 2013	6M 2012 ¹⁾	6M 2013	6M 2012 ¹⁾	6M 2013	6M 2012 ¹⁾
<i>Figures in EUR million</i>						
1. Gross written premium including premium from unit-linked life and annuity insurance	2,399	2,246	3,623	3,516	2,151	1,334
thereof attributable to other segments	23	29	32	31	—	—
to third parties	2,376	2,217	3,591	3,485	2,151	1,334
2. Savings elements of premium from unit-linked life and annuity insurance	—	—	471	436	112	74
3. Ceded written premium	1,252	1,093	175	161	205	170
4. Change in gross unearned premium	–605	–609	–329	–326	–117	–36
5. Change in ceded unearned premium	–353	–238	–15	–17	–31	–24
Net premium earned	895	782	2,663	2,610	1,748	1,078
6. Claims and claims expenses (gross)	1,303	1,266	2,830	2,961	1,284	849
Reinsurers' share	568	715	69	82	50	46
Claims and claims expenses (net)	735	551	2,761	2,879	1,234	803
7. Acquisition costs and administrative expenses (gross)	353	322	612	454	508	325
Reinsurers' share	180	158	54	30	41	57
Acquisition costs and administrative expenses (net)	173	164	558	424	467	268
8. Other technical income	8	11	7	11	10	5
Other technical expenses	6	20	83	29	40	33
thereof attributable to amortisation PVFP	—	4	76	22	16	8
Other technical result	2	–9	–76	–18	–30	–28
Net technical result	–11	58	–732	–711	17	–21
9. a. Income from investments	132	130	965	915	180	161
b. Investment expenses	24	16	81	86	37	47
Net income from assets under own management	108	114	884	829	143	114
Profit on investment contracts	—	—	—	—	4	2
Income/expense from funds withheld and contract deposits	—	–1	–12	–17	–1	2
Net investment income	108	113	872	812	146	118
thereof attributable to interest and similar income	102	106	775	765	155	92
interest and similar expenses	—	1	12	15	40	—
impairments/depreciation on investments	5	1	16	9	6	3
write-ups on investments	—	—	—	—	—	—
income/expense from associated companies and joint ventures valued using the equity method	—	—	—	2	—	—
10. a. Other income	48	49	82	89	41	35
b. Other expenses	67	63	132	117	91	80
Other income/expenses	–19	–14	–50	–28	–50	–45
thereof attributable to interest and similar income	—	1	1	7	8	5
write-ups on accounts receivable and other assets	—	—	—	1	1	—
interest and similar expenses	10	11	3	7	2	1
write-downs on accounts receivable and other assets	14	8	2	2	30	8
Profit/loss before goodwill impairments	78	157	90	73	113	52
11. Goodwill impairments	—	—	—	—	—	—
Operating profit/loss (EBIT)	78	157	90	73	113	52
12. Financing costs	6	7	6	6	1	—
13. Taxes on income	25	51	30	13	31	19
Net income	47	99	54	54	81	33
thereof attributable to non-controlling interests	—	—	2	4	15	2
thereof attributable to shareholders of Talanx AG	47	99	52	50	66	31

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

	Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
	6M 2013	6M 2012 ¹⁾	6M 2013	6M 2012 ¹⁾	6M 2013	6M 2012 ¹⁾	6M 2013	6M 2012 ¹⁾	6M 2013	6M 2012 ¹⁾
	4,097	4,080	3,130	2,809	25	—	–459	–403	14,966	13,582
	284	237	95	106	25	—	–459	–403	—	—
	3,813	3,843	3,035	2,703	—	—	—	—	14,966	13,582
	—	—	—	—	—	—	—	—	583	510
	400	400	325	304	5	—	–463	–403	1,899	1,725
	–329	–470	–17	17	–14	—	67	41	–1,344	–1,383
	–36	–94	1	1	—	—	76	42	–358	–330
	3,404	3,304	2,787	2,521	6	—	–5	–1	11,498	10,294
	2,500	2,542	2,592	2,315	7	—	–172	–189	10,344	9,744
	164	195	302	255	3	—	–187	–206	969	1,087
	2,336	2,347	2,290	2,060	4	—	15	17	9,375	8,657
	944	887	720	599	2	—	–139	–145	3,000	2,442
	65	31	35	21	—	—	–107	–105	268	192
	879	856	685	578	2	—	–32	–40	2,732	2,250
	1	1	—	—	—	—	1	2	27	30
	–1	2	6	4	1	—	13	24	148	112
	—	—	2	2	—	—	—	—	94	36
	2	–1	–6	–4	–1	—	–12	–22	–121	–82
	191	100	–194	–121	–1	—	—	—	–730	–695
	469	499	152	148	83	21	–33	–35	1,948	1,839
	99	76	17	12	35	31	–42	–36	251	232
	370	423	135	136	48	–10	9	1	1,697	1,607
	—	—	—	—	—	—	—	—	4	2
	8	6	180	150	—	—	1	–1	176	139
	378	429	315	286	48	–10	10	—	1,877	1,748
	354	387	363	333	6	4	–37	–37	1,718	1,650
	2	4	66	66	—	—	–5	–5	115	81
	8	10	—	2	1	—	—	—	36	25
	—	1	—	—	—	—	—	—	—	1
	6	4	—	—	—	1	—	–3	6	4
	120	78	70	52	408	330	–375	–312	394	321
	122	158	83	64	370	340	–342	–301	523	521
	–2	–80	–13	–12	38	–10	–33	–11	–129	–200
	2	2	5	2	1	8	–1	–4	16	21
	7	3	—	—	—	—	—	—	8	4
	9	18	29	29	17	38	–5	–8	65	96
	15	13	4	14	1	2	—	—	66	47
	567	449	108	153	85	–20	–23	–11	1,018	853
	—	—	—	—	—	—	—	—	—	—
	567	449	108	153	85	–20	–23	–11	1,018	853
	63	51	2	3	56	52	–30	–28	104	91
	141	99	26	26	–2	–30	2	7	253	185
	363	299	80	124	31	–42	5	10	661	577
	197	156	40	62	—	—	—	—	254	224
	166	143	40	62	31	–42	5	10	407	353

Segment reporting.

Statement of income for the period from 1 April to 30 June 2013

	Industrial Lines		Retail Germany		Retail International	
	Q2 2013	Q2 2012 ¹⁾	Q2 2013	Q2 2012 ¹⁾	Q2 2013	Q2 2012 ¹⁾
<i>Figures in EUR million</i>						
1. Gross written premium including premium from unit-linked life and annuity insurance	664	637	1,510	1,487	1,095	687
thereof attributable to other segments	14	14	16	17	—	—
to third parties	650	623	1,494	1,470	1,095	687
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	252	216	73	43
3. Ceded written premium	476	349	76	27	87	77
4. Change in gross unearned premium	231	183	158	149	−66	−15
5. Change in ceded unearned premium	−37	63	—	30	−2	−1
Net premium earned	456	408	1,340	1,363	871	553
6. Claims and claims expenses (gross)	859	661	1,451	1,606	647	439
Reinsurers' share	475	349	32	36	27	30
Claims and claims expenses (net)	384	312	1,419	1,570	620	409
7. Acquisition costs and administrative expenses (gross)	179	162	322	169	256	166
Reinsurers' share	90	66	26	−8	20	36
Acquisition costs and administrative expenses (net)	89	96	296	177	236	130
8. Other technical income	4	2	5	10	5	2
Other technical expenses	—	9	66	2	20	21
thereof attributable to amortisation PVFP	—	—	63	−3	8	8
Other technical result	4	−7	−61	8	−15	−19
Net technical result	−13	−7	−436	−376	—	−5
9. a. Income from investments	65	61	534	463	93	76
b. Investment expenses	11	5	43	33	22	38
Net income from assets under own management	54	56	491	430	71	38
Profit on investment contracts	—	—	—	—	2	2
Income/expense from funds withheld and contract deposits	−1	−1	−6	−8	−1	2
Net investment income	53	55	485	422	72	42
thereof attributable to interest and similar income	49	51	383	377	77	48
interest and similar expenses	—	—	6	7	24	—
impairments/depreciation on investments	1	1	11	4	4	2
write-ups on investments	—	—	−1	—	—	—
income/expense from associated companies and joint ventures valued using the equity method	—	—	—	3	—	—
10. a. Other income	21	31	40	41	22	26
b. Other expenses	16	19	65	52	47	46
Other income/expenses	5	12	−25	−11	−25	−20
thereof attributable to interest and similar income	—	—	—	4	6	3
write-ups on accounts receivable and other assets	—	—	—	1	—	—
interest and similar expenses	6	5	2	3	2	—
write-downs on accounts receivable and other assets	4	2	—	1	15	4
Profit/loss before goodwill impairments	45	60	24	35	47	17
11. Goodwill impairments	—	—	—	—	—	—
Operating profit/loss (EBIT)	45	60	24	35	47	17
12. Financing costs	3	4	3	3	—	—
13. Taxes on income	14	11	11	−2	14	6
Net income	28	45	10	34	33	11
thereof attributable to non-controlling interests	—	—	1	2	5	2
thereof attributable to shareholders of Talanx AG	28	45	9	32	28	9

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

	Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
	Q2 2013	Q2 2012 ¹⁾	Q2 2013	Q2 2012 ¹⁾	Q2 2013	Q2 2012 ¹⁾	Q2 2013	Q2 2012 ¹⁾	Q2 2013	Q2 2012 ¹⁾
	1,899	1,963	1,570	1,415	14	—	–244	–212	6,508	5,977
	151	127	49	54	14	—	–244	–212	—	—
	1,748	1,836	1,521	1,361	—	—	—	—	6,508	5,977
	—	—	—	—	—	—	—	—	325	259
	175	214	169	176	—	—	–247	–208	736	635
	–5	–52	–3	22	–7	—	44	25	352	312
	7	–52	—	1	2	—	46	25	16	66
	1,712	1,749	1,398	1,260	5	—	1	–4	5,783	5,329
	1,262	1,305	1,239	1,171	5	—	–107	–107	5,356	5,075
	84	73	139	151	3	—	–118	–111	642	528
	1,178	1,232	1,100	1,020	2	—	11	4	4,714	4,547
	474	479	427	325	1	—	–76	–69	1,583	1,232
	30	15	21	17	—	—	–58	–45	129	81
	444	464	406	308	1	—	–18	–24	1,454	1,151
	—	1	—	—	—	—	—	1	14	16
	–3	1	4	3	1	—	8	17	96	53
	—	—	1	1	—	—	—	—	72	6
	3	—	–4	–3	–1	—	–8	–16	–82	–37
	93	53	–112	–71	1	—	—	—	–467	–406
	245	204	76	45	64	15	–10	–19	1,067	845
	66	45	13	6	19	16	–20	–18	154	125
	179	159	63	39	45	–1	10	–1	913	720
	—	—	—	—	—	—	—	—	2	2
	4	3	90	70	—	—	1	–1	87	65
	183	162	153	109	45	–1	11	–2	1,002	787
	182	192	187	181	3	2	–12	–17	869	834
	1	2	39	52	—	—	–3	–2	67	59
	5	4	—	1	1	—	—	—	22	12
	—	1	—	—	—	—	—	—	–1	1
	5	2	—	—	—	1	—	–3	5	3
	44	45	16	28	216	168	–195	–158	164	181
	19	87	36	30	191	176	–177	–163	197	247
	25	–42	–20	–2	25	–8	–18	5	–33	–66
	1	1	2	1	—	4	—	–1	9	12
	3	1	—	—	—	—	—	—	3	2
	5	13	15	14	8	20	–3	–1	35	54
	9	8	2	11	1	1	—	—	31	27
	301	173	21	36	71	–9	–7	3	502	315
	—	—	—	—	—	—	—	—	—	—
	301	173	21	36	71	–9	–7	3	502	315
	32	25	1	2	24	31	–9	–15	54	50
	81	28	3	6	4	–16	1	7	128	40
	188	120	17	28	43	–24	1	11	320	225
	101	60	9	14	—	—	—	—	116	78
	87	60	8	14	43	–24	1	11	204	147

Geographical breakdown of investments and written premium

We show the gross written premium for each type or class of insurance at Group level.

*Investments (excluding funds withheld by ceding companies and excluding investments under investment contracts)
by geographical origin¹⁾*

	Primary insurance	Reinsurance	Corporate Operations	30.6.2013 Total
<i>Figures in EUR million</i>				
Germany	25,561	6,389	159	32,109
United Kingdom	3,204	2,196	109	5,509
Central and Eastern Europe (CEE), including Turkey	2,663	457	3	3,123
Rest of Europe	19,230	8,193	275	27,698
USA	1,105	8,293	5	9,403
Rest of North America	59	1,081	1	1,141
Latin America	924	871	—	1,795
Asia and Australia	1,331	3,212	3	4,546
Africa	15	331	—	346
Total	54,092	31,023	555	85,670

	Primary insurance	Reinsurance	Corporate Operations	31.12.2012 Total
<i>Figures in EUR million</i>				
Germany	25,587	6,479	123	32,189
United Kingdom	3,286	2,889	209	6,384
Central and Eastern Europe (CEE), including Turkey	2,658	235	—	2,893
Rest of Europe	17,706	7,869	348	25,923
USA	998	7,947	1	8,946
Rest of North America	86	1,139	1	1,226
Latin America	876	775	—	1,651
Asia and Australia	1,038	3,389	2	4,429
Africa	17	394	—	411
Total	52,252	31,116	684	84,052

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⁾

	Primary insurance	Reinsurance	Corporate Operations	6M 2013 Total
<i>Figures in EUR million</i>				
Germany	4,785	514	—	5,299
United Kingdom	69	1,270	—	1,339
Central and Eastern Europe (CEE), including Turkey	1,193	117	—	1,310
Rest of Europe	1,216	1,090	—	2,306
USA	169	1,682	—	1,851
Rest of North America	7	341	—	348
Latin America	592	410	—	1,002
Asia and Australia	70	1,182	—	1,252
Africa	16	243	—	259
Total	8,117	6,849	—	14,966

	Primary insurance	Reinsurance	Corporate Operations	6M 2012 Total
<i>Figures in EUR million</i>				
Germany	4,681	454	—	5,135
United Kingdom	62	1,226	—	1,288
Central and Eastern Europe (CEE), including Turkey	431	103	—	534
Rest of Europe	1,143	1,059	—	2,202
USA	114	1,591	—	1,705
Rest of North America	6	299	—	305
Latin America	525	424	—	949
Asia and Australia	48	1,143	—	1,191
Africa	26	247	—	273
Total	7,036	6,546	—	13,582

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

	Primary insurance	Reinsurance	Corporate Operations	Q2 2013 Total
<i>Figures in EUR million</i>				
Germany	1,686	199	—	1,885
United Kingdom	24	617	—	641
Central and Eastern Europe (CEE), including Turkey	606	48	—	654
Rest of Europe	502	500	—	1,002
USA	53	828	—	881
Rest of North America	6	190	—	196
Latin America	303	179	—	482
Asia and Australia	46	593	—	639
Africa	12	116	—	128
Total	3,238	3,270	—	6,508

	Primary insurance	Reinsurance	Corporate Operations	Q2 2012 Total
<i>Figures in EUR million</i>				
Germany	1,681	140	—	1,821
United Kingdom	26	629	—	655
Central and Eastern Europe (CEE), including Turkey	221	50	—	271
Rest of Europe	499	470	—	969
USA	37	799	—	836
Rest of North America	5	165	—	170
Latin America	257	214	—	471
Asia and Australia	31	606	—	637
Africa	23	124	—	147
Total	2,780	3,197	—	5,977

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 class of insurance at Group level¹⁾

	6M 2013	6M 2012	Q2 2013	Q2 2012
<i>Figures in EUR million</i>				
Property/casualty primary insurance	4,853	4,228	1,578	1,324
Life primary insurance	3,265	2,808	1,661	1,456
Non-Life Reinsurance	3,813	3,843	1,748	1,836
Life/Health Reinsurance	3,035	2,703	1,521	1,361
Total	14,966	13,582	6,508	5,977

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

During the reporting period, there were no transactions with any one external client that amounted to 10% or more of total gross premium.

IV. Consolidation

As at the balance sheet date, 124 individual companies, 32 special purpose entities, and four subgroups (three of which are foreign subgroups) – collectively as a group (including associated companies) – were included in full in the Talanx consolidated financial statements, as were nine companies (eight associated companies and one joint venture) that were included at equity (exclusive of foreign subgroups).

The major changes in the scope of consolidation relative to year-end 2012, including significant relations with special purpose entities, are set out below.

Scope of consolidation

The conversion of Hannover Rück AG into the legal form of a European public limited-liability company (Societas Europaea, or SE) became effective upon its recording on 19 March 2013 in the commercial register maintained by the Hannover District Court. Accordingly, the company is now called Hannover Rück SE, with registered office at Karl-Wiechert-Allee 50, 30625 Hannover, Germany.

The merger of Metropolitana Compañía de Seguros S. A., Mexico City, Mexico, into HDI Seguros S. A. de C. V., León, Mexico, became legally effective retroactive to 1 January 2013 upon recording in the Public Registry of Commerce of León on 20 March 2013.

Glencar Underwriting Managers, Inc., based in Chicago, USA (Glencar), was consolidated for the first time with effect from 1 January 2013, due to increasing business volume. The company's business purpose consists of producing, underwriting, and managing specialty business and property/casualty programme business in the US market with a focus on small to mid-sized programmes. In the second quarter of 2011, Funis GmbH & Co. KG, a wholly owned subsidiary of Hannover Rück SE, acquired a participating interest in Glencar with a capital contribution of USD 98,000, which corresponded to 49.0% of equity capital. In the third quarter of 2011, it acquired preferred shares amounting to about USD 2.3 million, USD 1.6 million of which consist of callable equity instruments with voting rights, which are thus to be recognised as debt capital pursuant to IAS 32. The remaining preferred shares amounting to about USD 0.7 million consist of non-callable equity instruments without voting rights, which are recognised as equity pursuant to IAS 32. Hannover Rück SE holds the majority of the voting rights in Glencar, meaning that it has the ability to exercise control over the company. For reasons of materiality, Glencar had until the fourth quarter of 2012 been booked as a participating interest. As at the date of initial consolidation and as at the balance sheet date, Funis held shares of equity capital amounting to 49.0%. The difference on the liabilities side from initial consolidation in the amount of EUR 0.2 million was recognised as an expense in the statement of income under "Other income/expenses".

With effect from 1 January 2013, Hannover Rück SE transferred all the business of its subsidiary Hannover Life Reassurance (UK) Ltd., Virginia Water, to a newly formed branch of Hannover Rück SE with the same registered office by means of a so-called Part VII Transfer. This branch is called Hannover Re UK Life Branch and was registered under the Companies Act 2006 on 3 December 2012. Hannover Life Reassurance (UK) Ltd. was struck from the commercial register on 8 January 2013 and liquidated in the first quarter of 2013. Since this intra-group restructuring involves a transaction between companies under common control, the transaction neither generated goodwill nor had an impact on Group net income.

With effect from 1 January 2013, Hannover Rück SE relinquished control over Secquaero ILS Fund Ltd., Georgetown, Grand Cayman and its interests therein through the contractually agreed retransfer of its voting share (management share) in the company to the non-Group investment manager. For this reason, the company is no longer being included in the consolidated financial statements as of that date but rather is being carried as a participating interest that is recognised at net asset value under "Other invested assets". As a result of the derecognition of assets and liabilities and the recognition of the participating interest at net asset value, income of EUR 1.2 million was recognised under "Other income/expenses". In addition, currency translation gave rise to cumulative other comprehensive income in the amount of EUR 3.9 million, which was likewise recognised under "Other income/expenses".

HR GLL Central Europe GmbH & Co. KG, Munich, Germany, which was formed in July 2012 and has been included since the third quarter of 2012, began preparing subgroup financial statements in the first quarter of 2013. Included in these statements is its subsidiary HR GLL Central Europe Holding GmbH, which was formed in January 2013 with registered office Munich, Germany.

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

Consolidated subsidiaries (fully consolidated)	Individual companies		Subgroups	Total
	Domestic	Foreign	Domestic/foreign ¹⁾	
31.12.2012	69	58	3	130
Additions	—	1	1	2
Disposals	1	3	—	4
31.3.2013	68	56	4	128
Additions	—	—	—	—
Disposals	—	—	—	—
30.6.2013	68	56	4	128

¹⁾ Including three foreign subgroups

Consolidation of special purpose entities

In the following, we make a distinction between special funds, investments, securitisation of reinsurance risks, assumed life and health reinsurance business, as well as 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 a view 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/public funds

The scope of SIC 12 includes, among other things, special investment funds that are chiefly 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. As at the balance sheet date, 29 special funds and one public fund were included in the consolidated financial statements due to the existence of a controlling relationship or economic control with respect to the special fund. Of these, 20 were domestic funds.

In the first quarter of 2013, the Group for the first time consolidated the public fund Open Finance Absolute Return Fundusz Inwestycyjny Zamknięty (Retail International segment), which was set up in 2012 and, for reasons of immateriality, had until now been carried as a participating interest. Because its volume has increased, the fund is deemed to be material to the Group's assets, financial position and net income. Initial consolidation did not give rise to any differences.

A special fund (HG-I Aktien VC Dynamic) and a public fund (Open Finance Public Bonds Close-end Investment Fund Private Equity) were set up in the first quarter and consolidated in the Industrial Lines and Retail International segments, respectively.

Two funds in the Retail International segment were deconsolidated in the second quarter of 2013.

Investments

As part 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 Rück SE participates – primarily through its companies Hannover Insurance-Linked Securities GmbH & Co. KG (HILS) and Leine Investment SICAV-SIF – in a number of special purpose entities for the securitisation of catastrophe risks by investing in catastrophe (CAT) bonds. While HILS continues to manage its portfolio, future new business in this field will be underwritten by the Leine Investment companies that were formed in the previous year with registered offices in Luxembourg. 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. Since Hannover Rück SE 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 the previous year, Hannover Rück SE issued a 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 has 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 Eurus III Ltd. afford Hannover Rück SE, E+S Rückversicherung AG and Hannover Re (Bermuda) Ltd. with protection against the aforementioned catastrophe risks. Since Hannover Rück SE does not exercise any controlling influence over Eurus III Ltd., there is no consolidation requirement for the special purpose entity.

Within the scope of its “K” transactions, Hannover Rück SE raised underwriting capacity for catastrophe risks on the capital market. “K-cession”, which was placed with institutional investors from Europe, North America 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 equivalent to EUR 252 (268) million as at the balance sheet date. The transaction has an indefinite term and can be cancelled annually by the investors. Kaith Re Ltd., a special purpose entity domiciled in Bermuda, is being used for the transaction.

Hannover Rück SE also uses Kaith Re Ltd. for various retrocessions of its traditional covers to institutional investors. In accordance with SIC 12, it is included in the consolidated financial statements.

Assumed life/health reinsurance business

Some transactions in the Life/Health Reinsurance segment require the involvement of cedant special purpose entities as contractual partners established by parties outside the Group and from whom companies of the Hannover Re Group assume certain technical and/or financial risks. The transactions serve e.g. to transfer extreme mortality risks above a contractually defined retention ratio or to transfer longevity risks. Since Hannover Rück SE does not bear the majority of the economic risks or benefits arising out of its business relations with these special purpose entities and is not capable of exercising a controlling influence over them, there is no consolidation requirement for Hannover Rück SE. Depending on the classification of the contracts in accordance with IFRS 4 or IAS 39, the transactions are recognised either under reinsurance or as derivative financial instruments or financial guarantees.

With reinsurance contracts that serve to finance statutory reserves (so-called Triple-X or AXXX reserves), under which special purpose entities carry extreme mortality risks securitised by cedants above a contractually defined retention ratio, these risks are transferred by way of a fixed/floating swap to a Group company of Hannover Rück SE. The total of the contractually agreed capacities of the transactions is equivalent to EUR 1,147 (1,138) million, of which the equivalent of EUR 866 (848) million has been underwritten as at the balance sheet date. The variable payments to the special purpose entities guaranteed by Hannover Rück SE cover their payment obligations. By way of compensation agreements, payments resulting from swaps in the event of a claim are reimbursed by the cedants' parent companies. Under IAS 39 these transactions are to be recognised at fair value as a financial guarantee. To this end Hannover Rück SE uses the net method, according to which the present value of the agreed fixed swap premiums is netted with the present value of the guarantee commitment. The fair value on initial recognition therefore amounted to zero. The higher of the fair value and the amount carried as a provision on the liabilities side pursuant to IAS 37 is recognised at the point in time at which utilisation is considered probable. This was not the case as at the balance sheet date. In this case reimbursement claims under the compensation agreements are to be capitalised separately from and up to the amount of the provision.

Retrocessions and insurance-linked securities (ILS)

As part of its extended insurance-linked securities (ILS) activities, Hannover Rück SE has underwritten 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 Rück SE 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 with effect from 12 July 2011. The term of the retrocession runs until final settlement of the underlying obligations. Since Hannover Rück SE 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

As was the case at year-end 2012, four domestic and four foreign associated companies were consolidated at equity as at the balance sheet date. The figures are exclusive of foreign subgroups.

Joint ventures valued at equity

As was the case in the 2012 annual financial statements, Magma HDI General Insurance Company Limited, Kolkata, continues to be included at equity as a joint venture.

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

As part of the merger of HDI Seguros S.A. de C.V. and Metropolitana Compañía de Seguros, Mexico City, Mexico (both Retail International segment), HDI Seguros S.A. de C.V. continues to intend to sell a life insurance portfolio at a prospective price of EUR 2 million including investments for covering liabilities, a situation unchanged since 31 December 2012. We continue to expect the transfer to take place within 12 months. The transaction is part of the corporate focusing strategy and will lead to cost optimisation in the area of IT and personnel expenses. HDI Seguros S.A. de C.V. separately reported EUR 19 (18) million in technical provisions and EUR 0 (2) million in other liabilities, which were offset by EUR 15 (15) million in investments, and EUR 0 (2) million in current accounts.

In addition, the company intends in 2013 to sell a non-life insurance portfolio, including investments for covering liabilities, at a prospective price of EUR 0. As described above, the transaction is part of the corporate focusing strategy and will lead to cost optimisation in the area of IT and personnel expenses. For this portfolio, HDI Seguros S.A. de C.V. separately reported EUR 3 million in technical provisions and EUR 0 million in other liabilities, which were offset by EUR 3 million in investments, EUR 0 million in accounts receivable on insurance business and EUR 0.4 million in deferred acquisition costs.

As at the balance sheet date, cumulative income and expenses, which were recognised in shareholders' equity, amounted to EUR 0 (2) million for the two transactions.

Furthermore, as at 31 December 2012, we are continuing to classify as "held for sale" real estate portfolios in the amount of EUR 39 million that are held by HDI-Gerling Industrie Versicherung AG (HG-I) (Industrial Lines segment), HDI Lebensversicherung AG, neue leben Lebensversicherung AG (NL LV), HDI Versicherung AG (all three Retail Germany segment), E+S Rückversicherung AG and Hannover Re Real Estate Holdings, Inc. (HRREH) (both Non-Life Reinsurance segment). The purchase prices amounted to EUR 49 million. One property each of HG-I (EUR 6 million), E+S Rückversicherung AG (EUR 2 million), HRREH (EUR 4 million), and NL LV (EUR 1 million) was transferred on or before 31 March 2013. One property of HLV (EUR 4 million) was transferred in the second quarter. Furthermore, additional properties with carrying amounts totalling EUR 3 million were to be classified as "held for sale" based on sales being planned by HG-I and NL LV. Accordingly, as at the balance sheet date, we are reporting real estate at a total carrying amount of EUR 25 million, which is offset by purchase prices totalling EUR 37 million. The Group is committed to its sales intentions, which we expect to finalise during 2013.

VI. Notes to individual items of the consolidated balance sheet

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

(1) Intangible assets

	30.6.2013	31.12.2012
<i>Figures in EUR million</i>		
a. Goodwill	1,121	1,152
b. Other intangible assets	1,520	1,641
thereof attributable to		
Insurance-related intangible assets	1,248	1,328
Software	142	153
Other		
Acquired distribution networks and customer relationships	62	93
Other	32	33
Acquired brand names	36	34
Total	2,641	2,793

“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 699 million), the portfolios of the former BHW Lebensversicherung AG (formerly PB Lebensversicherung, now PB Lebensversicherung AG) (EUR 268 million) acquired in 2007, and neue leben Lebensversicherung AG (EUR 57 million). In addition, EUR 91 million is attributable to Hannover Life Reassurance (Ireland) Ltd. (Life/Health Reinsurance segment). Business combinations in 2012 resulted in a PVFP of EUR 114 million for the Polish TU Europa Group and in a PVFP of EUR 13 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 establishment of a provision for deferred premium refunds.

PVFPs with respect to life primary insurance companies amounted to EUR 1,131 (1,173) million, of which EUR 603 (674) million was attributable to the shareholders’ portion and EUR 528 (499) million to the policyholders’ portion.

Amortisation of insurance-related intangible assets amounted to EUR 80 (30 June 2012: 34) million, of which EUR 100 (30 June 2012: 35) million was attributable to the shareholders’ portion – of this, EUR 6 million to investment contracts – and EUR –20 (30 June 2012: –1) 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 “Profit on investment contracts” in “Net income from assets under own management”. Amortisation of the shareholders’ portion (less investment contracts) is recognised in the statement of income under “Other technical expenses”.

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 are as follows:

	30.6.2013	31.12.2012
<i>Figures in EUR million</i>		
Intangible assets before deduction of non-controlling interests and the policyholders' portion and including deferred taxes		
a. Goodwill	1,121	1,152
b. Other intangible assets	1,520	1,641
Total	2,641	2,793
thereof attributable to: non-controlling interests		
a. Goodwill	33	35
b. Other intangible assets	172	204
Total	205	239
thereof attributable to: policyholders' portion		
a. Goodwill	—	—
b. Other intangible assets	527	499
Total	527	499
thereof attributable to: deferred taxes		
a. Goodwill	—	—
b. Other intangible assets	157	176
Total	157	176
Intangible assets after deduction of non-controlling interests and the policyholders' portion and excluding deferred taxes		
a. Goodwill	1,088	1,117
b. Other intangible assets	664	762
Total	1,752	1,879

(2) Loans and receivables

	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2013	31.12.2012	30.6.2013	31.12.2012	30.6.2013	31.12.2012
<i>Figures in EUR million</i>						
Mortgage loans	917	990	106	140	1,023	1,130
Loans and prepayments on insurance policies	191	192	—	—	191	192
Loans and receivables due from governmental or quasi-governmental entities ¹⁾	10,089	9,687	948	1,326	11,037	11,013
Corporate securities	6,566	6,516	302	528	6,868	7,044
Covered bonds/asset-backed securities	14,539	14,700	1,924	2,278	16,463	16,978
Participation rights	28	16	4	3	32	19
Total	32,330	32,101	3,284	4,275	35,614	36,376

¹⁾ Loans and receivables due from governmental or quasi-governmental entities include securities of EUR 3,000 (2,585) 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 14,516 (14,676) million, which corresponds to 99 (99)%.

(3) Financial assets held to maturity

	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2013	31.12.2012	30.6.2013	31.12.2012	30.6.2013	31.12.2012
<i>Figures in EUR million</i>						
Government debt securities of EU member states	564	578	32	46	596	624
US treasury notes	746	825	20	28	766	853
Other foreign government debt securities	54	57	—	1	54	58
Debt securities issued by quasi-governmental entities ¹⁾	572	678	32	42	604	720
Corporate securities	357	502	11	16	368	518
Covered bonds/asset-backed securities	1,043	1,217	76	91	1,119	1,308
Total	3,336	3,857	171	224	3,507	4,081

¹⁾ Debt securities issued by quasi-governmental entities include securities of EUR 134 (167) 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 1,041 (1,213) million, which corresponds to 99 (99)%.

(4) Financial assets available for sale

	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2013	31.12.2012	30.6.2013	31.12.2012	30.6.2013	31.12.2012
<i>Figures in EUR million</i>						
Government debt securities of EU member states	5,455	5,256	217	363	5,672	5,619
US treasury notes	1,533	1,294	15	40	1,548	1,334
Other foreign government debt securities	1,635	1,758	–22	26	1,613	1,784
Debt securities issued by quasi-governmental entities ¹⁾	6,927	7,121	306	523	7,233	7,644
Corporate securities	15,120	13,675	442	912	15,562	14,587
Investment funds	710	808	51	71	761	879
Covered bonds/asset-backed securities	7,269	7,104	583	680	7,852	7,784
Participation rights	400	445	7	4	407	449
Total fixed-income securities	39,049	37,461	1,599	2,619	40,648	40,080
Equities	392	423	158	164	550	587
Investment funds	613	558	77	73	690	631
Participation rights	39	39	—	—	39	39
Total variable-yield securities	1,044	1,020	235	237	1,279	1,257
Total	40,093	38,481	1,834	2,856	41,927	41,337

¹⁾ Debt securities issued by quasi-governmental entities include securities of EUR 2,817 (3,147) 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 6,715 (6,827) million, which corresponds to 86 (88)%.

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

	30.6.2013	31.12.2012
<i>Figures in EUR million</i>		
Government debt securities of EU member states	37	347
Other foreign government debt securities	155	195
Debt securities issued by quasi-governmental entities ¹⁾	38	38
Corporate securities	498	480
Investment funds	113	104
Covered bonds/asset-backed securities	30	91
Participation rights	82	91
Other	19	—
Total fixed-income securities	972	1,346
Investment funds (variable-yield securities)	54	55
Other variable-yield securities	30	28
Total financial assets classified at fair value through profit or loss	1,056	1,429
Government debt securities of EU member states	9	15
Other foreign government debt securities	—	—
Corporate securities	3	—
Other securities	1	1
Total fixed-income securities	13	16
Investment funds (variable-yield securities)	126	123
Derivatives	70	74
Total financial assets held for trading	209	213
Total	1,265	1,642

¹⁾ Debt securities issued by quasi-governmental entities include securities of EUR 8 (8) 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 12 (11) million, which corresponds to 40 (12)%.

(6) Information about fair value and fair value hierarchy*Fair value hierarchy*

For the purposes of the disclosure requirements pursuant to IFRS 13 “Fair Value Measurement”, financial instruments that are recognised at fair value must be assigned to a three-level fair value hierarchy. The purpose of this requirement is, inter alia, to show how closely the data included in the determination of fair values relates to market inputs. The following classes of financial instruments are affected: financial assets available for sale; financial assets at fair value through profit or loss; other invested assets and investment contracts (financial assets and financial liabilities), insofar as they are recognised at fair value; negative market values under derivative financial instruments; and hedging instruments (derivatives in connection with hedge accounting).

Breakdown of financial assets measured at fair value

Financial assets measured at fair value were assigned as follows:

- Level 1: unadjusted quoted prices for identical assets and liabilities in active markets. This includes, first and foremost, listed equity shares, futures and options, investment funds, and highly liquid bonds traded on regulated markets. As at the balance sheet date, the share of Level 1 financial assets in the total portfolio of financial assets measured at fair value was 38%.
- Level 2: measurement using inputs that are based on observable market data and are not allocated to Level 1. This level includes, for example, assets measured on the basis of yield curves, such as debenture bonds and registered bonds. Also allocated to Level 2 are market prices for bonds with limited liquidity, such as corporate securities. Altogether, 58% of financial assets measured at fair value were allocated to this level as at the balance sheet date.
- Level 3: measurement using inputs that are not based on observable market data. This level primarily includes unlisted equity instruments. As at the balance sheet date, the Group allocated 4% of financial assets measured at fair value to this category.

The following table shows the carrying amounts of financial assets measured at fair value, broken down according to the three levels of the fair value hierarchy:

Book value of financial instruments measured at fair value	Level 1	Level 2	Level 3 ¹⁾	Book value 30.6.2013
<i>Figures in EUR million</i>				
Financial assets measured at fair value				
Available for sale				
Fixed-income securities	13,625	27,023	—	40,648
Variable-yield securities	760	68	451	1,279
At fair value through profit or loss				
Financial assets classified at fair value through profit or loss	255	790	11	1,056
Financial assets held for trading	175	30	4	209
Other invested assets	3,596	86	1,185	4,867
Other assets, derivative financial instruments	—	111	—	111
Investment contracts				
Financial assets classified at fair value through profit or loss	188	221	79	488
Derivatives	—	27	10	37
Total financial assets measured at fair value	18,599	28,356	1,740	48,695
Financial liabilities measured at fair value				
Other liabilities (negative market values under derivative financial instruments)				
Negative market values under derivatives	1	74	102	177
Negative market values under hedging instruments	—	9	—	9
Other liabilities (investment contracts)				
Financial instruments classified at fair value through profit or loss	336	221	80	637
Derivatives	—	27	10	37
Total financial liabilities measured at fair value	337	331	192	860

¹⁾ Categorisation in Level 3 does not amount to a statement as to quality. No conclusions may be drawn as to the creditworthiness of the issuers

In the reporting period just ended, securities with a fair value of EUR 163 million that had been classified as Level 1 financial assets in the previous year were instead allocated to Level 2. In addition, we reclassified securities with a fair value of EUR 53 million from Level 2 financial assets to Level 1. The reclassification required primarily as a consequence of the reduced liquidity of the instruments. Most reclassifications affect fixed-income securities allocated to the category “Financial assets available for sale”.

Allocation to the fair value hierarchy levels is reviewed at a minimum as at the end of a period. Transfers are shown as if they had taken place at the beginning of the financial year.

Analysis of financial instruments for which significant inputs are not based on observable market data (Level 3)

The following table shows a reconciliation of the financial instruments (hereinafter, “FI”) included in Level 3 at the beginning of the reporting period with the values as at the balance sheet date.

Book value of financial instruments measured at fair value	FI available for sale/variable yield securities	FI classified at fair value through profit or loss	FI held for trading	Other invested assets	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/derivatives	Total financial instruments measured at fair value
<i>Figures in EUR million</i>							
Book value as at 1.1.2013	369	31	3	1,179	114	18	1,714
Income and expenses							
recognised in the statement of income	—	1	–1	–5	–31	–3	–39
recognised directly in equity	5	—	—	–1	—	—	4
Transfers to Level 3	30 ¹⁾	—	—	—	—	—	30
Transfers from Level 3	—	—	—	—	—	—	—
Additions	66	4	2	80	19	1	172
Disposals	20	25	—	73	17	5	140
Exchange rate movements	1	—	—	5	–6	–1	–1
Book value as at 30.6.2013	451	11	4	1,185	79	10	1,740

¹⁾ Measurement at net asset value

Book value of financial instruments measured at fair value	Other liabilities/negative market values under derivatives	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/derivatives	Total financial liabilities measured at fair value
<i>Figures in EUR million</i>				
Book value as at 1.1.2013	103	115	18	236
Income and expenses				
recognised in the statement of income	—	38	—	38
recognised directly in equity	—	—	—	—
Transfers to Level 3	—	—	—	—
Transfers from Level 3	—	—	—	—
Additions	—	83	3	86
Disposals	1	74	10	85
Exchange rate movements	—	–6	–1	–7
Book value as at 30.6.2013	102	80	10	192

As at the balance sheet date, there were no liabilities that had been issued with an inseparable third-party credit enhancement within the meaning of IFRS 13.98.

Income and expenses for the period that were recognised in the consolidated statement of income, including gains and losses on Level 3 assets and liabilities held in the portfolio at the end of the reporting period, are shown in the following table.

Effect on results of Level 3 financial instruments measured at fair value	FI classified at fair value through profit or loss	FI held for trading	Other invested assets	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/derivatives	Total financial instruments measured at fair value
<i>Figures in EUR million</i>						
Gains and losses in the 2013 financial year						
Income from investments	1	—	—	81	4	86
Investment expenses	—	-1	-5	-112	-7	-125
thereof attributable to financial instruments included in the portfolio at 30.6.2013						
Income from investments	—	—	—	81	4	85
Investment expenses	—	-1	-5	-112	-7	-125

Effect on results of Level 3 financial assets measured at fair value	Other liabilities/negative market values under derivatives	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/derivatives	Total financial instruments measured at fair value
<i>Figures in EUR million</i>				
Gains and losses in the 2013 financial year				
Income from investments	—	38	—	38
Investment expenses	—	—	—	—
thereof attributable to financial instruments included in the portfolio at 30.6.2013				
Income from investments	—	38	—	38
Investment expenses	—	—	—	—

Measurement process

The measurement process consists of using either publicly available prices on active markets or measurements with economically established models that are based on observable input factors in order to ascertain the fair value of financial investments (Level 1 and Level 2 assets). For assets for which publicly available prices or observable market data are not available (Level 3 assets), measurements are primarily made on the basis of proven measurements prepared by independent professional experts (e.g. audited net asset value) that have been previously subjected to systematic plausibility checks. The organisational unit entrusted with measuring investments is independent from the organisational units that enter into investment risks, thus ensuring separation of functions and responsibilities. The measurement processes and methods are documented in full. Decisions on measurement questions are made by the Talanx measurement committee, which meets monthly.

We do not make use of the option of portfolio measurement within the meaning of IFRS 13.48.

Determination of fair value: Fair value essentially corresponds to the price that the Group would receive if it were to sell an asset or pay if it were to transfer a liability in a customary transaction between market participants on the measurement date. The fair value of securities is thus generally determined on the basis of current, publicly available, unadjusted market prices. Where prices are quoted on markets for financial instruments, the bid price is used. Financial liabilities are measured at the asking price. In the case of securities for which no current market price is available, a valuation price is determined on the basis of current and observable market data using established mathematical financial models. Such models are used principally for the measurement of unlisted securities.

The Group uses various measurement models for this purpose:

Financial instrument	Pricing method	Parameter	Pricing model
Fixed-income securities			
Unlisted plain vanilla bonds	Theoretical price	Interest rate curve	Present value method
Unlisted structured bonds	Theoretical price	Interest rate curve, volatility surfaces, correlations	Hull-White, Black-Karasinski, Libor market model, etc.
Unlisted annuity funds	Theoretical price	Audited NAV ¹⁾	NAV method ¹⁾
ABS/MBS for which no market prices are available	Theoretical price	Prepayment speed, incurred losses, default probabilities, recovery rates	Future cash-flow method, liquidation method
CDOs/CLOs, profit-participation certificates	Theoretical price	Risk premiums, default rates, recovery rates, redemptions	Present value method
Equities			
Unlisted equities	Theoretical price	Acquisition cost, cash flows, EBIT multiples, carrying amount where applicable	NAV method ¹⁾
Other invested assets			
Private equity	Theoretical price	Acquisition cost, cash flows, EBIT multiples, market values	NAV method ¹⁾
Derivative financial instruments			
Plain vanilla interest rate swaps	Theoretical price	Interest rate curve	Present value method
Currency forwards	Theoretical price	Interest rate curve, spot and forward rates	Interest parity model
OTC stock options, OTC stock-index options	Theoretical price	Listing of the underlying share, implicit volatilities, money-market interest rate, dividend yield	Black-Scholes
FX options	Theoretical price	Spot rates, exchange rates, implicit volatilities	Garman/Kohlhagen
Interest rate futures (forward purchases)	Theoretical price	Interest rate curve	Present value method
Inflation swaps	Theoretical price	Inflation swap rates, historical index fixings, interest rate curve, seasonal effects	Present value method with seasonality adjustment
Swaptions	Theoretical price	Interest rate curve, implicit volatilities	Black76
Insurance derivatives	Theoretical price	Market values, actuarial parameters, interest rate curve	Present value method

¹⁾ NAV: net asset value

If Level 3 financial assets are measured using models where the adoption of reasonable alternative inputs leads to a material change in fair value, IFRS 7 requires disclosure of the effects of these alternative assumptions. Of the Level 3 financial assets with fair values of altogether EUR 1.9 (1.9) billion as at the balance sheet date, the Group generally measures financial assets with a volume of EUR 1.6 (1.5) billion using the net asset value method, whereby alternative inputs within the meaning of the standard cannot reasonably be established. In addition, assets under investment contracts in the amount of EUR 90 (132) million are offset by liabilities under investment contracts in the same amount. Since assets and liabilities completely offset each other and trend similarly in value, we have elected to dispense with a scenario analysis. For the remaining Level 3 financial assets with a volume of EUR 175 (144) million, the effects of alternative inputs and assumptions are immaterial.

(7) Shareholders' equity

Common shares

The share capital of Talanx AG remains unchanged at EUR 316 million and is divided into 252,625,682 registered no-par value shares. The share capital is fully paid up. With regard to the composition of shareholders' equity, cf. "Consolidated statement of changes in shareholders' equity".

Conditional capital

On 15 May 2012, the General Meeting resolved to conditionally increase share capital by up to EUR 78 million through the issuance of up to 62,400,000 new no-par value shares (conditional capital II). The conditional capital increase is designed to grant no-par value shares to bondholders, which, on the basis of the authorisation conferred on the Board of Management by virtue of a resolution adopted by the General Meeting on the same date, Talanx AG or a subordinate Group company will issue by 14 May 2017 in exchange for cash in satisfaction of the conditional 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 conditionally 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 (conditional capital III). The conditional capital increase is designed to grant no-par value shares to holders of convertible bonds, warrant bonds, participating bonds with conversion or warrant rights and profit-sharing rights 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 conditional conversion obligation. The amendment to the Talanx AG Articles of Association became effective upon its entry in the commercial register on 5 September 2012.

Authorised capital

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 value 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 for contribution-in-kind capital increases if such exclusion is in the Company's predominant interest. The amendment became effective upon its entry in the commercial register on 1 October 2012. When the Greenshoe option was exercised on 8 October 2012, authorised capital was reduced to EUR 143 million in accordance with the Articles of Association.

On 6 May 2013, the General Meeting of Talanx AG resolved to distribute a dividend for the 2012 financial year in the amount of EUR 1.05 per share, resulting in a total distribution of EUR 265 (0) million.

Non-controlling interests in shareholders' equity	30.6.2013	31.12.2012 ¹⁾
<i>Figures in EUR million</i>		
Unrealised gains and losses from investments	413	667
Non-controlling interest in net income	254	522
Other shareholders' equity	3,190	2,967
Total	3,857	4,156

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

"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.

(8) Subordinated liabilities

	Nominal amount	Coupon	Maturity	Rating ⁴⁾	30.6.2013	31.12.2012
	<i>Figures in EUR million</i>				<i>Figures in EUR million</i>	<i>Figures in EUR million</i>
Hannover Finance (Luxembourg) S. A.	500	Fixed (5%), then floating rate	2005/no final maturity	(a+; A)	492	489
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)	749	749
Hannover Finance (Luxembourg) S. A.	500	Fixed (5%), then floating rate	2012/2043	(a+; A)	497	497
HDI-Gerling Industrie Versicherung AG ¹⁾	142	Fixed (7%), then floating rate	2004/2024	(bbb+; A-)	147	149
HDI Lebensversicherung AG (formerly HDI-Gerling Lebensversicherung AG) ²⁾	110	Fixed (6.75%)	2005/no final maturity	(-; A-)	112	113
Talanx Finanz ³⁾	113	Fixed (4.5%), then floating rate	2005/2025	(bbb; BBB)	112	112
Talanx Finanz	500	Fixed (8.37%), then floating rate	2012/2042	(-; BBB)	500	500
Total					3,107	3,107

¹⁾ As at the balance sheet date, Group companies in addition held bonds with a nominal value of EUR 108 million (consolidated in the consolidated financial statements)

²⁾ As at the balance sheet date, Group companies in addition held bonds with a nominal value of EUR 50 million (of these EUR 10 million are consolidated in the consolidated financial statements, with the remaining EUR 40 million being blocked)

³⁾ As at the balance sheet date, Group companies in addition held bonds with a nominal value of EUR 96 million (consolidated in the consolidated financial statements)

⁴⁾ (Debt rating A. M. Best; debt rating S&P)

With respect to other features, cf. the published 2012 Annual Report, p. 260.

(9) Technical provisions

	30.6.2013			31.12.2012 ¹⁾		
	Gross	Re	Net	Gross	Re	Net
<i>Figures in EUR million</i>						
a. Unearned premium reserve	6,663	874	5,789	5,440	521	4,919
b. Benefit reserve	48,970	1,018	47,952	48,248	1,017	47,231
c. Loss and loss adjustment expense reserve	33,891	4,947	28,944	33,243	5,248	27,995
d. Provision for premium refunds	2,075	4	2,071	2,279	2	2,277
e. Other technical provisions	320	3	317	274	4	270
Total	91,919	6,846	85,073	89,484	6,792	82,692

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

Of the technical provisions where the investment risk is borne by policyholders in the amount of EUR 7,888 (7,451) million, EUR 212 (197) million is attributable to reinsurers.

(10) Notes payable and loans

As at the balance sheet date, the following issues were reported under this item:

	30.6.2013	31.12.2012
<i>Figures in EUR million</i>		
Talanx AG bank liability	250	500
Talanx AG notes payable	565	9
Mortgage loan of Hannover Re Real Estate Holdings, Inc., Orlando	169	168
Mortgage loan of HR GLL Central Europe GmbH & Co. KG, Munich	51	—
Total	1,035	677

The bank liability is mainly related to follow-on funding to the credit line that was retired in July 2012. Talanx AG made use of two syndicated, floating-rate credit lines in an amount of EUR 250 million (nominal value: EUR 500 million and EUR 700 million, respectively). In addition, on 13 February 2013, Talanx AG placed senior unsecured bonds with a volume of EUR 750 million, of which EUR 185 million is held by Group companies. For the features of this bond issue, cf. the following table. The issue price amounted to 99.958%. In connection with the placement of these bonds, bearer bonds in the amount of EUR 9 million that had been scheduled to mature in July 2013 were redeemed by the issuer in advance. Interest expenses of EUR 10 (4) million resulting from these liabilities are recognised under the item “Financing costs”.

	Nominal amount	Coupon	Maturity	Rating ¹⁾	Issue	30.6.2013	31.12.2012
	<i>Figures in EUR million</i>					<i>Figures in EUR million</i>	<i>Figures in EUR million</i>
Talanx AG	750	Fixed (3.125%)	2013/2023	(—; A—)	These senior unsecured bonds have a fixed term and may be called only for extraordinary reasons	565	—
Talanx AG	9	Fixed (5.43%)	2003/2013	(—; —)	These bearer bonds have a fixed term and may be called only for extraordinary reasons	—	9
Total						565	9

¹⁾ (Debt rating A. M. Best; debt rating S&P)

The book value of this item corresponds to amortised cost. In general, liquidity outflows take place annually in the amount of the interest payments until final maturity.

VII. Notes to the consolidated statement of income

(11) Net premium earned

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

6M 2013 ¹⁾	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
<i>Figures in EUR million</i>							
Gross written premium, including premium from unit-linked life and annuity insurance	2,376	3,591	2,151	3,813	3,035	—	14,966
Savings elements of premium from unit-linked life and annuity insurance	—	471	112	—	—	—	583
Ceded written premium	985	77	140	396	297	4	1,899
Change in gross unearned premium	–605	–329	–117	–276	–17	—	–1,344
Change in ceded unearned premium	–287	–10	–28	–34	1	—	–358
Net premium earned	1,073	2,724	1,810	3,175	2,720	–4	11,498

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

6M 2012 ¹⁾	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
<i>Figures in EUR million</i>							
Gross written premium, including premium from unit-linked life and annuity insurance	2,217	3,485	1,334	3,843	2,703	—	13,582
Savings elements of premium from unit-linked life and annuity insurance	—	436	74	—	—	—	510
Ceded written premium	886	64	106	391	278	—	1,725
Change in gross unearned premium	–600	–326	–37	–437	17	—	–1,383
Change in ceded unearned premium	–205	–16	–20	–90	1	—	–330
Net premium earned	936	2,675	1,137	3,105	2,441	—	10,294

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

(12) Net investment income

6M 2013 ¹⁾	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
<i>Figures in EUR million</i>							
Income from real estate	2	36	1	31	—	—	70
Dividends ²⁾	4	8	1	7	—	7	27
Current interest income	95	763	124	335	117	1	1,435
Other income	2	3	—	12	4	—	21
Ordinary investment income	103	810	126	385	121	8	1,553
Appreciation	—	—	—	—	—	—	—
Realised gains on investments	20	138	43	70	23	70	364
Unrealised gains on investments	2	5	11	5	8	—	31
Investment income	125	953	180	460	152	78	1,948
Realised losses on investments	8	14	10	9	3	—	44
Unrealised losses on investments	5	8	16	43	6	—	78
Total	13	22	26	52	9	—	122
Impairments/depreciation on investment property							
scheduled	1	6	1	6	—	—	14
unscheduled	—	—	—	—	—	—	—
Impairments on equity securities	—	5	5	—	—	1	11
Impairments on fixed-income securities	3	3	—	—	—	—	6
Impairments on participating interests	1	2	—	2	—	—	5
Expenses for the administration of investments	2	8	2	8	2	33	55
Other expenses	1	13	2	18	4	—	38
Other investment expenses/impairments	8	37	10	34	6	34	129
Investment expenses	21	59	36	86	15	34	251
Net income from assets under own management	104	894	144	374	137	44	1,697
Profit on investment contracts	—	—	4	—	—	—	4
Interest income from funds withheld and contract deposits	1	—	—	10	241	—	252
Interest expense from funds withheld and contract deposits	—	8	—	2	66	—	76
Income/expense from funds withheld and contract deposits	1	—8	—	8	175	—	176
Net investment income	105	886	148	382	312	44	1,877

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

²⁾ Income from investments in associated companies and joint ventures amounts to EUR 6 (4) million and is recognised under "Dividends"

6M 2012 ¹⁾	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
<i>Figures in EUR million</i>							
Income from real estate	2	28	1	23	—	—	54
Dividends ²⁾	5	10	4	4	—	14	37
Current interest income	100	755	90	365	116	3	1,429
Other income	3	5	—	18	1	—	27
Ordinary investment income	110	798	95	410	117	17	1,547
Appreciation	—	—	—	1	—	—	1
Realised gains on investments	12	75	25	64	17	3	196
Unrealised gains on investments	1	28	41	12	13	—	95
Investment income	123	901	161	487	147	20	1,839
Realised losses on investments	6	31	6	11	2	—	56
Unrealised losses on investments	3	5	21	20	3	1	53
Total	9	36	27	31	5	1	109
Impairments/depreciation on investment property							
scheduled	1	5	—	5	—	—	11
unscheduled	—	2	—	—	—	—	2
Impairments on equity securities	—	2	3	—	2	—	7
Impairments on fixed-income securities	—	—	—	—	—	—	—
Impairments on other investments	—	—	—	5	—	—	5
Expenses for the administration of investments	2	7	1	5	1	28	44
Other expenses	1	15	14	19	2	3	54
Other investment expenses/impairments	4	31	18	34	5	31	123
Investment expenses	13	67	45	65	10	32	232
Net income from assets under own management	110	834	116	422	137	–12	1,607
Profit on investment contracts	—	—	2	—	—	—	2
Interest income from funds withheld and contract deposits	—	—	1	10	212	—	223
Interest expense from funds withheld and contract deposits	1	13	—	4	66	—	84
Income/expense from funds withheld and contract deposits	–1	–13	1	6	146	—	139
Net investment income	109	821	119	428	283	–12	1,748

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

²⁾ Income from investments in associated companies and joint ventures amounts to EUR 6 (4) million and is recognised under “Dividends”

Of impairments totalling EUR 22 (14) million, EUR 11 (7) million was attributable to equity securities and EUR 5 (5) million to private equity. Impairments on structured and other fixed-income securities amounted to EUR 6 (0) million. In contrast to the comparable period, no impairments were taken on investment property (EUR 0 [2] million). On the other hand, there was slight appreciation of EUR 0.2 (1) million on investments that had been written down in previous periods.

For the credit risk associated with special life reinsurance contracts (ModCo), under which securities deposits are held by cedants on our behalf, we recognised a derivative (Life/Health Reinsurance segment) whose change in value in the reporting period gave rise to unrealised gains of EUR 1 (11) million, which were recognised as income. In 2010 we entered into inflation swaps (Non-Life Reinsurance segment) to hedge a portion of the inflation risks associated with our underwriting loss reserve, and in the year to date, this has given rise to unrealised losses of EUR 40 (–10) million, which were recognised as an expense. Pursuant to IAS 39, the changes in their market values are recognised as a derivative in the statement of income. From an economic standpoint, we expect that changes in these two balance sheet items will be neutral, meaning that any volatility that may be experienced in individual quarters will have no bearing on actual business performance.

Net income from the disposal of securities amounted to EUR 320 (140) million. This is attributable, inter alia, to the restructuring of fixed-income securities across all segments in connection with ongoing portfolio management. In addition, Talanx AG sold a significant part of its stake in Swiss Life Holding AG on the market, resulting in a gain on the disposal of EUR 70 million. In connection with this transaction, an additional EUR 28 million was recognised as a foreign exchange gain under “Other income/expenses”.

(13) Net gains and losses on investments by asset type

	6M 2013	6M 2012
<i>Figures in EUR million</i>		
Investments in affiliated companies and participating interests	2	2
Loans and receivables	754	684
Held to maturity	65	79
Available for sale		
Fixed-income securities	780	700
Variable-yield securities	98	68
At fair value through profit or loss		
Financial assets classified at fair value through profit or loss		
Fixed-income securities	18	52
Variable-yield securities	–1	–1
Financial assets held for trading		
Fixed-income securities	–	–
Variable-yield securities	1	–1
Derivatives	–12	18
Other invested assets, insofar as they are financial assets	49	52
Other ¹⁾	36	52
Assets under own management	1,790	1,705
Investment contracts investments/liabilities ²⁾	4	2
Funds withheld by ceding companies/funds withheld under reinsurance treaties	176	139
Total	1,970	1,846

¹⁾ For the purposes of reconciliation with the consolidated statement of income, the item “Other” 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 18 million. Of income and expenses, –EUR 51 million/EUR 84 million is attributable to financial assets at fair value through profit or loss (assets/liabilities), –EUR 2 million to loans and receivables, and –EUR 39 million to other liabilities. In addition, amortisation of PVFP in the amount of –EUR 6 million is taken into consideration under expenses

Making allowance for “Expenses for assets under own management” in the amount of EUR 55 (44) million and for “Other expenses” in the amount of EUR 38 (54) million, “Net investment income” as at the balance sheet date amounted to EUR 1,877 (1,748) million.

(14) Claims and claims expenses

6M 2013 ¹⁾	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
<i>Figures in EUR million</i>							
Gross							
Claims and claims expenses paid	1,200	1,745	937	1,628	2,399	—	7,909
Change in loss and loss adjustment expense reserve	88	18	118	755	109	—	1,088
Change in benefit reserve	—	737	228	—	67	—	1,032
Provision for premium refunds	7	306	2	—	—	—	315
Total	1,295	2,806	1,285	2,383	2,575	—	10,344
Reinsurers' share							
Claims and claims expenses paid	666	60	35	222	249	—	1,232
Change in loss and loss adjustment expense reserve	-215	-2	-7	-58	30	2	-250
Change in benefit reserve	—	-17	-3	—	1	—	-19
Provision for premium refunds	4	—	2	—	—	—	6
Total	455	41	27	164	280	2	969
Net							
Claims and claims expenses paid	534	1,685	902	1,406	2,150	—	6,677
Change in loss and loss adjustment expense reserve	303	20	125	813	79	-2	1,338
Change in benefit reserve	—	754	231	—	66	—	1,051
Provision for premium refunds	3	306	—	—	—	—	309
Total	840	2,765	1,258	2,219	2,295	-2	9,375

6M 2012 ¹⁾	Industrial Lines	Retail Germany ²⁾	Retail International ²⁾	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
<i>Figures in EUR million</i>							
Gross							
Claims and claims expenses paid	1,118	1,797	799	1,868	1,886	—	7,468
Change in loss and loss adjustment expense reserve	134	3	52	532	247	—	968
Change in benefit reserve	-1	635	-8	—	160	—	786
Provision for premium refunds	12	504	6	—	—	—	522
Total	1,263	2,939	849	2,400	2,293	—	9,744
Reinsurers' share							
Claims and claims expenses paid	480	56	36	288	220	—	1,080
Change in loss and loss adjustment expense reserve	118	-7	-2	-100	8	—	17
Change in benefit reserve	—	-18	-4	—	8	—	-14
Provision for premium refunds	—	—	4	—	—	—	4
Total	598	31	34	188	236	—	1,087
Net							
Claims and claims expenses paid	638	1,741	763	1,580	1,666	—	6,388
Change in loss and loss adjustment expense reserve	16	10	54	632	239	—	951
Change in benefit reserve	-1	653	-4	—	152	—	800
Provision for premium refunds	12	504	2	—	—	—	518
Total	665	2,908	815	2,212	2,057	—	8,657

¹⁾ After elimination of internal transactions within the Group across segments²⁾ Adjusted on the basis of IAS 8. Cf. "Accounting policies" section of the Notes, subsection "Changes in accounting policies and accounting errors"

(15) Acquisition costs and administrative expenses

6M 2013 ¹⁾	Industrial Lines	Retail Germany	Retail International ²⁾	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
<i>Figures in EUR million</i>							
Gross							
Acquisition costs and reinsurance commissions	269	470	462	827	575	—	2,603
Changes in deferred acquisition costs and changes in reserves for commissions	–45	–17	–48	–42	—	—	–152
Total acquisition costs	224	453	414	785	575	—	2,451
Administrative expenses	127	156	94	94	78	—	549
Total acquisition costs and administrative expenses	351	609	508	879	653	—	3,000
Reinsurers' share							
Acquisition costs and reinsurance commissions	158	8	27	67	53	—	313
Changes in deferred acquisition costs and changes in reserves for commissions	–25	3	1	–5	–19	—	–45
Total acquisition costs	133	11	28	62	34	—	268
Net							
Acquisition costs and reinsurance commissions	111	462	435	760	522	—	2,290
Changes in deferred acquisition costs and changes in reserves for commissions	–20	–20	–49	–37	19	—	–107
Total acquisition costs	91	442	386	723	541	—	2,183
Administrative expenses	127	156	94	94	78	—	549
Total acquisition costs and administrative expenses	218	598	480	817	619	—	2,732

6M 2012 ¹⁾	Industrial Lines	Retail Germany	Retail International ²⁾	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
<i>Figures in EUR million</i>							
Gross							
Acquisition costs and reinsurance commissions	255	484	224	814	421	—	2,198
Changes in deferred acquisition costs and changes in reserves for commissions	–44	–178	26	–68	25	—	–239
Total acquisition costs	211	306	250	746	446	—	1,959
Administrative expenses	107	144	75	86	71	—	483
Total acquisition costs and administrative expenses	318	450	325	832	517	—	2,442
Reinsurers' share							
Acquisition costs and reinsurance commissions	134	6	17	34	15	—	206
Changes in deferred acquisition costs and changes in reserves for commissions	–19	—	6	–5	4	—	–14
Total acquisition costs	115	6	23	29	19	—	192
Net							
Acquisition costs and reinsurance commissions	121	478	207	780	406	—	1,992
Changes in deferred acquisition costs and changes in reserves for commissions	–25	–178	20	–63	21	—	–225
Total acquisition costs	96	300	227	717	427	—	1,767
Administrative expenses	107	144	75	86	71	—	483
Total acquisition costs and administrative expenses	203	444	302	803	498	—	2,250

¹⁾ Presentation after elimination of intra-Group relations²⁾ Adjusted on the basis of IAS 8. Cf. "Accounting policies" section of the Notes, subsection "Changes in accounting policies and accounting errors"

(16) Other income/expenses

	6M 2013	6M 2012 ¹⁾
<i>Figures in EUR million</i>		
Other income		
Foreign exchange gains	147	83
Income from services, rents and commissions	114	120
Reversals of impairments on receivables	8	4
Income from contracts recognised in accordance with the deposit accounting method	40	28
Income from the release of other non-technical provisions	5	3
Interest income	16	21
Sundry income	64	62
Total	394	321
Other expenses		
Foreign exchange losses	95	99
Other interest expenses	65	96
Depreciation/amortisation and impairments	66	47
Expenses for the company as a whole	134	124
Expenses for personnel	19	17
Expenses for services and commissions	45	74
Other taxes	27	18
Expenses from restructuring provisions	12	2
Sundry expenses	60	44
Total	523	521
Other income/expenses	-129	-200

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

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

"Other income/expenses" for the reporting period just ended does not contain any material income from the release of restructuring provisions.

VIII. Other information

Staff

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

	30.6.2013	31.12.2012
Industrial Lines	2,852	2,770
Retail Germany	5,112	5,335
Retail International	8,362	8,598
Reinsurance companies	2,351	2,263
Corporate Operations	2,771	2,588
Total excluding apprentices and student trainees	21,448	21,554
Apprentices and student trainees	491	493
Total	21,939	22,047

As at the balance sheet date, a total workforce of 20,537 (20,887) was employed by the Talanx Group. This figure refers to full-time equivalents (FTEs).

Related-party disclosures

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 on the grounds of materiality, as well as 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 on consolidation and hence not discussed in the Notes. On 10 May 2013, loans to HDI V.a.G. in the nominal amount of EUR 110 million were repaid early. 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 addition, various transactions with HDI V.a.G. gave rise to liabilities of EUR 2 million. Furthermore, transactions with the subsidiaries HDI Direkt Service GmbH, Hannover, and HDI-Gerling Financial Service GmbH, Vienna, which are not consolidated on the grounds of materiality, generated expenses that were not consolidated. HDI-Gerling Financial Service GmbH provided services in this context for HDI Lebensversicherung AG, Cologne, based on a service contract in the fields of product management, accounting and controlling, marketing, application and contract management, and sales. Liabilities to the company amount to EUR 2 million. The services of HDI Direkt Service GmbH were largely provided to Talanx Service AG, Hannover, based on a service contract, including in connection with HR management. Receivables from HDI Versicherung AG amount to EUR 5 million.

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

In addition, there are service contracts with a company in which a member of the Supervisory Board participates. During the reporting period, the company generated revenues under these contracts in the amount of EUR 0.5 million from Group companies.

In addition, there were no significant changes in related-party disclosures in the course of the 2013 reporting period relative to the position as at 31 December 2012.

Other information about financial assets

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 competition authorities imposed a fine of EUR 6 million on HG-I on the grounds of alleged cartel agreements in the Campania region. The company appealed against 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, earnings per share may be diluted as a result of the issuance of shares or subscription rights from conditional or authorised capital.

	6M 2013	6M 2012 ¹⁾	Q2 2013	Q2 2012 ¹⁾
Net income attributable to shareholders of Talanx AG for calculating earnings per share (figures in EUR million)	407	353	204	147
Weighted average number of ordinary shares outstanding (in units)	252,625,682	208,000,000	252,625,682	208,000,000
Basic earnings per share (figures in EUR)	1.61	1.69	0.81	0.71
Diluted earnings per share (figures in EUR)	1.61	1.69	0.81	0.71

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

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:

	30.6.2013	31.12.2012
<i>Figures in EUR million</i>		
Trust accounts in the United States (Master Trust Funds, Supplement Trust Funds and Single Trust Funds) as security for technical liabilities to US cedants ¹⁾	3,450	3,417
Sureties in the form of letters of credit furnished by various financial institutions as security for technical liabilities	3,265	3,407
Guarantees for subordinated bonds issued: the guarantees cover the relevant bond volumes as well as interest due	2,862	2,862
Blocked custody accounts and other trust accounts as collateral in favour of reinsurers and cedants; generally outside the US ¹⁾	2,493	2,392
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	933	1,010
Commitments arising out of rental/lease agreements ²⁾	488	488
Funding commitments and contribution payments pursuant to §§124 et seqq. of the Insurance Supervision Act (VAG) as a member of the Security Fund for Life Insurers	406	409
Collateral for liabilities to various financial institutions in connection with participating interests in real estate companies and real estate transactions	340	288
Commitments based on service agreements – primarily in connection with IT outsourcing contracts	269	270
Assets in blocked custody accounts as collateral for existing derivative transactions: we have received collateral with a fair value of EUR 0,2 (9) million for existing derivative transactions ³⁾	67	84
Other commitments	62	60
Total	14,635	14,687

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 (Pharma-Rückversicherungsgemeinschaft), the Association for the Insurance of German Nuclear Reactors (Deutsche Kernreaktor-Versicherungsgemeinschaft) and the traffic accident pool Verkehrsofferhilfe 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 Rück SE 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 Rück SE 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, liabilities, 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 give rise to additional tax liabilities in the future.

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, it provided customary guarantees and assurances. As things currently stand, it does not believe that any claims will be made under this agreement.

In connection with the placement of an unsecured senior bond, Talanx AG provided customary guarantees and assurances to all of the banks associated with the placement pursuant to a subscription agreement dated 11 February 2013. 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

Major loss events

The Group anticipates that claims will be made in connection with various loss events that occurred in the third quarter prior to preparation of the half-yearly financial report. However, these are not expected to exceed the amount of expenses for major losses estimated for the third quarter.

Other events

The integration of our Polish companies is proceeding on schedule. In this regard, we merged HDI-Gerling Życie into TUIR WARTA S.A. in late July. As a result, our interest in TUIR WARTA increased slightly to 75.74%. In late 2013, HDI-Gerling Życie will be merged as planned with the Polish company TUnŻ WARTA S.A.

Drawn up and released for publication in Hannover, 7 August 2013.

Hannover, 7 August 2013

Board of Management



Herbert K. Haas,
Chairman



Dr. Christian Hinsch,
Deputy Chairman



Torsten Leue



Dr. Thomas Noth



Dr. Immo Querner



Dr. Heinz-Peter Roß



Ulrich Wallin

Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the consolidated interim financial statements present a true and accurate view of the assets, financial position and net income of the Group, and the Group interim Management Report presents a true and accurate view of the Group's performance, results and position, together with a description of the material opportunities and risks associated with the future development of the Group over the remainder of the financial year.

Hannover, 7 August 2013

Board of Management



Herbert K. Haas,
Chairman



Dr. Christian Hinsch,
Deputy Chairman



Torsten Leue



Dr. Thomas Noth



Dr. Immo Querner



Dr. Heinz-Peter Roß



Ulrich Wallin

Review report by the independent auditors

To Talanx Aktiengesellschaft, Hannover

We have reviewed the condensed Group interim financial statements – 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 Notes – and the Group interim Management Report of Talanx AG, Hannover, for the period from 1 January to 30 June 2013, which are the components of the half-yearly financial report required under § 37w of the German Securities Trading Act (WpHG). The preparation of both the condensed Group interim financial statements in accordance with the IFRS rules for interim financial reporting, in the form adopted for use in the EU, and the Group interim Management Report in accordance with the provisions of the WpHG applicable to group interim management reports is the responsibility of the company's legal representatives. Our responsibility is to issue a report on the condensed Group interim financial statements and Group interim Management Report based on our review.

We conducted our review of the condensed Group interim financial statements and Group interim Management Report in accordance with generally accepted German standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the review such that, after a critical assessment, we are able to rule out with fair degree of certainty that, in material respects, the condensed Group interim financial statements were not prepared in accordance with the IFRS rules for interim financial reporting, in the form adopted for use in the EU, and that, in material respects, the Group interim Management Report was not prepared in accordance with the provisions of the WpHG applicable to group interim management reports. A review is essentially limited to questioning company employees and making analytical evaluations. It therefore does not offer the certainty that can be achieved by an audit of the financial statements. Since we were not asked to audit the financial statements, we cannot provide an auditor's opinion.

Based on our review, we did not learn of any circumstances that give us reason to assume that, in material respects, the condensed Group interim financial statements were not prepared in accordance with the IFRS rules for interim financial reporting, in the form adopted for use in the EU, or that, in material respects, the Group interim Management Report was not prepared in accordance with the provisions of the WpHG applicable to group interim management reports.

Hannover, 8 August 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Husch
Wirtschaftsprüfer
(German public auditor)

Stiede
Wirtschaftsprüfer
(German public auditor)

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

Interim Report online

www.talanx.com/investor-relations

Financial calendar 2013/2014

14 November 2013

Interim Report as at 30 September 2013

24 March 2014

Results Press Conference 2013

8 May 2014

Annual General Meeting

15 May 2014

Interim Report as at 31 March 2014

14 August 2014

Interim Report as at 30 June 2014

13 November 2014

Interim Report as at 30 September 2014

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