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PERFORMANCE AND RESULTS

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Group Interim Report as at 30 June 2017

THE TALANX GROUP AT A GLANCE

GROUP KEY FIGURES

	UNIT	Q1 2017	Q2 2017	6M 2017	Q1 2016	Q2 2016	6M 2016	+/- % 6M 2017 v. 6M 2016
Gross written premiums	EUR MILLION	9,752	7,801	17,553	8,995	7,432	16,427	+6.9
by region								
Germany	%	33	23	29	36	25	31	-2.0 pt.
United Kingdom	%	7	8	7	8	11	9	-2.0 pt.
Central and Eastern Europe (CEE), including Turkey	%	8	10	9	7	9	8	+1.0 pt.
Rest of Europe	%	17	15	16	16	16	16	— pt.
USA	%	15	18	16	13	15	14	+2.0 pt.
Rest of North America	%	2	2	2	2	2	2	— pt.
Latin America	%	8	8	8	7	8	7	+1.0 pt.
Asia and Australia	%	9	14	11	9	12	11	— pt.
Africa	%	1	2	2	2	2	2	— pt.
Gross written premiums by type and class of insurance								
Property/casualty primary insurance	EUR MILLION	3,669	1,921	5,590	3,410	1,773	5,183	+7.9
Primary life insurance	EUR MILLION	1,685	1,586	3,271	1,530	1,775	3,305	-1.0
Property/Casualty Reinsurance	EUR MILLION	2,702	2,491	5,193	2,329	2,025	4,354	+19.3
Life/Health Reinsurance	EUR MILLION	1,696	1,803	3,499	1,726	1,859	3,585	-2.4
Net premiums earned	EUR MILLION	6,692	6,748	13,440	6,266	6,544	12,810	+4.9
Underwriting result	EUR MILLION	-415	-525	-940	-422	-362	-784	-19.9
Net investment income	EUR MILLION	1,011	1,074	2,085	1,022	940	1,962	+6.3
Net return on investment ¹⁾	%	3.5	—	3.7	3.7	—	3.5	+0.2 pt.
Operating profit/loss (EBIT)	EUR MILLION	576	549	1,125	573	494 ⁶⁾	1,067 ⁶⁾	+5.4
Net income (after financing costs and taxes)	EUR MILLION	398	386	784	381	310 ⁶⁾	691 ⁶⁾	+13.5
of which attributable to shareholders of Talanx AG	EUR MILLION	238	225	463	222	181 ⁶⁾	403 ⁶⁾	+14.9
Return on equity ^{2), 3)}	%	10.3	9.8	10.3	10.6	8.4	9.5	+0.8 pt.
Earnings per share								
Basic earnings per share	EUR	0.94	0.89	1.83	0.88	0.71	1.59	+15.1
Diluted earnings per share	EUR	0.94	0.89	1.83	0.88	0.71	1.59	+15.1
Combined ratio in property/casualty primary insurance and Non-Life Reinsurance ⁴⁾	%	96.3	97.6	97.0	96.3	97.3	96.8	+0.2 pt.
Combined ratio of property/ casualty primary insurers ⁵⁾	%	97.6	97.9	97.6	98.4	99.2	98.8	-1.2 pt.
Combined ratio of Non-Life Reinsurance	%	95.6	97.4	96.5	94.7	96.1	95.4	+1.1 pt.
EBIT margin primary insurance and reinsurance								
EBIT margin primary insurance ⁵⁾	%	6.0	5.5	5.8	6.6	4.3	5.4	+0.4 pt.
EBIT margin Non-Life Reinsurance	%	14.6	15.3	14.9	15.8	14.5 ⁷⁾	15.2 ⁷⁾	-0.3 pt.
EBIT margin Life/Health Reinsurance	%	5.5	4.3	4.9	6.5	4.0	5.2	-0.3 pt.
		30.6.2017			31.12.2016			+/- %
Policyholders' surplus	EUR MILLION			16,341			16,671	-2.0
Equity attributable to shareholders of Talanx AG	EUR MILLION			8,968			9,078	-1.2
Non-controlling interests	EUR MILLION			5,390			5,610	-3.9
Hybrid capital	EUR MILLION			1,983			1,983	—
Assets under own management	EUR MILLION			106,607			107,174	-0.5
Total investments	EUR MILLION			118,140			118,855	-0.6
Total assets	EUR MILLION			157,702			156,571	+0.7
Carrying amount per share at end of period	EUR			35.48			35.91	-1.2
Share price at end of period	EUR			32.70			31.77	+2.9
Market capitalisation of Talanx AG at end of period	EUR MILLION			8,357			8,031	+4.1
Employees	FULL-TIME EQUIVALENTS			20,247			20,039	+1.0

¹⁾ 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 2017 and 31 December 2016).

²⁾ Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

³⁾ 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.

⁴⁾ Combined ratio taking into account interest income on funds withheld and contract deposits, before elimination of intra-Group cross-segment transactions.

⁵⁾ Excluding figures from the Corporate Operations segment.

⁶⁾ Adjusted in accordance with IFRS 3.45 within the valuation period; see our comments in the "Consolidation" section of the Notes.

⁷⁾ Adjusted following the adjustment described in footnote 6.

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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

Former Member of the Board of Management,

Voith GmbH

Dr Thomas Lindner

Albstadt

Chairman of the Board of Management, Groz-Beckert KG

Dirk Lohmann

Forch, Switzerland

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

Account Manager Sales Industrial Lines, HDI Global SE

Otto Müller*

(until 31 December 2016)

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

Professor

University of Lüneburg,

Leuphana Law School

Jörn von Stein*

(since 1 January 2017)

Employee

neue leben Lebensversicherung AG

Norbert Steiner

Baunatal

Former 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

Hannover

* Staff representative

INTERIM GROUP MANAGEMENT REPORT

REPORT ON ECONOMIC POSITION

MARKETS, BUSINESS CLIMATE AND THE INDUSTRY ENVIRONMENT

Overall, the first half of 2017 was characterised by a global upturn during which solid domestic growth in industrialised countries led to increased export growth in large parts of the world.

In the eurozone, growth continued to gather pace. The economy grew by 0.6% in the first quarter of 2017 and by 1.9% year-on-year due to persistently good labour markets, increasing exports and a supportive monetary policy. There is disillusionment in the USA following setbacks in the implementation of the government's fiscal policy plans. After the US economy reported surprisingly weak growth of 0.4% in the first quarter, early indications point to a return to the original growth path of around 2% p.a.

The situation in the emerging markets has also significantly improved thanks to the structural adjustment process of recent years and the positive external economic environment. The Chinese economy continues to undergo a process of transformation, aided by a strong demand for exports.

The global rise in inflation due to oil prices came to a peak at the beginning of 2017. Since then, there has been a weak trend in prices due to lower oil prices, global excess capacities and other factors. This has allowed the major central banks to gradually normalise their monetary policies.

Following a highly-publicised speech by ECB President Mario Draghi, which was perhaps overinterpreted as signalling a withdrawal from the ECB's expansive monetary policy, interest rates in the eurozone rose sharply at the end of the six-month period. The yields on ten-year German government bonds rose in a short period of time by more than 20 basis points to nearly 0.47%. Conversely, the disappointing economic data in the USA and the failure to implement the announced economic policy measures led to declining yields, despite a further increase in the interest rate.

The global equity markets were able to rise considerably in the first half of the year. The USA and Germany recorded new highs, while Europe, Japan and the major emerging markets also recorded gains.

The macroeconomic environment had a partially positive effect on the **insurance industry** in comparison to the previous year. Premium growth increased noticeably and losses had less of an effect on the result. Total claims due to natural disasters remained less than half the figure for the previous year and less than half the average for the last ten years. The share of insured claims was higher, but was also significantly lower than the figure for 2016. The main losses were due to a series of heavy storms in the USA, a cyclone in Australia, forest fires in Chile and a storm in Germany. In contrast, the situation in the financial markets remained challenging, and was characterised by volatility and persistently low interest rates during the reporting period. The sector is diversifying its assets further, for example by investing in infrastructure.

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 (reporting date)		Statement of income (average)	
		30.6.2017	31.12.2016	6M 2017	6M 2016
AUD	Australia	1.4844	1.4591	1.4439	1.5092
BRL	Brazil	3.7654	3.4292	3.4740	4.0950
CAD	Canada	1.4799	1.4191	1.4469	1.4743
CLP	Chile	758.4600	704.3500	719.2029	761.1557
CNY	China	7.7333	7.3206	7.4670	7.2688
GBP	United Kingdom	0.8787	0.8553	0.8603	0.7786
JPY	Japan	127.7200	123.4100	122.4800	125.0057
MXN	Mexico	20.5661	21.7854	21.0784	19.8492
PLN	Poland	4.2216	4.4097	4.2695	4.3591
TRY	Turkey	4.0118	3.7194	3.9109	3.2233
USD	USA	1.1405	1.0540	1.0874	1.1113
ZAR	South Africa	14.8921	14.4632	14.4294	16.9829

BUSINESS DEVELOPMENT

PERFORMANCE OF THE GROUP

- Gross premiums up 7%
- Major-loss burden very low in the first half of the year
- Group net income increased by 15%

GROUP KEY FIGURES

EUR MILLION

	6M 2017	6M 2016 ¹⁾	+/- %
Gross written premiums	17,553	16,427	+6.9
Net premiums earned	13,440	12,810	+4.9
Underwriting result	-940	-784	-19.9
Net investment income	2,085	1,962	+6.2
Operating profit (EBIT)	1,125	1,067	+5.4
Combined ratio (net, property/ casualty only) in %	97.0	96.8	+0.2 pt.

¹⁾ Adjusted in accordance with IFRS 3.45 within the valuation period.

MANAGEMENT METRICS

%

	6M 2017	6M 2016 ¹⁾	+/- %
Gross premium growth (adjusted for currency effects)	6.5	0.0	+6.5 pt.
Group net income in EUR million	463	403	+14.9
Return on equity ²⁾	10.3	9.5	+0.8 pt.
Net return on investment ³⁾	3.7	3.5	+0.2 pt.

¹⁾ Adjusted in accordance with IFRS 3.45 within the valuation period.

²⁾ Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

³⁾ Annualised ratio of net investment income excluding interest income on funds withheld and contract deposits and profit on investment contracts to average assets under own management.

PREMIUM VOLUME

In the first half of 2017, the Talanx Group increased its gross written premiums by 6.9% (6.5% when adjusted for currency effects) to EUR 17.6 (16.4) billion. The Property/Casualty Reinsurance segment recorded premium growth of 17.3%, followed by the Retail International Division with 13.7%. Higher premium income from branches outside Germany contributed to moderate premium growth in the Industrial Lines Division (3.3%). Net premiums earned were EUR 13.4 (12.8) billion; they were therefore 4.9% higher year-on-year. Due in part to a higher retention in the Industrial Lines Division and the Property/Casualty Reinsurance segment, the Group retention ratio increased by 0.5 percentage points to 87.4% (86.9%).

UNDERWRITING RESULT

The underwriting result amounted to EUR -940 (-784) million. Despite claims caused by windstorms in primary insurance in the second quarter, the major-loss burden in the first half of the year amounted to EUR 195 (495) million and was therefore significantly lower year-on-year; it remained within the budget for the period (EUR 488 million). The improved net loss ratio was not able to fully offset the increased net expense ratio; at 97.0% (96.8%) the Group's combined ratio thus remained stable and at a good level.

NET INVESTMENT INCOME

Net investment income increased by 6.2% to EUR 2,085 (1,962) million. This was due in particular to the rise in extraordinary net investment income of EUR 133 million and the increased net gains in the Retail Germany Division in order to finance the additional interest reserve; the interest income on funds withheld and contract deposits, predominantly from the Life/Health Reinsurance segment, fell significantly year-on-year. The Group's net return on investment was 3.7% (3.5%) in the first half of 2017 and thus slightly higher year-on-year.

OPERATING PROFIT AND GROUP NET INCOME

The operating profit (EBIT) was EUR 1,125 (1,067) million. The Group's net income rose by 14.9% to EUR 463 (403) million; all divisions contributed to this but the Retail Germany and Industrial Lines Divisions produced the highest proportion. The return on equity rose 0.8 percentage points year-on-year to 10.3% (9.5%).

DEVELOPMENT OF THE DIVISIONS WITHIN THE GROUP

At a strategic level, Talanx divides its business into seven reportable segments: Industrial Lines, Retail Germany – Property/Casualty and Life Insurance –, Retail International, Property/Casualty Reinsurance, Life/Health Reinsurance and Corporate Operations. Please refer to the section entitled “Segment reporting” in the Notes to the Talanx 2016 Group Annual Report for details of these segments’ structure and scope of business.

INDUSTRIAL LINES

- Growth in premiums abroad
- Improved underwriting result
- Higher net investment income despite low interest rates

KEY FIGURES FOR THE INDUSTRIAL LINES DIVISION

EUR MILLION

	6M 2017	6M 2016	+/- %
Gross written premiums	2,795	2,706	+3.3
Net premiums earned	1,160	1,083	+7.1
Underwriting result	32	25	+28.0
Net investment income	137	109	+25.7
Operating profit (EBIT)	162	143	+13.3

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%

	6M 2017	6M 2016	+/- %
Gross premium growth (adjusted for currency effects)	2.6	4.1	-1.5 pt.
Retention	54.4	52.7	+1.7 pt.
Combined ratio (net) ¹⁾	97.2	97.8	-0.6 pt.
EBIT margin ²⁾	14.0	13.1	+0.9 pt.
Return on equity ³⁾	10.1	8.5	+1.6 pt.

¹⁾ Including net interest income on funds withheld and contract deposits.

²⁾ Operating profit (EBIT)/net premiums earned.

³⁾ Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

PREMIUM VOLUME

Gross written premiums for the division amounted to EUR 2.8 (2.7) billion as at 30 June 2017, an increase of around 3.3% (2.6% after adjustment for currency effects). The international branches of HDI Global SE recorded increases in premiums, particularly in France, Belgium and Japan.

The retention ratio in the division was above the level of the previous year at 54.4% (52.7%), largely due to lower payments to external reinsurers in the third-party liability and motor insurance lines. Net premiums earned rose by 7.1% compared with the previous-year quarter to EUR 1,160 (1,083) million, outstripping gross growth.

UNDERWRITING RESULT

The division's net underwriting result increased to EUR 32 (25) million. At 21.2% (21.7%), the net expense ratio was lower year-on-year. An increase in net premiums more than offset higher costs in absolute terms caused by a rise in investment expenses for projects. The loss ratio (net) improved slightly to 76.0% (76.1%). The claims burden was reduced particularly in the liability and marine lines. The combined ratio for the Industrial Lines Division amounted to 97.2% (97.8%).

NET INVESTMENT INCOME

Net investment income rose by 25.7% to EUR 137 (109) million. The lower interest rates for new investments and reinvestments were more than offset by an increase in the repayment of collateralised loan obligations. In comparison to the previous-year period, higher net gains from the disposal of investments were generated at HDI Global SE at the same time.

OPERATING PROFIT AND GROUP NET INCOME

As a result of the developments stated above, the division's operating profit was higher in the first half of 2017 (EUR 162 million) than in the same period of the previous year (EUR 143 million). Group net income amounted to EUR 112 (91) million.

RETAIL GERMANY

Since the second quarter of 2016, the Talanx Group has managed the Retail Germany Division on the basis of the Property/Casualty and Life segments, and has reported accordingly about the performance of these two segments.

PROPERTY/CASUALTY INSURANCE

- Continued premium growth, especially in bancassurance
- Lower burden improves combined ratio
- Operating profit up year-on-year thanks to these factors plus a lack of restructuring expenses for the period

KEY FIGURES FOR THE RETAIL GERMANY DIVISION – PROPERTY/CASUALTY INSURANCE SEGMENT

EUR MILLION

	6M 2017	6M 2016	+/- %
Gross written premiums	1,002	980	+2.2
Net premiums earned	688	691	-0.4
Underwriting result	-9	-32	+71.9
Net investment income	44	47	-6.4
Operating profit (EBIT)	22	-17	+229.4

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY INSURANCE SEGMENT

%

	6M 2017	6M 2016	+/- %
Gross premium growth	2.3	-0.9	+3.2 pt.
Combined ratio (net) ¹⁾	101.5	104.7	-3.2 pt.
EBIT margin ²⁾	3.1	-2.5	+5.6 pt.

¹⁾ Including net interest income on funds withheld and contract deposits.

²⁾ Operating profit (EBIT)/net premiums earned.

PREMIUM VOLUME AND NEW BUSINESS

A 2.2% increase in written premium income to EUR 1,002 (980) million was recorded in the Property/Casualty Insurance segment. The higher premium income was in particular due to the expansion of unemployment insurance in the bancassurance area. Overall, the share of the total Retail Germany Division attributable to the property/casualty insurers therefore increased to 30.3% (29.3%).

UNDERWRITING RESULT

The underwriting result has increased from EUR -32 million to EUR -9 million in the current financial year due to positive claims trends. By contrast, burdens from natural catastrophes and major losses fell in comparison to the previous-year period. This positive trend pushed the combined ratio (net) down by 3.3 percentage points from 104.7% to 101.5% overall.

NET INVESTMENT INCOME

Net investment income fell to EUR 44 (47) million due to lower current interest income.

OPERATING PROFIT

EBIT was up on the previous year at EUR 22 (-17) million due to the lower claims burden and the end of restructuring expenses from our investment and modernisation programme. This pushed the EBIT margin up to 3.1% (-2.5%).

LIFE INSURANCE

- Lower premiums caused by the erosion of traditional life and annuity insurance portfolios
- Higher net investment income as more gains realised to finance the additional interest reserve
- Allocation to the provision for premium refunds pushes down EBIT

KEY FIGURES FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

EUR MILLION

	6M 2017	6M 2016	+/- %
Gross written premiums	2,308	2,366	-2.4
Net premiums earned	1,701	1,763	-3.5
Underwriting result	-901	-780	-15.5
Net investment income	951	890	+6.9
Operating profit (EBIT)	41	73	-43.8
New business measured in annual premium equivalent	194	202	-4.0
Single premiums	705	717	-1.7
Regular premiums	123	130	-5.4
New business by product in annual premium equivalent	194	202	-4.0
Capital-efficient products ¹⁾	70	n.a.	
Capital-inefficient products ¹⁾	57	n.a.	
Biometric products ¹⁾	67	n.a.	

¹⁾ Comparison with prior year not possible due to new product structure.

MANAGEMENT METRICS FOR THE LIFE INSURANCE SEGMENT

%

	6M 2017	6M 2016	+/- %
Gross premium growth	-2.4	-11.7	+9.3 pt.
EBIT margin ¹⁾	2.4	4.2	-1.8 pt.

¹⁾ Operating profit (EBIT)/net premiums earned.**PREMIUM VOLUME AND NEW BUSINESS**

The Life Insurance segment registered a decline in premiums of 2.4% down to EUR 2.3 (2.4) billion in the first half of the year – including the savings elements of premiums from unit-linked life insurance. In line with expectations, regular premiums fell by EUR 45 million due to an increase in policies maturing in 2016, while single premiums declined by EUR 12 million. The retention ratio in the Life Insurance business remained stable at 95.4% (95.6%). Allowing for the savings elements under our unit-linked products and the change in the unearned premium reserve, the net premiums earned in the Life Insurance segment decreased by 3.5% to EUR 1.7 (1.8) billion. The Life Insurance segment share in the overall Retail Germany Division declined slightly to 69.7% (70.7%).

New business in life insurance products – measured in the internationally applied metric of the annual premium equivalent (APE) – contracted from EUR 202 million to EUR 194 million due to the switch to capital-efficient and risk products.

UNDERWRITING RESULT

The underwriting result has deteriorated to EUR-901 (-780) million in the current financial year, partly due to 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 rose by 6.9% to EUR 951 (890) million, thanks in particular to the increased realisation of unrealised gains to finance the additional interest reserve. Extraordinary net investment income improved accordingly by 47.0% to EUR 276 (187) million. The fall in ordinary net investment income by 4.7% to EUR 729 (765) million was influenced by persistently low interest rates.

OPERATING PROFIT

The operating profit (EBIT) in the Life Insurance segment fell to EUR 41 (73) million, primarily due to allocations to the provision for premium refunds resulting from tax income at a number of our companies.

RETAIL GERMANY DIVISION OVERALL**RETURN ON EQUITY FOR THE RETAIL GERMANY DIVISION OVERALL**

%

	6M 2017	6M 2016	+/- %
Return on equity ¹⁾	4.0	1.8	+2.2 pt.

¹⁾ Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

After adjustment for taxes on income, financing costs and non-controlling interests, Group net income increased to EUR 50 (24) million, causing the return on equity to rise by 2.2 percentage points to 4.0%.

RETAIL INTERNATIONAL

- CBA Vita S. p. A. and InChiaro Assicurazioni S. p. A. merged with HDI Assicurazioni S. p. A.
- Positive effects on the expense ratio from cost optimisation measures
- Combined ratio for property insurance companies remains steady despite a major loss event in Chile

KEY FIGURES FOR THE RETAIL INTERNATIONAL DIVISION

EUR MILLION

	6M 2017	6M 2016 ¹⁾	+/- %
Gross written premiums	2,828	2,487	+13.7
Net premiums earned	2,358	2,097	+12.4
Underwriting result	14	7	+100.0
Net investment income	173	153	+13.1
Operating profit (EBIT)	116	107	+8.4

¹⁾ Adjusted in accordance with IFRS 3.45 within the valuation period.

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

%

	6M 2017	6M 2016 ¹⁾	+/- %
Gross premium growth (adjusted for currency effects)	11.3	11.9	-0.6 pt.
Combined ratio (net, property/casualty only) ²⁾	96.5	96.4	+0.1 pt.
EBIT margin ³⁾	4.9	5.2	-0.3 pt.
Return on equity ⁴⁾	7.1	6.5	+0.6 pt.

¹⁾ Adjusted in accordance with IFRS 3.45 within the valuation period.

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

³⁾ Operating profit (EBIT)/net premiums earned.

⁴⁾ Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

This division bundles the activities of the international retail business in the Talanx Group and is active in both Europe and Latin America. With effect from 29 June 2017, the life insurer CBA Vita S. p. A. and the property insurer InChiaro Assicurazioni S. p. A. were merged with the Italian company HDI Assicurazioni S. p. A. The newly merged CBA Vita S. p. A. and the remaining 49% of InChiaro Assicurazioni S. p. A. were acquired via HDI Assicurazioni S. p. A. as of 30 June 2016.

PREMIUM VOLUME

The division's gross written premiums (including premiums from unit-linked life and annuity insurance) increased by 13.7% compared to the first half of 2016 to EUR 2.8 (2.5) billion. Adjusted for currency effects, gross premiums increased by 11.3% on the comparison period.

The premium volume increased in both regions in the reporting period. In the Latin America region, the gross written premiums increased by 18.0% compared to the same period in the previous year to EUR 798 million. There was an increase of 9.1% when adjusted for currency effects, which was essentially due to the Mexican company HDI Seguros S. A. The premium volume for the company increased, particularly in motor insurance and from bank sales, which resulted both from an increased number of insured vehicles and from higher average premiums. Chile, where the premium volume was similarly increased in motor insurance as well as through a new bank sales channel, also had positive effects on the gross written premiums for the Latin America region. In addition, there was also increased demand here for building insurance as a result of natural disasters. Of the premium volume generated in the region, 53% was attributable to the Brazilian company HDI Seguros S. A. Taking into account currency effects, gross written premiums for the company increased by 19.5% to EUR 420 million, primarily thanks to ongoing price increases; after adjustment for currency effects, the increase was 1.3%.

In the Europe region, gross written premiums rose by 12.3% to EUR 2.0 billion, driven primarily by a 34.9% increase in premiums to EUR 594 million at the Polish property insurer TUIR WARTA S. A. The Polish motor insurance market has been in a "hard" market cycle since the second half of 2016; this has resulted in an increase in average premiums in motor liability insurance. An increase in the number of insured vehicles to over 4.5 (around 3.6) million also contributed to this positive trend. The fact that HDI Assicurazioni S. p. A. now includes the life insurance premiums of its fellow Italian company CBA Vita S. p. A., which it acquired on 30 June 2016, enabled the hitherto modest trend in single premium business from other bank sales channels to be more than offset. Turkey also reported positive effects on gross written premiums for the region, primarily in the shape of an increase in the number of insured vehicles. Adjusted for currency effects, the growth in premium volume in Europe stood at 12.4%.

UNDERWRITING RESULT

The combined ratio from property insurance companies remained virtually unchanged year on year, rising by +0.1 percentage points to 96.5%. The expense ratio for the division was 1.8 percentage points lower than the previous year at 29.6% (31.4%). This resulted from a decline in both the acquisition expense ratio and the administrative expense ratio (by 0.6 percentage points to 5.8%, from 6.4% in the previous year) due to cost optimisation measures, primarily at Poland's TUIR WARTA S.A. and in Brazil. By contrast, the loss ratio rose by 1.8 percentage points due to negative effects including major losses in Chile.

Overall, the underwriting result recorded in this division was EUR 14 million, well above the previous year's level (EUR 7 million).

NET INVESTMENT INCOME

The division's net investment income in the first half of 2017 amounted to EUR 173 (153) million, a year-on-year rise of 13.1%. Ordinary net investment income climbed by 7.2%, chiefly due to larger investment portfolios overall than in the same period of the previous year. The first six months of financial year 2017 were also boosted by higher extraordinary net income in Italy, which pushed the average return on assets under own management up by 0.1 percentage points to 3.7%.

OPERATING PROFIT AND GROUP NET INCOME

In the first half of 2017, operating profit (EBIT) in the Retail International Division rose by 8.4%, compared with the same period of the previous year, to EUR 116 million. While the Europe region, with an 18.4% year-on-year rise in EBIT, contributed EUR 90 (76) million to the division's operating profit, EUR 30 (34) million of its EBIT was generated in the Latin America region. The decline in the EBIT in Latin America resulted primarily from the major loss in Chile specified above. Group net income after minority interests rose by 13.8% to EUR 74 (65) million. The return on equity rose by 0.6 percentage points to 7.1% compared to the same period in the previous year.

ADDITIONAL KEY FIGURES

RETAIL INTERNATIONAL DIVISION BY LINE OF BUSINESS AT A GLANCE

EUR MILLION

	6M 2017	6M 2016	+/- %
Gross written premiums	2,828	2,487	+13.7
Property/casualty	1,831	1,537	+19.1
Life	997	950	+4.9
Net premiums earned	2,358	2,097	+12.4
Property/casualty	1,526	1,305	+16.9
Life	832	792	+5.1
Underwriting result	14	7	+100.0
Property/casualty	54	46	+17.4
Life	-40	-39	-2.6
Others	—	—	—
Net investment income	173	153	+13.1
Property/casualty	100	89	+12.4
Life	75	65	+15.4
Others	-2	-1	-100.0
New business by product in annual premium equivalent (life)	116	118	-1.7
Single premiums	833	836	-0.4
Regular premiums	33	34	-2.9
New business by product in annual premium equivalent (life)	116	118	-1.7
Capital-efficient products ¹⁾	47	—	—
Capital-inefficient products ¹⁾	39	—	—
Biometric products ¹⁾	30	—	—

¹⁾ Comparison with prior year not possible due to new product structure.

RETAIL INTERNATIONAL DIVISION BY REGION AT A GLANCE

EUR MILLION

	6M 2017	6M 2016	+/- %
Gross written premiums	2,828	2,487	+13.7
of which Europe	2,019	1,798	+12.3
of which Latin America	798	676	+18.0
Net premiums earned	2,358	2,097	+12.4
of which Europe	1,653	1,471	+12.4
of which Latin America	704	625	+12.6
Underwriting result	14	7	+100.0
of which Europe	-5	-2	-150.0
of which Latin America	12	8	+50.0
Net investment income	173	153	+13.1
of which Europe	127	108	+17.6
of which Latin America	49	46	+6.5
Operating profit (EBIT)	116	107	+8.4
of which Europe	90	76	+18.4
of which Latin America	30	34	-11.8

REINSURANCE

PROPERTY/CASUALTY REINSURANCE

- Competition remains fierce in Property/Casualty Reinsurance
- Further strengthening of reserves for the Ogden rate
- Satisfactory earnings trend overall

KEY FIGURES FOR THE REINSURANCE DIVISION – PROPERTY/CASUALTY REINSURANCE SEGMENT

EUR MILLION

	6M 2017	6M 2016 ¹⁾	+/- %
Gross written premiums	5,428	4,627	+17.3
Net premiums earned	4,313	3,839	+12.3
Underwriting result	149	165	-9.7
Net investment income	490	431	+13.7
Operating profit (EBIT)	644	582	+10.7

¹⁾ Adjusted in accordance with IFRS 3.45 within the valuation period.

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%

	6M 2017	6M 2016 ¹⁾	+/- %
Gross premium growth (adjusted for currency effects)	16.9	-5.6	+22.5 pt.
Combined ratio (net) ²⁾	96.5	95.4	+1.1 pt.
EBIT margin ³⁾	14.9	15.2	-0.3 pt.

¹⁾ Adjusted in accordance with IFRS 3.45 within the valuation period.

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

³⁾ Operating profit (EBIT)/net premiums earned.

BUSINESS DEVELOPMENT

The fierce competition in global property/casualty reinsurance continues; the supply of reinsurance cover continues to far exceed demand. Even if the business performance of insurers has deteriorated in some cases and more reserves are increasingly being released, the capital resources of most are still considered to be sufficient. Another factor behind the sustained pressure on prices and conditions, particularly in the US natural disasters business, is the additional capacities from the market for CAT bonds (ILS).

In this environment, the treaty renewal round for Japan and smaller volumes of treaty renewals for the Australian, New Zealand, Korean and North American markets were pending as at 1 April. In light of the predominantly soft market conditions, we have mainly focused on existing business in order to ensure the good quality of our Property/Casualty Reinsurance portfolio.

Rates continued to fall in the property business in Japan, albeit at a more moderate pace than during the previous treaty renewal round. Due to past claims, we were able to substantially increase rates in the third-party liability business, as a result of which we were able to collect additional premiums. The earthquake in New Zealand in November 2016 halted the falling rate trend. Part of our business in North America was renewed as at 1 April. The pressure on prices here has noticeably subsided across all lines of business. We were able to achieve predominantly stable prices in both property and third-party liability.

PREMIUM DEVELOPMENT

Gross written premiums in the Property/Casualty Reinsurance segment increased significantly by 17.3% to EUR 5.4 (4.6) billion as at 30 June 2017. This reflected the increased demand for solvency-easing reinsurance solutions both in Europe and North America. This was able to more than compensate for declining premiums in other areas. At constant exchange rates, the increase would have amounted to 16.9%. Retention increased to 89.4% (88.2%) year-on-year. Net premiums earned increased by 12.3% to EUR 4.3 (3.8) billion; growth would have amounted to 11.8% when adjusted for currency effects.

UNDERWRITING RESULT

Given that there was no major loss in the second quarter, the major-loss burden as at 30 June 2017 was significantly lower at EUR 123 million than the value for the comparison period (EUR 353 million). The second quarter was however also burdened by the decision of the British government to reduce the discount rate (Ogden rate) for compensation payments for personal injury from 2.5% to -0.75% from March 2017. This means serious personal injuries, such as car accidents, can become substantially more expensive, leading to higher payments from third-party liability insurance cover. This aspect relates not only to future claims but also to past claims that have not yet been processed, which means substantial additional reserves will have to be established at the primary insurers and reinsurers. For this purpose, as of 30 June 2017 we have set aside additional loss reserves of EUR 291 million. However, this does not cause run-off losses due to our very adequate IBNR reserves. We assume that further additional reserves may also be required during the course of the financial year, as a result of the Ogden rate. Nevertheless, this is expected to be compensated by the available IBNR reserves.

The underwriting result for the Property/Casualty Reinsurance segment fell by 9.7% to EUR 149 (165) million; however, it remains at an acceptable level. The combined ratio still remains positive at 96.5% (95.4%).

NET INVESTMENT INCOME

At EUR 490 (431) million, our investment income was very encouraging. In light of increased ordinary investment income, the income from assets under own management increased by 16.5% to EUR 488 (419) million.

OPERATING PROFIT

In view of this situation, the operating profit (EBIT) for the Property/Casualty Reinsurance segment increased by 10.7% to EUR 644 (582) million as at 30 June 2017. Again, the EBIT margin far exceeded our target level of at least 10%, at 14.9% (15.2%).

LIFE/HEALTH REINSURANCE

- Growing international demand for automated underwriting systems
- Stable, long-term contribution to Group net income confirmed by another solid performance

KEY FIGURES FOR THE REINSURANCE DIVISION – LIFE/HEALTH REINSURANCE SEGMENT

EUR MILLION

	6M 2017	6M 2016	+/- %
Gross written premiums	3,570	3,656	-2.4
Net premiums earned	3,210	3,328	-3.5
Underwriting result	-229	-176	-30.1
Net investment income	300	321	-6.5
Operating profit (EBIT)	156	174	-10.3

MANAGEMENT METRICS

%

	6M 2017	6M 2016	+/- %
Gross premium growth (adjusted for currency effects)	-1.5	4.2	-5.7 pt.
EBIT margin ¹⁾ financial solutions	29.9	16.3	+13.6 pt.
EBIT margin ¹⁾ longevity solutions	2.3	2.1	+0.2 pt.
EBIT margin ¹⁾ mortality/morbidity	1.0	4.3	-3.3 pt.

¹⁾ Operating profit (EBIT)/net premiums earned.

BUSINESS DEVELOPMENT

We are not entirely satisfied with the business performance in the Life/Health Reinsurance segment for the first half of 2017. After an adequate first quarter, the second quarter did not live up to our expectations.

In accordance with Solvency II, from May, life insurers in the German market had to publish their SFCR (Solvency and Financial Condition Reports) for the first time. Accordingly, all life insurers that are supervised and regulated by BaFin were able to meet the solvency requirements by the end of 2016. The average cover ratio

of German life insurers across the industry increased by 57% (from 283% to 340%) year-on-year. Regardless of this general improvement, however, some companies were unable to produce sufficient cover ratios. As a result, we have witnessed a growing interest in reinsurance solutions that optimise solvency. Similarly, we have determined increased interest in solutions for additional interest reserve financing. The revision at the beginning of the year of the long-term care system in German social insurance has not yet triggered an increase in new business in long-term care insurance, as was expected. A number of different developments are currently evident in the market: Some providers are ceasing new business altogether or acting as an intermediary for other companies. It is too early to assess the extent to which business can be increased. However, we are confident that the long-term care insurance business will develop positively and we see potential here for the second half of the year.

The demand for reinsurance solutions that improve solvency was high, not only in Germany but also in other European countries such as the Netherlands. In general, the business in Europe has developed as we expected. Growth in retakaful business was especially positive as we successfully implemented our automated underwriting system hr|ReFlex for customers.

In the case of longevity risks, the enhanced annuities market has been extensively monopolised, especially in the United Kingdom. Many providers have withdrawn from the market. This is due, on the one hand, to the change in legislation under which the obligation to convert pension savings into annuities has been cancelled in some cases, and on the other hand to adjusted Solvency II capital requirements. From a global point of view, the development in longevity remains positive and demand is steadily increasing. Likewise, longevity-related indexed reinsurance solutions are coming more and more to the fore, so much so that a market is developing.

The dynamic growth in Asia also continued throughout the first quarter and into the second quarter. There is a high demand for (re)insurance solutions in health insurance among the Asian population, some of whom are not yet adequately insured. To be even better able to reach policyholders and make the processing procedure more efficient, we are supporting our customers by developing and implementing online distribution channels. Additionally, in Japan in particular, we have identified a growing demand for reinsurance solutions in the area of financial solutions. In China, there is a marked interest in "lifestyle-oriented" life insurance concepts. We are discussing this closely with customers in order to offer individual solutions.

In the reporting period, the performance of our US business was affected by higher than expected mortality in parts of our existing mortality business from previous underwriting years. However, the positive results of the financial solutions business in particular were able to largely compensate for this trend.

PREMIUM DEVELOPMENT

As at 30 June 2017, the gross premium income in the Life/Health Reinsurance segment amounted to EUR 3.6 (3.7) billion; this corresponds to a slight decline of 2.4%. At constant exchange rates, the decline would have amounted to 1.5%. Retention remained stable at 91.6% (91.8%). Net premiums earned fell by 3.5% to EUR 3.2 (3.3) billion. At constant exchange rates, the decline would have amounted to 3.1%.

NET INVESTMENT INCOME

Despite the low interest rate climate, we are very pleased with our net investment income of EUR 300 (321) million. Net income from investments under own management rose by 14.0% to EUR 179 (157) million. However, net income from funds withheld by our ceding companies fell significantly to EUR 121 (164) million.

OPERATING PROFIT

In view of this situation, the operating profit (EBIT) fell by 10.3% to EUR 156 (174) million as at 30 June 2017. We recorded an EBIT margin of 29.9% for the financial solutions business, which far exceeded the target of 2%. Achieving 2.3%, the longevity business also exceeded the target of 2%, while the EBIT margin in mortality and morbidity remained under the target margin of 6%, at 1.0%.

REINSURANCE DIVISION OVERALL

RETURN ON EQUITY FOR THE REINSURANCE DIVISION OVERALL

%	6M 2017	6M 2016 ¹⁾	+/- %
Return on equity ²⁾	12.6	12.6	±0 pt.

¹⁾ Adjusted in accordance with IFRS 3.45 within the valuation period.

²⁾ Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

The Group net income in the Reinsurance Division amounted to EUR 266 (251) million (+6.0%) in the first half of 2017 and the return on equity was 12.6% (12.6%).

CORPORATE OPERATIONS

- Group assets under own management remain steady at the previous year's level
- Talanx issues first EMTN programme
- Operating activities break even

On 30 May 2017, Talanx AG launched its first-ever euro medium-term note (EMTN) programme with a volume of EUR 3 billion. The goal of the programme is to increase the flexibility of the company's financing, especially via the structural option of private placements, and to help cut its refinancing costs in the medium term. The base prospectus required for the programme is listed on the Luxembourg Stock Exchange. Both senior and subordinated drawdowns are possible.

THE GROUP'S REINSURANCE SPECIALISTS

Underwriting business written via our Irish subsidiary has been reported in the Corporate Operations segment since 2013. Previously known as Talanx Reinsurance (Ireland) Public Limited Company, the Group's in-house reinsurer took the name Talanx Reinsurance (Ireland) SE on 16 May 2017. Its aim 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 amounted to EUR 23 (22) million in the first half of 2017. They resulted from reinsurance cessions in the Industrial Lines, Retail Germany and Retail International Divisions. Talanx Re (Ireland) posted an operating profit of EUR 0 (4) million for this business in the Corporate Operations segment due to negative currency effects.

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. Despite slightly higher interest rates, the Group's assets under own management held firm at EUR 107 (107) billion. The total contribution to the segment's operating profit made by the two companies and Talanx Immobilien Management GmbH amounted to EUR 24 (48) million in the first half of 2017.

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. Cash inflows from investments in the first half of 2017 were well above those for the same period of the previous year, which had seen retail fund sales hit fairly hard by the negative start to the year on the stock markets. With persistently low interest rates leaving few alternative investment options and global equity markets rising in the first few months of 2017, private investors have once again been

turning to retail investment funds in growing numbers as the year has gone on. Ampega Investment GmbH also enjoyed a positive trend in cash inflows in this favourable market environment, with overall sales figures also being boosted by a major sales success in the institutional third-party client business – in May, the company struck a deal for the administration of fund baskets outside the Group worth some EUR 900 million.

The total volume of assets managed by Ampega rose by 7.4% to EUR 23.2 (21.6) billion in the first half of the year. At EUR 10.9 (10.7) billion, approximately half of this total was managed on behalf of Group companies using special funds and direct investment mandates. Of the remainder, EUR 6.8 (5.7) billion was attributable to institutional third-party clients and EUR 5.5 (5.3) billion to retail business. The latter is offered both through the Group's own distribution channels and products such as unit-linked life insurance and through external asset managers and banks.

OPERATING PROFIT

The operating profit in the Corporate Operations segment fell to EUR 0 (27) million in the first half of 2017. The previous year's figure had been boosted by the sale of the 25.1% stake in C-QUADRAT Investment AG, with the share sale generating profit after taxes according to IFRS of around EUR 26 million. Group net income attributable to shareholders of Talanx AG for this segment amounted to EUR -42 (-23) million in the first half of 2017.

NET ASSETS AND FINANCIAL POSITION

NET ASSETS

- Total assets up EUR 1.1 billion to EUR 157.7 billion
- Investments account for 75% of total assets

SIGNIFICANT CHANGES IN THE ASSET STRUCTURE

The EUR 1.1 billion increase in our total assets to EUR 157.7 billion is primarily attributable to the growth in liquid funds of EUR 0.6 billion and the EUR 0.6 billion increase in accounts receivable on insurance business.

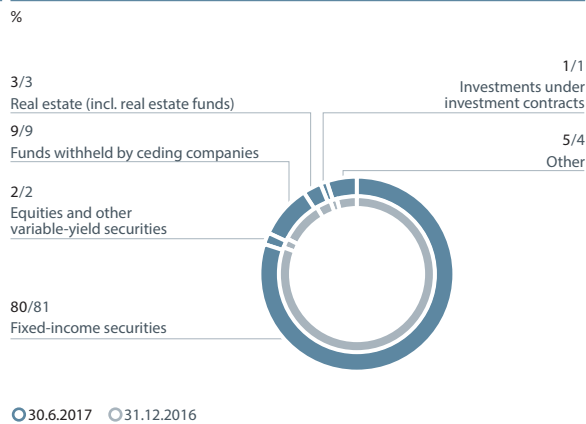
CHANGES IN INVESTMENTS

The total investment portfolio fell by 0.6% over the course of the first half of 2017 and amounted to EUR 118.1 (118.9) billion. The portfolio of assets under own management fell by 0.5% to EUR 106.6 (107.2) billion. The decline in the portfolio of assets under own management is predominantly market-driven, with the strengthening of the euro against the US dollar also having an impact. The cash inflows from underwriting business were reinvested in accordance with the respective corporate guidelines, while the portfolio of investment contracts remains constant at EUR 1.1 billion. Funds withheld by ceding companies fell by 1.9% to EUR 10.4 (10.6) billion.

Fixed-income investments were again the most significant asset class in the first half of 2017. Most reinvestments were made in this class, reflecting the existing investment structure. As in the prior year, this asset class contributed EUR 1.4 billion to earnings, which was reinvested as far as possible in the year under review.

The equity allocation ratio after derivatives (equity ratio of listed securities) was 1.7% (1.5%) at the end of the quarter.

BREAKDOWN OF THE INVESTMENT PORTFOLIO



BREAKDOWN OF ASSETS UNDER OWN MANAGEMENT BY ASSET CLASS

EUR MILLION

	30.6.2017		31.12.2016	
Investment property	2,449	2%	2,480	2%
Shares in affiliated companies and participating interests	145	<1%	139	<1%
Investments in associates and joint ventures	277	<1%	290	<1%
Loans and receivables				
Loans incl. mortgage loans	515	<1%	567	1%
Loans and receivables due from government or quasi-governmental entities, together with fixed-income securities	28,928	27%	28,858	27%
Financial assets held to maturity	544	<1%	744	1%
Financial assets available for sale				
Fixed-income securities	64,441	60%	65,435	61%
Variable-yield securities	2,676	3%	2,615	2%
Financial assets at fair value through profit or loss				
Financial assets classified at fair value through profit or loss				
Fixed-income securities	1,137	1%	1,087	1%
Variable-yield securities	66	<1%	19	<1%
Financial assets held for trading				
Fixed-income securities	—	<1%	3	<1%
Variable-yield securities	129	<1%	174	<1%
Derivatives ¹⁾	104	<1%	69	<1%
Other investments	5,196	5%	4,694	4%
Assets under own management	106,607	100%	107,174	100%

¹⁾ Only derivatives with positive fair values.

FIXED-INCOME SECURITIES

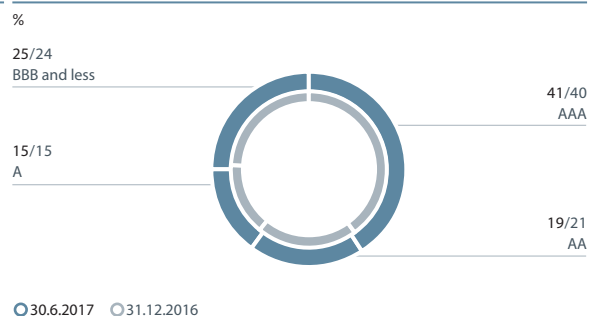
The portfolio of fixed-income investments (excluding mortgage and policy loans) fell by EUR 1.1 billion in the first half of 2017 to total EUR 95.0 (96.1) billion at the end of the six-month period. At 80% (81%) of total investments, this asset class continues to represent the most significant share 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 and which total EUR 64.4 (65.4) billion, or an unchanged 68% of total investments in the fixed-income portfolio, account for the largest share and fell by approximately EUR 1.0 billion in the first half of the year. In this segment, German covered bonds (Pfandbriefe) and corporate bonds accounted for the majority of the investments. Valuation reserves, i.e. the balance of unrealised gains and losses, have also declined from EUR 3.8 billion to EUR 3.2 billion since the end of 2016 due to the increase in interest rates for long terms.

In the “Loans and receivables” category, investments are primarily held in government securities or securities with a similar level of security. Pfandbriefe still represent the largest item in the portfolio. Total holdings in fixed-income securities within the category “Loans and receivables” remained at EUR 29.4 billion at the end of the six-month period and thus represent a further 31% of total holdings in the asset class of fixed-income investments. Off-balance-sheet valuation reserves of “Loans and receivables” (including mortgage and policy loans) decreased from EUR 4.9 billion to EUR 4.1 billion.

Investments in fixed-income securities continue to focus in 2017 on government bonds with good ratings or securities from issuers with a similar credit quality. At the reporting date, holdings of AAA-rated bonds amounted to EUR 39.5 (39.0) billion. This represents 41% (40%) of the total portfolio of fixed-income securities and loans.

RATING STRUCTURE OF FIXED-INCOME SECURITIES



The Group pursues a conservative investment policy. As a result, 75% (76%) of securities in the fixed-income securities asset category have a minimum A rating.

The Group has only a small portfolio of investments in government bonds from countries with a rating lower than A-. On a fair value basis, this portfolio remains at EUR 4.4 billion and therefore continues to correspond to a share of 4.1% of the assets under own management.

The Macaulay duration of the Talanx Group's total fixed-income securities investment portfolio was 8.1 (8.1) years as at 30 June 2017.

As far as matching currency cover is concerned, US dollar-denominated investments continue to account for the largest share 19%(20%) of the Talanx Group's foreign currency portfolio. Sizeable positions are also held in pound sterling and Australian dollars, totalling 5% (7%) of all investments. The total share of assets under own management in foreign currencies was 32% (33%) as at 30 June 2017.

EQUITIES AND EQUITY FUNDS

Net unrealised gains and losses on equity holdings within the Group (excluding “Other investments”) increased by EUR 73 million to EUR 324 (251) million.

REAL ESTATE INCLUDING SHARES IN REAL ESTATE FUNDS

Investment property totalled EUR 2.4 (2.5) billion at the reporting date. An additional EUR 805 (830) million is held in real estate funds, which are recognised as “Financial assets available for sale”.

Depreciation of EUR 25 (21) million was recognised on investment property in the reporting period. There were no impairment losses. Depreciation on real estate funds stood at EUR 6 (2) million. These depreciations were offset by negligible reversals of impairment losses.

INFRASTRUCTURE INVESTMENTS

In the area of infrastructure investments, a diversified portfolio of equity and external funding investments has been built up over the last few years. In order to expand this portfolio, we signed a purchase agreement in the second quarter, among other things, to acquire a wind farm in France that was under construction as at the reporting date; the transaction is expected to be closed in the third quarter of 2017. Apart from realising attractive investment opportunities, we were therefore also able to further diversify our portfolio.

The investment volume currently amounts to about EUR 1.6 billion. We are aiming for an investment volume in the amount of about EUR 2 billion by the end of 2017. We anticipate potential further investment opportunities, in particular in the area of transport infrastructure, power supply infrastructure and the offshore wind industry.

NET INVESTMENT INCOME

CHANGES IN NET INVESTMENT INCOME

EUR MILLION

	6M 2017	6M 2016
Ordinary investment income	1,683	1,639
of which current income from interest	1,359	1,374
of which gain/loss on investments in associates	7	3
Realised net gains on disposal of investments	466	330
Write-downs/reversals of write-downs of investments	-95	-106
Unrealised net gains from investments	30	44
Other investment expenses	-113	-118
Income from assets under own management	1,971	1,789
Net interest income from funds withheld and contract deposits	116	167
Net income from investment contracts	-2	6
Total	2,085	1,962

The net investment income in the first half of the year stood at EUR 2,085 (1,962) million, and so was slightly above the previous year's level despite the low interest rate environment. The annualised net return on investment for the assets under own management rose to 3.7% (3.5%).

Ordinary investment income at the end of the six-month period totalled EUR 1,683 (1,639) million. In particular, this rise reflects the income from private equity (one-off income in some cases) and real estate funds, which was very high for the first half of a financial year. Falling interest rates on the capital markets led to an average coupon in the fixed-income securities portfolio of 3.1% (3.2%). The current interest income included in the investment income remained unchanged at EUR 1.4 billion.

Overall, realised net gains on the disposal of investments were significantly above the prior-year figure, at EUR 466 (330) million. The positive net gains resulted from regular portfolio turnover in all segments, as well as from the requirement to realise unrealised gains in order to finance the additional interest reserve for life insurance and occupational pension plans required by the HGB.

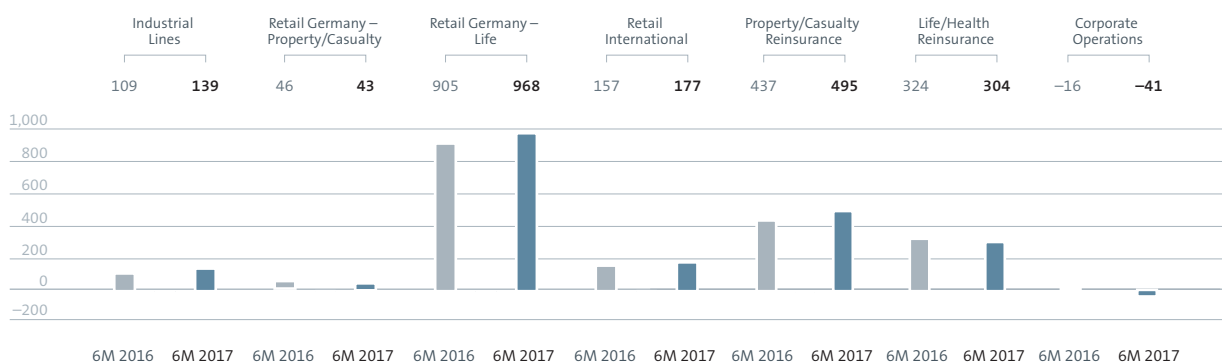
In comparison to the prior year, lower depreciations on balance were required in the first half of this year. These amounted to EUR 95 (106) million in total, net of reversals of impairment losses. This year, there were significantly lower depreciations in the area of equities, which amounted to EUR 6 (51) million. In contrast, impairments of fixed-income securities rose by EUR 26 million to EUR 34 (8) million.

There was a slight decline in unrealised net gains on balance from EUR 44 million to EUR 30 million. This decline is mainly attributable to changes in fair value.

Net interest income from funds withheld and contract deposits fell to EUR 116 (167) million.

BREAKDOWN OF NET INVESTMENT INCOME BY GROUP SEGMENT¹⁾

EUR MILLION



¹⁾ After elimination of intra-Group transactions between the segments.

FINANCIAL POSITION

ANALYSIS OF CAPITAL STRUCTURE

- Equity down year-on-year at EUR 14.4 (14.7) billion
- Technical provisions up EUR 1.0 billion to EUR 111.4 billion

SIGNIFICANT CHANGES IN THE CAPITAL STRUCTURE

Overall, net technical provisions rose by 1.1% or EUR 1.1 billion year-on-year to EUR 103.9 (102.8) billion. This increase was primarily due to the unearned premium reserve of EUR 1.2 billion.

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 88.8% (87.3%) at the reporting date. Investments thus exceed provisions by EUR 13.1 (14.9) billion.

EQUITY

CHANGES IN EQUITY

The reduction in accumulated other comprehensive income and other reserves compared with 31 December 2016 by EUR 232 million to EUR 489 million (–32.2%) and the dividend payment of EUR 341 (329) million to shareholders of Talanx AG in May of the reporting period were not fully absorbed by the net income for the reporting period, EUR 463 (403¹⁾) of which is attributable to our shareholders and was allocated in full to retained earnings, leading to a slight reduction of EUR 110 million (–1.2%) in the Group's equity.

The decline in other reserves of EUR 232 million is due in particular to the negative development of unrealised gains on investments of EUR –477 million (down by 14.6%) and the accumulated loss arising from currency translation of EUR –285 million (down by 153%), which could only be partially compensated for by the positive development of policyholder participations/shadow accounting (up by EUR 544 million). While the unrealised gains on investments fell from EUR 3,278 million to EUR 2,801 million in line with the slight increase in interest rates for long terms, the exchange rate development, in particular the devaluation of the US dollar against the euro, transformed the accumulated result of the currency translation into a loss of EUR 99 million (gains of EUR 186 million).

CHANGES IN EQUITY

CHANGES IN EQUITY

EUR MILLION

	30.6.2017	31.12.2016	Change	+/- %
Subscribed capital	316	316	—	—
Capital reserve	1,373	1,373	—	—
Retained earnings	6,790	6,668	122	+1.8
Accumulated other comprehensive income and other reserves	489	721	–232	–32.2
Group equity	8,968	9,078	–110	–1.2
Non-controlling interests in equity	5,390	5,610	–220	–3.9
Total equity	14,358	14,688	–330	–2.2

¹⁾ Adjusted in line with IFRS 3.45 within the valuation period; see our explanation in "Consolidation" in the Notes.

EQUITY BY DIVISION¹⁾ INCLUDING NON-CONTROLLING INTERESTS

EUR MILLION

	30.6.2017	31.12.2016
Industrial Lines	2,243	2,189
of which non-controlling interests	—	—
Retail Germany	2,539	2,558
of which non-controlling interests	51	51
Retail International	2,321	2,263
of which non-controlling interests	211	206
Reinsurance	9,253	9,702
of which non-controlling interests	5,129	5,354
Corporate Operations	–2,018	–2,041
of which non-controlling interests	—	—
Consolidation	20	17
of which non-controlling interests	–1	–1
Total equity	14,358	14,688
Group equity	8,968	9,078
Non-controlling interests in equity	5,390	5,610

¹⁾ Equity per division is defined as the difference between the assets and liabilities of each division.

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. Further information can be found in the Notes to the consolidated balance sheet, Note 10 “Notes payable and loans”.

In addition, a cooperation agreement with HDI V.a.G. allows Talanx AG to offer HDI subordinated bonds with a maturity of five years and a volume of up to EUR 500 million on a revolving basis. Further information can be found in the Notes to the consolidated balance sheet in the section “Other disclosures” – “Related party disclosures”.

ANALYSIS OF DEBT

Subordinated liabilities remained at EUR 2.0 billion as at the reporting date. Further information can be found in the Notes to the consolidated balance sheet, Note 8 “Subordinated liabilities”.

As at 30 June 2017, the Group had two syndicated variable-rate credit lines with a total nominal value of EUR 500 million. As in the prior 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

OTHER REPORTS AND DECLARATIONS

RISK REPORT

In our 2016 annual report, we described our risk profile and the various risk types and potential risks that could have a detrimental effect on the development of the business and the risk profile of the Group. A detailed description of the various types of risks is not provided here; these are disclosed in the 2016 annual report on page 92 ff. Risk reporting in this half-yearly financial report focuses on relevant changes to the risk position that have occurred since Talanx's 2016 Group Annual Report was prepared.

The summary of the overall risk position remains unchanged in this respect; there continues to be no discernible concrete risks that could have a material adverse effect on the Group's net assets, financial position or results of operations. However, if risks were to occur cumulatively, this could result in the need to adjust certain intangible assets and carrying amounts. For example, a prolonged period of low interest rates could have a material adverse effect on earnings and solvency in parts of the life insurance business due to increased 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 primarily in the HGB financial statements.

Systemic risks, especially to the stability of the financial market, can affect the Group directly as an actor in the financial market and can also affect it indirectly due to potentially negative consequences for its customers.

In abstract terms at least, there is still considerable uncertainty as to whether risks associated with the debt crisis in various countries could crystallise in future and have a lasting impact on the Group's net assets, financial position or results of operations. On a related matter, we continue to monitor Italy in particular due to the comparatively high exposure of individual subsidiaries to relevant securities. However, our analyses indicate that the impact on the assets of Talanx remains manageable.

Moreover, we are monitoring the political developments in Poland and Turkey, as these are core markets for the Retail International Division, and the general situation with the European Union, especially in connection with the United Kingdom's exit.

Furthermore, developments in the legal framework governing our business activities are highly uncertain. As interpretations of the legal situation have changed over time, we face a degree of uncertainty over how regulatory requirements (e.g. Solvency II) will be interpreted in practice in future. This poses legal risks for our German life insurance companies in particular. This also includes tax risks relating to the handling of certain capital investment instruments in the course of company audits. As these have not been recognised as liabilities due to a probability of less than 50%, they have been incorporated in the contingent liabilities disclosed in the Notes. Due to the implementation of the EU "Insurance Distribution Directive (IDD)", new regulations on the sale of residual debt insurance when granting credit have also been adopted. No decision has been made on the tie-in ban applying to companies that has been discussed since the directive was implemented.

A project in the Reinsurance Division is currently assessing actuarial assumptions for the US mortality business and measures relating to portfolio management are also being taken, with the corresponding present value of future cash flows expected to remain positive based on current findings. Should further information indicate that this is no longer the case, this may have a one-off negative impact on the IFRS result.

OUTLOOK

ECONOMIC ENVIRONMENT

At the beginning of the second half of 2017, the global upturn is approaching its cyclical peak; early indications suggest a stabilisation in growth slightly below the current level. Due to constant economic growth rates and low financing costs, we forecast an increase in global investment volumes following a period of weakness that has lasted several years. We expect to see an annual growth rate of around 3.5% for the global economy in 2017.

Despite considerable problems in certain national economies, a large proportion of this acceleration in growth can be attributed to emerging markets, which are no longer experiencing a financial crisis thanks to structural adjustments, stable commodities prices, an increasing demand for exports and high global liquidity. The transformation process of the Chinese economy, from an export and investment-oriented growth model to a modern service society, is underpinned by growing export demand and reduced cash outflows. We anticipate a further, albeit gradual, weakening of growth in China.

The sources of growth in industrial countries are shifting: The implementation of comprehensive fiscal policy measures in the USA is becoming increasingly unlikely, while the eurozone is gaining momentum from quarter to quarter. In addition, new opportunities for shaping policy are opening up with the election of a pro-European French president.

The global inflation trend looks set to remain lower than expected in the second half of the year, a fact that can be partially attributed to the weak oil price. Outside the USA, inflation remains fairly low due to existing surplus capacities. Overall, the combination of solid growth rates and, at the same time, low inflation rates is allowing central banks to normalise their monetary policies very gradually.

CAPITAL MARKETS

Aside from the increasingly divergent developments in central bank policy, key factors for the anticipated market trend include political issues, such as the upcoming elections in Germany and Italy as well as the Brexit negotiations. It is too early to assess the potential impact of a US economic policy which is based on increased protectionism and growing national debt. Market participants also continue to focus on the economic development in Asia, most notably China, and the stabilisation of oil and commodities prices.

The strong growth of corporate profits and high yields from dividends signal a continued upside potential, which is limited due to prices that are already high. We anticipate a balanced risk/reward ratio overall. There are limited chances of further gains in the USA and Germany whereas, relatively speaking, the highest potential for gains is in Europe. Lower levels of volatility are not uncommon in a stable macroeconomic environment and can also determine the direction of the equity markets in the coming quarters. Although interest rates appear to have bottomed out in the main currency zones, it is difficult to assess the future path that they will take, especially in terms of the speed at which they will change and the impact they will have on other capital market parameters.

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
- a major-loss burden in line with expectations

We provide forecast figures at year-end for the key figures at the Talanx Group and its divisions that the Group uses to control its business operations. After the end of the first half of 2017, we expect the following development compared to the forecasts given in the outlook of the 2016 Annual Report: for the Talanx Group, we now expect a rise in gross premiums of over 4% in financial year 2017 due mainly to the positive development in the Property/Casualty Reinsurance segment. Furthermore, we now expect a net income for the Group of some EUR 850 million and a return on equity of around 9%. This forecast is being revised upwards following the positive performance in the first half of 2017.

TALANX GROUP

MANAGEMENT METRICS

%

	Outlook for 2017 on the basis of 6M 2017	Outlook for 2017 on the basis of Q1 2017	Forecast for 2017 from the 2016 Annual Report
Gross premium growth (adjusted for currency effects)	> 4	> 1	> 1
Group net income in EUR million	~ 850	approx. 800	approx. 800
Net return on investment	≥ 3	≥ 3	≥ 3
Payout rate	35–45	35–45	35–45
Return on equity	~ 9	> 8	> 8

INDUSTRIAL LINES

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%

	Outlook for 2017 on the basis of 6M 2017	Outlook for 2017 on the basis of Q1 2017	Forecast for 2017 from the 2016 Annual Report
Gross premium growth (adjusted for currency effects)	≥ 2	≥ 2	≥ 2
Retention	> 53	> 53	> 53
Combined ratio (net)	~ 96	~ 96	~ 96
EBIT margin	~ 10	~ 10	~ 10
Return on equity	7–8	7–8	7–8

RETAIL GERMANY

PROPERTY/CASUALTY INSURANCE

In the forecast for 2017 in the 2016 Annual Report, we expected a slight decline in gross premiums of 1% to 2% in the Property/Casualty Insurance segment in the Retail Germany Division. We are now expecting gross premiums to at least hold steady for the whole of 2017 due to the increase in new business acquired during the year.

MANAGEMENT METRICS FOR THE RETAIL GERMANY DIVISION – PROPERTY/CASUALTY INSURANCE SEGMENT

%

	Outlook for 2017 on the basis of 6M 2017	Outlook for 2017 on the basis of Q1 2017	Forecast for 2017 from the 2016 Annual Report
Gross premium growth	≥ 0	–1 to –2	–1 to –2
Combined ratio (net)	~ 103	~ 103	~ 103
EBIT margin	1–2	1–2	1–2

LIFE INSURANCE

MANAGEMENT METRICS FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

%

	Outlook for 2017 on the basis of 6M 2017	Outlook for 2017 on the basis of Q1 2017	Forecast for 2017 from the 2016 Annual Report
Gross premium growth	0	0	0
EBIT margin	2–3	2–3	2–3

RETAIL GERMANY OVERALL

RETURN ON EQUITY MANAGEMENT METRIC FOR THE RETAIL GERMANY DIVISION OVERALL

%

	Outlook for 2017 on the basis of 6M 2017	Outlook for 2017 on the basis of Q1 2017	Forecast for 2017 from the 2016 Annual Report
Return on equity	2–3	2–3	2–3

RETAIL INTERNATIONAL

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

%	Outlook for 2017 on the basis of 6M 2017	Outlook for 2017 on the basis of Q1 2017	Forecast for 2017 from the 2016 Annual Report
Gross premium growth (adjusted for currency effects)	~ 10	~ 10	~ 10
Growth in value of new business (life) ¹⁾	5–10	5–10	5–10
Combined ratio (net, property/casualty)	~ 96	~ 96	~ 96
EBIT margin	5–6	5–6	5–6
Return on equity	6–7	6–7	6–7

¹⁾ Excluding non-controlling interests.

LIFE/HEALTH REINSURANCE

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

%	Outlook for 2017 on the basis of 6M 2017	Outlook for 2017 on the basis of Q1 2017	Forecast for 2017 from the 2016 Annual Report
Gross premium growth (adjusted for currency effects)	moderate growth	moderate growth	moderate growth
Value of new business ¹⁾ in EUR million	> 110	> 110	> 110
EBIT margin financial solutions	≥ 2	≥ 2	≥ 2
EBIT margin longevity solutions	≥ 2	≥ 2	≥ 2
EBIT margin mortality/morbidity	≥ 6	≥ 6	≥ 6

¹⁾ Excluding non-controlling interests.

REINSURANCE

PROPERTY/CASUALTY REINSURANCE

In the forecast for 2017 in the 2016 Annual Report, we expected a slight rise in gross premiums in the Property/Casualty Reinsurance segment. Due to the increased demand for solvency-easing reinsurance solutions both in Europe and North America, high-volume transactions in the area of insurance-linked securities (ILS) and a satisfactory treaty renewal for the North American market, we are now anticipating growth of more than 5% in gross premiums.

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%	Outlook for 2017 on the basis of 6M 2017	Outlook for 2017 on the basis of Q1 2017	Forecast for 2017 from the 2016 Annual Report
Gross premium growth (adjusted for currency effects)	> 5	slight growth	slight growth
Combined ratio (net)	< 96	< 96	< 96
EBIT margin	≥ 10	≥ 10	≥ 10

REINSURANCE DIVISION OVERALL

RETURN ON EQUITY MANAGEMENT METRIC FOR THE REINSURANCE DIVISION OVERALL

%	Outlook for 2017 on the basis of 6M 2017	Outlook for 2017 on the basis of Q1 2017	Forecast for 2017 from the 2016 Annual Report
Return on equity	~ 11	~ 11	~ 11

ASSESSMENT OF FUTURE OPPORTUNITIES AND CHALLENGES

Opportunities have not changed significantly compared with the 2016 reporting period. For further information, please refer to Talanx's 2016 Group Annual Report.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET OF TALANX AG AS AT 30 JUNE 2017

CONSOLIDATED BALANCE SHEET – ASSETS

EUR MILLION

	Notes	30.6.2017	31.12.2016
A. Intangible assets	1		
a. Goodwill		1,044	1,039
b. Other intangible assets		900	903
		1,944	1,942
B. Investments			
a. Investment property		2,449	2,480
b. Shares in affiliated companies and participating interests		145	139
c. Investments in associates and joint ventures		277	290
d. Loans and receivables	2	29,443	29,425
e. Other financial instruments			
i. Held to maturity	3	544	744
ii. Available for sale	4/6	67,117	68,050
iii. At fair value through profit or loss	5/6	1,436	1,352
f. Other investments		5,196	4,694
Assets under own management		106,607	107,174
g. Investments under investment contracts		1,139	1,091
h. Funds withheld by ceding companies		10,394	10,590
Investments		118,140	118,855
C. Investments for the benefit of life insurance policyholders who bear the investment risk		11,031	10,583
D. Reinsurance recoverables on technical provisions		7,871	7,958
E. Accounts receivable on insurance business		6,772	6,192
F. Deferred acquisition costs		5,284	5,240
G. Cash at banks, cheques and cash-in-hand		3,178	2,589
H. Deferred tax assets		584	577
I. Other assets		2,898	2,620
J. Non-current assets and assets of disposal groups classified as held for sale ¹⁾		—	15
Total assets		157,702	156,571

¹⁾ For further information see "Non-current assets held for sale and disposal groups" in the Notes.

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

EUR MILLION

	Notes	30.6.2017	31.12.2016
A. Equity	7		
a. Subscribed capital		316	316
Nominal value: 316 (previous year: 316)			
Contingent capital: 158 (previous year: 104)			
b. Reserves		8,652	8,762
Equity excluding non-controlling interests		8,968	9,078
c. Non-controlling interests		5,390	5,610
Total equity		14,358	14,688
B. Subordinated liabilities	8	1,983	1,983
C. Technical provisions	9		
a. Unearned premium reserve		9,152	7,624
b. Benefit reserve		54,916	54,758
c. Loss and loss adjustment expense reserve		41,306	41,873
d. Provision for premium refunds		5,614	5,765
e. Other technical provisions		420	409
		111,408	110,429
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders		11,031	10,583
E. Other provisions			
a. Provisions for pensions and other post-employment benefits		2,087	2,183
b. Provisions for taxes		930	833
c. Miscellaneous other provisions		809	940
		3,826	3,956
F. Liabilities			
a. Notes payable and loans	10	1,445	1,505
b. Funds withheld under reinsurance treaties		4,813	5,129
c. Other liabilities	6	6,717	6,150
		12,975	12,784
G. Deferred tax liabilities		2,121	2,148
Total liabilities/provisions		143,344	141,883
Total equity and liabilities		157,702	156,571

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 2017

CONSOLIDATED STATEMENT OF INCOME

EUR MILLION

	Notes	6M 2017	6M 2016 ¹⁾	Q2 2017	Q2 2016 ¹⁾
1. Gross written premiums including premiums from unit-linked life and annuity insurance		17,553	16,427	7,801	7,432
2. Savings elements of premiums from unit-linked life and annuity insurance		593	614	312	353
3. Ceded written premiums		2,138	2,072	772	777
4. Change in gross unearned premiums		-1,748	-1,265	135	353
5. Change in ceded unearned premiums		-366	-334	104	111
Net premiums earned	11	13,440	12,810	6,748	6,544
6. Claims and claims expenses (gross)		12,111	11,631	6,145	5,916
Reinsurers' share		1,056	1,061	570	580
Claims and claims expenses (net)	14	11,055	10,570	5,575	5,336
7. Acquisition costs and administrative expenses (gross)		3,600	3,258	1,808	1,632
Reinsurers' share		290	273	117	111
Acquisition costs and administrative expenses (net)	15	3,310	2,985	1,691	1,521
8. Other technical income		33	22	8	6
Other technical expenses		48	61	15	55
Other technical result		-15	-39	-7	-49
Net technical result		-940	-784	-525	-362
9. a. Investment income		2,323	2,159	1,212	1,039
b. Investment expenses		352	370	184	191
Net income from assets under own management		1,971	1,789	1,028	848
Net income from investment contracts		-2	6	-1	4
Net interest income from funds withheld and contract deposits		116	167	47	88
Net investment income	12/13	2,085	1,962	1,074	940
of which share of profit or loss of equity-accounted associates and joint ventures		7	3	2	1
10. a. Other income		824	567	428	105
b. Other expenses		844	678	428	189
Other income/expenses	16	-20	-111	-	-84
Profit before goodwill impairments		1,125	1,067	549	494
11. Goodwill impairments		-	-	-	-
Operating profit/loss (EBIT)		1,125	1,067	549	494
12. Financing costs		74	73	38	36
13. Taxes on income		267	303	125	148
Net income		784	691	386	310
of which attributable to non-controlling interests		321	288	161	129
of which attributable to shareholders of Talanx AG		463	403	225	181
Earnings per share					
Basic earnings per share (EUR)		1.83	1.59	0.89	0.71
Diluted earnings per share (EUR)		1.83	1.59	0.89	0.71

¹⁾ Adjusted in line with IFRS 3.45 within the valuation period; see our explanation in "Consolidation" in the Notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR MILLION

	6M 2017	6M 2016 ¹⁾	Q2 2017	Q2 2016 ¹⁾
Net income	784	691	386	310
Items that will not be reclassified to profit or loss				
Actuarial gains (losses) on pension provisions				
Gains (losses) recognised in other comprehensive income for the period	86	-402	65	-145
Tax income (expense)	-26	122	-19	43
	60	-280	46	-102
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised in other comprehensive income for the period	-4	17	-3	6
Tax income (expense)	—	—	—	—
	-4	17	-3	6
Total items that will not be reclassified to profit or loss, net of tax	56	-263	43	-96
Items that may be reclassified subsequently to profit or loss				
Unrealised gains and losses on investments				
Gains (losses) recognised in other comprehensive income for the period	-210	2,798	-15	1,222
Reclassified to profit or loss	-282	-152	-112	-28
Tax income (expense)	36	-382	2	-185
	-456	2,264	-125	1,009
Exchange differences on translating foreign operations				
Gains (losses) recognised in other comprehensive income for the period	-560	-140	-562	126
Reclassified to profit or loss	—	—	—	—
Tax income (expense)	34	3	34	-3
	-526	-137	-528	123
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised in other comprehensive income for the period	617	-1,495	152	-604
Tax income (expense)	-11	24	—	7
	606	-1,471	152	-597
Changes from cash flow hedges				
Gains (losses) recognised in other comprehensive income for the period	-14	174	12	64
Reclassified to profit or loss	-67	-6	-42	-3
Tax income (expense)	3	-6	2	-2
	-78	162	-28	59
Changes from equity method measurement				
Gains (losses) recognised in other comprehensive income for the period	-11	-3	-13	-2
Reclassified to profit or loss	—	—	—	—
Tax income (expense)	—	—	—	—
	-11	-3	-13	-2
Other changes				
Gains (losses) recognised in other comprehensive income for the period	—	—	—	—
Reclassified to profit or loss	—	—	—	—
Tax income (expense)	—	—	—	—
	—	—	—	—
Total items that may be reclassified subsequently to profit or loss, net of tax	-465	815	-542	592
Other comprehensive income for the period, net of tax	-409	552	-499	496
Total comprehensive income for the period	375	1,243	-113	806
of which attributable to non-controlling interests	144	532	-54	345
of which attributable to shareholders of Talanx AG	231	711	-59	461

¹⁾ Adjusted in line with IFRS 3.45 within the valuation period; see our explanation in "Consolidation" in the Notes.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHANGES IN EQUITY

EUR MILLION

	Subscribed capital	Capital reserves	Retained earnings
2016			
Balance at 1.1.2016	316	1,373	6,104
Changes in ownership interest without a change in control	—	—	—10
Other changes in basis of consolidation	—	—	—
Net income ¹⁾	—	—	403
Other comprehensive income	—	—	—
of which not eligible for reclassification	—	—	—
of which actuarial gains or losses on pension provisions	—	—	—
of which changes in policyholder participation/shadow accounting	—	—	—
of which eligible for reclassification	—	—	—
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 ²⁾	—	—	—
Total comprehensive income ¹⁾	—	—	403
Dividends to shareholders	—	—	—329
Other changes outside profit or loss	—	—	—
Balance at 30.6.2016 ¹⁾	316	1,373	6,168
2017			
Balance at 1.1.2017	316	1,373	6,668
Changes in ownership interest without a change in control	—	—	—
Other changes in basis of consolidation	—	—	—
Net income	—	—	463
Other comprehensive income	—	—	—
of which not eligible for reclassification	—	—	—
of which actuarial gains or losses on pension provisions	—	—	—
of which changes in policyholder participation/shadow accounting	—	—	—
of which eligible for reclassification	—	—	—
of which eligible for reclassification	—	—	—
of which currency translation	—	—	—
of which change from cash flow hedges	—	—	—
of which change from equity method measurement	—	—	—
of which other changes ²⁾	—	—	—
Total comprehensive income	—	—	463
Dividends to shareholders	—	—	—341
Other changes outside profit or loss	—	—	—
Balance at 30.6.2017	316	1,373	6,790

¹⁾ Adjusted in line with IFRS 3.45 within the valuation period; see our explanation in "Consolidation" in the Notes.

²⁾ "Other changes" consist of policyholder participation/shadow accounting as well as miscellaneous other changes.

Other reserves						
Unrealised gains/losses on investments	Currency translation gains/losses	Other changes in equity	Measurement gains/losses on cash flow hedges	Equity attributable to shareholders of Talanx AG	Non-controlling interests	Total equity
2,443	57	-2,367	356	8,282	5,149	13,431
1	—	—	—	-9	-12	-21
—	—	—	—	—	-2	-2
—	—	—	—	403	288	691
1,830	-65	-1,609	152	308	244	552
—	—	-249	—	-249	-14	-263
—	—	-264	—	-264	-16	-280
—	—	15	—	15	2	17
1,830	-65	-1,360	152	557	258	815
1,830	—	—	—	1,830	434	2,264
—	-65	—	—	-65	-72	-137
—	—	—	152	152	10	162
—	—	-2	—	-2	-1	-3
—	—	-1,358	—	-1,358	-113	-1,471
1,830	-65	-1,609	152	711	532	1,243
—	—	—	—	-329	-348	-677
—	—	—	—	—	—	—
4,274	-8	-3,976	508	8,655	5,319	13,974
3,278	186	-3,191	448	9,078	5,610	14,688
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	463	321	784
-477	-285	592	-62	-232	-177	-409
—	—	55	—	55	1	56
—	—	59	—	59	1	60
—	—	-4	—	-4	—	-4
-477	-285	537	-62	-287	-178	-465
-477	—	—	—	-477	21	-456
—	-285	—	—	-285	-241	-526
—	—	—	-62	-62	-16	-78
—	—	-11	—	-11	—	-11
—	—	548	—	548	58	606
-477	-285	592	-62	231	144	375
—	—	—	—	-341	-364	-705
—	—	—	—	—	—	—
2,801	-99	-2,599	386	8,968	5,390	14,358

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

CONSOLIDATED CASH FLOW STATEMENT OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017

CONSOLIDATED CASH FLOW STATEMENT

EUR MILLION

	6M 2017	6M 2016 ⁶⁾
I. 1. Net income	784	691
I. 2. Changes in technical provisions	3,518	3,033
I. 3. Changes in deferred acquisition costs	-107	9
I. 4. Changes in funds withheld and in accounts receivable and payable	-1,040	-597
I. 5. Changes in other receivables and liabilities	299	88
I. 6. Changes in investments and liabilities under investment contracts	7	12
I. 7. Changes in financial assets held for trading	-6	38
I. 8. Gains/losses on disposal of investments and property, plant and equipment	-476	-332
I. 9. Change in technical provisions for life insurance policies where the investment risk is borne by the policyholders ¹⁾	424	-243
I. 10. Other non-cash expenses and income (including income tax expense/income)	96	85
I. Cash flows from operating activities ²⁾, ⁵⁾	3,499	2,784
II. 1. Cash inflow from the sale of consolidated companies	2	3
II. 2. Cash outflow from the purchase of consolidated companies	—	57
II. 3. Cash inflow from the sale of real estate	106	3
II. 4. Cash outflow from the purchase of real estate	-121	-14
II. 5. Cash inflow from the sale and maturity of financial instruments	11,869	11,369
II. 6. Cash outflow from the purchase of financial instruments	-12,795	-13,047
II. 7. Changes in investments for the benefit of life insurance policyholders who bear the investment risk	-424	243
II. 8. Changes in other investments	-610	491
II. 9. Cash outflows from the acquisition of tangible and intangible assets	-55	-45
II. 10. Cash inflows from the sale of tangible and intangible assets	13	5
II. Cash flows from investing activities	-2,015	-935
III. 1. Cash inflow from capital increases	—	—
III. 2. Cash outflow from capital reductions	—	—
III. 3. Dividends paid	-705	-677
III. 4. Net changes attributable to other financing activities	-148	-65
III. Cash flows from financing activities ⁵⁾	-853	-742
Net change in cash and cash equivalents (I. + II. + III.)	631	1,107
Cash and cash equivalents at the beginning of the reporting period	2,589	2,243
Effect of exchange rate changes on cash and cash equivalents	-42	-7
Effect of changes in the basis of consolidation on cash and cash equivalents ³⁾	—	-2
Cash and cash equivalents at the end of the reporting period ⁴⁾	3,178	3,341

¹⁾ As opposed to the previous year, item I. 9 „Change in technical provisions for life insurance policies where the investment risk is borne by the policyholders“ is reported separately; in the same period of the previous year, the effects were reported in item I. 10 „Other non-cash expenses and income (including income tax expense/income)“.

²⁾ EUR 115 (214) million of „Income taxes paid“ and EUR 158 (130) million of „Dividends received“ and EUR 1,862 (1,834) million of „Interest received“ are allocated to „Cash flows from operating activities“. Dividends received also comprise dividend-equivalent distributions from investment funds and private equity companies.

³⁾ This item relates primarily to changes in the basis of consolidation, excluding disposals and acquisitions.

⁴⁾ „Cash and cash equivalents at the end of the reporting period“ also include changes in the portfolio of disclosed disposal groups in the amount of EUR 0 (7) million.

⁵⁾ EUR 239 (215) million of „Interest paid“ is attributable to EUR 104 (104) million to „Cash flows from financing activities“ and EUR 135 (111) million to „Cash flows from operating activities“.

⁶⁾ Adjusted in line with IFRS 3.45 within the valuation period; see our explanation in „Consolidation“ in the Notes.

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 2017 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, also complies with the requirements of IAS 34 "Interim Financial Reporting".

We have applied all new or amended IFRSS effective as at 30 June 2017. 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 2016.

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. 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 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 prior year.

APPLICATION OF NEW AND REVISED STANDARDS/ INTERPRETATIONS

There are no new or amended standards or interpretations compared to those as at 31 December 2016.

IMPACTS OF ISSUED STANDARDS, INTERPRETATIONS AND REVISIONS THAT HAVE NOT YET BEEN APPLIED BY THE GROUP IN 2017

The IASB issued its new requirements governing revenue recognition in IFRS 15 "Revenue from Contracts with Customers" on 28 May 2014. It replaces the existing guidance on revenue recognition, including IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programmes". IFRS 15 establishes a comprehensive framework to determine how, how much and when revenue is recognised. IFRS 15 must be applied for the first time to reporting periods beginning on or after 1 January 2018. Financial instruments and other contractual rights and obligations that need to be accounted for using separate standards and (re)insurance contracts in the area of application of IFRS 4 (core business activity of the Group) are explicitly excluded from the area of applicability of this standard. The Group will apply IFRS 15 from 1 January 2018 and select the modified retrospective approach, that is, the cumulative effect from the initial application will be recognised in the profit reserves as at 1 January 2018. Moreover, the Group intends to apply the practical simplifications with regard to concluded contracts and contract amendments. Based on the impact analysis performed, the Group does not expect any significant effects from the changeover on the effective date.

IFRS 9 “Financial Instruments”, which was published on 24 July 2014, supersedes the existing guidance in IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 contains revised guidance for the classification and measurement of financial instruments, including a new model for impairing financial assets that provides for expected credit losses, and the new general hedge accounting requirements. It also takes over the existing guidance on recognising and derecognising financial instruments from IAS 39. IFRS 9 is effective for financial years beginning on or after 1 January 2018.

However, the IASB has issued amendments to IFRS 4 “Application of IFRS 9 and IFRS 4”, which allow certain insurance companies to postpone the obligatory application of IFRS 9 until 2021. The Talanx Group fulfils the relevant necessary prerequisites (the proportion of the Group’s insurance activities is over 90%) and has therefore chosen to exercise the option to postpone. The Group set up a project to examine the impact of the standard on the consolidated financial statements and to take the necessary steps towards implementation. It is anticipated that the new classification requirements and the new impairment model will have a significant impact on accounting for financial assets and liabilities in the Group. At present, the processes are being developed to take into account the disclosure regulations for the period up to the initial application of IFRS 9.

On 13 January 2016, the IASB issued new requirements governing lease accounting in IFRS 16 “Leases” which replaces IAS 17 “Leases” and the corresponding interpretations. IFRS 16 introduces a standardised accounting model, whereby leases must be recognised in the balance sheet of the lessee. A lessee recognises a right-of-use asset that represents their right to use the underlying asset and a liability arising from the lease, representing their obligation to make lease payments. There are exceptional regulations for short-term leases and leases concerning low-value assets. The standard must be applied for the first time in the reporting period of a financial year beginning on or after 1 January 2019. The Group will not apply this standard early and is currently beginning the impact analysis.

The IASB issued its new requirements governing insurance accounting in IFRS 17 “Insurance Contracts” on 18 May 2017. IFRS 17 fundamentally alters the accounting of insurance contracts. The standard is initially effective for financial years beginning on or after 1 January 2021. The previously valid IFRS 4, which is acting as the interim standard, will be superseded when IFRS 17 comes into effect. IFRS 17 contains principles for the registering, evaluation, disclosure and specification of insurance contracts. The standard must be applied to insurance contracts, reinsurance contracts and investment contracts with a discretionary surplus participation. The new standard fundamentally harmonises and modifies the previous process of accounting for insurance contracts. As the new requirements affect the Group’s core business activities, significant impacts on the consolidated financial statements are inevitable. Due to the particular significance of the new accounting regulations, the Group has set up a multi-year project to examine the impact of the standard on the consolidated financial statements and to take the necessary steps towards implementation. At present, the technical accounting principles are being developed so that the extensive requirements can then begin to be implemented into the Group’s processes and systems.

II. SEGMENT REPORTING

The description of the business activities, the divisions and the reportable segments of the Talanx Group in the 2016 Annual Report, as well as the products and services with which these earnings are generated, is still accurate as at the end of the reporting period. The

general specifications about segment reporting given there and the statements about the measurement basis for the performance of the reportable segments are still applicable.

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 30 JUNE 2017

EUR MILLION

Assets	Industrial Lines		Retail Germany	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
A. Intangible assets				
a. Goodwill	153	153	248	248
b. Other intangible assets	8	8	526	520
	161	161	774	768
B. Investments				
a. Investment property	97	77	982	984
b. Shares in affiliated companies and participating interests	14	12	6	13
c. Investments in associates and joint ventures	141	150	52	53
d. Loans and receivables	1,099	1,054	25,214	25,092
e. Other financial instruments				
i. Held to maturity	73	77	167	170
ii. Available for sale	5,535	5,625	21,345	21,420
iii. At fair value through profit or loss	142	72	312	346
f. Other investments	934	684	1,601	1,532
Assets under own management	8,035	7,751	49,679	49,610
g. Investments under investment contracts	—	—	—	—
h. Funds withheld by ceding companies	18	20	4	3
Investments	8,053	7,771	49,683	49,613
C. Investments for the benefit of life insurance policyholders who bear the investment risk	—	—	10,118	9,727
D. Reinsurance recoverables on technical provisions	5,026	5,014	2,287	2,170
E. Accounts receivable on insurance business	1,640	1,259	387	331
F. Deferred acquisition costs	72	45	2,156	2,179
G. Cash at banks, cheques and cash-in-hand	560	478	913	633
H. Deferred tax assets	69	69	100	78
I. Other assets	653	387	979	1,226
J. Non-current assets and assets of disposal groups classified as held for sale	—	—	—	—
Total assets	16,234	15,184	67,397	66,725

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
624	618	19	20	—	—	—	—	1,044	1,039
153	156	118	128	95	91	—	—	900	903
777	774	137	148	95	91	—	—	1,944	1,942
17	17	1,353	1,402	—	—	—	—	2,449	2,480
—	—	108	97	17	17	—	—	145	139
—	—	111	114	—	—	–27	–27	277	290
668	700	2,445	2,564	17	15	—	—	29,443	29,425
239	305	353	485	2	2	–290	–295	544	744
7,684	7,373	32,355	33,478	198	154	—	—	67,117	68,050
679	636	303	298	—	—	—	—	1,436	1,352
322	327	3,200	3,235	400	261	–1,261	–1,345	5,196	4,694
9,609	9,358	40,228	41,673	634	449	–1,578	–1,667	106,607	107,174
1,139	1,091	—	—	—	—	—	—	1,139	1,091
—	—	11,747	11,844	1	1	–1,376	–1,278	10,394	10,590
10,748	10,449	51,975	53,517	635	450	–2,954	–2,945	118,140	118,855
913	856	—	—	—	—	—	—	11,031	10,583
852	832	2,636	2,843	3	—	–2,933	–2,901	7,871	7,958
1,153	1,142	3,837	3,678	12	2	–257	–220	6,772	6,192
593	589	2,224	2,198	1	—	238	229	5,284	5,240
657	455	834	814	214	209	—	—	3,178	2,589
54	59	134	127	227	244	—	—	584	577
453	471	1,573	1,286	438	738	–1,198	–1,488	2,898	2,620
—	—	—	15	—	—	—	—	—	15
16,200	15,627	63,350	64,626	1,625	1,734	–7,104	–7,325	157,702	156,571

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 30 JUNE 2017

EUR MILLION

Equity and liabilities

	Industrial Lines		Retail Germany	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016
B. Subordinated liabilities	200	200	161	161
C. Technical provisions				
a. Unearned premium reserve	1,718	1,094	1,514	1,160
b. Benefit reserve	—	—	39,883	39,515
c. Loss and loss adjustment expense reserve	9,072	9,353	3,198	3,098
d. Provision for premium refunds	17	19	5,346	5,473
e. Other technical provisions	46	42	2	2
	10,853	10,508	49,943	49,248
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders	—	—	10,118	9,727
E. Other provisions				
a. Provisions for pensions and other post-employment benefits	584	612	142	150
b. Provisions for taxes	122	97	120	118
c. Miscellaneous other provisions	70	84	316	372
	776	793	578	640
F. Liabilities				
a. Notes payable and loans	16	16	100	104
b. Funds withheld under reinsurance treaties	58	49	1,876	1,748
c. Other liabilities	1,921	1,257	1,817	2,251
	1,995	1,322	3,793	4,103
G. Deferred tax liabilities	167	172	265	288
Total liabilities/provisions	13,991	12,995	64,858	64,167

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
41	42	1,669	1,683	530	530	-618	-633	1,983	1,983
2,302	2,199	3,809	3,341	9	1	-200	-171	9,152	7,624
5,424	5,124	9,778	10,290	—	—	-169	-171	54,916	54,758
2,659	2,592	27,591	28,130	42	41	-1,256	-1,341	41,306	41,873
251	273	—	—	—	—	—	—	5,614	5,765
11	10	367	362	—	—	-6	-7	420	409
10,647	10,198	41,545	42,123	51	42	-1,631	-1,690	111,408	110,429
913	856	—	—	—	—	—	—	11,031	10,583
22	21	179	181	1,160	1,219	—	—	2,087	2,183
117	109	460	409	111	100	—	—	930	833
87	100	171	199	166	185	-1	—	809	940
226	230	810	789	1,437	1,504	-1	—	3,826	3,956
21	21	740	810	1,476	1,535	-908	-981	1,445	1,505
166	163	5,266	5,532	—	—	-2,553	-2,363	4,813	5,129
1,758	1,752	2,509	2,425	147	161	-1,435	-1,696	6,717	6,150
1,945	1,936	8,515	8,767	1,623	1,696	-4,896	-5,040	12,975	12,784
107	102	1,558	1,562	2	3	22	21	2,121	2,148
13,879	13,364	54,097	54,924	3,643	3,775	-7,124	-7,342	143,344	141,883
Equity ¹⁾								14,358	14,688
Total equity and liabilities								157,702	156,571

¹⁾ Equity attributable to Group shareholders and non-controlling interests.

**CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017¹⁾**

EUR MILLION

	Industrial Lines		Retail Germany	
	6M 2017	6M 2016	6M 2017	6M 2016
1. Gross written premiums including premiums from unit-linked life and annuity insurance	2,795	2,706	3,310	3,346
of which attributable to other divisions/segments	37	39	34	12
with third parties	2,758	2,667	3,276	3,334
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	445	464
3. Ceded written premiums	1,276	1,279	137	128
4. Change in gross unearned premiums	–663	–647	–354	–307
5. Change in ceded unearned premiums	–304	–303	–15	–7
Net premiums earned	1,160	1,083	2,389	2,454
6. Claims and claims expenses (gross)	1,507	1,373	2,702	2,718
Reinsurers' share	627	554	43	37
Claims and claims expenses (net)	880	819	2,659	2,681
7. Acquisition costs and administrative expenses (gross)	437	423	686	614
Reinsurers' share	191	188	39	36
Acquisition costs and administrative expenses (net)	246	235	647	578
8. Other technical income	4	5	13	7
Other technical expenses	6	9	6	14
Other technical result	–2	–4	7	–7
Net technical result	32	25	–910	–812
9. a. Investment income	161	149	1,169	1,063
b. Investment expenses	24	40	167	118
Net income from assets under own management	137	109	1,002	945
Net income from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	–7	–8
Net investment income	137	109	995	937
of which share of profit or loss of equity-accounted associates and joint ventures	1	2	1	5
10. a. Other income	78	75	99	81
b. Other expenses	85	66	121	150
Other income/expenses	–7	9	–22	–69
Profit before goodwill impairments	162	143	63	56
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	162	143	63	56
12. Financing costs	4	4	5	5
13. Taxes on income	46	48	4	23
Net income	112	91	54	28
of which attributable to non-controlling interests	—	—	4	4
of which attributable to shareholders of Talanx AG	112	91	50	24

¹⁾ With the exception of the Retail Germany Division and the Reinsurance Division, the statements of income of the other divisions are the same as those of the reportable segments.

²⁾ Adjusted in line with IFRS 3.45 within the valuation period; see our explanation in "Consolidation" in the Notes.

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
6M 2017	6M 2016 ²⁾	6M 2017	6M 2016 ²⁾	6M 2017	6M 2016	6M 2017	6M 2016	6M 2017	6M 2016 ²⁾
2,828	2,487	8,998	8,283	23	22	-401	-417	17,553	16,427
—	1	307	344	23	21	-401	-417	—	—
2,828	2,486	8,691	7,939	—	1	—	—	17,553	16,427
148	150	—	—	—	—	—	—	593	614
244	227	875	848	6	7	-400	-417	2,138	2,072
-117	-37	-645	-316	-8	-7	39	49	-1,748	-1,265
-39	-24	-45	-48	-3	-3	40	51	-366	-334
2,358	2,097	7,523	7,167	12	11	-2	-2	13,440	12,810
1,922	1,681	6,182	6,065	5	2	-207	-208	12,111	11,631
139	91	463	592	—	—	-216	-213	1,056	1,061
1,783	1,590	5,719	5,473	5	2	9	5	11,055	10,570
584	519	1,994	1,810	2	2	-103	-110	3,600	3,258
40	39	112	112	—	—	-92	-102	290	273
544	480	1,882	1,698	2	2	-11	-8	3,310	2,985
15	10	1	—	—	—	—	—	33	22
32	30	3	7	—	—	1	1	48	61
-17	-20	-2	-7	—	—	-1	-1	-15	-39
14	7	-80	-11	5	7	-1	—	-940	-784
210	195	805	749	6	33	-28	-30	2,323	2,159
35	47	138	173	42	45	-54	-53	352	370
175	148	667	576	-36	-12	26	23	1,971	1,789
-2	6	—	—	—	—	—	—	-2	6
—	-1	123	176	—	—	—	—	116	167
173	153	790	752	-36	-12	26	23	2,085	1,962
—	—	5	2	—	—	—	-6	7	3
65	54	558	328	368	371	-344	-342	824	567
136	107	468	313	337	339	-303	-297	844	678
-71	-53	90	15	31	32	-41	-45	-20	-111
116	107	800	756	—	27	-16	-22	1,125	1,067
—	—	—	—	—	—	—	—	—	—
116	107	800	756	—	27	-16	-22	1,125	1,067
3	1	40	38	42	43	-20	-18	74	73
27	29	189	195	—	7	1	1	267	303
86	77	571	523	-42	-23	3	-5	784	691
12	12	305	272	—	—	—	—	321	288
74	65	266	251	-42	-23	3	-5	463	403

**CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT
FOR THE PERIOD FROM 1 APRIL TO 30 JUNE 2017¹⁾**

EUR MILLION

	Industrial Lines		Retail Germany	
	Q2 2017	Q2 2016	Q2 2017	Q2 2016
1. Gross written premiums including premiums from unit-linked life and annuity insurance	791	785	1,404	1,442
of which attributable to other divisions/segments	10	20	23	–3
with third parties	781	765	1,381	1,445
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	242	245
3. Ceded written premiums	401	423	56	57
4. Change in gross unearned premiums	295	267	102	101
5. Change in ceded unearned premiums	77	83	3	4
Net premiums earned	608	546	1,205	1,237
6. Claims and claims expenses (gross)	804	680	1,380	1,285
Reinsurers' share	348	279	26	23
Claims and claims expenses (net)	456	401	1,354	1,262
7. Acquisition costs and administrative expenses (gross)	197	191	359	316
Reinsurers' share	65	64	13	10
Acquisition costs and administrative expenses (net)	132	127	346	306
8. Other technical income	–7	2	5	1
Other technical expenses	—	8	–2	4
Other technical result	–7	–6	7	–3
Net technical result	13	12	–488	–334
9. a. Investment income	82	79	625	463
b. Investment expenses	14	20	87	57
Net income from assets under own management	68	59	538	406
Net income from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	–3	–4
Net investment income	68	59	535	402
of which share of profit or loss of equity-accounted associates and joint ventures	1	—	—	1
10. a. Other income	49	16	45	19
b. Other expenses	48	18	63	78
Other income/expenses	1	–2	–18	–59
Profit before goodwill impairments	82	69	29	9
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	82	69	29	9
12. Financing costs	2	2	3	2
13. Taxes on income	27	24	–9	10
Net income	53	43	35	–3
of which attributable to non-controlling interests	—	—	4	2
of which attributable to shareholders of Talanx AG	53	43	31	–5

¹⁾ With the exception of the Retail Germany Division and the Reinsurance Division, the statements of income of the other divisions are the same as those of the reportable segments.

²⁾ Adjusted in line with IFRS 3.45 within the valuation period; see our explanation in "Consolidation" in the Notes.

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
Q2 2017	Q2 2016 ²⁾	Q2 2017	Q2 2016 ²⁾	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016 ²⁾
1,345	1,339	4,451	4,020	3	8	-193	-162	7,801	7,432
—	1	157	135	3	7	-193	-160	—	—
1,345	1,338	4,294	3,885	—	1	—	-2	7,801	7,432
70	108	—	—	—	—	—	—	312	353
103	100	404	377	—	—	-192	-180	772	777
-29	-13	-245	-13	4	1	8	10	135	353
2	7	12	5	2	2	8	10	104	111
1,141	1,111	3,790	3,625	5	7	-1	18	6,748	6,544
911	905	3,170	3,148	3	1	-123	-103	6,145	5,916
61	54	270	331	—	—	-135	-107	570	580
850	851	2,900	2,817	3	1	12	4	5,575	5,336
296	268	1,003	904	1	1	-48	-48	1,808	1,632
20	19	57	57	—	—	-38	-39	117	111
276	249	946	847	1	1	-10	-9	1,691	1,521
10	4	—	—	—	—	—	-1	8	6
18	16	1	4	—	—	-2	23	15	55
-8	-12	-1	-4	—	—	2	-24	-7	-49
7	-1	-57	-43	1	5	-1	-1	-525	-362
106	102	411	376	3	30	-15	-11	1,212	1,039
19	32	69	87	22	22	-27	-27	184	191
87	70	342	289	-19	8	12	16	1,028	848
-1	4	—	—	—	—	—	—	-1	4
—	-1	50	93	—	—	—	—	47	88
86	73	392	382	-19	8	12	16	1,074	940
—	—	1	1	—	—	—	-1	2	1
25	23	297	30	184	190	-172	-173	428	105
65	49	233	26	171	174	-152	-156	428	189
-40	-26	64	4	13	16	-20	-17	—	-84
53	46	399	343	-5	29	-9	-2	549	494
—	—	—	—	—	—	—	—	—	—
53	46	399	343	-5	29	-9	-2	549	494
2	—	20	19	22	22	-11	-9	38	36
11	12	94	93	1	6	1	3	125	148
40	34	285	231	-28	1	1	4	386	310
6	5	151	122	—	—	—	—	161	129
34	29	134	109	-28	1	1	4	225	181

CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE RETAIL GERMANY DIVISION – REPORTABLE SEGMENTS PROPERTY/CASUALTY AND LIFE – AS WELL AS THE PROPERTY/CASUALTY REINSURANCE AND LIFE/HEALTH REINSURANCE SEGMENTS, FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2017 AND 1 APRIL TO 30 JUNE 2016

EUR MILLION

	Retail Germany – Property/Casualty				Retail Germany – Life			
	6M 2017	6M 2016	Q2 2017	Q2 2016	6M 2017	6M 2016	Q2 2017	Q2 2016
1. Gross written premiums including premiums from unit-linked life and annuity insurance	1,002	980	243	231	2,308	2,366	1,161	1,211
of which attributable to other segments	—	—	—	—	34	12	23	—3
with third parties	1,002	980	243	231	2,274	2,354	1,138	1,214
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	—	—	445	464	242	245
3. Ceded written premiums	52	45	14	15	85	83	42	42
4. Change in gross unearned premiums	–278	–257	122	135	–76	–50	–20	–34
5. Change in ceded unearned premiums	–16	–13	3	1	1	6	—	3
Net premiums earned	688	691	348	350	1,701	1,763	857	887
6. Claims and claims expenses (gross)	452	478	229	245	2,250	2,240	1,151	1,040
Reinsurers' share	9	–1	5	–2	34	38	21	25
Claims and claims expenses (net)	443	479	224	247	2,216	2,202	1,130	1,015
7. Acquisition costs and administrative expenses (gross)	260	251	131	126	426	363	228	190
Reinsurers' share	9	8	5	5	30	28	8	5
Net acquisition and administrative costs	251	243	126	121	396	335	220	185
8. Other technical income	1	2	—	1	12	5	5	—
Other technical expenses	4	3	1	1	2	11	–3	3
Other technical result	–3	–1	–1	—	10	–6	8	–3
Net technical result	–9	–32	–3	–18	–901	–780	–485	–316
9. a. Investment income	54	53	26	27	1,115	1,010	599	436
b. Investment expenses	10	6	7	2	157	112	80	55
Net income from assets under own management	44	47	19	25	958	898	519	381
Net income from investment contracts	—	—	—	—	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	—	—	–7	–8	–3	–4
Net investment income	44	47	19	25	951	890	516	377
of which share of profit or loss of equity-accounted associates and joint ventures	—	1	—	—	1	4	—	1
10. a. Other income	25	27	10	8	74	54	35	11
b. Other expenses	38	59	17	37	83	91	46	41
Other income/expenses	–13	–32	–7	–29	–9	–37	–11	–30
Profit before goodwill impairments	22	–17	9	–22	41	73	20	31
11. Goodwill impairments	—	—	—	—	—	—	—	—
Operating profit/loss (EBIT)	22	–17	9	–22	41	73	20	31

Property/Casualty Reinsurance				Life/Health Reinsurance			
6M 2017	6M 2016 ¹⁾	Q2 2017	Q2 2016 ¹⁾	6M 2017	6M 2016	Q2 2017	Q2 2016
5,428	4,627	2,613	2,125	3,570	3,656	1,838	1,895
235	272	121	98	72	72	36	37
5,193	4,355	2,492	2,027	3,498	3,584	1,802	1,858
—	—	—	—	—	—	—	—
574	547	254	244	301	301	150	133
–587	–289	–201	2	–58	–27	–44	–15
–46	–48	11	5	1	—	1	—
4,313	3,839	2,147	1,878	3,210	3,328	1,643	1,747
3,112	2,915	1,588	1,497	3,070	3,150	1,582	1,651
185	311	134	209	278	281	136	122
2,927	2,604	1,454	1,288	2,792	2,869	1,446	1,529
1,326	1,162	680	574	668	648	323	330
89	92	45	49	23	20	12	8
1,237	1,070	635	525	645	628	311	322
1	—	—	—	—	—	—	—
1	—	—	—	2	7	1	4
—	—	—	—	–2	–7	–1	–4
149	165	58	65	–229	–176	–115	–108
582	558	288	280	223	191	123	96
94	139	45	70	44	34	24	17
488	419	243	210	179	157	99	79
—	—	—	—	—	—	—	—
2	12	–3	8	121	164	53	85
490	431	240	218	300	321	152	164
5	2	1	1	—	—	—	—
172	147	131	–55	386	181	166	85
167	161	100	–44	301	152	133	70
5	–14	31	–11	85	29	33	15
644	582	329	272	156	174	70	71
—	—	—	—	—	—	—	—
644	582	329	272	156	174	70	71

¹⁾ Adjusted in line with IFRS 3.45 within the valuation period; see our explanation in “Consolidation” in the Notes.

III. CONSOLIDATION

BASIS OF CONSOLIDATION

As at the reporting date, 142 (142) individual companies, 26 (25) investment funds, two (two) structured entities and four subgroups (including three foreign subgroups) were consolidated as a group (including associates) in Talanx's consolidated financial statements, and seven (seven) companies were included using the equity method.

Significant changes in the basis of consolidation compared with year-end 2016 are presented in the following.

SIGNIFICANT ADDITIONS AND DISPOSALS OF CONSOLIDATED SUBSIDIARIES

On 10 May 2016, through the intermediary of its subsidiary International Insurance Company of Hannover SE, Hannover, the Group acquired 100% of the shares in the company The Congregational & General Insurance Public Limited Company (CGI), Bradford, UK (Property/Casualty Reinsurance segment). The business was included in the consolidated financial statements for the first time as at 1 May 2016.

The assumptions and estimates used were defined as at 31 December 2016 meaning the initial consolidation was finalised within the

valuation period. The amounts with which the company was first included in the consolidated financial statements were retrospectively adjusted accordingly.

On 27 November 2015, the Group signed a purchase agreement for 100% of the shares in the life insurer CBA Vita S.p.A. (CBA Vita), Milan, Italy, including the shares held by this company in InChiaro Life Designated Activity Company (formerly: Sella Life Ltd.), Dublin, Ireland (100%) and InChiaro Assicurazioni S.p.A., Rome, Italy (49%); Retail International segment. Based on the agreements entered into, the Group has therefore recognised the acquisition as at 30 June 2016 (date of initial consolidation). The provisional fair values of the assets acquired and liabilities assumed in this transaction were adjusted retrospectively as at 31 December 2016. As at 30 June 2016, this mainly led to a decline without effect on profit or loss in the benefit reserve (EUR –20 million) and in cash at banks, cheques and cash-in-hand (EUR –25 million).

In the second quarter of 2017, CBA Vita and InChiaro Assicurazioni S.p.A., Rome, Italy, were merged into HDI Assicurazioni S.p.A., Rome, Italy.

Due to the subsequent improved understanding of the circumstances in existence at the reporting date (IFRS 3.45 and 3.49), the effects of the retrospective adjustments to the negative temporary provision differences of CGI and CBA Vita on the statement of income for the comparative period are as follows:

CONSOLIDATED STATEMENT OF INCOME

EUR MILLION

	6M 2016 (without the IFRS 3 adjust- ment)	CGI adjustment	CBA adjustment	6M 2016 (after the IFRS 3 adjustment)
Other income	564	+2	+1	567
Operating profit/loss (EBIT)	1,064	+2	+1	1,067
Net income	688	+2	+1	691
of which attributable to non-controlling interests	287	+1	—	288
of which attributable to shareholders of Talanx AG	401	+1	+1	403

Through the intermediary of its subsidiary Saint Honoré Iberia S.L., Madrid, Spain (Retail International segment), the Group signed a purchase agreement on 27 June 2017 to acquire the majority of the shares in Generali Colombia Seguros Generales S.A., Bogotá, Colombia (property insurer) and the life insurer Generali Colombia Vida Compañía de Seguros S.A., Bogotá, Colombia. The transfer of shares is primarily subject to the condition of the approval of the local supervisory authorities. The transaction is expected to close in the first quarter of 2018.

IV. NON-CURRENT ASSETS HELD FOR SALE AND DISPOSAL GROUPS

REAL ESTATE

As at the reporting date, there are no real estate portfolios classified as available for sale.

As at 31 December 2016, we classified real estate portfolios in the amount of EUR 15 million as held for sale which were divested in the second quarter of 2017. They were attributed entirely to the Property/Casualty Reinsurance segment. The fair value of the total portfolio (corresponding to the expected selling prices) amounted to EUR 16 million. Fair values are 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 depended on specific factors associated with the real estate market and the properties themselves, taking into account current and future opportunity and risk profiles.

V. 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			
EUR MILLION			
	30.6.2017	31.12.2016	
a. Goodwill	1,044	1,039	
b. Other intangible assets	900	903	
of which			
Insurance-related intangible assets	624	627	
Software	160	163	
Other			
Acquired distribution networks and customer relationships	29	32	
Other	50	45	
Acquired brand names	37	36	
Total	1,944	1,942	

(2) LOANS AND RECEIVABLES

LOANS AND RECEIVABLES						
EUR MILLION						
	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Mortgage loans	376	425	28	34	404	459
Loans and prepayments on insurance policies	139	142	—	—	139	142
Loans and receivables due from government or quasi-governmental entities ¹⁾	10,767	10,416	1,076	1,421	11,843	11,837
Corporate bonds	4,824	5,029	333	402	5,157	5,431
Covered bonds/asset-backed securities	13,337	13,413	2,648	3,071	15,985	16,484
Total	29,443	29,425	4,085	4,928	33,528	34,353

¹⁾ Loans and receivables due from government or quasi-governmental entities include securities of EUR 3,361 (3,201) 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 13,329 (13,401) million; these correspond to 99% (99%) of the total amount.

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

EUR MILLION

	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Government debt securities of EU member states	147	171	13	12	160	183
US treasury notes	—	10	—	—	—	10
Other foreign government debt securities	67	112	2	1	69	113
Debt securities issued by quasi-governmental entities ¹⁾	62	102	4	5	66	107
Corporate bonds	73	103	2	4	75	107
Covered bonds/asset-backed securities	195	246	22	25	217	271
Total	544	744	43	47	587	791

¹⁾ Debt securities issued by quasi-governmental entities include securities of EUR 16 (27) 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 193 (244) million; these correspond to 99% (99%) of the total amount.

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

EUR MILLION

	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2017	31.12.2016	30.6.2017	31.12.2016	30.6.2017	31.12.2016
Fixed-income securities						
Government debt securities of EU member states	8,689	8,805	907	1,174	9,596	9,979
US treasury notes	6,718	6,882	–64	–131	6,654	6,751
Other foreign government debt securities	2,692	2,609	6	–11	2,698	2,598
Debt securities issued by quasi-governmental entities ¹⁾	9,788	9,579	686	943	10,474	10,522
Corporate bonds	22,691	23,339	1,074	1,078	23,765	24,417
Investment funds	796	719	83	99	879	818
Covered bonds/asset-backed securities	9,815	9,541	504	684	10,319	10,225
Profit participation certificates	54	123	—	—	54	123
Other	2	2	—	—	2	2
Total fixed-income securities	61,245	61,599	3,196	3,836	64,441	65,435
Variable-yield securities						
Equities	934	914	217	150	1,151	1,064
Investment funds	1,262	1,282	198	205	1,460	1,487
Profit participation certificates	65	64	—	—	65	64
Total variable-yield securities	2,261	2,260	415	355	2,676	2,615
Total securities	63,506	63,859	3,611	4,191	67,117	68,050

¹⁾ Debt securities issued by quasi-governmental entities include securities of EUR 3,454 (3,187) 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 8,892 (8,748) million; these correspond to 86% (86%) of the total amount.

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

EUR MILLION

	Fair value	
	30.6.2017	31.12.2016
Fixed-income securities		
Government debt securities of EU member states	39	30
Other foreign government debt securities	198	174
Debt securities issued by quasi-governmental entities ¹⁾	5	6
Corporate bonds	604	682
Investment funds	235	147
Covered bonds/asset-backed securities	2	2
Profit participation certificates	54	46
Total fixed-income securities	1,137	1,087
Investment funds (variable-yield securities)	17	18
Other variable-yield securities	49	1
Total financial assets classified at fair value through profit or loss	1,203	1,106
Fixed-income securities		
Other foreign government debt securities	—	3
Total fixed-income securities	—	3
Investment funds (variable-yield securities)	129	174
Derivatives	104	69
Total financial assets held for trading	233	246
Total	1,436	1,352

¹⁾ Debt securities issued by quasi-governmental entities include securities of EUR 2 (6) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states.

(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 instruments, 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 guideline for the allocation to the individual levels of the valuation hierarchy, the valuation models for measuring fair value, the essential Level 3 portfolios and the statements on the sensitivity analysis have not materially changed compared to the description in the 2016 Annual Report. The fair value of Level 3 financial instruments at which the use of reasonable alternative inputs leads to a material change in fair value is EUR 89 (95) million and, at 2.1% (2.4%) of the carrying amount of financial instruments assigned to level 3, is immaterial.

As at the reporting date, we allocate around 7% (6%) of the financial investments at fair value at Level 1 of the fair value hierarchy, 88% (89%) at Level 2 and 5% (5%) at Level 3.

There were no material transfers between Levels 1 and 2 during the reporting period.

Liabilities in the amount of EUR 1 (3) million issued with an inseparable third-party credit enhancement within the meaning of IFRS 13.98 existed as at the reporting date. The credit enhancements are not reflected in the measurement of the fair value.

FAIR VALUE HIERARCHY – FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

EUR MILLION

Carrying amount of financial instruments recognised at fair value by class	Level 1	Level 2	Level 3 ¹⁾	Carrying amount
30.6.2017				
Financial assets measured at fair value				
Financial assets available for sale				
Fixed-income securities	91	64,346	4	64,441
Variable-yield securities	1,688	66	922	2,676
Financial assets at fair value through profit or loss				
Financial assets classified at fair value through profit or loss	63	1,078	62	1,203
Financial assets held for trading	143	55	35	233
Other investments	2,017	2	2,513	4,532
Other assets, derivative financial instruments (hedging instruments)	—	281	—	281
Investment contracts				
Financial assets classified at fair value through profit or loss	870	4	204	1,078
Derivatives	—	—	3	3
Total amount of financial assets measured at fair value	4,872	65,832	3,743	74,447
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	—	27	243	270
Other liabilities (investment contracts)				
Financial liabilities classified at fair value through profit or loss	242	634	203	1,079
Derivatives	—	—	3	3
Total amount of financial liabilities measured at fair value	242	661	449	1,352
31.12.2016				
Financial assets measured at fair value				
Financial assets available for sale				
Fixed-income securities	82	65,353	—	65,435
Variable-yield securities	1,643	65	907	2,615
Financial assets at fair value through profit or loss				
Financial assets classified at fair value through profit or loss	15	1,036	55	1,106
Financial assets held for trading	180	66	—	246
Other investments	1,560	5	2,459	4,024
Other assets, derivative financial instruments (hedging instruments)	—	336	—	336
Investment contracts				
Financial assets classified at fair value through profit or loss	835	4	187	1,026
Derivatives	—	—	3	3
Total amount of financial assets measured at fair value	4,315	66,865	3,611	74,791
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	2	28	221	251
Other liabilities (investment contracts)				
Financial liabilities classified at fair value through profit or loss	224	616	187	1,027
Derivatives	—	—	3	3
Total amount of financial liabilities measured at fair value	226	644	411	1,281

¹⁾ 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 INSTRUMENTS¹⁾ (FINANCIAL ASSETS) INCLUDED IN LEVEL 3 AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 30 JUNE

EUR MILLION

	Available- for-sale FI/ fixed-income securities	Available- for-sale FI/ variable-yield securities	FI classified at fair value through profit or loss	FI held for trading	Other investments	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/ derivatives	Total amount of financial assets measured at fair value
2017								
Opening balance at 1.1.2017	—	907	55	—	2,459	187	3	3,611
Income and expenses								
recognised in the statement of income	—	–6	5	1	–12	12	1	1
recognised in other compre- hensive income	—	–6	—	—	44	—	—	38
Transfers into Level 3	—	39 ²⁾	—	—	—	—	—	39
Transfers out of Level 3	—	—	—	—	—	—	—	—
Additions								
Purchases	4	79	4	48	246	9	—	390
Disposals								
Sales	—	77	2	14	122	13	1	229
Repayments/redemptions	—	—	—	—	—	—	—	—
Exchange rate changes	—	–14	—	—	–102	9	—	–107
Ending balance at 30.6.2017	4	922	62	35	2,513	204	3	3,743

¹⁾ The term “financial instruments” is abbreviated to “FI” in the following.

²⁾ Trading in an active market discontinued.

RECONCILIATION OF FINANCIAL INSTRUMENTS¹⁾ (FINANCIAL LIABILITIES) INCLUDED IN LEVEL 3 AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 30 JUNE

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
2017				
Opening balance at 1.1.2017	221	187	3	411
Income and expenses				
recognised in the statement of income	10	-12	-1	-3
recognised in other comprehensive income	—	—	—	—
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Additions				
Purchases	44	9	—	53
Disposals				
Sales	—	13	1	14
Exchange rate changes	-12	8	—	-4
Ending balance at 30.6.2017	243	203	3	449

¹⁾ The term "financial instruments" is abbreviated to "FI" in the following.

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 INSTRUMENTS¹⁾ (FINANCIAL ASSETS) MEASURED AT FAIR VALUE

EUR MILLION

	Available-for-sale FI/variable-yield securities	FI classified at fair value through profit or loss	FI held for trading	Other investments	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/derivatives	Total amount of financial assets measured at fair value
2017							
Gains and losses in financial year 2017 until 30.6.2017							
Investment income	—	5	2	—	22	1	30
Investment expenses	-6	—	-1	-12	-10	—	-29
of which attributable to financial instruments included in the portfolio as at 30.6.2017							
Investment income ²⁾	—	2	2	—	22	1	27
Investment expenses ³⁾	-6	—	-1	-12	-10	—	-29

¹⁾ The term "financial instruments" is abbreviated to "FI" in the following.

²⁾ Of which EUR 27 (26) million attributable to unrealised gains.

³⁾ Of which EUR -16 (-12) million attributable to unrealised losses.

EFFECT ON PROFIT OR LOSS OF LEVEL 3 FINANCIAL INSTRUMENTS¹⁾ (FINANCIAL LIABILITIES) MEASURED AT FAIR VALUE

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
2017				
Gains and losses in financial year 2017 until 30.6.2017				
Investment income	12	10	—	22
Investment expenses	–1	–22	–1	–24
Financing costs	–1	—	—	–1
of which attributable to financial instruments included in the portfolio as at 30.6.2017				
Investment income ²⁾	11	10	—	21
Investment expenses ³⁾	–1	–22	–1	–24
Financing costs ⁴⁾	–1	—	—	–1

¹⁾ The term “financial instruments” is abbreviated to “FI” in the following.²⁾ Of which EUR 21 (22) million attributable to unrealised gains.³⁾ Of which EUR –24 (–18) million attributable to unrealised losses.⁴⁾ Of which EUR –1 (–1) million attributable to unrealised losses.**(7) EQUITY****SUBSCRIBED CAPITAL**

The Annual General Meeting of 11 May 2017 resolved to renew the existing contingent capital until 10 May 2022. The volume of contingent capital was increased to EUR 158 million as a part of this. The aforementioned Annual General Meeting also resolved to renew the authorised capital by authorising the exclusion of the pre-emptive rights. The amount of authorised capital was thereby increased to EUR 158 million and the total shares which can be issued excluding the pre-emptive rights were limited to a proportionate amount of the share capital of EUR 63 million.

NON-CONTROLLING INTERESTS**NON-CONTROLLING INTERESTS IN EQUITY**

EUR MILLION

	30.6.2017	31.12.2016
Unrealised gains and losses on investments	767	746
Share of net income	321	661
Other equity	4,302	4,203
Total	5,390	5,610

“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**

EUR MILLION

	Nominal amount	Coupon	Maturity	Rating ²⁾	30.6.2017	31.12.2016
Hannover Finance (Luxembourg) S. A.	500	Fixed (5.75%), then floating rate	2010/2040	(a+; A)	499	499
Hannover Finance (Luxembourg) S. A.	500	Fixed (5.0%), then floating rate	2012/2043	(a+; A)	498	498
Hannover Rück SE ¹⁾	450	Fixed (3.375%), then floating rate	2014/no final maturity	(a; A)	445	445
Talanx Finanz	500	Fixed (8.37%), then floating rate	2012/2042	(bbb+; BBB)	500	500
HDI Assicurazioni S. p. A.	27	Fixed (5.5 %)	2026	(—; —)	27	27
HDI Assicurazioni S. p. A. (formerly CBA Vita S. p. A.)	14	Fixed (4.15 %)	2020	(—; —)	13	13
Magyar Posta Életbiztosító Zrt. (Open Life Towarzystwo Ubezpieczeń Życie S.A.)	1(4)	Fixed (7.57%)	2025 (2018)	(—; —)	1	1
Total					1,983	1,983

¹⁾ At the reporting date, Group companies additionally held bonds with a nominal value of EUR 50 million (consolidated in the consolidated financial statements).²⁾ (Debt rating A. M. Best; debt rating s&p).

For additional information on the features of the bonds, please refer to the published 2016 Annual Report, page 207.

The fair value of the subordinated liabilities amounted to EUR 2,361 (2,279) million at the reporting date.

(9) TECHNICAL PROVISIONS**TECHNICAL PROVISIONS**

EUR MILLION

	Gross	Re	Net	Gross	Re	Net
	30.6.2017			31.12.2016		
a. Unearned premium reserve	9,152	1,015	8,137	7,624	683	6,941
b. Benefit reserve	54,916	1,404	53,512	54,758	1,560	53,198
c. Loss and loss adjustment expense reserve	41,306	5,039	36,267	41,873	5,348	36,525
d. Provision for premium refunds	5,614	2	5,612	5,765	5	5,760
e. Other technical provisions	420	17	403	409	13	396
Total	111,408	7,477	103,931	110,429	7,609	102,820

Technical provisions where the investment risk is borne by the policyholders amounted to EUR 11,031 (10,583) million; the reinsurers' share of this total amounts to EUR 394 (349) million.

(10) NOTES PAYABLE AND LOANS

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

NOTES PAYABLE AND LOANS		
EUR MILLION		
	30.6.2017	31.12.2016
Talanx AG notes payable	1,065	1,065
Mortgage loans of Hannover Re Real Estate Holdings, Inc., Orlando	157	212
Mortgage loans of HR GLL Central Europe GmbH & Co. KG, Munich	102	102
Loans from infrastructure investments	116	120
Inversiones HDI Limitada	5	6
Total	1,445	1,505

As at 30 June 2017, the Group had two syndicated variable-rate credit lines with a total nominal value of EUR 500 million. They had not been drawn down at the reporting date.

The fair value of notes payable and loans amounted to EUR 1,593 (1,673) million at the reporting date.

NOTES PAYABLE						
EUR MILLION						
	Nominal amount	Coupon	Maturity	Rating ¹⁾	Issue	
						30.6.2017 31.12.2016
Talanx AG ²⁾	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
Total						1,065 1,065

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

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

VI. NOTES TO INDIVIDUAL ITEMS OF THE CONSOLIDATED STATEMENT OF INCOME

(11) NET PREMIUMS EARNED

NET PREMIUMS EARNED

EUR MILLION

	Industrial Lines	Retail Germany		Retail International	Reinsurance		Corporate Operations	Total
		Property/Casualty	Life		Property/Casualty Reinsurance	Life/Health Reinsurance		
6M 2017¹⁾								
Gross written premiums, including premiums from unit-linked life and annuity insurance	2,758	1,002	2,273	2,828	5,193	3,499	—	17,553
Savings elements of premiums from unit-linked life and annuity insurance	—	—	444	149	—	—	—	593
Ceded written premiums	1,068	26	29	174	569	267	5	2,138
Change in gross unearned premiums	–652	–278	–76	–116	–567	–59	—	–1,748
Change in ceded unearned premiums	–287	–11	1	–21	–46	1	–3	–366
Net premiums earned	1,325	709	1,723	2,410	4,103	3,172	–2	13,440
6M 2016¹⁾								
Gross written premiums, including premiums from unit-linked life and annuity insurance	2,668	980	2,354	2,486	4,354	3,585	—	16,427
Savings elements of premiums from unit-linked life and annuity insurance	—	—	465	149	—	—	—	614
Ceded written premiums	1,030	20	26	160	541	289	6	2,072
Change in gross unearned premiums	–635	–257	–50	–36	–260	–27	—	–1,265
Change in ceded unearned premiums	–273	–8	6	–8	–48	—	–3	–334
Net premiums earned	1,276	711	1,807	2,149	3,601	3,269	–3	12,810

¹⁾ After elimination of intragroup cross-segment transactions.

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

EUR MILLION

	Industrial Lines	Retail Germany		Retail International	Reinsurance		Corporate Operations	Total
		Property/ Casualty	Life		Property/ Casualty Reinsurance	Life/Health Reinsurance		
6M 2017 ¹⁾								
Income from real estate	7	1	43	1	81	—	—	133
Dividends ²⁾	9	—	7	—	22	—	—	38
Current interest income	82	38	637	150	323	130	—1	1,359
Other income	24	7	37	1	81	3	—	153
Ordinary investment income	122	46	724	152	507	133	—1	1,683
Income from reversal of impairment losses	—	—	1	—	—	—	—	1
Realised gains on disposal of investments	31	4	365	40	62	55	2	559
Unrealised gains on investments	7	1	19	16	2	35	—	80
Investment income	160	51	1,109	208	571	223	1	2,323
Realised losses on disposal of investments	8	—	41	10	25	9	—	93
Unrealised losses on investments	2	—	11	11	—	26	—	50
Total	10	—	52	21	25	35	—	143
Depreciation of/impairment losses on investment property								
Depreciation	1	—	9	—	15	—	—	25
Impairment losses on equity securities	1	—	—	1	4	—	—	6
Impairment losses on fixed-income securities	—	—	33	1	—	—	—	34
Amortisation of/impairment losses on other investments								
Amortisation	3	2	11	—	—	—	—	16
Impairment losses	1	4	6	—	4	—	—	15
Investment management expenses	2	—	7	3	11	3	42	68
Other expenses	3	2	17	3	18	2	—	45
Other investment expenses/impairment losses	11	8	83	8	52	5	42	209
Investment expenses	21	8	135	29	77	40	42	352
Net income from assets under own management	139	43	974	179	494	183	—41	1,971
Net income from investment contracts	—	—	—	—2	—	—	—	—2
Interest income from funds withheld and contract deposits	—	—	—	—	2	183	—	185
Interest expense from funds withheld and contract deposits	—	—	6	—	1	62	—	69
Net interest income from funds withheld and contract deposits	—	—	—6	—	1	121	—	116
Net investment income	139	43	968	177	495	304	—41	2,085

¹⁾ After elimination of intragroup cross-segment transactions.²⁾ Income from investments in associates and joint ventures amounted to EUR 7 (3) million and is reported in "Dividends".

NET INVESTMENT INCOME IN THE PREVIOUS PERIOD

EUR MILLION

	Industrial Lines	Retail Germany		Retail International	Reinsurance		Corporate Operations	Total
		Property/ Casualty	Life		Property/ Casualty Reinsurance	Life/Health Reinsurance		
6M 2016 ¹⁾								
Income from real estate	7	1	31	1	65	—	—	105
Dividends	8	—	7	1	20	—	1	37
Current interest income	80	41	672	140	314	126	1	1,374
Other income	28	5	46	1	42	1	—	123
Ordinary investment income	123	47	756	143	441	127	2	1,639
Income from reversal of impairment losses	—	—	3	—	—	—	—	3
Realised gains on disposal of investments	18	2	221	29	108	30	27	435
Unrealised gains on investments	5	—	21	23	—	33	—	82
Investment income	146	49	1,001	195	549	190	29	2,159
Realised losses on disposal of investments	12	—	26	7	47	12	1	105
Unrealised losses on investments	1	—	4	21	—	12	—	38
Total	13	—	30	28	47	24	1	143
Depreciation of/impairment losses on investment property								
Depreciation	—	—	7	—	14	—	—	21
Impairment losses on equity securities	7	1	8	9	24	—	2	51
Impairment losses on fixed-income securities	6	—	—	1	1	—	—	8
Amortisation of/impairment losses on other investments								
Amortisation	2	1	8	—	—	—	—	11
Impairment losses	3	—	5	1	9	—	—	18
Investment management expenses	3	—	7	2	12	2	42	68
Other expenses	3	1	25	3	16	2	—	50
Other investment expenses/ impairment losses	24	3	60	16	76	4	44	227
Investment expenses	37	3	90	44	123	28	45	370
Net income from assets under own management	109	46	911	151	426	162	–16	1,789
Net income from investment contracts	—	—	—	6	—	—	—	6
Interest income from funds withheld and contract deposits	—	—	—	—	12	219	—	231
Interest expense from funds withheld and contract deposits	—	—	6	—	1	57	—	64
Net interest income from funds withheld and contract deposits	—	—	–6	—	11	162	—	167
Net investment income	109	46	905	157	437	324	–16	1,962

¹⁾ After elimination of intragroup cross-segment transactions.

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

EUR MILLION

	6M 2017	6M 2016
Shares in affiliated companies and participating interests	—	6
Loans and receivables	589	594
Financial assets held to maturity	15	26
Financial assets available for sale		
Fixed-income securities	1,103	962
Variable-yield securities	97	–4
Financial assets at fair value through profit or loss		
Financial assets classified at fair value through profit or loss		
Fixed-income securities	53	50
Variable-yield securities	2	–2
Financial assets held for trading		
Fixed-income securities	—	—
Variable-yield securities	—	–2
Derivatives	–9	13
Other investments, insofar as they are financial assets	142	151
Other ¹⁾	92	113
Total assets under own management	2,084	1,907
Investment contracts: investments/liabilities ²⁾	–2	6
Funds withheld by ceding companies/funds withheld under reinsurance treaties	116	167
Total	2,198	2,080

¹⁾ 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.

²⁾ Includes income and expenses (net) from the management of investment contracts amounting to EUR –1 (3) million. Financial instruments (assets/liabilities) measured at fair value through profit or loss account for income of EUR 32 (33) million and expenses of EUR –28 (–13) million, while loans and receivables and other liabilities account for income of EUR 0 (9) million and expenses of EUR –2 (–20) million. In addition, expenses include amortisation of PVFP amounting to EUR –3 (–6) million.

Including investment management expenses of EUR 68 (68) million and other expenses of EUR 45 (50) million, net investment income at the reporting date totalled EUR 2,085 (1,962) million.

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

EUR MILLION

	Industrial Lines	Retail Germany		Retail International	Reinsurance		Corporate Operations	Total
		Property/ Casualty	Life		Property/ Casualty Reinsurance	Life/Health Reinsurance		
6M 2017¹⁾								
Gross	1,510	453	2,224	1,922	2,957	3,045	—	12,111
Reinsurers' share	491	4	10	108	191	252	—	1,056
Net	1,019	449	2,214	1,814	2,766	2,793	—	11,055
6M 2016¹⁾								
Gross	1,363	478	2,237	1,680	2,750	3,124	—1	11,631
Reinsurers' share	394	—4	13	70	310	278	—	1,061
Net	969	482	2,224	1,610	2,440	2,846	—1	10,570

¹⁾ After elimination of intragroup cross-segment transactions.**(15) ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES****ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES**

EUR MILLION

	Industrial Lines	Retail Germany		Retail International	Reinsurance		Corporate Operations	Total
		Property/ Casualty	Life		Property/ Casualty Reinsurance	Life/Health Reinsurance		
6M 2017¹⁾								
Gross total of acquisition costs and administrative expenses	435	260	421	583	1,266	634	1	3,600
Administrative expenses	166	109	41	103	108	109	1	637
Gross total of acquisition costs	269	151	380	480	1,158	525	—	2,963
Reinsurers' share	141	2	9	30	89	19	—	290
Net total of acquisition costs	128	149	371	450	1,069	506	—	2,673
Net total of acquisition costs and administrative expenses	294	258	412	553	1,177	615	1	3,310
6M 2016¹⁾								
Gross total of acquisition costs and administrative expenses	419	250	362	519	1,094	613	1	3,258
Administrative expenses	151	110	45	96	107	100	1	610
Gross total of acquisition costs	268	140	317	423	987	513	—	2,648
Reinsurers' share	130	1	5	28	92	17	—	273
Net total of acquisition costs	138	139	312	395	895	496	—	2,375
Net total of acquisition costs and administrative expenses	289	249	357	491	1,002	596	1	2,985

¹⁾ After elimination of intragroup cross-segment transactions.

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

EUR MILLION

	6M 2017	6M 2016 ¹⁾
Other income		
Foreign exchange gains	453	265
Income from services, rents and commissions	150	130
Recoveries on receivables previously written off	34	6
Income from contracts recognised in accordance with the deposit accounting method	102	46
Income from the sale of property, plant and equipment	8	—
Income from the reversal of other non-technical provisions	8	29
Interest income	27	30
Miscellaneous income	42	61
Total	824	567
Other expenses		
Foreign exchange losses	426	241
Other interest expenses	30	57
Depreciation, amortisation and impairment losses	53	53
Expenses for the company as a whole	119	115
Personnel expenses	26	23
Expenses for services and commissions	82	70
Expenses from contracts recognised in accordance with the deposit accounting method	6	10
Other taxes	31	33
Additions to restructuring provisions	—	36
Miscellaneous other expenses	71	40
Total	844	678
Other income/expenses	-20	-111

¹⁾ Adjusted in line with IFRS 3.45 within the valuation period; see our explanation in "Consolidation" in the Notes.

VII. OTHER DISCLOSURES**NUMBER OF EMPLOYEES**

The Talanx Group's total workforce at the reporting date numbered 21,872 (21,649).

RELATED PARTY DISCLOSURES

Related parties 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 parties 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.

There is a cooperation agreement between Talanx AG and HDI V.a.G. which allows Talanx AG to offer subordinated bonds to HDI V.a.G. with a volume of up to EUR 500 million on a revolving basis until 2021. Talanx AG is obliged to convert these bonds into registered shares with voting rights in the event of an increase in capital with pre-emptive rights. With the conversion of these bonds, HDI V.a.G. waives its pre-emptive rights resulting from the capital increase that led to the conversion. It does so for that number of new Talanx shares that corresponds to the number of Talanx shares that HDI V.a.G. will receive in the course of the obligatory conversion of the bond – i.e. only to the extent to which new shares resulting from the capital increase are replaced by shares resulting from the conversion.

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.

LITIGATION

We were not involved in any significant new litigation in the reporting period or at the end of the reporting period in comparison to 31 December 2016.

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 2017	6M 2016	Q2 2017	Q2 2016
Net income attributable to shareholders of Talanx AG for calculating earnings per share (in EUR million)	463	403 ¹⁾	225	181 ¹⁾
Weighted average number of ordinary shares outstanding	252,797,634	252,797,634	252,797,634	252,797,634
Basic earnings per share (in EUR)	1.83	1.59	0.89	0.71
Diluted earnings per share (in EUR)	1.83	1.59	0.89	0.71

¹⁾ Adjusted in line with IFRS 3.45 within the valuation period; see our explanation in "Consolidation" in the Notes.

DIVIDEND PER SHARE

In the second quarter of 2017, a dividend of EUR 1.35 per share was paid for financial year 2016 (in 2016 for financial year 2015: EUR 1.30), resulting in a total distribution of EUR 341 (329) million.

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

As at 30 June 2017, there were contingent liabilities and other financial commitments in the amount of EUR 14,400 (14,542) million attributable to contracts that had been entered into, memberships and taxes. The outstanding capital commitments with respect to existing investment exposures at the reporting date essentially decreased by EUR 159 million to EUR 1,874 (2,033) million. This was offset by the increase in blocked custody accounts and other trust accounts which increased by EUR 140 million and totalled EUR 3,196 (3,056) million at the reporting date. There were no other significant changes in contingent liabilities and other financial commitments in the reporting period compared with 31 December 2016.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Hannover Rück SE entered into an agreement on 20 March 2017 to acquire the British company Argenta Holdings Limited ("Argenta"), to which the companies Argenta Syndicate Management, Argenta Private Capital and also a proportion of the Lloyd's syndicate, Argenta "Syndicate 2121" belong. The transaction was completed on 20 July 2017.

The company will be included in the consolidated financial statements for the first time in the third quarter of 2017; the information on the first accounting of the company's acquisition is currently being compiled.

Prepared and hence authorised for publication in Hannover on 3 August 2017.

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 net assets, financial position and results of operations of the Group, 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, 3 August 2017

Board of Management



Herbert K Haas,
Chairman



Dr Christian Hinsch,
Deputy Chairman



Torsten Leue



Dr Immo Querner



Ulrich Wallin



Dr Jan Wicke

REVIEW REPORT

TO TALANX AKTIENGESELLSCHAFT, HANNOVER

We have reviewed the condensed interim consolidated financial statements – comprising 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 – and the interim Group management report of Talanx AG, Hannover, for the period from 1 January to 30 June 2017, 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 condensed 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 condensed interim consolidated financial statements and the interim Group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim Group 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 condensed 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 condensed 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, 3 August 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Möller
Wirtschaftsprüfer
(German Public Auditor)

Czupalla
Wirtschaftsprüfer
(German Public Auditor)

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

Interim Report online:
www.talanx.com/investor-relations

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FINANCIAL CALENDAR 2017/2018

13 November 2017
Quarterly Statement as at 30 September 2017

23 November 2017
Capital Markets Day

19 March 2018
Results Press Conference 2017

8 May 2018
Annual General Meeting

11 May 2018
Quarterly Statement as at 31 March 2018

13 August 2018
Interim Report as at 30 June 2018

12 November 2018
Quarterly Statement as at 30 September 2018

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