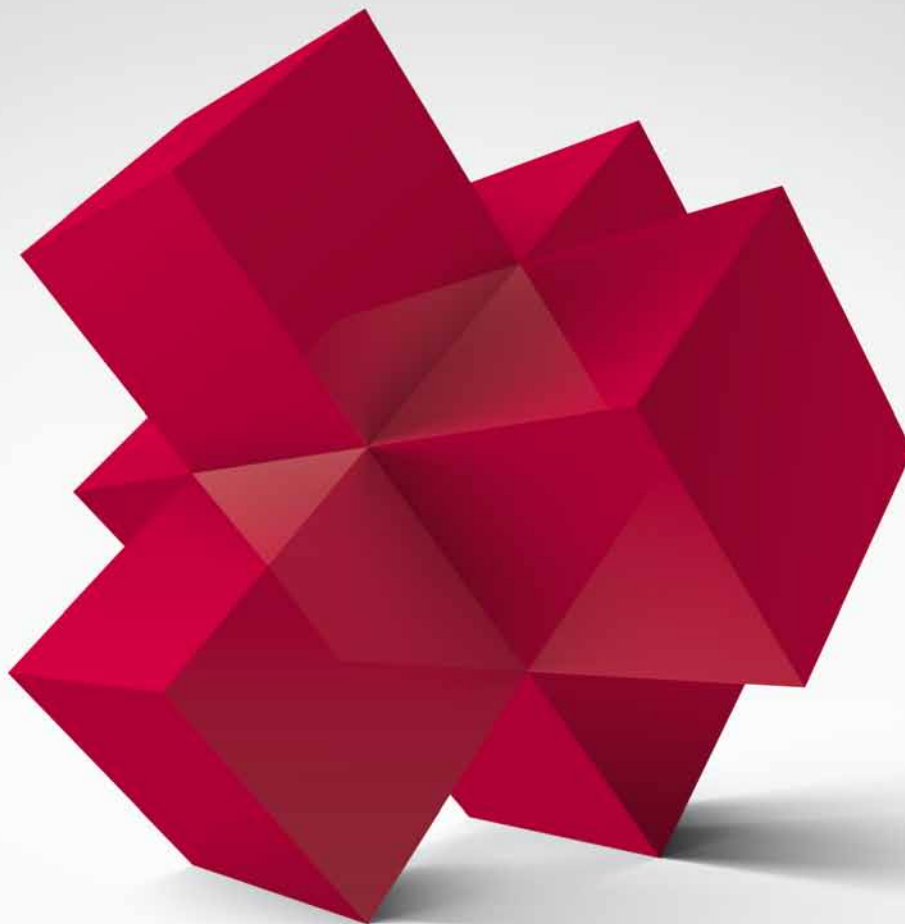




Talanx Group Interim Report as at 30 June 2015

**talanx.**  
Insurance. Investments.

# THE TALANX GROUP AT A GLANCE

## GROUP KEY FIGURES

|                                                                                                        | UNIT           | Q1 2015      | Q2 2015      | 6M 2015       | Q1 2014      | Q2 2014      | 6M 2014       | +/- %<br>6M 2015 v.<br>6M 2014 |
|--------------------------------------------------------------------------------------------------------|----------------|--------------|--------------|---------------|--------------|--------------|---------------|--------------------------------|
| <b>Gross written premiums</b>                                                                          | IN EUR MILLION | <b>9,440</b> | <b>7,387</b> | <b>16,827</b> | <b>8,414</b> | <b>6,561</b> | <b>14,975</b> | <b>+12.4</b>                   |
| by region                                                                                              |                |              |              |               |              |              |               |                                |
| Germany                                                                                                | IN %           | 37           | 26           | 32            | 39           | 29           | 35            | -3.0 pt.                       |
| United Kingdom                                                                                         | IN %           | 9            | 10           | 9             | 8            | 10           | 9             | — pt.                          |
| Central and Eastern Europe (CEE),<br>including Turkey                                                  | IN %           | 7            | 9            | 8             | 7            | 9            | 8             | — pt.                          |
| Rest of Europe                                                                                         | IN %           | 15           | 13           | 14            | 17           | 16           | 16            | -2.0 pt.                       |
| USA                                                                                                    | IN %           | 11           | 15           | 13            | 11           | 12           | 11            | +2.0 pt.                       |
| Rest of North America                                                                                  | IN %           | 2            | 3            | 3             | 2            | 3            | 2             | +1.0 pt.                       |
| Latin America                                                                                          | IN %           | 7            | 8            | 7             | 6            | 7            | 6             | +1.0 pt.                       |
| Asia and Australia                                                                                     | IN %           | 11           | 14           | 12            | 8            | 14           | 11            | +1.0 pt.                       |
| Africa                                                                                                 | IN %           | 1            | 2            | 2             | 2            | —            | 2             | — pt.                          |
| <b>Net premiums earned</b>                                                                             | IN EUR MILLION | <b>6,367</b> | <b>6,384</b> | <b>12,751</b> | <b>5,599</b> | <b>5,709</b> | <b>11,308</b> | <b>+12.8</b>                   |
| <b>Underwriting result</b>                                                                             | IN EUR MILLION | <b>-389</b>  | <b>-462</b>  | <b>-851</b>   | <b>-370</b>  | <b>-405</b>  | <b>-775</b>   | <b>-9.8</b>                    |
| <b>Net investment income</b>                                                                           | IN EUR MILLION | <b>996</b>   | <b>1,041</b> | <b>2,037</b>  | <b>1,010</b> | <b>938</b>   | <b>1,948</b>  | <b>+4.6</b>                    |
| <b>Net return on investment<sup>1)</sup></b>                                                           | IN %           | <b>3.6</b>   | <b>—</b>     | <b>3.8</b>    | <b>4.3</b>   | <b>—</b>     | <b>4.0</b>    | <b>-0.2 pt.</b>                |
| <b>Operating profit (EBIT)</b>                                                                         | IN EUR MILLION | <b>643</b>   | <b>372</b>   | <b>1,015</b>  | <b>554</b>   | <b>451</b>   | <b>1,005</b>  | <b>+1.0</b>                    |
| <b>Net income (after financing costs and taxes)</b>                                                    | IN EUR MILLION | <b>410</b>   | <b>220</b>   | <b>630</b>    | <b>368</b>   | <b>289</b>   | <b>657</b>    | <b>-4.1</b>                    |
| of which attributable to shareholders<br>of Talanx AG                                                  | IN EUR MILLION | 251          | 60           | 311           | 216          | 165          | 381           | -18.4                          |
| <b>Return on equity<sup>2)3)</sup></b>                                                                 | IN %           | <b>12.0</b>  | <b>2.8</b>   | <b>7.8</b>    | <b>11.8</b>  | <b>8.7</b>   | <b>10.4</b>   | <b>-2.6 pt.</b>                |
| <b>Earnings per share</b>                                                                              |                |              |              |               |              |              |               |                                |
| Basic earnings per share                                                                               | IN EUR         | 0.99         | 0.24         | 1.23          | 0.86         | 0.65         | 1.51          | -18.5                          |
| Diluted earnings per share                                                                             | IN EUR         | 0.99         | 0.24         | 1.23          | 0.86         | 0.65         | 1.51          | -18.5                          |
| <b>Combined ratio in property/casualty primary<br/>insurance and Non-Life Reinsurance<sup>4)</sup></b> | IN %           | <b>96.5</b>  | <b>96.2</b>  | <b>96.4</b>   | <b>94.3</b>  | <b>98.4</b>  | <b>96.4</b>   | <b>— pt.</b>                   |
| Combined ratio of property/<br>casualty primary insurers <sup>5)</sup>                                 | IN %           | 97.5         | 98.0         | 97.8          | 94.1         | 101.8        | 98.2          | -0.4 pt.                       |
| Combined ratio in Non-Life Reinsurance                                                                 | IN %           | 95.9         | 95.0         | 95.4          | 94.5         | 95.7         | 95.1          | +0.3 pt.                       |
| <b>EBIT margin primary insurance and<br/>reinsurance</b>                                               |                |              |              |               |              |              |               |                                |
| EBIT margin primary insurance <sup>5)</sup>                                                            | IN %           | 6.3          | 0.8          | 3.6           | 8.2          | 5.0          | 6.6           | -3.0 pt.                       |
| EBIT margin Non-Life Reinsurance                                                                       | IN %           | 14.8         | 16.7         | 15.8          | 17.5         | 14.2         | 15.8          | — pt.                          |
| EBIT margin Life/Health Reinsurance                                                                    | IN %           | 11.3         | 1.2          | 6.2           | 5.0          | 7.4          | 6.2           | — pt.                          |

|                                                                |                          | 30.6.2015      | 31.12.2014     | +/- %       |
|----------------------------------------------------------------|--------------------------|----------------|----------------|-------------|
| <b>Policyholders' surplus</b>                                  | IN EUR MILLION           | <b>14,882</b>  | <b>15,561</b>  | <b>-4.4</b> |
| Equity attributable to shareholders<br>of Talanx AG            | IN EUR MILLION           | 8,022          | 7,998          | +0.3        |
| Non-controlling interests                                      | IN EUR MILLION           | 4,919          | 4,902          | +0.3        |
| Hybrid capital                                                 | IN EUR MILLION           | 1,941          | 2,661          | -27.1       |
| <b>Investments under own management</b>                        | IN EUR MILLION           | <b>98,033</b>  | <b>96,410</b>  | <b>+1.7</b> |
| <b>Total investments</b>                                       | IN EUR MILLION           | <b>116,443</b> | <b>112,879</b> | <b>+3.2</b> |
| <b>Total assets</b>                                            | IN EUR MILLION           | <b>154,901</b> | <b>147,298</b> | <b>+5.2</b> |
| <b>Carrying amount per share at end of period</b>              | IN EUR                   | <b>31.73</b>   | <b>31.64</b>   | <b>+0.3</b> |
| <b>Share price at end of period</b>                            | IN EUR                   | <b>27.54</b>   | <b>25.27</b>   | <b>+9.0</b> |
| <b>Market capitalisation of Talanx AG at<br/>end of period</b> | IN EUR MILLION           | <b>6,962</b>   | <b>6,388</b>   | <b>+9.0</b> |
| <b>Employees</b>                                               | FULL-TIME<br>EQUIVALENTS | <b>20,589</b>  | <b>19,819</b>  | <b>+3.9</b> |

<sup>1)</sup> Ratio of annualised net investment income excluding interest income on funds withheld and contract deposits and profit on investment contracts to average assets under own management (30 June 2015 and 31 December 2014)

<sup>2)</sup> Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests

<sup>3)</sup> Ratio of annualised net income for the quarter excluding non-controlling interests to average equity excluding non-controlling interests at the beginning and the end of the quarter

<sup>4)</sup> Combined ratio adjusted for interest income on funds withheld and contract deposits, before elimination of intragroup cross-segment transactions

<sup>5)</sup> Excluding figures from the Corporate Operations segment

# CONTENTS

|    |                                                                           |
|----|---------------------------------------------------------------------------|
| 2  | Governing Bodies of Talanx AG                                             |
| 2  | Supervisory Board                                                         |
| 2  | Board of Management                                                       |
| 3  | Interim Group Management Report                                           |
| 4  | Markets and business climate                                              |
| 6  | Business development                                                      |
| 6  | Performance of the Group                                                  |
| 7  | Development of the divisions within the Group                             |
| 7  | Industrial Lines                                                          |
| 8  | Retail Germany                                                            |
| 10 | Retail International                                                      |
| 12 | Non-Life Reinsurance                                                      |
| 14 | Life/Health Reinsurance                                                   |
| 15 | Corporate Operations                                                      |
| 16 | Net assets and financial position                                         |
| 16 | Net assets                                                                |
| 22 | Financial position                                                        |
| 25 | Risk report                                                               |
| 29 | Outlook                                                                   |
| 33 | Interim consolidated financial statements                                 |
| 34 | Consolidated balance sheet                                                |
| 36 | Consolidated statement of income                                          |
| 37 | Consolidated statement of comprehensive income                            |
| 38 | Consolidated statement of changes in equity                               |
| 40 | Consolidated cash flow statement                                          |
| 42 | Notes to the interim consolidated financial statements                    |
| 42 | I. Basis of preparation and application of IFRSs                          |
| 43 | II. Accounting policies                                                   |
| 44 | III. Segment reporting                                                    |
| 58 | IV. Consolidation                                                         |
| 63 | V. Non-current assets held for sale<br>and disposal groups                |
| 64 | VI. Notes to individual items of<br>the consolidated balance sheet        |
| 79 | VII. Notes to individual items of<br>the consolidated statement of income |
| 86 | VIII. Other disclosures                                                   |
| 90 | Responsibility statement                                                  |
| 91 | Review report                                                             |

## GOVERNING BODIES OF TALANX AG

### SUPERVISORY BOARD

**Wolf-Dieter Baumgartl**

*Chairman*

Berg

Former Chairman of the  
Board of Management,  
Talanx AG

**Ralf Rieger\***

*Deputy Chairman*

Raesfeld

Employee

HDI Vertriebs AG

**Prof Dr Eckhard Rohkamm**

*Deputy Chairman*

Hamburg

Former Chairman of the  
Board of Management,  
ThyssenKrupp Technologies AG

**Antonia Aschendorf**

Hamburg

Lawyer

Member of the Board of Management,  
APRAXA eG

**Karsten Faber\***

Hannover

Managing Director

Hannover Rück SE,

E+S Rückversicherung AG

**Jutta Hammer\***

Bergisch Gladbach

Employee

HDI Kundenservice AG

**Dr Hermann Jung**

Heidenheim

Member of the Board of Management,  
Voith GmbH

**Dr Thomas Lindner**

Albstadt

Chairman of the Board of Management,  
Groz-Beckert KG

**Dirk Lohmann**

Forch, Schweiz

President of the Administrative Board and  
Chairman of the Board of Management,  
Secquaero Advisors AG

**Christoph Meister\***

Hannover

Member of the ver.di

National Executive Board

**Jutta Mück\***

Oberhausen

Employee

HDI-Gerling Industrie Versicherung AG

**Otto Müller\***

Hannover

Employee

Hannover Rück SE

**Katja Sachtleben-Reimann\***

Hannover

Employee

Talanx Service AG

**Dr Erhard Schipporeit**

Hannover

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

**Prof Dr Jens Schubert\***

Potsdam

Director of the Legal Department,  
ver.di National Administration

**Norbert Steiner**

Baunatal

Chairman of the Board of Management,  
K+S AG

### BOARD OF MANAGEMENT

**Herbert K Haas**

*Chairman*

Burgwedel

**Dr Christian Hinsch**

*Deputy Chairman*

Burgwedel

**Torsten Leue**

Hannover

**Dr Immo Querner**

Celle

**Ulrich Wallin**

Hannover

**Dr Jan Wicke**

Stuttgart

# INTERIM GROUP MANAGEMENT REPORT

## MARKETS AND BUSINESS CLIMATE

### MACROECONOMIC DEVELOPMENT

The global economy remained dominated by increasingly divergent trends in the first half of 2015. Although the industrialised nations continued to experience an upswing and expansionary forces also gained ground in the Eurozone, the slowdown in the emerging markets weighed on the global upturn. The US economy continued to benefit from the recovery in the labour and housing market. Growth in China eased again, due in particular to the weak real estate market and high debt levels. The Eurozone made a good start to 2015 with improved economic data. The debt crisis in Greece remained a major source of uncertainty.

The economy in the Eurozone grew by 0.4% in the first quarter of 2015. Germany's GDP was up 0.3% on the fourth quarter of 2014. The Eurozone economy was buoyed in particular by the lower oil prices and weaker euro, which gave companies a distinct competitive boost. Consumer spending was also a key growth driver. The US economy gained significant momentum in the second quarter. The unemployment rate dropped to 5.3% in June 2015, with clear growth in the number of jobs being recorded in May and June. The housing market, which is important for US consumer confidence, continued its recovery.

Although economic growth in the United Kingdom lost momentum slightly at the beginning of the year, it expanded by 0.4% quarter-on-quarter. The unemployment rate stood at 5.6% in May 2015, almost one percentage point down on the previous year. Economic growth in China slowed again. GDP growth amounted to 7.0% in the first half of 2015, following roughly 7.5% in the first half of 2014. The weak real estate market remained an issue, although the government's latest stabilisation measures made an impact.

The major central banks continued to pursue expansionary monetary policies. The ECB announced its monthly EUR 60 billion bond buying programme in January, running over a period from March 2015 to September 2016. In June, the Federal Reserve held out

the prospect of higher benchmark interest rates this year, although the overall pace of the increases could be more gradual. In China, the Bank of China reduced its key interest rate to 4.85% at the end of June. The global deflationary trend continued in the first half of 2015. Inflation rates fell well short of the targets set by the central banks, due among other things to lower energy prices. The annual inflation rate in the Eurozone was -0.1% in March 2015, rising to 0.2% in June, and US inflation data were also lower in the first half of the year. Likewise, the United Kingdom was unable to buck the trend: inflation was 0.0% at the end of both the first and second quarters of 2015.

### CAPITAL MARKETS

The bond markets were significantly impacted by the following events in the first half of 2015: firstly, the Swiss National Bank announced that it would no longer peg the exchange rate at CHF 1.20 per euro. The exchange rate stabilised at around CHF 1.05 to the euro. In addition, the ECB announced its intention to purchase government bonds on a monthly basis. As a result, yields on all European government bonds declined further. Another factor was the debt moratorium imposed on the successor company to Hypo Alpe Adria. German banks and insurance companies are particularly affected by this, to the tune of approximately EUR 7 billion.

Greece remained the dominant issue on the capital markets. From May onwards, a potential "Grexit" cast a shadow over fundamental market activity. After their strong performance at the beginning of the year, the credit markets fell back slightly in March, primarily for technical reasons. Subordinated bank and industrial bonds recorded an above-average performance, as did the emerging markets and the high-yield segment.

The primary market saw strong activity, although at a lower level than in the previous year. Demand for yield remained strong, with corporate bonds with longer maturities, issuers from the higher-yield segment and subordinate bank issues doing particularly well.

## INSURANCE MARKETS

The second quarter of 2015 saw sentiment in the German insurance industry drop to its lowest level since the financial crisis. This was mainly due to a less favourable assessment of the current business situation; in addition, expectations for the next six months were rated as more pessimistic than in the previous quarter. A look at property and casualty insurance on the one hand and life insurance on the other reveals differing assessments of industry sentiment.

Sentiment in the **German property and casualty insurance sector** deteriorated considerably in the reporting period, although on balance it remained roughly in the vicinity of the high level observed in the previous quarter. The deterioration was primarily due to the more pessimistic business outlook for the next six months and hence to lower expectations for premium growth over the year as a whole. By contrast, the current business situation was considered to be only negligibly less favourable, with the worsening being attributed to a negative assessment of claims trends in the year to date. In terms of lines, the most optimistic sentiment was found in liability insurance. The mood was more cautious in industrial/commercial, property, accident and motor insurance, and worst in the area of legal protection insurance.

Despite the deterioration, expectations for premium income trends were optimistic, something that applied on balance to all insurance lines and classes. Expectations were particularly high for legal protection and industrial/commercial insurance, less so for motor, property and liability insurance, and at their lowest for accident insurance. Motor insurance was the only portfolio where the majority of market participants assume they will have to adjust rates.

In terms of claims trends, most companies expected a year-on-year increase in the number of losses.

The business climate in the **German life insurance industry** deteriorated further in the reporting period, against the backdrop of the ongoing low interest rate environment. Assessments of the current business situation were similarly pessimistic. Although business expectations for the next six months improved, they remained

below average with comparison over the longer term. In terms of the individual lines, the most optimistic sentiment was found in unit-linked life and annuity insurance and occupational disability insurance, while the mood in term life insurance improved and endowment policies saw the least optimistic sentiment.

Expectations regarding premium growth for the full year were at a historic low. For new business a decline in single-premium business and, to a lesser extent, in regular premium business was expected. Potential for premium income growth was visible in unit-linked life and annuity insurance, occupational disability insurance and, to a lesser extent, in term life insurance.

The international **Non-Life Reinsurance markets** continued to experience stiff competition, although the drop in prices for renewals as at 1 April 2015 was less pronounced than in the previous year. Competition continued to be affected by cedants' high levels of capitalisation thanks to the absence of market-changing major losses, as well as capital inflows from the CAT bonds market (ILSs).

Claims for natural catastrophes were relatively low in both the reporting period and the first half of 2015 as a whole. Based on the first six months, both total claims and total insured losses remained below the long-term average. The severe earthquake in Nepal in April resulted in the largest number of fatalities and the highest total claims in the first half of the year, although it accounted for only a relatively small proportion of insured losses.

Conditions in the international **life and health reinsurance business** remained challenging in the second quarter of 2015, due in particular to the persistently low interest rates. In this environment, there are potential opportunities, for example, for supporting primary insurance by providing alternatives to traditional endowment life insurance. Changing demographic structures and the resulting need for innovative insurance products to provide protection against longevity risk remain both a challenge and an opportunity; this applies both in the established insurance markets and also, increasingly, in the emerging markets.

## BUSINESS DEVELOPMENT

### PERFORMANCE OF THE GROUP

- Gross written premiums increase to EUR 16.8 (15.0) billion
- Major losses remain below Group budget for the period
- EBIT up on prior year despite goodwill impairment in the German life insurance business

#### GROUP KEY FIGURES

IN EUR MILLION

|                                                       | 6M<br>2015 | 6M<br>2014 | +/- % |
|-------------------------------------------------------|------------|------------|-------|
| Gross written premiums                                | 16,827     | 14,975     | +12.4 |
| Net premiums earned                                   | 12,751     | 11,308     | +12.8 |
| Underwriting result                                   | -851       | -775       | -9.8  |
| Net investment income                                 | 2,037      | 1,948      | +4.6  |
| Operating profit (EBIT)                               | 1,015      | 1,005      | +1.0  |
| Combined ratio (net, property/<br>casualty only) in % | 96.4       | 96.4       | —     |

#### MANAGEMENT METRICS

IN %

|                                                                            | 6M<br>2015 | 6M<br>2014 | +/- %    |
|----------------------------------------------------------------------------|------------|------------|----------|
| Gross premium growth (adjusted<br>for exchange rate effects) <sup>1)</sup> | 6.2        | 2.1        | +4.1 pt. |
| Group net income <sup>2)</sup> in EUR million                              | 311        | 381        | -18.4    |
| Return on equity <sup>3)</sup>                                             | 7.8        | 10.4       | -2.6 pt. |
| Net return on investment <sup>4)</sup>                                     | 3.8        | 4.0        | -0.2 pt. |

<sup>1)</sup> Calculation method changed starting in 2015 to more accurately quantify exchange rate effects (with no impact on the forecast figure)

<sup>2)</sup> Net income for the period after non-controlling interests

<sup>3)</sup> Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests

<sup>4)</sup> Ratio of annualised net income from investments to average assets under own management

#### PREMIUM VOLUME

The Group's gross written premiums increased by 12.4% to EUR 16.8 (15.0) billion. Adjusted for exchange rate effects, gross premium growth would have amounted to 6.2%, substantially in excess of the target for 2015 to date. The highest increase was seen in the Reinsurance Division thanks to the strong US dollar. The retention ratio rose slightly to 86.7% (86.4%), while net premiums earned were up 12.8% year-on-year, at EUR 12.8 (11.3) billion.

#### UNDERWRITING RESULT

The underwriting result fell by 9.8% to EUR -851 (-775) million. This reflected the overall high major losses of EUR 363 million; however, they remained below the Group budget for the period. The improved net expense ratio offset the slight increase in the net loss ratio. As a consequence, the Group's combined ratio was on a level with the prior-year period, at 96.4% (96.4%).

#### NET INVESTMENT INCOME

Net investment income was up 4.6% year-on-year, at EUR 2,037 (1,948) million. While an extraordinary loss was recorded, ordinary income rose, due in particular to a one-off effect in Life/Health Reinsurance. The consolidated net return on investment amounted to 3.8% (4.0%) in the first half of 2015. Although this figure was slightly lower than in the prior-year period, we have exceeded our target for 2015 again of generating a return above 3.0%. Further information on net investment income can be found in the section "Net assets and financial position".

#### OPERATING PROFIT AND GROUP NET INCOME

Operating profit (EBIT) rose by a slight 1.0% to EUR 1,015 (1,005) million, despite the write-down in full of goodwill attributable to the German life insurance business. The increase in EBIT resulted mainly from the Non-Life Reinsurance and Life/Health Reinsurance segments, which only account for 50.22% of Group net income. Group net income – i.e. net income after non-controlling interests – fell by 18.4% to EUR 311 (381) million. At 7.8% (10.3%), the return on equity remained slightly below the forecast for full-year 2015 of approximately 9%.

## DEVELOPMENT OF THE DIVISIONS WITHIN THE GROUP

At a strategic level, Talanx divides its business 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 of the Notes to the consolidated financial statements for details of the segments' structure and scope of business.

### INDUSTRIAL LINES

- Growth in premiums continues
- Underwriting result positive despite major losses
- Net investment income impacted by prolonged period of low interest rates

#### KEY FIGURES FOR THE INDUSTRIAL LINES SEGMENT

IN EUR MILLION

|                         | 6M<br>2015 | 6M<br>2014 | +/- %  |
|-------------------------|------------|------------|--------|
| Gross written premiums  | 2,625      | 2,497      | +5.1   |
| Net premiums earned     | 1,021      | 927        | +10.1  |
| Underwriting result     | 13         | 6          | +116.7 |
| Net investment income   | 113        | 151        | -25.2  |
| Operating profit (EBIT) | 142        | 141        | +0.7   |

#### MANAGEMENT METRICS

IN %

|                                                                         | 6M<br>2015 | 6M<br>2014 | +/- %    |
|-------------------------------------------------------------------------|------------|------------|----------|
| Gross premium growth (adjusted for exchange rate effects) <sup>1)</sup> | 1.1        | 5.2        | -4.1 pt. |
| Retention                                                               | 52.7       | 53.6       | -0.9 pt. |
| Combined ratio (net) <sup>2)</sup>                                      | 98.7       | 99.4       | -0.7 pt. |
| EBIT margin <sup>3)</sup>                                               | 13.9       | 15.2       | -1.3 pt. |
| Return on equity <sup>4)</sup>                                          | 9.5        | 9.2        | +0.3 pt. |

<sup>1)</sup> Calculation method changed starting in 2015 to more accurately quantify exchange rate effects (with no impact on the forecast figure)

<sup>2)</sup> Including net interest income on funds withheld and contract deposits

<sup>3)</sup> Operating profit (EBIT)/net premiums earned

<sup>4)</sup> Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests

### MARKET DEVELOPMENT

The market environment for the Industrial Lines segment in our core market, Germany, remains highly competitive. While growth in the developed insurance markets declined, the emerging markets recorded much stronger growth. The ongoing government debt crisis in the Eurozone, geopolitical crises such as in Ukraine and the subdued recovery of the global economy continue to represent a challenging environment for insurance companies. Emerging market economies gained momentum again, although the trend in the different regions was mixed. As market penetration in Germany is already high, growth is primarily generated in our overseas branches and subsidiaries.

### PREMIUM VOLUME

Gross written premiums for the division amounted to EUR 2.6 (2.5) billion as at 30 June 2015, an increase of around 5.1% (1.1% after adjustment for exchange rate effects). The international branches of HDI-Gerling Industrie Versicherung AG in the UK, Canada and Hong Kong, in particular, recorded a significant increase in premiums. The US subsidiary HDI-Gerling America Insurance Company also made a positive contribution to premium growth.

The division's retention ratio declined slightly to 52.7% (53.6%) in the first half of 2015. The increase in retentions was offset by higher reinstatement premiums at HDI-Gerling industrial insurance. In addition, increased fronting business at HDI-Gerling America Insurance Company had a negative impact on the retention ratio. Net premiums earned rose by 10.1% compared with the prior-year quarter to EUR 1,021 (927) million.

### UNDERWRITING RESULT

The division's net underwriting result increased to EUR 13 (6) million. Although the net expense ratio was lower year-on-year at 21.4% (23.4%), the net loss ratio rose to 77.4% (75.9%) due to the higher major losses. The combined ratio for the Industrial Lines Division amounted to 98.7% (99.4%).

## NET INVESTMENT INCOME

Net investment income decreased due to the persistently low interest rates, falling 25.2% to EUR 113 (151) million. In the prior-year period, HDI-Gerling industrial insurance was able to generate significantly higher net gains from the disposal of investments, despite the decline in fixed-income investments due to capital market conditions. The positive capital market trend was exploited to generate additional income at the beginning of the previous year and at the same time, to reduce portfolio risk. In the first half of 2015, impairment losses charged on a bond issued by Heta Asset Resolution AG (previously Hypo Alpe Adria) and a Greek promissory note loan negatively impacted net income by around EUR 10 million.

## OPERATING PROFIT AND GROUP NET INCOME

The division's operating profit remained on a level with the previous year, at EUR 142 (141) million. Group net income increased to EUR 97 (89) million as a result of lower income taxes. While the EBIT margin declined slightly to 13.9% (15.2%) due to strong premium growth, return on equity rose to 9.5% (9.2%).

## RETAIL GERMANY

- Premium income in the life insurance business rises due to single premiums carried forward from the previous year
- Stable combined ratio on a level with the prior year
- EBIT negatively affected by write-down in full of goodwill in the life insurance business

### KEY FIGURES FOR THE RETAIL GERMANY SEGMENT

| IN EUR MILLION               |            |            |        |
|------------------------------|------------|------------|--------|
|                              | 6M<br>2015 | 6M<br>2014 | +/- %  |
| Gross written premiums       | 3,669      | 3,563      | +3.0   |
| Net premiums earned          | 2,789      | 2,613      | +6.7   |
| Underwriting result          | -840       | -808       | -4.0   |
| Net investment income        | 948        | 937        | +1.2   |
| Operating profit/loss (EBIT) | -61        | 97         | -162.9 |

### MANAGEMENT METRICS

| IN %                                                          |            |            |           |
|---------------------------------------------------------------|------------|------------|-----------|
|                                                               | 6M<br>2015 | 6M<br>2014 | +/- %     |
| Gross premium growth <sup>1)</sup>                            | 3.0        | -1.7       | +4.7 pt.  |
| Combined ratio<br>(net, property/casualty only) <sup>2)</sup> | 101.1      | 101.2      | -0.1 pt.  |
| EBIT margin <sup>3)</sup>                                     | -2.2       | 3.7        | -5.9 pt.  |
| Return on equity <sup>4)</sup>                                | -7.4       | 4.4        | -11.8 pt. |

<sup>1)</sup> Calculation method changed starting in 2015 to more accurately quantify exchange rate effects (with no impact on the forecast figure)

<sup>2)</sup> Including net interest income on funds withheld and contract deposits

<sup>3)</sup> Operating profit (EBIT)/net premiums earned

<sup>4)</sup> Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests

## MARKET DEVELOPMENT

The current financial year will continue to be influenced by persistently low and even declining capital market interest rates and a low tendency for consumers to save. As a result of these circumstances, a decline in premiums of around 2% is expected in life insurance as at the end of the year. In particular, a slight 2.5% decrease is forecast for new regular premium business.

In property/casualty insurance, the positive trend is expected to continue in the current year. Premium income is likely to rise by a total of around 2.6%. A similar increase in premiums is expected for both motor insurance (+3.2%) and private property insurance (+3.0%).

### PREMIUM VOLUME AND NEW BUSINESS

Gross written premiums for the Retail Germany Division – including the savings elements of premiums from unit-linked life insurance – recorded a year-on-year increase of 3.0% to EUR 3.7 (3.6) billion in the first half of 2015.

Written premium income in property/casualty insurance declined by 3.7% to EUR 1.0 billion. This reduction in premium income is attributable to the erosion of motor insurance portfolios and the increased use of monthly, quarterly or half-yearly due dates in this line. The overall share of the entire division accounted for by property/casualty insurers decreased to 26.9% (28.8%).

The life insurance business – including savings elements of premiums from unit-linked life insurance – recorded premium growth of 5.7% to EUR 2.7 (2.5) billion due to higher single premiums from business carried forward from the 2014 year-end in the first half of 2015. The retention ratio in the life insurance business was up slightly on the previous year, at 95.9% (93.9%). Allowing for lower savings elements under our unit-linked products and the change in the unearned premium reserve, the net premium earned in the division increased by 9.8% at EUR 2.1 (1.9) billion.

New business in life insurance products – measured using the annual premium equivalent (APE), the international standard – rose from EUR 208 million to EUR 236 million, primarily due to business carried forward from the 2014 year-end.

### UNDERWRITING RESULT

At EUR –840 million, the underwriting result widened slightly from EUR –808 million in the current financial year. In the prior-year period, this item related solely to the life insurance companies, including the unwinding of discounts on technical provisions and policyholder participation in net investment income. These expenses are offset by investment income, which is not recognised in the underwriting result.

### NET INVESTMENT INCOME

Net investment income amounted to EUR 948 (937) million. Of this amount, 94.9% is attributable to the life insurance companies.

### OPERATING PROFIT AND GROUP NET INCOME

EBIT decreased to EUR –61 (97) million due to the write-down in full of goodwill in the life insurance business. Without this non-recurring effect of EUR 155 million, EBIT in the first half of 2015 would have almost reached the prior-year level of around EUR 97 million, at EUR 94 million. In line with this, the EBIT margin declined to –2.2% (3.7%). After adjustment for taxes on income and financing costs, Group net income fell to EUR –104 (57) million, causing the return on equity to decrease to –7.4%.

### ADDITIONAL KEY FIGURES

#### THE RETAIL GERMANY SEGMENT AT A GLANCE

IN EUR MILLION

|                                                                    | 6M<br>2015   | 6M<br>2014   | +/- %        |
|--------------------------------------------------------------------|--------------|--------------|--------------|
| <b>Gross written premiums</b>                                      | <b>3,669</b> | <b>3,563</b> | <b>+3.0</b>  |
| Property/casualty                                                  | 989          | 1,027        | –3.7         |
| Life                                                               | 2,680        | 2,536        | +5.7         |
| <b>Net premiums earned</b>                                         | <b>2,789</b> | <b>2,613</b> | <b>+6.7</b>  |
| Property/casualty                                                  | 692          | 703          | –1.6         |
| Life                                                               | 2,097        | 1,910        | +9.8         |
| <b>Underwriting result</b>                                         | <b>–840</b>  | <b>–808</b>  | <b>–4.0</b>  |
| Property/casualty                                                  | –8           | –7           | –14.3        |
| Life                                                               | –832         | –801         | –3.9         |
| Other                                                              | –            | –            | –            |
| <b>Net investment income</b>                                       | <b>948</b>   | <b>937</b>   | <b>+1.2</b>  |
| Property/casualty                                                  | 48           | 52           | –7.7         |
| Life                                                               | 900          | 885          | +1.7         |
| Other                                                              | –            | –            | –            |
| <b>New business measured in annual premium equivalent (life)</b>   | <b>236</b>   | <b>208</b>   | <b>+13.5</b> |
| Single premiums                                                    | 944          | 762          | +23.9        |
| Regular premiums                                                   | 142          | 132          | +7.6         |
| <b>New business by product in annual premium equivalent (life)</b> | <b>236</b>   | <b>208</b>   | <b>+13.5</b> |
| Unit-linked life and annuity insurance                             | 73           | 59           | +23.7        |
| Traditional life and annuity insurance                             | 118          | 111          | +6.3         |
| Term life products                                                 | 40           | 36           | +11.1        |
| Other life products                                                | 5            | 2            | +150.0       |

## RETAIL INTERNATIONAL

- Integration of the Chilean Magallanes insurance group
- Property insurance companies record premium growth of 16.4% (of which organic: 9.6%)
- Combined ratio of property insurance companies remains stable at a good level

### KEY FIGURES FOR THE RETAIL INTERNATIONAL SEGMENT

IN EUR MILLION

|                         | 6M<br>2015 | 6M<br>2014 | +/- % |
|-------------------------|------------|------------|-------|
| Gross written premiums  | 2,392      | 2,255      | +6.1  |
| Net premiums earned     | 1,903      | 1,912      | -0.5  |
| Underwriting result     | 19         | 14         | +35.7 |
| Net investment income   | 167        | 156        | +7.1  |
| Operating profit (EBIT) | 127        | 124        | +2.4  |

### MANAGEMENT METRICS

IN %

|                                                                         | 6M<br>2015 | 6M<br>2014 | +/- %    |
|-------------------------------------------------------------------------|------------|------------|----------|
| Gross premium growth (adjusted for exchange rate effects) <sup>1)</sup> | 5.9        | 10.7       | -4.8 pt. |
| Combined ratio (net, property/casualty only) <sup>2)</sup>              | 95.2       | 95.3       | -0.1 pt. |
| EBIT margin <sup>3)</sup>                                               | 6.7        | 6.5        | +0.2 pt. |
| Return on equity <sup>4)</sup>                                          | 8.1        | 8.4        | -0.3 pt. |

<sup>1)</sup> Calculation method changed starting in 2015 to more accurately quantify exchange rate effects (with no impact on the forecast figure)

<sup>2)</sup> Including net interest income on funds withheld and contract deposits

<sup>3)</sup> Operating profit (EBIT)/net premiums earned

<sup>4)</sup> Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests

The division's activities focus on two strategic target regions and on two high-growth core markets within each of these. In Latin America, the division is present in Brazil and Mexico, the two largest countries in terms of premium income. In Central and Eastern Europe, the division operates in Poland and Turkey, two of the three markets with the highest premium income.

The period under review was dominated by the acquisition and integration of a majority interest in the Chilean Magallanes insurance group. The acquisition of a holding company, two property insurance companies and one life insurance company in Chile and one property insurer in Peru was completed on 13 February 2015. The Chilean insurance market is stable but still offers significant opportunities. Thanks to this acquisition, the Talanx Group has risen to fifth place in the Chilean property insurance market and second place in the motor insurance market. It is planned that the

holding companies Inversiones Magallanes S.A. and Inversiones HDI Ltda. and the property/casualty insurance companies Aseguradora Magallanes S.A. and HDI Seguros S.A. will be merged during financial year 2015.

## PREMIUM VOLUME

The division's gross written premiums (including premiums from unit-linked life and annuity insurance) rose by 6.1% year-on-year to EUR 2.4 (2.3) billion. Gross premiums (adjusted for exchange rate effects) increased by 5.9% compared with the prior-year period, mainly because the premium volumes in the first half of 2015 included the new Chilean companies in the amount of EUR 99 million for the first time. Overall, the share of gross written premiums attributable to the strategic target regions rose to around 80% (approx. 70%) in the first half of 2015.

Gross written premium growth was influenced by double-digit growth in the property business, where premiums rose by 16.4% to EUR 1.7 billion. The Mexican company HDI Seguros S.A. and Turkish company HDI Sigorta, as well as the new Magallanes companies, made a particularly significant contribution to this increase. Gross written premiums in property insurance – excluding the new Magallanes companies – rose by 9.6% year-on-year. The life insurance business declined by 11.7% compared with the prior-year period to EUR 730 million. The positive performance of Polish life insurer TUnŻ WARTA S.A. was unable to offset the year-on-year decline in sales of single-premium products via banks at Italian company HDI Assicurazioni.

Of the premium volume generated in the Latin America target region, around 60% was attributable to the Brazilian company HDI Seguros S.A., which is mainly active in motor insurance. The company's written premiums increased by 7.1% year-on-year to EUR 433 million, including exchange rate effects. After adjustment for these effects, premium income rose by 12.8%, partly due to higher premiums in the motor insurance business. At the same time, the company's motor policy portfolio grew by 10.1% to a total of 1.7 million policies; this was mainly due to a large number of new contracts. As a result of strategic growth projects, the Mexican company HDI Seguros increased its gross written premiums by 45.4% compared with the prior-year quarter to EUR 122 million, including exchange rate effects. Adjusted for these effects, premium growth amounted to 38.1% thanks to an increase in new business in the area of motor insurance and in other property insurance, where sales through agents performed particularly well.

The division's Polish companies accounted for 35.7% of its total written premiums, compared with 33.2% in the prior-year period. This increase was mainly attributable to the higher sales of single-premium life insurance products, in particular due to new bank sales cooperation agreements. Accordingly, life insurer TUnŻ WARTA S.A. saw its gross written premiums double from EUR 105 million in the first half of 2014 to EUR 209 million, in particular as a result of growth in unit-linked life insurance. TUIR WARTA S.A.'s premium volume from property insurance rose by 5.3% to EUR 461 million, primarily due to the positive development of the other property insurance business. Combined premium income from life and property insurance at the TU Europa Group amounted to EUR 186 million compared with EUR 206 million in the first half of 2014. This decline was mainly due to life insurance premiums.

The gross written premiums of Turkish property insurer HDI Sigorta rose by 29.1% to EUR 128 million including exchange rate effects; after adjustment for exchange rate effects, premiums rose by 25.2%. Written premiums in other property insurance increased by 16.4% in local currency, while the number of contracts increased by 9.0%. Premiums in motor insurance increased by 35.0% in local currency; this was attributable both to a rise in the number of contracts and to the 11.2% increase in the average premium per policy.

The Italian company HDI Assicurazioni held its ground well in a competitive and generally declining property insurance market. While premium income from property insurance was down by 2.2% year-on-year for the market as a whole as at 31 March 2015, the company increased its gross written premiums by 3.7% in the first half of 2015, with the 7.7% increase in the number of motor third-party liability insurance contracts compensating for the 4.9% decline in the average premium per policy. By contrast, life insurance premiums fell by 42.0% year-on-year due to lower sales of single-premium products via banks compared with the first half of 2014.

## UNDERWRITING RESULT

The combined ratio of the property insurance companies improved by 0.1 percentage points year-on-year to 95.2%. This development was attributable to the 1.0 percentage point decline in the loss ratio, mainly due to the lower loss ratios at TUIR WARTA S.A., HDI Assicurazioni and HDI Sigorta. In contrast, motor insurance losses in Brazil increased year-on-year due to inflation-driven price rises. However, these are offset by the higher interest rates reflected in net investment income. At the same time, the cost ratio increased by 0.7 percentage points, primarily due to the increased proportion of new business via banks, in particular at Polish company TUIR WARTA S.A. and Turkish company HDI Sigorta.

Overall, the division's underwriting result improved to EUR 19 million compared with EUR 14 million in the prior-year period.

## NET INVESTMENT INCOME

The division's net investment income amounted to EUR 167 million as at the end of the first half of 2015, a year-on-year rise of 7.1%. The ordinary investment income rose by 10.8% compared with the previous year, in particular due to the larger investment portfolio. Nevertheless, the widescale decline in interest rates, particularly in Poland and Italy which account for the highest investment volume in the segment, led to a year-on-year decline of 0.5 percentage points in the average return on investments under own management, to 4.3%. Only Brazil recorded a rise in interest rates. Net investment income includes EUR 4 (2) million in net income from investment contracts. These are policies that provide insufficient risk cover to be classified as insurance contracts in accordance with IFRSs.

## OPERATING PROFIT AND GROUP NET INCOME

In the first half of 2015, operating profit (EBIT) in the Retail International Division increased by 2.4% compared with the prior-year period to EUR 127 million. This development was attributable both to the improved combined ratio of the property insurance companies and to higher net investment income compared with the previous year, and was reflected in a 0.2 percentage point increase in the EBIT margin to 6.7%. Group net income after minority interests rose by 4.0% to EUR 77 (74) million. The return on equity declined by 0.3 percentage points year-on-year due to a significant increase in the equity base to 8.1%.

## ADDITIONAL KEY FIGURES

## THE RETAIL INTERNATIONAL SEGMENT AT A GLANCE

IN EUR MILLION

|                                                             | 6M<br>2015 | 6M<br>2014 | +/- %  |
|-------------------------------------------------------------|------------|------------|--------|
| Gross written premiums                                      | 2,392      | 2,255      | +6.1   |
| Property/casualty                                           | 1,662      | 1,428      | +16.4  |
| Life                                                        | 730        | 827        | -11.7  |
| Net premiums earned                                         | 1,903      | 1,912      | -0.5   |
| Property/casualty                                           | 1,296      | 1,147      | +13.0  |
| Life                                                        | 607        | 765        | -20.7  |
| Underwriting result                                         | 19         | 14         | +35.7  |
| Property/casualty                                           | 62         | 54         | +14.8  |
| Life                                                        | -43        | -40        | -7.5   |
| Other                                                       | —          | —          | —      |
| Net investment income                                       | 167        | 156        | +7.1   |
| Property/casualty                                           | 94         | 90         | +4.4   |
| Life                                                        | 73         | 66         | +10.6  |
| Other                                                       | —          | —          | —      |
| New business measured in annual premium equivalent (life)   | 96         | 103        | -6.8   |
| Single premiums                                             | 614        | 714        | -14.0  |
| Regular premiums                                            | 34         | 32         | 6.3    |
| New business by product in annual premium equivalent (life) | 96         | 103        | -6.8   |
| Unit-linked life and annuity insurance                      | 12         | 5          | +140.0 |
| Traditional life and annuity insurance                      | 23         | 23         | —      |
| Term life products                                          | 38         | 34         | 11.8   |
| Other life products                                         | 23         | 41         | -43.9  |

## NON-LIFE REINSURANCE

- Competition remains fierce in Non-Life Reinsurance
- Major losses in the first six months below forecast
- Further strong underwriting result generated

## KEY FIGURES FOR THE NON-LIFE REINSURANCE SEGMENT

IN EUR MILLION

|                         | 6M<br>2015 | 6M<br>2014 | +/- % |
|-------------------------|------------|------------|-------|
| Gross written premiums  | 4,972      | 4,078      | +21.9 |
| Net premiums earned     | 3,894      | 3,370      | +15.5 |
| Underwriting result     | 167        | 156        | +7.1  |
| Net investment income   | 437        | 412        | +6.1  |
| Operating profit (EBIT) | 616        | 533        | +15.6 |

## MANAGEMENT METRICS

IN %

|                                                                         | 6M<br>2015 | 6M<br>2014 | +/- %    |
|-------------------------------------------------------------------------|------------|------------|----------|
| Gross premium growth (adjusted for exchange rate effects) <sup>1)</sup> | 10.0       | 2.0        | +8.0 pt. |
| Combined ratio (net) <sup>2)</sup>                                      | 95.4       | 95.1       | +0.3 pt. |
| EBIT margin <sup>3)</sup>                                               | 15.8       | 15.8       | —        |

<sup>1)</sup> Calculation method changed starting in 2015 to more accurately quantify exchange rate effects (with no impact on the forecast figure)

<sup>2)</sup> Including net interest income on funds withheld and contract deposits

<sup>3)</sup> Operating profit (EBIT)/net premiums earned

## RETURN ON EQUITY FOR THE REINSURANCE DIVISION OVERALL

IN %

|                                | 6M<br>2015 | 6M<br>2014 | +/- %    |
|--------------------------------|------------|------------|----------|
| Return on equity <sup>1)</sup> | 15.0       | 15.1       | -0.1 pt. |

<sup>1)</sup> Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests

## BUSINESS DEVELOPMENT

The fierce competition in the Non-Life Reinsurance segment is continuing; the supply of reinsurance cover continues to exceed demand. This is mainly due to the absence of market-changing major losses, the fact that cedants are retaining more risks due to their healthy capitalisation levels and additional capacities from the catastrophe bond market (ILSS), particularly in the US natural catastrophe business. Together, these factors are putting persistent pressure on prices and conditions. Nevertheless, some lines and markets are seeing a decline in premium erosion.

We are satisfied with the treaty renewal results as at 1 April 2015. This is traditionally the date on which the business in Japan is renewed, and smaller volumes of treaty renewals for the Australian, New Zealand and Korean markets are also due. In Japan, pressure on rates for natural catastrophe cover continued to rise, as expected. However, we succeeded in generating risk-appropriate prices overall. General accident insurance and per-risk property cover only posted very small price declines. By contrast, liability insurance rates continued to rise slightly. In fact, by improving our position with individual core customers, we recorded slight growth in total premium income for our Japanese portfolio, measured in local currency. We successfully maintained our market position in Japan due to our healthy, long-standing relationships with our cedants.

In Korea – where only a small part of our business was due to be renewed – the market situation remains challenging, which meant that we further consolidated our portfolio. Treaty renewals in India proved to be more difficult than expected. Prices for traditional non-life reinsurance fell, while exposures increased. As a result, we cut back our activity on this market.

Treaty renewals were due for a small portion of the US property catastrophe business as at 1 April. As expected, further premium erosion of between 5% and 10% was recorded here. However, no further softening of conditions was seen. Our premium volumes rose slightly as a result of increased business with our core customers.

## PREMIUM DEVELOPMENT

Overall, we are very satisfied with premium growth in the Non-Life Reinsurance segment as at 30 June 2015. Gross premiums rose by 21.9% to EUR 5.0 (4.1) billion. At constant exchange rates, growth would have amounted to 10.0%. Retention declined year-on-year, at 89.6% (91.1%). Net premiums earned increased by 15.5% to EUR 3.9 (3.4) billion; adjusted for exchange rate effects, growth would have amounted to 4.4%.

## UNDERWRITING RESULT

The underwriting result for the Non-Life Reinsurance segment was at a very good level, up 7.1% to EUR 167 (156) million. We generated a good combined ratio of 95.4% (95.1%), in line with our target of a figure below 96%. At EUR 197 (105) million, claims for major losses in the first half of 2015 remained below the expected EUR 294 million.

## NET INVESTMENT INCOME

Net investment income in the Non-Life Reinsurance segment rose by an encouraging 6.1% to EUR 437 (412) million. This was attributable to significantly higher ordinary investment income.

## OPERATING PROFIT AND GROUP NET INCOME

Operating profit (EBIT) rose by 15.6% to EUR 616 (533) million as at 30 June 2015. The EBIT margin substantially exceeded the target level of at least 10%, at 15.8% (15.8%). Group net income increased by an encouraging 24.8% to EUR 206 (165) million.

## LIFE/HEALTH REINSURANCE

- Very encouraging gross premium growth
- Earnings up year-on-year
- Financial solutions/longevity business significantly exceeds target EBIT margin

### KEY FIGURES FOR THE LIFE/HEALTH REINSURANCE SEGMENT

IN EUR MILLION

|                         | 6M<br>2015 | 6M<br>2014 | +/- % |
|-------------------------|------------|------------|-------|
| Gross written premiums  | 3,614      | 2,987      | +21.0 |
| Net premiums earned     | 3,125      | 2,469      | +26.6 |
| Underwriting result     | -216       | -147       | -46.9 |
| Net investment income   | 366        | 299        | +22.4 |
| Operating profit (EBIT) | 194        | 152        | +27.6 |

### MANAGEMENT METRICS

IN %

|                                                                            | 6M<br>2015 | 6M<br>2014 | +/- %     |
|----------------------------------------------------------------------------|------------|------------|-----------|
| Gross premium growth<br>(adjusted for exchange rate effects) <sup>1)</sup> | 8.9        | -1.8       | +10.7 pt. |
| EBIT margin <sup>2)</sup> financial solutions/<br>longevity                | 13.2       | 4.8        | +8.4 pt.  |
| EBIT margin <sup>2)</sup> mortality/morbidity                              | 2.7        | 7.1        | -4.4 pt.  |

<sup>1)</sup> Calculation method changed starting in 2015 to more accurately quantify exchange rate effects (with no impact on the forecast figure)

<sup>2)</sup> Operating profit (EBIT)/net premiums earned

### RETURN ON EQUITY FOR THE REINSURANCE DIVISION OVERALL

IN %

|                                | 6M<br>2015 | 6M<br>2014 | +/- %    |
|--------------------------------|------------|------------|----------|
| Return on equity <sup>1)</sup> | 15.0       | 15.1       | -0.1 pt. |

<sup>1)</sup> Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests

## BUSINESS DEVELOPMENT

The current developments on the international capital and financial markets did not influence our Life/Health Reinsurance business significantly in the reporting period. We experienced highly promising business opportunities, which are reflected in the good result.

In the United Kingdom, the enhanced annuities market fell sharply following the pension reforms announced last year. However, we maintained our volume on the British enhanced annuities market year-on-year, bucking the trend. In addition, we significantly expanded our longevity business by underwriting annuity blocks. We also successfully implemented our new automated underwriting system on 1 June 2015 together with a primary insurance customer in bancassurance for life insurance products. Furthermore, in cooperation with our partners we became the first reinsurer to successfully introduce a comprehensive lifestyle insurance concept on the US market at the beginning of April; this offers life insurance protection and promotes a sensible, healthy lifestyle.

Our US financial solutions business generated another particularly strong result in the second quarter. The health and special risk business in the USA also made a positive earnings contribution, as expected. By contrast, our US mortality business did not fully meet our expectations. The results for both mortality and lapse risk fell substantially short of expectations in some cases. Results in France were slightly below our expectations. However, this was partially offset by improvements in Eastern and Central Europe and in Germany. Asia also made a positive contribution to earnings, particularly in relation to financial solutions.

## PREMIUM DEVELOPMENT

Gross premiums amounted to EUR 3.6 (3.0) billion as at 30 June 2015, recording very encouraging growth of 21.0%. Adjusted for exchange rate effects, growth would have amounted to 8.9%. Net premiums earned rose by 26.6% to EUR 3.1 (2.5) billion. Adjusted for exchange rate effects, the increase would have been 13.8%. Retention rose to 86.5% (83.1%).

## NET INVESTMENT INCOME

Net investment income including interest income on funds with-held and contract deposits amounted to EUR 366 (299) million in the reporting period. A one-off effect in the first quarter also contributed to the good result – a customer withdrew from an individual US transaction, which had a positive effect. The performance of investments held by US cedants in our name declined year-on-year to EUR -6.4 (4.6) million in the first half of 2015. However, assuming that they run to maturity as planned, all remeasurement gains and losses from these ModCo derivatives will cancel each other out completely. As a result, they can be regarded in principle as not having any effect on income.

### OPERATING PROFIT AND GROUP NET INCOME

We achieved our goal of increasing profitability in the Life/Health Reinsurance segment as at 30 June 2015; operating profit (EBIT) performed better than expected. It rose by 27.6% year-on-year to EUR 194 (152) million, making a solid contribution to total comprehensive income. Measured in terms of the EBIT margins of the individual business segments, the financial solutions/longevity business generated an extremely encouraging return of 13.2%, significantly exceeding the 2% target. By contrast, the mortality and morbidity business remains below the 6% target due to the effects outlined above, at 2.7%. Group net income amounted to an encouraging EUR 69 (57) million, an increase of 21.0%.

### CORPORATE OPERATIONS

- Talanx Finanz (Luxemburg) S.A. repays subordinated bond ahead of schedule
- Group assets under own management up 1.7%
- Operating profit at EUR 9 million

Talanx Finanz (Luxemburg) S.A. repaid the subordinated bond issued in 2005 and maturing in 2025 at the first possible redemption date. The bond – which has a total nominal value of EUR 350 million and pays a coupon of 4.50% on the nominal value of EUR 1,000 – plus accrued interest was fully repaid as at 30 June 2015.

### THE GROUP'S REINSURANCE SPECIALISTS

Underwriting business written via our subsidiary Talanx Reinsurance (Ireland) Ltd. has been reported in the Corporate Operations segment since 2013. The aim of this in-house reinsurer is to increase retention and optimise capital utilisation. The in-house business written by Talanx Re (Ireland) is partly reallocated to the ceding segments in order to leverage diversification benefits there. Business including additional cross-segment diversification benefits is also reported in the Corporate Operations segment. Gross written premiums in this business declined to EUR 27 (35) million in the first half of 2015 due to selective underwriting. They resulted from reinsurance cessions in the Industrial Lines, Retail Germany and Retail International segments. Talanx Re (Ireland) posted an operating result of EUR 6 (5) million for this business in the Corporate Operations segment in the first half of 2015.

Talanx Reinsurance Broker GmbH is wholly owned by Talanx AG and handles all aspects of the reinsurance business process for Group cedants. In 2015, it again managed to obtain the reinsurance capacity required for all of the Group cedants that it manages on the global market. As part of our segment allocation, earnings are fully reallocated to the ceding segments starting this year; in the first half of 2014, EUR 2 million of the company's earnings remained in the Corporate Operations segment.

### THE GROUP'S INVESTMENT SPECIALISTS

In cooperation with its subsidiary Ampega Investment GmbH, Talanx Asset Management 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 to the segment's operating profit made by the two companies and Talanx Immobilien Management GmbH amounted to EUR 30 (22) million in the first half of 2015.

As an investment company, Ampega Investment GmbH manages retail and special funds and provides financial portfolio management services for institutional clients. It focuses on portfolio management and the administration of investments for clients outside the Group. The low interest rate environment means that German retail investors are increasingly focusing on products from the fund sector again. In the first six months of the year, mixed funds – which offer opportunities for higher returns in periods of low interest – were in particular demand as alternatives to savings accounts and fixed-term deposits.

The total volume of assets managed by Ampega rose by 3.0% compared with the level at the beginning of the year to EUR 17.2 (16.7) billion in the first half of 2015. At EUR 9.3 (9.4) billion, over half of this total was managed on behalf of Group companies using special funds and direct investment mandates. Of the remainder, EUR 3.7 (3.1) billion was attributable to institutional third-party clients and EUR 4.2 (4.2) billion to retail business. The latter is offered both through the Group's own distribution channels and products such as unit-linked life insurance and through external asset managers and banks.

### OPERATING PROFIT

The Corporate Operations segment's operating profit improved to EUR 9 (–6) million in the first half of 2015 due to higher income from asset management as a result of the larger investment portfolio and lower holding company expenses. Group net income attributable to shareholders of Talanx AG for this segment amounted to EUR –38 (–57) million in the first half of 2015.

## NET ASSETS AND FINANCIAL POSITION

### NET ASSETS

- Total assets up EUR 7.6 billion to EUR 154.9 billion
- Investments account for 75% of total assets

#### ASSET STRUCTURE

IN EUR MILLION

|                                                                                          | 30.6.2015      |             | 31.12.2014     |             |
|------------------------------------------------------------------------------------------|----------------|-------------|----------------|-------------|
| Intangible assets                                                                        | 2,135          | 1%          | 2,096          | 1%          |
| Investments                                                                              | 116,443        | 75%         | 112,879        | 77%         |
| Investments for the benefit of life insurance policyholders who bear the investment risk | 10,415         | 7%          | 9,426          | 6%          |
| Reinsurance recoverables on technical provisions                                         | 8,215          | 5%          | 7,370          | 5%          |
| Accounts receivable on insurance business                                                | 6,425          | 4%          | 5,252          | 4%          |
| Deferred acquisition costs                                                               | 5,033          | 3%          | 4,645          | 3%          |
| Cash at banks, cheques and cash-in-hand                                                  | 2,688          | 2%          | 2,145          | 2%          |
| Deferred tax assets                                                                      | 636            | <1%         | 764            | <1%         |
| Other assets                                                                             | 2,821          | 2%          | 2,699          | 2%          |
| Non-current assets and assets of disposal groups classified as held for sale             | 90             | <1%         | 22             | <1%         |
| <b>Total assets</b>                                                                      | <b>154,901</b> | <b>100%</b> | <b>147,298</b> | <b>100%</b> |

### SIGNIFICANT CHANGES IN THE ASSET STRUCTURE

The EUR 7.6 billion increase in our total assets to EUR 154.9 billion is primarily attributable to growth of EUR 4.5 billion in our investment portfolio, including investments for the benefit of life insurance policyholders who bear the investment risk, as well as the EUR 1.2 billion increase in accounts receivable on insurance business.

Recognised intangible assets of EUR 2.1 (2.1) billion include EUR 1.1 (1.0) billion of other intangible assets (including PVFP). They also include recognised goodwill of EUR 1.0 (1.1) billion. The change in goodwill is partly due to the acquisition of the Magallanes group (+EUR 122 million), and partly to goodwill impairment in the Retail Germany Division (–EUR 155 million). As part of a realignment of the German life insurance business, the Group wrote down goodwill in the German life insurance business in full. Further information regarding the goodwill impairment can be found in the Notes to the consolidated balance sheet in the section “Notes to in-

dividual items of the consolidated balance sheet”, Note 1 “Intangible assets”. Other intangible assets are recognised in their entirety in the Group. Other intangible assets that are economically attributable to Group shareholders – excluding non-controlling interests and the policyholder’s portion – are calculated as follows:

#### NON-CONTROLLING INTERESTS AND POLICYHOLDERS’ PORTION

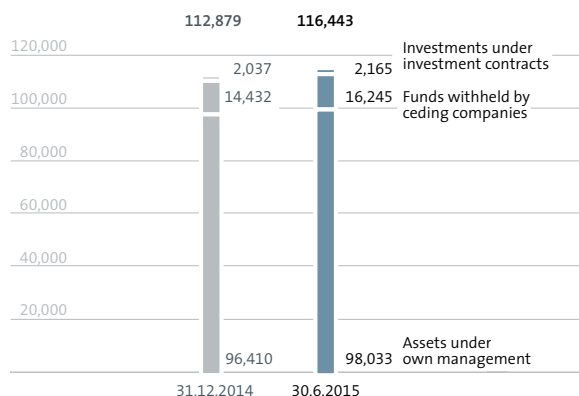
IN EUR MILLION

|                                                                                                                                | 30.6.2015  | 31.12.2014 |
|--------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Other intangible assets before deducting non-controlling interests and the policyholders’ portion, including deferred taxes    | 1,070      | 1,006      |
| of which attributable to: non-controlling interests                                                                            | 132        | 132        |
| of which attributable to: policyholders’ portion                                                                               | 350        | 334        |
| of which attributable to: deferred taxes                                                                                       | 86         | 84         |
| <b>Other intangible assets after deducting non-controlling interests and the policyholders’ portion, net of deferred taxes</b> | <b>502</b> | <b>455</b> |

### CHANGES IN INVESTMENTS

#### BREAKDOWN OF THE INVESTMENT PORTFOLIO

IN EUR MILLION



The total investment portfolio increased by 3.2% in the first half of the financial year to EUR 116.4 billion. Investments under investment contracts totalled EUR 2.2 billion at the end of the quarter and funds withheld by ceding companies amounted to EUR 16.2 billion. Growth in the portfolio of assets under own management was due in particular to cash inflows from underwriting business – which were reinvested in accordance with the respective corporate guidelines – and to further exchange rate changes.

Market interest rates increased overall in the second quarter. After historical lows in the first quarter, the second quarter saw a two-step increase, in particular for long-dated bonds. Yields rose significantly quarter-on-quarter in Germany: five-year bonds increased by around 24 basis points to 0.11% and ten-year bonds by a good 60 basis points to 0.79%. By contrast, two-year government bonds remained constant at –0.23%.

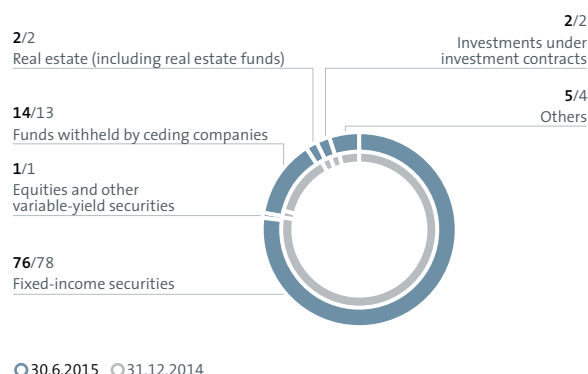
In addition to interest rate factors, movements in the US dollar exchange rate had a direct effect on our US dollar-denominated investments. At 30 June 2015, the US dollar was at 1.11 to the euro, compared with 1.21 to the euro at the beginning of the year. At the end of the second quarter, the US dollar-denominated investment portfolio amounted to EUR 17.8 billion and accounted for 18% of total assets under own management.

Fixed-income investments were again the most significant asset class in 2015. Most reinvestments were made in this class, reflecting the existing investment structure. Fixed-income securities accounted for 76% of the total investment portfolio and contributed EUR 1.5 billion to earnings; this amount was reinvested as far as possible in the period under review.

Once again, equity exposures were not increased in the first half of 2015. The equity allocation ratio after derivatives (equity ratio) was 0.8% at the end of the quarter.

#### BREAKDOWN OF THE INVESTMENT PORTFOLIO

IN %



#### BREAKDOWN OF ASSETS UNDER OWN MANAGEMENT BY ASSET CLASS

IN EUR MILLION

|                                                                                                                 | 30.6.2015     |             | 31.12.2014    |             |
|-----------------------------------------------------------------------------------------------------------------|---------------|-------------|---------------|-------------|
| Investment property                                                                                             | 1,900         | 2%          | 1,873         | 2%          |
| Shares in affiliated companies and participating interests                                                      | 117           | <1%         | 112           | <1%         |
| Investments in associates and joint ventures                                                                    | 305           | <1%         | 262           | <1%         |
| Loans and receivables                                                                                           |               |             |               |             |
| Loans incl. mortgage loans                                                                                      | 813           | 1%          | 880           | 1%          |
| Loans and receivables due from government or quasi-governmental entities, together with fixed-income securities | 29,695        | 30%         | 29,673        | 31%         |
| Financial assets held to maturity                                                                               | 1,989         | 2%          | 2,454         | 3%          |
| Financial assets available for sale                                                                             |               |             |               |             |
| Fixed-income securities                                                                                         | 56,544        | 58%         | 54,900        | 57%         |
| Variable-yield securities                                                                                       | 1,401         | 1%          | 1,283         | 1%          |
| Financial assets at fair value through profit or loss                                                           |               |             |               |             |
| Financial assets classified at fair value through profit or loss                                                |               |             |               |             |
| Fixed-income securities                                                                                         | 870           | 1%          | 850           | 1%          |
| Variable-yield securities                                                                                       | 72            | <1%         | 95            | <1%         |
| Financial assets held for trading                                                                               |               |             |               |             |
| Fixed-income securities                                                                                         | 7             | <1%         | 6             | <1%         |
| Variable-yield securities                                                                                       | 105           | <1%         | 108           | <1%         |
| Derivatives <sup>1)</sup>                                                                                       | 66            | <1%         | 80            | <1%         |
| Other investments                                                                                               | 4,149         | 4%          | 3,834         | 4%          |
| <b>Total investments under own management</b>                                                                   | <b>98,033</b> | <b>100%</b> | <b>96,410</b> | <b>100%</b> |

<sup>1)</sup> Only derivatives with positive fair values

## FIXED-INCOME SECURITIES

Fixed-income investments mainly comprised the traditional asset classes of government bonds, corporate bonds and Pfandbriefe. The Retail Germany segment sold low-yield Italian and Spanish government bonds with relatively short maturities to realise gains, which were used to strengthen the mandatory additional interest reserve required by the HGB, and for the policyholders' participation in the valuation reserves. The funds that were released were reinvested in longer-term bonds. In particular, government bonds and secured bonds with good ratings were selected, helping to increase the duration of the portfolio.

At the end of the second quarter of 2015, the Group had only moderate exposure to government bonds from the GIIPS countries. In light of risk considerations, we had sold the Greek government bonds in our portfolio back in 2011 with the exception of a small residual holding.

At the end of the quarter, the fair value of our investment exposure to GIIPS countries was EUR 2.6 billion, corresponding to 2.7% of total assets under own management. Our exposure to Italian government bonds (fair value of EUR 1,495 million) is due to the Group's presence in the country. Of this amount, EUR 859 million is attributable to our Group company HDI Assicurazioni S.p.A.

The portfolio of fixed-income investments (excluding mortgage and policy loans) rose by EUR 1.2 billion at the end of the second quarter of 2015 to total EUR 89.1 billion. At 76% of total investments, this asset class continues to represent the most significant share of our investments by volume.

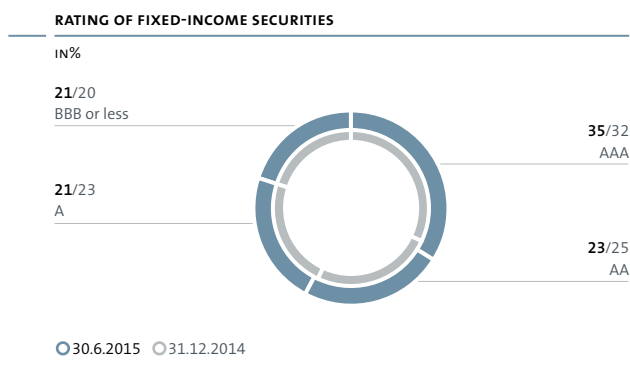
Fixed-income investments were primarily divided into the investment categories of "Loans and receivables" and "Financial assets available for sale".

"Fixed-income securities available for sale", whose volatility impacts equity, increased by EUR 1.6 billion to EUR 56.5 billion, or 63% of total investments in the fixed income portfolio. Pfandbriefe and corporate bonds accounted for the majority of these investments. Valuation reserves – i.e. the balance of unrealised gains and losses – have fallen from EUR 4.6 billion to EUR 3.2 billion since the end of 2014 due to the decrease in interest rates.

In the "Loans and receivables" category, investments were primarily made in government securities or securities with a similar credit quality in the second quarter. Our portfolio of government securities or securities with a similar credit quality in this portfolio category amounted to EUR 9.9 billion. Pfandbriefe still represent the largest item in the portfolio. Total holdings in the "Loans and receivables" category amounted to EUR 30.5 billion at the end of the second quarter, which represents 34% of total holdings in this asset class. Off-balance sheet valuation reserves declined slightly from EUR 5.9 billion to EUR 4.9 billion.

Group holdings in the "Financial assets held to maturity" category in the second quarter totalled EUR 2.0 billion. After expanding our holdings in this category in 2011 through restructuring, particularly in the reinsurance segment, we did not increase this further in the previous financial year or in the second quarter of 2015. The intention and ability to hold these investments until maturity enables the companies to reduce volatility in their balance sheets caused by interest rate movements.

Investment in fixed-income securities continued to focus on government bonds with good ratings or securities from issuers with a similar credit quality. At the end of the quarter, holdings of AAA-rated bonds amounted to EUR 31.4 billion. This represents 35% of the total portfolio of fixed-income securities and loans.



The Talanx Group continues to pursue a conservative investment policy. As a result, 79% of instruments in the fixed-income securities asset category have a minimum A rating. For further information on the credit quality of our investments, please refer to the risk report in the Group management report.

The Macaulay duration of the Talanx Group's total fixed-income securities investment portfolio was 7.7 years as at 30 June 2015 (beginning of the year: 7.7 years).

As far as matching currency cover is concerned, US dollar-denominated investments continue to account for the largest share (18%) of the Talanx Group's foreign currency portfolio. The total share of assets under own management in foreign currencies remained almost constant as at 30 June 2015, at 31.7%.

Funds withheld by ceding companies in respect of collateral provided for cedants' technical provisions in the Reinsurance Division rose in the current financial year, from EUR 14.4 billion to EUR 16.2 billion. Investment portfolios also increased, resulting in a slightly higher ratio of 14.0% (12.8%).

#### EQUITIES AND EQUITY FUNDS

The European stock markets started 2015 on a positive note as a result of the ECB's bond-buying programme and improved economic data in the Eurozone. The upswing was followed by a period of consolidation in the second quarter. The DAX closed at 10,945 points – an increase of 11.6% since the beginning of the year. The EUROSTOXX 50 reached 3,424 points on 30 June, up 8.8% compared with the beginning of the year.

Net unrealised gains and losses on holdings within the Group (excluding "Other Investments") increased by EUR 11 million to EUR 109 (98) million due to market factors.

## REAL ESTATE INCLUDING SHARES IN REAL ESTATE FUNDS

Investment property totalled EUR 1.9 billion at the reporting date. An additional EUR 709 million is held in real estate funds, which are recognised as “Financial assets available for sale”.

In light of the low interest rate environment, the German real estate market continues to be dominated by enormous pressure on private and institutional investors to invest, coupled with increasing transaction volumes and a lack of suitable properties. High market liquidity is leading to corresponding price effects, in particular for core properties.

Depreciation of EUR 18 million and impairment losses of EUR 1 million were recognised on investment property in the reporting period.

The real estate ratio including investments in real estate funds was unchanged at 2% (2%).

## ALTERNATIVE INVESTMENTS

Holdings of alternative investments are still at a low level and serve to diversify the portfolio.

A 45% interest in Caplantic Alternative Assets GmbH was acquired at the beginning of financial year 2015, which is jointly managed with Nord/LB Norddeutsche Landesbank and Bankhaus Lampe. The aim of the investment is to develop the company into a leading provider of alternative asset management and financial solutions, giving it access to infrastructure loans and other alternative asset categories offered by the NORD/LB Group.

In addition, increased direct investments were made in infrastructure, for example with the acquisition of several wind farms in Germany and France (further information can be found in the Notes to the consolidated balance sheet in the section “Consolidation”). For information on the performance of the technical property, plant and equipment from these infrastructure investments, see our disclosures in the Notes to the consolidated balance sheet, Note 10 “Other investments” in the 2014 Annual Report. Furthermore, infrastructure investments were extended to the water sector with the acquisition of 49.94% of the shares of the largest private water company in Portugal, Indaqua Indústria e Gestão de Águas S. A., Matosinhos, Portugal. The “alternative investments” category helps improve returns and diversify the portfolio.

## NET INVESTMENT INCOME

### CHANGES IN NET INVESTMENT INCOME

| IN EUR MILLION                                          | 6M 2015      | 6M 2014      |
|---------------------------------------------------------|--------------|--------------|
| Ordinary investment income                              | 1,700        | 1,554        |
| of which current income from interest                   | 1,456        | 1,438        |
| of which gain/loss on investments in associates         | 7            | 6            |
| Realised net gains on disposal of investments           | 344          | 304          |
| Write-downs/reversals of write-downs of investments     | –96          | –16          |
| Unrealised net gains/losses on investments              | —            | 41           |
| Other investment expenses                               | 104          | 102          |
| Income from investments under own management            | 1,844        | 1,781        |
| Interest income on funds withheld and contract deposits | 189          | 165          |
| Income from investment contracts                        | 4            | 2            |
| <b>Total</b>                                            | <b>2,037</b> | <b>1,948</b> |

Net investment income for the year under review was EUR 2.0 billion, up slightly on the previous year. Current interest income rose slightly, and at EUR 1.5 billion still accounted for the majority of investment income. Gains/losses realised on the disposal of investments amounting to EUR 344 million were offset by higher write-downs (EUR 97 [26] million). Unrealised net gains/losses balanced out at zero.

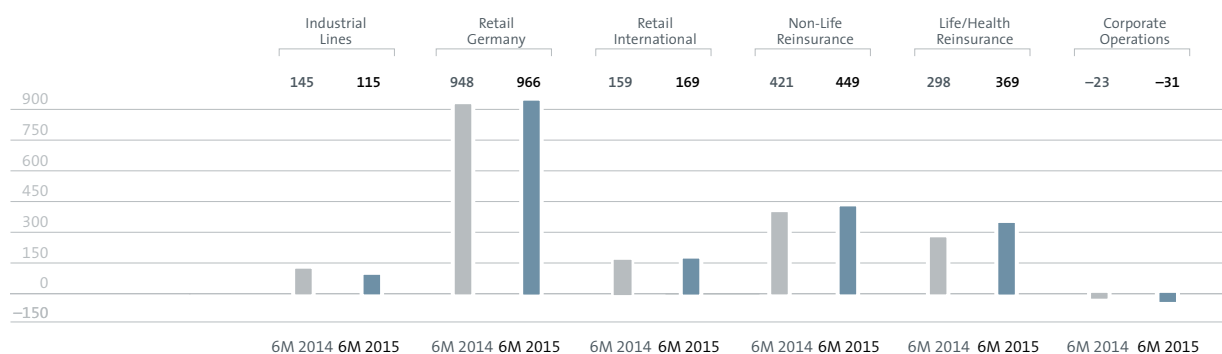
Ordinary investment income at the end of the quarter totalled EUR 1,700 (1,554) million. Falling interest rates on the capital markets led to an average coupon in the fixed-income securities portfolio of 3.5%, down slightly on the previous year (3.8%). Derivative financial instruments (including forward purchases) are used to hedge re-investment risk, in particular in the case of life insurers in our Retail Germany segment.

Overall, total realised net gains on the disposal of investments in the second quarter were up slightly on the high prior-year figure, at EUR 344 (304) million. The positive net gains resulted from regular portfolio turnover in all segments.

Net write-downs and reversals of write-downs amounted to –EUR 96 (–16) million in the second quarter. Of this, a significant EUR 47 million was attributable to the HETA bonds (before the policyholders' portion, taxes and non-controlling interests). Across the Group as a whole, write-downs of fixed-income securities rose to EUR 59 million. Depreciation of and impairment losses on other investments increased from EUR 3 million to EUR 11 million. Depreciation and impairment losses of approximately EUR 19 million were recognised in respect of real estate. Total write-downs in the past quarter were partially offset by reversals of impairment losses amounting to EUR 1 million.

#### BREAKDOWN OF NET INVESTMENT BY GROUP SEGMENT<sup>1)</sup>

IN EUR MILLION



<sup>1)</sup> After elimination of intragroup transactions between the segments

## FINANCIAL POSITION

### ANALYSIS OF CAPITAL STRUCTURE

- Equity on a level with previous year at EUR 12.9 billion
- Technical provisions up EUR 6.2 billion to EUR 107.4 billion
- Subordinated liabilities down EUR 0.7 billion

#### CAPITAL STRUCTURE OVER A MULTI-YEAR PERIOD

| IN EUR MILLION                                                                                           |                |             |                |             |
|----------------------------------------------------------------------------------------------------------|----------------|-------------|----------------|-------------|
|                                                                                                          | 30.6.2015      |             | 31.12.2014     |             |
| Equity                                                                                                   | 12,941         | 8%          | 12,900         | 9%          |
| Subordinated liabilities                                                                                 | 1,941          | 1%          | 2,661          | 2%          |
| Technical provisions                                                                                     | 107,357        | 69%         | 101,109        | 69%         |
| Technical provisions for life insurance policies where the investment risk is borne by the policyholders | 10,415         | 7%          | 9,426          | 6%          |
| Other provisions                                                                                         | 3,384          | 2%          | 3,708          | 2%          |
| Liabilities                                                                                              | 16,653         | 11%         | 15,228         | 10%         |
| Deferred tax liabilities                                                                                 | 2,182          | 1%          | 2,262          | 2%          |
| Liabilities included in disposal groups classified as held for sale                                      | 28             | <1%         | 4              | <1%         |
| <b>Total equity and liabilities</b>                                                                      | <b>154,901</b> | <b>100%</b> | <b>147,298</b> | <b>100%</b> |

### SIGNIFICANT CHANGES IN THE CAPITAL STRUCTURE

Net provisions in the insurance business after consolidation and after adjustment for the reinsurers' share are as follows:

#### COMPOSITION OF NET PROVISIONS<sup>1)</sup> IN THE INSURANCE BUSINESS (AFTER CONSOLIDATION)

| IN EUR BILLION                           |             |             |
|------------------------------------------|-------------|-------------|
|                                          | 30.6.2015   | 31.12.2014  |
| Unearned premium reserve                 | 7.3         | 5.7         |
| Benefit reserve                          | 53.3        | 51.5        |
| Loss and loss adjustment expense reserve | 34.3        | 32.0        |
| Provision for premium refunds            | 4.2         | 4.5         |
| Other technical provisions               | 0.4         | 0.3         |
| <b>Total</b>                             | <b>99.5</b> | <b>94.0</b> |

<sup>1)</sup> For information on the presentation of the net provisions in the insurance business, see our disclosures in the Notes to the consolidated balance sheet, Note 9

Obligations to policyholders must be covered by investments in at least the same amount. The ratio of net provisions in the insurance business to total investments – including funds withheld by ceding companies but excluding investments under investment contracts – was 87.0% (84.8%) at the reporting date. Investments thus exceed provisions by EUR 14.8 (16.8) billion.

Overall, net technical provisions rose by 5.8% or EUR 5.5 billion year-on-year. The increase was due to the loss and loss adjustment expense reserve (EUR 2.3 billion), benefit reserves (EUR 1.8 billion) and unearned premium reserves (EUR 1.6 billion). It was mainly attributable to the Non-Life Reinsurance (+EUR 2.3 billion) and Life/Health Reinsurance (+EUR 1.2 billion) segments.

## EQUITY

### CHANGES IN EQUITY

Equity rose slightly by EUR 41 million (+0.3%) to EUR 12,941 (12,900) million in the reporting period just ended. The Group's portion (equity excluding non-controlling interests) amounted to EUR 8,022 (7,998) million. The slight increase is due to a number of offsetting trends, which are shown in the table below. On the one hand, the increase relates to the net profit for the period, EUR 311 million of which is attributable to our shareholders and was allocated in full to retained earnings. On the other, it relates to "accumulated other comprehensive income and other reserves", which increased by EUR 32 million compared with 31 December 2014 to EUR 651 million. The dividend payment totalling EUR 316 million to Talanx AG shareholders in May of the reporting period had an offsetting effect.

The change in "Other reserves" (+EUR 32 million) is due to a number of partially offsetting effects. The EUR 889 million increase in other changes to equity to -EUR 2,365 (-3,254) million was the main reason for the rise in "Other reserves". EUR 736 million and thus a large proportion of this change was attributable to policyholder participations/shadow accounting (in particular policyholder participations in losses on investments) and EUR 152 million was attributable to technical gains or losses from provisions for pensions (mainly caused by the slight rise in interest rates). In addition, accumulated currency translation gains/losses improved by EUR 196 million from -EUR 33 million to EUR 163 million, due to exchange rate changes for foreign currencies against the euro in the year under review. The increase resulted primarily from the decline of the euro against the US dollar. The significant EUR 1,034 million decrease in unrealised gains on investments to EUR 2,504 (3,538) million almost reversed the above-mentioned effects and was largely due to losses on corporate and government bonds as a result of the slight increase in interest rates. The cash flow hedge reserve fell by EUR 19 million to EUR 349 (368) million, in particular due to changes in interest rates.

Non-controlling interests in equity rose by a slight EUR 17 million – or 0.3% – to EUR 4,919 million. Non-controlling interests in net income for the period under review were EUR 319 million (6M 2014: EUR 276 million). The dividend payment to non-Group shareholders totalling EUR 336 million (6M 2014: EUR 245 million) was mainly from the Hannover Re Group. Non-controlling interests shared in the higher other income in the amount of EUR 31 million (6M 2014: EUR 254 million).

### CHANGES IN EQUITY

IN EUR MILLION

|                                                           | 30.6.2015     | 31.12.2014    |
|-----------------------------------------------------------|---------------|---------------|
| Subscribed capital                                        | 316           | 316           |
| Capital reserves                                          | 1,373         | 1,373         |
| Retained earnings                                         | 5,682         | 5,690         |
| Accumulated other comprehensive income and other reserves | 651           | 619           |
| <b>Group equity</b>                                       | <b>8,022</b>  | <b>7,998</b>  |
| Non-controlling interests                                 | 4,919         | 4,902         |
| <b>Total</b>                                              | <b>12,941</b> | <b>12,900</b> |

### EQUITY BY SEGMENT<sup>1)</sup> INCLUDING NON-CONTROLLING INTERESTS

IN EUR MILLION

|                                    | 30.6.2015     | 31.12.2014    |
|------------------------------------|---------------|---------------|
| <b>Segment</b>                     |               |               |
| Industrial Lines                   | 2,132         | 1,959         |
| of which non-controlling interests | —             | —             |
| Retail Germany                     | 2,554         | 3,231         |
| of which non-controlling interests | 62            | 67            |
| Retail International               | 2,262         | 2,037         |
| of which non-controlling interests | 235           | 249           |
| Reinsurance                        | 8,336         | 8,240         |
| of which non-controlling interests | 4,641         | 4,604         |
| Corporate Operations               | -2,299        | -2,531        |
| of which non-controlling interests | —             | —             |
| Consolidation                      | -44           | -36           |
| of which non-controlling interests | -19           | -18           |
| <b>Total equity</b>                | <b>12,941</b> | <b>12,900</b> |
| Group equity                       | 8,022         | 7,998         |
| Non-controlling interests          | 4,919         | 4,902         |

<sup>1)</sup> Equity per segment is defined as the difference between the assets and liabilities of each segment

Note: To simplify the presentation, the non-controlling interests for the Reinsurance Division are derived from Group non-controlling interests in Hannover Re; for this purpose, the two reinsurance segments have been combined

The Corporate Operations segment reports 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 mainly relate to retirement pension provisions (EUR 1,101 [1,239] million), notes payable (EUR 1,065 [1,065] million) and provisions for taxes (EUR 142 [147] million). These liabilities are offset on Talanx AG's balance sheet by liquid assets and, above all, by the carrying amounts of its investments in subsidiaries, which are eliminated against the proportionate equity of the subsidiaries in the consolidated financial statements.

## ANALYSIS OF DEBT

Our subordinated bonds and other debt instruments ("subordinated bonds") supplement our equity. They optimise the cost of capital and help to maintain adequate liquidity at all times. We refer to these subordinated bonds and other bank borrowings that serve to finance corporate acquisitions as "strategic debt."

Subordinated liabilities totalled EUR 1.9 (2.7) billion as at the reporting date. In the second quarter of 2015, the EUR 500 million subordinated bond issued in 2005 by Hannover Finance (Luxembourg) S.A. and the subordinated bonds issued in 2005 by HDI Lebensversicherung AG (outstanding nominal amount of EUR 120 million, of which EUR 10 million was issued internally within the Group) and by Talanx Finanz (Luxembourg) S.A. (nominal amount of EUR 209 million, of which EUR 96 million was issued internally within the Group) were called by the issuer effective as at the first regular redemption date in the entire nominal amount and repaid in full. Further information can be found in the Notes to the consolidated balance sheet in the section "Notes to individual items of the consolidated balance sheet", Note 8 "Subordinated liabilities".

The Group had two syndicated variable-rate credit lines with a nominal value of EUR 1.25 billion as at 30 June 2015. As in the previous year, these were not drawn down as at the reporting date. The existing syndicated credit lines can be terminated by the lenders if there is a change of control, i.e. if a person or persons acting in concert, 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.

In addition, as in the previous year, Talanx AG has two senior unsecured bonds with a total volume of EUR 1.25 billion – of which EUR 185 million is held by Group companies – and long-term loans (primarily mortgage loans and loans for financing infrastructure investments) amounting to EUR 375 (284) million.

## RISK REPORT

We see opportunity and risk management as one of our core functions. Comprehensive monitoring and rigorous management of the Group's and the divisions' risk position are key tasks at Talanx AG. The aim is to avoid developments that could jeopardise the Group's continued existence and, at the same time, to exploit opportunities that arise.

Our risk strategy is derived from our corporate strategy and formulates our risk management objectives and structures. Acceptance of risk is governed by the rules set out, and decisions made, by the Board of Management in relation to the Group's risk budget. The risk strategy is an independent set of rules that lay the foundation for Group-wide risk management. Together with value-based

management, the risk strategy forms an integral component of our entrepreneurial actions and is also reflected in the detailed strategies for the various divisions.

As an international insurance and financial services group, we consciously enter into a wide range of risks that are inextricably linked with our business activities. Both our corporate strategy and our risk strategy are subject to an established review process. This re-examination of our assumptions and any necessary adjustment of our underlying strategy resulting from it are designed to ensure that our strategic guidelines are appropriate at all times, and hence that our 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:

### GROUP RISK MANAGEMENT SYSTEM

| Management element             | Key risk management tasks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Supervisory Board              | <ul style="list-style-type: none"> <li>Advises and oversees the Board of Management in its management of the Company, including with respect to risk strategy and risk management</li> </ul>                                                                                                                                                                                                                                                                                                                                         |
| Board of Management            | <ul style="list-style-type: none"> <li>Overall responsibility for risk management</li> <li>Definition of the risk strategy</li> <li>Responsibility for proper functioning of risk management</li> </ul>                                                                                                                                                                                                                                                                                                                              |
| Executive Risk Committee (ERC) | <ul style="list-style-type: none"> <li>Manages, coordinates and prioritises Group-wide risk issues</li> <li>Adjusts limits within fixed materiality thresholds</li> <li>Approves guidelines and other frameworks in accordance with Group frameworks for the governance of the Group's internal model, to the extent that they do not require the approval of the Board of Management as a whole</li> <li>Preliminary examination at cross-segment level of issues that must be submitted to the full Board of Management</li> </ul> |
| Risk Committee                 | <ul style="list-style-type: none"> <li>Risk monitoring and coordinating body, charged with the following key tasks:               <ul style="list-style-type: none"> <li>Critical examination and analysis of the risk position of the Group as a whole, with a particular focus on the risk budget approved by the Board of Management and on the risk strategy</li> <li>Monitoring of management measures within the Group with respect to risks that could threaten the Group's continued existence</li> </ul> </li> </ul>        |
| Chief Risk Officer             | <ul style="list-style-type: none"> <li>Responsible for holistic monitoring across divisions (systematic identification and assessment, control/monitoring and reporting) of all risks that are material from a Group perspective</li> <li>Chairman of the Risk Committee</li> <li>Option to take part in meetings of the Board of Management when there are items on the agenda relating to risk</li> </ul>                                                                                                                          |
| Central Risk Management        | <ul style="list-style-type: none"> <li>Group-wide risk monitoring function</li> <li>Methodological expertise, including the following:               <ul style="list-style-type: none"> <li>Development of processes/procedures for risk assessment, management and analysis</li> <li>Risk limitation and reporting</li> <li>Overarching risk monitoring and risk capital quantification</li> </ul> </li> </ul>                                                                                                                      |
| Local Risk Management          | <ul style="list-style-type: none"> <li>Risk monitoring function in the divisions</li> <li>Observance of the centrally defined guidelines, methods and procedures, limit systems and thresholds that serve as the framework for local implementation, monitoring and reporting</li> </ul>                                                                                                                                                                                                                                             |
| Compliance                     | <ul style="list-style-type: none"> <li>Analysis of compliance risk, based on the early identification, assessment and communication of relevant changes in the legal framework</li> <li>Establishment and enhancement of suitable structures for ensuring compliance with applicable legal norms and Group rules</li> </ul>                                                                                                                                                                                                          |
| Actuarial Function             | <ul style="list-style-type: none"> <li>Coordinates and comments on calculations of technical provisions</li> <li>Ensures that the calculations and the assumptions and methods used are appropriate</li> </ul>                                                                                                                                                                                                                                                                                                                       |
| Internal Audit                 | <ul style="list-style-type: none"> <li>Process-independent review of the Group's functional areas</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                         |

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

Further information on risk management can be found in the 2014 Group Annual Report.

The Talanx Group's risk position can be broken down into the risk categories described below, which are based on GAS 20.

#### THE TALANX GROUP'S RISK POSITION

| Risk category                                 | Material risks                                                                                                                                                                                                                                                                                                                                                           | Key risk management measures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Underwriting risk</b>                      |                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                               | <b>Cross-segment</b>                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                               | <ul style="list-style-type: none"> <li>Concentration risk</li> </ul>                                                                                                                                                                                                                                                                                                     | <ul style="list-style-type: none"> <li>Risk offset by diversification</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                               | <b>Property/casualty (primary insurance and reinsurance)</b>                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                               | <ul style="list-style-type: none"> <li>Actual claims experience differs from the expected claims experience (premium/loss risk)</li> <li>Technical provisions are insufficient to pay claims that have not yet been settled or reported (reserving risk)</li> </ul>                                                                                                      | <ul style="list-style-type: none"> <li>Claims analysis and regular review of the claims experience</li> <li>Actuarial modelling and monitoring of exposure to natural hazards</li> <li>Selective underwriting</li> <li>Technical audits</li> <li>Appropriate reinsurance cover</li> <li>Recognition of IBNR reserves</li> <li>Reserves reviewed by external actuaries</li> </ul>                                                                                                                                                                                                                                            |
|                                               | <b>Life/health primary reinsurance</b>                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                               | <ul style="list-style-type: none"> <li>Changes to biometric actuarial assumptions</li> <li>Interest guarantee risk in the case of life insurance contracts with guaranteed interest payments</li> <li>Lapse risks</li> </ul>                                                                                                                                             | <ul style="list-style-type: none"> <li>Biometric actuarial assumptions regularly reviewed</li> <li>Safety margins factored into actuarial assumptions</li> <li>Ongoing monitoring of investment portfolios and the capital markets, implementation of appropriate measures (in particular with respect to duration)</li> <li>Interest rate hedging instruments</li> <li>Adjustment of surplus participation</li> <li>Cost control, focus on variable sales costs</li> <li>Careful selection of intermediaries</li> <li>Systematic monitoring of MCEV</li> <li>Review of the structure and volume of new business</li> </ul> |
|                                               | <b>Life/Health Reinsurance</b>                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                               | <ul style="list-style-type: none"> <li>Changes to biometric actuarial assumptions</li> <li>Lapse and credit risk when prefinancing cedants' acquisition costs</li> </ul>                                                                                                                                                                                                 | <ul style="list-style-type: none"> <li>Use of reliable biometric actuarial assumptions</li> <li>Systematic monitoring of MCEV</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Default risk in the insurance business</b> |                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                               | <b>Cross-segment</b>                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                               | <ul style="list-style-type: none"> <li>Default on accounts receivable from reinsurers, retrocessionaires, policyholders and insurance intermediaries</li> </ul>                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>Careful selection of reinsurers and retrocessionaires</li> <li>Ongoing monitoring of credit quality</li> <li>Measures to collateralise receivables</li> <li>Consistent and uniform use of rating information as at a specific reporting date via a rating information system accessible throughout the Group</li> <li>Effective dunning process and reduction of outstanding receivables</li> <li>Recognition of appropriate value adjustments</li> </ul>                                                                                                                            |
| <b>Market risk</b>                            |                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                               | <b>Cross-segment</b>                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|                                               | <ul style="list-style-type: none"> <li>Potential losses due to adverse changes in market prices (interest rates, real estate, equity prices and exchange rates)</li> <li>Losses in value due to adverse changes in debtor credit quality</li> <li>Illiquidity risk: holdings/open positions cannot be sold/closed out, or only after a delay or at a discount</li> </ul> | <ul style="list-style-type: none"> <li>Monitoring and managing of market price risk using value at risk (VaR)</li> <li>Performance of proprietary and regulatory stress tests</li> <li>Matching currency cover</li> <li>Analysis of assets and liabilities using ALM VaR</li> <li>Use of ratings (rating agencies, internal ratings) when making investment decisions</li> <li>Monitoring and managing of credit risk using credit VaR</li> <li>Regular tracking of fund development and performance</li> <li>Liquid asset structure</li> <li>Regular liquidity planning</li> </ul>                                         |

## THE TALANX GROUP'S RISK POSITION

| Risk category            | Material risks                                                                                                                                                                                                                                                                                                          | Key risk management measures                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Operational risk</b>  |                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                            |
|                          | <b>Cross-segment</b> <ul style="list-style-type: none"> <li>■ Risk of losses due to the inadequacy or failure of processes, or as a result of events triggered by employee-related, systemic or external factors (including legal risk)</li> </ul>                                                                      | <ul style="list-style-type: none"> <li>■ Multifaceted, cause-based risk management</li> <li>■ Internal control system</li> </ul>                                                                                                                                                                                                                                                           |
| <b>Strategic risk</b>    |                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                            |
|                          | <b>Cross-segment</b> <ul style="list-style-type: none"> <li>■ Danger of an imbalance between our corporate strategy and the constantly changing general business environment</li> </ul>                                                                                                                                 | <ul style="list-style-type: none"> <li>■ Corporate strategy and risk strategy are reviewed annually</li> <li>■ Processes and structures are adjusted as required</li> </ul>                                                                                                                                                                                                                |
| <b>Reputational risk</b> |                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                            |
|                          | <b>Cross-segment</b> <ul style="list-style-type: none"> <li>■ Possible damage to the Company's reputation due to negative public perception</li> </ul>                                                                                                                                                                  | <ul style="list-style-type: none"> <li>■ Defined communication channels</li> <li>■ Professional corporate communications</li> <li>■ Tried-and-tested processes for defined crisis scenarios</li> <li>■ Established Code of Conduct</li> </ul>                                                                                                                                              |
| <b>Emerging risk</b>     |                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                            |
|                          | <b>Cross-segment</b> <ul style="list-style-type: none"> <li>■ Emerging risks whose risk content is not yet reliably known and whose implications are difficult to assess</li> </ul>                                                                                                                                     | <ul style="list-style-type: none"> <li>■ Early identification of risks; various countermeasures, e.g. reinsurance, diversification, risk exclusions, safety margins, emergency planning, etc.</li> </ul>                                                                                                                                                                                   |
| <b>Model risk</b>        |                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                            |
|                          | <b>Cross-segment</b> <ul style="list-style-type: none"> <li>■ Risks from inappropriate model-related decisions as a result of uncertainty due to a partial or total lack of information with regard to the understanding or knowledge of an event included in the model, its repercussions or its likelihood</li> </ul> | <ul style="list-style-type: none"> <li>■ Sensitivity analyses quantify the inherent model risk and provide an indication of the robustness of the SCR</li> </ul>                                                                                                                                                                                                                           |
| <b>Other risks</b>       |                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                            |
|                          | <ul style="list-style-type: none"> <li>■ Talanx AG's investment risk: volatile earnings by subsidiaries and/or the investment portfolio</li> <li>■ Risk of asset erosion at acquisitions</li> </ul>                                                                                                                     | <ul style="list-style-type: none"> <li>■ Appropriate tools in Controlling, Group Auditing and Risk Management</li> <li>■ Segment and regional diversification</li> <li>■ Investment in high-growth markets and in product and portfolio segments that stabilise earnings</li> <li>■ Due diligence</li> <li>■ Liquidity calculations and forecasts</li> <li>■ M&amp;A committees</li> </ul> |
|                          | <ul style="list-style-type: none"> <li>■ Possible need to establish additional reserves due to Talanx AG's pension obligations</li> </ul>                                                                                                                                                                               | <ul style="list-style-type: none"> <li>■ Actuarial assumptions are regularly reviewed for adequacy</li> </ul>                                                                                                                                                                                                                                                                              |

Risk reporting in this interim report mainly focuses on relevant changes to the risk position that have occurred since Talanx's 2014 Group Annual Report was prepared. A detailed description of the various types of risks is not provided here; these are disclosed in the annual report.

Although the second quarter saw a certain easing of interest rates, there have not been any really significant changes in the risk position as compared with the disclosures in the annual report in relation to the ongoing low interest rate environment and the uncertainty resulting from the Life Insurance Reform Act (LVRG). No concrete risks that could jeopardise the Talanx Group's con-

tinued existence are discernible at present. However, if risks were to materialise cumulatively, this could particularly result in the need to adjust certain intangible assets and carrying amounts in the Retail Germany Division. The risk profile of this division is heavily influenced by the life insurance subsidiaries and is mainly dominated by investment risk – and especially interest rate risk and credit risk. Although the capital markets eased at times during the second quarter, the current environment is characterised by extremely low interest rates and, as a result, by very low credit spreads; what is more, the extremely low interest rates have already prevailed for an extended period of time. Consequently, the division is still facing a substantial challenge with respect to its risk position.

This could have a material adverse effect on the results of operations in parts of the life insurance business due to high interest guarantee and reinvestment risk. In particular, it poses a risk to the Group's life insurers and occupational pension scheme providers, which may have to recognise additional provisions for interest payments in the HGB financial statements. Depending on the scenario, capital strengthening measures might have to be considered in future. Reserves have been strengthened using the statutory additional interest reserve since 2011. Furthermore, the Group mitigates interest guarantee risk primarily through regular analysis of its assets and liabilities, by constantly monitoring its investment portfolios and the capital markets, and by taking appropriate measures. Interest rate hedging instruments such as book yield notes, and forward purchases are also used to a certain extent.

Natural disaster risk also represents a significant risk for the Talanx Group. Carefully and individually selected reinsurance cover is taken out to protect against peak exposures from such risks. This enables us to effectively limit large individual losses and the impact of accumulation events and thus make it possible to plan for them.

In abstract terms at least, there is still considerable uncertainty as to whether risks associated with the sovereign debt crisis could crystallise further in future and have a lasting impact on the Talanx Group's net assets, financial position and results of operations.

In response to the financial crisis, the EU created the basis for shareholder and creditor participation in the recapitalisation of banks in need of restructuring (bail-in rules) in the form of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (BRRD). Austria was the first member state to transpose the EU directive for banks (only) into national law with the Austrian Federal Act on the Recovery and Resolution of Banks (BaSAG). On this basis, the Austrian Financial Market Authority (FMA) imposed a payment moratorium on Heta Asset Resolution ("Heta") on 1 March 2015. However, Heta did not have a banking licence, nor had it participated in ECB stress testing as at this date. As a result, there are serious doubts as to the lawfulness of the FMA's approach for this reason alone. The move impacted net income for the period attributable to shareholders of Talanx AG by an amount in the single-digit millions of euros in the first half of the year.

The Talanx Group is also exposed to operational risk. We define this as risks arising from internal processes and events triggered by employee-related, system-induced or external factors. These include operational risks in connection with our actual insurance activities and those associated with asset management activities, including unit-linked life insurance policies. It also covers legal risk, including for example data protection and antitrust law. Strategic risk and reputational risk do not fall into this risk category.

In June 2015, the Talanx Group or HDI V.a.G., as the ultimate parent company, requested approval of an internal model to replace the standardised approach for the Group and for significant subsidiaries. In the period before the request was submitted, there were repeated

changes in the supervisors' interpretation of the legal situation or the implementation status. A number of revisions were made as a result, and also due to a number of new insights. There is a risk that not all changes were made in the form expected by the supervisory authorities. In principle, we currently consider it realistic for approval to be granted. The results of the internal model as at 31 December 2014 reveal that the Group has a sufficiently comfortable capital cushion.

On 10 April 2015, the Act Modernising Financial Supervision of Insurance Undertakings was announced in the Federal Law Gazette. With the exception of section 355 of the Insurance Supervision Act (VAG), it will take effect as at 1 January 2016. This Act, which amends the VAG, transposes the European Solvency II Directive into national law. At the EU level, the Commission Delegated Regulation (EU) was finalised and published at the beginning of 2015. The implementing technical standards (ITSS) have been completed by the European Insurance and Occupational Pensions Authority (EIOPA): set 1 of the ITSS was published in October 2014 and a second set containing additional rules (including on the Own Risk and Solvency Assessment (ORSA) and reporting) was published on 6 July 2015. Despite the substantial progress already made in implementing the Solvency II requirements within the Group, implementing these and the other interpretations of and detailed pronouncements on the final Solvency II requirements that are still outstanding represents a very significant operational challenge. Overall, the new Solvency II rules will lead to considerably more volatile capital ratios and stricter reporting requirements than did Solvency I.

Certain types of losses and major events, particularly in the German property insurance business, may entail substantial logistical challenges and impact insurance operations. For example, measures had to be taken at short notice to strengthen operations and cope with the pressure following the large-scale "autumn storm" of 2014/2015, which led to a significant increase in business transactions and the volume of telephone calls. Such short-term peak workloads also always harbour at least an abstract risk of dissatisfaction among both customers and sales partners.

Legal risk represents a significant risk for the Talanx Group in the area of life insurance in particular. Statutory reforms, e.g. in connection with IFRSs and Solvency II, are identified at an early stage in order to enable us to fulfil stricter requirements. In addition, developments in supreme court rulings in particular and changes in the law that could affect Group companies are closely monitored.

For example, on 19 December 2013, the European Court of Justice clarified a legal issue in connection with the policy model that applied to insurance contracts from 1994 to 2007. The court ruled that the statutory period that applied at the time (section 5a(2) sentence 4 of the old version of the Insurance Contracts Act (VVG)) – after the expiry of which policyholders could no longer revoke the insurance policy – was incompatible with EU law (see Talanx's 2013 Group Annual Report for details). As one of the legal consequences of this ruling, the German Federal Court of Justice ruled on 7 May 2014

and confirmed in its judgement of 17 December 2014 that life insurance policyholders can still exercise their right of objection after the expiry of the one-year period set out in section 5a(2) sentence 4 of the old version of the VVG in these cases in which insufficient information had been provided on the right of objection, or in which no consumer information or insurance terms and conditions were provided. However, in a further ruling handed down on 16 July 2014, the Federal Court of Justice clarified that policyholders who were properly advised when they entered into contracts based on the policy model and who had performed the contract for years do not have a right of objection and therefore do not have a claim for restitution either. On 15 April 2015, the Federal Court of Justice ruled on the previously open, contested question of when the statute of limitations starts to run on claims for restitution resulting from a right of objection in the policy model in accordance with the old version of section a of the VVG. It agreed with the view that the three-year statute of limitations for the claim for restitution only starts to run as of the year in which the right of objection is exercised. By adopting this view, the Federal Court of Justice again rejected views that the statute of limitations begins/began to run on payment of the premium concerned, or at the latest with the Court's clarification of the previously uncertain legal position on 7 May 2014.

If a valid objection is lodged, the contract must be rescinded in accordance with the principles of the law of enrichment. The Federal Court of Justice ruled on the details of this in its judgement of 29 July 2015. In it, it confirmed that the policyholder can, in principle, demand restitution of all premiums paid in those cases in which a valid objection is lodged. However, the policyholder must permit the insurance cover enjoyed until the policy was terminated to be credited against this. The insurer is not permitted to deduct other items such as acquisition costs, administrative expenses or instalment payment surcharges. In the case on which the judgement was based, the insurer had already paid out the surrender value to the policyholder. The Federal Court of Justice confirmed the insurer's opinion that the policyholder also had to permit the interest income tax and solidarity surcharge that had been remitted in this context to the tax office to be credited towards the amount, as a pecuniary advantage.

The new judgement by the Federal Court of Justice answers a number of previously open questions, and hence permits the amount of a policyholder's claim following a valid objection to be estimated with greater confidence. Nevertheless, it has not clarified all legal questions relating to the validity of the advice provided to policyholders on their rights and to the size of any possible claim. Consequently, it is impossible to make a reliable statement on the number of policyholders who could potentially lodge a valid objection, and who actually want to do so. Due to the way in which the Group advises policyholders, however, few are expected to take advantage of this right.

In addition, the adoption of the IVRG mentioned above has brought some adverse changes for the insurance industry as well as some relief with regard to granting a share of the valuation reserves. Implementing the requirements of the IVRG is a key priority.

## OUTLOOK

### ECONOMIC ENVIRONMENT

The mixed performance by the global economy is set to continue in the coming quarters; the developed economies – with the USA and the UK leading the way – are likely to further reduce the growth gap to the emerging markets. The USA is on a stable growth trajectory: the real estate market, and increasingly also the labour market, are showing solid economic development. Private consumption is expected to be an increasingly important growth driver in the USA.

The economic recovery in the Eurozone is likely to continue in the coming quarters; the sharp decline in energy and commodities prices will boost growth in 2015. Germany should benefit most from the weak euro in terms of exports, while Greece will remain a risk factor. We therefore anticipate modest growth in the Eurozone.

Growth momentum in the emerging markets has slowed recently and we believe that these countries are facing both structural and cyclical challenges. Nevertheless, growth rates are likely to remain extremely mixed in the future. Structural problems in China – including high debt levels – are likely to have an impact on the economy, with a further slowdown expected. The crisis in Russia and possible disruptions in the emerging markets remain a geopolitical risk, although this is less acute than at the beginning of the year.

The divergence in economic growth between the industrialised nations and the emerging markets is increasingly leading to the decoupling of the economies in question and hence of the associated inflation and interest rate cycles. In the USA, inflation rates are likely to increase on the back of a wage-price spiral, meaning that a "return to normal" for monetary policy would seem to make sense. The ECB is expected to continue its expansionary monetary policy due to low inflation rates, high unemployment and mixed, moderate growth rates. In line with this, the deflationary trend in the Eurozone – a necessary adjustment process – is likely to continue. The slump in oil prices, which has depressed prices, should strengthen this deflationary trend well into 2015.

## CAPITAL MARKETS

A generally low interest rate environment is expected to continue in the medium term in view of the general environment, geopolitical risks and the clearly expansionary monetary policy being pursued by the ECB. Almost all yield curves in the EU hit new, historical lows in April 2015; German government bonds were also unable to escape this trend. The start of the ECB's government bond-buying programme had a significant impact through to the middle of April. Interest rates in the USA will probably start rising again as from September. Legal and political pressure on rating agencies is expected to lead to a continuation of cautious rating procedures in the future – in particular in the banking sector – and in cases of doubt, to lower ratings. It is anticipated that Greece will continue to affect the capital markets in the coming months, despite the interim agreement reached in July. The primary market is likely to see continued high levels of activity in the second half of the year, with issuers focusing in particular on subordinated bonds. However, total new issuance will probably decline moderately again compared with 2014.

Prices on the European and US stock markets have already risen significantly, meaning that upside potential is limited. However, central bank policies, coupled with investor expectations, will continue to be the main stock market drivers. Since profit margins and returns on equity are very low in Europe, we are expecting a catch-up process as the European economy continues to stabilise. In addition, we anticipate that the decline of the euro against the US dollar and low commodities prices will result in economic tailwinds. Nevertheless, more attractive relative valuations for shares compared to bonds are likely to encourage a shift from the latter to the former. The end of the zero interest rate policy in the USA suggests that risk assets will see greater volatility in 2015.

## ANTICIPATED FINANCIAL DEVELOPMENT OF THE GROUP

We are making the following assumptions:

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

## TALANX GROUP

Based on steady exchange rates, the Talanx Group is aiming for gross premium growth of 1% to 3% in 2015, with most of this generated outside Germany. The IFRS return on investment should amount to over 3.0%. After adjustment for the write-down in full of goodwill amounting to EUR 155 million attributable to the German life insurance business in the second quarter of 2015, we are expecting Group net profit of between EUR 600 million and EUR 650 million for the current financial year. As a result, the return on equity is likely to amount to between 7% and 8% in 2015. This earnings target assumes that any major losses will be within the expected range and that there will be no disruptions on the currency and capital markets. The Board of Management's dividend proposal for financial year 2015 will remain unaffected by the goodwill impairment. From today's perspective, at a payout rate of 35% to 45%, it will thus be based on an IFRS profit of between EUR 755 million and EUR 805 million.

## INDUSTRIAL LINES

As our domestic market penetration is already high, the best opportunities for growth are still to be found outside Germany. For this reason, in 2015 we intend to continue our efforts to make HDI-Gerling Industrie Versicherung AG a global player. This is also reflected in its future name and legal form – from 2016 it is to be HDI Global SE. Throughout Europe, we aim to expand our industrial insurance business in the fields of local business, small and medium enterprises and international insurance programmes. Latin America, (South-)East Asia and MENA (Middle East and North Africa) remain our target regions outside Europe. Due to the continuing increase in international business in particular, we expect overall gross premium growth of 2% to 5% (adjusted for exchange rate effects). To ensure that premium growth is reflected by more than this amount in earnings, we will continue with our strategic aim of gradually raising the retention in 2015. The segment's strong capital position should probably make it possible to increase the retention ratio to significantly above 50%. Compared with the previous year, we expect that major losses will return to normal in 2015 and, as a result, that the combined ratio will be lower, at 96% to 98%. The EBIT margin should therefore increase and lie between 9% and 10% in 2015, and the return on equity should be in the region of 7%.

## RETAIL GERMANY

We anticipate that gross written premiums in the Retail Germany Group segment will erode by approximately 5% in 2015, due in particular to policies maturing, what is likely to be more subdued new business as a result of the Life Insurance Reform Act (LVRG) and the persistently low interest rates in life insurance business. As part of a realignment of our German life insurance business, we split

Board of Management responsibilities for the life insurance and property/casualty lines. This split means that goodwill in the second quarter of 2015 was allocated at the level of the individual lines; the EUR 155 million share attributable to the German life insurance business was written off in full. As a result of the changes in the law (IVRG) and persistently low interest rates, we are not providing a figure for the new business margin in 2015. Key components of the IVRG such as the reduction of the maximum technical interest rate, the recognition of the effective costs of contracts and the lowering of the maximum zillmerisation rate apply from 1 January 2015 and will have a negative overall effect on earnings. The combined ratio is expected to be approximately 100%, due to the investment phase of the divisional programme. After adjustment for the write-down in full of goodwill amounting to EUR 155 million attributable to the German life insurance business in the second quarter of 2015, we are expecting the EBIT margin to be slightly negative in 2015. For this reason, the return on equity for financial year 2015 will probably decline to between -2% and -3%.

#### RETAIL INTERNATIONAL

In the Retail International segment we are aiming for growth in gross written premiums of 4% to 8% in 2015, assuming that there are no material exchange rate fluctuations. We anticipate that growth in value of new business is likely to be between 5% and 10% in 2015 and that the combined ratio will probably be around 96%. We expect an EBIT margin of at least 5%. In addition, we expect the return on equity for 2015 to exceed 6%.

#### NON-LIFE REINSURANCE

Adjusted for exchange rate effects, we expect increasing premium volumes for full-year 2015 in the Non-Life Reinsurance segment, despite our systematically selective underwriting policy. We anticipate unchanged attractive business potential due to our financial strength, particularly in the Asia/Pacific markets, North America and Latin America, and the agricultural risks business. The area of facultative and structured reinsurance also offers opportunities for growth. As a result of the very encouraging gross premium growth in the first half of the year, we are confident that growth for the full year will be stronger than originally forecast.

We are continuing to aim for an EBIT margin of at least 10% in our Non-Life Reinsurance segment. Our goal for the combined ratio is for a figure below 96%.

#### LIFE/HEALTH REINSURANCE

We are again forecasting promising business opportunities for the Life/Health Reinsurance segment in the second half of the year. In particular, the forthcoming introduction of new solvency-oriented supervisory regimes in Europe, South Africa and parts of Asia is affecting the (re)insurance industry worldwide, and is expected to open up new business opportunities. The regulatory solvency rules impose stricter own funds and risk management requirements for insurers. As a result, we anticipate that our customers will focus more strongly on reinsurance solutions in the area of financial solutions. We therefore attach great importance to solutions that are individually tailored to our customers in terms of relieving pressure on capital resources and optimising their solvency situation.

Adjusted for exchange rate effects, we continue to anticipate organic gross premium growth and an increase in profit in Life/Health Reinsurance in the second half of 2015. In addition, we are still expecting the value of new business (excluding non-controlling interests) to be in excess of EUR 90 million. The margin targets for our reporting categories remain in place: at least 2% for the financial solutions and the longevity business, and at least 6% for our mortality and morbidity business.

#### REINSURANCE DIVISION OVERALL

The Talanx Group expects the return on equity for the Reinsurance Division overall to be at least 11% in 2015, in line with its strategic target of 900 basis points above the five-year average for (risk free) ten-year German government bonds.

#### ASSESSMENT OF FUTURE OPPORTUNITIES AND CHALLENGES

Opportunities have not changed significantly compared with the 2014 reporting period. For further information, please refer to Talanx's 2014 Group Annual Report.



# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED BALANCE SHEET OF TALANX AG AS AT 30 JUNE 2015

## CONSOLIDATED BALANCE SHEET – ASSETS

IN EUR MILLION

|                                                                                               | Note | 30.6.2015      | 31.12.2014     |
|-----------------------------------------------------------------------------------------------|------|----------------|----------------|
| A. Intangible assets                                                                          | 1    |                |                |
| a. Goodwill                                                                                   |      | 1,065          | 1,090          |
| b. Other intangible assets                                                                    |      | 1,070          | 1,006          |
|                                                                                               |      | <b>2,135</b>   | <b>2,096</b>   |
| B. Investments                                                                                |      |                |                |
| a. Investment property                                                                        |      | 1,900          | 1,873          |
| b. Shares in affiliated companies and participating interests                                 |      | 117            | 112            |
| c. Investments in associates and joint ventures                                               |      | 305            | 262            |
| d. Loans and receivables                                                                      | 2    | 30,508         | 30,553         |
| e. Other financial instruments                                                                |      |                |                |
| i. Held to maturity                                                                           | 3    | 1,989          | 2,454          |
| ii. Available for sale                                                                        | 4/6  | 57,945         | 56,183         |
| iii. At fair value through profit or loss                                                     | 5/6  | 1,120          | 1,139          |
| f. Other investments                                                                          | 6    | 4,149          | 3,834          |
| <b>Investments under own management</b>                                                       |      | <b>98,033</b>  | <b>96,410</b>  |
| g. Investments under investment contracts                                                     |      | 2,165          | 2,037          |
| h. Funds withheld by ceding companies                                                         |      | 16,245         | 14,432         |
| <b>Investments</b>                                                                            |      | <b>116,443</b> | <b>112,879</b> |
| C. Investments for the benefit of life insurance policyholders who bear the investment risk   |      | 10,415         | 9,426          |
| D. Reinsurance recoverables on technical provisions                                           |      | 8,215          | 7,370          |
| E. Accounts receivable on insurance business                                                  |      | 6,425          | 5,252          |
| F. Deferred acquisition costs                                                                 |      | 5,033          | 4,645          |
| G. Cash at banks, cheques and cash-in-hand                                                    |      | 2,688          | 2,145          |
| H. Deferred tax assets                                                                        |      | 636            | 764            |
| I. Other assets                                                                               |      | 2,821          | 2,699          |
| J. Non-current assets and assets of disposal groups classified as held for sale <sup>1)</sup> |      | 90             | 22             |
| <b>Total assets</b>                                                                           |      | <b>154,901</b> | <b>147,298</b> |

<sup>1)</sup> For further information see “Non-current assets held for sale and disposal groups” in the Notes

**CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES**

IN EUR MILLION

|                                                                                                             | Note | 30.6.2015      | 31.12.2014     |
|-------------------------------------------------------------------------------------------------------------|------|----------------|----------------|
| A. Equity                                                                                                   | 7    |                |                |
| a. Subscribed capital                                                                                       |      | 316            | 316            |
| Nominal value: 316 (previous year: 316)                                                                     |      |                |                |
| Contingent capital: 104 (previous year: 104)                                                                |      |                |                |
| b. Reserves                                                                                                 |      | 7,706          | 7,682          |
| Equity excluding non-controlling interests                                                                  |      | 8,022          | 7,998          |
| c. Non-controlling interests                                                                                |      | 4,919          | 4,902          |
| <b>Total equity</b>                                                                                         |      | <b>12,941</b>  | <b>12,900</b>  |
| B. Subordinated liabilities                                                                                 | 8    | 1,941          | 2,661          |
| C. Technical provisions                                                                                     | 9    |                |                |
| a. Unearned premium reserve                                                                                 |      | 8,221          | 6,316          |
| b. Benefit reserve                                                                                          |      | 54,675         | 52,679         |
| c. Loss and loss adjustment expense reserve                                                                 |      | 39,933         | 37,256         |
| d. Provision for premium refunds                                                                            |      | 4,149          | 4,484          |
| e. Other technical provisions                                                                               |      | 379            | 374            |
|                                                                                                             |      | <b>107,357</b> | <b>101,109</b> |
| D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders |      | 10,415         | 9,426          |
| E. Other provisions                                                                                         |      |                |                |
| a. Provisions for pensions and other post-employment benefits                                               |      | 2,000          | 2,251          |
| b. Provisions for taxes                                                                                     |      | 717            | 722            |
| c. Miscellaneous other provisions                                                                           |      | 667            | 735            |
|                                                                                                             |      | <b>3,384</b>   | <b>3,708</b>   |
| F. Liabilities                                                                                              |      |                |                |
| a. Notes payable and loans                                                                                  | 10   | 1,440          | 1,349          |
| b. Funds withheld under reinsurance treaties                                                                |      | 7,100          | 6,253          |
| c. Other liabilities                                                                                        | 6    | 8,113          | 7,626          |
|                                                                                                             |      | <b>16,653</b>  | <b>15,228</b>  |
| G. Deferred tax liabilities                                                                                 |      | 2,182          | 2,262          |
| H. Liabilities included in disposal groups classified as held for sale <sup>1)</sup>                        |      | 28             | 4              |
| <b>Total liabilities/provisions</b>                                                                         |      | <b>141,960</b> | <b>134,398</b> |
| <b>Total equity and liabilities</b>                                                                         |      | <b>154,901</b> | <b>147,298</b> |

<sup>1)</sup> For further information see “Non-current assets held for sale and disposal groups” in the Notes

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

# CONSOLIDATED STATEMENT OF INCOME OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2015

## CONSOLIDATED STATEMENT OF INCOME

IN EUR MILLION

|                                                                                          | Note  | 6M 2015       | 6M 2014       | Q2 2015      | Q2 2014      |
|------------------------------------------------------------------------------------------|-------|---------------|---------------|--------------|--------------|
| 1. Gross written premiums including premiums from unit-linked life and annuity insurance |       | 16,827        | 14,975        | 7,387        | 6,561        |
| 2. Savings elements of premiums from unit-linked life and annuity insurance              |       | 576           | 526           | 319          | 307          |
| 3. Ceded written premiums                                                                |       | 2,164         | 1,959         | 698          | 590          |
| 4. Change in gross unearned premiums                                                     |       | -1,557        | -1,379        | 323          | 340          |
| 5. Change in ceded unearned premiums                                                     |       | -221          | -197          | 309          | 295          |
| <b>Net premiums earned</b>                                                               | 11    | <b>12,751</b> | <b>11,308</b> | <b>6,384</b> | <b>5,709</b> |
| 6. Claims and claims expenses (gross)                                                    |       | 12,041        | 10,629        | 6,081        | 5,316        |
| Reinsurers' share                                                                        |       | 1,409         | 1,343         | 798          | 771          |
| <b>Claims and claims expenses (net)</b>                                                  | 14    | <b>10,632</b> | <b>9,286</b>  | <b>5,283</b> | <b>4,545</b> |
| 7. Acquisition costs and administrative expenses (gross)                                 |       | 3,171         | 2,980         | 1,652        | 1,606        |
| Reinsurers' share                                                                        |       | 256           | 242           | 102          | 90           |
| <b>Acquisition costs and administrative expenses (net)</b>                               | 15    | <b>2,915</b>  | <b>2,738</b>  | <b>1,550</b> | <b>1,516</b> |
| 8. Other technical income                                                                |       | 20            | 24            | 7            | -5           |
| Other technical expenses                                                                 |       | 75            | 83            | 20           | 48           |
| <b>Other technical result</b>                                                            |       | <b>-55</b>    | <b>-59</b>    | <b>-13</b>   | <b>-53</b>   |
| <b>Net technical result</b>                                                              |       | <b>-851</b>   | <b>-775</b>   | <b>-462</b>  | <b>-405</b>  |
| 9. a. Investment income                                                                  |       | 2,199         | 1,977         | 1,080        | 946          |
| b. Investment expenses                                                                   |       | 355           | 196           | 135          | 91           |
| <b>Net income from investments under own management</b>                                  |       | <b>1,844</b>  | <b>1,781</b>  | <b>945</b>   | <b>855</b>   |
| Net income from investment contracts                                                     |       | 4             | 2             | 2            | 2            |
| Net interest income from funds withheld and contract deposits                            |       | 189           | 165           | 94           | 81           |
| <b>Net investment income</b>                                                             | 12/13 | <b>2,037</b>  | <b>1,948</b>  | <b>1,041</b> | <b>938</b>   |
| of which share of profit or loss of equity-accounted associates and joint ventures       |       | 7             | 6             | 3            | 2            |
| 10. a. Other income                                                                      |       | 620           | 338           | 153          | 110          |
| b. Other expenses                                                                        |       | 636           | 506           | 205          | 192          |
| <b>Other income/expenses</b>                                                             | 16    | <b>-16</b>    | <b>-168</b>   | <b>-52</b>   | <b>-82</b>   |
| <b>Profit before goodwill impairments</b>                                                |       | <b>1,170</b>  | <b>1,005</b>  | <b>527</b>   | <b>451</b>   |
| 11. Goodwill impairments                                                                 |       | 155           | —             | 155          | —            |
| <b>Operating profit/loss (EBIT)</b>                                                      |       | <b>1,015</b>  | <b>1,005</b>  | <b>372</b>   | <b>451</b>   |
| 12. Financing costs                                                                      |       | 91            | 89            | 45           | 41           |
| 13. Taxes on income                                                                      |       | 294           | 259           | 107          | 121          |
| <b>Net income</b>                                                                        |       | <b>630</b>    | <b>657</b>    | <b>220</b>   | <b>289</b>   |
| of which attributable to non-controlling interests                                       |       | 319           | 276           | 160          | 124          |
| of which attributable to shareholders of Talanx AG                                       |       | 311           | 381           | 60           | 165          |
| <b>Earnings per share</b>                                                                |       |               |               |              |              |
| Basic earnings per share (EUR)                                                           |       | 1.23          | 1.51          | 0.24         | 0.65         |
| Diluted earnings per share (EUR)                                                         |       | 1.23          | 1.51          | 0.24         | 0.65         |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2015

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN EUR MILLION

|                                                                                        | 6M 2015 | 6M 2014 | Q2 2015 | Q2 2014 |
|----------------------------------------------------------------------------------------|---------|---------|---------|---------|
| Net income                                                                             | 630     | 657     | 220     | 289     |
| <b>Items that will not be reclassified to profit or loss</b>                           |         |         |         |         |
| Actuarial gains (losses) on pension provisions                                         |         |         |         |         |
| Gains (losses) recognised in other comprehensive income for the period                 | 233     | -228    | 435     | -72     |
| Tax income (expense)                                                                   | -71     | 69      | -131    | 22      |
|                                                                                        | 162     | -159    | 304     | -50     |
| Changes in policyholder participation/shadow accounting                                |         |         |         |         |
| Gains (losses) recognised in other comprehensive income for the period                 | -11     | 9       | -19     | 3       |
| Tax income (expense)                                                                   | -       | -       | -       | -       |
|                                                                                        | -11     | 9       | -19     | 3       |
| <b>Total items that will not be reclassified to profit or loss, net of tax</b>         | 151     | -150    | 285     | -47     |
| <b>Items that may be reclassified subsequently to profit or loss</b>                   |         |         |         |         |
| Unrealised gains and losses on investments                                             |         |         |         |         |
| Gains (losses) recognised in other comprehensive income for the period                 | -1,140  | 2,018   | -2,777  | 1,068   |
| Reclassified to profit or loss                                                         | -296    | -228    | -116    | -84     |
| Tax income (expense)                                                                   | 205     | -295    | 412     | -163    |
|                                                                                        | -1,231  | 1,495   | -2,481  | 821     |
| Exchange differences on translating foreign operations                                 |         |         |         |         |
| Gains (losses) recognised in other comprehensive income for the period                 | 388     | 102     | -255    | 101     |
| Reclassified to profit or loss                                                         | -       | -       | -       | -       |
| Tax income (expense)                                                                   | -29     | -10     | 16      | -9      |
|                                                                                        | 359     | 92      | -239    | 92      |
| Changes in policyholder participation/shadow accounting                                |         |         |         |         |
| Gains (losses) recognised in other comprehensive income for the period                 | 823     | -1,022  | 1,808   | -576    |
| Tax income (expense)                                                                   | -23     | 36      | -50     | 19      |
|                                                                                        | 800     | -986    | 1,758   | -557    |
| Changes from cash flow hedges                                                          |         |         |         |         |
| Gains (losses) recognised in other comprehensive income for the period                 | -17     | 193     | -144    | 98      |
| Reclassified to profit or loss                                                         | -       | -       | -       | -       |
| Tax income (expense)                                                                   | -       | -8      | 8       | -4      |
|                                                                                        | -17     | 185     | -136    | 94      |
| Changes from equity method measurement                                                 |         |         |         |         |
| Gains (losses) recognised in other comprehensive income for the period                 | 1       | -       | -       | -       |
| Reclassified to profit or loss                                                         | -       | -       | -       | -       |
| Tax income (expense)                                                                   | -       | -       | -       | -       |
|                                                                                        | 1       | -       | -       | -       |
| Other changes                                                                          |         |         |         |         |
| Gains (losses) recognised in other comprehensive income for the period                 | -       | -       | -       | -       |
| Reclassified to profit or loss                                                         | -       | -       | -       | -       |
| Tax income (expense)                                                                   | -       | -       | -       | -       |
|                                                                                        | -       | -       | -       | -       |
| <b>Total items that may be reclassified subsequently to profit or loss, net of tax</b> | -88     | 786     | -1,098  | 450     |
| <b>Other comprehensive income for the period, net of tax</b>                           | 63      | 636     | -813    | 403     |
| <b>Total comprehensive income for the period</b>                                       | 693     | 1,293   | -593    | 692     |
| of which attributable to non-controlling interests                                     | 350     | 530     | -184    | 276     |
| of which attributable to shareholders of Talanx AG                                     | 343     | 763     | -409    | 416     |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## CHANGES IN EQUITY

IN EUR MILLION

|                                                                  | Subscribed capital | Capital reserves | Retained earnings |
|------------------------------------------------------------------|--------------------|------------------|-------------------|
| <b>2014</b>                                                      |                    |                  |                   |
| Balance at 31.12.2013                                            | 316                | 1,373            | 5,337             |
| IAS 8 adjustments <sup>1)</sup>                                  | —                  | —                | —87               |
| <b>Adjusted balance at 1.1.2014</b>                              | <b>316</b>         | <b>1,373</b>     | <b>5,250</b>      |
| Changes in ownership interest without a change in control        | —                  | —                | 1                 |
| Other changes in basis of consolidation                          | —                  | —                | —                 |
| Net income                                                       | —                  | —                | 381               |
| <b>Other comprehensive income</b>                                | <b>—</b>           | <b>—</b>         | <b>—</b>          |
| <b>of which not eligible for reclassification</b>                | <b>—</b>           | <b>—</b>         | <b>—</b>          |
| of which actuarial gains or losses on pension provisions         | —                  | —                | —                 |
| of which changes in policyholder participation/shadow accounting | —                  | —                | —                 |
| <b>of which eligible for reclassification</b>                    | <b>—</b>           | <b>—</b>         | <b>—</b>          |
| of which unrealised gains and losses on investments              | —                  | —                | —                 |
| of which currency translation                                    | —                  | —                | —                 |
| of which change from cash flow hedges                            | —                  | —                | —                 |
| of which change from equity method measurement                   | —                  | —                | —                 |
| of which other changes <sup>2)</sup>                             | —                  | —                | —                 |
| <b>Total comprehensive income</b>                                | <b>—</b>           | <b>—</b>         | <b>381</b>        |
| Dividends to shareholders                                        | —                  | —                | —303              |
| Other changes outside profit or loss                             | —                  | —                | —                 |
| <b>Balance at 30.6.2014</b>                                      | <b>316</b>         | <b>1,373</b>     | <b>5,329</b>      |
| <b>2015</b>                                                      |                    |                  |                   |
| Balance at 1.1.2015                                              | 316                | 1,373            | 5,690             |
| Changes in ownership interest without a change in control        | —                  | —                | —                 |
| Other changes in basis of consolidation                          | —                  | —                | —                 |
| Net income                                                       | —                  | —                | 311               |
| <b>Other comprehensive income</b>                                | <b>—</b>           | <b>—</b>         | <b>—</b>          |
| <b>of which not eligible for reclassification</b>                | <b>—</b>           | <b>—</b>         | <b>—</b>          |
| of which actuarial gains or losses on pension provisions         | —                  | —                | —                 |
| of which changes in policyholder participation/shadow accounting | —                  | —                | —                 |
| <b>of which eligible for reclassification</b>                    | <b>—</b>           | <b>—</b>         | <b>—</b>          |
| of which unrealised gains and losses on investments              | —                  | —                | —                 |
| of which currency translation                                    | —                  | —                | —                 |
| of which change from cash flow hedges                            | —                  | —                | —                 |
| of which change from equity method measurement                   | —                  | —                | —                 |
| of which other changes <sup>2)</sup>                             | —                  | —                | —                 |
| <b>Total comprehensive income</b>                                | <b>—</b>           | <b>—</b>         | <b>311</b>        |
| Dividends to shareholders                                        | —                  | —                | —316              |
| Other changes outside profit or loss                             | —                  | —                | —3                |
| <b>Balance at 30.6.2015</b>                                      | <b>316</b>         | <b>1,373</b>     | <b>5,682</b>      |

<sup>1)</sup> Adjusted to reflect IAS 8, see "Accounting policies", subsection "Changes in accounting policies and errors" in the Notes to our consolidated financial statements for the year ended 31 December 2014

<sup>2)</sup> Other changes consist of policyholder participation/shadow accounting as well as miscellaneous other changes

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

| Unrealised gains/losses on investments | Other reserves                    |                         |                                              | Equity attributable to shareholders of Talanx AG | Non-controlling interests | Total equity |
|----------------------------------------|-----------------------------------|-------------------------|----------------------------------------------|--------------------------------------------------|---------------------------|--------------|
|                                        | Currency translation gains/losses | Other changes in equity | Measurement gains/losses on cash flow hedges |                                                  |                           |              |
| 1,269                                  | -209                              | -906                    | 34                                           | 7,214                                            | 3,997                     | 11,211       |
| —                                      | —                                 | —                       | —                                            | -87                                              | —                         | -87          |
| 1,269                                  | -209                              | -906                    | 34                                           | 7,127                                            | 3,997                     | 11,124       |
| —                                      | —                                 | —                       | —                                            | 1                                                | -1                        | —            |
| —                                      | —                                 | —                       | —                                            | —                                                | -1                        | -1           |
| —                                      | —                                 | —                       | —                                            | 381                                              | 276                       | 657          |
| 1,207                                  | 54                                | -1,048                  | 169                                          | 382                                              | 254                       | 636          |
| —                                      | —                                 | -143                    | —                                            | -143                                             | -7                        | -150         |
| —                                      | —                                 | -151                    | —                                            | -151                                             | -8                        | -159         |
| —                                      | —                                 | 8                       | —                                            | 8                                                | 1                         | 9            |
| 1,207                                  | 54                                | -905                    | 169                                          | 525                                              | 261                       | 786          |
| 1,207                                  | —                                 | —                       | —                                            | 1,207                                            | 288                       | 1,495        |
| —                                      | 54                                | —                       | —                                            | 54                                               | 38                        | 92           |
| —                                      | —                                 | —                       | 169                                          | 169                                              | 16                        | 185          |
| —                                      | —                                 | —                       | —                                            | —                                                | —                         | —            |
| —                                      | —                                 | -905                    | —                                            | -905                                             | -81                       | -986         |
| 1,207                                  | 54                                | -1,048                  | 169                                          | 763                                              | 530                       | 1,293        |
| —                                      | —                                 | —                       | —                                            | -303                                             | -245                      | -548         |
| —                                      | —                                 | —                       | —                                            | —                                                | —                         | —            |
| 2,476                                  | -155                              | -1,954                  | 203                                          | 7,588                                            | 4,280                     | 11,868       |
| 3,538                                  | -33                               | -3,254                  | 368                                          | 7,998                                            | 4,902                     | 12,900       |
| —                                      | —                                 | —                       | —                                            | —                                                | —                         | —            |
| —                                      | —                                 | —                       | —                                            | —                                                | —                         | —            |
| —                                      | —                                 | —                       | —                                            | 311                                              | 319                       | 630          |
| -1,034                                 | 196                               | 889                     | -19                                          | 32                                               | 31                        | 63           |
| —                                      | —                                 | 143                     | —                                            | 143                                              | 8                         | 151          |
| —                                      | —                                 | 152                     | —                                            | 152                                              | 10                        | 162          |
| —                                      | —                                 | -9                      | —                                            | -9                                               | -2                        | -11          |
| -1,034                                 | 196                               | 746                     | -19                                          | -111                                             | 23                        | -88          |
| -1,034                                 | —                                 | —                       | —                                            | -1,034                                           | -197                      | -1,231       |
| —                                      | 196                               | —                       | —                                            | 196                                              | 163                       | 359          |
| —                                      | —                                 | —                       | -19                                          | -19                                              | 2                         | -17          |
| —                                      | —                                 | 1                       | —                                            | 1                                                | —                         | 1            |
| —                                      | —                                 | 745                     | —                                            | 745                                              | 55                        | 800          |
| -1,034                                 | 196                               | 889                     | -19                                          | 343                                              | 350                       | 693          |
| —                                      | —                                 | —                       | —                                            | -316                                             | -336                      | -652         |
| —                                      | —                                 | —                       | —                                            | -3                                               | 3                         | —            |
| 2,504                                  | 163                               | -2,365                  | 349                                          | 8,022                                            | 4,919                     | 12,941       |

# CONSOLIDATED CASH FLOW STATEMENT OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2015

## CONSOLIDATED CASH FLOW STATEMENT

IN EUR MILLION

|                                                                                                                      | 6M 2015       | 6M 2014       |
|----------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| I. 1. Net income                                                                                                     | 630           | 657           |
| I. 2. Changes in technical provisions                                                                                | 3,581         | 3,120         |
| I. 3. Changes in deferred acquisition costs                                                                          | -235          | -9            |
| I. 4. Changes in funds withheld and in accounts receivable and payable                                               | -954          | -769          |
| I. 5. Changes in other receivables and liabilities as well as investments and liabilities under investment contracts | 293           | 239           |
| I. 6. Changes in financial assets held for trading                                                                   | 24            | 50            |
| I. 7. Gains/losses on disposal of investments and property, plant and equipment                                      | -364          | -309          |
| I. 8. Other non-cash expenses and income (including income tax expense/income)                                       | 932           | 427           |
| <b>I. Cash flows from operating activities<sup>1)</sup></b>                                                          | <b>3,907</b>  | <b>3,406</b>  |
| II. 1. Cash inflow from the sale of consolidated companies                                                           | —             | —             |
| II. 2. Cash outflow from the purchase of consolidated companies                                                      | -214          | -4            |
| II. 3. Cash inflow from the sale of real estate                                                                      | 39            | 24            |
| II. 4. Cash outflow from the purchase of real estate                                                                 | -47           | -189          |
| II. 5. Cash inflow from the sale and maturity of financial instruments                                               | 10,939        | 12,591        |
| II. 6. Cash outflow from the purchase of financial instruments                                                       | -11,527       | -13,071       |
| II. 7. Changes in investments for the benefit of life insurance policyholders who bear the investment risk           | -977          | -566          |
| II. 8. Changes in other investments                                                                                  | -128          | -846          |
| II. 9. Cash outflows from the acquisition of tangible and intangible assets                                          | -61           | -75           |
| II. 10. Cash inflows from the sale of tangible and intangible assets                                                 | 63            | 7             |
| <b>II. Cash flow from investment activities</b>                                                                      | <b>-1,913</b> | <b>-2,129</b> |
| III. 1. Cash inflow from capital increases                                                                           | —             | —             |
| III. 2. Cash outflow from capital reductions                                                                         | —             | —             |
| III. 3. Dividends paid                                                                                               | -652          | -548          |
| III. 4. Net changes attributable to other financing activities                                                       | -851          | -716          |
| <b>III. Cash flows from financing activities</b>                                                                     | <b>-1,503</b> | <b>-1,264</b> |
| <b>Net change in cash and cash equivalents (I. + II. + III.)</b>                                                     | <b>491</b>    | <b>13</b>     |
| <b>Cash and cash equivalents at the beginning of the reporting period, excluding disposal groups</b>                 | <b>2,145</b>  | <b>1,864</b>  |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                                  | <b>52</b>     | <b>8</b>      |
| <b>Effect of changes in the basis of consolidation on cash and cash equivalents<sup>2)</sup></b>                     | <b>—</b>      | <b>-4</b>     |
| <b>Changes in cash and cash equivalents of disposal groups in the reporting period</b>                               | <b>—</b>      | <b>2</b>      |
| <b>Cash and cash equivalents at the end of the reporting period, excluding disposal groups</b>                       | <b>2,688</b>  | <b>1,883</b>  |
| <b>Additional information</b>                                                                                        |               |               |
| Taxes paid <sup>1)</sup>                                                                                             | 290           | 172           |
| Interest paid <sup>3)</sup>                                                                                          | 251           | 202           |
| Dividends received <sup>1)</sup>                                                                                     | 77            | 33            |
| Interest received <sup>1)</sup>                                                                                      | 1,934         | 1,646         |

<sup>1)</sup> Income taxes paid as well as dividends and interest received are allocated to cash flows from operating activities. Dividends received also comprise dividend-equivalent distributions from investment funds and private equity companies, resulting in differences to the amounts disclosed in Note 12 "Net investment income"

<sup>2)</sup> This item relates primarily to changes in the basis of consolidation, excluding disposals and acquisitions

<sup>3)</sup> EUR 126 (145) million of interest paid is attributable to cash flows from financing activities and EUR 125 (57) million to cash flows from operating activities

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



# NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## I. BASIS OF PREPARATION AND APPLICATION OF IFRSS

### BASIS OF PREPARATION

The consolidated half-yearly financial report as at 30 June 2015 was prepared in accordance with International Financial Reporting Standards (IFRSS), as adopted by 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 equity, consolidated cash flow statement and selected explanatory notes, complies in particular with the requirements of IAS 34 "Interim Financial Reporting".

We have applied all new or amended IFRSS and the interpretations issued by the IFRS Interpretations Committee (IFRS IC, formerly the International Financial Reporting Interpretations Committee [IFRIC]) and the former Standing Interpretations Committee (SIC) effective as at 30 June 2015 (see also the disclosures in the "Application of new and revised standards/interpretations" subsection). In other respects, the accounting policies for existing and unchanged IFRSS as well as the consolidation methods and presentation principles correspond to those applied in our consolidated financial statements as at 31 December 2014.

As allowed by IAS 34.41, we make greater use of estimation methods and assumptions in preparing the interim consolidated financial statements than we do in preparing the annual financial reports. There were no changes in estimates during the interim reporting

period with a material effect on the Group's net assets, financial position and results of operations, apart from the fact stated in section II. The tax expense (income taxes in Germany, comparable income taxes at foreign subsidiaries and changes in deferred taxes) is calculated for interim reporting periods by applying the effective tax rate expected for the full year to net income for the period. Pension provisions are extrapolated for interim reporting periods by recognising the actuarially estimated effect of interest rate changes on pension liabilities at the end of the interim reporting period in other comprehensive income ("Other reserves"). Other actuarial assumptions are not updated for interim reporting periods.

The interim consolidated financial statements were prepared in euros (EUR). The amounts shown have been rounded to millions of euros (EUR million). This may give rise to rounding differences in the tables presented in this report. As a rule, amounts in brackets refer to the previous year.

### APPLICATION OF NEW AND REVISED STANDARDS/ INTERPRETATIONS

The Group applied the following new or revised IFRSS for the first time as of 1 January 2015:

The IASB issued the **Annual Improvements, 2011–2013 Cycle** on 12 December 2013. This affects IFRS 1, IFRS 3, IFRS 13 and IAS 40. The editorial amendments to the individual standards are designed to clarify the existing requirements. The amendments do not have any material effects on the Group.

The IASB issued **IFRIC 21 "Levies"** on 20 May 2013. This Interpretation provides guidance on how and in particular when to recognise liabilities for levies imposed by a government that do not fall within the scope of another standard. This Interpretation is of no practical relevance for the Group because it is merely a clarification that corresponds to our existing accounting practice.

## II. ACCOUNTING POLICIES

### CHANGES IN ESTIMATES DURING THE REPORTING PERIOD

Effective as of the first quarter of 2015, Hannover Rück SE extended its estimation methods to a further subportfolio. The extension covers intraperiod estimation variables from as yet unsettled reinsurance contracts and their deferral and has helped to improve estimation accuracy. It involves a change to an accounting estimate that, in accordance with IAS 8, had to be applied prospectively in the reporting period without adjusting the comparative information for previous periods. Retaining the inputs and methods used until 31 December 2014 would have reduced gross premiums by EUR 105 million, net premiums earned by EUR 36 million and operating profit by EUR 2 million in the reporting period. The effects that this adjustment would have in future periods could not be established without undue cost or effort.

### EXCHANGE DIFFERENCES ON TRANSLATING FOREIGN OPERATIONS

Talanx AG's reporting currency is the euro (EUR).

#### EXCHANGE RATES FOR OUR KEY FOREIGN CURRENCIES

| EUR 1 corresponds to |                | Balance sheet<br>(reporting date) |            | Statement of income<br>(average) |          |
|----------------------|----------------|-----------------------------------|------------|----------------------------------|----------|
|                      |                | 30.6.2015                         | 31.12.2014 | 6M 2015                          | 6M 2014  |
| AUD                  | Australia      | 1.4528                            | 1.4879     | 1.4416                           | 1.5071   |
| BRL                  | Brazil         | 3.4755                            | 3.2324     | 3.3162                           | 3.1496   |
| CAD                  | Canada         | 1.3826                            | 1.4131     | 1.3876                           | 1.5000   |
| CLP                  | Chile          | 713.3900                          | 738.3400   | 699.2614                         | 754.1411 |
| CNY                  | China          | 6.9252                            | 7.5533     | 7.0014                           | 8.4507   |
| GBP                  | United Kingdom | 0.7109                            | 0.7825     | 0.7349                           | 0.8213   |
| MXN                  | Mexico         | 17.5322                           | 17.9228    | 17.0767                          | 17.9769  |
| PLN                  | Poland         | 4.1907                            | 4.3071     | 4.1564                           | 4.1786   |
| USD                  | USA            | 1.1165                            | 1.2155     | 1.1253                           | 1.3714   |
| ZAR                  | South Africa   | 13.6529                           | 14.1409    | 13.3789                          | 14.6357  |

### III. SEGMENT REPORTING

#### IDENTIFICATION OF REPORTABLE SEGMENTS

In accordance with IFRS 8 “Operating Segments”, the reportable segments were identified in line with the Group’s internal reporting and management that the Group Board of Management uses to regularly assess the performance of the segments and decides on the allocation of resources to them. The Group classifies its business activities into the areas of Insurance and Corporate Operations. Insurance activities are further subdivided into five reportable segments. However, in view of the different product types, risks and capital allocations involved, these are classified initially into primary insurance and reinsurance.

Since they are managed according to customer groups and geographical regions (Germany versus other countries) – and therefore span various lines of business – insurance activities in the **primary insurance 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 of Non-Life Reinsurance and Life/Health Reinsurance in accordance with the Hannover Re Group’s internal reporting system. In a departure from the segmentation used in the consolidated financial statements of Hannover Rück SE, however, we also allocate its holding company 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 statements of the Talanx Group (in the consolidated financial statements of Hannover Rück SE, these loans are shown in the consolidation column). Differences 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 described in the following.

**Industrial Lines:** We report our worldwide industrial business as an independent segment in the Industrial Lines segment. The scope of business operations encompasses a wide selection of insurance products such as liability, motor, accident, fire, property, legal protection, marine, financial 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:** This reportable segment manages insurance activities serving German retail and commercial customers that span the various lines of business, including our Germany-wide bancassurance business activities – i.e. insurance products sold over the counter at banks. In the area of life insurance, this segment also provides cross-border insurance services in Austria. The segment’s products range from property/casualty insurance through all lines of life insurance and occupational pension insurance, down to all-round solutions for small and medium-sized companies and self-employed professionals. The Group employs a wide range of sales channels, including its own exclusive sales organisation as well as sales through independent brokers and multiple agents, direct sales and partnerships with banks.

**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 motor insurance, property and casualty insurance, and marine and fire insurance, as well as many products in the field of life insurance. A large part of our 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<sup>1)</sup>:** The most important activities are property and casualty business with retail, commercial and industrial customers (first and foremost in the US and German markets), marine and aviation business, credit/surety business, structured reinsurance, and facultative and catastrophe business.

**Life/Health Reinsurance<sup>1)</sup>:** This segment comprises the international activities of the Hannover Re Group in all lines of life/health insurance. 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; these mainly relate to asset management and, in the primary insurance sector, the run-off and placement of portions of reinsurance cessions (Talanx Reinsurance Broker GmbH, Hannover) including intragroup reinsurance (Talanx Reinsurance Ltd., Dublin), as well as Group financing. Asset management by Ampega Investment GmbH, Cologne, for non-Group private and institutional investors is also shown in this segment. This segment also 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. A portion of the in-house business written by Talanx Reinsurance Ltd. and the operating profit of Talanx Reinsurance Broker GmbH are reallocated to the ceding segments in the course of segment allocation

(see the “Corporate Operations” subsection in the “Development of the divisions within the Group” section of the interim Group management report).

#### 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 are calculated on an arm's length basis. Cross-segment transactions within the Group are eliminated in the consolidation column, whereas income from dividend payments and profit/loss transfer agreements attributable to the Group holding company is eliminated in the applicable segment. For reasons of consistency and comparability, we have aligned the segment statement of income with the consolidated statement of income. The same applies to the segment balance sheet and the consolidated balance sheet.

Depending upon the nature and time frame of the commercial activities, various management metrics and performance indicators are used to assess the financial performance of the reportable segments within the Group. However, operating profit (EBIT) – determined on the basis of IFRS earnings 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 to enhance comparability. In addition, the result is adjusted for interest charges incurred for borrowing (financing costs).

<sup>1)</sup> See our remarks at the beginning of this section for an explanation of the difference between the segment results of the Talanx Group and the Hannover Re Group

## SEGMENT REPORTING. BALANCE SHEET AS AT 30 JUNE 2015

IN EUR MILLION

| Assets                                                                                        | Industrial Lines |               | Retail Germany |               | Retail International |               |
|-----------------------------------------------------------------------------------------------|------------------|---------------|----------------|---------------|----------------------|---------------|
|                                                                                               | 30.6.2015        | 31.12.2014    | 30.6.2015      | 31.12.2014    | 30.6.2015            | 31.12.2014    |
| A. Intangible assets                                                                          |                  |               |                |               |                      |               |
| a. Goodwill                                                                                   | 153              | 153           | 248            | 403           | 647                  | 518           |
| b. Other intangible assets                                                                    | 15               | 14            | 655            | 601           | 198                  | 193           |
|                                                                                               | <b>168</b>       | <b>167</b>    | <b>903</b>     | <b>1,004</b>  | <b>845</b>           | <b>711</b>    |
| B. Investments                                                                                |                  |               |                |               |                      |               |
| a. Investment property                                                                        | 52               | 32            | 831            | 847           | 21                   | 16            |
| b. Shares in affiliated companies and participating interests                                 | 18               | 18            | 16             | 17            | —                    | —             |
| c. Investments in associates and joint ventures                                               | 143              | 126           | 77             | 36            | —                    | —             |
| d. Loans and receivables                                                                      | 1,486            | 1,564         | 25,086         | 25,113        | 867                  | 861           |
| e. Other financial instruments                                                                |                  |               |                |               |                      |               |
| i. Held to maturity                                                                           | 80               | 79            | 167            | 170           | 342                  | 358           |
| ii. Available for sale                                                                        | 5,137            | 4,852         | 18,964         | 18,907        | 5,233                | 4,858         |
| iii. At fair value through profit or loss                                                     | 96               | 132           | 264            | 279           | 619                  | 597           |
| f. Other investments                                                                          | 674              | 466           | 1,277          | 857           | 593                  | 681           |
| <b>Investments under own management</b>                                                       | <b>7,686</b>     | <b>7,269</b>  | <b>46,682</b>  | <b>46,226</b> | <b>7,675</b>         | <b>7,371</b>  |
| g. Investments under investment contracts                                                     | —                | —             | —              | —             | 2,165                | 2,037         |
| h. Funds withheld by ceding companies                                                         | 21               | 22            | 20             | 21            | —                    | —             |
| <b>Investments</b>                                                                            | <b>7,707</b>     | <b>7,291</b>  | <b>46,702</b>  | <b>46,247</b> | <b>9,840</b>         | <b>9,408</b>  |
| C. Investments for the benefit of life insurance policyholders who bear the investment risk   | —                | —             | 9,644          | 8,718         | 771                  | 708           |
| D. Reinsurance recoverables on technical provisions                                           | 5,482            | 5,034         | 2,695          | 2,524         | 923                  | 765           |
| E. Accounts receivable on insurance business                                                  | 1,365            | 1,214         | 375            | 315           | 1,074                | 865           |
| F. Deferred acquisition costs                                                                 | 50               | 20            | 2,019          | 1,960         | 603                  | 521           |
| G. Cash at banks, cheques and cash-in-hand                                                    | 475              | 324           | 754            | 661           | 445                  | 302           |
| H. Deferred tax assets                                                                        | 177              | 175           | 68             | 97            | 57                   | 94            |
| I. Other assets                                                                               | 562              | 450           | 992            | 1,616         | 497                  | 510           |
| J. Non-current assets and assets of disposal groups classified as held for sale <sup>1)</sup> | —                | 8             | 56             | 3             | 38                   | 12            |
| <b>Total assets</b>                                                                           | <b>15,986</b>    | <b>14,683</b> | <b>64,208</b>  | <b>63,145</b> | <b>15,093</b>        | <b>13,896</b> |

<sup>1)</sup> For further information see "Assets held for sale and disposal groups" in the Notes

| Non-Life Reinsurance |            | Life/Health Reinsurance |            | Corporate Operations |            | Consolidation |            | Total     |            |
|----------------------|------------|-------------------------|------------|----------------------|------------|---------------|------------|-----------|------------|
| 30.6.2015            | 31.12.2014 | 30.6.2015               | 31.12.2014 | 30.6.2015            | 31.12.2014 | 30.6.2015     | 31.12.2014 | 30.6.2015 | 31.12.2014 |
| 17                   | 16         | —                       | —          | —                    | —          | —             | —          | 1,065     | 1,090      |
| 31                   | 26         | 93                      | 94         | 78                   | 78         | —             | —          | 1,070     | 1,006      |
| 48                   | 42         | 93                      | 94         | 78                   | 78         | —             | —          | 2,135     | 2,096      |
| 994                  | 976        | 2                       | 2          | —                    | —          | —             | —          | 1,900     | 1,873      |
| 63                   | 56         | —                       | —          | 20                   | 21         | —             | —          | 117       | 112        |
| 125                  | 132        | 23                      | 23         | 18                   | 15         | -81           | -70        | 305       | 262        |
| 2,991                | 2,912      | 66                      | 76         | 12                   | 27         | —             | —          | 30,508    | 30,553     |
| 1,518                | 1,961      | 171                     | 179        | 2                    | 4          | -291          | -297       | 1,989     | 2,454      |
| 21,476               | 20,532     | 7,025                   | 6,639      | 110                  | 395        | —             | —          | 57,945    | 56,183     |
| 88                   | 77         | 53                      | 54         | —                    | —          | —             | —          | 1,120     | 1,139      |
| 1,716                | 1,694      | 476                     | 438        | 292                  | 476        | -879          | -778       | 4,149     | 3,834      |
| 28,971               | 28,340     | 7,816                   | 7,411      | 454                  | 938        | -1,251        | -1,145     | 98,033    | 96,410     |
| —                    | —          | —                       | —          | —                    | —          | —             | —          | 2,165     | 2,037      |
| 1,264                | 1,124      | 16,662                  | 14,794     | 1                    | 1          | -1,723        | -1,530     | 16,245    | 14,432     |
| 30,235               | 29,464     | 24,478                  | 22,205     | 455                  | 939        | -2,974        | -2,675     | 116,443   | 112,879    |
| —                    | —          | —                       | —          | —                    | —          | —             | —          | 10,415    | 9,426      |
| 1,278                | 1,201      | 1,224                   | 1,008      | 4                    | —          | -3,391        | -3,162     | 8,215     | 7,370      |
| 2,301                | 1,494      | 1,548                   | 1,620      | 20                   | 22         | -258          | -278       | 6,425     | 5,252      |
| 740                  | 597        | 1,398                   | 1,317      | 1                    | 2          | 222           | 228        | 5,033     | 4,645      |
| 709                  | 587        | 183                     | 186        | 122                  | 85         | —             | —          | 2,688     | 2,145      |
| 25                   | 52         | 76                      | 70         | 233                  | 276        | —             | —          | 636       | 764        |
| 1,520                | 1,306      | 327                     | 271        | 414                  | 494        | -1,491        | -1,948     | 2,821     | 2,699      |
| 3                    | —          | —                       | —          | —                    | —          | -7            | -1         | 90        | 22         |
| 36,859               | 34,743     | 29,327                  | 26,771     | 1,327                | 1,896      | -7,899        | -7,836     | 154,901   | 147,298    |

## SEGMENT REPORTING. BALANCE SHEET AS AT 30 JUNE 2015

IN EUR MILLION

| Equity and liabilities                                                                                      | Industrial Lines |               | Retail Germany |               | Retail International |               |
|-------------------------------------------------------------------------------------------------------------|------------------|---------------|----------------|---------------|----------------------|---------------|
|                                                                                                             | 30.6.2015        | 31.12.2014    | 30.6.2015      | 31.12.2014    | 30.6.2015            | 31.12.2014    |
| B. Subordinated liabilities                                                                                 | 200              | 200           | 161            | 161           | 2                    | 2             |
| C. Technical provisions                                                                                     |                  |               |                |               |                      |               |
| a. Unearned premium reserve                                                                                 | 1,619            | 1,022         | 1,217          | 937           | 2,100                | 1,799         |
| b. Benefit reserve                                                                                          | —                | —             | 38,580         | 37,894        | 3,499                | 3,233         |
| c. Loss and loss adjustment expense reserve                                                                 | 9,558            | 9,148         | 2,938          | 2,883         | 2,541                | 2,347         |
| d. Provision for premium refunds                                                                            | 9                | 8             | 3,980          | 4,245         | 160                  | 231           |
| e. Other technical provisions                                                                               | 39               | 37            | 9              | 8             | 10                   | 7             |
|                                                                                                             | 11,225           | 10,215        | 46,724         | 45,967        | 8,310                | 7,617         |
| D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders | —                | —             | 9,644          | 8,718         | 771                  | 708           |
| E. Other provisions                                                                                         |                  |               |                |               |                      |               |
| a. Provisions for pensions and other post-employment benefits                                               | 572              | 636           | 116            | 138           | 18                   | 19            |
| b. Provisions for taxes                                                                                     | 111              | 107           | 151            | 104           | 90                   | 98            |
| c. Miscellaneous other provisions                                                                           | 72               | 79            | 212            | 240           | 88                   | 73            |
|                                                                                                             | 755              | 822           | 479            | 482           | 196                  | 190           |
| F. Liabilities                                                                                              |                  |               |                |               |                      |               |
| a. Notes payable and loans                                                                                  | 18               | —             | 52             | —             | —                    | —             |
| b. Funds withheld under reinsurance treaties                                                                | 38               | 39            | 2,200          | 2,026         | 201                  | 185           |
| c. Other liabilities                                                                                        | 1,449            | 1,274         | 2,125          | 2,232         | 3,229                | 3,011         |
|                                                                                                             | 1,505            | 1,313         | 4,377          | 4,258         | 3,430                | 3,196         |
| G. Deferred tax liabilities                                                                                 | 169              | 174           | 269            | 328           | 90                   | 136           |
| H. Liabilities included in disposal groups classified as held for sale <sup>1)</sup>                        | —                | —             | —              | —             | 32                   | 10            |
| <b>Total liabilities/provisions</b>                                                                         | <b>13,854</b>    | <b>12,724</b> | <b>61,654</b>  | <b>59,914</b> | <b>12,831</b>        | <b>11,859</b> |

| Non-Life Reinsurance         |            | Life/Health Reinsurance |            | Corporate Operations |            | Consolidation |            | Total     |            |
|------------------------------|------------|-------------------------|------------|----------------------|------------|---------------|------------|-----------|------------|
| 30.6.2015                    | 31.12.2014 | 30.6.2015               | 31.12.2014 | 30.6.2015            | 31.12.2014 | 30.6.2015     | 31.12.2014 | 30.6.2015 | 31.12.2014 |
| 1,489                        | 1,986      | 69                      | 64         | 530                  | 642        | -510          | -394       | 1,941     | 2,661      |
| 3,405                        | 2,627      | 132                     | 122        | 13                   | 8          | -265          | -199       | 8,221     | 6,316      |
| —                            | —          | 12,786                  | 11,757     | —                    | —          | -190          | -205       | 54,675    | 52,679     |
| 22,459                       | 20,798     | 3,674                   | 3,316      | 25                   | 37         | -1,262        | -1,273     | 39,933    | 37,256     |
| —                            | —          | —                       | —          | —                    | —          | —             | —          | 4,149     | 4,484      |
| 126                          | 158        | 199                     | 166        | —                    | —          | -4            | -2         | 379       | 374        |
| 25,990                       | 23,583     | 16,791                  | 15,361     | 38                   | 45         | -1,721        | -1,679     | 107,357   | 101,109    |
| —                            | —          | —                       | —          | —                    | —          | —             | —          | 10,415    | 9,426      |
| 113                          | 128        | 40                      | 44         | 1,141                | 1,286      | —             | —          | 2,000     | 2,251      |
| 187                          | 241        | 22                      | 19         | 156                  | 153        | —             | —          | 717       | 722        |
| 94                           | 94         | 54                      | 61         | 148                  | 189        | -1            | -1         | 667       | 735        |
| 394                          | 463        | 116                     | 124        | 1,445                | 1,628      | -1            | -1         | 3,384     | 3,708      |
| 305                          | 284        | 221                     | 236        | 1,497                | 1,496      | -653          | -667       | 1,440     | 1,349      |
| 367                          | 446        | 7,573                   | 6,443      | —                    | —          | -3,279        | -2,886     | 7,100     | 6,253      |
| 798                          | 643        | 2,101                   | 2,037      | 115                  | 612        | -1,704        | -2,183     | 8,113     | 7,626      |
| 1,470                        | 1,373      | 9,895                   | 8,716      | 1,612                | 2,108      | -5,636        | -5,736     | 16,653    | 15,228     |
| 1,334                        | 1,282      | 302                     | 322        | 1                    | 4          | 17            | 16         | 2,182     | 2,262      |
| —                            | —          | —                       | —          | —                    | —          | -4            | -6         | 28        | 4          |
| 30,677                       | 28,687     | 27,173                  | 24,587     | 3,626                | 4,427      | -7,855        | -7,800     | 141,960   | 134,398    |
| Equity <sup>2)</sup>         |            |                         |            |                      |            |               |            | 12,941    | 12,900     |
| Total equity and liabilities |            |                         |            |                      |            |               |            | 154,901   | 147,298    |

<sup>1)</sup> For further information see "Assets held for sale and disposal groups" in the Notes

<sup>2)</sup> Equity attributable to Group shareholders and non-controlling interests

## SEGMENT REPORTING. STATEMENT OF INCOME FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2015

IN EUR MILLION

|                                                                                          | Industrial Lines |            | Retail Germany |              | Retail International |              |
|------------------------------------------------------------------------------------------|------------------|------------|----------------|--------------|----------------------|--------------|
|                                                                                          | 6M 2015          | 6M 2014    | 6M 2015        | 6M 2014      | 6M 2015              | 6M 2014      |
| 1. Gross written premiums including premiums from unit-linked life and annuity insurance | 2,625            | 2,497      | 3,669          | 3,563        | 2,392                | 2,255        |
| of which attributable to other segments                                                  | 42               | 47         | 32             | 28           | —                    | —            |
| attributable to third parties                                                            | 2,583            | 2,450      | 3,637          | 3,535        | 2,392                | 2,255        |
| 2. Savings elements of premiums from unit-linked life and annuity insurance              | —                | —          | 469            | 479          | 107                  | 47           |
| 3. Ceded written premiums                                                                | 1,242            | 1,157      | 138            | 170          | 246                  | 191          |
| 4. Change in gross unearned premiums                                                     | -552             | -610       | -280           | -317         | -157                 | -132         |
| 5. Change in ceded unearned premiums                                                     | -190             | -197       | -7             | -16          | -21                  | -27          |
| <b>Net premiums earned</b>                                                               | <b>1,021</b>     | <b>927</b> | <b>2,789</b>   | <b>2,613</b> | <b>1,903</b>         | <b>1,912</b> |
| 6. Claims and claims expenses (gross)                                                    | 1,584            | 1,434      | 3,147          | 2,798        | 1,516                | 1,553        |
| Reinsurers' share                                                                        | 813              | 737        | 61             | 77           | 166                  | 124          |
| <b>Claims and claims expenses (net)</b>                                                  | <b>771</b>       | <b>697</b> | <b>3,086</b>   | <b>2,721</b> | <b>1,350</b>         | <b>1,429</b> |
| 7. Acquisition costs and administrative expenses (gross)                                 | 383              | 374        | 595            | 722          | 547                  | 480          |
| Reinsurers' share                                                                        | 165              | 157        | 51             | 46           | 35                   | 34           |
| <b>Acquisition costs and administrative expenses (net)</b>                               | <b>218</b>       | <b>217</b> | <b>544</b>     | <b>676</b>   | <b>512</b>           | <b>446</b>   |
| 8. Other technical income                                                                | 3                | 4          | 7              | 6            | 10                   | 11           |
| Other technical expenses                                                                 | 22               | 11         | 6              | 30           | 32                   | 34           |
| of which attributable to amortisation of PVFP                                            | —                | —          | -8             | 22           | 3                    | 7            |
| <b>Other technical result</b>                                                            | <b>-19</b>       | <b>-7</b>  | <b>1</b>       | <b>-24</b>   | <b>-22</b>           | <b>-23</b>   |
| <b>Net technical result</b>                                                              | <b>13</b>        | <b>6</b>   | <b>-840</b>    | <b>-808</b>  | <b>19</b>            | <b>14</b>    |
| 9. a. Investment income                                                                  | 158              | 171        | 1,114          | 1,028        | 197                  | 176          |
| b. Investment expenses                                                                   | 45               | 20         | 157            | 82           | 34                   | 21           |
| <b>Net income from investments under own management</b>                                  | <b>113</b>       | <b>151</b> | <b>957</b>     | <b>946</b>   | <b>163</b>           | <b>155</b>   |
| Net income from investment contracts                                                     | —                | —          | —              | —            | 4                    | 2            |
| Net interest income from funds withheld and contract deposits                            | —                | —          | -9             | -9           | —                    | -1           |
| <b>Net investment income</b>                                                             | <b>113</b>       | <b>151</b> | <b>948</b>     | <b>937</b>   | <b>167</b>           | <b>156</b>   |
| of which attributable to interest and similar income                                     | 96               | 102        | 756            | 789          | 182                  | 166          |
| attributable to interest and similar expenses                                            | —                | 1          | 9              | 10           | 39                   | 26           |
| impairment losses on investments                                                         | 19               | 1          | 58             | 14           | 6                    | 1            |
| reversals of impairment losses on investments                                            | —                | 7          | 1              | 3            | —                    | —            |
| share of profit or loss of equity-accounted associates and joint ventures                | —                | —          | —              | —            | —                    | —            |
| 10. a. Other income                                                                      | 58               | 42         | 103            | 88           | 46                   | 32           |
| b. Other expenses                                                                        | 42               | 58         | 117            | 120          | 105                  | 78           |
| <b>Other income/expenses</b>                                                             | <b>16</b>        | <b>-16</b> | <b>-14</b>     | <b>-32</b>   | <b>-59</b>           | <b>-46</b>   |
| of which attributable to interest and similar income                                     | —                | —          | 1              | 1            | 4                    | 6            |
| reversals of impairment losses on accounts receivable and other assets                   | 1                | 4          | —              | —            | 1                    | 2            |
| attributable to interest and similar expenses                                            | 4                | 10         | 1              | 4            | 1                    | 1            |
| impairment losses on accounts receivable and other assets                                | 8                | 9          | 1              | 1            | 15                   | 16           |
| <b>Profit before goodwill impairments</b>                                                | <b>142</b>       | <b>141</b> | <b>94</b>      | <b>97</b>    | <b>127</b>           | <b>124</b>   |
| 11. Goodwill impairments                                                                 | —                | —          | 155            | —            | —                    | —            |
| <b>Operating profit/loss (EBIT)</b>                                                      | <b>142</b>       | <b>141</b> | <b>-61</b>     | <b>97</b>    | <b>127</b>           | <b>124</b>   |
| 12. Financing costs                                                                      | 4                | 4          | 5              | 7            | 2                    | 2            |
| 13. Taxes on income                                                                      | 41               | 48         | 37             | 30           | 32                   | 32           |
| <b>Net income</b>                                                                        | <b>97</b>        | <b>89</b>  | <b>-103</b>    | <b>60</b>    | <b>93</b>            | <b>90</b>    |
| of which attributable to non-controlling interests                                       | —                | —          | 1              | 3            | 16                   | 16           |
| of which attributable to shareholders of Talanx AG                                       | 97               | 89         | -104           | 57           | 77                   | 74           |

| Non-Life Reinsurance |         | Life/Health Reinsurance |         | Corporate Operations |         | Consolidation |         | Total   |         |
|----------------------|---------|-------------------------|---------|----------------------|---------|---------------|---------|---------|---------|
| 6M 2015              | 6M 2014 | 6M 2015                 | 6M 2014 | 6M 2015              | 6M 2014 | 6M 2015       | 6M 2014 | 6M 2015 | 6M 2014 |
| 4,972                | 4,078   | 3,614                   | 2,987   | 27                   | 35      | -472          | -440    | 16,827  | 14,975  |
| 298                  | 254     | 73                      | 76      | 27                   | 35      | -472          | -440    | —       | —       |
| 4,674                | 3,824   | 3,541                   | 2,911   | —                    | —       | —             | —       | 16,827  | 14,975  |
| —                    | —       | —                       | —       | —                    | —       | —             | —       | 576     | 526     |
| 519                  | 362     | 486                     | 504     | 7                    | 8       | -474          | -433    | 2,164   | 1,959   |
| -615                 | -374    | -3                      | -14     | -5                   | -11     | 55            | 79      | -1,557  | -1,379  |
| -56                  | -28     | —                       | —       | -4                   | -4      | 57            | 75      | -221    | -197    |
| 3,894                | 3,370   | 3,125                   | 2,469   | 19                   | 20      | —             | -3      | 12,751  | 11,308  |
| 2,945                | 2,488   | 3,119                   | 2,533   | 10                   | 10      | -280          | -187    | 12,041  | 10,629  |
| 222                  | 156     | 419                     | 442     | —                    | -1      | -272          | -192    | 1,409   | 1,343   |
| 2,723                | 2,332   | 2,700                   | 2,091   | 10                   | 11      | -8            | 5       | 10,632  | 9,286   |
| 1,084                | 932     | 680                     | 565     | 4                    | 4       | -122          | -97     | 3,171   | 2,980   |
| 82                   | 53      | 44                      | 43      | —                    | —       | -121          | -91     | 256     | 242     |
| 1,002                | 879     | 636                     | 522     | 4                    | 4       | -1            | -6      | 2,915   | 2,738   |
| 1                    | 2       | —                       | —       | —                    | —       | -1            | 1       | 20      | 24      |
| 3                    | 5       | 5                       | 3       | —                    | 1       | 7             | -1      | 75      | 83      |
| —                    | —       | 2                       | 2       | —                    | —       | —             | —       | -3      | 31      |
| -2                   | -3      | -5                      | -3      | —                    | -1      | -8            | 2       | -55     | -59     |
| 167                  | 156     | -216                    | -147    | 5                    | 4       | 1             | —       | -851    | -775    |
| 514                  | 471     | 225                     | 148     | 10                   | 14      | -19           | -31     | 2,199   | 1,977   |
| 87                   | 68      | 46                      | 15      | 39                   | 36      | -53           | -46     | 355     | 196     |
| 427                  | 403     | 179                     | 133     | -29                  | -22     | 34            | 15      | 1,844   | 1,781   |
| —                    | —       | —                       | —       | —                    | —       | —             | —       | 4       | 2       |
| 10                   | 9       | 187                     | 166     | —                    | —       | 1             | —       | 189     | 165     |
| 437                  | 412     | 366                     | 299     | -29                  | -22     | 35            | 15      | 2,037   | 1,948   |
| 357                  | 339     | 369                     | 341     | 3                    | 3       | -21           | -35     | 1,742   | 1,705   |
| 1                    | 1       | 57                      | 63      | —                    | —       | -2            | -4      | 104     | 97      |
| 15                   | 10      | —                       | —       | —                    | —       | -1            | —       | 97      | 26      |
| —                    | —       | —                       | —       | —                    | —       | —             | —       | 1       | 10      |
| 1                    | 4       | —                       | —       | 6                    | 2       | —             | —       | 7       | 6       |
| 235                  | 109     | 144                     | 55      | 361                  | 363     | -327          | -351    | 620     | 338     |
| 223                  | 144     | 100                     | 55      | 328                  | 351     | -279          | -300    | 636     | 506     |
| 12                   | -35     | 44                      | —       | 33                   | 12      | -48           | -51     | -16     | -168    |
| 14                   | 1       | 13                      | 6       | 2                    | 3       | -1            | -3      | 33      | 14      |
| 11                   | 5       | —                       | —       | —                    | —       | —             | —       | 13      | 11      |
| 19                   | 8       | 25                      | 21      | 12                   | 21      | -4            | -6      | 58      | 59      |
| 22                   | 17      | 6                       | 5       | —                    | 2       | -1            | —       | 51      | 50      |
| 616                  | 533     | 194                     | 152     | 9                    | -6      | -12           | -36     | 1,170   | 1,005   |
| —                    | —       | —                       | —       | —                    | —       | —             | —       | 155     | —       |
| 616                  | 533     | 194                     | 152     | 9                    | -6      | -12           | -36     | 1,015   | 1,005   |
| 49                   | 49      | 2                       | 1       | 46                   | 56      | -17           | -30     | 91      | 89      |
| 133                  | 128     | 49                      | 28      | 1                    | -5      | 1             | -2      | 294     | 259     |
| 434                  | 356     | 143                     | 123     | -38                  | -57     | 4             | -4      | 630     | 657     |
| 228                  | 191     | 74                      | 66      | —                    | —       | —             | —       | 319     | 276     |
| 206                  | 165     | 69                      | 57      | -38                  | -57     | 4             | -4      | 311     | 381     |

**SEGMENT REPORTING. STATEMENT OF INCOME FOR THE PERIOD FROM 1 APRIL TO 30 JUNE 2015**

IN EUR MILLION

|                                                                                          | Industrial Lines |            | Retail Germany |              | Retail International |            |
|------------------------------------------------------------------------------------------|------------------|------------|----------------|--------------|----------------------|------------|
|                                                                                          | Q2 2015          | Q2 2014    | Q2 2015        | Q2 2014      | Q2 2015              | Q2 2014    |
| 1. Gross written premiums including premiums from unit-linked life and annuity insurance | 736              | 733        | 1,534          | 1,536        | 1,186                | 1,091      |
| of which attributable to other segments                                                  | 16               | 23         | 16             | 14           | —                    | —          |
| attributable to third parties                                                            | 720              | 710        | 1,518          | 1,522        | 1,186                | 1,091      |
| 2. Savings elements of premiums from unit-linked life and annuity insurance              | —                | —          | 260            | 284          | 59                   | 23         |
| 3. Ceded written premiums                                                                | 305              | 253        | 53             | 71           | 111                  | 75         |
| 4. Change in gross unearned premiums                                                     | 306              | 222        | 125            | 141          | –60                  | –55        |
| 5. Change in ceded unearned premiums                                                     | 234              | 182        | 5              | –4           | 13                   | 9          |
| <b>Net premiums earned</b>                                                               | <b>503</b>       | <b>520</b> | <b>1,341</b>   | <b>1,326</b> | <b>943</b>           | <b>929</b> |
| 6. Claims and claims expenses (gross)                                                    | 739              | 876        | 1,528          | 1,294        | 765                  | 757        |
| Reinsurers' share                                                                        | 368              | 476        | 29             | 38           | 108                  | 75         |
| <b>Claims and claims expenses (net)</b>                                                  | <b>371</b>       | <b>400</b> | <b>1,499</b>   | <b>1,256</b> | <b>657</b>           | <b>682</b> |
| 7. Acquisition costs and administrative expenses (gross)                                 | 185              | 190        | 309            | 447          | 286                  | 247        |
| Reinsurers' share                                                                        | 58               | 49         | 20             | 16           | 21                   | 17         |
| <b>Acquisition costs and administrative expenses (net)</b>                               | <b>127</b>       | <b>141</b> | <b>289</b>     | <b>431</b>   | <b>265</b>           | <b>230</b> |
| 8. Other technical income                                                                | 1                | –9         | —              | –5           | 7                    | 6          |
| Other technical expenses                                                                 | –1               | 15         | 1              | 12           | 17                   | 17         |
| of which attributable to amortisation of PVFP                                            | —                | —          | –8             | 13           | 1                    | 3          |
| <b>Other technical result</b>                                                            | <b>2</b>         | <b>–24</b> | <b>–1</b>      | <b>–17</b>   | <b>–10</b>           | <b>–11</b> |
| <b>Net technical result</b>                                                              | <b>7</b>         | <b>–45</b> | <b>–448</b>    | <b>–378</b>  | <b>11</b>            | <b>6</b>   |
| 9. a. Investment income                                                                  | 74               | 85         | 565            | 483          | 101                  | 88         |
| b. Investment expenses                                                                   | 14               | 6          | 57             | 43           | 15                   | 7          |
| <b>Net income from investments under own management</b>                                  | <b>60</b>        | <b>79</b>  | <b>508</b>     | <b>440</b>   | <b>86</b>            | <b>81</b>  |
| Net income from investment contracts                                                     | —                | —          | —              | —            | 2                    | 2          |
| Net interest income from funds withheld and contract deposits                            | —                | —          | –5             | –4           | —                    | –1         |
| <b>Net investment income</b>                                                             | <b>60</b>        | <b>79</b>  | <b>503</b>     | <b>436</b>   | <b>88</b>            | <b>82</b>  |
| of which attributable to interest and similar income                                     | 48               | 52         | 378            | 401          | 95                   | 84         |
| attributable to interest and similar expenses                                            | —                | 1          | 5              | 5            | 27                   | 14         |
| impairment losses on investments                                                         | 4                | —          | 11             | 9            | 1                    | —          |
| reversals of impairment losses on investments                                            | —                | 7          | —              | 1            | —                    | —          |
| share of profit or loss of equity-accounted associates and joint ventures                | —                | —          | —              | —            | —                    | —          |
| 10. a. Other income                                                                      | 6                | 28         | 40             | 45           | 19                   | 10         |
| b. Other expenses                                                                        | 3                | 27         | 58             | 60           | 47                   | 36         |
| <b>Other income/expenses</b>                                                             | <b>3</b>         | <b>1</b>   | <b>–18</b>     | <b>–15</b>   | <b>–28</b>           | <b>–26</b> |
| of which attributable to interest and similar income                                     | —                | —          | —              | 1            | 2                    | 3          |
| reversals of impairment losses on accounts receivable and other assets                   | —                | 4          | —              | —            | 1                    | 1          |
| attributable to interest and similar expenses                                            | 1                | 6          | —              | 2            | –1                   | —          |
| impairment losses on accounts receivable and other assets                                | 6                | 1          | —              | 1            | 8                    | 8          |
| <b>Profit before goodwill impairments</b>                                                | <b>70</b>        | <b>35</b>  | <b>37</b>      | <b>43</b>    | <b>71</b>            | <b>62</b>  |
| 11. Goodwill impairments                                                                 | —                | —          | 155            | —            | —                    | —          |
| <b>Operating profit/loss (EBIT)</b>                                                      | <b>70</b>        | <b>35</b>  | <b>–118</b>    | <b>43</b>    | <b>71</b>            | <b>62</b>  |
| 12. Financing costs                                                                      | 2                | 2          | 3              | 4            | 1                    | 1          |
| 13. Taxes on income                                                                      | 18               | 12         | 18             | 10           | 18                   | 17         |
| <b>Net income</b>                                                                        | <b>50</b>        | <b>21</b>  | <b>–139</b>    | <b>29</b>    | <b>52</b>            | <b>44</b>  |
| of which attributable to non-controlling interests                                       | —                | —          | —              | 1            | 8                    | 9          |
| of which attributable to shareholders of Talanx AG                                       | 50               | 21         | –139           | 28           | 44                   | 35         |

| Non-Life Reinsurance |         | Life/Health Reinsurance |         | Corporate Operations |         | Consolidation |         | Total   |         |
|----------------------|---------|-------------------------|---------|----------------------|---------|---------------|---------|---------|---------|
| Q2 2015              | Q2 2014 | Q2 2015                 | Q2 2014 | Q2 2015              | Q2 2014 | Q2 2015       | Q2 2014 | Q2 2015 | Q2 2014 |
| 2,355                | 1,970   | 1,831                   | 1,470   | 16                   | 20      | -271          | -259    | 7,387   | 6,561   |
| 187                  | 164     | 36                      | 38      | 16                   | 20      | -271          | -259    | —       | —       |
| 2,168                | 1,806   | 1,795                   | 1,432   | —                    | —       | —             | —       | 7,387   | 6,561   |
| —                    | —       | —                       | —       | —                    | —       | —             | —       | 319     | 307     |
| 228                  | 176     | 274                     | 268     | —                    | —       | -273          | -253    | 698     | 590     |
| -124                 | -50     | 18                      | -14     | -4                   | -9      | 62            | 105     | 323     | 340     |
| -9                   | 6       | —                       | —       | 1                    | 2       | 65            | 100     | 309     | 295     |
| 2,012                | 1,738   | 1,575                   | 1,188   | 11                   | 9       | -1            | -1      | 6,384   | 5,709   |
| 1,541                | 1,311   | 1,583                   | 1,202   | 5                    | 4       | -80           | -128    | 6,081   | 5,316   |
| 149                  | 95      | 224                     | 224     | —                    | —       | -80           | -137    | 798     | 771     |
| 1,392                | 1,216   | 1,359                   | 978     | 5                    | 4       | —             | 9       | 5,283   | 4,545   |
| 567                  | 484     | 369                     | 287     | 3                    | 2       | -67           | -51     | 1,652   | 1,606   |
| 39                   | 32      | 25                      | 19      | —                    | —       | -61           | -43     | 102     | 90      |
| 528                  | 452     | 344                     | 268     | 3                    | 2       | -6            | -8      | 1,550   | 1,516   |
| —                    | 2       | —                       | —       | —                    | —       | -1            | 1       | 7       | -5      |
| -2                   | 2       | 3                       | 2       | —                    | 1       | 2             | -1      | 20      | 48      |
| —                    | —       | 2                       | 1       | —                    | —       | —             | —       | -5      | 17      |
| 2                    | —       | -3                      | -2      | —                    | -1      | -3            | 2       | -13     | -53     |
| 94                   | 70      | -131                    | -60     | 3                    | 2       | 2             | —       | -462    | -405    |
| 263                  | 229     | 82                      | 73      | 6                    | 11      | -11           | -23     | 1,080   | 946     |
| 31                   | 33      | 27                      | 7       | 21                   | 20      | -30           | -25     | 135     | 91      |
| 232                  | 196     | 55                      | 66      | -15                  | -9      | 19            | 2       | 945     | 855     |
| —                    | —       | —                       | —       | —                    | —       | —             | —       | 2       | 2       |
| 6                    | 5       | 92                      | 81      | —                    | —       | 1             | —       | 94      | 81      |
| 238                  | 201     | 147                     | 147     | -15                  | -9      | 20            | 2       | 1,041   | 938     |
| 176                  | 171     | 185                     | 161     | 2                    | 2       | -11           | -25     | 873     | 846     |
| —                    | 1       | 31                      | 23      | —                    | —       | -1            | -2      | 62      | 42      |
| 7                    | 5       | —                       | —       | —                    | —       | -1            | —       | 22      | 14      |
| —                    | —       | —                       | —       | —                    | —       | —             | —       | —       | 8       |
| -1                   | 1       | —                       | —       | 4                    | 1       | —             | —       | 3       | 2       |
| 45                   | -1      | 30                      | 22      | 184                  | 183     | -171          | -177    | 153     | 110     |
| 40                   | 23      | 28                      | 21      | 170                  | 175     | -141          | -150    | 205     | 192     |
| 5                    | -24     | 2                       | 1       | 14                   | 8       | -30           | -27     | -52     | -82     |
| 13                   | 1       | 8                       | 3       | —                    | 1       | —             | -2      | 23      | 7       |
| 8                    | 1       | —                       | —       | —                    | —       | —             | —       | 9       | 6       |
| 10                   | 5       | 13                      | 11      | 6                    | 10      | -2            | -2      | 27      | 32      |
| 12                   | 10      | 3                       | 3       | -1                   | 1       | -1            | —       | 27      | 24      |
| 337                  | 247     | 18                      | 88      | 2                    | 1       | -8            | -25     | 527     | 451     |
| —                    | —       | —                       | —       | —                    | —       | —             | —       | 155     | —       |
| 337                  | 247     | 18                      | 88      | 2                    | 1       | -8            | -25     | 372     | 451     |
| 24                   | 21      | 1                       | —       | 23                   | 36      | -9            | -23     | 45      | 41      |
| 55                   | 78      | 1                       | 16      | -3                   | -10     | —             | -2      | 107     | 121     |
| 258                  | 148     | 16                      | 72      | -18                  | -25     | 1             | —       | 220     | 289     |
| 139                  | 78      | 13                      | 36      | —                    | —       | —             | —       | 160     | 124     |
| 119                  | 70      | 3                       | 36      | -18                  | -25     | 1             | —       | 60      | 165     |

## BREAKDOWN OF INVESTMENTS, NON-CURRENT ASSETS AND WRITTEN PREMIUMS

The tables have been simplified to show only primary insurance, reinsurance and Corporate Operations.

### INVESTMENTS (EXCLUDING FUNDS WITHHELD BY CEDING COMPANIES AND EXCLUDING INVESTMENTS UNDER INVESTMENT CONTRACTS) BY GEOGRAPHICAL ORIGIN<sup>1)</sup>

#### INVESTMENTS UNDER OWN MANAGEMENT BY GEOGRAPHICAL ORIGIN

IN EUR MILLION

|                                                    | Primary insurance | Reinsurance   | Corporate<br>Operations | Total         |
|----------------------------------------------------|-------------------|---------------|-------------------------|---------------|
| <b>30.6.2015</b>                                   |                   |               |                         |               |
| Germany                                            | 21,475            | 6,626         | 163                     | 28,264        |
| United Kingdom                                     | 3,637             | 2,739         | 37                      | 6,413         |
| Central and Eastern Europe (CEE), including Turkey | 3,684             | 377           | 1                       | 4,062         |
| Rest of Europe                                     | 26,732            | 8,332         | 82                      | 35,146        |
| USA                                                | 2,385             | 10,676        | 4                       | 13,065        |
| Rest of North America                              | 291               | 1,585         | 2                       | 1,878         |
| Latin America                                      | 1,344             | 1,505         | 1                       | 2,850         |
| Asia and Australia                                 | 1,759             | 4,254         | 3                       | 6,016         |
| Africa                                             | 5                 | 334           | —                       | 339           |
| <b>Total</b>                                       | <b>61,312</b>     | <b>36,428</b> | <b>293</b>              | <b>98,033</b> |
| <b>31.12.2014</b>                                  |                   |               |                         |               |
| Germany                                            | 21,436            | 6,313         | 432                     | 28,181        |
| United Kingdom                                     | 3,475             | 2,605         | 103                     | 6,183         |
| Central and Eastern Europe (CEE), including Turkey | 3,393             | 672           | 4                       | 4,069         |
| Rest of Europe                                     | 26,424            | 8,711         | 281                     | 35,416        |
| USA                                                | 2,215             | 9,673         | 23                      | 11,911        |
| Rest of North America                              | 173               | 1,410         | 18                      | 1,601         |
| Latin America                                      | 1,203             | 1,465         | 2                       | 2,670         |
| Asia and Australia                                 | 1,825             | 4,203         | 24                      | 6,052         |
| Africa                                             | 5                 | 322           | —                       | 327           |
| <b>Total</b>                                       | <b>60,149</b>     | <b>35,374</b> | <b>887</b>              | <b>96,410</b> |

<sup>1)</sup> After elimination of intragroup cross-segment transactions. This may result in differences from the amounts disclosed in the management report

**NON-CURRENT ASSETS BY GEOGRAPHICAL ORIGIN**

Non-current assets largely consist of intangible assets (including goodwill) and real estate held and used/investment property.

**NON-CURRENT ASSETS BY GEOGRAPHICAL ORIGIN**

IN EUR MILLION

|                                                    | Primary insurance | Reinsurance  | Corporate Operations | Total        |
|----------------------------------------------------|-------------------|--------------|----------------------|--------------|
| <b>30.6.2015</b>                                   |                   |              |                      |              |
| Germany                                            | 3,009             | 751          | 77                   | 3,837        |
| United Kingdom                                     | —                 | 2            | —                    | 2            |
| Central and Eastern Europe (CEE), including Turkey | —                 | —            | —                    | —            |
| Rest of Europe                                     | 330               | 82           | 1                    | 413          |
| USA                                                | —                 | 357          | —                    | 357          |
| Rest of North America                              | —                 | —            | —                    | —            |
| Latin America                                      | 183               | —            | —                    | 183          |
| Asia and Australia                                 | —                 | 2            | —                    | 2            |
| Africa                                             | —                 | 11           | —                    | 11           |
| <b>Total</b>                                       | <b>3,522</b>      | <b>1,205</b> | <b>78</b>            | <b>4,805</b> |
| <b>31.12.2014</b>                                  |                   |              |                      |              |
| Germany                                            | 3,002             | 756          | 77                   | 3,835        |
| United Kingdom                                     | —                 | 3            | —                    | 3            |
| Central and Eastern Europe (CEE), including Turkey | —                 | —            | —                    | —            |
| Rest of Europe                                     | 341               | 83           | 1                    | 425          |
| USA                                                | —                 | 331          | —                    | 331          |
| Rest of North America                              | —                 | —            | —                    | —            |
| Latin America                                      | 32                | —            | —                    | 32           |
| Asia and Australia                                 | —                 | 2            | —                    | 2            |
| Africa                                             | —                 | 7            | —                    | 7            |
| <b>Total</b>                                       | <b>3,375</b>      | <b>1,182</b> | <b>78</b>            | <b>4,635</b> |

# GROSS WRITTEN PREMIUMS BY GEOGRAPHICAL ORIGIN (BY DOMICILE OF CUSTOMER)<sup>1)</sup>

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

## GROSS WRITTEN PREMIUMS BY GEOGRAPHICAL ORIGIN

IN EUR MILLION

|                                                    | Primary insurance | Reinsurance  | Corporate Operations | Total         |
|----------------------------------------------------|-------------------|--------------|----------------------|---------------|
| <b>6M 2015</b>                                     |                   |              |                      |               |
| Germany                                            | 4,804             | 647          | —                    | 5,451         |
| United Kingdom                                     | 89                | 1,436        | —                    | 1,525         |
| Central and Eastern Europe (CEE), including Turkey | 1,201             | 164          | —                    | 1,365         |
| Rest of Europe                                     | 1,260             | 1,131        | —                    | 2,391         |
| USA                                                | 290               | 1,867        | —                    | 2,157         |
| Rest of North America                              | 22                | 402          | —                    | 424           |
| Latin America                                      | 791               | 446          | —                    | 1,237         |
| Asia and Australia                                 | 121               | 1,874        | —                    | 1,995         |
| Africa                                             | 34                | 248          | —                    | 282           |
| <b>Total</b>                                       | <b>8,612</b>      | <b>8,215</b> | <b>—</b>             | <b>16,827</b> |
| <b>6M 2014</b>                                     |                   |              |                      |               |
| Germany                                            | 4,690             | 548          | —                    | 5,238         |
| United Kingdom                                     | 70                | 1,230        | —                    | 1,300         |
| Central and Eastern Europe (CEE), including Turkey | 1,065             | 114          | —                    | 1,179         |
| Rest of Europe                                     | 1,498             | 969          | —                    | 2,467         |
| USA                                                | 198               | 1,489        | —                    | 1,687         |
| Rest of North America                              | 11                | 333          | —                    | 344           |
| Latin America                                      | 587               | 368          | —                    | 955           |
| Asia and Australia                                 | 100               | 1,550        | —                    | 1,650         |
| Africa                                             | 21                | 134          | —                    | 155           |
| <b>Total</b>                                       | <b>8,240</b>      | <b>6,735</b> | <b>—</b>             | <b>14,975</b> |

<sup>1)</sup> After elimination of intragroup cross-segment transactions. This may result in differences from the amounts disclosed in the management report

**GROSS WRITTEN PREMIUMS BY GEOGRAPHICAL ORIGIN**

IN EUR MILLION

|                                                    | Primary insurance | Reinsurance  | Corporate Operations | Total        |
|----------------------------------------------------|-------------------|--------------|----------------------|--------------|
| <b>Q2 2015</b>                                     |                   |              |                      |              |
| Germany                                            | 1,694             | 255          | —                    | 1,949        |
| United Kingdom                                     | 46                | 666          | —                    | 712          |
| Central and Eastern Europe (CEE), including Turkey | 586               | 83           | —                    | 669          |
| Rest of Europe                                     | 470               | 517          | —                    | 987          |
| USA                                                | 117               | 961          | —                    | 1,078        |
| Rest of North America                              | 11                | 210          | —                    | 221          |
| Latin America                                      | 425               | 191          | —                    | 616          |
| Asia and Australia                                 | 59                | 953          | —                    | 1,012        |
| Africa                                             | 16                | 127          | —                    | 143          |
| <b>Total</b>                                       | <b>3,424</b>      | <b>3,963</b> | <b>—</b>             | <b>7,387</b> |

|                                                    |              |              |          |              |
|----------------------------------------------------|--------------|--------------|----------|--------------|
| <b>Q2 2014</b>                                     |              |              |          |              |
| Germany                                            | 1,727        | 183          | —        | 1,910        |
| United Kingdom                                     | 41           | 596          | —        | 637          |
| Central and Eastern Europe (CEE), including Turkey | 515          | 48           | —        | 563          |
| Rest of Europe                                     | 616          | 435          | —        | 1,051        |
| USA                                                | 60           | 723          | —        | 783          |
| Rest of North America                              | 4            | 185          | —        | 189          |
| Latin America                                      | 304          | 165          | —        | 469          |
| Asia and Australia                                 | 52           | 878          | —        | 930          |
| Africa                                             | 4            | 25           | —        | 29           |
| <b>Total</b>                                       | <b>3,323</b> | <b>3,238</b> | <b>—</b> | <b>6,561</b> |

<sup>1)</sup> After elimination of intragroup cross-segment transactions. This may result in differences from the amounts disclosed in the management report

**GROSS WRITTEN PREMIUMS BY TYPE AND CLASS OF INSURANCE AT GROUP LEVEL<sup>1)</sup>****GROSS WRITTEN PREMIUMS BY TYPE AND CLASS OF INSURANCE**

IN EUR MILLION

|                                     | 6M 2015       | 6M 2014       | Q2 2015      | Q2 2014      |
|-------------------------------------|---------------|---------------|--------------|--------------|
| Property/casualty primary insurance | 5,234         | 4,905         | 1,787        | 1,649        |
| Life primary insurance              | 3,378         | 3,335         | 1,637        | 1,674        |
| Non-Life Reinsurance                | 4,674         | 3,824         | 2,168        | 1,806        |
| Life/Health Reinsurance             | 3,541         | 2,911         | 1,795        | 1,432        |
| <b>Total</b>                        | <b>16,827</b> | <b>14,975</b> | <b>7,387</b> | <b>6,561</b> |

<sup>1)</sup> After elimination of intragroup cross-segment transactions. This may result in differences from the amounts disclosed in the management report

## IV. CONSOLIDATION

### CONSOLIDATION PRINCIPLES

Subsidiaries are accounted for in accordance with IFRS 10. Subsidiaries are all entities that are controlled by the Group. An investee (participating interest) is controlled if the Group directly or indirectly has power over a Group company from voting rights or other rights and is thereby exposed, or has rights, to positive and negative variable returns from the Group company and has the ability to affect those returns through its power over the investee. All of these criteria must be met.

Subsidiaries are consolidated from the date on which the Group obtains control of them. They are deconsolidated from the date on which control ends.

Companies over which the Group is able to exercise significant influence are generally accounted for as **associates** using the equity method in accordance with IAS 28. A significant influence is presumed to exist if a company belonging to the Group directly or indirectly holds at least 20% – but no more than 50% – of the voting rights. A **joint venture** is an arrangement of which the Group has joint control, giving it rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities. These entities are accounted for using the equity method in accordance with IFRS 11. Equity method accounting ends when the Group ceases to have significant influence or joint control.

For further information on consolidation principles, please refer to our disclosures in the “Consolidation” section of our 2014 Annual Report (page 215 ff).

### BASIS OF CONSOLIDATION

As at the reporting date, 141 individual companies, 30 investment funds, three structured entities and four subgroups (including three foreign subgroups) were consolidated as a group (including associates) in Talanx’s consolidated financial statements, and nine companies were included using the equity method.

Significant changes in the basis of consolidation compared with year-end 2014 are presented in the following.

**Significant additions and disposals of consolidated subsidiaries**  
Compass Insurance Company Ltd, Johannesburg, South Africa, which is part of Hannover Reinsurance Group Africa (Pty) Ltd (HRGSA), also domiciled in Johannesburg and a subgroup of the Hannover Re Group, acquired 60% of the shares of **Commercial & Industrial Acceptances (Pty) Ltd, Johannesburg (“CIA”)**, for a purchase price amounting to the equivalent of EUR 4 million effective 1 January 2015 by way of a business acquisition achieved in stages. Lireas Holdings (Pty) Ltd, Johannesburg, a 51% subsidiary of HRGSA, already held 40% of the shares of the company, which was included in the subgroup financial statements of HRGSA using the equity method. As a result of the step acquisition, HRGSA gained control over CIA, which will now be consolidated in the subgroup financial statements of HRGSA. Goodwill amounting to the equivalent of EUR 2 million was capitalised in connection with the transaction. The fair value of contingent purchase price payments were also recognised. As part of initial consolidation, the fair values of the assets and liabilities acquired were calculated using appropriate valuation techniques and based in some cases on estimates and assumptions relating to expected future cash flows. Consequently, the business has initially been included in the financial statements on a provisional basis using the best available information. Under IFRS 3, this provisional accounting treatment must be finalised within 12 months of the acquisition date. Any resulting changes in the fair value of the assets and liabilities recognised must be treated as if the adjusted fair value as at the date of consolidation had been recognised from this date onwards. The provisional fair values of the assets and liabilities acquired in this transaction will be analysed over the course of the financial year and may need to be adjusted in some cases.

On 23 December 2014, the Group signed purchase agreements for two wind farm projects based in Toulouse, France – **Ferme Eolienne du Confolentais S. A. R. L.** and **Ferme Eolienne des Mignaudières S. A. R. L.** The acquisition was subject to conditions precedent, which were met on 10 February 2015 (acquisition date). The companies are wind farm special purpose vehicles. TD Real Assets GmbH & Co. KG, Cologne (Retail Germany segment), indirectly acquired all the shares of **Ferme Eolienne du Confolentais S. A. R. L.**, and HG-I Alternative Investments Beteiligungs-GmbH & Co. KG (Industrial Lines segment) indirectly acquired all the shares of **Ferme Eolienne des Mignaudières S. A. R. L.** The purchase price for the companies was EUR 1 million in each case. The total assets of the companies acquired amounting to EUR 8 million in each case are largely attributable to technical equipment for the wind farms, which is financed by equity

and loans. No major intangible assets or goodwill exist. No contingent liabilities, contingent considerations or separate transactions within the meaning of IFRS 3 were identified. Both companies were initially consolidated in the first quarter of 2015. The total planned investment volume amounts to approximately EUR 47 million. The legal form of both of the companies acquired was changed to that of a French general partnership (SNC) effective 10 February 2015.

By way of a purchase agreement dated 17 December 2014, Inversiones HDI Limitada, Santiago, Chile (Retail International segment) acquired the **Magallanes group** by purchasing 99.9959% of the shares of Inversiones Magallanes S.A. effective 13 February 2015 via a tender procedure. Based on the agreements entered into, the Group has therefore recognised the acquisition as at the date of initial consolidation (13 February 2015). The Group's share of the voting rights corresponds to the shares held. The necessary approval was received from the Chilean supervisory body SVS (Superintendencia Valores y Seguros) on 9 April 2015.

The group consists of the holding company Inversiones Magallanes S.A., Santiago, Chile, and three operating insurance companies: Aseguradora Magallanes S.A., Santiago, Chile (property/casualty business), Aseguradora Magallanes de Garantía y Crédito S.A., Santiago, Chile (credit/surety business) and Aseguradora Magallanes de Vida S.A., Santiago, Chile (life insurance business). In addition, a start-up in Peru focusing on the property/casualty business – Aseguradora Magallanes del Perú S.A., Lima, Peru – was part of the transaction. Following completion of the transaction, the Group holds the following shares of the companies in the Magallanes group:

- Inversiones Magallanes S.A. – 99.9%
- Aseguradora Magallanes S.A. – 99.8%
- Aseguradora Magallanes de Garantía y Crédito S.A. – 99.8%
- Aseguradora Magallanes de Vida S.A. – 100%
- Aseguradora Magallanes del Perú S.A. – 100%

The purchase price for the Magallanes group, which was settled entirely in cash, amounted to the equivalent of EUR 193 million at the closing rate on 13 February 2015. However, thanks to a favourable currency hedge, Talanx International AG effectively only invested EUR 180 million as a capital increase at Inversiones HDI Limitada, Chile, to acquire the Magallanes group. Inversiones HDI Limitada took a further EUR 3 million from its own funds.

The goodwill resulting from the acquisition amounts to EUR 122 million. In addition to considerable synergies and expected cross-selling effects, this also reflects the expected growth, mainly in the motor insurance business. This transaction does not result in any tax-deductible goodwill in the tax accounts (share deal). Acquisition-related costs (EUR 0.6 million) are reported in "Other income/expenses". As a result of the planned merger of the holding companies Inversiones Magallanes S.A. and Inversiones HDI Ltda. as well as of the property/casualty insurance companies Aseguradora Magallanes S.A. and HDI Seguros S.A., unrealised gains from initial consolidation could also be realised for tax purposes and would then be available as tax-deductible writedowns in future periods.

The amounts recognised at the acquisition date for each main group of acquired assets and assumed liabilities and translated at the exchange rate prevailing at the acquisition date in accordance with IFRS are presented in the following table:

#### ACQUIRED ASSETS AND ASSUMED LIABILITIES OF THE MAGALLANES GROUP AS AT 13 FEBRUARY 2015

IN EUR MILLION

|                                                         | Acquisition-date fair value |
|---------------------------------------------------------|-----------------------------|
| Intangible assets                                       | 13                          |
| Investments                                             | 93                          |
| Reinsurance recoverables on technical provisions        | 99                          |
| Accounts receivable on insurance business <sup>1)</sup> | 150                         |
| Cash at banks, cheques and cash-in-hand                 | 10                          |
| Deferred tax assets                                     | 2                           |
| Other assets                                            | 25                          |
| <b>Total assets</b>                                     | <b>392</b>                  |
| Technical provisions                                    | 249                         |
| Other provisions                                        | 3                           |
| Other liabilities                                       | 69                          |
| of which tax liabilities                                | 6                           |
| of which insurance-related                              | 54                          |
| <b>Total liabilities</b>                                | <b>321</b>                  |
| <b>Net assets acquired</b>                              | <b>71</b>                   |

<sup>1)</sup> Gross accounts receivable on insurance business before impairment losses amount to EUR 152 million

The amount reported for accounts receivable corresponds to their fair value. Further credit losses are not expected. The acquired intangible assets include distribution networks and customer relationships as well as brand names. No material contingent liabilities were identified that would have to be recognised under IFRS 3.23. In addition, no contingent liabilities were identified that were not recognised because their fair value could not be measured reliably. No further contingent consideration, indemnification assets or separate transactions within the meaning of IFRS 3 were recognised.

The company's gross premiums of EUR 99 million and net income of EUR 6 million were included in the financial statements as at 30 June 2015. If the group had already been acquired as at 1 January 2015, the gross premiums and net income to be included would have amounted to EUR 123 million and EUR 6 million, respectively.

As part of the "WPD" windfarm project, the Group acquired WP Sandstruth GmbH, Bremen, and Windpark Vier Fichten GmbH, Bremen, as well as WPD Windparks Mittleres Mecklenburg GmbH, Bremen, which is the sole limited partner of Windpark Dalwitz GmbH & Co. KG, Bremen, by way of purchase agreements dated 23 March 2015. The companies are wind farm special purpose vehicles. The completion of the acquisition of the three wind farms was subject to conditions precedent, which were met on 1 April 2015 (acquisition date).

TD Real Assets GmbH & Co. KG, Cologne, acquired 100% of the shares of WP Sandstruth GmbH and WPD Windparks Mittleres Mecklenburg GmbH and HG-1 Alternative Investments Beteiligungs-GmbH & Co. KG, Cologne, acquired 100% of the shares of Windpark Vier Fichten GmbH. Talanx Direct Infrastructure 1 GmbH, Cologne, will become the new general partner of Windpark Dalwitz GmbH & Co. KG. The Group's share of the voting rights corresponds to the shares held.

The purchase price for the complete wind farm project, which was settled entirely in cash, amounted to EUR 44 million and is split across the following individual transactions:

- WPD Windparks Mittleres Mecklenburg GmbH including indirect acquisition of Windpark Dalwitz GmbH & Co. KG – EUR 26 million
- WP Sandstruth GmbH – EUR 9 million
- Windpark Vier Fichten GmbH – EUR 9 million

No goodwill arose from the acquisition. Acquisition-related costs (EUR 0.5 million) are reported in "Other income/expenses".

The amounts recognised at the acquisition date for each main group of acquired assets and assumed liabilities and translated at the exchange rate prevailing at the acquisition date in accordance with IFRSs are presented in the following table:

#### ACQUIRED ASSETS AND ASSUMED LIABILITIES OF THE "WPD" WIND FARM PROJECT AS AT 1 APRIL 2015

IN EUR MILLION

|                                           | Acquisition-date fair value |
|-------------------------------------------|-----------------------------|
| Intangible assets                         | 33                          |
| Investments                               | 86                          |
| Cash at banks, cheques and cash-in-hand   | 8                           |
| Other assets                              | 7                           |
| <b>Total assets</b>                       | <b>134</b>                  |
| Other provisions                          | 1                           |
| Notes payable and loans                   | 90                          |
| of which consolidated in the Talanx Group | 11                          |
| Other liabilities                         | 1                           |
| Deferred tax liabilities                  | 9                           |
| <b>Total liabilities</b>                  | <b>101</b>                  |
| <b>Net assets acquired</b>                | <b>33</b>                   |

The amount recognised for accounts receivable (EUR 7 million: “Other assets” item) corresponds to their fair value. No credit losses are expected. The acquired intangible assets mainly include remuneration rights under the German Renewable Energy Act. No material contingent liabilities were identified that would have to be recognised under IFRS 3.23. In addition, no contingent liabilities were identified that were not recognised because their fair value could not be measured reliably. No further contingent consideration, indemnification assets or separate transactions within the meaning of IFRS 3 were recognised.

The companies’ revenue (included in investment income) of EUR 3 million and profit of EUR 1 million were included in the financial statements as at 30 June 2015. If the companies had already been acquired as at 1 January 2015, the revenue to be included would have amounted to EUR 7 million and the profit to be included would have amounted to EUR 3 million.

By way of a purchase agreement dated 4 September 2014, the Group acquired **Windfarm Bellheim GmbH & Co. KG**, Aurich. The acquisition was subject to conditions precedent, which were met on 10 April 2015 on its entry in the commercial register. The company is a wind farm special purpose vehicle. TD Real Assets GmbH & Co. KG, Cologne, acquired 85% of the company’s limited partner shares and HG-I Alternative Investments Beteiligungs-GmbH & Co. KG, Cologne, acquired 15%. Talanx Direct Infrastructure 1 GmbH, Cologne, will become the new general partner. The purchase price for the company was EUR 10 thousand. The total assets of the company acquired (EUR 32 million) largely comprise technical equipment for the wind farms, which is financed by equity and loans. No major intangible assets or goodwill exist.

## CONSOLIDATION OF STRUCTURED ENTITIES

IFRS 10 requires relationships with structured entities to be examined to determine whether those entities must be consolidated. If voting or similar rights are not the dominant factor in deciding who controls an entity, that entity is a structured entity as defined in IFRS 12. In this respect, the Group must examine whether it controls the entity if it does not hold a majority of the voting rights. The Group controls a structured entity, for instance, if it has the power – for example as a result of contractual arrangements – to direct the entity’s returns.

When evaluating relationships with structured entities and assessing whether those entities must be consolidated, we distinguish between the following six categories of transaction, in line with our disclosures in the “Consolidation” section of the 2014 Annual Report (pages 221 to 223): investments including investments in

CAT bonds (ILSS), unit-linked life insurance contracts, insurance-linked securities (ILSS), retrocessions and securitisation of reinsurance risks, assumed life/health reinsurance business and “Unterstützungskassen” (provident funds).

In the case of “assumed life/health reinsurance business”, the total amount of the contractually agreed capacities of the transactions as at 30 June 2015 is equivalent to EUR 3,469 (3,079) million, of which the equivalent of EUR 2,181 (1,887) million had been underwritten at the reporting date. There were no further material changes in the relationships compared with 31 December 2014 that are significant for an assessment of the net assets, financial position and results of operations.

As in the 2014 consolidated financial statements, three structured entities were consolidated at the reporting date.

## EQUITY-ACCOUNTED ASSOCIATES AND JOINT VENTURES

Three German and five foreign associates (not including foreign subgroups) were accounted for using the equity method at the reporting date.

Following the dividend proposal dated 25 March 2015 by ASPECTA Assurance International AG, Vaduz, Liechtenstein, which was previously included in the consolidated financial statements using the equity method, a call option held by the majority shareholder became exercisable. As a result, Hannover Re Group lost its significant influence over the company, so that it is no longer consolidated using the equity method. The company was reported under “Other participating interests” until the shares were returned to the majority shareholder on 4 May 2015. The disposal of this company resulted in an expense of EUR 4 million, which is reported in net investment income. In addition, currency translation gains resulted in accumulated other comprehensive income of EUR 0.4 million.

On 1 October 2014, the Group signed a purchase agreement for 49.94% of the shares of the largest private water company in Portugal, Indaqua Indústria e Gestão de Águas S.A., Matosinhos, Portugal. The acquisition was subject to conditions precedent, which were met as at 16 April 2015 (acquisition date). The acquisition is being made via INOS 14-003 GmbH (future name: Talanx Infrastructure Portugal GmbH), Munich, which was acquired separately for this purpose, and in which TD Real Assets GmbH & Co. KG (Retail Germany segment) acquired 70% of the shares and HG-I Alternative Investments Beteiligungs-GmbH & Co. KG, Cologne, (Industrial Lines segment) acquired 30%. The purchase price for the investment in the associate amounts to EUR 51 million.

As in the 2014 consolidated financial statements, the Magma HDI General Insurance Company Limited, Kolkata, joint venture is accounted for using the equity method.

The basis of consolidation as at the reporting date comprises the following companies:

#### CONSOLIDATED SUBSIDIARIES

|            | Individual companies |                 | Investment funds <sup>1)</sup> |                 | Structured entities | Subgroups <sup>2)</sup>     | Total |
|------------|----------------------|-----------------|--------------------------------|-----------------|---------------------|-----------------------------|-------|
|            | Germany              | Other countries | Germany                        | Other countries | Other countries     | Germany/<br>Other countries |       |
| 31.12.2014 | 79                   | 54              | 15                             | 13              | 3                   | 4                           | 168   |
| Additions  | 1                    | 7               | 3                              | 1               | —                   | —                           | 12    |
| Disposals  | —                    | —               | 1                              | —               | —                   | —                           | 1     |
| 31.3.2015  | 80                   | 61              | 17                             | 14              | 3                   | 4                           | 179   |
| Additions  | 5                    | —               | —                              | —               | —                   | —                           | 5     |
| Disposals  | 4                    | 1               | —                              | 1               | —                   | —                           | 6     |
| 30.6.2015  | 81                   | 60              | 17                             | 13              | 3                   | 4                           | 178   |

<sup>1)</sup> Not structured entities because control is exercised through voting or similar rights

<sup>2)</sup> Including three foreign subgroups

## V. NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

### HDI STRAKHUVANNYA, KIEV, UKRAINE (RETAIL INTERNATIONAL SEGMENT)

We classified HDI STRAKHUVANNYA, Kiev, Ukraine, as a disposal group in accordance with IFRS 5 as at 31 December 2014. The Retail International segment's aim in selling this company is to streamline its portfolio in Eastern Europe. The sale of the shares was effected at a price in the low single-digit millions of euros on 19 February 2015. 10% of the shares of the company less one share were transferred to the buyer after payment of the full purchase price. The remaining shares are to be transferred to the buyer once the transaction has received the necessary antitrust and regulatory approval. The transfer of the remaining shares will only be complete and the loss of control over the company will only occur after approval has been granted. Antitrust approval has already been granted, and we expect to receive regulatory approval in the course of 2015. The transaction does not significantly affect the Group's earnings. Accumulated other comprehensive income of EUR –5 million resulting from the translation of the assets and liabilities belonging to the disposal group will not be realised until deconsolidation. The disposal group contains assets of EUR 9 million and liabilities of EUR 4 million.

### HDI ZASTRAHOVANE AD, SOFIA, BULGARIA (RETAIL INTERNATIONAL SEGMENT)

In January 2015, the Group decided to sell HDI Zastrahovane AD, Sofia, Bulgaria, (Retail International segment) together with the HDI STRAKHUVANNYA, Kiev, Ukraine disposal group. The sale streamlines the Group's portfolio in Eastern Europe in the Retail International Division. The sale of the shares was agreed upon on 19 February 2015; the selling price in millions of euros was in the mid-single-figure range. 9.4% of the shares of the company less one share were already transferred to the buyer after payment of the purchase price. The remaining shares are to be transferred to the buyer once the transaction has received the necessary antitrust

and regulatory approval. The transfer of the remaining shares will only be complete and the loss of control over the company will only occur after approval has been granted. Antitrust approval has already been granted, and we expect to receive regulatory approval in the course of 2015. The transaction does not significantly affect the Group's earnings. Accumulated other comprehensive income of EUR –2 million resulting from the translation of the assets and liabilities belonging to the disposal group will not be realised until deconsolidation. The disposal group contains assets of EUR 23 million and liabilities of EUR 24 million.

### REAL ESTATE

As at the reporting date, we classified real estate portfolios in the amount of EUR 58 (11) million as held for sale. Of this amount, EUR 28 (3) million was attributable to the Retail Germany segment, EUR 30 (0) million to the Non-Life Reinsurance segment and EUR 0 (8) million to the Industrial Lines segment.

The fair value of the total portfolio (corresponding to the expected selling prices) amounts to EUR 69 (11) million. Sale agreements for the real estate were entered into in the second quarter of 2015. We expect the transactions to close in the third quarter of 2015.

Fair values were largely determined internally within the Group using discounted cash flow methods and, in individual cases, on the basis of external expert opinions. The purchase price is used in cases where a binding sale agreement has been entered into. Intentions to sell 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 principal items of the consolidated balance sheet are as follows:

### (1) INTANGIBLE ASSETS

| INTANGIBLE ASSETS                                         |              |              |
|-----------------------------------------------------------|--------------|--------------|
| IN EUR MILLION                                            |              |              |
|                                                           | 30.6.2015    | 31.12.2014   |
| a. Goodwill                                               | 1,065        | 1,090        |
| b. Other intangible assets                                | 1,070        | 1,006        |
| of which                                                  |              |              |
| Insurance-related intangible assets                       | 781          | 766          |
| Software                                                  | 138          | 143          |
| Other                                                     |              |              |
| Acquired distribution networks and customer relationships | 67           | 33           |
| Other                                                     | 45           | 32           |
| Acquired brand names                                      | 39           | 32           |
| <b>Total</b>                                              | <b>2,135</b> | <b>2,096</b> |

### GOODWILL

As part of the realignment of its German life insurance business, Talanx Deutschland AG split the Board of Management responsibilities for the life insurance and property/casualty lines on 1 May 2015 to reflect the two lines. Monitoring of goodwill is being modified as a result of this reorganisation. Previously, the recoverability of goodwill was monitored at the level of the segment as a whole, which was identical to the CGU. It will now be assessed on the basis of two newly created Board of Management responsibilities – “Property/Casualty Germany” and “Life Germany” – at the level below Talanx Deutschland AG. This change in the way goodwill is monitored has changed the composition of the former underlying “Retail Germany” CGU (corresponding to the “Retail Germany” segment), resulting in the need to reallocate goodwill.

Before goodwill is reallocated, it must be tested for impairment on the basis of the “old” structure. Only after this has been completed can the goodwill be reallocated and tested for impairment separately for the “Property/Casualty Germany” and “Life Germany” CGUs. The impairment test in the first step did not indicate that

goodwill was impaired. In the second step, the goodwill of the old “Retail Germany” CCU amounting to EUR 403 million was allocated to the new “Property/Casualty Germany” (EUR 248 million) and “Life Germany” (EUR 155 million) CGUs, based on the relative values. The proportionately allocated goodwill of the “Life Germany” CGU amounting to EUR 155 million had to be written down in full in the second quarter of 2015 after being tested for impairment. The impairment loss was recognised in profit or loss in the “Goodwill impairments” item.

The recoverable amount of the “Life Germany” CGU amounts to EUR 888 million and is determined on the basis of value in use. To measure the value in use of the “Life Germany” CGU, we extrapolated the MCEV data from the MCEV reports as at 31 December 2014 with their documented interest rate sensitivities to reflect market interest rates at the time of the reorganisation. The interest rate swap curve used as a basis for calculating the estimated MCEV in 2014 was extrapolated beyond the market information that can be reliably estimated after 20 years to an ultimate forward rate of 4.2% reached after a total of 60 years; this was based on EIOPA requirements and is in line with standard market practice. Value in use was measured by adjusting market interest rates by –22 BP to reflect the documented MCEV interest rate sensitivities and the value of new business. The impairment loss is therefore primarily attributable to the continued decline in interest rates up to the date of the impairment test in a persistently low interest rate environment.

The reorganisation within Talanx Deutschland AG does not change either the cross-line management of the segment or internal reporting to the Group Board of Management of Talanx AG, so segment reporting for the Retail Germany Division is unchanged.

The reduction in goodwill by the EUR 155 million impairment loss was largely offset by the newly acquired goodwill from the acquisition of the Magallanes group (see section IV “Consolidation”) amounting to EUR 122 million.

**(2) LOANS AND RECEIVABLES****LOANS AND RECEIVABLES**

IN EUR MILLION

|                                                                                        | Amortised cost |               | Unrealised gains/losses |              | Fair value    |               |
|----------------------------------------------------------------------------------------|----------------|---------------|-------------------------|--------------|---------------|---------------|
|                                                                                        | 30.6.2015      | 31.12.2014    | 30.6.2015               | 31.12.2014   | 30.6.2015     | 31.12.2014    |
| Mortgage loans                                                                         | 632            | 696           | 78                      | 72           | 710           | 768           |
| Loans and prepayments on insurance policies                                            | 181            | 184           | —                       | —            | 181           | 184           |
| Loans and receivables due from government or quasi-governmental entities <sup>1)</sup> | 9,887          | 9,783         | 1,505                   | 1,751        | 11,392        | 11,534        |
| Corporate bonds                                                                        | 5,939          | 6,287         | 445                     | 591          | 6,384         | 6,878         |
| Covered bonds/asset-backed securities                                                  | 13,852         | 13,583        | 2,825                   | 3,451        | 16,677        | 17,034        |
| Profit participation rights                                                            | 17             | 20            | 4                       | 4            | 21            | 24            |
| <b>Total</b>                                                                           | <b>30,508</b>  | <b>30,553</b> | <b>4,857</b>            | <b>5,869</b> | <b>35,365</b> | <b>36,422</b> |

<sup>1)</sup> Loans and receivables due from government or quasi-governmental entities include securities of EUR 3,109 (3,030) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states

The “Covered bonds/asset-backed securities” item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 13,833 (13,563) million; these correspond to 99% (99%) of the total amount.

**(3) FINANCIAL ASSETS HELD TO MATURITY****FINANCIAL ASSETS HELD TO MATURITY**

IN EUR MILLION

|                                                                     | Amortised cost |              | Unrealised gains/losses |            | Fair value   |              |
|---------------------------------------------------------------------|----------------|--------------|-------------------------|------------|--------------|--------------|
|                                                                     | 30.6.2015      | 31.12.2014   | 30.6.2015               | 31.12.2014 | 30.6.2015    | 31.12.2014   |
| Government debt securities of EU member states                      | 527            | 540          | 21                      | 31         | 548          | 571          |
| US treasury notes                                                   | 126            | 257          | 1                       | 3          | 127          | 260          |
| Other foreign government debt securities                            | 64             | 60           | —                       | —          | 64           | 60           |
| Debt securities issued by quasi-governmental entities <sup>1)</sup> | 390            | 445          | 13                      | 17         | 403          | 462          |
| Corporate bonds                                                     | 275            | 346          | 4                       | 8          | 279          | 354          |
| Covered bonds/asset-backed securities                               | 607            | 806          | 47                      | 61         | 654          | 867          |
| <b>Total</b>                                                        | <b>1,989</b>   | <b>2,454</b> | <b>86</b>               | <b>120</b> | <b>2,075</b> | <b>2,574</b> |

<sup>1)</sup> Debt securities issued by quasi-governmental entities include securities of EUR 112 (130) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states

The “Covered bonds/asset-backed securities” item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 606 (805) million; these correspond to 99% (99%) of the total amount.

**(4) FINANCIAL ASSETS AVAILABLE FOR SALE****FINANCIAL ASSETS AVAILABLE FOR SALE**

IN EUR MILLION

|                                                                     | Amortised cost |               | Unrealised gains/losses |              | Fair value    |               |
|---------------------------------------------------------------------|----------------|---------------|-------------------------|--------------|---------------|---------------|
|                                                                     | 30.6.2015      | 31.12.2014    | 30.6.2015               | 31.12.2014   | 30.6.2015     | 31.12.2014    |
| <b>Fixed-income securities</b>                                      |                |               |                         |              |               |               |
| Government debt securities of EU member states                      | 8,486          | 8,015         | 824                     | 1,215        | 9,310         | 9,230         |
| US treasury notes                                                   | 3,556          | 2,699         | 25                      | 32           | 3,581         | 2,731         |
| Other foreign government debt securities                            | 2,121          | 1,992         | -4                      | -15          | 2,117         | 1,977         |
| Debt securities issued by quasi-governmental entities <sup>1)</sup> | 7,792          | 7,458         | 799                     | 1,012        | 8,591         | 8,470         |
| Corporate bonds                                                     | 22,356         | 21,214        | 746                     | 1,383        | 23,102        | 22,597        |
| Investment funds                                                    | 636            | 665           | 97                      | 89           | 733           | 754           |
| Covered bonds/asset-backed securities                               | 8,128          | 7,916         | 700                     | 889          | 8,828         | 8,805         |
| Profit participation certificates                                   | 272            | 331           | 10                      | 5            | 282           | 336           |
| <b>Total fixed-income securities</b>                                | <b>53,347</b>  | <b>50,290</b> | <b>3,197</b>            | <b>4,610</b> | <b>56,544</b> | <b>54,900</b> |
| <b>Variable-yield securities</b>                                    |                |               |                         |              |               |               |
| Equities                                                            | 297            | 290           | 51                      | 49           | 348           | 339           |
| Investment funds                                                    | 882            | 779           | 124                     | 123          | 1,006         | 902           |
| Profit participation certificates                                   | 46             | 42            | 1                       | —            | 47            | 42            |
| <b>Total variable-yield securities</b>                              | <b>1,225</b>   | <b>1,111</b>  | <b>176</b>              | <b>172</b>   | <b>1,401</b>  | <b>1,283</b>  |
| <b>Total securities</b>                                             | <b>54,572</b>  | <b>51,401</b> | <b>3,373</b>            | <b>4,782</b> | <b>57,945</b> | <b>56,183</b> |

<sup>1)</sup> Debt securities issued by quasi-governmental entities include securities of EUR 2,870 (2,990) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states

The “Covered bonds/asset-backed securities” item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 7,355 (7,489) million; these correspond to 83% (85%) of the total amount.

## (5) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

IN EUR MILLION

|                                                                               | Fair value   |              |
|-------------------------------------------------------------------------------|--------------|--------------|
|                                                                               | 30.6.2015    | 31.12.2014   |
| <b>Fixed-income securities</b>                                                |              |              |
| Government debt securities of EU member states                                | 34           | 37           |
| Other foreign government debt securities                                      | 74           | 49           |
| Debt securities issued by quasi-governmental entities <sup>1)</sup>           | 2            | 2            |
| Corporate bonds                                                               | 574          | 588          |
| Investment funds                                                              | 128          | 111          |
| Covered bonds/asset-backed securities                                         | 20           | —            |
| Profit participation certificates                                             | 38           | 63           |
| Other                                                                         | —            | —            |
| <b>Total fixed-income securities</b>                                          | <b>870</b>   | <b>850</b>   |
| Investment funds (variable-yield securities)                                  | 31           | 27           |
| Other variable-yield securities                                               | 41           | 68           |
| <b>Total financial assets classified at fair value through profit or loss</b> | <b>942</b>   | <b>945</b>   |
| <b>Fixed-income securities</b>                                                |              |              |
| Government debt securities of EU member states                                | 2            | —            |
| Other foreign government debt securities                                      | 1            | 2            |
| Corporate bonds                                                               | 4            | 4            |
| Other securities                                                              | —            | —            |
| <b>Total fixed-income securities</b>                                          | <b>7</b>     | <b>6</b>     |
| Investment funds (variable-yield securities)                                  | 105          | 108          |
| Derivatives                                                                   | 66           | 80           |
| <b>Total financial assets held for trading</b>                                | <b>178</b>   | <b>194</b>   |
| <b>Total</b>                                                                  | <b>1,120</b> | <b>1,139</b> |

<sup>1)</sup> Debt securities issued by quasi-governmental entities include securities of EUR 3 (2) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states

The “Covered bonds/asset-backed securities” item does not include any German covered bonds (Pfandbriefe).

## (6) DISCLOSURES ON FAIR VALUE AND THE FAIR VALUE HIERARCHY

### FAIR VALUE HIERARCHY

The disclosures in accordance with IFRS 13 "Fair Value Measurement" require financial instruments measured at fair value to be allocated to a three-level fair value hierarchy. One goal of this requirement is to reveal the link between market inputs and the data used in determining fair value. The following classes of financial instruments are affected: available-for-sale financial assets, financial instruments at fair value through profit or loss, other investments and investment contracts (financial assets and liabilities) that are measured at fair value, negative fair values of derivative financial instruments and hedging instruments (derivatives used in hedge accounting).

The fair value hierarchy reflects characteristics of the pricing information and inputs used for measurement, and is structured as follows:

- Level 1: Assets and liabilities that are measured using (un-adjusted) prices quoted directly in active, liquid markets. These primarily include listed equities, futures and options, investment funds and highly liquid bonds traded in regulated markets.
- Level 2: Assets and liabilities that are measured using observable market data and that are not allocated to Level 1. Measurement is based in particular on prices for comparable assets and liabilities that are traded in active markets, prices in markets that are not deemed active and inputs derived from such prices and market data. Among other things, this level includes assets measured on the basis of yield curves, such as promissory note loans and registered debt securities. Also allocated to Level 2 are market prices for bonds with limited liquidity, such as corporate bonds.
- Level 3: Assets and liabilities that cannot be measured or can only be measured in part using inputs observable in the market. These instruments are mainly measured using valuation models and techniques. This level primarily includes unlisted equity instruments.

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

### BREAKDOWN OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

At the reporting date, the share of Level 1 financial instruments in the total portfolio of financial assets measured at fair value was 5% (6%).

In total, 90% (90%) of financial instruments measured at fair value were allocated to Level 2 at the reporting date.

At the reporting date, the Group allocated 5% (4%) of financial instruments measured at fair value to Level 3.

In the reporting period, securities with a fair value of EUR 20 million that had been allocated to Level 2 in the previous year were allocated to Level 1. The reclassification had to be made mainly because of the improved liquidity of the instruments. The reallocations mainly affected fixed-income securities classified as available for sale. The reclassification amounts shown refer in each case to the reported carrying amount of the investments at the beginning of the period.

## FAIR VALUE HIERARCHY

IN EUR MILLION

|                                                                                | Level 1      | Level 2       | Level 3 <sup>1)</sup> | Carrying amount |
|--------------------------------------------------------------------------------|--------------|---------------|-----------------------|-----------------|
|                                                                                |              |               |                       | 30.6.2015       |
| <b>Financial assets measured at fair value</b>                                 |              |               |                       |                 |
| Financial assets available for sale                                            |              |               |                       |                 |
| Fixed-income securities                                                        | 110          | 56,434        | —                     | 56,544          |
| Variable-yield securities                                                      | 574          | 73            | 754                   | 1,401           |
| Financial assets at fair value through profit or loss                          |              |               |                       |                 |
| Financial assets classified at fair value through profit or loss               | 63           | 837           | 42                    | 942             |
| Financial assets held for trading                                              | 115          | 59            | 4                     | 178             |
| Other investments                                                              | 1,988        | 54            | 1,874                 | 3,916           |
| Other assets, derivative financial instruments (hedging instruments)           | —            | 207           | —                     | 207             |
| Investment contracts                                                           |              |               |                       |                 |
| Financial assets classified at fair value through profit or loss               | 365          | 681           | 164                   | 1,210           |
| Financial assets available for sale                                            | —7           | 25            | —                     | 18              |
| Derivatives                                                                    | —1           | 55            | 6                     | 60              |
| <b>Total financial assets measured at fair value</b>                           | <b>3,207</b> | <b>58,425</b> | <b>2,844</b>          | <b>64,476</b>   |
| <b>Financial liabilities measured at fair value</b>                            |              |               |                       |                 |
| Other liabilities (negative fair values from derivative financial instruments) |              |               |                       |                 |
| Negative fair values from derivatives                                          | —            | 48            | 207                   | 255             |
| Negative fair values from hedging instruments                                  | —            | —             | —                     | —               |
| Other liabilities (investment contracts)                                       |              |               |                       |                 |
| Financial liabilities classified at fair value through profit or loss          | 395          | 675           | 164                   | 1,234           |
| Derivatives                                                                    | —            | 53            | 6                     | 59              |
| <b>Notional amount</b>                                                         | <b>395</b>   | <b>776</b>    | <b>377</b>            | <b>1,548</b>    |
|                                                                                |              |               |                       | 31.12.2014      |
| <b>Financial assets measured at fair value</b>                                 |              |               |                       |                 |
| Financial assets available for sale                                            |              |               |                       |                 |
| Fixed-income securities                                                        | 77           | 54,823        | —                     | 54,900          |
| Variable-yield securities                                                      | 561          | 65            | 657                   | 1,283           |
| Financial assets at fair value through profit or loss                          |              |               |                       |                 |
| Financial assets classified at fair value through profit or loss               | 94           | 814           | 37                    | 945             |
| Financial assets held for trading                                              | 119          | 69            | 6                     | 194             |
| Other investments                                                              | 2,000        | 41            | 1,662                 | 3,703           |
| Other assets, derivative financial instruments (hedging instruments)           | —            | 304           | —                     | 304             |
| Investment contracts                                                           |              |               |                       |                 |
| Financial assets classified at fair value through profit or loss               | 326          | 543           | 158                   | 1,027           |
| Financial assets available for sale                                            | —            | 24            | —                     | 24              |
| Derivatives                                                                    | —            | 56            | 5                     | 61              |
| <b>Total financial assets measured at fair value</b>                           | <b>3,177</b> | <b>56,739</b> | <b>2,525</b>          | <b>62,441</b>   |
| <b>Financial liabilities measured at fair value</b>                            |              |               |                       |                 |
| Other liabilities (negative fair values from derivative financial instruments) |              |               |                       |                 |
| Negative fair values from derivatives                                          | —            | 111           | 189                   | 300             |
| Negative fair values from hedging instruments                                  | —            | —             | —                     | —               |
| Other liabilities (investment contracts)                                       |              |               |                       |                 |
| Financial liabilities classified at fair value through profit or loss          | 385          | 537           | 158                   | 1,080           |
| Derivatives                                                                    | —            | 55            | 5                     | 60              |
| <b>Notional amount</b>                                                         | <b>385</b>   | <b>703</b>    | <b>352</b>            | <b>1,440</b>    |

<sup>1)</sup> Categorisation in Level 3 does not represent any indication of quality. No conclusions may be drawn as to the credit quality of the issuers

### 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 (abbreviated in the following to “FI”) included in Level 3 at the beginning of the reporting period to the carrying amounts as at the reporting date.

#### RECONCILIATION OF FINANCIAL INSTRUMENTS <sup>1)</sup> (FINANCIAL ASSETS) INCLUDED IN LEVEL 3 AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 30 JUNE

IN EUR MILLION

|                                             | Available<br>for sale FI/<br>variable-yield<br>securities | FI classified<br>at fair value<br>through<br>profit or loss | FI held for<br>trading | Other<br>investments | Investment<br>contracts/FI<br>classified at fair<br>value through<br>profit or loss | Investment<br>contracts/<br>derivatives | Total amount of<br>financial<br>assets measured<br>at fair value |
|---------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------|------------------------|----------------------|-------------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------|
| <b>2015</b>                                 |                                                           |                                                             |                        |                      |                                                                                     |                                         |                                                                  |
| Opening balance at 1.1.2015                 | 657                                                       | 37                                                          | 6                      | 1,662                | 158                                                                                 | 5                                       | 2,525                                                            |
| Income and expenses                         |                                                           |                                                             |                        |                      |                                                                                     |                                         |                                                                  |
| recognised in the statement<br>of income    | -10                                                       | —                                                           | —                      | 7                    | -3                                                                                  | 2                                       | -4                                                               |
| recognised in other<br>comprehensive income | -9                                                        | —                                                           | —                      | 3                    | —                                                                                   | —                                       | -6                                                               |
| Transfers into Level 3                      | —                                                         | —                                                           | —                      | —                    | —                                                                                   | —                                       | —                                                                |
| Transfers out of Level 3                    | —                                                         | —                                                           | —                      | —                    | —                                                                                   | —                                       | —                                                                |
| Additions                                   |                                                           |                                                             |                        |                      |                                                                                     |                                         |                                                                  |
| Purchases                                   | 163                                                       | 16                                                          | 1                      | 239                  | 45                                                                                  | 1                                       | 465                                                              |
| Disposals                                   |                                                           |                                                             |                        |                      |                                                                                     |                                         |                                                                  |
| Sales                                       | 57                                                        | 2                                                           | 3                      | 114                  | 40                                                                                  | 2                                       | 218                                                              |
| Repayments/redemptions                      | —                                                         | 9                                                           | —                      | —                    | —                                                                                   | —                                       | 9                                                                |
| Exchange rate changes                       | 10                                                        | —                                                           | —                      | 77                   | 4                                                                                   | —                                       | 91                                                               |
| Ending balance at 30.6.2015                 | 754                                                       | 42                                                          | 4                      | 1,874                | 164                                                                                 | 6                                       | 2,844                                                            |
| <b>2014</b>                                 |                                                           |                                                             |                        |                      |                                                                                     |                                         |                                                                  |
| Opening balance at 1.1.2014                 | 523                                                       | 24                                                          | 2                      | 1,265                | 89                                                                                  | 10                                      | 1,913                                                            |
| Change in basis of consolidation            | —                                                         | —                                                           | —                      | —                    | —                                                                                   | —                                       | —                                                                |
| Income and expenses                         |                                                           |                                                             |                        |                      |                                                                                     |                                         |                                                                  |
| recognised in the statement<br>of income    | -4                                                        | —                                                           | —                      | 2                    | 29                                                                                  | —                                       | 27                                                               |
| recognised in other<br>comprehensive income | 10                                                        | —                                                           | —                      | 50                   | —                                                                                   | —                                       | 60                                                               |
| Transfers into Level 3                      | 3 <sup>2)</sup>                                           | —                                                           | —                      | —                    | —                                                                                   | —                                       | 3                                                                |
| Transfers out of Level 3                    | —                                                         | —                                                           | —                      | —                    | —                                                                                   | —                                       | —                                                                |
| Additions                                   |                                                           |                                                             |                        |                      |                                                                                     |                                         |                                                                  |
| Purchases                                   | 90                                                        | 9                                                           | 3                      | 148                  | 13                                                                                  | 3                                       | 266                                                              |
| Disposals                                   |                                                           |                                                             |                        |                      |                                                                                     |                                         |                                                                  |
| Sales                                       | 24                                                        | 1                                                           | —                      | 76                   | 4                                                                                   | 3                                       | 108                                                              |
| Repayments/redemptions                      | —                                                         | 14                                                          | —                      | —                    | —                                                                                   | —                                       | 14                                                               |
| Exchange rate changes                       | 1                                                         | —                                                           | —                      | 6                    | —                                                                                   | —                                       | 7                                                                |
| Ending balance at 30.6.2014                 | 599                                                       | 18                                                          | 5                      | 1,395                | 127                                                                                 | 10                                      | 2,154                                                            |

<sup>1)</sup> The term “financial instruments” is abbreviated to “FI” in the following

<sup>2)</sup> Trading in an active market discontinued

**RECONCILIATION OF FINANCIAL INSTRUMENTS <sup>1)</sup> (FINANCIAL LIABILITIES) INCLUDED IN LEVEL 3 AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 30 JUNE**

IN EUR MILLION

|                                          | Other liabilities/negative fair values from derivatives | Investment contracts/ FI classified at fair value through profit or loss | Investment contracts/ derivatives | Total amount of financial liabilities measured at fair value |
|------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------------|
| <b>2015</b>                              |                                                         |                                                                          |                                   |                                                              |
| Opening balance at 1.1.2015              | 189                                                     | 158                                                                      | 5                                 | 352                                                          |
| Income and expenses                      |                                                         |                                                                          |                                   |                                                              |
| recognised in the statement of income    | -2                                                      | 3                                                                        | -2                                | -1                                                           |
| recognised in other comprehensive income | —                                                       | —                                                                        | —                                 | —                                                            |
| Transfers into Level 3                   | —                                                       | —                                                                        | —                                 | —                                                            |
| Transfers out of Level 3                 | —                                                       | —                                                                        | —                                 | —                                                            |
| Additions                                |                                                         |                                                                          |                                   |                                                              |
| Purchases                                | 37                                                      | 45                                                                       | 1                                 | 83                                                           |
| Disposals                                |                                                         |                                                                          |                                   |                                                              |
| Sales                                    | 35                                                      | 40                                                                       | 2                                 | 77                                                           |
| Exchange rate changes                    | 14                                                      | 4                                                                        | —                                 | 18                                                           |
| Ending balance at 30.6.2015              | 207                                                     | 164                                                                      | 6                                 | 377                                                          |
| <b>2014</b>                              |                                                         |                                                                          |                                   |                                                              |
| Opening balance at 1.1.2014              | 117                                                     | 89                                                                       | 10                                | 216                                                          |
| Income and expenses                      |                                                         |                                                                          |                                   |                                                              |
| recognised in the statement of income    | —                                                       | -29                                                                      | —                                 | -29                                                          |
| recognised in other comprehensive income | —                                                       | —                                                                        | —                                 | —                                                            |
| Transfers into Level 3                   | —                                                       | —                                                                        | —                                 | —                                                            |
| Transfers out of Level 3                 | —                                                       | —                                                                        | —                                 | —                                                            |
| Additions                                |                                                         |                                                                          |                                   |                                                              |
| Purchases                                | 8                                                       | 13                                                                       | 3                                 | 24                                                           |
| Disposals                                |                                                         |                                                                          |                                   |                                                              |
| Sales                                    | —                                                       | 4                                                                        | 3                                 | 7                                                            |
| Exchange rate changes                    | 1                                                       | —                                                                        | —                                 | 1                                                            |
| Ending balance at 30.6.2014              | 126                                                     | 127                                                                      | 10                                | 263                                                          |

<sup>1)</sup> The term "financial instruments" is abbreviated to "FI" in the following

There were no liabilities issued with an inseparable third-party credit enhancement within the meaning of IFRS 13.98 as at the reporting date.

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 PROFIT OR LOSS OF LEVEL 3 FINANCIAL INSTRUMENTS<sup>1)</sup> (FINANCIAL ASSETS) MEASURED AT FAIR VALUE**

IN EUR MILLION

|                                                                                                         | Available<br>for sale FI/<br>variable-yield<br>securities | FI classified<br>at fair value<br>through<br>profit or loss | FI held<br>for trading | Other<br>investments | Investment<br>contracts/FI<br>classified at fair<br>value through<br>profit or loss | Investment<br>contracts/<br>derivatives | Total amount<br>of financial<br>assets measured<br>at fair value |
|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------|------------------------|----------------------|-------------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------|
| <b>2015</b>                                                                                             |                                                           |                                                             |                        |                      |                                                                                     |                                         |                                                                  |
| <b>Gains and losses in financial year 2015<br/>until 30.6.2015</b>                                      |                                                           |                                                             |                        |                      |                                                                                     |                                         |                                                                  |
| Investment income                                                                                       | —                                                         | 5                                                           | 2                      | 9                    | 38                                                                                  | 4                                       | 58                                                               |
| Investment expenses                                                                                     | -10                                                       | -5                                                          | -2                     | -2                   | -41                                                                                 | -2                                      | -62                                                              |
| <b>of which attributable to financial<br/>instruments included in the portfolio<br/>as at 30.6.2015</b> |                                                           |                                                             |                        |                      |                                                                                     |                                         |                                                                  |
| Investment income <sup>2)</sup>                                                                         | —                                                         | 5                                                           | 2                      | 9                    | 38                                                                                  | 4                                       | 58                                                               |
| Investment expenses <sup>3)</sup>                                                                       | -10                                                       | -5                                                          | -2                     | -2                   | -41                                                                                 | -2                                      | -62                                                              |
| <b>2014</b>                                                                                             |                                                           |                                                             |                        |                      |                                                                                     |                                         |                                                                  |
| <b>Gains and losses in financial year 2014<br/>until 30.6.2014</b>                                      |                                                           |                                                             |                        |                      |                                                                                     |                                         |                                                                  |
| Investment income                                                                                       | —                                                         | 1                                                           | 2                      | 3                    | 36                                                                                  | 4                                       | 46                                                               |
| Investment expenses                                                                                     | -4                                                        | -1                                                          | -2                     | -1                   | -7                                                                                  | -4                                      | -19                                                              |
| <b>of which attributable to financial<br/>instruments included in the portfolio<br/>as at 30.6.2015</b> |                                                           |                                                             |                        |                      |                                                                                     |                                         |                                                                  |
| Investment income                                                                                       | —                                                         | 1                                                           | 2                      | 3                    | 36                                                                                  | 4                                       | 46                                                               |
| Investment expenses                                                                                     | -4                                                        | —                                                           | -2                     | -1                   | -7                                                                                  | -4                                      | -18                                                              |

<sup>1)</sup> The term "financial instruments" is abbreviated to "FI" in the following

<sup>2)</sup> Of which EUR 58 (46) million attributable to unrealised gains

<sup>3)</sup> Of which -EUR 50 (-13) million attributable to unrealised losses

**EFFECT ON PROFIT OR LOSS OF LEVEL 3 FINANCIAL INSTRUMENTS<sup>1)</sup> (FINANCIAL LIABILITIES) MEASURED AT FAIR VALUE**

IN EUR MILLION

|                                                                                                 | Other liabilities/negative fair values from derivatives | Investment contracts/ FI classified at fair value through profit or loss | Investment contracts/ derivatives | Total amount of financial liabilities measured at fair value |
|-------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------------|
| <b>2015</b>                                                                                     |                                                         |                                                                          |                                   |                                                              |
| <b>Gains and losses in financial year 2015 until 30.6.2015</b>                                  |                                                         |                                                                          |                                   |                                                              |
| Investment income                                                                               | -1                                                      | 41                                                                       | 2                                 | 42                                                           |
| Investment expenses                                                                             | —                                                       | -38                                                                      | -4                                | -42                                                          |
| Financing costs                                                                                 | -1                                                      | —                                                                        | —                                 | -1                                                           |
| <b>of which attributable to financial instruments included in the portfolio as at 30.6.2015</b> |                                                         |                                                                          |                                   |                                                              |
| Investment income <sup>2)</sup>                                                                 | 3                                                       | 41                                                                       | 2                                 | 46                                                           |
| Investment expenses <sup>3)</sup>                                                               | —                                                       | -38                                                                      | -4                                | -42                                                          |
| Financing costs <sup>4)</sup>                                                                   | -1                                                      | —                                                                        | —                                 | -1                                                           |
| <b>2014</b>                                                                                     |                                                         |                                                                          |                                   |                                                              |
| <b>Gains and losses in financial year 2014 until 30.6.2014</b>                                  |                                                         |                                                                          |                                   |                                                              |
| Investment income                                                                               | 1                                                       | 7                                                                        | 4                                 | 12                                                           |
| Investment expenses                                                                             | —                                                       | -36                                                                      | -4                                | -40                                                          |
| Financing costs                                                                                 | -1                                                      | —                                                                        | —                                 | -1                                                           |
| <b>of which attributable to financial instruments included in the portfolio as at 30.6.2015</b> |                                                         |                                                                          |                                   |                                                              |
| Investment income                                                                               | 1                                                       | 7                                                                        | 4                                 | 12                                                           |
| Investment expenses                                                                             | —                                                       | -36                                                                      | -4                                | -40                                                          |
| Financing costs                                                                                 | -1                                                      | —                                                                        | —                                 | -1                                                           |

<sup>1)</sup> The term "financial instruments" is abbreviated to "FI" in the following<sup>2)</sup> Of which EUR 46 (12) million attributable to unrealised gains<sup>3)</sup> Of which -EUR 42 (-40) million attributable to unrealised losses<sup>4)</sup> Of which -EUR 1 (-1) million attributable to unrealised losses**MEASUREMENT PROCESS**

The measurement process consists of using either publicly available prices in active markets or measurements with economically established models that are based on observable inputs 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 documented measurements prepared by independent professional experts (e.g. audited net asset value) that have previously been 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 the separation of functions and responsibilities. The measurement processes and methods are documented in full. Decisions on measurement questions are taken by the Talanx Valuation Committee, which meets monthly.

We do not make use of the portfolio measurement option allowed by IFRS 13.48.

Fair value measurement: As a general rule, fair value is the price that the Group would receive on the sale of an asset or pay on the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value of securities is therefore 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 ask price. Securities for which no current market price is available are measured on the basis of current and observable market data using established financial models. Such models are used principally to measure unlisted securities.

The Group uses several valuation models to measure fair value:

#### VALUATION MODELS USED TO MEASURE FAIR VALUE

| Financial instrument                                  | Pricing method    | Inputs                                                                                    | Pricing model                                          |
|-------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------|
| <b>Fixed-income securities</b>                        |                   |                                                                                           |                                                        |
| Unlisted plain vanilla bonds                          | Theoretical price | Yield curve                                                                               | Present value method                                   |
| Unlisted structured bonds                             | Theoretical price | Yield curve, volatility surfaces, correlations                                            | Hull-White, Black-Karasinski, Libor market model, etc. |
| ABSs/MBSs for which no market prices are available    | Theoretical price | Prepayment speed, incurred losses, default probabilities, recovery rates                  | Present value method                                   |
| CDOs/CLOs                                             | Theoretical price | Prepayment speed, risk premiums, default rates, recovery rates, redemptions               | Present value method                                   |
| <b>Equities and funds</b>                             |                   |                                                                                           |                                                        |
| Unlisted equities                                     | Theoretical price | Cost, cash flows, EBIT multiples, expert opinions, carrying amount where applicable       | NAV method <sup>1)</sup>                               |
| Unlisted equity, real estate and bond funds           | Theoretical price | Audited net asset value (NAV) <sup>1)</sup>                                               | NAV method <sup>1)</sup>                               |
| <b>Other investments</b>                              |                   |                                                                                           |                                                        |
| Private equity funds/private equity real estate funds | Theoretical price | Audited net asset value (NAV) <sup>1)</sup>                                               | NAV method <sup>1)</sup>                               |
| <b>Derivative financial instruments</b>               |                   |                                                                                           |                                                        |
| Listed equity options                                 | Listed price      | —                                                                                         | —                                                      |
| Equity and index futures                              | Listed price      | —                                                                                         | —                                                      |
| Interest rate and bond futures                        | Listed price      | —                                                                                         | —                                                      |
| Plain vanilla interest rate swaps                     | Theoretical price | Yield curve                                                                               | Present value method                                   |
| Currency forwards                                     | Theoretical price | Yield curve, spot and forward rates                                                       | Interest parity model                                  |
| OTC equity options, OTC equity index options          | Theoretical price | Listed price of the underlying, implied volatilities, money market rate, dividend yield   | Black-Scholes                                          |
| FX options                                            | Theoretical price | Spot rates, exchange rates, implied volatilities                                          | Garman/Kohlhagen                                       |
| Interest rate futures (forward purchases)             | Theoretical price | Yield curve                                                                               | Present value method                                   |
| Inflation swaps                                       | Theoretical price | Inflation swap rates (consumer price index), historical index fixings, yield curve        | Present value method with seasonality adjustment       |
| Swaptions                                             | Theoretical price | Yield curve, implied volatilities                                                         | Black76                                                |
| Credit default swaps                                  | Theoretical price | Yield curves, recovery rates                                                              | ISDA model                                             |
| Insurance derivatives                                 | Theoretical price | Fair values of CAT bonds, yield curve                                                     | Present value method                                   |
| <b>Other</b>                                          |                   |                                                                                           |                                                        |
| Real estate                                           | Theoretical value | Location, year of construction, rental space, type of use, term of leases, amount of rent | Extended discounted cash flow method                   |

<sup>1)</sup> NAV: net asset value

**ADDITIONAL INFORMATION ABOUT THE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS**

IN EUR MILLION

|                                                                     | Fair value at<br>30.6.2015 | Fair value at<br>31.12.2014 | Valuation technique      | Unobservable inputs                                                         | Fluctuation<br>(weighted average) |
|---------------------------------------------------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------------------------------------------------------|-----------------------------------|
| CDOs/CLOs <sup>1)</sup>                                             | 30                         | 27                          | Present value method     | Prepayment speed, risk premiums, default rates, recovery rates, redemptions | n. a. <sup>4)</sup>               |
| Unlisted equities, real estate and bond funds <sup>2)</sup>         | 753                        | 706                         | NAV method <sup>3)</sup> | n.a.                                                                        | n. a.                             |
| Private equity funds/private equity real estate funds <sup>2)</sup> | 1,753                      | 1,485                       | NAV method <sup>3)</sup> | n.a.                                                                        | n. a.                             |
| Written put options for minority interests <sup>2)</sup>            | 55                         | 52                          | NAV method <sup>3)</sup> | Risk-free interest rate                                                     | 5.6 (5.6) %                       |
| Unlisted bond funds <sup>2)</sup>                                   | 31                         | 33                          | NAV method <sup>3)</sup> | n.a.                                                                        | n. a.                             |
| Insurance contracts <sup>1)</sup>                                   | 259                        | 248                         | Present value method     | Fair values of CAT bonds, yield curve, technical parameters                 | n. a. <sup>4)</sup>               |
| Investment contracts                                                | 340                        | 326                         | —                        | —                                                                           | —                                 |

<sup>1)</sup> These financial instruments are classified in Level 3, since unobservable inputs were used to measure them<sup>2)</sup> These financial instruments are classified in Level 3, since they are neither based on market prices nor measured by the Group on the basis of observable inputs. They are measured using the NAV method<sup>3)</sup> NAV: net asset value – alternative inputs within the meaning of IFRS 13 cannot be reasonably established<sup>4)</sup> Fluctuations cannot be reasonably established without disproportionate effort due to the distinct character of the individual inputs

If Level 3 financial instruments are measured using models in which the use 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 instruments with fair values amounting to a total of EUR 3.2 (2.9) billion at the reporting date, the Group generally measured financial instruments with a volume of EUR 2.6 (2.3) billion using the net asset value method, under which alternative inputs within the meaning of the standard cannot reasonably be established. In addition, assets from investment contracts in the amount of EUR 170 (163) million are offset by liabilities from 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. Insurance contracts in the amount of EUR 259 (248) million are recognised in Level 3. The change in the value of these contracts

depends on the change in the risk characteristics of an underlying group of primary insurance contracts with statutory reserve requirements. The use of alternative inputs and assumptions had no material effect on the consolidated financial statements. For the remaining Level 3 financial instruments with a volume of EUR 30 (27) million, the effects of alternative inputs and assumptions are immaterial.

**(7) EQUITY****SUBSCRIBED CAPITAL**

The share capital of Talanx AG is unchanged at EUR 316 million and is composed of 252,797,634 no-par value registered shares. The share capital is fully paid up. For information on the composition of equity, see the "Consolidated statement of changes in equity".

There were no changes in the reporting period in the composition of contingent and authorised capital. Please see the disclosures in our 2014 consolidated financial statements (page 255 ff).

**NON-CONTROLLING INTERESTS****NON-CONTROLLING INTERESTS**

| IN EUR MILLION                             |              |              |
|--------------------------------------------|--------------|--------------|
|                                            | 30.6.2015    | 31.12.2014   |
| Unrealised gains and losses on investments | 694          | 890          |
| Share of net income                        | 319          | 599          |
| Other equity                               | 3,906        | 3,413        |
| <b>Total</b>                               | <b>4,919</b> | <b>4,902</b> |

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

**(8) SUBORDINATED LIABILITIES****COMPOSITION OF LONG-TERM SUBORDINATED DEBT**

IN EUR MILLION

|                                                                                      | Nominal amount | Coupon                             | Maturity               | Rating <sup>5)</sup> | 30.6.2015    | 31.12.2014   |
|--------------------------------------------------------------------------------------|----------------|------------------------------------|------------------------|----------------------|--------------|--------------|
| Hannover Finance (Luxembourg) S. A.                                                  | 500            | Fixed (5%), then floating rate     | 2005/no final maturity | (a; A)               | —            | 498          |
| Hannover Finance (Luxembourg) S. A.                                                  | 500            | Fixed (5.75%), then floating rate  | 2010/2040              | (a+; A)              | 498          | 498          |
| Hannover Finance (Luxembourg) S. A.                                                  | 500            | Fixed (5.0%), then floating rate   | 2012/2043              | (a+; A)              | 497          | 497          |
| Hannover Rück SE <sup>1)</sup>                                                       | 450            | Fixed (3.375%), then floating rate | 2014/no final maturity | (a; A)               | 444          | 444          |
| HDI Lebensversicherung AG (formerly HDI-Gerling Lebensversicherung AG) <sup>2)</sup> | 110            | Fixed (6.75%)                      | 2005/no final maturity | (—; A—)              | —            | 110          |
| Talanx Finanz <sup>3)</sup>                                                          | 113            | Fixed (4.5%)                       | 2005/2025              | (bbb+; BBB)          | —            | 112          |
| Talanx Finanz                                                                        | 500            | Fixed (8.37%), then floating rate  | 2012/2042              | (bbb+; BBB)          | 500          | 500          |
| Open Life Towarzystwo Ubezpieczeń Życie S. A. <sup>4)</sup>                          | 2              | Fixed (2.5%), plus WIBOR 3M        | 2013/2018              | (—; —)               | 2            | 2            |
| <b>Total</b>                                                                         |                |                                    |                        |                      | <b>1,941</b> | <b>2,661</b> |

<sup>1)</sup> At the reporting date, Group companies additionally held bonds with a nominal value of EUR 50 million (consolidated in the consolidated financial statements)

<sup>2)</sup> At the repayment date, Group companies additionally held bonds with a nominal value of EUR 50 million (of which EUR 10 million was consolidated in the consolidated financial statements, with the remaining EUR 40 million being blocked)

<sup>3)</sup> At the repayment date, Group companies additionally held bonds with a nominal value of EUR 96 million (consolidated in the consolidated financial statements)

<sup>4)</sup> Not included in the calculation of Group solvency

<sup>5)</sup> (Debt Rating A. M. Best; Debt Rating S&P)

For additional information on the features of the bonds, please refer to the published 2014 Annual Report, page 258.

The subordinated bond issued in 2005 by Hannover Finance (Luxembourg) S. A. in the amount of EUR 500 million was called in the entire nominal amount by the issuer effective as at the first regular redemption date and repaid on 1 June 2015.

The subordinated bonds of HDI Lebensversicherung AG (nominal outstanding amount: EUR 120 million, of which EUR 10 million was issued internally in the Group) and of Talanx Finanz (Luxemburg) S.A. (nominal amount EUR 209 million, of which EUR 96 million was issued internally in the Group), both of which were issued in 2005, were both repaid in full at the first redemption date on 30 June 2015.

The fair value of the subordinated liabilities amounted to EUR 2,241 (3,023) million at the reporting date.

## (9) TECHNICAL PROVISIONS

### TECHNICAL PROVISIONS

IN EUR MILLION

|                                             | Gross          | Re           | Net           | Gross          | Re           | Net           |
|---------------------------------------------|----------------|--------------|---------------|----------------|--------------|---------------|
|                                             | 30.6.2015      |              |               | 31.12.2014     |              |               |
| a. Unearned premium reserve                 | 8,221          | 946          | 7,275         | 6,316          | 662          | 5,654         |
| b. Benefit reserve                          | 54,675         | 1,350        | 53,325        | 52,679         | 1,185        | 51,494        |
| c. Loss and loss adjustment expense reserve | 39,933         | 5,591        | 34,342        | 37,256         | 5,222        | 32,034        |
| d. Provision for premium refunds            | 4,149          | 1            | 4,148         | 4,484          | 1            | 4,483         |
| e. Other technical provisions               | 379            | 8            | 371           | 374            | 7            | 367           |
| <b>Total</b>                                | <b>107,357</b> | <b>7,896</b> | <b>99,461</b> | <b>101,109</b> | <b>7,077</b> | <b>94,032</b> |

Technical provisions where the investment risk is borne by the policyholders amounted to EUR 10,415 (9,426) million; the reinsurers' share of this total amounts to EUR 319 (293) million.

**(10) NOTES PAYABLE AND LOANS**

The following items were reported under this heading at the reporting date:

**NOTES PAYABLE AND LOANS**

IN EUR MILLION

|                                                                   | 30.6.2015    | 31.12.2014   |
|-------------------------------------------------------------------|--------------|--------------|
| Talanx AG notes payable                                           | 1,065        | 1,065        |
| Mortgage loans of Hannover Re Real Estate Holdings, Inc., Orlando | 204          | 183          |
| Mortgage loans of HR GLL Central Europe GmbH & Co. KG, Munich     | 101          | 101          |
| Loans from infrastructure investments                             | 70           | —            |
| <b>Total</b>                                                      | <b>1,440</b> | <b>1,349</b> |

Talanx AG entered into agreements on two syndicated, variable-rate credit lines with a total nominal value of EUR 1.2 billion and a term of five years in 2011, which were supplemented in 2012. One of these two credit lines from 2011 (EUR 500 million) was replaced in the first quarter of 2014 by a new credit line, again with a term of five years, at improved terms and with an increased volume of EUR 550 million. This means that there were credit lines with a total nominal value of EUR 1.25 billion as at 30 June 2015. They had not been drawn down at the reporting date.

The fair value of notes payable and loans amounted to EUR 1,497 (1,447) million at the reporting date.

**NOTES PAYABLE**

IN EUR MILLION

|                         | Nominal amount | Coupon          | Maturity  | Rating <sup>1)</sup> | Issue                                                                                           | 30.6.2015    | 31.12.2014   |
|-------------------------|----------------|-----------------|-----------|----------------------|-------------------------------------------------------------------------------------------------|--------------|--------------|
| Talanx AG <sup>2)</sup> | 565            | Fixed (3.125 %) | 2013/2023 | (—; A–)              | These senior unsecured bonds have a fixed term and may only be called for extraordinary reasons | 565          | 565          |
| Talanx AG               | 500            | Fixed (2.5 %)   | 2014/2026 | (—; A–)              | These senior unsecured bonds have a fixed term and may only be called for extraordinary reasons | 500          | 500          |
| <b>Total</b>            |                |                 |           |                      |                                                                                                 | <b>1,065</b> | <b>1,065</b> |

<sup>1)</sup> (Debt Rating A. M. Best; Debt Rating S&P)

<sup>2)</sup> At the reporting date, Group companies additionally held bonds with a nominal value of EUR 185 million

## VII. NOTES TO INDIVIDUAL ITEMS OF THE CONSOLIDATED STATEMENT OF INCOME

### (11) NET PREMIUMS EARNED

Gross premiums written include the savings elements of premiums for unit-linked life and annuity insurance. These savings elements are eliminated from net premiums earned.

#### NET PREMIUMS EARNED

IN EUR MILLION

|                                                                                        | Industrial<br>Lines | Retail<br>Germany | Retail<br>International | Non-Life<br>Reinsurance | Life/Health<br>Reinsurance | Corporate<br>Operations | Total         |
|----------------------------------------------------------------------------------------|---------------------|-------------------|-------------------------|-------------------------|----------------------------|-------------------------|---------------|
| <b>6M 2015<sup>1)</sup></b>                                                            |                     |                   |                         |                         |                            |                         |               |
| Gross written premiums, including premiums from unit-linked life and annuity insurance | 2,583               | 3,637             | 2,392                   | 4,674                   | 3,541                      | —                       | 16,827        |
| Savings elements of premiums from unit-linked life and annuity insurance               | —                   | 469               | 107                     | —                       | —                          | —                       | 576           |
| Ceded written premiums                                                                 | 961                 | 54                | 177                     | 512                     | 454                        | 6                       | 2,164         |
| Change in gross unearned premiums                                                      | –545                | –280              | –157                    | –572                    | –3                         | —                       | –1,557        |
| Change in ceded unearned premiums                                                      | –147                | –3                | –14                     | –55                     | 1                          | –3                      | –221          |
| <b>Net premiums earned</b>                                                             | <b>1,224</b>        | <b>2,837</b>      | <b>1,965</b>            | <b>3,645</b>            | <b>3,083</b>               | <b>–3</b>               | <b>12,751</b> |
| <b>6M 2014<sup>1)</sup></b>                                                            |                     |                   |                         |                         |                            |                         |               |
| Gross written premiums, including premiums from unit-linked life and annuity insurance | 2,450               | 3,535             | 2,255                   | 3,824                   | 2,911                      | —                       | 14,975        |
| Savings elements of premiums from unit-linked life and annuity insurance               | —                   | 479               | 47                      | —                       | —                          | —                       | 526           |
| Ceded written premiums                                                                 | 920                 | 86                | 113                     | 356                     | 477                        | 7                       | 1,959         |
| Change in gross unearned premiums                                                      | –596                | –317              | –132                    | –321                    | –13                        | —                       | –1,379        |
| Change in ceded unearned premiums                                                      | –146                | –11               | –9                      | –28                     | —                          | –3                      | –197          |
| <b>Net premiums earned</b>                                                             | <b>1,080</b>        | <b>2,664</b>      | <b>1,972</b>            | <b>3,175</b>            | <b>2,421</b>               | <b>–4</b>               | <b>11,308</b> |

<sup>1)</sup> After elimination of intragroup cross-segment transactions

**(12) NET INVESTMENT INCOME****NET INVESTMENT INCOME IN THE REPORTING PERIOD**

IN EUR MILLION

|                                                                      | Industrial Lines | Retail Germany | Retail International | Non-Life Reinsurance | Life/Health Reinsurance | Corporate Operations | Total        |
|----------------------------------------------------------------------|------------------|----------------|----------------------|----------------------|-------------------------|----------------------|--------------|
| <b>6M 2015<sup>1)</sup></b>                                          |                  |                |                      |                      |                         |                      |              |
| Income from real estate                                              | 2                | 32             | 1                    | 58                   | —                       | —                    | 93           |
| Dividends <sup>2)</sup>                                              | 6                | 6              | 2                    | 1                    | —                       | 7                    | 22           |
| Current interest income                                              | 94               | 746            | 150                  | 340                  | 125                     | 1                    | 1,456        |
| Other income                                                         | 10               | 46             | —                    | 31                   | 42                      | —                    | 129          |
| <b>Ordinary investment income</b>                                    | <b>112</b>       | <b>830</b>     | <b>153</b>           | <b>430</b>           | <b>167</b>              | <b>8</b>             | <b>1,700</b> |
| Income from reversal of impairment losses                            | —                | 1              | —                    | —                    | —                       | —                    | 1            |
| Realised gains on disposal of investments                            | 39               | 268            | 32                   | 77                   | 40                      | —                    | 456          |
| Unrealised gains on investments                                      | 6                | 5              | 12                   | 1                    | 18                      | —                    | 42           |
| <b>Investment income</b>                                             | <b>157</b>       | <b>1,104</b>   | <b>197</b>           | <b>508</b>           | <b>225</b>              | <b>8</b>             | <b>2,199</b> |
| Realised losses on disposal of investments                           | 18               | 39             | 9                    | 28                   | 18                      | —                    | 112          |
| Unrealised losses on investments                                     | 1                | 11             | 10                   | 1                    | 19                      | —                    | 42           |
| <b>Total</b>                                                         | <b>19</b>        | <b>50</b>      | <b>19</b>            | <b>29</b>            | <b>37</b>               | <b>—</b>             | <b>154</b>   |
| Depreciation of/impairment losses on investment property             |                  |                |                      |                      |                         |                      |              |
| Depreciation                                                         | —                | 7              | —                    | 11                   | —                       | —                    | 18           |
| Impairment losses                                                    | 1                | —              | —                    | —                    | —                       | —                    | 1            |
| Impairment losses on equity securities                               | 1                | 2              | 5                    | —                    | —                       | —                    | 8            |
| Impairment losses on fixed-income securities                         | 16               | 40             | 1                    | 2                    | —                       | —                    | 59           |
| Impairment losses on other investments                               |                  |                |                      |                      |                         |                      |              |
| Depreciation                                                         | 1                | 3              | —                    | —                    | —                       | —                    | 4            |
| Impairment losses                                                    | —                | 5              | —                    | 2                    | —                       | —                    | 7            |
| Investment management expenses                                       | 2                | 8              | 3                    | 11                   | 2                       | 39                   | 65           |
| Other expenses                                                       | 2                | 16             | 4                    | 14                   | 3                       | —                    | 39           |
| <b>Other investment expenses/impairment losses</b>                   | <b>23</b>        | <b>81</b>      | <b>13</b>            | <b>40</b>            | <b>5</b>                | <b>39</b>            | <b>201</b>   |
| <b>Investment expenses</b>                                           | <b>42</b>        | <b>131</b>     | <b>32</b>            | <b>69</b>            | <b>42</b>               | <b>39</b>            | <b>355</b>   |
| <b>Net income from investments under own management</b>              | <b>115</b>       | <b>973</b>     | <b>165</b>           | <b>439</b>           | <b>183</b>              | <b>–31</b>           | <b>1,844</b> |
| <b>Net income from investment contracts</b>                          | <b>—</b>         | <b>—</b>       | <b>4</b>             | <b>—</b>             | <b>—</b>                | <b>—</b>             | <b>4</b>     |
| Interest income from funds withheld and contract deposits            | —                | —              | —                    | 11                   | 242                     | —                    | 253          |
| Interest expense from funds withheld and contract deposits           | —                | 7              | —                    | 1                    | 56                      | —                    | 64           |
| <b>Net interest income from funds withheld and contract deposits</b> | <b>—</b>         | <b>–7</b>      | <b>—</b>             | <b>10</b>            | <b>186</b>              | <b>—</b>             | <b>189</b>   |
| <b>Net investment income</b>                                         | <b>115</b>       | <b>966</b>     | <b>169</b>           | <b>449</b>           | <b>369</b>              | <b>–31</b>           | <b>2,037</b> |

<sup>1)</sup> After elimination of intragroup cross-segment transactions<sup>2)</sup> Income from investments in associates and joint ventures amounted to EUR 7 (6) million and is reported in "Dividends"

**NET INVESTMENT INCOME IN THE PREVIOUS PERIOD**

IN EUR MILLION

|                                                                      | Industrial<br>Lines | Retail<br>Germany | Retail<br>International | Non-Life<br>Reinsurance | Life/Health<br>Reinsurance | Corporate<br>Operations | Total        |
|----------------------------------------------------------------------|---------------------|-------------------|-------------------------|-------------------------|----------------------------|-------------------------|--------------|
| 6M 2014 <sup>1)</sup>                                                |                     |                   |                         |                         |                            |                         |              |
| Income from real estate                                              | 2                   | 32                | 1                       | 41                      | —                          | —                       | 76           |
| Dividends <sup>2)</sup>                                              | 4                   | 7                 | 2                       | 6                       | —                          | 10                      | 29           |
| Current interest income                                              | 92                  | 774               | 135                     | 323                     | 113                        | 1                       | 1,438        |
| Other income                                                         | 1                   | 1                 | —                       | 3                       | 6                          | —                       | 11           |
| <b>Ordinary investment income</b>                                    | <b>99</b>           | <b>814</b>        | <b>138</b>              | <b>373</b>              | <b>119</b>                 | <b>11</b>               | <b>1,554</b> |
| Income from reversal of impairment losses                            | 7                   | 3                 | —                       | —                       | —                          | —                       | 10           |
| Realised gains on disposal of investments                            | 45                  | 182               | 23                      | 81                      | 19                         | —                       | 350          |
| Unrealised gains on investments                                      | 11                  | 15                | 15                      | 11                      | 10                         | 1                       | 63           |
| <b>Investment income</b>                                             | <b>162</b>          | <b>1,014</b>      | <b>176</b>              | <b>465</b>              | <b>148</b>                 | <b>12</b>               | <b>1,977</b> |
| Realised losses on disposal of investments                           | 12                  | 17                | 6                       | 7                       | 4                          | —                       | 46           |
| Unrealised losses on investments                                     | 2                   | 2                 | 6                       | 8                       | 4                          | —                       | 22           |
| <b>Total</b>                                                         | <b>14</b>           | <b>19</b>         | <b>12</b>               | <b>15</b>               | <b>8</b>                   | <b>—</b>                | <b>68</b>    |
| Depreciation of/impairment losses on investment property             |                     |                   |                         |                         |                            |                         |              |
| Depreciation                                                         | —                   | 7                 | —                       | 9                       | —                          | —                       | 16           |
| Impairment losses                                                    | —                   | 3                 | —                       | —                       | —                          | —                       | 3            |
| Impairment losses on equity securities                               | —                   | 1                 | —                       | —                       | —                          | —                       | 1            |
| Impairment losses on fixed-income securities                         | —                   | 3                 | —                       | —                       | —                          | —                       | 3            |
| Impairment losses on other investments                               |                     |                   |                         |                         |                            |                         |              |
| Depreciation                                                         | —                   | —                 | —                       | —                       | —                          | —                       | —            |
| Impairment losses                                                    | —                   | 2                 | —                       | 1                       | —                          | —                       | 3            |
| Investment management expenses                                       | 2                   | 8                 | 2                       | 11                      | 2                          | 35                      | 60           |
| Other expenses                                                       | 1                   | 16                | 5                       | 17                      | 3                          | —                       | 42           |
| <b>Other investment expenses/impairment losses</b>                   | <b>3</b>            | <b>40</b>         | <b>7</b>                | <b>38</b>               | <b>5</b>                   | <b>35</b>               | <b>128</b>   |
| <b>Investment expenses</b>                                           | <b>17</b>           | <b>59</b>         | <b>19</b>               | <b>53</b>               | <b>13</b>                  | <b>35</b>               | <b>196</b>   |
| <b>Net income from investments under own management</b>              | <b>145</b>          | <b>955</b>        | <b>157</b>              | <b>412</b>              | <b>135</b>                 | <b>–23</b>              | <b>1,781</b> |
| <b>Net income from investment contracts</b>                          | <b>—</b>            | <b>—</b>          | <b>2</b>                | <b>—</b>                | <b>—</b>                   | <b>—</b>                | <b>2</b>     |
| Interest income from funds withheld and contract deposits            | —                   | —                 | —                       | 10                      | 226                        | —                       | 236          |
| Interest expense from funds withheld and contract deposits           | —                   | 7                 | —                       | 1                       | 63                         | —                       | 71           |
| <b>Net interest income from funds withheld and contract deposits</b> | <b>—</b>            | <b>–7</b>         | <b>—</b>                | <b>9</b>                | <b>163</b>                 | <b>—</b>                | <b>165</b>   |
| <b>Net investment income</b>                                         | <b>145</b>          | <b>948</b>        | <b>159</b>              | <b>421</b>              | <b>298</b>                 | <b>–23</b>              | <b>1,948</b> |

<sup>1)</sup> After elimination of intragroup cross-segment transactions

Of the impairment losses totalling EUR 75 (10) million, EUR 59 (3) million was attributable to fixed-income securities, EUR 8 (1) million to equities and EUR 6 (4) million to real estate and real estate funds. Reversals of impairment losses on investments that had been written down in previous periods amounted to EUR 1 (10) million.

We recognise a derivative (Life/Health Reinsurance segment) for the credit risk associated with special life reinsurance contracts (ModCo) under which securities accounts are held by cedants in our name. Changes in the value of this derivative in the reporting

period resulted in unrealised losses of EUR 6 million, which are recognised in profit or loss. In the prior-year period, the amount was positive (EUR 5 million). The inflation swaps (Non-Life Reinsurance segment) we entered into in 2010 to hedge a portion of the inflation risk exposure of our technical loss reserves did not result in any (EUR +5 million) amount recognised in profit or loss, as these contracts expired or were closed out in the course of the second quarter. In future, we will hedge this risk solely using bonds already contained in the portfolio, as their coupon payments are linked to inflation.

**(13) NET INVESTMENT INCOME BY ASSET CLASS****NET INVESTMENT INCOME BY ASSET CLASS**

IN EUR MILLION

|                                                                              | 6M 2015      | 6M 2014      |
|------------------------------------------------------------------------------|--------------|--------------|
| Shares in affiliated companies and participating interests                   | 1            | 1            |
| Loans and receivables                                                        | 600          | 706          |
| Financial instruments held to maturity                                       | 47           | 59           |
| Financial assets available for sale                                          |              |              |
| Fixed-income securities                                                      | 1,042        | 905          |
| Variable-yield securities                                                    | 41           | 56           |
| Financial assets at fair value through profit or loss                        |              |              |
| Financial assets classified at fair value through profit or loss             |              |              |
| Fixed-income securities                                                      | 28           | 45           |
| Variable-yield securities                                                    | 8            | 9            |
| Financial assets held for trading                                            |              |              |
| Fixed-income securities                                                      | —            | —            |
| Variable-yield securities                                                    | 2            | 3            |
| Derivatives                                                                  | –25          | 6            |
| Other investments, insofar as they are financial assets                      | 102          | 26           |
| Other <sup>1)</sup>                                                          | 102          | 67           |
| <b>Total investments under own management</b>                                | <b>1,948</b> | <b>1,883</b> |
| Investment contracts: investments/liabilities <sup>2)</sup>                  | 4            | 2            |
| Funds withheld by ceding companies/funds withheld under reinsurance treaties | 189          | 165          |
| <b>Total</b>                                                                 | <b>2,141</b> | <b>2,050</b> |

<sup>1)</sup> For the purposes of reconciliation to the consolidated statement of income, the “Other” item combines the gains on investment property, associates and joint ventures, and derivative financial instruments where the fair values are negative. Derivatives held for hedging purposes included in hedge accounting are not included in the list if they do not relate to hedges of investments

<sup>2)</sup> Includes income and expenses (net) from the management of investment contracts amounting to EUR –1 million. Financial instruments (assets/liabilities) at fair value through profit or loss account for income of EUR 27 million and expenses of EUR 14 million, while loans and receivables and other liabilities account for income of EUR 9 million and expenses of EUR 39 million. In addition, expenses include amortisation of PVFP amounting to EUR –6 million

Including investment management expenses of EUR 65 (60) million and other expenses of EUR 39 (42) million, net investment income at the reporting date totalled EUR 2,037 (1,948) million.

**(14) CLAIMS AND CLAIMS EXPENSES****CLAIMS AND CLAIMS EXPENSES**

IN EUR MILLION

|                                                    | Industrial<br>Lines | Retail<br>Germany | Retail<br>International | Non-Life<br>Reinsurance | Life/Health<br>Reinsurance | Corporate<br>Operations | Total         |
|----------------------------------------------------|---------------------|-------------------|-------------------------|-------------------------|----------------------------|-------------------------|---------------|
| <b>6M 2015<sup>1)</sup></b>                        |                     |                   |                         |                         |                            |                         |               |
| <b>Gross</b>                                       |                     |                   |                         |                         |                            |                         |               |
| Claims and claims expenses paid                    | 1,403               | 1,736             | 1,163                   | 2,162                   | 2,810                      | —                       | 9,274         |
| Change in loss and loss adjustment expense reserve | 167                 | 55                | 117                     | 570                     | 208                        | —                       | 1,117         |
| Change in benefit reserve                          | —                   | 778               | 235                     | —                       | 79                         | —                       | 1,092         |
| Expenses for premium refunds                       | 2                   | 555               | 1                       | —                       | —                          | —                       | 558           |
| <b>Total</b>                                       | <b>1,572</b>        | <b>3,124</b>      | <b>1,516</b>            | <b>2,732</b>            | <b>3,097</b>               | <b>—</b>                | <b>12,041</b> |
| <b>Reinsurers' share</b>                           |                     |                   |                         |                         |                            |                         |               |
| Claims and claims expenses paid                    | 486                 | 60                | 77                      | 216                     | 317                        | —                       | 1,156         |
| Change in loss and loss adjustment expense reserve | 141                 | 3                 | 59                      | —1                      | 5                          | —                       | 207           |
| Change in benefit reserve                          | —                   | —26               | —3                      | —                       | 75                         | —                       | 46            |
| Expenses for premium refunds                       | —                   | —                 | —                       | —                       | —                          | —                       | —             |
| <b>Total</b>                                       | <b>627</b>          | <b>37</b>         | <b>133</b>              | <b>215</b>              | <b>397</b>                 | <b>—</b>                | <b>1,409</b>  |
| <b>Net</b>                                         |                     |                   |                         |                         |                            |                         |               |
| Claims and claims expenses paid                    | 917                 | 1,676             | 1,086                   | 1,946                   | 2,493                      | —                       | 8,118         |
| Change in loss and loss adjustment expense reserve | 26                  | 52                | 58                      | 571                     | 203                        | —                       | 910           |
| Change in benefit reserve                          | —                   | 804               | 238                     | —                       | 4                          | —                       | 1,046         |
| Expenses for premium refunds                       | 2                   | 555               | 1                       | —                       | —                          | —                       | 558           |
| <b>Total</b>                                       | <b>945</b>          | <b>3,087</b>      | <b>1,383</b>            | <b>2,517</b>            | <b>2,700</b>               | <b>—</b>                | <b>10,632</b> |

<sup>1)</sup> After elimination of intragroup cross-segment transactions

**CLAIMS AND CLAIMS EXPENSES**

IN EUR MILLION

|                                                       | Industrial<br>Lines | Retail<br>Germany | Retail<br>International | Non-Life<br>Reinsurance | Life/Health<br>Reinsurance | Corporate<br>Operations | Total         |
|-------------------------------------------------------|---------------------|-------------------|-------------------------|-------------------------|----------------------------|-------------------------|---------------|
| 6M 2014 <sup>1)</sup>                                 |                     |                   |                         |                         |                            |                         |               |
| <b>Gross</b>                                          |                     |                   |                         |                         |                            |                         |               |
| Claims and claims expenses paid                       | 1,142               | 1,918             | 934                     | 1,933                   | 2,256                      | —                       | 8,183         |
| Change in loss and loss adjustment<br>expense reserve | 276                 | 17                | 136                     | 435                     | 138                        | —                       | 1,002         |
| Change in benefit reserve                             | —                   | 234               | 483                     | —                       | 117                        | —                       | 834           |
| Expenses for premium refunds                          | 2                   | 608               | —                       | —                       | —                          | —                       | 610           |
| <b>Total</b>                                          | <b>1,420</b>        | <b>2,777</b>      | <b>1,553</b>            | <b>2,368</b>            | <b>2,511</b>               | <b>—</b>                | <b>10,629</b> |
| <b>Reinsurers' share</b>                              |                     |                   |                         |                         |                            |                         |               |
| Claims and claims expenses paid                       | 391                 | 65                | 45                      | 331                     | 298                        | —                       | 1,130         |
| Change in loss and loss adjustment<br>expense reserve | 226                 | —5                | 54                      | —177                    | 23                         | —1                      | 120           |
| Change in benefit reserve                             | —                   | —4                | —3                      | —                       | 99                         | —                       | 92            |
| Expenses for premium refunds                          | —                   | —                 | 1                       | —                       | —                          | —                       | 1             |
| <b>Total</b>                                          | <b>617</b>          | <b>56</b>         | <b>97</b>               | <b>154</b>              | <b>420</b>                 | <b>—1</b>               | <b>1,343</b>  |
| <b>Net</b>                                            |                     |                   |                         |                         |                            |                         |               |
| Claims and claims expenses paid                       | 751                 | 1,853             | 889                     | 1,602                   | 1,958                      | —                       | 7,053         |
| Change in loss and loss adjustment<br>expense reserve | 50                  | 22                | 82                      | 612                     | 115                        | 1                       | 882           |
| Change in benefit reserve                             | —                   | 238               | 486                     | —                       | 18                         | —                       | 742           |
| Expenses for premium refunds                          | 2                   | 608               | —1                      | —                       | —                          | —                       | 609           |
| <b>Total</b>                                          | <b>803</b>          | <b>2,721</b>      | <b>1,456</b>            | <b>2,214</b>            | <b>2,091</b>               | <b>1</b>                | <b>9,286</b>  |

<sup>1)</sup> After elimination of intragroup cross-segment transactions

## (15) ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES

## ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES

IN EUR MILLION

|                                                                         | Industrial Lines | Retail Germany | Retail International | Non-Life Reinsurance | Life/Health Reinsurance | Corporate Operations | Total        |
|-------------------------------------------------------------------------|------------------|----------------|----------------------|----------------------|-------------------------|----------------------|--------------|
| <b>6M 2015<sup>1)</sup></b>                                             |                  |                |                      |                      |                         |                      |              |
| <b>Gross</b>                                                            |                  |                |                      |                      |                         |                      |              |
| Acquisition costs and reinsurance commissions                           | 299              | 465            | 532                  | 1,004                | 567                     | —                    | 2,867        |
| Changes in deferred acquisition costs and in provisions for commissions | –66              | –16            | –84                  | –105                 | –28                     | —                    | –299         |
| <b>Total acquisition costs</b>                                          | <b>233</b>       | <b>449</b>     | <b>448</b>           | <b>899</b>           | <b>539</b>              | <b>—</b>             | <b>2,568</b> |
| Administrative expenses                                                 | 148              | 142            | 99                   | 110                  | 103                     | 1                    | 603          |
| <b>Total acquisition costs and administrative expenses</b>              | <b>381</b>       | <b>591</b>     | <b>547</b>           | <b>1,009</b>         | <b>642</b>              | <b>1</b>             | <b>3,171</b> |
| <b>Reinsurers' share</b>                                                |                  |                |                      |                      |                         |                      |              |
| Acquisition costs and reinsurance commissions                           | 130              | 6              | 32                   | 90                   | 62                      | —                    | 320          |
| Changes in deferred acquisition costs and in provisions for commissions | –29              | —              | –6                   | –8                   | –21                     | —                    | –64          |
| <b>Total acquisition costs</b>                                          | <b>101</b>       | <b>6</b>       | <b>26</b>            | <b>82</b>            | <b>41</b>               | <b>—</b>             | <b>256</b>   |
| <b>Net</b>                                                              |                  |                |                      |                      |                         |                      |              |
| Acquisition costs and reinsurance commissions                           | 169              | 459            | 500                  | 914                  | 505                     | —                    | 2,547        |
| Changes in deferred acquisition costs and in provisions for commissions | –37              | –16            | –78                  | –97                  | –7                      | —                    | –235         |
| <b>Total acquisition costs</b>                                          | <b>132</b>       | <b>443</b>     | <b>422</b>           | <b>817</b>           | <b>498</b>              | <b>—</b>             | <b>2,312</b> |
| Administrative expenses                                                 | 148              | 142            | 99                   | 110                  | 103                     | 1                    | 603          |
| <b>Total acquisition costs and administrative expenses</b>              | <b>280</b>       | <b>585</b>     | <b>521</b>           | <b>927</b>           | <b>601</b>              | <b>1</b>             | <b>2,915</b> |
| <b>6M 2014<sup>1)</sup></b>                                             |                  |                |                      |                      |                         |                      |              |
| <b>Gross</b>                                                            |                  |                |                      |                      |                         |                      |              |
| Acquisition costs and reinsurance commissions                           | 290              | 439            | 439                  | 854                  | 453                     | —                    | 2,475        |
| Changes in deferred acquisition costs and in provisions for commissions | –48              | 133            | –43                  | –63                  | –17                     | —                    | –38          |
| <b>Total acquisition costs</b>                                          | <b>242</b>       | <b>572</b>     | <b>396</b>           | <b>791</b>           | <b>436</b>              | <b>—</b>             | <b>2,437</b> |
| Administrative expenses                                                 | 125              | 146            | 84                   | 99                   | 89                      | —                    | 543          |
| <b>Total acquisition costs and administrative expenses</b>              | <b>367</b>       | <b>718</b>     | <b>480</b>           | <b>890</b>           | <b>525</b>              | <b>—</b>             | <b>2,980</b> |
| <b>Reinsurers' share</b>                                                |                  |                |                      |                      |                         |                      |              |
| Acquisition costs and reinsurance commissions                           | 129              | 7              | 17                   | 57                   | 61                      | —                    | 271          |
| Changes in deferred acquisition costs and in provisions for commissions | –9               | 5              | 1                    | –5                   | –21                     | —                    | –29          |
| <b>Total acquisition costs</b>                                          | <b>120</b>       | <b>12</b>      | <b>18</b>            | <b>52</b>            | <b>40</b>               | <b>—</b>             | <b>242</b>   |
| <b>Net</b>                                                              |                  |                |                      |                      |                         |                      |              |
| Acquisition costs and reinsurance commissions                           | 161              | 432            | 422                  | 797                  | 392                     | —                    | 2,204        |
| Changes in deferred acquisition costs and in provisions for commissions | –39              | 128            | –44                  | –58                  | 4                       | —                    | –9           |
| <b>Total acquisition costs</b>                                          | <b>122</b>       | <b>560</b>     | <b>378</b>           | <b>739</b>           | <b>396</b>              | <b>—</b>             | <b>2,195</b> |
| Administrative expenses                                                 | 125              | 146            | 84                   | 99                   | 89                      | —                    | 543          |
| <b>Total acquisition costs and administrative expenses</b>              | <b>247</b>       | <b>706</b>     | <b>462</b>           | <b>838</b>           | <b>485</b>              | <b>—</b>             | <b>2,738</b> |

<sup>1)</sup> After elimination of intragroup cross-segment transactions

**(16) OTHER INCOME/EXPENSES****COMPOSITION OF OTHER INCOME/EXPENSES**

IN EUR MILLION

|                                                                                     | 6M 2015    | 6M 2014     |
|-------------------------------------------------------------------------------------|------------|-------------|
| <b>Other income</b>                                                                 |            |             |
| Foreign exchange gains                                                              | 345        | 111         |
| Income from services, rents and commissions                                         | 140        | 124         |
| Recoveries on receivables previously written off                                    | 13         | 11          |
| Income from contracts recognised in accordance with the deposit accounting method   | 47         | 34          |
| Income from the reversal of other non-technical provisions                          | 7          | 4           |
| Interest income                                                                     | 33         | 14          |
| Miscellaneous income                                                                | 35         | 40          |
| <b>Total</b>                                                                        | <b>620</b> | <b>338</b>  |
| <b>Other expenses</b>                                                               |            |             |
| Foreign exchange losses                                                             | 250        | 109         |
| Other interest expenses                                                             | 58         | 59          |
| Depreciation, amortisation and impairment losses                                    | 51         | 50          |
| Expenses for the company as a whole                                                 | 116        | 129         |
| Personnel expenses                                                                  | 30         | 24          |
| Expenses for services and commissions                                               | 71         | 66          |
| Expenses from contracts recognised in accordance with the deposit accounting method | 9          | 7           |
| Other taxes                                                                         | 22         | 20          |
| Additions to restructuring provisions                                               | 5          | 1           |
| Miscellaneous other expenses                                                        | 24         | 41          |
| <b>Total</b>                                                                        | <b>636</b> | <b>506</b>  |
| <b>Other income/expenses</b>                                                        | <b>-16</b> | <b>-168</b> |

Other income/expenses in the reporting period do not include any material income from the reversal of restructuring provisions.

**VIII. OTHER DISCLOSURES****NUMBER OF EMPLOYEES****AVERAGE NUMBER OF EMPLOYEES IN THE REPORTING PERIOD**

|                                            | 30.6.2015     | 31.12.2014    |
|--------------------------------------------|---------------|---------------|
| Industrial Lines                           | 3,189         | 3,061         |
| Retail Germany                             | 4,960         | 5,082         |
| Retail International                       | 8,146         | 7,432         |
| Reinsurance companies                      | 2,544         | 2,475         |
| Corporate Operations                       | 2,787         | 2,836         |
| <b>Total excluding vocational trainees</b> | <b>21,626</b> | <b>20,886</b> |
| Vocational trainees                        | 532           | 540           |
| <b>Total</b>                               | <b>22,158</b> | <b>21,426</b> |

The increase in the number of employees in the Retail International segment is primarily due to the acquisition of the Magallanes group (Chile).

The Talanx Group's total workforce at the reporting date numbered 20,589 (19,819); this figure is calculated as full-time equivalents.

**RELATED PARTY DISCLOSURES**

Related entities in the Talanx Group include HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit (HDI V.a.G.), Hannover, which directly holds the majority of the shares of Talanx AG, all subsidiaries that are not consolidated on the grounds of insignificance, as well as associates 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 party entities after termination of their employment. Individuals classed as related parties are the members of the Board of Management and the Supervisory Board of Talanx AG and HDI V.a.G.

Transactions between Talanx AG and its subsidiaries are eliminated in the course of consolidation and hence not disclosed in the Notes.

In connection with operating activities, there is a contractual relationship between Ampega Investment GmbH, Cologne, and C-QUADRAT Investment AG, Vienna (an associate accounted for using the equity method in the consolidated financial statements), that governs the outsourcing of the portfolio management of special investment funds. At the reporting date, this resulted in expenses for services rendered amounting to EUR 11 million.

There is also a reinsurance treaty in the amount of EUR 4 million between Hannover Rück SE Malaysian Branch, Kuala Lumpur, Malaysia and Petro Vietnam Insurance Holdings, Hanoi, Vietnam.

Other business relationships with unconsolidated companies, associates or joint ventures are insignificant overall.

In addition, there are contracts for services with a company in which a member of the Supervisory Board is invested. Revenues generated with Group companies under these contracts during the reporting period were well below EUR 0.1 million.

#### OTHER DISCLOSURES ON FINANCIAL INSTRUMENTS

The Group enters into securities lending and repo transactions. The Group retained all material risks and opportunities associated with ownership of the transferred financial assets as at the reporting

date. Investments in the "Financial assets available for sale" category were affected by these transactions. The carrying amount of the financial assets transferred in connection with securities lending transactions is EUR 863 million. The assets transferred in connection with repo transactions and the corresponding liabilities have a carrying amount of EUR 223 million. The fair values correspond to the carrying amounts. The components of these transactions recognised as income are presented under "Net investment income".

#### LITIGATION

We were not involved in any significant new litigation in the reporting period and at the end of the reporting period in comparison to 31 December 2014.

#### EARNINGS PER SHARE

Earnings per share are calculated by dividing net income attributable to the shareholders of Talanx AG by the average number of outstanding shares. There were no dilutive effects, which have to be recognised separately when calculating earnings per share, either at the reporting date or in the previous year. In the future, earnings per share may be potentially diluted as a result of the share or rights issues from contingent or authorised capital.

#### EARNINGS PER SHARE

|                                                                                                       | 6M 2015     | 6M 2014     | Q2 2015     | Q2 2014     |
|-------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| Net income attributable to shareholders of Talanx AG for calculating earnings per share (EUR million) | 311         | 381         | 60          | 165         |
| Weighted average number of ordinary shares outstanding                                                | 252,797,634 | 252,797,634 | 252,797,634 | 252,797,634 |
| Basic earnings per share (EUR)                                                                        | 1.23        | 1.51        | 0.24        | 0.65        |
| Diluted earnings per share (EUR)                                                                      | 1.23        | 1.51        | 0.24        | 0.65        |

## DIVIDEND PER SHARE

In the second quarter of 2015, a dividend of EUR 1.25 per share was paid for financial year 2014 (in 2014 for financial year 2013: EUR 1.20 per share), resulting in a total distribution of EUR 316 (303) million.

## CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

At the reporting date, there were the following contingent liabilities and other financial commitments attributable to contracts and memberships that had been entered into, as well as to taxes:

### CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS FROM CONTRACTS, MEMBERSHIPS AND TAXES

IN EUR MILLION

|                                                                                                                                                                                                                                                                                                                     | 30.6.2015     | 31.12.2014    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Trust accounts in the United States (master trust funds, supplemental trust funds and single trust funds) as security for technical liabilities to US cedants <sup>1)</sup> (includes the equivalent of EUR 1,254 (329) million furnished by investors as security for technical liabilities from ILS transactions) | 5,473         | 4,177         |
| Sureties in the form of letters of credit furnished by various credit institutions as security for technical liabilities                                                                                                                                                                                            | 2,930         | 2,956         |
| Guarantees for subordinated bonds issued: the guarantees cover the relevant bond volumes as well as interest due                                                                                                                                                                                                    | 1,500         | 2,112         |
| Blocked custody accounts and other trust accounts as collateral in favour of reinsurers and cedants; generally outside the USA <sup>1)</sup>                                                                                                                                                                        | 2,907         | 2,750         |
| 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                                                                                                                         | 1,540         | 1,380         |
| Commitments under rental/lease agreements <sup>2)</sup>                                                                                                                                                                                                                                                             | 454           | 454           |
| Funding commitments and contribution payments in accordance with sections 124ff. of the Insurance Supervision Act (VAG) as a member of the Statutory Guarantee Fund for Life Insurance Undertakings                                                                                                                 | 457           | 457           |
| Collateral for liabilities to various credit institutions in connection with investments in real estate companies and real estate transactions                                                                                                                                                                      | 595           | 574           |
| Other financial commitments from planned business combinations                                                                                                                                                                                                                                                      | —             | 245           |
| Commitments under service agreements – primarily in connection with IT outsourcing contracts                                                                                                                                                                                                                        | 142           | 143           |
| Assets in blocked custody accounts as collateral for existing derivative transactions: we have received collateral with a fair value of EUR 6 (13) million for existing derivative transactions <sup>3)</sup>                                                                                                       | 31            | 79            |
| Other commitments <sup>4)</sup>                                                                                                                                                                                                                                                                                     | 59            | 61            |
| <b>Total</b>                                                                                                                                                                                                                                                                                                        | <b>16,088</b> | <b>15,388</b> |

<sup>1)</sup> The securities held in the trust accounts are predominantly recognised as “Financial assets available for sale” in the portfolio of investments. The amount disclosed refers primarily to the fair value/carrying amount

<sup>2)</sup> Fresh data is collected only at year-end

<sup>3)</sup> The amount disclosed refers primarily to the fair value/carrying amount

<sup>4)</sup> Other commitments include EUR 42 (42) million attributable to tax litigation and EUR 12 (13) million attributable to other litigation

There were no other significant changes in contingent liabilities and other financial commitments in the reporting period compared with 31 December 2014.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

By way of a purchase agreement dated 4 August 2015, the Group acquired the three wind farm projects Les Vents de Malet SAS, Lille, France, Le Souffle des Pellicornes SAS, Lille, France, and Le Chemin de La Milaine SAS, Lille, France, as part of the RP Global project. The acquisition is subject to conditions precedent, which are expected to be met in the second half of 2015. The companies are wind farm special purpose vehicles. HG-1 Alternative Investments Beteiligungs-GmbH & Co. KG, Cologne (Industrial Lines segment), indirectly acquired all shares of Le Souffle des Pellicornes SAS and TD Real Assets GmbH & Co. KG, Cologne (Retail Germany segment), indirectly acquired all shares of Les Vents de Malet SAS and Le Chemin de La Milaine SAS. The total planned investment volume amounts to approximately EUR 104 million.

Talanx AG's Japanese partner (insurance company Meiji Yasuda) notified the Company on 15 July 2015 that it has reduced its share of Talanx AG's share capital from 6.5% to below the 5% threshold. As a result of the placement by Meiji Yasuda, Talanx's free float has risen from 14.5% to 21.0% (including 0.1% attributable to employee shares).

Prepared and hence authorised for publication in Hannover on 6 August 2015.

The Board of Management



Herbert K Haas,  
Chairman



Dr Christian Hinsch,  
Deputy Chairman



Torsten Leue



Dr Immo Querner



Ulrich Wallin



Dr Jan Wicke

## RESPONSIBILITY STATEMENT

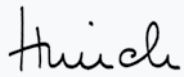
To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in accordance with German accepted accounting principles, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Hannover, 6 August 2015

Board of Management



Herbert K. Haas,  
Vorsitzender



Dr. Christian Hinsch,  
stv. Vorsitzender



Torsten Leue



Dr. Immo Querner



Ulrich Wallin



Dr. Jan Wicke

## REVIEW REPORT

### TO TALANX AKTIENGESELLSCHAFT, HANNOVER

We have reviewed the interim consolidated financial statements – comprising the balance sheet, statement of income, statement of comprehensive income, statement of changes in equity, cash flow statement and selected explanatory notes – and the interim group management report of Talanx AG, Hannover, for the period from 1 January to 30 June 2015, which are components of the half-yearly financial report in accordance with section 37w of the German Securities Trading Act (WpHG). The preparation of the interim consolidated financial statements in accordance with the IFRSS applicable to interim financial reporting, as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a review report on the interim consolidated financial statements and the group interim management report based on our review.

We performed our review of the interim consolidated financial statements and the group interim management report in accordance with German generally accepted 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 so that we can preclude through critical evaluation, with a certain level of assurance, that the interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRSS applicable to interim financial reporting, as adopted by the EU, and that the interim group management report has not been prepared, in all material respects, in accordance with the requirements of the WpHG applicable to

interim group management reports. A review is limited primarily to inquiries of company employees and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditors' report.

Based on our review, no matters have come to our attention that cause us to presume that the interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRSS applicable to interim financial reporting, as adopted by the EU, or that the interim group management report has not been prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Hannover, 7 August 2015

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Jungsthöfel  
Wirtschaftsprüfer  
(German Public Auditor)

Czupalla  
Wirtschaftsprüfer  
(German Public Auditor)



## CONTACT INFORMATION

Talanx AG  
Riethorst 2  
30659 Hannover  
Germany  
Telephone +49 511 3747-0  
Telefax +49 511 3747-2525  
[www.talanx.com](http://www.talanx.com)

### Group Communications

Andreas Krosta  
Telephone +49 511 3747-2020  
Telefax +49 511 3747-2025  
[andreas.krosta@talanx.com](mailto:andreas.krosta@talanx.com)

### Investor Relations

Carsten Werle  
Telephone +49 511 3747-2231  
Telefax +49 511 3747-2286  
[carsten.werle@talanx.com](mailto:carsten.werle@talanx.com)

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](http://www.talanx.com/investor-relations)

### Follow us on Twitter:



@talanx  
@talanx\_en

## FINANCIAL CALENDAR 2015/2016

17 September 2015  
Capital Markets Day

12 November 2015  
Interim Report as at 30 September 2015

21 March 2016  
Results Press Conference 2015

13 May 2016  
Interim Report as at 31 March 2016

12 August 2016  
Interim Report as at 30 June 2016

15 November 2016  
Interim Report as at 30 September 2016

Talanx AG  
Riethorst 2  
30659 Hannover  
Germany  
Telephone +49 511 3747-0  
Telefax +49 511 3747-2525  
[www.talanx.com](http://www.talanx.com)

**talanx.**  
Insurance. Investments.