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Talanx Group Interim Report as at 30 September 2013

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The Talanx Group at a glance

		6M 2013	Q3 2013	9M 2013	6M 2012	Q3 2012	9M 2012	+/– % 9M 2013/ 9M 2012
Gross written premium	*in EUR million*	**14,966**	**6,414**	**21,380**	**13,582**	**6,265**	**19,847**	**+8**
by regions								
Germany	*in %*	36	30	34	38	30	35	–1 pt.
UK	*in %*	9	11	9	9	12	10	–1 pt.
Central and Eastern Europe including Turkey (CEE)	*in %*	9	8	9	4	8	5	+4 pt.
Rest of Europe	*in %*	15	14	15	16	15	16	–1 pt.
USA	*in %*	12	13	13	13	13	13	—
Rest of North America	*in %*	2	3	2	2	3	3	–1 pt.
Latin America	*in %*	7	8	7	7	7	7	—
Asia and Australia	*in %*	8	11	9	9	10	9	—
Africa	*in %*	2	2	2	2	2	2	—
Net premium earned	*in EUR million*	**11,498**	**5,605**	**17,103**	**10,294**	**5,557**	**15,851**	**+8**
Underwriting result	*in EUR million*	**–730**	**–512**	**–1,242**	**–695**	**–452**	**–1,147**[4]	**–8**
Net investment income	*in EUR million*	**1,877**	**937**	**2,814**	**1,749**	**1,068**	**2,817**	**—**
Net return on investment[1]	*in %*	**4.0**		**4.0**	**4.1**		**4.3**	**–0.3 pt.**
Operating profit (EBIT)	*in EUR million*	**1,018**	**344**	**1,362**	**852**	**461**	**1,313**[4]	**+4**
Net income (after financing costs and taxes)	*in EUR million*	**661**	**232**	**893**	**577**	**379**	**956**[4]	**–7**
of which attributable to shareholders of Talanx AG	*in EUR million*	407	121	528	353	197	550[4]	–4
Return on equity[2]	*in %*	**11.7**		**10.0**	**12.5**		**12.6**[4]	**–2.6 pt.**
Earnings per share								
Basic earnings per share at the end of the period	*in EUR*	1.61	0.48	2.09	1.69	0.95	2.64[4]	–21
Diluted earnings per share at the end of the period	*in EUR*	1.61	0.48	2.09	1.69	0.95	2.64[4]	–21
Combined ratio in property/casualty primary insurance and non-life reinsurance[3]	*in %*	**96.0**	**100.6**	**97.5**	**98.0**	**95.4**	**97.1**	**+0.4 pt.**
Combined ratio of property/ casualty primary insurers	*in %*	98.2	105.3	100.6	99.8	94.9	98.0	+2.6 pt.
Combined ratio for Non-Life Reinsurance	*in %*	94.2	96.6	95.0	96.8	95.8	96.5	–1.5 pt.

		30.9.2013	31.12.2012	+/– %
Policyholders' surplus	*in EUR million*	**14,009**	**14,416**[4]	**–3**
Equity attributable to shareholders of Talanx AG	*in EUR million*	6,985	7,153[4]	–2
Non-controlling interests	*in EUR million*	3,917	4,156[4]	–6
Hybrid capital	*in EUR million*	3,107	3,107	—
Assets under own management	*in EUR million*	**86,070**	**84,052**	**+2**
Total investments	*in EUR million*	**100,719**	**98,948**	**+2**
Total assets	*in EUR million*	**133,119**	**130,350**[4]	**+2**
Carrying amount per share at the end of the period	*in EUR*	**27,65**	**28.31**[4]	**–2**
Share price at the end of the period	*in EUR*	**24,90**	**21.48**	**+16**
Market capitalisation of Talanx AG at the end of the period	*in EUR million*	**6,290**	**5,426**	**+16**
Staff	*full-time equivalents*	**20,324**	**20,887**	**–3**

[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 September 2013 and 31 December 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

Contents

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* *Staff representative*

As at: 30 September 2013

Interim Group Management Report

Markets and business climate

While the first half of 2013 was shaped by setbacks and ongoing concerns relating to the euro debt crisis, economic growth accelerated noticeably in many developed countries in the second quarter. The Eurozone recovered from its recession after six quarters and grew moderately in the second quarter, while the number of unemployed people in the Eurozone fell for the first time in two years. The recovery in economic leading indicators suggests that the positive trend continued in the third quarter. Although GDP in the Eurozone fell by 0.2% in the first quarter, the Eurozone economy grew by 0.3% in the second quarter of 2013 compared with the previous quarter, the first time that it had grown since the fourth quarter of 2011. This was partly thanks to strong growth in Germany (+0.7%) and France (+0.5%). The ifo index reached its highest level for 17 months (107.7 points) in September.

The weak economy, political uncertainty and ongoing expansionary monetary policies had a considerable influence on developments on the bond markets. The third quarter was focused on US budget planning, the government crisis in Italy and parliamentary elections in Germany. As a result, interest rates were volatile. The yield spread on ten-year German government bonds was between 1.50% and 2.09%. Following a large increase at the beginning of September, yields underwent a sharp correction and by the end of the third quarter were close to 0% for bonds with maturities of less than one year, while two-year German government bonds were almost unchanged at 0.166% and five- and ten-year German government bonds increased slightly to 0.791% and 1.778% respectively.

Business development of the Talanx Group

- Catastrophe losses within expected range despite substantial burdens, particularly from natural disasters
- Hailstorms in Europe cost the Group EUR 119 million
- Expansion abroad contributes to good results

	9M 2013	9M 2012[1]	+/– %
Figures in EUR million			
Gross written premium	21,380	19,847	+8
Net premium earned	17,103	15,851	+8
Underwriting result	–1,242	–1,147	–8
Net investment income	2,814	2,817	—
Operating profit (EBIT)	1,362	1,313	+4
EBIT margin[2] in %	8.0	8.3	–0.3 pt.
Combined ratio (net, property/casualty only) in %	97.5	97.1	+0.4 pt.

[1] Adjusted on the basis of IAS 8, cf. “Accounting policies” section of the Notes
[2] Operating profit (EBIT)/net premium earned

Premium volume

Group gross written premium was up around 8% year-on-year at EUR 21.4 (19.8) billion; with adjustments for exchange rate effects, the level of growth would have been almost 10%. Net premium earned also improved significantly by around 8% to EUR 17.1 (15.9) billion. This increase came mainly from Industrial Lines – due to growth abroad and premium hikes in Germany – and from Retail International, particularly the two Polish companies acquired in 2012. The retention ratio contracted slightly to 86.6 (87.0)%.

Underwriting result

At Group level the underwriting result is regularly negative since it includes participation of policyholders in our life insurers’ investment income. It declined by around 8% to –EUR 1,242 (–1,147) million compared with the same period of the previous year, partly owing to higher catastrophe losses. Major losses in the Industrial Lines segment significantly exceeded the pro rata budget for major losses, while the Life/Health Reinsurance segment was also affected by burdens from Australian disability business. July’s hailstorms resulted in a net burden of EUR 119 million for the Group, including a net burden of approximately EUR 55 million in the primary insurance business. This led to a deterioration in the combined ratio of 0.4 percentage points to 97.5 (97.1)% compared with the same period of the previous year.

Net investment income

Net investment income remained stable year-on-year, at EUR 2,814 (2,817) million. Growth in the overall investment portfolio almost offset the slight decline in ordinary investment income due to persistent low interest rates.

Operating profit and Group net income

The Group's operating profit (EBIT) grew by 4% to EUR 1,362 (1,314) million. This improvement was due to the Retail Germany, Retail International and Corporate Operations segments. The Group EBIT margin was 8.0 (8.3)%.

Group net income attributable to Talanx AG shareholders fell by 4% year-on-year from EUR 550 million to EUR 528 million. Earnings per share amounted to EUR 2.09 (2.64), while the (annualised) return on equity was 10.0%. In the comparable period, which did not include the IPO, it was 12.6%.

Business development of the segments

Talanx divides its business strategically into six reportable segments: Industrial Lines, Retail Germany, Retail International, Non-Life Reinsurance, Life/Health Reinsurance and Corporate Operations. Please refer to the "Segment reporting" section in the Notes to this report for details of these segments' nature and scope of business.

Industrial Lines

- Premium growth continues
- Major losses have negative impact on income, especially those resulting from natural hazards
- Net investment income affected by low interest rates

	9M 2013	9M 2012[1]	+/– %
Figures in EUR million			
Gross written premium	3,128	2,849	+10
Net premium earned	1,345	1,182	+14
Underwriting result	–83	69	–222
Net investment income	167	181	–8
Operating profit (EBIT)	60	212	–72
EBIT margin[2] in %	4.5	17.9	–13.4 pt.
Combined ratio (net)[3] in %	106.2	94.3	+11.9 pt.

[1] Adjusted on the basis of IAS 8, cf. "Accounting policies" section of the Notes
[2] Operating profit (EBIT)/net premium earned
[3] Including net interest income on funds withheld and contract deposits

Premium volume

The segment's gross written premium amounted to EUR 3.1 (2.8) billion as at 30 September 2013, an increase of around 10%. This continued 2012's positive trend. As the largest company in the segment, HDI-Gerling Industrie Versicherung AG contributed to this growth with an increase of EUR 183 million. Its increase in premium was largely due to growth at foreign branches and premium hikes in Germany. Growth was strongest in fire, third-party liability and motor insurance. Premium growth in fire was mainly due to the expansion of international programmes, while market hardening continued in motor insurance in the third quarter of 2013.

We were also pleased with overall premium development at foreign companies in the segment. The Belgian company HDI-Gerling Assurances S.A. achieved significant premium growth of 25% to EUR 162 (130) million in the first nine months of 2013 by extending existing customer relationships and gaining new ones. Gross written premium at the Dutch company HDI-Gerling Verzekeringen N.V. grew to EUR 348 (312) million. The marine insurance business was expanded significantly.

Net premium earned rose to EUR 1.3 (1.2) billion. This represents an increase of 14%, a higher level of growth than in gross written premium. Retentions increased at HDI-Gerling industrial insurance in particular. At the same time, there was a disproportionate increase in reinsurance premiums at the Austrian subsidiary, owing to the separation of the portfolio into industrial business and retail business within the reporting system.

Underwriting result

The segment's net underwriting result amounted to –EUR 83 (69) million, well below the previous year's figure. This was due to high catastrophe losses at HDI-Gerling industrial insurance. At 19.1 (21.2)%, the net expense ratio was down year-on-year, while the net loss ratio rose to 87.1 (73.0)%. The combined ratio of the Industrial Lines segment was thus 106.2 (94.3)%.

HDI-Gerling Industrie achieved a net underwriting result of –EUR 66 (50) million. In addition to the floods in southern and eastern Germany in June 2013, several hailstorms in Germany and abroad led to a significant decline in the result for the third quarter. The burden from other major losses also rose year-on-year.

Our Dutch subsidiary recorded a decline to –EUR 4 (12) million, largely owing to additional provisions and a higher level of major losses in the amount of EUR 12 million in the first quarter of 2013. The Austrian company's underwriting result remained stable at EUR 4 (4) million despite flood damage in the second quarter.

Net investment income

Net investment income fell by 8% to EUR 167 (181) million. The interest-induced decline in current income at HDI-Gerling industrial insurance was not fully 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.

Operating profit and Group net income

The segment's operating profit declined to EUR 60 (212) million, owing to the above developments, especially the lower underwriting result. The decline was largely due to the net underwriting result of –EUR 66 (50) million at HDI-Gerling industrial insurance, which was affected by major losses. The Dutch subsidiary's operating profit decreased to EUR 1 (8) million, mainly owing to the abovementioned one-off effects.

The segment's EBIT margin decreased to 4.5 (17.9)% due to the decline in the underwriting result. Income attributable to shareholders of Talanx AG (Group net income) for the segment amounted to EUR 34 (134) million.

Retail Germany

- Premiums up 3% due to higher gross premium of life insurers
- Measures to improve profitability at HDI Versicherung AG have positive effect
- Substantial burdens from major losses and natural disasters

	9M 2013	9M 2012	+/– %
Figures in EUR million			
Gross written premium	5,196	5,056	+3
Net premium earned	4,036	3,908	+3
Underwriting result	–1,130	–1,122	–1
Net investment income	1,319	1,236	+7
Operating profit (EBIT)	111	64	+74
EBIT margin [1] in %	2.8	1.6	+1.2 pt.
Combined ratio (net, property/casualty only) [2] in %	101.6	102.3	–0.7 pt.

[1] Operating profit (EBIT)/net premium earned
[2] Including net interest income on funds withheld and contract deposits

The business climate in the German insurance sector recovered in the quarter under review, reaching its long-term average level. This was largely due to much more optimistic assessments of prospects for the next six months. However, expectations regarding the development of premium income and gross new business in 2013 as a whole remained cautious. Having risen in the first three quarters, premium income is expected to fall during the rest of the year. A look at the individual lines of business highlights differences in assessments of the mood in the sector.

Premium income in property and casualty insurance rose year-on-year in the period under review, as did new business. Year-on-year premium growth is anticipated in almost all classes of insurance for 2013 as a whole. Only in private accident insurance is the level of premiums expected to remain unchanged. Growth in new business is forecast for all classes of insurance, with the exception of private liability insurance.

Several severe hailstorms had a significant impact on the development of claims in the quarter under review, leading to a total burden of EUR 2.7 billion, according to figures from the German Insurance Association (GDV). This second major loss event due to natural hazards, following the floods in

June, affected motor insurance and private and commercial property insurance in particular. Claims development for the financial year as a whole is expected to be less favourable than in the previous year as a result of these events.

The business climate in German life insurance improved significantly in the quarter under review, and assessments of business prospects for the coming six months have become more optimistic. The ifo Institute for Economic Research published positive data relating to the business climate in annuity insurance and unit-linked life and annuity insurance. The climate in endowment life insurance has not improved; this area came last in the assessment of the life insurance segments.

Estimates for premium income in new business with regular premiums in the reporting period indicated a lower result than in the previous year. A decline was expected for 2013 as a whole in endowment life insurance and, to a lesser extent, in annuity insurance. New single-premium business grew in the third quarter compared with the corresponding period of the previous year. Premiums are expected to remain stable for the financial year as a whole.

Premium volume

Gross written premium of the Retail Germany segment – including savings elements under unit-linked life insurance – rose by 3% to EUR 5.2 (5.1) billion in the period under review. In life insurance business, gross written premium – including savings elements under unit-linked life insurance – grew by 4% to EUR 3.9 (3.7) billion, owing to higher single premiums (excluding capitalisation products). Gross premium of property/casualty insurers remained unchanged year-on-year, at EUR 1.3 (1.3) billion. Their share in the segment as a whole was therefore 25 (26)%. Our most important property line – motor – remained at the previous year's level despite the deterioration in price position associated with measures to improve profitability.

The segment's retention ratio was unchanged at 94.6%. Allowing for higher savings elements under our unit-linked products and the change in unearned premiums, net premium earned in the segment increased by around 3% to EUR 4.0 (3.9) billion.

New business, measured by the international standard of the Annual Premium Equivalent (APE), amounted to EUR 468 (480) million. New business with life insurance products remained stable year-on-year at EUR 321 (323) million. Bancassurance life insurers improved their result by 7% overall compared to the corresponding period of the previous year, while new business declined at HDI Lebensversicherung AG. 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 147 (157) million, while there was a rise in average premiums at the same time.

Underwriting result

The segment's net underwriting result remained stable at –EUR 1.1 (–1.1) 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, in accordance with the accounting system, is recognised in the non-underwriting result.

Major losses and natural disasters affecting HDI insurance in the last quarter placed a considerable strain on the underwriting result for property insurance. Systematic improvements in operating business helped to mitigate these effects.

Net investment income

The segment's net investment income rose by 7% to EUR 1.3 (1.2) 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 and policyholder participation in the valuation reserves. This explains the 90% increase in extraordinary investment income, while ordinary investment income remained unchanged.

Operating profit and Group net income

Low interest rates on the capital market continued to have a negative impact on our life insurers' results. The segment result increased to EUR 111 (64) million despite the burden from higher major losses and losses due to natural disasters, thanks to systematic improvements in operating business at HDI Versicherung AG. This meant that it returned to the same level as in 2011. EBIT for 2012 had included one-off effects with a negative impact (e.g. sale of a company within the segment). The EBIT margin improved by 1.2 percentage points to 2.8% as a result. After taking into account taxes on income and financing costs, Group net income attributable to shareholders of Talanx AG decreased to EUR 63 (106) million. The previous year's result had included deferred taxes.

The Retail Germany segment at a glance – further key figures	9M 2013	9M 2012	+/– %
Figures in EUR million			
Gross written premium	**5,196**	**5,056**	**+3**
Property/casualty	1,319	1,316	—
Life	3,877	3,740	+4
Net premium earned	**4,036**	**3,908**	**+3**
Property/casualty	1,074	1,077	—
Life	2,962	2,831	+5
Underwriting result	**–1,130**	**–1,122**	**+1**
Property/casualty	–17	–22	–23
Life	–1,113	–1,101	+1
Other	–	1	–100
Net investment income	**1,319**	**1,236**	**+7**
Property/casualty	82	89	–8
Life	1,237	1,146	+8
Other	–	1	–100
New business measured in Annual Premium Equivalent	**468**	**480**	**–3**
Single premiums (life)	1,149	973	+18
Regular premiums (life and non-life)	353	383	–8
New business by product in Annual Premium Equivalent	**468**	**480**	**–3**
Motor	90	106	–15
Property insurance	17	11	+56
Liability insurance	18	21	–11
Accident insurance	10	10	+9
Other property/casualty insurance	11	10	+11
Unit-linked life and annuity insurance	105	107	–2
Traditional life and annuity insurance	160	163	–2
Term life products	54	50	+7
Other life products	3	3	–23

Retail International

- Expansion abroad boosts results
- Integration of Polish companies on track

	9M 2013	9M 2012	+/– %
Figures in EUR million			
Gross written premium	3,133	2,231	+40
Net premium earned	2,597	1,801	+44
Underwriting result	23	–25	+189
Net investment income	214	201	+7
Operating profit (EBIT)	157	75	+109
EBIT margin [1] in %	6.0	4.2	+1.8 pt.
Combined ratio (net, property/casualty only) [2] in %	95.8	97.8	–2.0 pt.

[1] Operating profit (EBIT)/net premium earned
[2] Including net interest income on funds withheld and contract deposits

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 nine months of the 2013 financial year was the integration of companies acquired in these target regions in 2012. This involved the merger of the Mexican insurers Metropolitana and HDI Seguros and the incorporation of the Polish WARTA Group and the TU Europa Group into the Talanx Group. The merger of the Polish property insurance companies will be followed at the end of the year by the merger of Polish life insurers TUnŻ WARTA S. A. and HDI-Gerling Życie; HDI-Gerling Życie was incorporated into the WARTA Group on 31 July 2013.

Only a limited comparison with the prior-year period is possible, as the WARTA Group was included for only three months and the TU Europa companies for four months in the same period of the previous year.

We started a restructuring project at our Turkish subsidiary 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 40% year-on-year to EUR 3.1 (2.2) billion. Over EUR 700 million of this premium growth was attributable to the companies acquired in Poland last year.

Gross written premium growth was influenced by positive developments in property business, where premium rose by 31% to EUR 2.1 billion, including a significant contribution from the new Polish companies. Life insurance business also grew by 65% to EUR 1.0 billion, primarily 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 company HDI Seguros S. A., which operates mainly in motor insurance. The company's written premium increased by 6% year-on-year to EUR 629 million, taking into account exchange rate effects. With adjustments for exchange rate effects, premium income rose by 20%, principally the result of higher premiums and the conclusion of a large number of new contracts in motor insurance. The Mexican company HDI Seguros increased its gross written premium to EUR 131 million, mainly owing to growth in new business, which was partly due to a new cooperation agreement in motor insurance business. The combined gross written premium of the two predecessor companies in the previous year was EUR 103 million.

The Polish companies accounted for 40% of the division's total written premium, compared with 25% in the previous year. Following the merger with HDI Asekuracja S. A., TUiR WARTA S. A. recorded premium volume in property insurance of EUR 622 million. The combined gross written premium of the life insurers TUnŻ WARTA S. A. and HDI-Gerling Życie amounted to EUR 244 million. Premium income for the TU Europa Group amounted to EUR 391 million.

The Turkish property insurer HDI Sigorta began to benefit from the effects of the restructuring project mentioned above. The company achieved year-on-year growth of 14%. With adjustments for exchange rate effects, premium growth was 22%. Written premium in other property insurance increased by 53%, in line with targets. In motor insurance, however, premium growth was essentially due to a 48% rise in average premiums, while the number of contracts declined by 35%. Motor insurance accounted for 59% of the company's entire portfolio, compared with 70% at the same point in 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 4% was achieved in property/casualty insurance, particularly in fire, householders and liability insurance, owing to the expansion of the distribution network. Life insurance premiums rose by 68% year-on-year, largely owing to higher single premiums from sales through banks.

Underwriting result

The combined ratio in international property/casualty insurance was 95.8 (97.8)%, 2.0 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 decline in the effects of major loss events and the improvement in loss ratios in motor insurance as a result of increases in premiums and improved portfolios, particularly in the core markets of Brazil and Turkey. TUiR WARTA S.A. was affected by a major loss event in the agricultural sector (frost damage) in the corresponding period of the previous year. The underwriting result of Italian company HDI Assicurazioni remained largely stable. As expected, the exceptionally low level of losses in motor insurance throughout the sector in the prior-year period in Mexico did not continue in the current financial year, although losses remained at a reasonable level.

The division's underwriting result amounted to EUR 23 (–25) million. This increase was largely due to the Polish companies.

Net investment income

Net investment income in the division amounted to EUR 214 million as at the end of the third quarter of 2013, a year-on-year rise of 7%. 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. The Polish companies contributed EUR 66 million or 31% to total net investment income, compared with EUR 46 million or 23% in the same period of the previous year. Net investment income includes profit on investment contracts in the amount of EUR 8 (5) million. Investment contracts are policies from the Polish companies 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, mainly as a result of the acquisitions in Poland. This led to a year-on-year increase of 109% in the operating profit (EBIT) to EUR 157 million. As a result, the EBIT margin rose by 1.8 percentage points to 6.0%. Group net income attributable to shareholders of Talanx AG grew by 139% to EUR 93 (39) million.

The Retail International segment at a glance – further key figures	**9M 2013**	**9M 2012**	**+/– %**
Figures in EUR million			
Gross written premium	**3,133**	**2,231**	**+40**
Property/casualty	2,103	1,608	+31
Life	1,030	623	+65
Net premium earned	**2,597**	**1,801**	**+44**
Property/casualty	1,755	1,398	+26
Life	842	403	+109
Underwriting result	**23**	**–25**	**+189**
Property/casualty	74	30	+141
Life	–51	–55	–7
Other	–	–	–
Net investment income	**214**	**201**	**+7**
Property/casualty	122	112	+10
Life	92	88	+5
Other	–	1	–100
New business measured in Annual Premium Equivalent	**1,045**	**743**	**+41**
Single premiums (life)	828	380	+118
Regular premiums (life and non-life)	962	705	+36
New business by product in Annual Premium Equivalent	**1,045**	**743**	**+41**
Motor	542	424	+28
Property insurance	140	100	+39
Liability insurance	45	36	+26
Accident insurance	12	10	+13
Other property/casualty insurance	162	98	+65
Unit-linked life and annuity insurance	22	19	+14
Traditional life and annuity insurance	39	19	+104
Term life products	61	22	+181
Other life products	23	15	+56

Non-Life Reinsurance

- Underwriting result significantly improved as at 30 September 2013
- Catastrophe losses in line with expectations
- Satisfactory renewals on 1 July despite tougher competitive pressure

	9M 2013	9M 2012[1]	+/– %
Figures in EUR million			
Gross written premium	5,956	5,897	+1
Net premium earned	5,093	5,017	+2
Underwriting result	245	170	+44
Net investment income	600	730	–18
Operating profit (EBIT)	833	797	+4
EBIT margin[2] in %	16.3	15.9	+0.4 pt.
Combined ratio (net)[3] in %	95.0	96.5	–1.5 pt.

[1] Adjusted on the basis of IAS 8, cf. "Accounting policies" section of the Notes
[2] Operating profit (EBIT)/net premium earned
[3] Including net interest income on funds withheld and contract deposits

Business development

We are satisfied with our performance in the third quarter. Market conditions remain positive for financially strong reinsurers. Even if competition has intensified in some segments or regions, prices in non-life reinsurance are generally commensurate with risk.

On 1 July 2013 competition was more intense in some segments for treaty renewals in non-life reinsurance business than at the beginning of the year. US property catastrophe business was particularly affected. Insurers' sustained positive results and additional capacity on the market for CAT bonds led to corresponding reductions in rates. Nevertheless, rates remained commensurate with risk in most cases. Margin reduction on US catastrophe cover has a limited impact on our business, as our market share in this segment is below average. Although competition also intensified in other parts of the US property business compared with renewals earlier this year, we are largely satisfied with rates development. Rates are continuing to rise in private property business for both primary insurance and reinsurance. As a result, this area of business is well on the way to becoming more profitable.

We also achieved moderate rate increases in commercial property business. Our premium volume in US property business rose slightly overall and is now at a historic high.

In liability business, rates improved in all primary insurance lines. However, this development did not continue to the same extent in reinsurance, as customers are keeping more business in their retention due to good results.

We are satisfied with the results of treaty renewals in Australia and New Zealand on 1 July 2013. The adjustment of models by AIR, the natural disaster modelling specialist, for secondary risks that have not been adequately reflected in prices up to now has been integrated into underwriting activities, resulting in price mark-ups. Prices were very attractive last year following high catastrophe losses in 2010 and 2011, but have now come under pressure owing to new and established competitors and to the extensive absence of losses in the previous year. Rates fell slightly in natural catastrophe XL business, but remained at a level that enabled us to achieve technically adequate margins. Liability lines came under greater competitive pressure than property lines. We were able to achieve our desired pricing requirements in most reinsurance programmes. Despite a selective underwriting policy, we increased our premium volume.

Premium development

Gross premium for our Non-Life Reinsurance Division increased slightly by 1% year-on-year to EUR 6.0 (5.9) billion. At constant exchange rates, especially against the US dollar, growth would have been 3%. The retention ratio was slightly lower at 89.1 (89.9)%. Net premium earned climbed 2% to EUR 5.1 (5.0) billion.

Net investment income

Net investment income in the Non-Life Reinsurance segment declined from EUR 730 million to EUR 600 million in the first nine months of 2013. This was due to continuing low interest rates and the fact that positive one-off effects no longer applied.

Underwriting result
Following a large volume of major losses in the second quarter, the third quarter was also affected by a series of natural disasters and further major losses. The largest single loss, the hailstorm "Andreas", occurred in our domestic market and is estimated to have cost it at least EUR 2.5 billion. This resulted in a net burden of EUR 64 million for Non-Life Reinsurance. Catastrophe losses as at 30 September 2013 amounted to EUR 447 million in total. Although this was considerably higher than the figure for the comparable period (EUR 193 million), the burden was within the expected range for the first nine months.

The underwriting result for the entire Non-Life Reinsurance portfolio as at 30 September 2013 increased to EUR 245 (170) million. The combined ratio for the first nine months of the current year was very positive, at 95.0 (96.5)%.

Operating profit and Group net income
Operating profit (EBIT) for Non-Life Reinsurance grew 4% to EUR 833 (797) million as at 30 September 2013. Group net income fell slightly by 1% to EUR 247 (249) million. In contrast, the EBIT margin increased slightly from 15.9% to 16.3%.

Life/Health Reinsurance

- Gross premium income up 4% as at 30 September 2013
- Solid net investment income despite persistent low interest rates
- Operating profit (EBIT) lower than expected

	9M 2013	9M 2012[1]	+/– %
Figures in EUR million			
Gross written premium	4,582	4,399	+4
Net premium earned	4,024	3,941	+2
Underwriting result	–297	–238	–24
Net investment income	460	486	–5
Operating profit (EBIT)	140	227	–38
EBIT margin[2] in %	3.5	5.8	–2.3 pt.

[1] Adjusted on the basis of IAS 8, cf. "Accounting policies" section of the Notes
[2] Operating profit (EBIT)/net premium earned

Business development
The economic environment in international life and health reinsurance remained essentially unchanged in the third quarter of 2013. Life insurers in particular are continuing to face low returns on investment and a corresponding decline in investment income. Aside from these difficult conditions on the capital markets – where reinsurance can provide limited financial relief – the life and health reinsurance market is benefiting from increasing insurance density in the growing middle class in emerging countries such as China and India and in South America. There is also increased demand for reinsurance solutions to optimise capital and solvency in established markets such as the USA, Germany, France and Scandinavia.

Premium development
Gross premium income in Life/Health Reinsurance amounted to EUR 4.6 (4.4) billion as at 30 September 2013. This represents year-on-year growth of 4% or 7% at constant exchange rates. The retention ratio decreased slightly to 88.5 (89.3)%. Net premium earned climbed 2% in the period under review to EUR 4.0 (3.9) billion.

Net investment income
Net investment income in the Life/Health Reinsurance segment declined from EUR 486 million to EUR 460 million in the first nine months of 2013. The main factors influencing this were ongoing low interest rates and a small positive contribution from ModCo derivatives.

Operating profit and Group net income
Australian disability business had a negative impact on Life/Health Reinsurance business in the last quarter. This contrasted with positive effects from US mortality business, although this did not completely offset these burdens. However, we are satisfied with the performance of the rest of our Life/Health Reinsurance business. There has been a noticeable increase in worldwide demand for financing-oriented reinsurance products. Our customers are showing a great deal of interest in options for optimising solvency and assistance with new business financing.

The EBIT margin for the reporting categories of mortality and morbidity reflected the poorer performance of Australian disability business and, at 2.8%, fell short of the target of 6%. However, the financial solutions and longevity categories significantly exceeded the target of 2% with an EBIT margin of 4.6%. EBIT as at 30 September 2013 decreased to EUR 140 (227) million, while the EBIT margin contracted from 5.8% to 3.5%. Group net income amounted to EUR 66 (89) 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 84 million owing to one-off effects

Reinsurance specialists at the Group

Underwriting business written through our subsidiary Talanx Reinsurance (Ireland) Ltd. has been reported in the Corporate Operations segment for the first time in 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 33 million in the first nine months of 2013. It resulted from reinsurance cessions in the Industrial Lines, Retail Germany and Retail International segments. Talanx Re (Ireland) posted an operating profit of EUR 2 (1) million for this business in the Corporate Operations segment in the first nine months 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 reinsurance capacity required for all of the Group cedants that it manages on the global market. The company's operating profit for the first nine months of 2013 was EUR 11 (11) million, of which a significant portion will be reallocated to the business ceding segments. EUR 1 (2) million of this company's earnings 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 amounted to EUR 28 (30) million in the first nine months of 2013.

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 8% in total to EUR 15.2 billion, compared with EUR 14.0 billion at the beginning of the year. Over half of this sum, EUR 8.2 (7.9) billion, was administered on behalf of Group companies through special funds and direct investment mandates. Of the remaining portion, EUR 3.4 (2.8) billion was attributable to institutional third-party clients and EUR 3.7 (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 103 million to EUR 84 (–19) million in the first nine months of 2013, largely owing to the sale of shares in Swiss Life Holding AG by Talanx AG in the first half of the year. 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 for this segment attributable to shareholders of Talanx AG amounted to EUR 16 (–66) million in the first nine months 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 withheld by ceding companies and investments under investment contracts, investments amounted to EUR 86.1 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 insofar as the investment risk is borne by policyholders – totalled EUR 92.0 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	30.9.2013		31.12.2012[1)]	
	Figures in EUR million	*In %*	*Figures in EUR million*	*In %*
Intangible assets	2,590	2	2,793	2
Investments	100,719	76	98,948	76
Investments for the account and risk of holders of life insurance policies	8,024	6	7,451	6
Reinsurance recoverables on technical provisions	6,944	5	6,989	5
Accounts receivable on insurance business	5,392	4	5,081	4
Deferred acquisition costs	4,456	3	4,378	3
Cash	1,883	1	2,119	2
Deferred tax assets	547	<1	529	<1
Other assets	2,270	2	2,006	2
Non-current assets and assets of disposal groups classified as held for sale	294	<1	56	<1
Total assets	**133,119**	**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 2.8 billion in our total assets to EUR 133.1 billion in the first nine months of the 2013 financial year can be attributed principally to growth in our investment portfolio including investments for the account and risk of holders of life insurance policies (+EUR 2.3 billion) and an increase in accounts receivable on insurance business (+EUR 311 million). The growth in investments was largely the result of an increase in the portfolio of "Financial assets available for sale" (+EUR 2.0 billion) and in "Loans and receivables" (+EUR 0.5 billion). In contrast, holdings in the "Financial assets held to maturity" category fell (–EUR 0.8 billion). For more detailed information about this, cf. the section below and "Notes on individual items of the consolidated balance sheet" in the Notes. The increase of EUR 573 million in investments for the account and risk of holders of life insurance policies came mainly from the Retail Germany segment (+EUR 843 million). In contrast, there was a decline in the Retail International segment's portfolio (–EUR 270 million).

Movements in investments

Breakdown of the investment portfolio	30.9.2013		31.12.2012	
	Figures in EUR million	*In % of total assets*	*Figures in EUR million*	*In % of total assets*
Investments under investment contracts	1,585	1	1,698	1
Funds withheld by ceding companies	13,064	10	13,198	10
Assets under own management	86,070	65	84,052	65
Total	**100,719**	**76**	**98,948**	**76**

The investment portfolio has grown by 1.8% over the course of the financial year to just over EUR 100 billion. Investments under investment contracts and funds withheld by ceding companies declined slightly. The increase in the portfolio was therefore due to assets under own management, which grew by EUR 2.0 billion. This growth was attributable to cash inflows from underwriting business, which were reinvested in accordance with respective corporate guidelines.

Following a decline 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. They continued to rise in the third quarter, although with a lower marginal rate. Interest rates on two-year German government bonds stood at 0.17% at the end of the third quarter, 11 basis points higher than at the end of 2012. For ten-year bonds in the same risk class, the interest rate was 1.78%, up 51 basis points compared with the end of 2012.

After a decline in the first quarter, the value of the US dollar has risen again since the end of the second quarter. The exchange rate at the end of the third quarter was USD 1.35/EUR, compared with USD 1.32/EUR on 31 December 2012. Our holdings of investments in US dollars amounted to EUR 12.8 billion at the end of the third quarter, representing 15% of assets under own management.

Fixed-income investments were once again the most significant asset class as at 30 September 2013. Most reinvestments also occurred in this class, with due consideration being given to respective technical requirements and the existing investment structure. Fixed-income securities accounted for 77% of the total investment portfolio. The contribution to earnings of this asset class amounted to EUR 2.4 billion, the majority of which was reinvested in the period under review.

Equity exposure did not increase significantly in the third quarter of the 2013 financial year. Equity allocation after taking account of derivatives (equity ratio) was still below 1.0% at the end of the third quarter. Although the increase in 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 September 2013 was made up as follows:

Breakdown of the investment portfolio	30.9.2013	31.12.2012
In %		
Fixed-income securities	77	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	5	5
Total	**100**	**100**

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

	30.9.2013		31.12.2012	
	Figures in EUR million	*In %*	*Figures in EUR million*	*In %*
Investment property	1,551	2	1,297	2
Investments in affiliated companies and participating interests	107	<1	80	<1
Investments in associated companies and joint ventures	243	<1	237	<1
Loans and receivables				
Loans incl. mortgage loans	1,078	1	1,182	1
Loans and receivables due from governmental or quasi-governmental entities together with fixed-income securities	31,516	37	30,919	37
Financial assets held to maturity	3,031	3	3,857	5
Financial assets available for sale				
Fixed-income securities	41,996	49	40,080	48
Variable-yield securities	1,350	2	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	924	1	1,346	1
Variable-yield securities	88	<1	83	<1
Financial assets held for trading				
Fixed-income securities	15	<1	16	<1
Variable-yield securities	152	<1	123	<1
Derivatives[1]	77	<1	74	<1
Other invested assets	3,942	5	3,501	4
Total assets under own management	**86,070**	**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

Fixed-income investments in the third quarter related to the classic asset classes of government bonds, corporate securities and German covered bonds (Pfandbriefe). The Retail Germany segment sold bonds with a short residual term to realise gains, which were then used to strengthen the additional interest reserve. The funds that were released were invested more heavily in long-term bonds. Secured bonds with a good rating were selected when implementing this strategy. The strategy allowed the average yield and duration of the portfolio to be increased. Long-term forward purchases of Belgian government bonds were carried out in the third quarter to reduce future reinvestment risk. The Retail Germany and Industrial Lines segments invested selectively in subordinated bonds from financial institutions and insurers with good credit ratings, to increase yields further.

The portfolio of fixed-income investments (excluding mortgage and policy loans) amounted to EUR 77.5 billion at the end of the third quarter, higher than at the beginning of the year. At 77% 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 42.0 billion, or 54% of total investments in this asset class, in the first nine months of the year. This represented net growth of EUR 1.9 billion. We invested in German covered bonds (Pfandbriefe) and corporate securities, and to a lesser extent in government bonds, based on strict risk/return analyses.

Valuation reserves – i.e. the net balance of unrealised gains and losses – have fallen from EUR 2.6 billion to EUR 1.5 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 0.5 billion to EUR 32.6 billion (42% of total holdings in this asset class) by the end of the period under review. Further investment in government bonds was limited, as yields were extremely low in relation to risk. Our portfolio of government securities or equally sound securities in this holdings category thus amounted to EUR 9.9 billion. German covered bonds (Pfandbriefe) still represent the largest item in the portfolio. Off-balance sheet valuation reserves fell from EUR 4.5 billion at the end of 2012 to EUR 3.1 billion at the end of the third 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. Only negligible write-downs of EUR 14 thousand 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 1,144 million at market value. Italy accounted for EUR 782 million of this sum (of which our Italian Group company accounted for EUR 507 million), Spain EUR 88 million, Ireland EUR 249 million, Portugal EUR 20 million and Greece EUR 5 million.

GIIPS exposure in fixed-income investments as at 30 September 2013[1]	**Government bonds**	**Quasi-government bonds**	**Corporate securities**		**Covered bonds/ asset-backed securities**	**Other**	**Total**
			Financial bonds	**Industrial bonds**			
Figures in EUR million							
Greece	5	—	—	—	—	—	5
Ireland	249	—	11	28	137	238	663
Italy	782	—	263	302	797	19	2,163
Portugal	20	—	—	1	8	—	29
Spain	88	268	90	209	433	—	1,088
Total	**1,144**	**268**	**364**	**540**	**1,375**	**257**	**3,948**

GIIPS exposure in fixed-income investments as at 31 December 2012[1]	**Government bonds**	**Quasi-government bonds**	**Corporate securities**		**Covered bonds/ asset-backed securities**	**Other**	**Total**
			Financial bonds	**Industrial bonds**			
Figures in EUR million							
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]	30.9.2013	31.12.2012
Figures in EUR million		
Covered bonds and asset-backed securities/cédulas	433	522
Financial bonds	90	90
Banks with a public guarantee	—	21
Time deposits	1	2
Equities	5	2
Derivatives	4	6
Total	**533**	**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, at EUR 433 million, is covered bonds/asset-backed securities and multi-cédulas, which have a similar structure to German covered bonds (Pfandbriefe). The portfolio decline is essentially attributable to repayments. Only EUR 121 million of 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.

			Corporate securities				
Exposure in fixed-income investments as at 30 September 2013[1]	Government bonds	Quasi-government bonds	Financial bonds	Industrial bonds	Covered bonds/asset-backed securities	Other	Total
Figures in EUR million							
Belgium	594	231	64	113	763	—	1,765
Hungary	197	—	18	42	9	—	266
Slovenia	—	—	—	—	—	—	—
Slovakia	111	—	—	—	—	—	111
Total	**902**	**231**	**82**	**155**	**772**	**—**	**2,142**

			Corporate securities				
Exposure in fixed-income investments as at 31 December 2012[1]	Government bonds	Quasi-government bonds	Financial bonds	Industrial bonds	Covered bonds/asset-backed securities	Other	Total
Figures in EUR million							
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 3.0 billion at the end of the third quarter 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 significant 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 movement 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	30.9.2013	31.12.2012
In %		
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 7.15 years as at 30 September 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 September 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 almost unchanged at EUR 13.1 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 stock markets have performed well in 2013. The EURO STOXX 50 closed the reporting period at 2,893 points, up 9.8% compared with the beginning of the year. The DAX gained 12.9%, closing at 8,594 points. During the period under review, Talanx AG sold a significant 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") increased by EUR 69 million to EUR 306 (237) million owing to market conditions.

Real estate including shares in real estate funds

Investment property totalled EUR 1.6 billion as at the balance sheet date. An additional EUR 465 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 2013. Depreciation of EUR 20 million was taken on investment property in the period under review. There were no significant impairments or write-ups in the third quarter of 2013.

Write-downs of EUR 20 million were taken on real estate funds in the third quarter, owing to the market.

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	9M 2013	9M 2012
Figures in EUR million		
Ordinary investment income	2,353	2,366
thereof current interest income	2,159	2,175
thereof income from investments in associated companies and joint ventures	9	4
Realised net gains on investments	426	247
Write-ups/write-downs on investments	–65	–32
Unrealised net gains/losses on investments	–21	131
Investment expenses	137	121
Income from assets under own management	**2,556**	**2,591**
Profit on investment contracts	**8**	**5**
Net interest income from funds withheld and contract deposits	**250**	**221**
Total	**2,814**	**2,817**

Income from assets under own management was EUR 35 million lower than in the previous year. The considerable decline in unrealised net gains/losses on investments of –EUR 152 million had a negative impact on income, while ordinary investment income remained virtually unchanged (–EUR 13 million) and net write-ups/write-downs were lower (–EUR 33 million). Only the net gain on disposal (+EUR 179 million) was higher and did not fully offset the negative effects.

Of the gains and losses of EUR 426 million realised in the period under review, EUR 80 million related to the sale of variable-yield securities and primarily affected the Corporate Operations segment. 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 were sold, mostly with a short residual term. The gains realised from these transactions were used to build up additional interest reserves in accordance with the German Commercial Code (HGB). The total amount realised in the Retail Germany segment was EUR 211 million. 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 131 million in the previous year to –EUR 21 million was driven mainly by the volatility of derivatives in the two reinsurance segments. The unrealised net gain on the ModCo derivative (EUR 5 [11] million) and the inflation swaps (–EUR 27 [–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 0 [47] million) and Retail International (–EUR 6 [21] million) segments was not as high as in the comparable period of 2012.

At –EUR 65 million, the net gain from write-ups/write-downs was higher than in the comparable period. Significant write-downs were taken on real estate funds (EUR 20 million) and equities (EUR 11 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 not maintained, despite a larger overall investment portfolio. This was caused by continued low interest rates and a resulting decrease in the average coupon.

The annualised net return on investment (including the effects of derivatives)* for our assets under own management was 4.0 (4.3)%.

Results declined across all segments. Net investment income was down year-on-year in the reinsurance segments owing to the development of the unrealised net gain. In contrast, the Retail Germany segment improved its results, largely owing to high gains on disposal. For further comments, please see item 12 "Net investment income" in the Notes.

Breakdown of net investment income by Group segment[1]	9M 2013	9M 2012
Figures in EUR million		
Industrial Lines	163	175
Retail Germany	1,341	1,251
Retail International	217	204
Non-Life Reinsurance	608	729
Life/Health Reinsurance	459	485
Corporate Operations	26	–27
Total	**2,814**	**2,817**

[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	30.9.2013	31.12.2012
Figures in EUR million		
Letters of credit and trust accounts as security for technical liabilities	6,642	6,824
Blocked custody accounts and other trust accounts	2,452	2,392
Guarantee payments under issued subordinated bonds	2,862	2,862
Outstanding commitments under existing capital participations	1,094	1,010
Other	1,796	1,599
Total	**14,846**	**14,687**

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

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.

* 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 September 2013 and 31 December 2012)

Analysis of capital structure

	30.9.2013		31.12.2012[1]	
	In EUR million	*In %*	*In EUR million*	*In %*
Shareholders' equity	10,902	8	11,309	9
Subordinated liabilities	3,107	2	3,107	2
Technical provisions – gross	91,992	69	89,484	69
Technical provisions for life insurance insofar as the investment risk is borne by policyholders	8,024	6	7,451	6
Other provisions	3,010	2	3,264	2
Liabilities	13,942	11	13,731	10
Deferred tax liabilities	1,890	1	1,984	2
Liabilities of disposal groups classified as held for sale	252	<1	20	<1
Total liabilities	**133,119**	**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. Changes in exchange rates of relevance to the Talanx Group are outlined in the Notes under "Summary of major accounting policies – Currency translation".

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

	30.9.2013	31.12.2012[1]
Figures in EUR billion		
Unearned premium reserve	5.4	4.9
Benefit reserve	48.4	47.2
Loss and loss adjustment expense reserve	29.1	28.0
Provision for premium refunds	2.1	2.3
Other technical provisions	0.3	0.3
Total	**85.3**	**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"

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. Utilisation as at 30 September 2013 was EUR 200 million. The two 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.

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 13.9 (14.6) billion.

Gross provisions rose by 3% or EUR 2.5 billion in total compared with the previous year. EUR 0.7 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 (+2% or EUR 1.1 billion) and in the loss and loss adjustment expense reserve (+2% or EUR 0.8 billion).

The increase in gross benefit reserves (EUR 1.1 billion) was driven principally by life insurance business in the Retail Germany (+EUR 1,105 million) and Retail International (+EUR 321 million) segments. In contrast, gross benefit reserves in the Life/Health Reinsurance segment declined (–EUR 244 million). The performance of the Retail Germany segment was largely due to neue leben Lebensversicherung AG (+EUR 390 million), PB Lebensversicherung AG (+EUR 291 million), TARGO Lebensversicherung AG (+EUR 180 million) and HDI Lebensversicherung AG (+EUR 76 million).

The increase of EUR 0.8 billion in the loss and loss adjustment expense reserve (gross) related mainly to the Non-Life Reinsurance segment (EUR 504 million) and to the Industrial Lines segment (EUR 235 million). Growth in the Non-Life Reinsurance segment was driven primarily by Hannover Rück SE (+EUR 135 million) and E+S Rückversicherung AG (+EUR 251 million). The increase in the Industrial Lines segment came mainly from HDI-Gerling Industrie Versicherung AG (+EUR 196 million).

Shareholders' equity

Changes in shareholders' equity

In the reporting period just ended, shareholders' equity fell by EUR 407 million – or 4% – to EUR 10,902 (11,309) million.

The Group's share amounted to EUR 6,985 (7,153) million. Major movements in shareholders' equity were driven by the following factors:

Group net income fell by 4% to EUR 528 (550) million and is reported in retained earnings.

Other reserves fell significantly by EUR 440 million year-on-year, to EUR 184 million. This change was mainly due to a decline in unrealised gains/losses on investments, which fell by EUR 613 million to EUR 1.3 billion in the period under review, owing to a rise in interest rates. Gains/losses from currency translation also declined by EUR 212 million. This was mainly due to the depreciation of the Australian dollar and the Polish zloty against the euro. Other changes in shareholders' equity (EUR 448 [–995] million), which essentially relate to policyholder participation/shadow accounting, had a compensatory effect. The cash flow hedge reserve contracted to EUR 24 (87) million.

Payment of a dividend to shareholders of Talanx AG in May of the period under review led to a decrease of EUR 265 million in shareholders' equity.

Standard IAS 19, "Employee Benefits", which must be applied from 1 January 2013, also 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 239 million – or 6% – to EUR 3.9 billion. The non-controlling interest share in net income amounted to EUR 365 (406) million. The significantly higher dividend payment to non-Group shareholders totalling EUR 257 (202) million stemmed mainly from the Hannover Re Group.

Changes in shareholders' equity	30.9.2013	31.12.2012[1]
Figures in EUR million		
Common shares	316	316
Additional paid-in capital	1,369	1,369
Retained earnings	5,116	4,844
Cumulative other comprehensive income and other reserves	184	624
Group shareholders' equity	**6,985**	**7,153**
Non-controlling interests in shareholders' equity	3,917	4,156
Total	**10,902**	**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	30.9.2013	31.12.2012[2]
Figures in EUR million		
Industrial Lines	1,768	1,906
thereof non-controlling interests	—	—
Retail Germany	2,640	2,675
thereof non-controlling interests	58	63
Retail International	1,938	1,998
thereof non-controlling interests	228	285
Reinsurance[3]	6,394	6,707
thereof non-controlling interests	3,650	3,849
Corporate Operations	–1,810	–1,950
thereof non-controlling interests	—	—
Consolidation	–28	–27
thereof non-controlling interests	–19	–41
Total shareholders' equity	**10,902**	**11,309**
Group shareholders' equity	6,985	7,153
Non-controlling interest in shareholders' equity	3,917	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 has 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 are mainly retirement pension provisions amounting to EUR 1,000 (1,046) million, liabilities from the utilisation of credit lines in the amount of EUR 200 (500) million, notes payable amounting to EUR 565 (9) million and provisions for taxes totalling EUR 129 (129) million. These liabilities are 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 consolidated cash flow statement in the Notes; it can be summarised as follows:

	9M 2013	9M 2012[1]
Figures in EUR million		
Cash flow from operating activities	4,838	4,775
Cash flow from investing activities	–4,603	–5,038
Cash flow from financing activities	–399	137
Change in cash and cash equivalents	–164	–126

[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, rose slightly year-on-year from EUR 4,775 million to EUR 4,838 million. The calculation adjusts the net income of EUR 893 (956) million to take account of the increase in technical provisions (net) (EUR 4.0 [3.6] billion). The amount needing to be deducted for "Changes in deferred acquisition costs" also fell by EUR 159 million to –EUR 130 million. The above increases were offset by a reduction in cash flows from other components. In particular, the increase of EUR 171 million to –EUR 418 million in net losses on investments had a compensatory effect. "Other non-cash expenses and income", which mainly resulted from "Changes in technical provisions in life insurance insofar as the investment risk is borne by policyholders", fell to EUR 861 (936) million. The amount to be deducted for "Changes in funds withheld and in accounts receivable and payable" increased year-on-year by –EUR 251 million to –EUR 720 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 347 (–11) million. As in the previous year, outflows associated with the purchase of investments exceeded inflows from sales and maturities by EUR 2,910 (3,552) million. The "Change in other invested assets", which mainly involved short-term investments, was negative, at –EUR 454 (350) million. The item "Changes in investments for the account and risk of holders of life insurance policies" decreased in the period under review to –EUR 815 (–941) million. Cash outflows from investing activities totalled –EUR 4,603 (–5,038) million in the reporting period, lower than in the previous year.

Cash flow from financing activities in the period under review was determined by dividend payments. These rose by EUR 320 million to –EUR 522 (–202) million; EUR 265 million related to Talanx AG, EUR 180 million to Hannover Rück SE and EUR 47 million to E+S Rückversicherung AG. The "Change in other financing activities" (EUR 123 [344] million) was dominated 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 300 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 186 (148) million. The net cash flow from financing activities fell by EUR 536 million year-on-year.

Cash and cash equivalents increased by EUR 409 million in total to EUR 1.9 billion compared with the previous year. EUR 5 (–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	■ Advising and monitoring the Board of Management in its management of the company, inter alia with respect to risk strategy and risk management
Board of Management	■ Overall responsibility for risk management ■ Defining the risk strategy ■ Responsibility for proper functioning of risk management
Risk Committee	■ Risk-monitoring and coordinating body, charged especially with the following tasks: – Critical observation and analysis of the risk position of the Group as a whole, with particular attention paid to the risk budget approved by the Board of Management and the risk strategy – Monitoring of management measures within the Group with a focus on risks that could threaten the Group's continued existence
Chief Risk Officer	■ Responsible for holistic risk monitoring across divisions (systematic identification and assessment, control/monitoring and reporting) of all risks that are material from the Group perspective ■ 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	■ Group-wide, independent risk monitoring function ■ Methodological competence, inter alia for – Development of processes/methods for risk assessment, management and analysis – Risk limitation and reporting – Risk monitoring and quantifying the risk capital needed across the Group
Local Risk Management	■ Risk monitoring function in the divisions ■ Observance of the centrally defined guidelines, methods and processes and systems of limits and thresholds that serve as a framework for local implementation, monitoring and reporting
Internal Auditing	■ Process-independent review of the functional areas of the Group

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

Risk reporting in the interim report focuses on material changes in the risk position that have occurred since the compilation of the Talanx Group Annual Report 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	
	■ Actual claims experience diverges from the expected claims experience (premium/loss risk) ■ Technical provisions do not suffice to fully pay for claims that have not yet been settled or reported	■ Claims analysis and regular monitoring of the claims experience ■ Actuarial modelling and monitoring of the natural hazards exposure ■ Selective underwriting ■ Technical audits ■ Commensurate reinsurance protection ■ Establishment of IBNR reserves ■ External actuarial review of provisions
	Life primary insurance	
	■ Changes in biometric actuarial bases ■ Interest guarantee risk under life insurance contracts with guaranteed interest payments ■ Lapse risks	■ Regular review of the biometric actuarial bases ■ Factoring of safety loadings into the actuarial bases ■ Constant monitoring of investments and markets, initiation of appropriate 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	
	■ Changes in biometric actuarial bases ■ Lapse and credit risk in connection with the prefinancing of cedants' new business acquisition costs	■ Use of secure biometric actuarial bases ■ Systematic monitoring of the MCEV
Default risks under insurance business		
	Across segments	
	■ Risk of default on receivables due from reinsurers, retrocessionaires, policyholders and insurance intermediaries	■ 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	
	■ 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	■ 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	
	■ 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)	■ Multi-faceted and cause-based risk management ■ Internal control system
Other risks		
	■ Participation risks of Talanx AG: instability in the performance of subsidiaries and/or the portfolio of participating interests ■ Risk of asset erosion of acquisitions	■ 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
	■ Possible need to establish additional reserves in connection with pension obligations of Talanx AG	■ Regular reviews of the adequacy of actuarial bases
	Across segments	
	■ Emerging risks, the content of which is not as yet reliably known and the implications of which are difficult to assess	■ Various management measures, such as reinsurance, diversification, risk exclusions, safety margins, contingency plans, etc.
	■ Strategic risks: the risk of an imbalance between the corporate strategy and the constantly changing general business environment	■ At least annual review of the corporate and risk strategy ■ Adjustment of processes and structures as required
	■ Reputational risks: possible damage to the company's name as a consequence of an unfavourable public perception	■ Set communication channels ■ Professional approach to corporate communications ■ Tried and tested processes for defined crisis scenarios ■ Established Code of Conduct

The sovereign debt crisis in 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 reschedule 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.

Structural problems arising from the sovereign debt crisis in the Eurozone remain largely unresolved to a large extend, 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.

The Talanx Group holds government bonds from the GIIPS countries, which may lead to rating-related impairments. Please refer to the remarks on the financial position for details of current holdings. Thanks to support measures at European level (the European Financial Stability Facility), however, there is no elevated risk of default in the near future 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. Persistently 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 current average interest rates into the longer term, the associated financing of the additional interest reserve, the simultaneous payout of valuation reserves and the maintenance of an adequate solvency ratio 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.

Furthermore, a possible revision of the general process for measuring loss provisions in Germany on 1 January 2016 may result in tax risks for the Group.

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.

The Federal Court of Justice also issued various judgments in 2012 and 2013 on the offsetting of acquisition costs when calculating surrender values. There is a risk in connection with this that the reserves already created may not be adequate to pay the minimum surrender values set by the courts.

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. Nevertheless, persistently low interest rates could lead to substantial burdens on net income in parts of the life insurance business. There is also 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, 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.

Outlook

Economic environment

Although the euro crisis is not yet over, the Eurozone has emerged from recession after six quarters and the overall situation has eased noticeably. This improvement shows that the progress made to date with consolidation of public finances and labour market reforms has had an effect. Economic confidence is returning to the Eurozone and this is expected to be followed by an improvement in the real economy. This improvement in mood is based on increasingly stable macroeconomic foundations. We estimate that the sometimes severe transitional recession in peripheral countries should be over by the end of the year, although there is a risk that enthusiasm for reform may subside in southern European countries.

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 real estate market is expected to continue propping up private household spending. Moreover, the Fed is continuing with its expansionary strategy.

The upturn in emerging markets has recently lost momentum. We believe that it is facing structural and cyclical challenges. However, relatively strong growth rates are expected in future. The fact that currency reserves are high in some cases, while overall debt is low, is positive. The monetary policy of central banks, which has so far remained expansionary, will not in our view lead to inflationary pressure in the current year. Inflation is instead expected again to fall below the targets of western central banks next year.

Capital markets

Given the stabilisation 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 third quarter. However, a decline in yields in September indicated that expectations of a significant cut-back in expansionary monetary policy in the USA were too high, at least in the short term. Owing to legal and political pressure, rating agencies will in future be even more cautious in calculating ratings and if in doubt will tend to award lower ratings.

Although the market currently appears to be very sound, the long term general risk situation has not yet been stabilised. Demand for refinancing is likely to remain high, particularly in the area of government bonds. We expect returns and risk premiums to remain volatile. Valuation levels on the European and US stock markets have already risen significantly, which means that potential for growth in share prices is limited. Fears of a radical about-turn by the US central bank are expected to be short-lived overall, as the Fed will not reduce its bond purchases until the US economy is growing. This in turn creates a positive climate for the stock markets. We confirm our more positive outlook for European equities. The recent strong performance of US stock markets makes European equities more attractive in relative terms. Profit estimates for European companies also seem to be stabilising, which creates positive momentum for share price indices in the Eurozone.

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 the fourth quarter that do not exceed the remaining budget for major losses

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. We remain 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 4% to 6% in gross premium income in Industrial Lines for 2013 and expect growth for the year as a whole to be at the upper end of this range. The Industrial Lines Division has been burdened in the current financial year by losses from natural disasters that significantly exceeded the budget; as a result, we expect the EBIT margin for 2013 as a whole to be slightly lower than 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. The extraordinary burdens from damage caused by natural disasters in the current financial year are making rate increases necessary in additional lines of business. 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 continue to play a major role 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 largely completed in 2013. The aim of restructuring 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 17% to 20% in foreign markets where our retail business operates in 2013, and expect growth for the year as a whole to be at the upper end of this range. This exceptionally high growth rate is due in particular to the fact that the companies we acquired in Poland last year will be recognised for a full financial year for the first time. We expect an EBIT margin of just over 5% and a significant year-on-year increase in operating profit (EBIT) in 2013, also mainly due to the fact that the newly acquired groups of companies will be recognised for an entire financial year for the first time.

We are continuing to make progress in integrating the recently acquired companies. The merger of Polish property and casualty companies will be followed in the current year by the merger of Polish WARTA and HDI-Gerling life companies.

Non-Life Reinsurance

At constant exchange rates, we expect to achieve growth of approximately 3% in gross premium in Non-Life Reinsurance for 2013 as a whole, along with an EBIT margin of well over 10%.

Life/Health Reinsurance

We still expect to achieve organic growth of 5% to 7% in gross premium for the remainder of 2013, adjusted for exchange rate effects. We are anticipating an EBIT margin of at least 2% in the reporting categories of financial solutions and longevity and around 6% in mortality and morbidity in the fourth quarter.

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 the current financial year. 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, due to the gain on disposal from the sale of Swiss Life shares.

Interim consolidated financial statements

Consolidated balance sheet of Talanx AG
as at 30 September 2013

Assets	Notes			30.9.2013	31.12.2012[1]
Figures in EUR million					
A. Intangible assets	1				
a. Goodwill			1,102		1,152
b. Other intangible assets			1,488		1,641
				2,590	**2,793**
B. Investments					
a. Investment property			1,551		1,297
b. Investments in affiliated companies and participating interests			107		80
c. Investments in associated companies and joint ventures			243		237
d. Loans and receivables	2		32,594		32,101
e. Other financial assets					
i. Held to maturity	3	3,031			3,857
ii. Available for sale	4/6	43,346			41,337
iii. At fair value through profit or loss	5/6	1,256			1,642
f. Other invested assets	6	3,942			3,501
Assets under own management			**86,070**		**84,052**
g. Investments under investment contracts			1,585		1,698
h. Funds withheld by ceding companies			13,064		13,198
Investments				**100,719**	**98,948**
C. Investments for the account and risk of holders of life insurance policies				8,024	7,451
D. Reinsurance recoverables on technical provisions				6,944	6,989
E. Accounts receivable on insurance business				5,392	5,081
F. Deferred acquisition costs				4,456	4,378
G. Cash				1,883	2,119
H. Deferred tax assets				547	529
I. Other assets				2,270	2,006
J. Non-current assets and assets of disposal groups classified as held for sale[2]				294	56
Total assets				**133,119**	**130,350**

[1] Adjusted on the basis of IAS 8. Cf. section “Accounting policies”, subsection “Changes in accounting policies and accounting errors” in the Notes
[2] Cf. our remarks in the section “Non-current assets held for sale and disposal groups”

Liabilities	**Notes**			**30.9.2013**	**31.12.2012**[1]
Figures in EUR million					
A. Shareholders' equity	7				
a. Common shares		316			316
Nominal value: 316 (previous year: 316) Conditional capital: 104 (previous year: 104)					
b. Reserves		6,669			6,837
Shareholders' equity excluding non-controlling interests			**6,985**		**7,153**
c. Non-controlling interests in shareholders' equity			3,917		4,156
Total shareholders' equity				**10,902**	**11,309**
B. Subordinated liabilities	8		3,107		3,107
C. Technical provisions	9				
a. Unearned premium reserve		6,169			5,440
b. Benefit reserve		49,319			48,248
c. Loss and loss adjustment expense reserve		34,043			33,243
d. Provision for premium refunds		2,143			2,279
e. Other technical provisions		318			274
			91,992		**89,484**
D. Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders			8,024		7,451
E. Other provisions					
a. Provisions for pensions and other post-employment benefits		1,790			1,869
b. Provisions for taxes		597			632
c. Other provisions		623			763
			3,010		**3,264**
F. Liabilities					
a. Notes payable and loans	10	979			677
b. Funds withheld under reinsurance treaties		5,942			5,975
c. Other liabilities	6	7,021			7,079
			13,942		**13,731**
G. Deferred tax liabilities			1,890		1,984
H. Liabilities of disposal groups classified as held for sale[2]			252		20
Total liabilities/provisions				**122,217**	**119,041**
Total liabilities				**133,119**	**130,350**

[1] Adjusted on the basis of IAS 8. Cf. section "Accounting policies", subsection "Changes in accounting policies and accounting errors" in the Notes
[2] Cf. our remarks in the section "Non-current assets held for sale and disposal groups"

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 September 2013

	Notes	9M 2013	9M 2012[1)]	Q3 2013	Q3 2012[1)]
Figures in EUR million					
1. Gross written premium including premium from unit-linked life and annuity insurance		21,380	19,847	6,414	6,265
2. Savings elements of premium from unit-linked life and annuity insurance		846	872	263	362
3. Ceded written premium		2,756	2,470	857	745
4. Change in gross unearned premium		–922	–898	422	485
5. Change in ceded unearned premium		–247	–244	111	86
Net premium earned	**11**	**17,103**	**15,851**	**5,605**	**5,557**
6. Claims and claims expenses (gross)		15,937	14,848	5,593	5,104
Reinsurers' share		1,754	1,526	785	439
Claims and claims expenses (net)	**14**	**14,183**	**13,322**	**4,808**	**4,665**
7. Acquisition costs and administrative expenses (gross)		4,451	3,830	1,451	1,388
Reinsurers' share		416	323	148	131
Acquisition costs and administrative expenses (net)	**15**	**4,035**	**3,507**	**1,303**	**1,257**
8. Other technical income		41	39	14	9
Other technical expenses		168	208	20	96
Other technical result		**–127**	**–169**	**–6**	**–87**
Net technical result		**–1,242**	**–1,147**	**–512**	**–452**
9. a. Income from investments		2,933	2,867	985	1,028
b. Investment expenses		377	276	126	44
Net income from assets under own management		**2,556**	**2,591**	**859**	**984**
Profit on investment contracts		8	5	4	3
Net interest income from funds withheld and contract deposits		250	221	74	81
Net investment income	**12/13**	**2,814**	**2,817**	**937**	**1,068**
thereof income from associated companies and joint ventures valued using the equity method		9	4	3	—
10. a. Other income		552	458	158	138
b. Other expenses		762	815	239	293
Other income/expenses	**16**	**–210**	**–357**	**–81**	**–155**
Profit before goodwill impairments		**1,362**	**1,313**	**344**	**461**
11. Goodwill impairments		—	—	—	—
Operating profit/loss (EBIT)		**1,362**	**1,313**	**344**	**461**
12. Financing costs		155	139	51	49
13. Taxes on income		314	218	61	33
Net income		**893**	**956**	**232**	**379**
thereof attributable to non-controlling interests		365	406	111	182
thereof attributable to shareholders of Talanx AG		528	550	121	197
Earnings per share					
Basic earnings per share (figures in EUR)		2.09	2.64	0.48	0.95
Diluted earnings per share (figures in EUR)		2.09	2.64	0.48	0.95

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

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

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

	9M 2013	9M 2012[1]	Q3 2013	Q3 2012[1]
Figures in EUR million				
Net income	**893**	**956**	**232**	**379**
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	78	–331	96	–111
Tax income (expense)	–24	100	–30	34
	54	**–231**	**66**	**–77**
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised directly in other income/expenses during the period	–3	13	–4	5
Tax income (expense)	—	—	—	—
	–3	**13**	**–4**	**5**
Total non-reclassifiable income (expenses) after taxes recognised in other income/expenses during the period	**51**	**–218**	**62**	**–72**
Reclassifiable in the consolidated statement of income				
Unrealised gains and losses from investments				
Gains (losses) recognised directly in other income/expenses during the period	–847	2,091	—	981
Shifted to the consolidated statement of income	–240	–160	–41	–57
Tax income (expense)	225	–342	6	–159
	–862	**1,589**	**–35**	**765**
Currency translation				
Gains (losses) recognised directly in other income/expenses during the period	–325	87	–78	–18
Shifted to the consolidated statement of income	–4	—	—	—
Tax income (expense)	27	–6	13	5
	–302	**81**	**–65**	**–13**
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised directly in other income/expenses during the period	431	–871	100	–405
Tax income (expense)	–9	29	2	13
	422	**–842**	**102**	**–392**
Changes from cash flow hedges				
Gains (losses) recognised directly in other income/expenses during the period	–68	102	–20	36
Shifted to the consolidated statement of income	—	—	—	—
Tax income	1	—	—	1
	–67	**102**	**–20**	**37**
Changes from equity measurement				
Gains (losses) recognised directly in other income/expenses during the period	–1	2	—	—
Shifted to the consolidated statement of income	—	—	—	—
Tax income (expense)	—	—	—	—
	–1	**2**	**—**	**—**
Other changes				
Gains (losses) recognised directly in other income/expenses during the period	29	–20	5	–4
Shifted to the consolidated statement of income	—	—	—	—
Tax income (expense)	–8	6	–1	1
	21	**–14**	**4**	**–3**
Total reclassifiable income (expenses) after taxes recognised in other income/expenses during the period	**–789**	**918**	**–14**	**394**
Income (expenses) after taxes recognised in other income/expenses during the period	**–738**	**700**	**48**	**322**
Total recognised income during the period	**155**	**1,656**	**280**	**701**
thereof attributable to non-controlling interests	73	725	102	298
thereof attributable to shareholders of Talanx AG	82	931	178	403

[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

	Common shares	Special item [3]	Additional paid-in capital	Retained earnings	Other reserves: Unrealised gains/losses on investments	Other reserves: Gains/losses from currency translation	Other reserves: Other changes in shareholders' equity	Other reserves: Measurement gains and losses from cash flow hedges	Equity attributable to shareholders of Talanx AG	Non-controlling interests	Total shareholders' equity
Figures in EUR million											
As at 31.12.2011	**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	242	236
Net income	—	—	—	550	—	—	—	—	550	406	956
thereof attributable to IAS 8 [1]	—	—	—	1	—	—	—	—	1	—	1
Income and expenses recognised in other income/expenses	—	—	—	—	1,228	46	–995	102	381	319	700
thereof attributable to IAS 8 [1]	—	—	—	—	—	*1*	*–208*	—	*–207*	*–10*	*–217*
thereof not reclassifiable	—	—	—	—	—	—	*–210*	—	*–210*	*–8*	*–218*
thereof actuarial gains or losses on pension provisions	—	—	—	—	—	—	*–220*	—	*–220*	*–11*	*–231*
thereof changes in policyholder participation/ shadow accounting	—	—	—	—	—	—	*10*	—	*10*	*3*	*13*
thereof reclassifiable	—	—	—	—	*1,228*	*46*	*–785*	*102*	*591*	*327*	*918*
thereof unrealised gains and losses on investments	—	—	—	—	*1,228*	—	—	—	*1,228*	*361*	*1,589*
thereof currency translation	—	—	—	—	—	*46*	—	—	*46*	*35*	*81*
thereof change from cash flow hedges	—	—	—	—	—	—	—	*102*	*102*	—	*102*
thereof change from equity measurement	—	—	—	—	—	—	*2*	—	*2*	—	*2*
thereof sundry changes [2]	—	—	—	—	—	—	*–787*	—	*–787*	*–69*	*–856*
Total recognised income and expenses	—	—	—	550	1,228	46	–995	102	931	725	1,656
Other capital increase	—	32	—	—	—	—	—	—	32	1	33
Other capital reduction	—	—	—	—	—	—	—	—	—	–6	–6
Dividends paid to shareholders	—	—	—	—	—	—	—	—	—	–202	–202
As at 30.9.2012	**260**	**32**	**630**	**4,728**	**1,644**	**95**	**–1,111**	**42**	**6,320**	**4,042**	**10,362**
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	—	—	—	7	—	1	—	—	8	–9	–1
Other change in scope of consolidation	—	—	—	—	—	—	—	—	—	–14	–14
Net income	—	—	—	528	—	—	—	—	528	365	893
Income and expenses recognised in other income/expenses	—	—	—	—	–613	–218	448	–63	–446	–292	–738
thereof not reclassifiable	—	—	—	—	—	—	*49*	—	*49*	*2*	*51*
thereof actuarial gains or losses on pension provisions	—	—	—	—	—	—	*51*	—	*51*	*3*	*54*
thereof changes in policyholder participation/shadow accounting	—	—	—	—	—	—	*–2*	—	*–2*	*–1*	*–3*
thereof reclassifiable	—	—	—	—	*–613*	*–218*	*399*	*–63*	*–495*	*–294*	*–789*
thereof unrealised gains and losses on investments	—	—	—	—	*–613*	—	—	—	*–613*	*–249*	*–862*
thereof currency translation	—	—	—	—	—	*–218*	—	—	*–218*	*–84*	*–302*
thereof change from cash flow hedges	—	—	—	—	—	—	—	*–63*	*–63*	*–4*	*–67*
thereof change from equity measurement	—	—	—	—	—	—	*–1*	—	*–1*	—	*–1*
thereof sundry changes [2]	—	—	—	—	—	—	*400*	—	*400*	*43*	*443*
Total recognised income and expenses	—	—	—	528	–613	–218	448	–63	82	73	155
Other capital increase	—	—	—	—	—	—	—	—	—	2	2
Other capital reduction	—	—	—	—	—	—	—	—	—	–2	–2
Dividends paid to shareholders	—	—	—	–265	—	—	—	—	–265	–257	–522
Other changes	—	—	—	2	—	5	—	—	7	–32	–25
As at 30.9.2013	**316**	**—**	**1,369**	**5,116**	**1,336**	**–164**	**–1,012**	**24**	**6,985**	**3,917**	**10,902**

[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 policyholder participation/shadow accounting as well as other changes
[3] Special item: contributions made for the purposes of carrying out the resolved capital increase of TEUR 31,875. The capital increase was recorded in the commercial register on 1 October 2012

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 September 2013

Figures in EUR million	9M 2013	9M 2012[1]
I. 1. Net income	893	956
I. 2. Changes in technical provisions	4,034	3,603
I. 3. Changes in deferred acquisition costs	–130	–289
I. 4. Changes in funds withheld and in accounts receivable and payable	–720	–469
I. 5. Changes in other receivables and liabilities as well as investments and liabilities from investment contracts	346	323
I. 6. Changes in financial assets held for trading	–28	–38
I. 7. Net losses on investments	–418	–247
I. 8. Other non-cash income	861	936
I. 9. Other changes[2]	—	—
I. Cash flows from operating activities	**4,838**	**4,775**
II. 1. Cash inflow from the sale of consolidated companies	—	–4
II. 2. Cash outflow from the purchase of consolidated companies	–6	–791
II. 3. Cash inflow from the sale of real estate	32	185
II. 4. Cash outflow from the purchase of real estate	–379	–196
II. 5. Cash inflow from the sale and maturity of financial instruments	16,215	14,088
II. 6. Cash outflow from the purchase of financial instruments	–19,125	–17,640
II. 7. Changes in investments for the account and risk of holders of life insurance policies	–815	–941
II. 8. Changes in other invested assets	–454	350
II. 9. Cash outflows from the acquisition of tangible and intangible assets	–79	–111
II. 10. Cash inflows from the sale of tangible and intangible assets	8	22
II. Cash flows from investing activities	**–4,603**	**–5,038**
III. 1. Cash inflow from capital increases	2	1
III. 2. Cash outflow from capital reductions	–2	–6
III. 3. Dividends paid	–522	–202
III. 4. Net changes from other financing activities	123	344
III. Cash flows from financing activities	**–399**	**137**
Change in cash and cash equivalents (I.+II.+III.)	**–164**	**–126**
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	**–70**	**14**
Changes in cash and cash equivalents attributable to scope of consolidation	**3**	**5**
Changes in cash and cash equivalents of disposal groups in the reporting period	**–5**	**11**
Cash and cash equivalents at the end of the reporting period, excluding disposal groups	**1,883**	**1,474**
Additional information		
Taxes paid	364	204
Interest paid	248	207
Dividends received	71	108
Interest received	2,602	2,386

[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 186 (148) million of interest paid pertains to cash flows from financing activities, and EUR 62 (59) 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. With effect from 2 July 2013, it placed 8.2 million of its shares on the market, meaning that 79.1% of Talanx AG is held by HDI V. a. G. 14.4% of the shares are in free float with private and institutional investors, and 6.5% are held by the Japanese partner of Talanx AG (the insurance company Meiji Yasuda).

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 consolidated financial statements of HDI, which are prepared in accordance with §§ 341 i et seqq. HGB.

The consolidated quarterly financial report as at 30 September 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 September 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) (cf. 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, other than the situation described in the section "Accounting policies". 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 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 if disclosures concerning fair value are 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/expense", 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", subsection "Changes in accounting policies and accounting errors" (letter b).

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, interpretations 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 future the revised IAS 27 will contain only provisions on 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 consolidated using the equity method.

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.

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, 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 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. At its meeting in July 2013, the IASB then provisionally decided to postpone the mandatory effective date of IFRS 9 (i.e. to one after 2015) until such time as is precisely known when the complete version of this provision will be published. 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 "Levies", 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 error correction described in letter a) relates 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 September 2012. For this change, cf. the 2012 Annual Report (section "Accounting policies", subsection "Changes in accounting policies and accounting errors", pages 144 et seqq.).

In letter b), the Group explains the changes resulting from initial application of revised IAS 19 "Employee Benefits" in conformity with the transition guidelines.

a) Due to errors in the consolidation method, Group net income in the 2011 opening balance sheet was retroactively adjusted in the fourth quarter of 2012. In the comparable period 2012, Group net income increased by EUR 3 million. The correction resulted from recognition of differences in connection with debt consolidation and from allocation of controlling and non-controlling interests within shareholders' equity. The processing logic was accordingly adjusted with respect to both debt and capital consolidation.

b) 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 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 265 million as at 30 September 2012, of which EUR 254 million is attributable to the shareholders of Talanx AG. After-tax net income as at 30 September 2012 was reduced by EUR 2 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 "Movements in shareholders' equity" in the section "Assets and Financial Position" in the Management Report, page 23.

c) With effect from 30 September 2013, the Group retroactively corrected fair-value information in the Notes with respect to several financial instruments in the category "Loans and receivables" that are a component of internal Group transactions involving interest rate peaks and for which the original interest rate is thus to be taken as a basis in ascertaining them (Retail Germany segment). As a consequence, recognised fair values under "Loans and receivables" increased by EUR 206 million compared with their original recognition as at 31 December 2012. The adjustment of the information in the Notes (section VI "Notes to individual items of the consolidated balance sheet", item 2 "Loans and Receivables") did not have any effect on the recognised carrying amounts or shareholders' equity in the previous year.

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

Consolidated balance sheet as at 1 January 2012		**1.1.2012 as reported in the Annual Report 31.12.2012**		**1.1.2012**
Figures in EUR million			Re b)	
Assets				
H.	Deferred tax assets	325	1	326
Liabilities				
A. b.	Reserves	5,147	−44	5,103
A. c.	Non-controlling interests in shareholders' equity	3,284	−2	3,282
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	1,494	−22	1,472

Consolidated balance sheet as at 30 September 2012		As reported at 30.9.2012	Changes due to adjustments in accordance with IAS 8 (including adjustments as at 1 January 2012)		30.9.2012
Figures in EUR million			Re a)	Re b)	
Assets					
H.	Deferred tax assets	435	—	77	512
Liabilities					
A. c.	Reserves	6,280	2	–254	6,028
A. d.	Non-controlling interests in shareholders' equity	4,055	–2	–11	4,042
C. d.	Provision for premium refunds	2,159	—	–14	2,145
E. a.	Provisions for pensions and other post-employment benefits	1,350	—	414	1,764
E. b.	Provisions for taxes	583	—	–1	582
E. c.	Other provisions	659	—	–11	648
F. c.	Other liabilities	6,343	—	–1	6,342
G.	Deferred tax liabilities	1,938	—	–45	1,893

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
Figures in EUR million			Re a)	Re b)	
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 9M 2012	Changes due to adjustments in accordance with IAS 8		9M 2012
Figures in EUR		Re a)	Re b)	
6. Claims and claims expenses (gross)	14,847	—	1	14,848
10. a. Other income	464	–6	—	458
b. Other expenses	823	–10	2	815
13. Taxes on income	218	1	–1	218

The changes in accounting policies in the comparable period resulting from retrospective application of IAS 19 had no effect on earnings per share:

	As reported at 9M 2012	Adjustment	9M 2012
Figures in EUR			
Basic earnings per share	2.64	—	2.64
Diluted earnings per share	2.64	—	2.64

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 b)) and the old IAS 19 standard no longer being applied from the start of the period.

Consolidated balance sheet as at 30 September 2013	**Changes due to adjustments in accordance with IAS 8**
Figures in EUR million	Re b)
A. b. Reserves	–287
C. d. Provision for premium refunds	–14
E. a. Provisions for pensions and other post-employment benefits	417
E. c. Other provisions	–15
G. Deferred tax liabilities	–122

Consolidated statement of income as at 9M 2013	**Changes due to adjustments in accordance with IAS 8**
Figures in EUR million	Re b)
6. Claims and claims expenses (gross)	–1
10. b. Other expenses	32
13. Taxes on income	–10

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:

	9M 2013 prior to adjustment	Adjustment	9M 2013
Figures in EUR			
Basic earnings per share	2.17	−0.08	2.09
Diluted earnings per share	2.17	−0.08	2.09

	Q3 2013 prior to adjustment	Adjustment	Q3 2013
Figures in EUR			
Basic earnings per share	0.51	−0.03	0.48
Diluted earnings per share	0.51	−0.03	0.48

Changes in estimates during the reporting period

With effect from the third quarter of 2013, the calculation logic for amortising inflation-indexed government bonds was modified in order to level out seasonal deviations in the underlying inflation indexes. This involves changing an accounting-related estimate that pursuant to IAS 8 is to be made prospectively in the reporting period without adjusting the comparable figures for previous years. If the parameters and procedures used until 30 June 2013 had been maintained, the amount of amortisation in the reporting period would have been lower by EUR 4.2 million. In future, amortisation amounts will not be different at the end of each year, since adjustment of the parameters merely constitutes a levelling during the year that has an effect only at the end of the respective quarter.

Currency translation

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

		Balance sheet (balance sheet date)		Statement of income (average)	
Exchange rates for our key foreign currencies		**30.9.2013**	**31.12.2012**	**9M 2013**	**9M 2012**
1 EUR corresponds to					
AUD	Australia	1.4489	1.2690	1.3512	1.2435
BRL	Brazil	3.0460	2.6942	2.7978	2.4738
CHF	Switzerland	1.2222	1.2081	1.2264	1.2049
CNY	China	8.2628	8.2148	8.1309	8.1496
GBP	United Kingdom	0.8365	0.8180	0.8505	0.8142
MXN	Mexico	17.8222	17.1341	16.9007	17.0444
PLN	Poland	4.2230	4.0776	4.2098	4.2182
USD	USA	1.3498	1.3182	1.3180	1.2892
ZAR	South Africa	13.6178	11.2069	12.5182	10.3437

III. Segment reporting

Identification of reportable segments

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

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 from 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 also provides insurance services in Austria. 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 are 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 these 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 includes 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 consolidated in the consolidation column, whereas income from dividend payments and profit/loss transfer agreements accruing to the Group holding company are eliminated in the respective segment. For reasons of consistency and comparability, we have adjusted the consolidated statement of income in line with the segment statement of income. The same applies to the consolidated balance sheet and the segment balance sheet. Non-current assets amounting to EUR 4,808 (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. 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 September 2013

Assets	Industrial Lines 30.9.2013	Industrial Lines 31.12.2012[1]	Retail Germany 30.9.2013	Retail Germany 31.12.2012[1]	Retail International 30.9.2013	Retail International 31.12.2012[1]
Figures in EUR million						
A. Intangible assets						
a. Goodwill	153	153	403	403	530	580
b. Other intangible assets	18	20	1,026	1,104	245	313
	171	**173**	**1,429**	**1,507**	**775**	**893**
B. Investments						
a. Investment property	21	35	743	689	21	82
b. Investments in affiliated companies and participating interests	19	19	19	19	—	5
c. Investments in associated companies and joint ventures	128	126	45	38	—	—
d. Loans and receivables	2,111	2,383	26,761	26,210	595	247
e. Other financial assets						
i. Held to maturity	25	113	115	294	345	389
ii. Available for sale	3,873	3,427	13,031	12,338	3,549	3,221
iii. At fair value through profit or loss	99	89	347	329	700	1,016
f. Other invested assets	370	567	1,330	849	514	565
Assets under own management	**6,646**	**6,759**	**42,391**	**40,766**	**5,724**	**5,525**
g. Investments under investment contracts	—	—	—	—	1,585	1,698
h. Funds withheld by ceding companies	23	24	25	23	—	1
Investments	**6,669**	**6,783**	**42,416**	**40,789**	**7,309**	**7,224**
C. Investments for the account and risk of holders of life insurance policies	—	—	7,197	6,354	827	1,097
D. Reinsurance recoverables on technical provisions	4,670	4,687	2,637	2,495	661	703
E. Accounts receivable on insurance business	1,257	1,177	403	340	787	756
F. Deferred acquisition costs	18	24	2,075	1,977	380	315
G. Cash	343	317	281	869	438	305
H. Deferred tax assets	11	8	109	115	95	80
I. Other assets	429	381	785	1,074	388	319
J. Non-current assets and assets of disposal groups classified as held for sale[2]	11	9	23	23	249	18
Total assets	**13,579**	**13,559**	**57,355**	**55,543**	**11,909**	**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"
[2] Cf. our remarks in the section "Non-current assets held for sale and disposal groups"

	Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
	30.9.2013	31.12.2012	30.9.2013	31.12.2012	30.9.2013	31.12.2012 [1)]	30.9.2013	31.12.2012	30.9.2013	31.12.2012 [1)]
	16	16	—	—	—	—	—	—	1,102	1,152
	21	23	95	101	83	80	—	—	1,488	1,641
	37	**39**	**95**	**101**	**83**	**80**	**—**	**—**	**2,590**	**2,793**
	764	489	2	2	—	—	—	—	1,551	1,297
	45	12	—	—	24	25	—	—	107	80
	125	118	15	15	13	13	−83	−73	243	237
	3,196	3,340	74	75	11	1	−154	−155	32,594	32,101
	2,523	3,407	199	200	13	10	−189	−556	3,031	3,857
	16,827	16,162	5,753	5,806	313	383	—	—	43,346	41,337
	45	132	63	76	2	—	—	—	1,256	1,642
	1,594	1,598	302	247	367	303	−535	−628	3,942	3,501
	25,119	**25,258**	**6,408**	**6,421**	**743**	**735**	**−961**	**−1,412**	**86,070**	**84,052**
	—	—	—	—	—	—	—	—	1,585	1,698
	846	951	13,886	13,800	—	—	−1,716	−1,601	13,064	13,198
	25,965	**26,209**	**20,294**	**20,221**	**743**	**735**	**−2,677**	**−3,013**	**100,719**	**98,948**
	—	—	—	—	—	—	—	—	8,024	7,451
	1,423	1,426	787	763	5	—	−3,239	−3,085	6,944	6,989
	2,043	1,691	1,121	1,376	12	—	−231	−259	5,392	5,081
	485	476	1,242	1,365	2	—	254	221	4,456	4,378
	459	411	129	161	233	56	—	—	1,883	2,119
	14	16	45	32	273	278	—	—	547	529
	1,130	935	150	94	369	573	−981	−1,370	2,270	2,006
	11	6	—	—	—	—	—	—	294	56
	31,567	**31,209**	**23,863**	**24,113**	**1,720**	**1,722**	**−6,874**	**−7,506**	**133,119**	**130,350**

Segment reporting.
Balance sheet as at 30 September 2013

Liabilities	Industrial Lines 30.9.2013	Industrial Lines 31.12.2012[1)]	Retail Germany 30.9.2013	Retail Germany 31.12.2012[1)]	Retail International 30.9.2013	Retail International 31.12.2012[1)]
Figures in EUR million						
B. Subordinated liabilities	144	149	213	214	2	—
C. Technical provisions						
a. Unearned premium reserve	1,151	856	1,052	815	1,559	1,525
b. Benefit reserve	1	1	36,569	35,579	2,389	2,073
c. Loss and loss adjustment expense reserve	8,427	8,196	2,664	2,574	2,110	2,040
d. Provision for premium refunds	9	11	2,043	2,167	91	101
e. Other technical provisions	32	34	7	8	14	18
	9,620	**9,098**	**42,335**	**41,143**	**6,163**	**5,757**
D. Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders	—	—	7,197	6,354	827	1,097
E. Other provisions						
a. Provisions for pensions and other post-employment benefits	523	547	96	103	14	13
b. Provisions for taxes	100	101	111	90	81	69
c. Other provisions	63	96	229	299	80	83
	686	**744**	**436**	**492**	**175**	**165**
F. Liabilities						
a. Notes payable and loans	—	—	—	—	—	—
b. Funds withheld under reinsurance treaties	30	13	2,180	2,074	184	179
c. Other liabilities	1,250	1,553	2,047	2,254	2,253	2,355
	1,280	**1,566**	**4,227**	**4,328**	**2,437**	**2,534**
G. Deferred tax liabilities	81	96	307	337	115	139
H. Liabilities of disposal groups classified as held for sale[2)]	—	—	—	—	252	20
Total liabilities/provisions	**11,811**	**11,653**	**54,715**	**52,868**	**9,971**	**9,712**

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
30.9.2013	31.12.2012[1]	30.9.2013	31.12.2012[1]	30.9.2013	31.12.2012[1]	30.9.2013	31.12.2012[1]	30.9.2013	31.12.2012[1]
2,237	2,233	62	97	612	612	–163	–198	3,107	3,107
2,436	2,254	112	86	11	—	–152	–96	6,169	5,440
—	—	10,691	10,975	—	—	–331	–380	49,319	48,248
19,088	18,595	2,916	3,017	7	—	–1,169	–1,179	34,043	33,243
—	—	—	—	—	—	—	—	2,143	2,279
139	141	127	73	—	—	–1	—	318	274
21,663	**20,990**	**13,846**	**14,151**	**18**	**—**	**–1,653**	**–1,655**	**91,992**	**89,484**
—	—	—	—	—	—	—	—	8,024	7,451
95	97	29	30	1,033	1,079	—	—	1,790	1,869
150	207	17	31	138	134	—	—	597	632
80	91	35	32	138	163	–2	–1	623	763
325	**395**	**81**	**93**	**1,309**	**1,376**	**–2**	**–1**	**3,010**	**3,264**
214	168	225	275	1,248	1,352	–708	–1,118	979	677
522	517	6,189	6,101	—	—	–3,163	–2,909	5,942	5,975
1,031	893	1,280	1,315	343	329	–1,183	–1,620	7,021	7,079
1,767	**1,578**	**7,694**	**7,691**	**1,591**	**1,681**	**–5,054**	**–5,647**	**13,942**	**13,731**
1,066	1,015	295	372	—	3	26	22	1,890	1,984
—	—	—	—	—	—	—	—	252	20
27,058	**26,211**	**21,978**	**22,404**	**3,530**	**3,672**	**–6,846**	**–7,479**	**122,217**	**119,041**

	30.9.2013	31.12.2012[1]
Shareholders' equity[3]	**10,902**	**11,309**
Total liabilities	**133,119**	**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] Cf. our remarks in the section "Non-current assets held for sale and disposal groups"
[3] Group shareholders' equity incl. non-controlling interests

Segment reporting.
Statement of income for the period from 1 January to 30 September 2013

	Industrial Lines		Retail Germany		Retail International	
	9M 2013	9M 2012[1]	9M 2013	9M 2012	9M 2013	9M 2012
Figures in EUR million						
1. Gross written premium including premium from unit-linked life and annuity insurance	3,128	2,849	5,196	5,056	3,133	2,231
thereof attributable to other segments	49	49	48	46	—	—
to third parties	3,079	2,800	5,148	5,010	3,133	2,231
2. Savings elements of premium from unit-linked life and annuity insurance	—	—	695	709	151	163
3. Ceded written premium	1,697	1,495	244	234	284	258
4. Change in gross unearned premium	−314	−308	−234	−218	−121	−27
5. Change in ceded unearned premium	−228	−136	−13	−13	−20	−18
Net premium earned	**1,345**	**1,182**	**4,036**	**3,908**	**2,597**	**1,801**
6. Claims and claims expenses (gross)	2,165	1,806	4,441	4,405	1,933	1,407
Reinsurers' share	998	934	126	106	101	98
Claims and claims expenses (net)	**1,167**	**872**	**4,315**	**4,299**	**1,832**	**1,309**
7. Acquisition costs and administrative expenses (gross)	531	485	880	714	762	544
Reinsurers' share	274	235	84	73	62	81
Acquisition costs and administrative expenses (net)	**257**	**250**	**796**	**641**	**700**	**463**
8. Other technical income	16	16	6	12	16	10
Other technical expenses	20	7	61	102	58	64
thereof attributable to amortisation PVFP	—	4	46	92	23	27
Other technical result	**−4**	**9**	**−55**	**−90**	**−42**	**−54**
Net technical result	**−83**	**69**	**−1,130**	**−1,122**	**23**	**−25**
9. a. Income from investments	205	203	1,492	1,377	260	224
b. Investment expenses	39	21	155	117	53	27
Net income from assets under own management	**166**	**182**	**1,337**	**1,260**	**207**	**197**
Profit on investment contracts	—	—	—	—	8	5
Income/expense from funds withheld and contract deposits	1	−1	−18	−24	−1	−1
Net investment income	**167**	**181**	**1,319**	**1,236**	**214**	**201**
thereof attributable to interest and similar income	151	160	1,161	1,159	234	156
interest and similar expenses	—	1	18	24	35	1
impairments/depreciation on investments	5	1	39	15	6	4
write-ups on investments	—	1	—	—	—	3
income/expense from associated companies and joint ventures valued using the equity method	—	—	1	4	—	−1
10. a. Other income	88	64	130	126	51	28
b. Other expenses	112	102	208	176	131	129
Other income/expenses	**−24**	**−38**	**−78**	**−50**	**−80**	**−101**
thereof attributable to interest and similar income	1	2	2	8	11	8
write-ups on accounts receivable and other assets	3	—	—	1	1	1
interest and similar expenses	14	15	4	14	3	3
write-downs on accounts receivable and other assets	16	9	5	3	39	29
Profit/loss before goodwill impairments	**60**	**212**	**111**	**64**	**157**	**75**
11. Goodwill impairments	—	—	—	—	—	—
Operating profit/loss (EBIT)	**60**	**212**	**111**	**64**	**157**	**75**
12. Financing costs	7	10	10	10	2	1
13. Taxes on income	19	68	35	−58	42	25
Net income	**34**	**134**	**66**	**112**	**113**	**49**
thereof attributable to non-controlling interests	—	—	3	6	20	10
thereof attributable to shareholders of Talanx AG	34	134	63	106	93	39

[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	
9M 2013	9M 2012[1)]	9M 2013	9M 2012[1)]	9M 2013	9M 2012[1)]	9M 2013	9M 2012[1)]	9M 2013	9M 2012[1)]
5,956	5,897	4,582	4,399	33	—	–648	–585	21,380	19,847
378	333	140	157	33	—	–648	–585	—	—
5,578	5,564	4,442	4,242	—	—	—	—	21,380	19,847
—	—	—	—	—	—	—	—	846	872
647	593	526	472	10	—	–652	–582	2,756	2,470
–269	–398	–31	12	–11	—	58	41	–922	–898
–53	–111	1	–2	–2	—	68	36	–247	–244
5,093	**5,017**	**4,024**	**3,941**	**14**	**—**	**–6**	**2**	**17,103**	**15,851**
3,897	3,881	3,775	3,641	12	—	–286	–292	15,937	14,848
357	300	469	390	3	—	–300	–302	1,754	1,526
3,540	**3,581**	**3,306**	**3,251**	**9**	**—**	**14**	**10**	**14,183**	**13,322**
1,406	1,321	1,063	972	4	—	–195	–206	4,451	3,830
102	59	53	49	—	—	–159	–174	416	323
1,304	**1,262**	**1,010**	**923**	**4**	**—**	**–36**	**–32**	**4,035**	**3,507**
2	1	1	—	—	—	—	—	41	39
6	5	6	5	1	—	16	25	168	208
—	1	7	2	—	—	—	—	76	126
–4	**–4**	**–5**	**–5**	**–1**	**—**	**–16**	**–25**	**–127**	**–169**
245	**170**	**–297**	**–238**	**—**	**—**	**—**	**–1**	**–1,242**	**–1,147**
712	829	224	267	88	23	–48	–56	2,933	2,867
123	107	21	20	52	46	–66	–62	377	276
589	**722**	**203**	**247**	**36**	**–23**	**18**	**6**	**2,556**	**2,591**
—	—	—	—	—	—	—	—	8	5
11	8	257	239	—	—	—	—	250	221
600	**730**	**460**	**486**	**36**	**–23**	**18**	**6**	**2,814**	**2,817**
537	582	507	486	8	6	–49	–56	2,549	2,493
5	7	78	71	—	—	–7	–6	129	98
14	14	—	3	1	—	—	—	65	37
—	1	—	—	—	—	—	—	—	5
10	5	—	—	1	1	–3	–5	9	4
129	95	92	79	606	555	–544	–489	552	458
141	198	115	100	558	551	–503	–441	762	815
–12	**–103**	**–23**	**–21**	**48**	**4**	**–41**	**–48**	**–210**	**–357**
3	2	7	4	1	11	–1	–5	24	30
8	5	—	—	—	—	—	—	12	7
13	21	44	44	26	51	–7	–10	97	138
21	26	6	16	2	3	—	—	89	86
833	**797**	**140**	**227**	**84**	**–19**	**–23**	**–43**	**1,362**	**1,313**
—	—	—	—	—	—	—	—	—	—
833	**797**	**140**	**227**	**84**	**–19**	**–23**	**–43**	**1,362**	**1,313**
95	76	3	4	75	81	–37	–43	155	139
214	173	6	42	–7	–34	5	2	314	218
524	**548**	**131**	**181**	**16**	**–66**	**9**	**–2**	**893**	**956**
277	299	65	92	—	—	—	–1	365	406
247	249	66	89	16	–66	9	–1	528	550

Segment reporting.
Statement of income for the period from 1 July to 30 September 2013

	Industrial Lines		Retail Germany		Retail International	
	Q3 2013	Q3 2012[1]	Q3 2013	Q3 2012[1]	Q3 2013	Q3 2012[1]
Figures in EUR million						
1. Gross written premium including premium from unit-linked life and annuity insurance	729	602	1,573	1,539	982	897
thereof attributable to other segments	26	19	16	15	—	—
to third parties	703	583	1,557	1,524	982	897
2. Savings elements of premium from unit-linked life and annuity insurance	—	—	224	273	39	89
3. Ceded written premium	445	402	69	73	79	88
4. Change in gross unearned premium	291	301	95	108	–4	8
5. Change in ceded unearned premium	125	101	2	3	11	6
Net premium earned	**450**	**400**	**1,373**	**1,298**	**849**	**722**
6. Claims and claims expenses (gross)	862	540	1,611	1,444	649	558
Reinsurers' share	430	219	57	24	51	52
Claims and claims expenses (net)	**432**	**321**	**1,554**	**1,420**	**598**	**506**
7. Acquisition costs and administrative expenses (gross)	178	163	268	260	254	219
Reinsurers' share	94	77	30	43	21	24
Acquisition costs and administrative expenses (net)	**84**	**86**	**238**	**217**	**233**	**195**
8. Other technical income	8	5	–1	1	6	5
Other technical expenses	14	–13	–22	73	18	31
thereof attributable to amortisation PVFP	—	—	–30	70	7	19
Other technical result	**–6**	**18**	**21**	**–72**	**–12**	**–26**
Net technical result	**–72**	**11**	**–398**	**–411**	**6**	**–5**
9. a. Income from investments	73	73	527	462	80	63
b. Investment expenses	15	5	74	31	16	–20
Net income from assets under own management	**58**	**68**	**453**	**431**	**64**	**83**
Profit on investment contracts	—	—	—	—	4	3
Income/expense from funds withheld and contract deposits	1	—	–6	–7	—	–3
Net investment income	**59**	**68**	**447**	**424**	**68**	**83**
thereof attributable to interest and similar income	49	54	386	394	79	64
interest and similar expenses	—	1	6	9	–5	1
impairments/depreciation on investments	—	—	24	5	—	1
write-ups on investments	—	1	—	—	—	3
income/expense from associated companies and joint ventures valued using the equity method	—	—	1	2	—	–1
10. a. Other income	40	15	48	37	10	–7
b. Other expenses	45	39	76	59	40	49
Other income/expenses	**–5**	**–24**	**–28**	**–22**	**–30**	**–56**
thereof attributable to interest and similar income	1	1	1	1	3	3
write-ups on accounts receivable and other assets	3	—	—	—	—	1
interest and similar expenses	4	4	1	7	1	2
write-downs on accounts receivable and other assets	8	1	4	1	9	21
Profit/loss before goodwill impairments	**–18**	**55**	**21**	**–9**	**44**	**22**
11. Goodwill impairments	—	—	—	—	—	—
Operating profit/loss (EBIT)	**–18**	**55**	**21**	**–9**	**44**	**22**
12. Financing costs	1	3	4	4	1	1
13. Taxes on income	–6	17	5	–72	11	6
Net income	**–13**	**35**	**12**	**59**	**32**	**15**
thereof attributable to non-controlling interests	—	—	1	1	5	8
thereof attributable to shareholders of Talanx AG	–13	35	11	58	27	7

[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	
	Q3 2013	Q3 2012 [1)]	Q3 2013	Q3 2012 [1)]	Q3 2013	Q3 2012 [1)]	Q3 2013	Q3 2012 [1)]	Q3 2013	Q3 2012 [1)]
	1,859	1,817	1,452	1,590	8	—	–189	–180	6,414	6,265
	94	96	45	50	8	—	–189	–180	—	—
	1,765	1,721	1,407	1,540	—	—	—	—	6,414	6,265
	—	—	—	—	—	—	—	—	263	362
	247	192	201	168	5	—	–189	–178	857	745
	60	72	–14	–5	3	—	–9	1	422	485
	–17	–17	—	–3	–2	—	–8	–4	111	86
	1,689	**1,714**	**1,237**	**1,420**	**8**	**—**	**–1**	**3**	**5,605**	**5,557**
	1,397	1,339	1,183	1,326	5	—	–114	–103	5,593	5,104
	193	105	167	135	—	—	–113	–96	785	439
	1,204	**1,234**	**1,016**	**1,191**	**5**	**—**	**–1**	**–7**	**4,808**	**4,665**
	462	434	343	373	2	—	–56	–61	1,451	1,388
	37	28	18	28	—	—	–52	–69	148	131
	425	**406**	**325**	**345**	**2**	**—**	**–4**	**8**	**1,303**	**1,257**
	1	—	1	—	—	—	–1	–2	14	9
	7	3	—	1	—	—	3	1	20	96
	—	1	5	—	—	—	—	—	–18	90
	–6	**–3**	**1**	**–1**	**—**	**—**	**–4**	**–3**	**–6**	**–87**
	54	**71**	**–103**	**–117**	**1**	**—**	**—**	**–1**	**–512**	**–452**
	243	330	72	119	5	2	–15	–21	985	1,028
	24	31	4	8	17	15	–24	–26	126	44
	219	**299**	**68**	**111**	**–12**	**–13**	**9**	**5**	**859**	**984**
	—	—	—	—	—	—	—	—	4	3
	3	2	77	89	—	—	–1	—	74	81
	222	**301**	**145**	**200**	**–12**	**–13**	**8**	**5**	**937**	**1,068**
	183	195	144	153	2	2	–12	–19	831	843
	3	3	12	5	—	—	–2	–2	14	17
	6	4	—	—	—	—	—	—	30	10
	—	—	—	—	—	—	—	—	—	4
	4	1	—	—	1	—	–3	–2	3	—
	9	17	22	27	198	225	–169	–176	158	138
	19	40	32	36	188	211	–161	–141	239	293
	–10	**–23**	**–10**	**–9**	**10**	**14**	**–8**	**–35**	**–81**	**–155**
	1	—	2	2	—	3	—	–1	8	9
	1	2	—	—	—	—	—	—	4	3
	4	3	15	15	9	13	–2	–2	32	42
	6	13	2	2	1	1	—	—	30	39
	266	**349**	**32**	**74**	**–1**	**1**	**—**	**–31**	**344**	**461**
	—	—	—	—	—	—	—	—	—	—
	266	**349**	**32**	**74**	**–1**	**1**	**—**	**–31**	**344**	**461**
	32	24	1	1	19	29	–7	–13	51	49
	73	75	–20	16	–5	–4	3	–5	61	33
	161	**250**	**51**	**57**	**–15**	**–24**	**4**	**–13**	**232**	**379**
	80	143	25	31	—	—	—	–1	111	182
	81	107	26	26	–15	–24	4	–12	121	197

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 origin[1]

Figures in EUR million	Primary insurance	Reinsurance	Corporate Operations	30.9.2013 Total
Germany	24,454	6,196	175	30,825
United Kingdom	3,177	2,248	89	5,514
Central and Eastern Europe (CEE), including Turkey	2,741	451	5	3,197
Rest of Europe	20,107	8,374	411	28,892
USA	1,205	8,321	7	9,533
Rest of North America	93	1,223	1	1,317
Latin America	911	853	—	1,764
Asia and Australia	1,519	3,181	4	4,704
Africa	14	310	—	324
Total	**54,221**	**31,157**	**692**	**86,070**

Figures in EUR million	Primary insurance	Reinsurance	Corporate Operations	31.12.2012 Total
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]

Figures in EUR million	Primary insurance	Reinsurance	Corporate Operations	9M 2013 Total
Germany	6,550	680	—	7,230
United Kingdom	96	1,930	—	2,026
Central and Eastern Europe (CEE), including Turkey	1,687	163	—	1,850
Rest of Europe	1,710	1,493	—	3,203
USA	240	2,449	—	2,689
Rest of North America	14	538	—	552
Latin America	908	603	—	1,511
Asia and Australia	118	1,825	—	1,943
Africa	37	339	—	376
Total	**11,360**	**10,020**	**—**	**21,380**

Figures in EUR million	Primary insurance	Reinsurance	Corporate Operations	9M 2012 Total
Germany	6,433	605	—	7,038
United Kingdom	92	1,937	—	2,029
Central and Eastern Europe (CEE), including Turkey	898	142	—	1,040
Rest of Europe	1,556	1,592	—	3,148
USA	152	2,341	—	2,493
Rest of North America	8	488	—	496
Latin America	800	593	—	1,393
Asia and Australia	81	1,720	—	1,801
Africa	21	388	—	409
Total	**10,041**	**9,806**	**—**	**19,847**

[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 geographical origin (by domicile of customer)[1]

Figures in EUR million	Primary Insurance	Reinsurance	Corporate Operations	Q3 2013 Total
Germany	1,765	166	—	1,931
United Kingdom	27	660	—	687
Central and Eastern Europe (CEE), including Turkey	494	46	—	540
Rest of Europe	494	403	—	897
USA	70	768	—	838
Rest of North America	7	197	—	204
Latin America	316	193	—	509
Asia and Australia	48	643	—	691
Africa	21	96	—	117
Total	**3,242**	**3,172**	**—**	**6,414**

Figures in EUR million	Primary Insurance	Reinsurance	Corporate Operations	Q3 2012 Total
Germany	1,751	152	—	1,903
United Kingdom	30	711	—	741
Central and Eastern Europe (CEE), including Turkey	467	39	—	506
Rest of Europe	413	533	—	946
USA	38	750	—	788
Rest of North America	2	189	—	191
Latin America	275	169	—	444
Asia and Australia	33	577	—	610
Africa	–5	141	—	136
Total	**3,004**	**3,261**	**—**	**6,265**

[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 level[1]

Figures in EUR million	9M 2013	9M 2012	Q3 2013	Q3 2012
Property/casualty primary insurance	6,501	5,723	1,648	1,494
Life primary insurance	4,859	4,318	1,594	1,510
Non-Life Reinsurance	5,578	5,564	1,765	1,721
Life/Health Reinsurance	4,442	4,242	1,407	1,540
Total	**21,380**	**19,847**	**6,414**	**6,265**

[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, 35 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, along with 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 Rückversicherung 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 Compañia 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 the first quarter of 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".

HG-I AI USD Beteiligungs-GmbH & Co. KG, Cologne, which was formed on 22 July 2013 and recorded in the Cologne Commercial Register on 30 July 2013, was consolidated for the first time in the third quarter of 2013 (Industrial Lines segment). The purpose of the company consists of the development, holding, and management of a portfolio of equity, equity-like, and debt-capital participations, predominantly in the United States.

In July 2013, the assets of HG Sach AltInvest GmbH & Co. KG, Cologne, were transferred to the holding companies HG-I Alternative Investments Beteiligungs-GmbH & Co. KG and TD-Sach Private Equity GmbH & Co. KG (Industrial Lines and Retail Germany segments) by means of a division of property at carrying amounts. Liquidation of the company was finalised on 30 September 2103. The company has been deleted from the Cologne Commercial Register.

With effect from 31 July 2013, Talanx International Holding AG (TINT) contributed its shares (100%) in the life insurance company HDI-Gerling Życie Towarzystwo Ubezpieczeń S. A. (HG-PLZ) to TUiR WARTA S. A., Warsaw, Poland (Retail International segment), by means of a capital increase through contribution in kind. All of the new shares in TUiR WARTA S. A. were subscribed to by TINT, meaning that the Group's holding in TUiR WARTA S. A. increased slightly to 75.74 (75.00)%. The Group recognised this change in the shareholding as an equity transaction, i.e. as one between minority and majority shareholders. In so doing, the carrying amounts of the controlling and non-controlling shares were modified in such a way as to reflect the changes in the shareholding. As a result, the controlling shareholders' share of equity increased by EUR 8 million at the expense of the non-controlling shareholders' share of equity (cf. "Consolidated statement of changes in shareholders' equity"). In late 2013, TUnŻ WARTA S. A. (WARTA life), which is wholly owned by TUiR WARTA S. A., will be merged into HG-PLZ as planned.

In July 2013, HR GLL Central Europe GmbH & KG, Munich, acquired all of the interests in Investec GLL Ireland S.à.r.l., Luxembourg, from Investec GLL SGO REF Holding Alpha S.à.r.l. , Luxembourg, and changed the name of the company to HR GLL Europe Holding S.à.r.l., Luxembourg. With effect from the third quarter of 2013, the company will be consolidated for the first time in the subgroup financial statements of HR GLL Central Europe GmbH & Co. KG. The purpose of the company, which at the time of purchase was an inactive shell company, is the acquisition, financing, holding, and exchange or sale of the securities of other companies. The company may issue any kind of securities to the other companies, use the proceeds of same for the purchase, sale, development, management, or leasing of real estate inside or outside of Luxembourg, and carry out all other commercial, industrial, and financial transactions relating to moveable property and real estate. No contingent liabilities, contingent consideration or separate transactions within the meaning of IFRS 3 were identified. HR GLL Central Europe GmbH & Co. KG, Munich, which was formed in July 2012 and has been consolidated 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. The purpose of the company is the acquisition, management, leasing and sale of commercial real estate and land rights in Europe, as well as the formation and acquisition of subsidiaries in the form of real estate companies that acquire and hold such real estate. Both holding companies have started investing in property companies.

Via the subsidiary GLL HRE Core Properties, LP, Wilmington, 100% of the interests in the property companies Broadway 101 LLC, Tempe, and River Terrace Parking LLC, New York, were acquired in the US subgroup Hannover Re Real Estate Holdings, Inc., in which a holding of 95.1% is maintained by the Hannover Re Group, at a purchase price equivalent to EUR 59 million. The business purpose of the companies is the holding and management of one property each. In connection with the acquisition, neither intangible assets nor goodwill was capitalised. No contingent liabilities, contingent consideration or separate transactions within the meaning of IFRS 3 were identified.

In August 2013, Hannover Rück SE and another investor agreed to acquire a financial participation in a company designed for the indirect acquisition of Heidelberger Lebensversicherung AG, Heidelberg, from a seller belonging to Lloyds Banking Group, London. Perfection of the acquisition of Heidelberger Leben still needs to be approved by the supervisory authorities.

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

	Individual companies		Subgroups	
Consolidated subsidiaries (fully consolidated)	**Domestic**	**Foreign**	**Domestic/foreign**[1]	**Total**
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**
Additions	1	—	—	**1**
Disposals	1	—	—	**1**
30.9.2013	**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, 33 special funds were included in the consolidated financial statements due to the existence of a controlling relationship or economic control with respect to the special investment fund. Of these, 23 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.

In the third quarter of 2013, the public fund terrAssisi Aktien I AMI (Retail Germany segment) was deconsolidated due to reduction of the holding in the special investment fund to 31.09% and carried as a financial instrument.

In July 2013, four new special funds were set up in the Corporate Operations segment and consolidated for the first time (Balanced Master, SF Balanced 3, SF Balanced 2, and SF Balanced 1).

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 244 (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 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 1,111 (1,138) million, of which the equivalent of EUR 843 (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

HDI Seguros S.A. de C.V. (Retail International segment)

As part of the merger of HDI Seguros S.A. de C.V. and Metropolitana Compañía de Seguros, Mexico City, Mexico, HDI Seguros S.A. de C.V. continues to intend to sell a life insurance portfolio, including investments for covering liabilities, at a prospective price of EUR 2 million, a situation unchanged since 31 December 2012. The key balance sheet items are EUR 18 (18) million in technical provisions and EUR 0 (2) million in other liabilities, which were offset by EUR 14 (15) million in investments, and EUR 0 (2) million in current accounts. As matters currently stand, we expect the transfer to take place by the second quarter of 2014.

In addition, a non-life insurance portfolio, including investments for covering liabilities, has been recognised as a disposal group since the first quarter of 2013. The expected purchase price amounts to EUR 0. For this portfolio, HDI Seguros S.A. de C.V. reported EUR 3 million in technical provisions, which were offset by EUR 1 million in investments and EUR 2 million in accounts receivable on insurance business. We expect the transfer to take place in the fourth quarter of 2013.

The transactions are part of the corporate focusing strategy and will lead to cost optimisation in the area of IT and personnel expenses. As at the balance sheet date, cumulative income and expenses for both disposal groups, which were recognised in shareholders' equity, amounted to EUR 0 (2) million.

ASPECTA Assurance International Luxemburg S.A. (Retail International segment)

As part of portfolio optimisation, the Multisupport partial portfolio of ASPECTA Assurance International Luxemburg S.A., Luxembourg, will be sold at a purchase price at the lower end of seven figures. Accordingly, it is recognised as a disposal group. This involves a portfolio with a single premium payment in the area of unit-linked life insurance policies with sales focused in Belgium, France and Germany. We expect the transfer to take place in the first quarter of 2014. The disposal group contains assets of EUR 232 million (including investments for the account and risk of holders of life insurance policies amounting to EUR 225 million and cash of EUR 7 million) and liabilities of EUR 231 million (including technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders amounting to EUR 225 million and a loss and loss adjustment expense reserve of EUR 6 million). As at the balance sheet date, cumulative income and expenses, which were recognised in shareholders' equity, amounted to EUR 0 million.

Real estate

As at 31 December 2012, we classified as "held for sale" real estate portfolios in the amount of EUR 39 million that are held by HDI-Gerling Industrie Versicherung AG, HDI Lebensversicherung AG, neue leben Lebensversicherung AG, HDI Versicherung AG, E+S Rückversicherung AG and Hannover Re Real Estate Holdings, Inc. The purchase prices amounted to EUR 49 million. In the first quarter of 2013, three properties with a carrying amount of EUR 13 million were transferred, and in the second quarter of 2013, real estate in the amount of EUR 4 million was disposed of. As at the balance sheet date, this was offset by real estate with a value of EUR 23 million that was newly classified as "held for sale".

Accordingly, as at the balance sheet date, we are reporting real estate at a total carrying amount of EUR 45 million (with EUR 22 million being attributable to Retail Germany segment, EUR 12 million to the Industrial Lines segment, and EUR 11 to the Life/Health Reinsurance segment), which is offset by market values (corresponding to expected purchase prices) totalling EUR 58 million. Measurement of these properties at fair value less costs to sell did not result in any material, unscheduled impairments. Sales intentions depend on specific factors associated with the real estate market and the properties themselves, taking into account current and future opportunity and risk profiles. We expect these transactions to close within one year.

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

Figures in EUR million	30.9.2013	31.12.2012
a. Goodwill	1,102	1,152
b. Other intangible assets	1,488	1,641
thereof attributable to		
Insurance-related intangible assets	1,215	1,328
Software	139	153
Other		
Acquired distribution networks and customer relationships	58	93
Other	44	33
Acquired brand names	32	34
Total	**2,590**	**2,793**

"Insurance-related intangible assets" (= PVFP) with respect to life primary insurance companies were derived principally from the insurance portfolios of the former Gerling Group acquired in 2006 (EUR 712 million), the portfolios of the former BHW Lebensversicherung AG (formerly PBV Lebensversicherung, now PB Lebensversicherung AG) (EUR 233 million) acquired in 2007 and neue leben Lebensversicherung AG (EUR 46 million). In addition, EUR 86 million is attributable to Hannover Life Reassurance (Ireland) Ltd. (Life/Health Reinsurance segment). Business combinations in 2012 resulted in a PVFP of EUR 108 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 1,107 (1,173) million, of which EUR 580 (674) million was attributable to the shareholders' portion and EUR 527 (499) million to the policyholders' portion.

Amortisation of insurance-related intangible assets amounted to EUR 121 (30 September 2012: 185) million, of which EUR 85 (30 September 2012: 130) million was attributable to the shareholders' portion – of this, EUR 9 million to investment contracts – and EUR 36 (30 September 2012: 55) 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:

	30.9.2013	31.12.2012
Figures in EUR million		
Intangible assets before deduction of non-controlling interests and the policyholders' portion and including deferred taxes		
a. Goodwill	1,102	1,152
b. Other intangible assets	1,488	1,641
Total	**2,590**	**2,793**
thereof attributable to: non-controlling interests		
a. Goodwill	6	35
b. Other intangible assets	163	204
Total	**169**	**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	151	176
Total	**151**	**176**
Intangible assets after deduction of non-controlling interests and the policyholders' portion and excluding deferred taxes		
a. Goodwill	1,096	1,117
b. Other intangible assets	647	762
Total	**1,743**	**1,879**

(2) Loans and receivables

	Amortised cost		Unrealised gains/losses		Fair value	
	30.9.2013	31.12.2012	30.9.2013	31.12.2012[2]	30.9.2013	31.12.2012[2]
Figures in EUR million						
Mortgage loans	885	990	96	140	981	1,130
Loans and prepayments on insurance policies	193	192	—	—	193	192
Loans and receivables due from governmental or quasi-governmental entities[1]	9,886	9,687	916	1,408	10,802	11,095
Corporate securities	6,500	6,516	276	563	6,776	7,079
Covered bonds/asset-backed securities	15,102	14,700	1,801	2,367	16,903	17,067
Participation rights	28	16	4	3	32	19
Total	**32,594**	**32,101**	**3,093**	**4,481**	**35,687**	**36,582**

[1] Loans and receivables due from governmental or quasi-governmental entities include securities of EUR 3,014 (2,585) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states
[2] Adjusted on the basis of IAS 8. Cf. "Accounting policies" section of the Notes, subsection "Changes in accounting policies and accounting errors"

The item "Covered bonds/asset-backed securities" includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 15,079 (14,676) million, which corresponds to 99 (99)%.

(3) Financial assets held to maturity

	Amortised cost		Unrealised gains/losses		Fair value	
	30.9.2013	31.12.2012	30.9.2013	31.12.2012	30.9.2013	31.12.2012
Figures in EUR million						
Government debt securities of EU member states	562	578	28	46	590	624
US treasury notes	513	825	16	28	529	853
Other foreign government debt securities	53	57	—	1	53	58
Debt securities issued by quasi-governmental entities[1]	556	678	27	42	583	720
Corporate securities	349	502	11	16	360	518
Covered bonds/asset-backed securities	998	1,217	71	91	1,069	1,308
Total	**3,031**	**3,857**	**153**	**224**	**3,184**	**4,081**

[1] Debt securities issued by quasi-governmental entities include securities of EUR 132 (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 995 (1,213) million, which corresponds to 99 (99)%.

(4) Financial assets available for sale

	Amortised cost		Unrealised gains/losses		Fair value	
	30.9.2013	31.12.2012	30.9.2013	31.12.2012	30.9.2013	31.12.2012
Figures in EUR million						
Government debt securities of EU member states	5,771	5,256	204	363	5,975	5,619
US treasury notes	1,796	1,294	11	40	1,807	1,334
Other foreign government debt securities	1,608	1,758	–22	26	1,586	1,784
Debt securities issued by quasi-governmental entities[1]	7,344	7,121	268	523	7,612	7,644
Corporate securities	15,769	13,675	433	912	16,202	14,587
Investment funds	738	808	38	71	776	879
Covered bonds/asset-backed securities	7,104	7,104	518	680	7,622	7,784
Participation rights	404	445	11	4	415	449
Total fixed-income securities	**40,534**	**37,461**	**1,461**	**2,619**	**41,995**	**40,080**
Equities	372	423	203	164	575	587
Investment funds	634	558	103	73	737	631
Participation rights	39	39	—	—	39	39
Total variable-yield securities	**1,045**	**1,020**	**306**	**237**	**1,351**	**1,257**
Total	**41,579**	**38,481**	**1,767**	**2,856**	**43,346**	**41,337**

[1] Debt securities issued by quasi-governmental entities include securities of EUR 2,782 (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 6,497 (6,827) million, which corresponds to 85 (88)%.

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

	30.9.2013	31.12.2012
Figures in EUR million		
Government debt securities of EU member states	33	347
Other foreign government debt securities	127	195
Debt securities issued by quasi-governmental entities[1]	37	38
Corporate securities	472	480
Investment funds	121	104
Covered bonds/asset-backed securities	30	91
Participation rights	85	91
Other	19	—
Total fixed-income securities	**924**	**1,346**
Investment funds (variable-yield securities)	55	55
Other variable-yield securities	33	28
Total financial assets classified at fair value through profit or loss	**1,012**	**1,429**
Government debt securities of EU member states	9	15
Other foreign government debt securities	2	—
Corporate securities	3	—
Other securities	1	1
Total fixed-income securities	**15**	**16**
Investment funds (variable-yield securities)	152	123
Derivatives	77	74
Total financial assets held for trading	**244**	**213**
Total	**1,256**	**1,642**

[1] Debt securities issued by semi-governmental entities include securities of EUR 6 (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 relate 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 37%.
- 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, 59% 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 30.9.2013**
Figures in EUR million				
Financial assets measured at fair value				
Available for sale				
Fixed-income securities	14,168	27,827	—	41,995
Variable-yield securities	800	66	485	1,351
At fair value through profit or loss				
Financial assets classified at fair value through profit or loss	225	774	13	1,012
Financial assets held for trading	209	33	2	244
Other invested assets	2,641	87	1,212	3,940
Other assets, derivative financial instruments	—	87	—	87
Investment contracts				
Financial assets classified at fair value through profit or loss	222	250	86	558
Derivatives	—	31	12	43
Total financial assets measured at fair value	**18,265**	**29,155**	**1,810**	**49,230**
Financial liabilities measured at fair value				
Other liabilities (negative market values under derivative financial instruments)				
Negative market values under derivatives	1	56	100	157
Negative market values under hedging instruments	—	18	—	18
Other liabilities (investment contracts)				
Financial assets classified at fair value through profit or loss	337	245	86	668
Derivatives	—	32	12	44
Total financial liabilities measured at fair value	**338**	**351**	**198**	**887**

[1] Categorisation in Level 3 is not associated with any statements 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 169 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 82 million from Level 2 financial assets to Level 1. The reclassifications were required primarily as a consequence of the reduced or increased 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
Figures in EUR million							
Book value as at 1.1.2013	**369**	**31**	**3**	**1,179**	**114**	**18**	**1,714**
Changes in the scope of consolidation	—	–7	—	–9	—	—	**–16**
Income and expenses							
recognised in the statement of income	–20	–1	–1	–6	–29	—	**–57**
recognised directly in equity	25	—	—	17	—	—	**42**
Transfers to Level 3	30 [1)]	—	—	—	—	—	**30**
Transfers from Level 3	—	1 [2)]	3 [2)]	—	—	—	**4**
Additions	115	10	3	148	28	1	**305**
Disposals	31	18	—	101	23	6	**179**
Exchange rate movements	–3	–1	—	–16	–4	–1	**–25**
Book value as at 30.9.2013	**485**	**13**	**2**	**1,212**	**86**	**12**	**1,810**

[1)] Measurement at net asset value
[2)] Trading on an active market

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
Figures in EUR million				
Book value as at 1.1.2013	**103**	**115**	**18**	**236**
Income and expenses				
recognised in the statement of income	–3	29	—	**26**
recognised directly in equity	—	—	—	**—**
Transfers to Level 3	—	—	—	**—**
Transfers from Level 3	—	—	—	**—**
Additions	—	54	3	**57**
Disposals	3	50	8	**61**
Exchange rate movements	–3	–4	–1	**–8**
Book value as at 30.9.2013	**100**	**86**	**12**	**198**

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 assets 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
Figures in EUR million							
Gains and losses in the 2013 financial year							
Income from investments	—	5	1	—	111	9	**126**
Investment expenses	–20	–6	–2	–6	–140	–9	**–183**
thereof attributable to financial assets included in the portfolio as at 30.9.2013							
Income from investments	—	5	1	—	111	9	**126**
Investment expenses	–20	–6	–2	–6	–140	–9	**–183**

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
Figures in EUR million				
Gains and losses in the 2013 financial year				
Income from investments	—	140	9	149
Investment expenses	–1	–111	–9	–121
Financing costs	–2	—	—	–2
thereof attributable to financial assets included in the portfolio as at 30.9.2013				
Income from investments	—	140	9	149
Investment expenses	–1	–111	–9	–121
Financing costs	–2	—	—	–2

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 2.0 (1.9) billion as at the balance sheet date, the Group generally measured 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 98 (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 206 (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	30.9.2013	31.12.2012[1]
Figures in EUR million		
Unrealised gains and losses from investments	418	667
Non-controlling interest in net income	365	522
Other shareholders' equity	3,134	2,967
Total	**3,917**	**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]	30.9.2013	31.12.2012
	Figures in EUR million				*Figures in EUR million*	*Figures in EUR million*
Hannover Finance (Luxembourg) S. A.	500	Fixed (5%), then floating rate	2005/no final maturity	(a+; A)	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 (5.0%), then floating rate	2012/2043	(a+; A)	497	497
HDI-Gerling Industrie Versicherung AG	142	Fixed (7%), then floating rate	2004/2024	(bbb+; A–)	145	149
HDI Lebensversicherung AG (formerly HDI-Gerling Lebensversicherung AG)[1]	110	Fixed (6.75%)	2005/no final maturity	(—; A–)	112	113
Talanx Finanz[2]	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
Open Life Towarzystwo Ubezpieczeń Życie S. A.[3]	2	Fixed (2.5%), plus WIBOR 3M	2013/2018	(—;—)	2	—
Total					**3,107**	**3,107**

[1] 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)
[2] 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 statement)
[3] Not included in the calculation of Group solvency
[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

	30.9.2013			31.12.2012[1]		
	Gross	Re	Net	Gross	Re	Net
Figures in EUR million						
a. Unearned premium reserve	6,169	754	5,415	5,440	521	4,919
b. Benefit reserve	49,319	996	48,323	48,248	1,017	47,231
c. Loss and loss adjustment expense reserve	34,043	4,956	29,087	33,243	5,248	27,995
d. Provision for premium refunds	2,143	3	2,140	2,279	2	2,277
e. Other technical provisions	318	7	311	274	4	270
Total	**91,992**	**6,716**	**85,276**	**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 8,024 (7,451) million, EUR 228 (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:

	30.9.2013	31.12.2012
Figures in EUR million		
Talanx AG bank liability	200	500
Talanx AG notes payable	565	9
Mortgage loan of Hannover Re Real Estate Holdings, Inc., Orlando	163	168
Mortgage loan of HR GLL Central Europe GmbH & Co. KG, Munich	51	—
Total	**979**	**677**

The bank liability is mainly the result of 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 200 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 was 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 13 (5) million resulting from these liabilities are recognised under the item “Financing costs”.

	Nominal amount	Coupon	Maturity	Rating[1]	Issue	30.9.2013	31.12.2012
	Figures in EUR million					*Figures in EUR million*	*Figures in EUR million*
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.

9M 2013[1]	Industrial Lines	Retail Germany	Retail International	Non-life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Figures in EUR million							
Gross written premium, including premium from unit-linked life and annuity insurance	3,079	5,148	3,133	5,578	4,442	—	**21,380**
Savings elements of premium from unit-linked life and annuity insurance	—	694	152	—	—	—	**846**
Ceded written premium	1,345	102	181	634	485	9	**2,756**
Change in gross unearned premium	−315	−234	−121	−221	−31	—	**−922**
Change in ceded unearned premium	−169	−9	−15	−53	1	−2	**−247**
Net premium earned	**1,588**	**4,127**	**2,694**	**4,776**	**3,925**	**−7**	**17,103**

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

9M 2012[1]	Industrial Lines	Retail Germany	Retail International	Non-life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Figures in EUR million							
Gross written premium, including premium from unit-linked life and annuity insurance	2,800	5,010	2,231	5,564	4,242	—	19,847
Savings elements of premium from unit-linked life and annuity insurance	—	709	163	—	—	—	872
Ceded written premium	1,205	92	160	578	435	—	2,470
Change in gross unearned premium	−293	−218	−28	−372	13	—	−898
Change in ceded unearned premium	−111	−14	−11	−106	−2	—	−244
Net premium earned	**1,413**	**4,005**	**1,891**	**4,720**	**3,822**	**—**	**15,851**

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

(12) Net investment income

9M 2013[1]	Industrial Lines	Retail Germany	Retail International	Non-life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Figures in EUR million							
Income from real estate	3	50	1	47	—	—	101
Dividends[2]	5	9	3	11	—	6	34
Current interest income	142	1,146	188	510	171	2	2,159
Other income	4	7	1	38	9	—	59
Ordinary investment income	**154**	**1,212**	**193**	**606**	**180**	**8**	**2,353**
Appreciation	—	—	—	—	—	—	—
Realised gains on investments	34	253	53	88	31	70	529
Unrealised gains on investments	9	10	14	5	13	—	51
Investment income	**197**	**1,475**	**260**	**699**	**224**	**78**	**2,933**
Realised losses on investments	20	42	17	20	4	—	103
Unrealised losses on investments	5	10	20	30	6	1	72
Total	**25**	**52**	**37**	**50**	**10**	**1**	**175**
Impairments/depreciation on investment property							
scheduled	1	9	—	10	—	—	20
unscheduled	—	—	—	—	—	—	—
Impairments on equity securities	—	5	5	—	—	1	11
Impairments on fixed-income securities	3	3	—	—	—	—	6
Impairments on other investments	1	23	1	3	—	—	28
Expenses for the administration of investments	4	11	3	12	2	50	82
Other expenses	1	19	5	26	4	—	55
Other investment expenses/ impairments	**10**	**70**	**14**	**51**	**6**	**51**	**202**
Investment expenses	**35**	**122**	**51**	**101**	**16**	**52**	**377**
Net income from assets under own management	**162**	**1,353**	**209**	**598**	**208**	**26**	**2,556**
Profit on investment contracts	**—**	**—**	**8**	**—**	**—**	**—**	**8**
Interest income from funds withheld and contract deposits	1	—	—	15	329	—	345
Interest expense from funds withheld and contract deposits	—	12	—	5	78	—	95
Income/expense from funds withheld and contract deposits	**1**	**–12**	**—**	**10**	**251**	**—**	**250**
Net investment income	**163**	**1,341**	**217**	**608**	**459**	**26**	**2,814**

[1] After elimination of internal transactions within the Group across segments
[2] Income from investments in associated companies and joint ventures amounts to EUR 9 (4) million and is recognised under “Dividends”

9M 2012[1]	**Industrial Lines**	**Retail Germany**	**Retail International**	**Non-life Reinsurance**	**Life/Health Reinsurance**	**Corporate Operations**	**Total**
Figures in EUR million							
Income from real estate	3	41	1	36	—	—	81
Dividends[2]	5	10	4	6	—	13	38
Current interest income	150	1,142	155	549	176	3	2,175
Other income	8	14	—	49	1	—	72
Ordinary investment income	**166**	**1,207**	**160**	**640**	**177**	**16**	**2,366**
Appreciation	1	—	3	1	—	—	5
Realised gains on investments	21	100	32	142	41	3	339
Unrealised gains on investments	4	49	28	27	49	—	157
Investment income	**192**	**1,356**	**223**	**810**	**267**	**19**	**2,867**
Realised losses on investments	8	41	9	28	6	—	92
Unrealised losses on investments	2	2	7	12	2	1	26
Total	**10**	**43**	**16**	**40**	**8**	**1**	**118**
Impairments/depreciation on investment property							
scheduled	1	8	—	8	—	—	17
unscheduled	—	3	3	—	—	—	6
Impairments on equity securities	—	4	1	—	2	—	7
Impairments on fixed-income securities	—	—	—	—	—	—	—
Impairments on other investments	—	1	—	6	—	—	7
Expenses for the administration of investments	3	7	1	7	1	41	60
Other expenses	2	21	3	28	3	4	61
Other investment expenses/ impairments	**6**	**44**	**8**	**49**	**6**	**45**	**158**
Investment expenses	**16**	**87**	**24**	**89**	**14**	**46**	**276**
Net income from assets under own management	**176**	**1,269**	**199**	**721**	**253**	**–27**	**2,591**
Profit on investment contracts	**—**	**—**	**5**	**—**	**—**	**—**	**5**
Interest income from funds withheld and contract deposits	—	—	—	15	304	—	319
Interest expense from funds withheld and contract deposits	1	18	—	7	72	—	98
Income/expense from funds withheld and contract deposits	**–1**	**–18**	**—**	**8**	**232**	**—**	**221**
Net investment income	**175**	**1,251**	**204**	**729**	**485**	**–27**	**2,817**

[1] After elimination of internal transactions within the Group across segments
[2] Income from investments in associated companies and joint ventures amounts to EUR 6 (4) million and is recognised under "Dividends"

Of impairments totalling EUR 45 (20) million, EUR 11 (7) million was attributable to equity securities, EUR 20 (0) million to real estate funds and EUR 8 (7) million to private equity. In contrast to the comparable period, no impairments were taken on investment property (EUR 0 [6] million). On the other hand, there was slight appreciation of EUR 0.4 (5) 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 5 (46) 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 27 (–11) 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. In economic terms, 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 disposal of securities amounted to EUR 426 (247) million. This is attributable, inter alia, to the restructuring of fixed-income securities totalling EUR 80 million 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

	9M 2013	9M 2012
Figures in EUR million		
Investments in affiliated companies and participating interests	5	3
Loans and receivables	1,129	1,027
Held to maturity	95	116
Available for sale		
Fixed-income securities	1,175	1,091
Variable-yield securities	83	86
At fair value through profit or loss		
Financial assets classified at fair value through profit or loss		
Fixed-income securities	36	82
Variable-yield securities	3	4
Financial assets held for trading		
Fixed-income securities	—	—
Variable-yield securities	5	—
Derivatives	–11	58
Other invested assets, insofar as they are financial assets	88	123
Other[1]	85	122
Assets under own management	**2,693**	**2,712**
Investment contracts investments/liabilities[2]	8	5
Funds withheld by ceding companies/funds withheld under reinsurance treaties	250	221
Total	**2,951**	**2,938**

[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 12 million. Of income and expenses, –EUR 51 million/EUR 76 million is attributable to financial assets at fair value through profit or loss (assets/liabilities), –EUR 14 million to loans and receivables, and –EUR 34 million to other liabilities. In addition, amortisation of PVFP in the amount of –EUR 9 million is taken into consideration under expenses

Making allowance for “Expenses for assets under own management” in the amount of EUR 82 (60) million and for “Other expenses” in the amount of EUR 55 (61) million, “Net investment income” as at the balance sheet date amounted to EUR 2,814 (2,817) million.

(14) Claims and claims expenses

9M 2013[1]	Industrial Lines	Retail Germany	Retail International	Non-life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Figures in EUR million							
Gross							
Claims and claims expenses paid	1,845	2,655	1,439	2,726	3,590	—	12,255
Change in loss and loss adjustment expense reserve	302	94	180	974	100	—	1,650
Change in benefit reserve	—	1,042	312	—	55	—	1,409
Provision for premium refunds	7	614	2	—	—	—	623
Total	**2,154**	**4,405**	**1,933**	**3,700**	**3,745**	**—**	**15,937**
Reinsurers' share							
Claims and claims expenses paid	1,056	92	61	359	405	—	1,973
Change in loss and loss adjustment expense reserve	−252	30	2	−3	40	2	−181
Change in benefit reserve	—	−33	−4	—	−7	—	−44
Provision for premium refunds	3	—	3	—	—	—	6
Total	**807**	**89**	**62**	**356**	**438**	**2**	**1,754**
Net							
Claims and claims expenses paid	789	2,563	1,378	2,367	3,185	—	10,282
Change in loss and loss adjustment expense reserve	554	64	178	977	60	−2	1,831
Change in benefit reserve	—	1,075	316	—	62	—	1,453
Provision for premium refunds	4	614	−1	—	—	—	617
Total	**1,347**	**4,316**	**1,871**	**3,344**	**3,307**	**−2**	**14,183**

9M 2012[1]	Industrial Lines	Retail Germany[2]	Retail International	Non-life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Figures in EUR million							
Gross							
Claims and claims expenses paid	1,628	2,665	1,243	2,819	2,987	—	11,342
Change in loss and loss adjustment expense reserve	152	42	152	855	327	—	1,528
Change in benefit reserve	−1	918	−2	—	289	—	1,204
Provision for premium refunds	13	747	14	—	—	—	774
Total	**1,792**	**4,372**	**1,407**	**3,674**	**3,603**	**—**	**14,848**
Reinsurers' share							
Claims and claims expenses paid	657	85	54	302	327	—	1,425
Change in loss and loss adjustment expense reserve	112	−11	4	−14	36	—	127
Change in benefit reserve	—	−30	−4	—	1	—	−33
Provision for premium refunds	—	—	7	—	—	—	7
Total	**769**	**44**	**61**	**288**	**364**	**—**	**1,526**
Net							
Claims and claims expenses paid	971	2,580	1,189	2,517	2,660	—	9,917
Change in loss and loss adjustment expense reserve	40	53	148	869	291	—	1,401
Change in benefit reserve	−1	948	2	—	288	—	1,237
Provision for premium refunds	13	747	7	—	—	—	767
Total	**1,023**	**4,328**	**1,346**	**3,386**	**3,239**	**—**	**13,322**

[1] After elimination of internal transactions within the Group across segments
[2] 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

9M 2013[1]	Industrial Lines	Retail Germany	Retail International	Non-life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Figures in EUR million							
Gross							
Acquisition costs and reinsurance commissions	370	705	693	1,205	829	—	3,802
Changes in deferred acquisition costs and changes in reserves for commissions	–23	–59	–68	–30	24	—	–156
Total acquisition costs	**347**	**646**	**625**	**1,175**	**853**	**—**	**3,646**
Administrative expenses	178	230	137	143	117	—	805
Total acquisition costs and administrative expenses	**525**	**876**	**762**	**1,318**	**970**	**—**	**4,451**
Reinsurers' share							
Acquisition costs and reinsurance commissions	225	12	35	104	69	—	445
Changes in deferred acquisition costs and changes in reserves for commissions	–17	7	6	–7	–18	—	–29
Total acquisition costs	**208**	**19**	**41**	**97**	**51**	**—**	**416**
Net							
Acquisition costs and reinsurance commissions	145	693	658	1,101	760	—	3,357
Changes in deferred acquisition costs and changes in reserves for commissions	–6	–66	–74	–23	42	—	–127
Total acquisition costs	**139**	**627**	**584**	**1,078**	**802**	**—**	**3,230**
Administrative expenses	178	230	137	143	117	—	805
Total acquisition costs and administrative expenses	**317**	**857**	**721**	**1,221**	**919**	**—**	**4,035**

9M 2012[1]	Industrial Lines	Retail Germany	Retail International	Non-life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Figures in EUR million							
Gross							
Acquisition costs and reinsurance commissions	341	713	413	1,170	743	—	3,380
Changes in deferred acquisition costs and changes in reserves for commissions	–20	–223	—	–51	12	—	–282
Total acquisition costs	**321**	**490**	**413**	**1,119**	**755**	**—**	**3,098**
Administrative expenses	157	218	130	124	103	—	732
Total acquisition costs and administrative expenses	**478**	**708**	**543**	**1,243**	**858**	**—**	**3,830**
Reinsurers' share							
Acquisition costs and reinsurance commissions	185	9	26	72	39	—	331
Changes in deferred acquisition costs and changes in reserves for commissions	–13	5	10	–16	6	—	–8
Total acquisition costs	**172**	**14**	**36**	**56**	**45**	**—**	**323**
Net							
Acquisition costs and reinsurance commissions	156	704	387	1,098	704	—	3,049
Changes in deferred acquisition costs and changes in reserves for commissions	–7	–228	–10	–35	6	—	–274
Total acquisition costs	**149**	**476**	**377**	**1,063**	**710**	**—**	**2,775**
Administrative expenses	157	218	130	124	103	—	732
Total acquisition costs and administrative expenses	**306**	**694**	**507**	**1,187**	**813**	**—**	**3,507**

[1] Presentation after elimination of intra-Group relations

(16) Other income/expenses

	9M 2013	9M 2012[1]
Figures in EUR million		
Other income		
Foreign exchange gains	153	75
Income from services, rents and commissions	176	175
Reversals of impairments on receivables	12	7
Income from contracts recognised in accordance with the deposit accounting method	52	43
Income from the release of other non-technical provisions	15	16
Interest income	24	30
Sundry income	120	112
Total	**552**	**458**
Other expenses		
Foreign exchange losses	110	98
Other interest expenses	97	138
Depreciation/amortisation and impairments	90	86
Expenses for the company as a whole	217	181
Expenses for personnel	30	24
Expenses for services and commissions	65	121
Other taxes	35	30
Expenses from restructuring provisions	15	4
Sundry expenses	103	133
Total	**762**	**815**
Other income/expenses	**–210**	**–357**

[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. This applies in the same way 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:

	30.9.2013	31.12.2012
Industrial Lines	2,863	2,770
Retail Germany	5,096	5,335
Retail International	8,249	8,598
Reinsurance companies	2,365	2,263
Corporate Operations	2,782	2,588
Total excluding apprentices and student trainees	**21,355**	**21,554**
Apprentices and student trainees	495	493
Total	**21,850**	**22,047**

The decline in the Retail International segment was expected as a result of restructuring measures associated with the integration of our Polish insurance company TUiR WARTA S. A.

As at the balance sheet date, a total workforce of 20,324 (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).

Furthermore, transactions with the subsidiary HDI Direkt Service GmbH, Hannover, which is not consolidated on the grounds of materiality, generated expenses in an amount of EUR 7 million that were not consolidated. 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. In connection with operating activity, there is a contractual relationship between Ampega Investment GmbH, Cologne, and C-QUADRAT Investment AG, Vienna (an associated company measured at equity in the consolidated financial statements), for the outsourcing of the portfolio management of special investment funds. These transactions gave rise to expenses for services provided in connection with portfolio management in the amount of EUR 8 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 HDI-Gerling Industrie Versicherung AG 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 has since lodged 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.

	9M 2013	9M 2012[1]	Q3 2013	Q3 2012[1]
Net income attributable to shareholders of Talanx AG for calculating earnings per share (figures in EUR million)	528	550	121	197
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)	2.09	2.64	0.48	0.95
Diluted earnings per share (figures in EUR)	2.09	2.64	0.48	0.95

[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:

	30.9.2013	31.12.2012
Figures in EUR million		
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]	3,491	3,417
Sureties in the form of letters of credit furnished by various financial institutions as security for technical liabilities	3,151	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]	2,452	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	1,094	1,010
Commitments arising out of rental/lease agreements [2]	488	488
Funding commitments and contribution payments pursuant to §§124 et seqq. 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	483	288
Commitments based on service agreements – primarily in connection with IT outsourcing contracts	268	270
Assets in blocked custody accounts as collateral for existing derivative transactions: we have received collateral with a fair value of EUR 43 (9) million for existing derivative transactions [3]	98	84
Other commitments	53	60
Total	**14,846**	**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, the association for the insurance of German nuclear reactors and the traffic accident pool Verkehrsopferhilfe e.V. In the event of one of the other pool members failing to meet its liabilities, an obligation exists to take over such other member's share within the framework of the quota participation.

Within the scope of its regular activities, our subsidiary Hannover 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 issue of an unsecured senior bond, Talanx AG provided customary guarantees and assurances to all of the banks associated with the issue 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

No material events occurred after the balance sheet date.

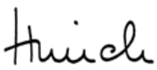
The Group interim financial statements and the Group interim management report as at 30 September 2013 were reviewed by independent auditors in accordance with § 37x, Para. 3, of the German Securities Trading Act (WpHG).

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

Hannover, 7 November 2013

Board of Management

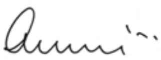
Herbert K. Haas,
Chairman



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 interim 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 notes – and the interim Group Management Report of Talanx AG, Hannover, for the period from 1 January to 30 September 2013, which are the components of the quarterly financial report required under § 37x, Para. 3, of the German Securities Trading Act (WpHG). Preparation of both the condensed interim consolidated financial statements in accordance with the IFRS rules for interim financial reporting, in the form adopted for use in the EU, and the interim Group Management Report in accordance with the provisions of the WpHG applicable to interim group management reports, is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim Group Management Report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim Group 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 interim consolidated 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 interim Group Management Report was not prepared in accordance with the provisions of the WpHG applicable to 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 upon our review, we did not learn of any circumstances that give us reason to assume that, in material respects, the condensed interim consolidated 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 interim Group Management Report was not prepared in accordance with the provisions of the WpHG applicable to interim group management reports.

Hannover, 8 November 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 2014

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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