



2019

PERFORMANCE AND RESULTS

Group Interim Report as at 30 June 2019

tal anx.

Insurance. Investments.

THE TALANX GROUP AT A GLANCE

GROUP KEY FIGURES

	UNIT	Q1 2019	Q2 2019	6M 2019	Q1 2018	Q2 2018	6M 2018	+/- % 6M 2019 vs. 6M 2018
Gross written premiums	EUR MILLION	11,716	9,148	20,864	10,560	8,200	18,760	+11.2
by region								
Germany	%	28	20	24	30	22	27	-3.0 pt.
United Kingdom	%	6	8	7	7	9	8	-1.0 pt.
Central and Eastern Europe (CEE), including Turkey	%	7	9	8	8	9	8	— pt.
Rest of Europe	%	16	16	16	16	16	16	— pt.
USA	%	21	20	20	17	18	18	+2.0 pt.
Rest of North America	%	2	3	2	2	2	2	— pt.
Latin America	%	7	8	7	7	8	7	— pt.
Asia and Australia	%	12	15	13	11	14	12	+1.0 pt.
Africa	%	1	1	1	2	2	2	-1.0 pt.
Gross written premiums by type and class of insuranc								
Property/casualty primary insurance	EUR MILLION	4,065	2,451	6,516	3,768	2,043	5,811	+12.1
Primary life insurance	EUR MILLION	1,690	1,693	3,383	1,611	1,641	3,252	+4.0
Property/Casualty Reinsurance	EUR MILLION	4,017	3,170	7,189	3,452	2,800	6,252	+15.0
Life/Health Reinsurance	EUR MILLION	1,944	1,833	3,777	1,729	1,716	3,445	+9.6
Net premiums earned	EUR MILLION	7,842	8,075	15,917	6,989	7,446	14,435	+10.3
Underwriting result	EUR MILLION	-357	-350	-708	-430	-318	-748	+5.5
Net investment income	EUR MILLION	988	998	1,986	1,063	944	2,007	-1.1
Net return on investment¹⁾	%	3.2	—	3.3	3.7	—	3.5	-0.2 pt.
Operating profit (EBIT)	EUR MILLION	616	628	1,244	592	620	1,212	+2.7
Net income (after financing costs and taxes)	EUR MILLION	411	447	858	388	383	771	+11.3
attributable to shareholders of Talanx AG	EUR MILLION	235	242	477	218	219	437	+9.4
Return on equity^{2), 3)}	%	10.3	10.1	10.4	10.0	10.1	10.0	+0.4 pt.
Earnings per share								
Basic earnings per share	IN EUR	0.93	0.96	1.89	0.86	0.87	1.73	+14.5
Diluted earnings per share	IN EUR	0.93	0.96	1.89	0.86	0.87	1.73	+14.5
Combined ratio in property/casualty primary insurance and Property/Casualty Reinsurance⁴⁾	%	96.8	98.1	97.5	97.0	96.5	96.7	+0.8 pt.
Combined ratio of property/ casualty primary insurers ⁵⁾	%	98.4	98.4	98.4	98.3	98.0	98.1	+0.3 pt.
Combined ratio of Property/ Casualty Reinsurance	%	95.7	97.6	96.7	95.9	95.5	95.7	+1.0 pt.
EBIT margin primary insurance and Reinsurance								
EBIT margin primary insurance ⁵⁾	%	5.2	5.1	5.2	5.3	4.6	5.0	+0.2 pt.
EBIT margin Property/Casualty Reinsurance	%	11.6	10.6	11.1	14.2	13.1	13.6	-2.5 pt.
EBIT margin Life/Health Reinsurance	%	6.7	9.9	8.3	5.9	7.5	6.7	+1.6 pt.
				30.6.2019			31.12.2018	+/- %
Policyholders' surplus	EUR MILLION			18,368			16,999	+8.1
Equity attributable to shareholders of Talanx AG	EUR MILLION			9,617			8,713	+10.4
Attributable to non-controlling interests	EUR MILLION			6,013			5,548	+8.4
Hybrid capital	EUR MILLION			2,739			2,738	+0.0
Assets under own management	EUR MILLION			118,738			111,868	+6.1
Total investments	EUR MILLION			130,181			122,831	+6.0
Total assets	EUR MILLION			173,608			162,879	+6.6
Carrying amount per share at end of period	EUR			38.04			34.47	+10.4
Share price at end of period	EUR			38.10			29.80	+27.9
Market capitalisation of Talanx AG at end of period	EUR MILLION			9,632			7,533	+27.9
Employees	FULL-TIME EQUIVALENTS			21,004			20,780	+1.1

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 (30.6.2019 and 31.12.2018).

²⁾ Ratio of annualised net income for the 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 intragroup cross-segment transactions.

⁵⁾ Excluding figures from the Corporate Operations segment.

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GOVERNING BODIES OF TALANX AG

SUPERVISORY BOARD

Herbert K. Haas

Chairman
Burgwedel
Former Chairman of the
Board of Management
Talanx AG

Dr Thomas Lindner

Deputy Chairman
Albstadt
Chairman of the Supervisory Board
Groz-Beckert KG

Ralf Rieger*

Deputy Chairman
Raesfeld
Employee
HDI Vertriebs AG

Franz Adamczyk*

(until 9 May 2019)
Isernhagen
Head of Underwriting Property Specialities
HDI Global SE

Antonia Aschendorf

Hamburg
Lawyer
Member of the
Board of Management
APRAXA eG
Director
2-Sigma GmbH

Benita Bierstedt*

(since 9 May 2019)
Hannover
Employee
E+s Rückversicherung AG

Rainer-Karl Bock-Wehr*

(since 9 May 2019)
Cologne
Head of Competence Centre Commercial,
Cologne
HDI Kundenservice AG

Sebastian L. Gascard*

(since 9 May 2019)
Isernhagen
In-house Company Lawyer
(Liability Underwriter)
HDI Global SE

Jutta Hammer*

Bergisch Gladbach
Employee
HDI Kundenservice AG

Dr Hermann Jung

Heidenheim
Former Member of the Board of Directors
Voith GmbH

Dirk Lohmann

Forch, Switzerland
Chairman of the Administrative Board
and CEO
Secquaero Advisors AG

* Staff representative

Christoph Meister*

Hannover
Member of the ver.di
National Executive Board

Jutta Mück*

Oberhausen
Account Manager Sales Industrial Lines
HDI Global SE

Katja Sachtleben-Reimann*

(until 9 May 2019)
Hannover
Employee
HDI Service AG

Dr Erhard Schipporeit

Hannover
Self-employed Business Consultant

Prof. Dr Jens Schubert*

Potsdam
Director of the Legal Department,
ver.di National Administration
Professor
Leuphana Universität Lüneburg

Jörn von Stein*

(until 9 May 2019)
Employee
neue leben Lebensversicherung AG

Norbert Steiner

Baunatal
Former Chairman of the
Board of Management
K+S AG

Angela Titzrath

Hamburg
Chairwoman of the Board of Management
Hamburger Hafen und Logistik AG

BOARD OF MANAGEMENT**Torsten Leue**

Chairman
Hannover

Sven Fokkema

Wedemark

Jean-Jacques Henchoz

Hannover

Dr Edgar Puls

Isernhagen

Dr Immo Querner

Celle

Dr Jan Wicke

Hannover

REPORT ON ECONOMIC POSITION

MARKETS, BUSINESS CLIMATE AND THE INDUSTRY ENVIRONMENT

Weak growth experienced in the previous year proved to be pronounced and persistent in the first half of 2019. After initial progress in trade talks between the US and China, the US government's decision to impose further tariffs on Chinese goods created a sense of pessimism regarding economic expectations.

The eurozone suffered particularly on the back of declining global momentum as it is closely integrated in global supply chains. Nonetheless, the negative impact of non-recurring factors in 2018 declined and so growth of 0.4% was still achieved in the first quarter of 2019. In the US, the country's longest ever government shutdown, a cold snap and flagging momentum from past tax reforms squeezed consumer growth. Despite this, the US economy still enjoyed annualised growth of 3.1% in the first quarter 2019 thanks to rising investment and public spending and declining imports.

Growth performance in emerging markets was also strained by weak global momentum. At the same time, money policy easing in major economies created financing conditions that help shore up growth in the form of lower yields, stronger currencies and thus

more room for manoeuvre when it comes to economic policy. In addition to foreign trade weaknesses and a return to escalation in the trade conflict with the US, the Chinese economy was also hit by a faltering domestic economy. Annual GDP growth was 6.2% in the second quarter of 2019.

Turning to interest rates, investors in the first half of the year increasingly focused their attention on potential negative economic ramifications that could result from existing (geo) political risks, in particular the ongoing threat of a global trade war. Negative economic data supported this cautious approach. Yields on ten-year German government bonds ended the first half of the year at a year-to-date low of -0.33%. Spread products, on the other hand, were heavily favoured in investment despite the economic slowdown. With the exception of a temporary correction in May, risk premiums for bank and corporate bonds continued to narrow significantly, which – in conjunction with falling market interest rates – resulted in an unexpectedly strong half-year performance.

The macroeconomic environment beyond the capital markets had a beneficial effect on the insurance industry. The global trend towards higher insurance premiums seen in recent years continued in the first half of 2019. Total claims from natural catastrophes were on par with the previous year and thus in line with average figures for the last 30 years. The most costly single event was the flooding in North Queensland (Australia) at the start of the year. Large losses were reported in Germany in relation to the "Eberhard" storm in March and the "Jörn" hail storm in June.

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)		Income statement (average)	
	30.6.2019	31.12.2018	6M 2019	6M 2018
AUD Australia	1.5826	1.6208	1.5954	1.5656
BRL Brazil	4.3600	4.4552	4.3229	4.1405
CAD Canada	1.4997	1.5591	1.5180	1.5409
CNY China	7.5385	7.8768	7.6870	7.7114
GBP United Kingdom	0.8578	0.9028	0.8736	0.8814
HUF Hungary	321.0800	321.7400	318.6500	315.6029
JPY Japan	124.4500	126.3700	125.5275	131.5629
MXN Mexico	21.6687	22.5895	22.0124	22.9951
PLN Poland	4.3000	4.3031	4.2962	4.2303
USD USA	1.1233	1.1451	1.1396	1.2061
ZAR South Africa	16.2669	16.4522	15.9744	14.9047

BUSINESS DEVELOPMENT

PERFORMANCE OF THE GROUP

- Double-digit growth in gross premiums, up 11.2%
- Net underwriting result significantly improved
- Upturn in operating profit

GROUP KEY FIGURES

EUR MILLION

	6M 2019	6M 2018	+/- %
Gross written premiums	20,864	18,760	+11.2
Net premiums earned	15,917	14,435	+10.3
Underwriting result	-708	-748	+5.5
Net investment income	1,986	2,007	-1.1
Operating profit (EBIT)	1,244	1,212	+2.7
Combined ratio (net, property/casualty insurance only) in %	97.5	96.7	+0.8 pt.

MANAGEMENT METRICS

%

	6M 2019	6M 2018	+/- %
Gross premium growth (adjusted for currency effects)	10.1	11.8	-1.7 pt.
Group net income in EUR million	477	437	+9.4
Net return on investment ¹⁾	3.3	3.5	-0.2 pt.
Return on equity ²⁾	10.4	10.0	+0.4 pt.

¹⁾ 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.

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

PREMIUM VOLUME

In the first half of 2019, the Talanx Group achieved a double-digit increase in gross written premiums of 11.2% (10.1% adjusted for currency effects) to EUR 20.9 (18.8) billion. This played a key role in boosting premiums by 21.3% in the Property/Casualty Reinsurance

segment. Net premiums earned were 10.3% higher year-on-year at EUR 15.9 (14.4) billion. Despite lower retention in the Industrial Lines and the Life/Health Reinsurance segments, the Group retention ratio increased by 0.2 percentage points to 88.5% (88.3%).

UNDERWRITING RESULT

The underwriting result improved by 5.5% to EUR -708 (-748) million. The large loss burden in the first half of the year was EUR 308 (241) million, thereby remaining significantly below the budget for the period of around EUR 527 million. The Industrial Lines and Reinsurance divisions accounted for the largest share of this, with both reporting a similar level of large losses. The Group combined ratio increased by 0.8 percentage points year-on-year to 97.5% (96.7%). The declining expense ratio could not offset the higher loss ratio, which essentially stemmed from the Property/Casualty Reinsurance segment.

NET INVESTMENT INCOME

Despite the decline in extraordinary net investment income, net investment income fell only slightly, decreasing by 1.1% to EUR 1,986 (2,007) million. The Retail Germany Division posted lower realised gains to finance the additional interest reserve and there was a positive non-recurring effect of EUR 100 million in the Life/Health Reinsurance segment. The Group's net return on investment was 3.3% (3.5%) in the first half of 2019 and thus slightly lower year-on-year.

OPERATING PROFIT AND GROUP NET INCOME

EBIT climbed to EUR 1,244 (1,212) million, thanks in part to a better net underwriting result. Group net income saw a 9.4% upturn to EUR 477 (437) million, driven chiefly by results in the Retail Germany and Retail International divisions as well as in the Life/Health Reinsurance segment. The return on equity was up 0.4 percentage points year-on-year at 10.4% (10.0%).

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 2018 Group Annual Report for details of these segments’ structure and scope of business.

INDUSTRIAL LINES

- Premium development shaped primarily by initial consolidation of HDI Global Specialty
- Fire insurance benefiting from improved frequency loss ratio
- Run-off positive overall but influenced in particular by reserve strengthening of a large loss
- Net investment income up on previous year

KEY FIGURES FOR THE INDUSTRIAL LINES DIVISION

EUR MILLION

	6M 2019	6M 2018	+/-%
Gross written premiums	3,483	2,898	+20.2
Net premiums earned	1,367	1,235	+10.7
Underwriting result	-32	-28	-13.2
Net investment income	133	124	+7.5
Operating profit (EBIT)	69	78	-12.0

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

IN %

	6M 2019	6M 2018	+/-%
Gross premium growth (adjusted for currency effects)	18.7	6.9	+11.8 pt.
Combined ratio (net) ¹⁾	102.3	102.3	—
EBIT margin ²⁾	5.0	6.3	-1.3 pt.
Return on equity ³⁾	3.4	4.6	-1.2 pt.

¹⁾ Taking into account interest income on funds withheld.

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

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

The division pools global activities relating to industrial insurance within the Talanx Group and, as well as its excellent presence on the German market, also operates in over 150 countries through its foreign branches, subsidiaries, affiliates and network partners. In July 2019, HDI Global Specialty SE acquired 76.5% of Svedea AB from Hannover Rück SE and Svedea Management. Svedea AB is a managing agent that markets non-life specialty insurance products on the Swedish market.

PREMIUM VOLUME

Gross written premiums for the division amounted to EUR 3.5 (2.9) billion as at 30 June 2019, an increase of around 20.2% (18.7% after adjustment for currency effects). Increases in premiums were essentially generated from the initial consolidation of HDI Global Specialty. Restructuring measures in fire insurance launched in 2018 are showing clear success. The expected premium loss associated with this on account of separating inadequately priced risks was partially offset by risk-free additional premiums. Net premiums earned saw a smaller upturn than gross written premiums due to lower retention in specialty business in comparison to traditional industrial insurance business.

UNDERWRITING RESULT

At EUR -32 (-28) million, the net underwriting result in the division was down on the previous year. The loss burden was higher than expected on account of reserve strengthening in the first quarter of a large loss in the previous year. Earnings were also squeezed as the large loss budget for the year so far was exceeded slightly. This was countered by the effects of the 20/20/20 programme, which improved both the large loss ratio and the frequency loss ratio in fire insurance. Thus, the overall loss ratio was at 80.9% and below the previous year's of 81.5%. The combined ratio for the Industrial Lines Division was 102.3% (102.3%).

NET INVESTMENT INCOME

At EUR 133 million, net investment income was up 7.5% year on year (EUR 124 million). Higher income was generated from fixed-income securities and real estate thanks to the upturn in investment volume.

OPERATING PROFIT AND GROUP NET INCOME

As a result of the developments stated above, the division's operating profit was lower in the first half of 2019 (EUR 69 million) than in the same period of the previous year (EUR 78 million). This includes foreign exchange losses of EUR -2 million (previous year: EUR -17 million), which are also included in operating profit/loss. Group net income amounted to EUR 42 (53) million.

RETAIL GERMANY

PROPERTY/CASUALTY INSURANCE

- Significant growth in corporate customers/freelance professionals
- Rise in EBIT thanks to improved net investment income

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

EUR MILLION

	6M 2019	6M 2018	+/-%
Gross written premiums	1,042	1,022	+2.0
Net premiums earned	726	701	+3.7
Underwriting result	10	8	+31.2
Net investment income	55	44	+23.3
Operating profit (EBIT)	54	40	+37.4

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY INSURANCE SEGMENT

%

	6M 2019	6M 2018	+/-%
Gross premium growth	2.0	2.0	—
Combined ratio (net) ¹⁾	98.7	99.0	-0.3 pt.
EBIT margin ²⁾	7.4	5.6	+1.8 pt.

¹⁾ Taking into account interest income on funds withheld.²⁾ Operating profit (EBIT)/net premiums earned.

PREMIUM VOLUME AND NEW BUSINESS

Premiums rose by 2.0% to EUR 1,042 (1,022) million in the Property/Casualty Insurance segment in the first half of the year. Growth in corporate customers/freelance professionals and third-party liability, accident and property business comfortably offset the decline from motor vehicle insurance.

UNDERWRITING RESULT

The underwriting result was EUR 10 (8) million in the current financial year, up 31.2% on the previous year. While profitable growth had a positive impact on the underwriting result in third-party liability, accident and property lines of business, burdens were slightly higher due to natural disasters and large loss events. Investment expenditure continued to increase in the last six months, in particular in IT. Despite these burdens, the overall combined ratio (net) improved by 0.3 percentage points from 99.0% to 98.7%.

NET INVESTMENT INCOME

Net investment income improved to EUR 55 (44) million thanks to the rise in ordinary and extraordinary investment income. This was driven primarily by higher income from properties and positive impairments on unrealised gains/losses.

OPERATING PROFIT/LOSS

EBIT rose to EUR 54 (40) million, due essentially to higher net investment income. This pushed the EBIT margin up to 7.4% (5.6%).

LIFE INSURANCE

- Growth in single premium business
- Lower gains realised to finance additional interest reserve

KEY FIGURES FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

EUR MILLION

	6M 2019	6M 2018	+/-%
Gross written premiums	2,285	2,240	+2.0
Net premiums earned	1,696	1,653	+2.6
Underwriting result	-664	-858	+22.6
Net investment income	753	922	-18.3
Operating profit (EBIT)	71	48	+46.8
New business measured in annual premium equivalent	205	195	+5.1
Single premiums	765	676	+13.2
Regular premiums	129	127	+1.6
New business by product in annual premium equivalent	205	195	+5.1
of which capital-efficient products	86	73	+17.8
of which biometric products	69	66	+4.5

MANAGEMENT METRICS FOR THE LIFE INSURANCE SEGMENT

%

	6M 2019	6M 2018	+/-%
Gross premium growth	2.0	-3.0	+5.0 pt.
EBIT margin ¹⁾	4.2	2.9	+1.3 pt.

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

PREMIUM VOLUME AND NEW BUSINESS

In the first half of the year, the Life Insurance segment saw premiums rise by 2.0% to EUR 2.3 (2.2) billion, which includes the savings elements of premiums from unit-linked life insurance policies. Single premiums (excluding residual debt) climbed by EUR 60 million year on year, driven in particular by the sale of capital-efficient products. This was countered by a drop-off in regular premiums (excluding residual debt), primarily the result of a high number of contracts expiring. Biometric core business of bancassurance performed well, with growth of EUR 21 million. The retention ratio in life insurance business rose slightly to 93.7% (93.4%). Allowing for the savings elements of premiums from our unit-linked products and the change in the unearned premium reserve, net premiums earned in the Life Insurance segment increased by 2.6% to EUR 1,696 (1,653) million.

Measured in APE, new business in life insurance products rose from EUR 195 million to EUR 205 million.

UNDERWRITING RESULT

The underwriting result improved to EUR –664 (–858) million in the current financial year. This was partly due to the unwinding of discounts on the 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 declined by 18.3% to EUR 753 (922) million. In particular, the reduction resulted from lower realisation of unrealised gains to finance the additional interest reserve. Given that it could not yet be safely assumed a year ago that the corridor method would have a positive impact on the additional interest reserve, correspondingly high realisations were made. Ordinary investment income was virtually unchanged year-on-year at EUR 724 (727) million.

OPERATING PROFIT/LOSS

Operating profit (EBIT) in the Life Insurance segment in the Retail Germany Division rose year-on-year to EUR 71 (48) million.

RETAIL GERMANY DIVISION OVERALL

RETURN ON EQUITY FOR THE RETAIL GERMANY DIVISION OVERALL

	6M 2019	6M 2018	+/- %
Return on equity ¹⁾	5.8	4.0	+1.8 pt.

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

After adjusting for taxes on income, financing costs and non-controlling interests, Group net income rose to EUR 72 (50) million, thanks especially to improved earnings in Property/Casualty and Life Insurance. This pushed the return on equity up by 1.8 percentage points to 5.8%.

RETAIL INTERNATIONAL

- Gross written premiums rose by 9.2% adjusted for currency effects
- Combined ratio virtually stable at ~ 95%

KEY FIGURES FOR THE RETAIL INTERNATIONAL DIVISION

EUR MILLION	6M 2019	6M 2018	+/- %
Gross written premiums	3,154	2,963	+6.5
Net premiums earned	2,753	2,513	+9.5
Underwriting result	24	33	–28.4
Net investment income	189	174	+8.7
Operating profit (EBIT)	146	138	+6.2

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

%	6M 2019	6M 2018	+/- %
Gross premium growth (adjusted for currency effects)	9.2	9.6	–0.4 pt.
Combined ratio (net, property/casualty insurance only) ¹⁾	95.2	94.6	+0.6 pt.
EBIT margin ²⁾	5.3	5.5	–0.2 pt.
Return on equity ³⁾	8.5	8.4	+0.1 pt.

¹⁾ Taking into account interest income on funds withheld.

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

³⁾ Ratio of annualised net income for the 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. In the Europe region, the Turkish HDI Sigorta A. S. signed an agreement on 2 May 2019 to acquire the Turkish Ergo Sigorta A. S., with the aim of further expanding its market presence. The transaction is still subject to approval by the Turkish supervisory authority, but this is expected in the second half of the year. In Latin America, however, the division streamlined its portfolio in the first half of 2019, entering into an agreement to sell its 100% interest in HDI Seguros S. A., San Isidro, Peru, on 22 October 2018 which was then completed at the end of the first quarter of 2019.

PREMIUM VOLUME

The division's gross written premiums (including premiums from unit-linked life and annuity insurance) increased by 6.5% compared to the first half of 2018 to EUR 3.2 (3.0) billion. Adjusted for currency effects, gross premiums increased by 9.2% on the comparison period. Premium volume performed well in the two regions during the reporting period.

The Europe region reported growth in gross written premiums of 7.1% to EUR 2.3 billion; this growth was driven primarily by a 13.9% increase in premiums to EUR 910 million at the Italian HDI Assicurazioni S.p.A. TUIR WARTA S.A in Poland also reported positive effects on gross written premiums for the region, with premium volume up by 3.6% thanks to a higher number of insured vehicles in motor vehicle insurance. Adjusted for currency effects, the growth in premium volume in Europe stood at 9.2%.

In the Latin America region, gross written premiums increased by 6.2% compared to the same period of the previous year to EUR 863 million. Adjusted for currency effects, the growth amounted to 10.4%, which was essentially due to good performance in Mexico and Brazil. At the Mexican HDI Seguros S.A., premium volumes enjoyed a particular upturn in motor vehicle insurance thanks to new intermediaries and agents. 44.9% of the premium volume generated in the region was accounted for by the Brazilian HDI Seguros S.A. Unadjusted, the company's gross written premiums rose by 1.2% to EUR 387 million. However, adjusted for currency effects, they rose by 6.5%, primarily on account of changes to wage agreements in motor vehicle insurance.

UNDERWRITING RESULT

The combined ratio from property insurance companies increased by 0.6 percentage points year-on-year to 95.2% (94.6%). This reflects exclusively a change to accounting requirements for allocating costs in the statement of income. Accordingly, the expense ratio for the division was 0.5 percentage points higher than the previous year (28.3%), at 28.8%. The loss ratio was unchanged year on year.

In line with higher net investment income in life insurance, the underwriting result in life insurance fell by EUR 6 million.

NET INVESTMENT INCOME

Net investment income rose year-on-year by 8.7% to EUR 189 (174) million. The division's ordinary net investment climbed by 14.0% against the first half of 2018, essentially driven by higher investment volumes in Italy and higher interest rates and investment volumes in Turkey. Owing to the higher volume of investments and overall persistently low interest rates, the return on assets under own management was on par with the previous year at 3.4%.

OPERATING PROFIT AND GROUP NET INCOME

In the first half of 2019, operating profit (EBIT) in the Retail International Division rose by 6.2%, compared with the same period of the previous year, to EUR 146 (138) million. The Europe region contributed to the division's operating profit with EBIT of EUR 134 (117) million, an increase of 14.7%, whereby this growth was primarily due to developments at TUIR WARTA S.A. in Poland. By contrast, EBIT of EUR 34 (29) million was generated in the Latin America region. Group net income after minority interests increased accordingly by 2.6% to EUR 85 (83) million. The return on equity rose by 0.1 percentage points to 8.5% 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 2019	6M 2018	+/- %
Gross written premiums	3,154	2,963	+6.5
Property/Casualty	2,024	1,923	+5.2
Life	1,130	1,040	+8.7
Net premiums earned	2,753	2,513	+9.5
Property/Casualty	1,689	1,608	+5.0
Life	1,064	905	+17.6
Underwriting result	24	33	-28.4
Property/Casualty	83	87	-4.3
Life	-60	-54	-10.4
Other	—	—	—
Net investment income	189	174	+8.7
Property/Casualty	98	89	+10.2
Life	95	86	+10.2
Other	-2	-1	-102.1
New business by product in annual premium equivalent (life)	136	125	+8.8
Single premiums	987	912	+8.2
Regular premiums	37	34	+8.8
New business by product in annual premium equivalent (life)	136	125	+8.8
of which capital-efficient products	76	50	+52.0
of which biometric products	34	32	+6.3

RETAIL INTERNATIONAL DIVISION BY REGION AT A GLANCE

EUR MILLION	6M 2019	6M 2018	+/- %
Gross written premiums	3,154	2,963	+6.5
of which Europe	2,291	2,140	+7.1
of which Latin America	863	813	+6.2
Net premiums earned	2,753	2,513	+9.5
of which Europe	2,002	1,829	+9.4
of which Latin America	751	683	+10.0
Underwriting result	24	33	-28.4
of which Europe	14	4	+208.1
of which Latin America	21	29	-28.3
Net investment income	189	174	+8.7
of which Europe	154	145	+6.5
of which Latin America	38	31	+21.1
Operating profit (EBIT)	146	138	+6.2
of which Europe	134	117	+14.7
of which Latin America	34	29	+18.7

REINSURANCE

PROPERTY/CASUALTY REINSURANCE

- Growth of 18.4% in written premiums adjusted for currency effects
- Large loss burden up on previous year but well within budget
- Satisfactory results for renewals during the year

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

EUR MILLION

	6M 2019	6M 2018	+/- %
Gross written premiums	7,847	6,467	+21.3
Net premiums earned	5,964	5,175	+15.2
Underwriting result	174	206	-16.1
Net investment income	508	517	-1.7
Operating profit (EBIT)	662	704	-6.1

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%

	6M 2019	6M 2018	+/- %
Gross premium growth (adjusted for currency effects)	18.4	27.6	-9.2 pt.
Combined ratio (net) ¹⁾	96.7	95.7	-1.0 pt.
EBIT margin ²⁾	11.1	13.6	-2.5 pt.

¹⁾ Taking into account interest income on funds withheld.²⁾ Operating profit (EBIT)/net premiums earned.

BUSINESS DEVELOPMENT

Global property/casualty reinsurance markets continue to be shaped by stiff competition and the supply of reinsurance cover still exceeds demand. In particular in the case of natural disaster risks, the additional capacity from the market for insurance-linked securities (ILS) is putting sustained pressure on prices and conditions.

Despite the challenging conditions, the treaty renewal rounds in the first half of the year were satisfactory from our perspective and make us optimistic about the year as a whole. Contrary to the situation one year ago, alternative capital providers were more cautious when it came to transferring insurance risks to the capital market in the renewal negotiations during the year. Overall, reinsurance prices remained in line with risk and we obtained slightly better conditions. As one of the world's leading reinsurers, we continue to benefit from our excellent financial standing, as well as from a recovery in demand on the part of primary insurers. For example, attractive opportunities opened up to expand our portfolio in Asia, North America and Germany.

Following the successful treaty renewal round in the Property/Casualty Reinsurance segment as at 1 January 2019, the treaty renewal as at 1 April also went well. Traditionally, business in Japan is renewed at this time and a lower number of treaty renewals are also due for Australia, New Zealand, Asian markets and North America. Rates in Japan improved substantially following natural disaster losses and we boosted our premium income. Our premium income also picked up considerably on the Indian market. The renewal of part of our North America business was highly satisfactory, continuing the trend from the renewals as at 1 January. Prices in the natural catastrophe business consolidated on the whole, whereas programmes that have been affected by losses saw double-digit increases. The total premium volume from the treaty renewal round as at 1 April 2019 increased by 7%.

PREMIUM DEVELOPMENT

Gross written premiums for the entire portfolio in the Property/Casualty Reinsurance segment increased by 21.3% to EUR 7.8 (6.5) billion as at 30 June 2019. This again reflected the ongoing increase in demand for solvency-easing reinsurance solutions and traditional reinsurance coverage. At constant exchange rates, the growth in gross written premiums in the Property/Casualty Reinsurance segment would have amounted to 18.4%. Retention increased only marginally year-on-year to 91.5% (91.4%). Net premiums earned increased by 15.2% to EUR 6.0 (5.2) billion, or by 13.0% adjusted for currency effects.

UNDERWRITING RESULT

The net large loss burden as at 30 June 2019 was up year-on-year at EUR 141 (93) million. The largest losses in the first half of the year included the explosion in a Philadelphia refinery in June, with an estimated net participation of EUR 46 million, the floods in Queensland, Australia, at the end of January with EUR 26 million and the crash of the Ethiopian Airlines Boeing 737 MAX in March with EUR 25 million. In total, the large loss burden was well below our forecast of EUR 370 million for the first half of the year. We classify large losses as catastrophes for which we expect to pay out over EUR 10 million in gross claims and claims expenses.

As well as large losses in the current year, in the second quarter we also received late claim notifications from our customers for typhoon "Jebi" in Japan in the previous year in the amount of EUR 106 million net. Our retrocession programmes protect us in the event of additional subsequent reserves from these losses in the future. Overall, in the first half of the year the subsequent reserves offset the once again positive run-off of our loss reserve from previous years.

The technical result, including interest on deposits, for the Property/Casualty Reinsurance segment declined by 16.1% to EUR 174 (206) million. At 96.7% (95.7%), the combined ratio was slightly higher than in the previous year but remained in line with our planning for a target of 97% or less for the year as a whole.

NET INVESTMENT INCOME

Net investment income from assets under own management in the Property/Casualty Reinsurance segment declined by 3.1% to EUR 485 (501) million. Net investment income amounted to EUR 508 (517) million in total.

OPERATING PROFIT/LOSS

Operating profit (EBIT) for the Property/Casualty Reinsurance segment decreased by 6.1% to EUR 662 (704) million. The EBIT margin again exceeded our target level of at least 10% at 11.1% (13.6%).

LIFE/HEALTH REINSURANCE

- Growth of 7.4% in written premiums adjusted for currency effects
- Sustained strong global demand for financial solutions
- Extraordinary income from restructuring of shares at Viridium
- Operating profit up 32.6%

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

EUR MILLION	6M 2019	6M 2018	+/- %
Gross written premiums	3,847	3,518	+9.3
Net premiums earned	3,392	3,171	+7.0
Underwriting result	-210	-108	+93.4
Net investment income	364	239	+52.7
Operating profit (EBIT)	282	213	+32.6

MANAGEMENT METRICS

%	6M 2019	6M 2018	+/- %
Gross premium growth (adjusted for currency effects) ¹⁾	7.4	3.7	+3.7 pt.
EBIT growth ²⁾	32.6	35.9	-3.3 pt.

¹⁾ Compared with the previous year.

²⁾ Change in operating profit (EBIT) compared to the prior year in %.

BUSINESS DEVELOPMENT

Global life/health reinsurance markets remained characterised by continued low interest rates. Competition was also unchanged and remained extremely intense in some regions. In Australia, disability income insurance had a negative impact on the sector as a whole. Global demand for financial solutions remains high. These include individual reinsurance solutions to improve our customers' solvency, liquidity and capital.

The restructuring of shareholdings for our stake in the German run-off specialist Viridium resulted in extraordinary income of EUR 99.5 million in the second quarter as a result of Viridium's acquisition of Generali Lebensversicherung AG. Hannover Re's share in Viridium remained largely unchanged. Various reinsurance treaties in the United Kingdom and Australia were not satisfactory. We have strengthened the respective reserve positions here.

In the US, new business in the area of mortality solutions performed better than expected. This was offset by a slight downturn in existing business. Thanks to good new business, our expectations in the area of financial solutions were slightly exceeded. In Australia, regulatory changes and higher reserves strained net income. We are observing sustained high demand for tailor-made financial solutions in China, while the area of longevity is enjoying buoyant demand, particularly in Canada, the Netherlands and France.

PREMIUM DEVELOPMENT

The gross premium volume in the Life/Health Reinsurance segment rose by 9.3% to EUR 3.8 (3.5) billion as at 30 June 2019. At constant exchange rates, the growth would have amounted to 7.4%. Our retention declined to 88.9% (91.2%). Net premiums earned grew by 7.0% to EUR 3.4 (3.2) billion. At constant exchange rates, the growth would have amounted to 5.2%.

NET INVESTMENT INCOME

Income from assets under own management in the Life/Health Reinsurance segment doubled to EUR 294 (141) million, essentially thanks to releasing hidden reserves as part of the restructuring of shares at Viridium discussed above. Net investment income came to EUR 364 (239) million.

OPERATING PROFIT/LOSS

The operating profit (EBIT) was EUR 282 (213) million at the end of the first half of the year, up 32.4% on the prior-year figure. This is significantly higher than the target of at least 5% that we set for EBIT growth in 2019.

REINSURANCE DIVISION OVERALL

RETURN ON EQUITY FOR THE REINSURANCE DIVISION OVERALL

	6M 2019	6M 2017	+/- %
Return on equity ¹⁾	14.7	13.9	+0.8 pt.

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

Group net income in the Reinsurance Division climbed by 17.0% to EUR 329 (281) million in the first half of the year, while the return on equity improved to 14.7% (13.9%).

CORPORATE OPERATIONS

- Group assets under own management climb by 6%
- Talanx AG to write underwriting risks for the first time from 2019
- Gross written premiums in the Corporate Operations segment up 18%

Talanx AG was awarded a reinsurance license by the Federal Financial Supervisory Authority (BaFin) and will write underwriting risks for the first time from 2019. This allows us to pool the reinsurance requirements for primary insurance at the holding company in order to take advantage of diversification effects throughout the Group, boost additional earnings potential and better implement group-wide retrocession cover. Thanks to pooling intragroup reinsurance, Standard & Poor's, as well as other rating agencies, has already raised Talanx AG's issuer rating from "A-" to "A+".

THE GROUP'S REINSURANCE SPECIALISTS

Underwriting business written via our Irish subsidiary HDI Reinsurance (Ireland) SE (previously: Talanx Reinsurance (Ireland) SE) has been reported in the Corporate Operations segment since 2013 and partially ceded to Talanx AG via a quota share reinsurance agreement since 2019. Some business is also reallocated to the ceding intra-group segments in order to leverage diversification benefits there. Business including additional cross-segment diversification benefits is reported in the Corporate Operations segment. Gross written premiums in this business amounted to EUR 46 (39) million in the first half of 2019. They resulted from reinsurance cessions in the Industrial Lines, Retail Germany and Retail International Divisions. The underwriting result in the Corporate Operations segment was EUR -9 (-1) million in the first half of 2019 and was characterised by additional reserves recognised in conjunction with commencing insurance business by Talanx AG.

THE GROUP'S INVESTMENT SPECIALISTS

In cooperation with its subsidiary Ampega Investment GmbH, Ampega Asset Management GmbH (previously: Talanx Asset Management GmbH) is chiefly responsible for handling the management and administration of the Group companies' investments and provides related services such as investment accounting and reporting. The Group's assets under own management have climbed to EUR 119 (112) billion since the beginning of the year. The total contribution to the segment's operating profit made by the two companies and Ampega Real Estate GmbH (previously: Talanx Immobilien Management GmbH) amounted to EUR 22 (29) million in the first half of 2019.

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. The German investment industry was shaped by two countervailing effects in the first half of 2019. Firstly, price losses on the stock and bond market in the fourth quarter 2018 were recovered and to some extent offset thanks to significantly higher valuations, resulting in a considerable upturn in volume in comparison to the end of 2018. On the other hand, retail funds – including ETFs – were dominated by cash outflows in the first half of the year of 2019. Growth momentum also visibly slackened in comparison to previous years in institutional business. The total volume of assets managed by Ampega Investment GmbH rose by 9.5% against the figure at the beginning of the year to EUR 26.2 (23.9) billion. At EUR 12.4 (11.5) billion, half the total volume is managed on behalf of Group companies using special funds and direct investment mandates. Of the remainder, EUR 6.8 (6.0) billion was attributable to institutional third-party clients and EUR 7.0 (6.4) 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/LOSS

The operating profit in the Corporate Operations segment decreased to EUR –10 (4) million in the first half of 2019, essentially as a result of additional reserves recognised in conjunction with commencing insurance business by Talanx AG and the bonus fee for the placement of a bond of EUR 832 million to finance the “Borkum Riffgrund 2” offshore wind farm in the previous year. Group net income attributable to shareholders of Talanx AG for this segment amounted to EUR –50 (–37) million in the first half of 2019.

NET ASSETS AND FINANCIAL POSITION

NET ASSETS

- Total assets up EUR 10.7 billion to EUR 173.6 billion
- Investments account for 75% of total assets

SIGNIFICANT CHANGES IN THE ASSET STRUCTURE

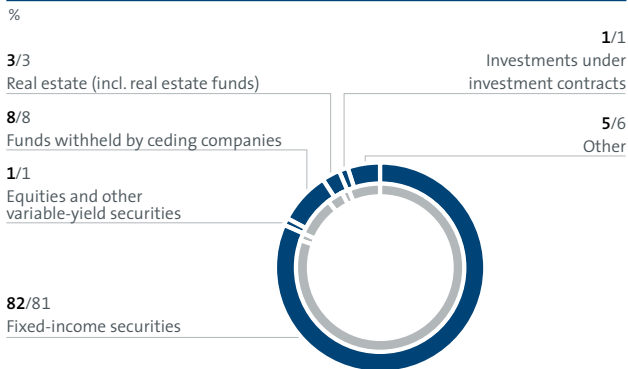
The EUR 10.7 billion increase in our total assets to EUR 173.6 billion is primarily attributable to the growth in investments (up EUR 7.3 billion), investments for the benefit of life insurance policyholders who bear the investment risk (up EUR 1.2 billion) and the increase in accounts receivable on insurance business (up EUR 1.1 billion).

CHANGE IN INVESTMENTS

The total investment portfolio increased by 6.0% over the course of the first half of 2019 and amounted to EUR 130.2 (122.8) billion. The portfolio of assets under own management climbed by 6.1% to EUR 118.7 (111.9) billion. The rise in the portfolio of assets under own management is predominantly market-driven. 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 expanded slightly by 4.1% to EUR 10.3 (9.9) billion.

Fixed-income investments were again the most significant asset class in the first half of 2019. Reinvestments were made taking into account the existing investment structure in this asset class. This asset class contributed EUR 1.4 (1.3) 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 0.8% (1.0%) at the end of the six-month period.

BREAKDOWN OF THE INVESTMENT PORTFOLIO

● 30.6.2019 ○ 31.12.2018

BREAKDOWN OF ASSETS UNDER OWN MANAGEMENT BY ASSET CLASS

EUR MILLION

	30.6.2019		31.12.2018	
Investment property	2,926	2%	2,985	3%
Shares in affiliated companies and participating interests	370	<1%	206	< 1%
Shares in associates and joint ventures	242	<1%	265	< 1%
Loans and receivables				
Loans incl. mortgage loans	412	<1%	460	< 1%
Loans and receivables due from government or quasi-governmental entities and fixed-income securities	28,814	24%	28,684	26%
Financial assets held to maturity	382	<1%	409	< 1%
Financial assets available for sale				
Fixed-income securities	76,477	64%	70,165	63%
Variable-yield securities	1,930	2%	1,799	2%
Financial assets classified at fair value through profit or loss				
Financial assets classified at fair value through profit or loss				
Fixed-income securities	1,139	1%	1,344	1%
Variable-yield securities	136	<1%	126	< 1%
Financial assets held for trading				
Fixed-income securities	—	—	—	—
Variable-yield securities	104	<1%	131	< 1%
Derivatives ¹⁾	311	<1%	239	< 1%
Other investments	5,493	5%	5,055	5%
Assets under own management	118,738	100%	111,868	100%

¹⁾ Derivate nur mit positiven Marktwerten

FIXED-INCOME SECURITIES

The portfolio of fixed-income investments (excluding mortgage and policy loans) was up by EUR 6.2 billion in the first half of 2019 to total EUR 106.8 (100.6) billion at the end of the six-month period. At 82% (82%) 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”.

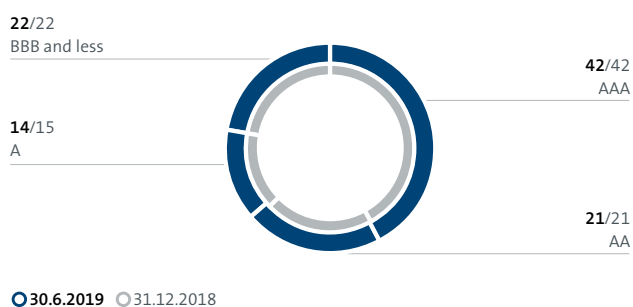
“Fixed-income securities available for sale”, whose volatility impacts equity and which total EUR 76.5 (70.2) billion, or 72% (70%) of total investments in the fixed-income portfolio, account for the largest share and increased by approximately EUR 6.3 billion in the first half of the year. Valuation reserves, i.e. the balance of unrealised gains and losses, have also risen from EUR 1.7 billion to EUR 5.4 billion since the end of 2018 with lower interest rates and spreads.

In the “Loans and receivables” category, investments are primarily held in government securities or securities with a similar level of security. German covered bonds (Pfandbriefe) are still the largest item in the portfolio. Total holdings in fixed-income securities within the category “Loans and receivables” amounted to EUR 29.2 (29.1) billion at the end of the six-month period and thus represent 27% 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) increased from EUR 3.8 billion to EUR 5.7 billion.

Investments in fixed-income securities continue to focus on government bonds with good ratings or securities from issuers with a similar credit quality in 2019. Holdings of AAA-rated bonds amounted to EUR 45.1 (43.1) billion as at the reporting date. This represents 42% (42%) 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, 78% (78%) 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 amounts to EUR 4.3 (4.1) billion and therefore corresponds to a share of 3.7% (3.7%) of the assets under own management.

As far as matching currency cover is concerned, US dollar-denominated investments continue to account for the largest share at 19% (19%) of the Talanx Group's foreign currency portfolio. Sizeable positions are also held in pound sterling, Polish zloty and Australian dollars, totalling 8% (8%) of all investments. The total share of assets under own management in foreign currencies was 32% (32%) as at 30 June 2019.

EQUITIES AND EQUITY FUNDS

Net unrealised gains and losses on equity holdings within the Group (excluding “Other investments”) rose by EUR 46 million to EUR 120 (74) million.

REAL ESTATE INCLUDING SHARES IN REAL ESTATE FUNDS

Investment property totalled EUR 2.9 (3.0) billion at the reporting date. An additional EUR 1,072 (985) million is held in real estate funds, which are recognised as “Financial assets available for sale”.

Depreciation of EUR 30 (28) million was recognised on investment property in the reporting period. There were no significant impairment losses. Depreciation on real estate funds stood at EUR 5 (6) million. These depreciations were offset by negligible reversals of impairment losses.

INFRASTRUCTURE INVESTMENTS

Talanx currently has a total of around EUR 2.2 (2.1) billion invested in infrastructure projects.

NET INVESTMENT INCOME

CHANGE IN NET INVESTMENT INCOME

EUR MILLION

	6M 2019	6M 2018
Ordinary investment income	1,778	1,687
of which current income from interest	1,399	1,329
of which attributable to profit/loss from investments in associates	14	4
Realised net gains on disposal of investments	268	419
Write-downs/reversals of write-downs of investments	-96	-79
Unrealised net gains from investments	73	-6
Other investment expenses	-125	-120
Income from assets under own management	1,898	1,901
Net interest income from funds withheld and contract deposits	87	106
Net income from investment contracts	1	-
Total	1,986	2,007

The net investment income in the first half of the year was EUR 1,986 (2,007) million, and so was slightly below the previous year's level. The annualised net return on investment for the assets under own management fell to 3.3% (3.5%).

Ordinary investment income at the end of the six-month period was EUR 1,778 (1,687) million. Persistently low interest rates on the capital markets led to an average coupon in the fixed-income securities portfolio of 2.8% (2.9%). The current interest income included in the investment income amounts to EUR 1.4 (1.3) billion.

Overall, realised net gains on the disposal of investments were below the prior-year figure, at EUR 268 (419) million. This includes earnings of EUR 100 million from restructuring shares at the Viridium Group in the "Life/Health Reinsurance" segment. In addition, 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 required by the HGB for life insurance and occupational pension plans. The latter were down significantly against the previous year.

At EUR 96 (79) million, higher depreciation and amortisation was required overall in the first half of this year compared to the prior year. This year, equities accounted for EUR 5 (10) million of this figure, fixed-income securities for EUR 2 (7) million and other investments for EUR 42 (18) million in total. Depreciation on directly held property and infrastructure investments amounted to EUR 47 (44) million.

Unrealised net gains/losses improved considerably on balance from EUR –6 million to EUR 73 million. The rise was driven by changes in our assets held at fair value through profit or loss. This includes unrealised net gains/losses on modified coinsurance derivatives in the Life/Health Reinsurance segment of EUR 9 (–6) million.

Net interest income from funds withheld and contract deposits fell to EUR 87 (106) million.

BREAKDOWN OF NET INVESTMENT INCOME BY GROUP SEGMENT¹⁾

EUR MILLION	6M 2019	6M 2018
Industrial Lines	135	126
Retail Germany – Property/Casualty	54	44
Retail Germany – Life	773	942
Retail International	194	179
Property/Casualty Reinsurance	510	518
Life/Health Reinsurance	367	241
Corporate Operations	–48	–43
Total	1,986	2,007

¹⁾ After elimination of intragroup cross-segment transactions.

FINANCIAL POSITION

ANALYSIS OF CAPITAL STRUCTURE

- Equity was up year-on-year at EUR 15.6 (14.3) billion
- Technical provisions climbed EUR 6. billion to EUR 123.5 billion

SIGNIFICANT CHANGES IN THE CAPITAL STRUCTURE

Overall, net technical provisions rose by 5.9% or EUR 6.4 billion year-on-year to EUR 115.2 (108.8) billion. This increase essentially related to the unearned premium reserve (up EUR 2.2 billion), the provision for premium refunds (up EUR 2.0 billion) and the loss and loss adjustment expense reserve (up EUR 1.6 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 89.3% (89.4%) at the reporting date. Investments thus exceed provisions by EUR 13.8 (13.0) billion.

EQUITY

CHANGE IN EQUITY

The EUR 771 million increase in accumulated other comprehensive income and other reserves as against 31 December 2018 to EUR 514 million and the net income for the reporting period, EUR 477 (437) million of which is attributable to our shareholders and was allocated in full to retained earnings, essentially led to a rise of EUR 904 million (10.4%) in the Group's equity against the figure as at 31 December 2018. This was offset by the dividend payment of EUR 367 (354) million to the shareholders of Talanx AG in May of the reporting period.

The increase in other reserves (EUR 771 million) is due in particular to the positive development of unrealised gains on investments – caused primarily by falling interest rates and declining risk premiums – (EUR 2,577), which was offset by changes in policyholder participation/shadow accounting (EUR –1,743 million).

CHANGE IN EQUITY**CHANGE IN EQUITY**

EUR MILLION

	30.6.2019	31.12.2018	Change	+/-%
Subscribed capital	316	316	—	—
Capital reserves	1,373	1,373	—	—
Retained earnings	7,414	7,281	133	+1.8
Accumulated other comprehensive income and other reserves	514	-257	771	+300.0
Group equity	9,617	8,713	904	+10.4
Non-controlling interests in equity	6,013	5,548	465	+8.4
Total	15,630	14,261	1,369	+9.6

EQUITY BY DIVISION¹⁾ INCLUDING NON-CONTROLLING INTERESTS

EUR MILLION

	30.6.2019	31.12.2018
Industrial Lines	2,659	2,364
of which non-controlling interests	73	—
Retail Germany	2,653	2,443
of which non-controlling interests	75	61
Retail International	2,316	2,149
of which non-controlling interests	226	231
Reinsurance	10,304	9,491
of which non-controlling interests	6,213	5,773
Corporate Operations	-2,348	-2,228
of which non-controlling interests	—	—
Consolidation	45	42
of which non-controlling interests	-573	-517
Total equity	15,630	14,261
Group equity	9,617	8,713
Non-controlling interests in equity	6,013	5,548

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

ANALYSIS OF DEBT

Subordinated liabilities remained at EUR 2.7 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 2019, 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 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 the Group 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".

OTHER REPORTS AND DECLARATIONS

RISK REPORT

Our 2018 Annual Report describes our risk profile and the various types of risk in accordance with German Accounting Standard GAS 20. A detailed description of the various types of risks is not provided here; these are disclosed in the 2018 Annual Report on page 108ff. Risk reporting in this half-yearly financial report focuses on relevant changes to the risk position that have occurred since Talanx's 2018 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. The Talanx Group has established a functioning, appropriate system of governance and risk management, which is consistently refined and corresponds to demanding quality requirements and standards. We are therefore able to identify our risks in a timely manner, and manage them effectively.

The following risks – stated by their level of materiality – determine the Group's overall risk profile: risks in connection with investments, premium and reserve risk in property/casualty insurance; NatCat risk; life insurance underwriting risk; operational risk and reinsurance default risk. Similarly, diversification is becoming increasingly important with regard to assessing the overall risk. This results from our geographical diversity and the diversity of our business. As a result, the Group is well positioned, even if an accumulated materialisation of risks occurs.

Interest rates and their development are a key issue defining the current risk situation. 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. Life insurers and pension funds especially are countering the risks arising from low interest rates with extensive measures that improve their ability to satisfy their obligations to policyholders moving ahead.

In addition, spread risks for risky bond investments also pose a significant risk.

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.

Likewise, political and macroeconomic uncertainty, on both existing core markets and our target and future markets, pose risks to our net assets, financial position and results of operations. In particular, these include Brexit and the uncertainty of the macroeconomic impact of US trade strategies.

Furthermore, there is uncertainty regarding the development of the legal framework for our business activities in all the countries in which the Group operates.

This poses specific legal risks for our German life insurance companies. This also includes tax risks relating to the handling of certain capital investment instruments in the course of company audits.

A draft bill was published by the German Federal Ministry of Finance (BMF) for an act that would cap sales commission from life insurance and residual debt insurance. It would limit sales commission and remuneration from life insurance policies to a maximum of 2.5% of the gross premium restricted to 35 years. The sales commission may be increased to up to 4% of the gross premium if certain qualitative criteria are met. When taking out residual debt insurance, the cap would be set at 2.5% of the insured loan amount. The planned statutory cap on commission would have a noticeable impact on the Group companies in question, in particular in relation to selling residual debt insurance.

Another specific risk is the political-economic crisis in Italy, as the Group also holds directly investments in Italian securities that could be vulnerable to impairment. Overall, however, these risks are very limited.

OUTLOOK

ECONOMIC ENVIRONMENT

At the beginning of the second half of the year, there are signs that global growth is stabilising. Nonetheless, downside risks still prevail in the global economic outlook. This is dominated by (geo)political risks, such as renewed escalation in the US-China trade dispute, the United Kingdom leaving the European Union without a deal, unsustainable debt in Italy on account of untenable fiscal policy and military escalation in the current US-Iran conflict.

In major industrialised nations, we expect to see growth rates return to or exceed the long-term potential. As well as looser monetary policy, the still healthy labour market is ensuring consumer potential. Rising capacity utilisation in conjunction with historically low financing costs is likely to bolster investment growth. A more stable global economic climate should also be reflected in a moderate rise in export growth figures.

The emerging markets are continuing their economic expansion as well – in spite of (geo)political conflicts and considerable problems facing the individual economies. In the light of the negative impact of the trade conflict with the US, the Chinese government seems willing to provide further economic stimulus to shore up growth. Global economic growth as a whole should benefit from the anticipated stabilisation of growth.

Weak growth at present is resulting in lower utilisation of production capacities and a general downturn in structural pressure on prices. Although positive wage growth and a return to growth momentum is likely indicative of a trend towards higher core inflation rates, no significant inflation is expected in the short to medium term.

CAPITAL MARKETS

Clear communication by central banks suggests that no interest rate turnaround is to be expected for the time being. Spread markets will also continue to be propped up by the low yield level due to a lack of investment alternatives.

The combination of an expected slowdown in global growth momentum and more expansive monetary policy provides general support for stock market developments. However, most of this positive expectation seems to be already reflected in share prices and so we anticipate only limited potential for upward movement.

ANTICIPATED FINANCIAL DEVELOPMENT OF THE GROUP

We are making the following assumptions:

- moderate global economic growth
- constant inflation rate
- continuing very low interest rates
- no sudden upheavals on the capital markets
- no exchange rate shocks
- no significant fiscal or regulatory changes
- a large loss burden in line with our 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. The Life/Health Reinsurance segment generated earnings of EUR 100 million in the second quarter as a result of releasing hidden reserves in connection with the restructuring of shares at the Viridium Group. This boosted Talanx's Group net income by EUR 50 million on account of its holdings. Business has also developed well in the current year and so, after the first six months, we are more optimistic overall about the results of our business activities this year and now anticipate Group net income of over EUR 900 million.

TALANX GROUP

MANAGEMENT METRICS

%

	Outlook for 2019 on the basis of 6M 2019	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Gross premium growth (adjusted for currency effects)	~ 4	~ 4	~ 4
Net return on investment	> 2.7	~ 2.7	~ 2.7
Group net income in EUR million	> 900	around 900	around 900
Return on equity	> 9.5	~ 9.5	~ 9.5
Payout ratio	35–45	35–45	35–45

INDUSTRIAL LINES

We expect the transfer of shares in Svedea AB from Hannover Rück SE to HDI Global Specialty SE in the third quarter to result in a positive deconsolidation effect at the Hannover Re Group (around EUR 50 million, including Talanx Group's shareholding of around EUR 25 million), although this will not be recognised at the Talanx Group on account of intragroup restructuring.

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

	Outlook for 2019 on the basis of 6M 2019	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Gross premium growth (adjusted for currency effects)	≥ 20	≥ 20	≥ 20
Combined ratio (net)	~ 100	~ 100	~ 100
EBIT margin	~ 5	~ 5	~ 5
Return on equity	~ 4	~ 4	~ 4

RETAIL GERMANY

PROPERTY/CASUALTY INSURANCE

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

	Outlook for 2019 on the basis of 6M 2019	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Gross premium growth	≥ 3	≥ 3	≥ 3
Combined ratio (net)	~ 99	~ 99	~ 99
EBIT margin	≥ 5	≥ 5	≥ 5

LIFE INSURANCE

MANAGEMENT METRICS FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

	Outlook for 2019 on the basis of 6M 2019	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Gross premium growth	stable	stable	stable
EBIT margin	2–3	2–3	2–3

RETAIL GERMANY OVERALL

RETURN ON EQUITY MANAGEMENT METRIC FOR THE RETAIL GERMANY DIVISION OVERALL

	Outlook for 2019 on the basis of 6M 2019	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Return on equity	~ 5	~ 5	~ 5

RETAIL INTERNATIONAL

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

	Outlook for 2019 on the basis of 6M 2019	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Gross premium growth (adjusted for currency effects)	5–10	5–10	5–10
Value of new business (life) ¹⁾ in EUR million	30–40	30–40	30–40
Combined ratio (net, property/casualty insurance)	~ 95	~ 95	~ 95
EBIT margin	5–6	5–6	5–6
Return on equity	8–9	8–9	8–9

¹⁾ Excluding non-controlling interests.

REINSURANCE

PROPERTY/CASUALTY REINSURANCE

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

	Outlook for 2019 on the basis of 6M 2019	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Gross premium growth (adjusted for currency effects)	significant growth	significant growth	significant growth
Combined ratio (net)	< 97	< 97	< 97
EBIT margin	≥ 10	≥ 10	≥ 10

LIFE/HEALTH REINSURANCE

In the forecast for 2019 in the 2018 Annual Report, we expected average EBIT growth of over 5% (average over a three-year period) in the Life/Health Reinsurance segment. Thanks to earnings of EUR 100 million in the second quarter due to releasing hidden reserves, we now expect to significantly exceed this target of over 5%. The reason behind this is a restructuring of shares at the Viridium Group, with Hannover Rück SE's interest remaining largely unchanged, which became necessary as part of the acquisition of Generali Lebensversicherung AG by Viridium. Due to our shareholding, around EUR 50 million of this will be recognised at the Talanx Group as income or expenses.

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

	Outlook for 2019 on the basis of 6M 2019	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 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 growth ²⁾	> 5	> 5	> 5

¹⁾ Excluding non-controlling interests.

²⁾ Average over a three-year period.

REINSURANCE DIVISION OVERALL

RETURN ON EQUITY MANAGEMENT METRIC FOR THE REINSURANCE DIVISION OVERALL

	Outlook for 2019 on the basis of 6M 2019	Outlook for 2019 on the basis of Q1 2019	Forecast for 2019 from the 2018 Annual Report
Return on equity	~ 14	~ 14	~ 14

ASSESSMENT OF FUTURE OPPORTUNITIES AND CHALLENGES

Opportunities have not changed significantly compared with the 2018 reporting period. For further information, please refer to Talanx's 2018 Group Annual Report.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET OF TALANX AG AS AT 30 JUNE 2019

CONSOLIDATED BALANCE SHEET – ASSETS

EUR MILLION

	Notes	30.6.2019	31.12.2018
A. Intangible assets	1		
a. Goodwill		1,067	1,058
b. Other intangible assets		908	895
		1,976	1,953
B. Investments			
a. Investment property		2,926	2,985
b. Shares in affiliated companies and participating interests		370	206
c. Shares in associates and joint ventures		242	265
d. Loans and receivables	2	29,226	29,144
e. Other financial instruments			
i. Financial assets held to maturity	3	382	409
ii. Financial assets available for sale	4/6	78,407	71,964
iii. Financial assets classified at fair value through profit or loss	5/6	1,691	1,840
f. Other investments		5,493	5,055
Assets under own management		118,738	111,868
g. Investments under investment contracts		1,118	1,042
h. Funds withheld by ceding companies		10,326	9,921
Investments		130,181	122,831
C. Investments for the benefit of life insurance policyholders who bear the investment risk		11,159	9,990
D. Reinsurance recoverables on technical provisions		8,554	8,506
E. Accounts receivable on insurance business		8,341	7,251
F. Deferred acquisition costs		5,678	5,358
G. Cash at banks, cheques and cash-in-hand		3,330	3,362
H. Deferred tax assets		1,238	1,156
I. Other assets		2,988	2,457
J. Non-current assets and assets of disposal groups classified as held for sale ⁴⁾		162	15
Total assets		173,608	162,879

⁴⁾ 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	30.6.2019	31.12.2018
A. Equity	7		
a. Subscribed capital		316	316
Nominal value: 316 (previous year: 316)			
Contingent capital: 158 (previous year: 158)			
b. Reserves		9,301	8,397
Equity excluding non-controlling interests		9,617	8,713
c. Non-controlling interests in equity		6,013	5,548
Total equity		15,630	14,261
B. Subordinated liabilities	8	2,739	2,738
C. Technical provisions	9		
a. Unearned premium reserves		11,073	8,590
b. Benefit reserve		56,658	56,234
c. Loss and loss adjustment expense reserve		47,408	45,887
d. Provision for premium refunds		7,655	5,703
e. Other technical provisions		679	628
		123,472	117,042
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders		11,159	9,990
E. Other provisions			
a. Provisions for pensions and other post-employment benefits		2,352	2,144
b. Provisions for taxes		677	650
c. Miscellaneous other provisions		780	887
		3,809	3,681
F. Liabilities			
a. Notes payable and loans	10	2,246	2,245
b. Funds withheld under reinsurance treaties		4,354	4,441
c. Other liabilities	6	7,278	6,095
		13,879	12,781
G. Deferred tax liabilities		2,912	2,380
H. Liabilities included in disposal groups classified as held for sale		9	6
Total liabilities/provisions		157,978	148,618
Total equity and liabilities		173,608	162,879

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 2019

CONSOLIDATED STATEMENT OF INCOME

EUR MILLION

	Notes	6M 2019	6M 2018	Q2 2019	Q2 2018
1. Gross written premiums including premiums from unit-linked life and annuity insurance		20,864	18,760	9,148	8,200
2. Savings elements of premiums from unit-linked life and annuity insurance policies		472	548	247	279
3. Ceded written premiums		2,341	2,127	959	827
4. Change in gross unearned premiums		-2,415	-1,981	207	426
5. Change in ceded unearned premiums		-281	-331	75	74
Net premiums earned	11	15,917	14,435	8,075	7,446
6. Claims and claims expenses (gross)		13,994	12,770	6,910	6,482
Reinsurers' share		1,317	1,190	457	564
Claims and claims expenses (net)	14	12,677	11,580	6,454	5,918
7. Acquisition costs and administrative expenses (gross)		4,214	3,875	2,098	1,960
Reinsurers' share		309	301	138	121
Net acquisition and administrative costs	15	3,905	3,574	1,960	1,839
8. Other technical income		32	30	15	16
Other technical expenses		74	59	26	23
Other technical result		-42	-29	-11	-7
Net technical result		-708	-748	-350	-318
9. a. Investment income		2,351	2,347	1,233	1,146
b. Investment expenses		453	446	255	253
Net income from assets under own management		1,898	1,901	978	893
Net income from investment contracts		1	—	1	—
Net interest income from funds withheld and contract deposits		87	106	19	51
Net investment income	12/13	1,986	2,007	998	944
of which share of profit or loss of equity-accounted associates and joint ventures		14	4	2	1
10. a. Other income		944	738	468	398
b. Other expenses		978	785	487	404
Other income/expenses	16	-34	-47	-20	-6
Profit before goodwill impairments		1,244	1,212	628	620
11. Goodwill impairments		—	—	—	—
Operating profit (EBIT)		1,244	1,212	628	620
12. Financing costs		94	84	49	43
13. Taxes on income		293	357	133	194
Net income		858	771	447	383
of which attributable to non-controlling interests		380	334	205	164
attributable to shareholders of Talanx AG		477	437	242	219
Earnings per share					
Basic earnings per share (in EUR)		1.89	1.73	0.96	0.87
Diluted earnings per share (in EUR)		1.89	1.73	0.96	0.87

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR MILLION

	6M 2019	6M 2018	Q2 2019	Q2 2018
Net income	858	771	447	383
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	-227	-8	-125	-9
Tax income (expense)	69	2	39	2
	-159	-6	-87	-7
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised in other comprehensive income for the period	8	—	3	—
Tax income (expense)	—	—	—	—
	8	—	3	—
Total items that will not be reclassified to profit or loss, net of tax	-151	-6	-84	-7
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	3,840	-934	1,749	-330
Reclassified to profit or loss	-102	-189	-59	-36
Tax income (expense)	-562	217	-252	90
	3,177	-906	1,439	-276
Exchange differences on translating foreign operations ¹⁾				
Gains (losses) recognised in other comprehensive income for the period	104	107	-130	300
Reclassified to profit or loss	—	—	—	—
Tax income (expense)	-7	-1	11	-16
	97	105	-119	283
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised in other comprehensive income for the period	-1,934	534	-1,000	239
Tax income (expense)	73	-40	34	-40
	-1,861	494	-966	199
Changes from cash flow hedges				
Gains (losses) recognised in other comprehensive income for the period	31	5	16	71
Reclassified to profit or loss	-13	-130	-6	-104
Tax income (expense)	-3	4	-2	2
	15	-121	8	-31
Changes from equity method measurement				
Gains (losses) recognised in other comprehensive income for the period	—	1	-3	7
Reclassified to profit or loss	—	—	—	—
Tax income (expense)	—	—	—	—
	—	1	-3	7
Total items that may be reclassified subsequently to profit or loss, net of tax¹⁾	1,427	-427	358	182
Other comprehensive income for the period, net of tax¹⁾	1,277	-433	275	175
Total comprehensive income for the period¹⁾	2,134	338	721	558
of which attributable to non-controlling interests	887	225	301	298
attributable to shareholders of Talanx AG ¹⁾	1,247	113	420	260

¹⁾ Adjusted in accordance with IAS 8; see 2018 Annual Report; "Accounting policies" 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
2018			
Balance at 1.1.2018 ¹⁾	316	1,373	6,934
Changes in ownership interest without a change in control	—	—	—
Other changes in basis of consolidation	—	—	—
Net income	—	—	437
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 ²⁾	—	—	—
of which change from cash flow hedges	—	—	—
of which change from equity method measurement	—	—	—
of which other changes ²⁾	—	—	—
Total comprehensive income	—	—	437
Dividends to shareholders	—	—	-354
Other changes outside profit or loss	—	—	—
Balance at 30.6.2018	316	1,373	7,017
2019			
Balance at 31.12.2018	316	1,373	7,281
Change to accounting due to initial application of IFRS 16 ³⁾	—	—	1
Balance at 1.1.2019	316	1,373	7,282
Changes in ownership interest without a change in control	—	—	21
Other changes in basis of consolidation	—	—	—
Net income	—	—	477
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	—	—	477
Dividends to shareholders	—	—	-367
Other changes outside profit or loss	—	—	—
Balance at 30.6.2019	316	1,373	7,414

¹⁾ Adjusted in accordance with IAS 8; see 2018 Annual Report; "Accounting policies" in the Notes.

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

³⁾ See section "Basis of preparation and application of IFRSs", section "Application of new and revised standards/interpretations" in the notes.

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	
2,842	-270	-2,772	390	8,813	5,411	14,224	
—	—	—	—	—	—	—	
—	—	—	—	—	-1	-1	
—	—	—	—	437	334	771	
-680	20	451	-115	-324	-109	-433	
—	—	-6	—	-6	—	-6	
—	—	-6	—	-6	—	-6	
—	—	—	—	—	—	—	
-680	20	457	-115	-318	-109	-427	
-680	—	—	—	-680	-226	-906	
—	20	—	—	20	85	105	
—	—	—	-115	-115	-6	-121	
—	—	1	—	1	—	1	
—	—	456	—	456	38	494	
-680	20	451	-115	113	225	338	
—	—	—	—	-354	-374	-728	
—	—	—	—	—	—	—	
2,162	-250	-2,321	275	8,572	5,261	13,833	
1,811	-204	-2,118	254	8,713	5,548	14,261	
—	—	—	—	1	1	2	
1,811	-204	-2,118	254	8,714	5,549	14,263	
—	—	—	—	21	-21	—	
—	—	—	—	—	—	—	
—	—	—	—	477	380	858	
2,577	67	-1,885	12	770	506	1,277	
—	—	-142	—	-142	-8	-151	
—	—	-149	—	-149	-10	-159	
—	—	6	—	6	2	8	
2,577	67	-1,743	12	913	515	1,427	
2,577	—	—	—	2,577	600	3,177	
—	67	—	—	67	30	97	
—	—	—	12	12	3	15	
—	—	—	—	—	—	—	
—	—	-1,743	—	-1,743	-118	-1,861	
2,577	67	-1,885	12	1,247	887	2,134	
—	—	—	—	-367	-401	-768	
—	—	—	—	—	—	—	
4,387	-137	-4,003	267	9,617	6,013	15,630	

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 2019

CONSOLIDATED CASH FLOW STATEMENT

EUR MILLION

	6M 2019	6M 2018
I. 1. Net income	858	771
I. 2. Change in technical provisions	4,202	4,236
I. 3. Change in capitalised acquisition costs	-370	-348
I. 4. Changes in funds withheld and in accounts receivable and payable	-1,312	-1,075
I. 5. Changes in other receivables and liabilities	573	292
I. 6. Changes in investments and liabilities under investment contracts	2	12
I. 7. Changes in financial assets held for trading	-4	125
I. 8. Gains/losses on disposal of investments and property, plant and equipment	-297	-418
I. 9. Change in technical provisions for life insurance policies where the investment risk is borne by the policyholders	1,164	-76
I. 10. Other non-cash expenses and income (including income tax expense/income)	-78	-176
I. Cash flows from operating activities^{1), 2)}	4,738	3,343
II. 1. Cash inflow from the sale of consolidated companies	4	3
II. 2. Cash outflow from the purchase of consolidated companies	—	-34
II. 3. Cash inflow from the sale of real estate	82	7
II. 4. Cash outflow from the purchase of real estate	-90	-71
II. 5. Cash inflow from the sale and maturity of financial instruments	17,371	16,382
II. 6. Cash outflow from the purchase of financial instruments	-19,550	-19,058
II. 7. Changes in investments for the benefit of life insurance policyholders who bear the investment risk	-1,164	76
II. 8. Changes in other investments	-487	-719
II. 9. Cash outflows from the acquisition of tangible and intangible assets	-67	-120
II. 10. Cash inflows from the sale of tangible and intangible assets	7	68
II. Cash flows from investing activities	-3,895	-3,466
III. 1. Cash inflow from capital increases	—	—
III. 2. Cash outflow from reductions	—	—
III. 3. Dividends paid	-768	-728
III. 4. Net changes attributable to other financing activities	-116	736
III. Cash flows from financing activities²⁾	-884	8
Net change in cash and cash equivalents (I. + II. + III.)	-41	-115
Cash and cash equivalents at the beginning of the reporting period	3,363	3,159
Effect of exchange rate changes on cash and cash equivalents	10	6
Effect of changes in the basis of consolidation on cash and cash equivalents³⁾	—	—
Cash and cash equivalents at the end of the reporting period⁴⁾	3,331	3,050

¹⁾ EUR 124 (376) million of "Income taxes paid", EUR 182 (192) million of "Dividends received" and EUR 1,754 (1,806) million of "Interest received" are allocated to "Cash flows from operating activities". Dividends received also include profit-sharing payments from investment funds and private equity firms similar to dividends.

²⁾ EUR 224 (251) million of "Interest paid" is attributable to EUR 83 (78) million to "Cash flows from financing activities" and EUR 141 (173) million to "Cash flows from operating activities".

³⁾ This item relates primarily to changes to the basis of consolidation excluding company disposals or 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 1 (21) million.

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

RECONCILIATION OF DEBTS FROM FINANCING ACTIVITIES AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 30 JUNE

EUR MILLION

	1.1.	Cash flows from financing activities	Non-cash items			30.6.
			Acquisition/ disposal of subsidiaries	Exchange rate changes	Other changes	
2019						
Subordinated liabilities	2,738	—	—	—	1	2,739
Notes payable and loans	2,245	–1	—	1	1	2,246
Lease liabilities	464	–32	—	2	8	442
Total debts from financing activities	5,447	–34	—	3	10	5,426
Interest paid from financing activities		–83				
Total cash flows from other financing activities		–116				
2018	1.1.					30.6.
Subordinated liabilities	2,737	—	—	—	—	2,737
Notes payable and loans	1,431	814	—	4	—	2,249
Total debts from financing activities	4,168	814	—	4	—	4,986
Interest paid from financing activities		–78				
Total cash flows from other financing activities		736				

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

I. BASIS OF PREPARATION AND APPLICATION OF IFRS

BASIS OF PREPARATION

The consolidated half-yearly financial report as at 30 June 2019 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 comply with the requirements of IAS 34 "Interim Financial Reporting".

The accounting policies applied are the same as in the previous annual report and the associated interim reporting period, except for the first-time application of new and amended standards, as explained below.

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 euro (EUR). The amounts shown have been rounded to millions of euro (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

The Group applied the following revised IFRS regulations as at 1 January 2019:

IFRS 16 "Leases" includes new regulations for accounting by lessees. A lease liability is to be recognised for every lease. At the same time, the lessee capitalises a right-of-use asset for the underlying asset. The lessor's accounting remains virtually unchanged in comparison to the previous approach, under which leases are classified either as finance or operating leases. The Group applies the standard retrospectively in a modified form and recognises the cumulative effects from the introduction of the standard in retained earnings as at 1 January 2019. The previous year figures are therefore not restated. The Group made use of the simplification rule regarding the retention of the definition of a lease during the transition. This means that the Group applied IFRS 16 for all contracts concluded before 1 January 2019 that were identified as leases in accordance with IAS 17 and IFRIC 4. In addition, the Group used the simplification regulations for short-term leases and leases for which the underlying asset is of low value, as well as all practical expedients under IFRS 16.C10. The incremental borrowing rate applied was calculated taking into account the currency and local factors at the individual companies and, in the Group, ranges from 0.8% to 4.0%. Right-of-use assets of EUR 466 million were capitalised and lease liabilities of EUR 464 million were recognised as at 1 January 2019. These essentially comprise leases in connection with real estate. Including the reversal of deferrals and accruals and taking into account deferred income taxes, applying the standard increased retained earnings by EUR 2 million.

Furthermore, several other amendments of Standards and Interpretations were introduced that had no material impact on the consolidated financial statements:

- IAS 28 “Investments in Associates and Joint Ventures”: non-current investments in associates and joint ventures
- IAS 19 “Employee Benefits”: plan amendments, curtailments and settlements
- Amendments in the context of the annual improvements (2015–2017 cycle): amendments to IFRS 2, IFRS 11, IAS 12 and IAS 23
- IFRIC 23 “Uncertainty over Income Tax Treatments”

IMPACT OF ISSUED STANDARDS, INTERPRETATIONS AND REVISIONS THAT HAVE NOT YET BEEN APPLIED BY THE GROUP IN 2019

The Group still meets the conditions for application of the amendments to IFRS 4 “Application of IFRS 9 and IFRS 4” published in 2016 to temporarily postpone the application of IFRS 9 “Financial instruments”. Under the deferral approach, the application of IFRS 9 for the recognition of financial instruments can be temporarily postponed until IFRS 17 “Insurance contracts” is expected to take effect on 1 January 2022. Please see the previous year’s consolidated annual financial report for further information on the effects of applying IFRS 9 and IFRS 17.

II. SEGMENT REPORTING

The description of the business activities, the divisions and the reportable segments of the Talanx Group in the 2018 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 2019

EUR MILLION

Assets	Industrial Lines		Retail Germany	
	30.6.2019	31.12.2018 ²⁾	30.6.2019	31.12.2018
A. Intangible assets	163	162	710	706
B. Investments	9,282	8,315	54,302	51,620
C. Investments for the benefit of life insurance policyholders who bear the investment risk	—	—	10,688	9,506
D. Reinsurance recoverables on technical provisions	7,518	5,202	1,903	1,861
E. Accounts receivable on insurance business	1,997	1,413	333	312
F. Deferred acquisition costs	78	63	2,128	2,158
G. Cash at banks, cheques and cash-in-hand	865	676	494	686
H. Deferred tax assets	82	71	80	111
I. Other assets	815	695	721	822
J. Non-current assets and assets of disposal groups classified as held for sale	—	—	—	—
Total assets	20,801	16,597	71,360	67,782

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 30 JUNE 2019

EUR MILLION

Equity and liabilities	Industrial Lines		Retail Germany	
	30.6.2019	31.12.2018 ²⁾	30.6.2019	31.12.2018
B. Subordinated liabilities	279	200	162	162
C. Technical provisions	14,705	11,560	53,833	51,474
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders	—	—	10,688	9,506
E. Other provisions	830	784	563	603
F. Liabilities	2,090	1,475	3,205	3,397
G. Deferred tax liabilities	238	214	255	197
H. Liabilities included in disposal groups classified as held for sale	—	—	—	—
Total liabilities/provisions	18,142	14,233	68,707	65,339

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
30.6.2019	31.12.2018	30.6.2019	31.12.2018 ³⁾	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
786	773	203	208	114	109	—	–5	1,976	1,953
12,776	11,613	55,481	53,115	1,023	941	–2,682	–2,773	130,181	122,831
471	484	—	—	—	—	—	—	11,159	9,990
780	705	2,844	3,209	18	6	–4,510	–2,477	8,554	8,506
1,292	1,220	5,110	4,420	25	5	–417	–119	8,341	7,251
665	614	2,542	2,283	2	1	263	239	5,678	5,358
563	592	1,203	1,152	205	256	—	—	3,330	3,362
158	101	604	599	313	273	—	1	1,238	1,156
513	432	1,604	1,695	703	653	–1,368	–1,840	2,988	2,457
22	16	141	—	—	—	—	–1	162	15
18,025	16,550	69,732	66,681	2,403	2,244	–8,713	–6,975	173,608	162,879

Retail International		Reinsurance		Corporate Operations		Consolidation		Total		
30.6.2019	31.12.2018	30.6.2019	31.12.2018 ³⁾	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018	
42	42	1,881	1,878	1,280	1,280	–906	–824	2,739	2,738	
12,718	11,620	45,678	43,894	105	70	–3,567	–1,576	123,472	117,042	
471	484	—	—	—	—	—	—	11,159	9,990	
279	274	643	613	1,494	1,407	—	—	3,809	3,681	
2,012	1,873	9,011	8,960	1,868	1,715	–4,307	–4,639	13,879	12,781	
179	102	2,214	1,845	4	—	21	22	2,912	2,380	
9	6	—	—	—	—	—	—	9	6	
15,709	14,401	59,428	57,190	4,751	4,472	–8,758	–7,017	157,978	148,618	
								Equity¹⁾	15,630	14,261
								Total equity and liabilities	173,608	162,879

¹⁾ Group equity and non-controlling interests.

²⁾ HDI Global Specialty SE would have been included in the segment with total equities and liabilities of EUR 2,820 million (before effects of consolidation).

³⁾ HDI Global Specialty SE was included in the segment with total equities and liabilities of EUR 2,820 million (before effects of consolidation).

**CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT
FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2019¹⁾**

EUR MILLION

	Industrial Lines		Retail Germany	
	6M 2019	6M 2018 ²⁾	6M 2019	6M 2018
1. Gross written premiums including premiums from unit-linked life and annuity insurance	3,483	2,898	3,327	3,262
of which attributable to other divisions/segments	32	32	33	28
with third parties	3,451	2,866	3,295	3,234
2. Savings elements of premiums from unit-linked life and annuity insurance policies	—	—	429	431
3. Ceded written premiums	1,652	1,191	169	178
4. Change in gross unearned premiums	-752	-726	-315	-310
5. Change in ceded unearned premiums	-288	-254	-8	-11
Net premiums earned	1,367	1,235	2,422	2,354
6. Claims and claims expenses (gross)	2,069	1,667	2,567	2,778
Reinsurers' share	979	671	66	86
Claims and claims expenses (net)	1,089	996	2,501	2,692
7. Acquisition costs and administrative expenses (gross)	580	441	634	569
Reinsurers' share	287	182	55	43
Net acquisition and administrative costs	293	259	579	526
8. Other technical income	2	2	10	17
Other technical expenses	18	10	7	3
Other technical result	-17	-8	3	14
Net technical result	-32	-28	-655	-850
9. a. Investment income	208	193	989	1,131
b. Investment expenses	75	69	176	158
Net income from assets under own management	133	124	813	973
Net income from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	-5	-7
Net investment income	133	124	808	966
of which share of profit or loss of equity-accounted associates and joint ventures	10	2	—	—
10. a. Other income	112	53	97	129
b. Other expenses	144	71	125	157
Other income/expenses	-33	-18	-28	-28
Profit before goodwill impairments	69	78	125	88
11. Goodwill impairments	—	—	—	—
Operating profit (EBIT)	69	78	125	88
12. Financing costs	6	4	5	4
13. Taxes on income	20	21	44	32
Net income	43	53	76	52
of which attributable to non-controlling interests	2	—	4	2
attributable to shareholders of Talanx AG	42	53	72	50

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⁾ HDI Global Specialty SE would have been included in the division's gross premium with EUR 457 million (before effects of consolidation) and would have contributed EUR -2.5 million to EBIT (before effects of consolidation).

³⁾ HDI Global Specialty SE was included in the division's gross premium with EUR 457 million (before effects of consolidation) and contributed EUR -2.5 million to EBIT (before effects of consolidation).

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
6M 2019	6M 2018	6M 2019	6M 2018 ³⁾	6M 2019	6M 2018	6M 2019	6M 2018	6M 2019	6M 2018
3,154	2,963	11,694	9,985	46	39	-840	-387	20,864	18,760
1	—	729	288	46	39	-840	-387	—	—
3,153	2,963	10,965	9,697	—	—	—	—	20,864	18,760
42	117	—	—	—	—	—	—	472	548
246	236	1,095	864	18	16	-838	-358	2,341	2,127
-138	-123	-1,300	-838	-16	-15	106	31	-2,415	-1,981
-25	-26	-57	-63	-9	-11	107	34	-281	-331
2,753	2,513	9,356	8,346	22	19	-3	-32	15,917	14,435
2,314	2,046	7,520	6,506	29	18	-504	-245	13,994	12,770
171	127	611	545	4	2	-514	-241	1,317	1,190
2,143	1,919	6,910	5,961	25	16	10	-4	12,677	11,580
618	583	2,594	2,379	7	4	-219	-101	4,214	3,875
49	44	112	96	1	—	-195	-64	309	301
569	539	2,482	2,283	6	4	-24	-37	3,905	3,574
19	15	—	—	—	—	1	-4	32	30
37	37	—	4	—	—	11	5	74	59
-18	-22	—	-4	—	—	-11	-9	-42	-29
24	33	-36	98	-9	-1	—	—	-708	-748
213	200	965	846	7	6	-30	-29	2,351	2,347
24	25	186	204	49	44	-57	-54	453	446
189	175	779	642	-43	-38	27	25	1,898	1,901
1	—	—	—	—	—	—	—	1	—
-2	-1	94	114	—	—	—	—	87	106
189	174	873	756	-43	-38	26	25	1,986	2,007
—	—	5	2	—	—	—	—	14	4
49	80	665	450	379	388	-357	-362	944	738
115	149	558	387	338	345	-303	-324	978	785
-66	-69	107	63	41	43	-55	-38	-34	-47
146	138	943	917	-10	4	-28	-13	1,244	1,212
—	—	—	—	—	—	—	—	—	—
146	138	943	917	-10	4	-28	-13	1,244	1,212
6	3	52	44	52	51	-26	-22	94	84
36	37	207	275	-13	-10	-1	2	293	357
104	98	685	598	-50	-37	-1	7	858	771
19	15	356	317	—	—	—	—	380	334
85	83	329	281	-50	-37	-1	7	477	437

**CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT
FOR THE PERIOD FROM 1 APRIL TO 30 JUNE 2019¹⁾**

EUR MILLION

	Industrial Lines		Retail Germany	
	Q2 2019	Q2 2018 ²⁾	Q2 2019	Q2 2018
1. Gross written premiums including premiums from unit-linked life and annuity insurance	1,187	849	1,442	1,394
of which attributable to other divisions/segments	8	11	13	15
with third parties	1,179	838	1,429	1,379
2. Savings elements of premiums from unit-linked life and annuity insurance policies	—	—	223	231
3. Ceded written premiums	643	378	74	75
4. Change in gross unearned premiums	244	279	116	121
5. Change in ceded unearned premiums	54	98	5	7
Net premiums earned	733	652	1,255	1,202
6. Claims and claims expenses (gross)	947	906	1,293	1,443
Reinsurers' share	375	376	39	48
Claims and claims expenses (net)	572	530	1,254	1,395
7. Acquisition costs and administrative expenses (gross)	288	203	318	206
Reinsurers' share	121	62	18	2
Net acquisition and administrative costs	167	141	300	204
8. Other technical income	1	1	4	6
Other technical expenses	9	-3	1	-5
Other technical result	-8	4	2	11
Net technical result	-14	-15	-296	-386
9. a. Investment income	105	90	496	532
b. Investment expenses	43	34	114	73
Net income from assets under own management	62	56	382	459
Net income from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	-3	-3
Net investment income	62	56	379	456
of which share of profit or loss of equity-accounted associates and joint ventures	—	—	—	—
10. a. Other income	24	9	40	65
b. Other expenses	39	23	59	85
Other income/expenses	-15	-14	-19	-20
Profit before goodwill impairments	33	27	65	50
11. Goodwill impairments	—	—	—	—
Operating profit (EBIT)	33	27	65	50
12. Financing costs	3	2	2	2
13. Taxes on income	10	3	24	19
Net income	20	22	39	29
of which attributable to non-controlling interests	1	—	2	1
attributable to shareholders of Talanx AG	19	22	37	28

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⁾ HDI Global Specialty SE would have been included in the division's gross premium with EUR 246 million (before effects of consolidation) and would have contributed EUR 3,9 million to EBIT (before effects of consolidation).

³⁾ HDI Global Specialty SE was included in the division's gross premium with EUR 246 million (before effects of consolidation) and contributed EUR 3,9 million to EBIT (before effects of consolidation).

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
Q2 2019	Q2 2018	Q2 2019	Q2 2018 ³⁾	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018
1,537	1,467	5,321	4,640	11	9	-350	-159	9,148	8,200
—	—	317	124	11	9	-350	-159	—	—
1,536	1,467	5,003	4,516	—	—	—	—	9,148	8,200
23	48	—	—	—	—	—	—	247	279
103	112	483	398	—	-2	-345	-134	959	827
-61	-49	-81	103	—	2	-10	-30	207	426
9	-4	11	-2	4	3	-9	-28	75	74
1,340	1,262	4,745	4,347	7	10	-6	-27	8,075	7,446
1,117	1,016	3,791	3,262	16	6	-252	-151	6,910	6,482
89	61	220	231	2	1	-269	-153	457	564
1,027	955	3,570	3,031	14	5	17	2	6,454	5,918
318	301	1,273	1,297	3	2	-102	-49	2,098	1,960
24	22	57	45	—	—	-83	-10	138	121
294	279	1,216	1,252	3	2	-19	-39	1,960	1,839
10	9	—	—	—	—	—	—	15	16
20	19	—	2	—	—	-4	10	26	23
-10	-10	—	-2	—	—	4	-10	-11	-7
9	18	-41	62	-9	3	—	—	-350	-318
111	95	531	442	3	3	-14	-16	1,233	1,146
14	12	87	138	27	24	-30	-28	255	253
97	83	445	304	-23	-21	16	12	978	893
1	—	—	—	—	—	—	—	1	—
-1	-1	23	55	—	—	—	—	19	51
97	82	468	359	-23	-21	15	12	998	944
—	—	2	1	—	—	—	—	2	1
20	78	368	240	200	184	-184	-178	468	398
53	110	304	180	180	166	-147	-160	487	404
-33	-32	64	60	20	18	-37	-18	-20	-6
73	68	491	481	-13	—	-21	-6	628	620
—	—	—	—	—	—	—	—	—	—
73	68	491	481	-13	—	-21	-6	628	620
4	1	26	24	26	26	-13	-12	49	43
17	18	91	159	-7	-6	-3	1	133	194
52	49	374	298	-32	-20	-6	5	447	383
9	7	192	156	—	—	—	—	205	164
43	42	182	142	-32	-20	-6	5	242	219

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 2019 AND 1 APRIL TO 30 JUNE 2019

EUR MILLION

	Retail Germany – Property/Casualty				Retail Germany – Life			
	6M 2019	6M 2018	Q2 2019	Q2 2018	6M 2019	6M 2018	Q2 2019	Q2 2018
1. Gross written premiums including premiums from unit-linked life and annuity insurance	1,042	1,022	260	242	2,285	2,240	1,181	1,152
of which attributable to other segments	—	—	—	—	33	28	13	15
with third parties	1,042	1,022	260	242	2,252	2,212	1,168	1,137
2. Savings elements of premiums from unit-linked life and annuity insurance policies	—	—	—	—	429	431	223	231
3. Ceded written premiums	52	58	16	15	117	120	58	60
4. Change in gross unearned premiums	–272	–275	131	134	–42	–35	–15	–13
5. Change in ceded unearned premiums	–9	–12	4	5	1	1	1	2
Net premiums earned	726	701	371	356	1,696	1,653	884	846
6. Claims and claims expenses (gross)	456	465	234	225	2,111	2,313	1,059	1,218
Reinsurers' share	12	25	6	2	54	61	34	46
Claims and claims expenses (net)	444	440	228	223	2,057	2,252	1,026	1,172
7. Acquisition costs and administrative expenses (gross)	281	262	142	133	353	307	176	73
Reinsurers' share	12	12	7	6	43	31	12	–4
Acquisition costs and administrative expenses (net)	269	250	135	127	310	276	164	77
8. Other technical income	1	1	—	—	9	16	3	6
Other technical expenses	4	4	1	1	3	–1	—	–6
Other technical result	–3	–3	–1	–1	6	17	3	12
Net technical result	10	8	7	5	–664	–858	–303	–391
9. a. Investment income	63	55	31	29	925	1,076	465	503
b. Investment expenses	9	11	5	6	167	147	109	67
Net income from assets under own management	55	44	26	23	758	929	356	436
Net income from investment contracts	—	—	—	—	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	—	—	–5	–7	–3	–3
Net investment income	55	44	26	23	753	922	353	433
of which share of profit or loss of equity-accounted associates and joint ventures	—	—	—	—	—	—	—	—
10. a. Other income	28	30	12	15	69	99	28	50
b. Other expenses	39	42	21	21	87	115	38	64
Other income/expenses	–10	–12	–9	–6	–18	–16	–10	–14
Profit before goodwill impairments	54	40	25	22	71	48	40	28
11. Goodwill impairments	—	—	—	—	—	—	—	—
Operating profit (EBIT)	54	40	25	22	71	48	40	28

¹⁾ HDI Global Specialty SE was included in the segment's gross premium with EUR 457 million (before effects of consolidation) and contributed EUR –2.5 million to EBIT (before effects of consolidation).

²⁾ HDI Global Specialty SE was included in the segment's gross premium with EUR 246 million (before effects of consolidation) and contributed EUR 3,9 million to EBIT (before effects of consolidation).

Property/Casualty Reinsurance				Life/Health Reinsurance			
6M 2019	6M 2018 ²⁾	Q2 2019	Q2 2018 ²⁾	6M 2019	6M 2018	Q2 2019	Q2 2018
7,847	6,467	3,453	2,888	3,847	3,518	1,868	1,752
659	215	283	88	70	73	35	36
7,189	6,252	3,170	2,800	3,777	3,445	1,833	1,716
—	—	—	—	—	—	—	—
670	554	316	253	425	310	168	145
-1,269	-801	-92	113	-31	-37	10	-10
-56	-63	12	-2	-1	—	-1	—
5,964	5,175	3,034	2,750	3,392	3,171	1,711	1,597
4,319	3,575	2,180	1,779	3,201	2,931	1,611	1,483
278	228	79	88	332	317	141	143
4,041	3,347	2,100	1,691	2,869	2,614	1,470	1,340
1,838	1,698	918	983	757	681	355	314
88	76	45	38	24	20	12	7
1,750	1,622	873	945	733	661	343	307
—	—	—	—	—	—	—	—
-1	—	-1	-1	1	4	1	3
1	—	1	1	—	-4	-1	-3
174	206	61	115	-210	-108	-102	-53
628	658	318	343	337	188	214	99
142	157	63	108	44	47	24	30
485	501	255	235	294	141	190	69
—	—	—	—	—	—	—	—
23	16	11	8	71	98	12	47
508	517	266	243	364	239	202	116
5	2	3	1	-1	—	-1	—
144	157	50	67	521	293	318	173
164	176	55	65	394	211	249	115
-21	-19	-5	2	127	82	68	58
662	704	322	360	282	213	169	121
—	—	—	—	—	—	—	—
662	704	322	360	282	213	169	121

III. CONSOLIDATION

BASIS OF CONSOLIDATION

As at the reporting date, 150 (150) individual companies, 22 (23) investment funds, three (three) structured entities and five subgroups (including four foreign subgroups) were consolidated as a group (including associates) in Talanx's consolidated financial statements, and six (six) companies were included using the equity method.

Significant changes in the basis of consolidation compared with year-end 2018 are presented in the following.

SIGNIFICANT ADDITIONS AND DISPOSALS OF CONSOLIDATED SUBSIDIARIES

With economic effect from 1 January 2019, Hannover Rück SE (Property/Casualty Reinsurance segment) sold 50.22% of shares in HDI Global Specialty SE (HGS) to HDI Global SE (Industrial Lines segment) in an intragroup transaction. Indirect non-controlling interests in HGS fell from 49.78% to 24.78% as a result of the transaction, causing equity attributable to non-controlling interests to decline by EUR 21 million.

In March 2019, all shares in the real estate company Mustela s. r. o., Prague, Czech Republic, were sold for a purchase price of EUR 77 million via HR GLL Europe Holding S.à.r.l. Luxembourg, Luxembourg.

Shares were restructured as part of the acquisition of Generali Lebensversicherung AG by the Viridium Group. In this context, Hannover Re sold its indirect interests in Viridium, generating income of EUR 100 million which was recognised in net investment income. In turn, Hannover Re simultaneously acquired an indirect interest in the Viridium Group, including Generali Lebensversicherung AG, and so it still has a shareholding of around 17%.

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

HDI SEGUROS S. A., SAN ISIDRO, PERU (RETAIL INTERNATIONAL SEGMENT)

As at 31 December 2018, the Group had reported its subsidiary HDI Seguros S. A., San Isidro, Peru, held by HDI International AG, Hannover, as a disposal group with assets of EUR 9 million and liabilities of EUR 6 million. With effect from 27 March 2019, the Group transferred its 100% interest to the buyer for a price at the lower end of the single-digit million euro range.

HDI SEGUROS DE VIDA S. A., SANTIAGO, CHILE (RETAIL INTERNATIONAL SEGMENT)

The Group is planning to sell the 100% interest in HDI Seguros de Vida S. A., Santiago, Chile, held by HDI International AG, Hannover. The disposal group contains assets of EUR 15 million and liabilities of EUR 9 million. The main carrying amounts for the disposal group relate to "capital investments" (EUR 11 million), "cash at banks, cheques and cash-in-hand", "accounts receivable on insurance business" and "deferred tax assets" (each EUR 1 million), "technical provisions" (EUR 6 million) and "liabilities" totalling EUR 3 million. The transaction is expected to be completed in 2019. The Group plans to use the sale to optimise its portfolio in South America.

ITAS VITA S.P.A., TRENTO, ITALY (LIFE/HEALTH REINSURANCE SEGMENT)

By resolution of the Board of Management of Hannover Rück SE dated 24 June 2019, the company ITAS Vita S. p. A., Trento, Italy – which is available for sale and was previously accounted for using the equity method – was recognised as an "asset held for sale". Hannover Rück SE holds a 27.1% share in the company. No depreciation costs were incurred as a result of measuring at the lower value of carrying amount and fair value less costs to sell. At the time of reclassification and as at the reporting date, the carrying amount of the company was EUR 47 million.

REAL ESTATE

We report property holdings as held for sale in the amount of EUR 100 (6) million as at the reporting date.

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

	30.6.2019	31.12.2018
a. Goodwill	1,067	1,058
b. Other intangible assets	908	895
of which		
Insurance-related intangible assets	516	515
Software	196	186
Other		
Acquired distribution networks and customer relationships	35	37
Other	126	121
Acquired brand names	36	36
Total	1,976	1,953

(2) LOANS AND RECEIVABLES

LOANS AND RECEIVABLES

EUR MILLION

	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Mortgage loans	294	331	40	44	333	375
Loans and prepayments on insurance policies	118	129	—	—	118	129
Loans and receivables due from government or quasi-governmental entities ¹⁾	10,900	10,830	1,919	1,154	12,819	11,984
Corporate bonds	4,554	4,385	536	366	5,090	4,751
Covered bonds/asset-backed securities	13,360	13,469	3,207	2,245	16,567	15,714
Total	29,226	29,144	5,701	3,809	34,927	32,953

¹⁾ Loans and receivables due from government or quasi-governmental entities include securities of EUR 3,096 (3,161) 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 13,358 (13,465) 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	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Government debt securities of EU member states	138	131	14	13	152	144
Other foreign government debt securities	34	69	2	1	37	70
Debt securities issued by quasi-governmental entities	24	24	2	2	26	26
Corporate bonds	25	24	—	1	25	25
Covered bonds/asset-backed securities	161	161	11	13	172	174
Total	382	409	29	30	412	439

The “Covered bonds/asset-backed securities” item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 160 (160) 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	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
Fixed-income securities						
Government debt securities of EU member states	11,721	11,673	1,384	749	13,105	12,422
US treasury notes	7,788	7,747	155	−104	7,943	7,643
Other foreign government debt securities	2,803	2,717	86	−13	2,889	2,704
Debt securities issued by quasi-governmental entities ¹⁾	11,827	10,960	1,425	599	13,251	11,559
Corporate bonds	24,242	23,131	1,360	190	25,602	23,321
Investment funds	1,523	1,626	58	48	1,581	1,674
Covered bonds/asset-backed securities	11,180	10,598	900	210	12,080	10,808
Profit participation certificates	26	36	−2	−2	25	34
Total fixed-income securities	71,111	68,488	5,366	1,677	76,477	70,165
Variable-yield securities						
Equities	355	331	72	40	427	371
Investment funds	1,276	1,212	145	136	1,422	1,348
Profit participation certificates	77	77	4	3	81	80
Total variable-yield securities	1,709	1,620	221	179	1,930	1,799
Total securities	72,820	70,108	5,587	1,856	78,407	71,964

¹⁾ Debt securities issued by quasi-governmental entities include securities of EUR 3,684 (3,499) 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 10,283 (9,168) million; these correspond to 85% (85%) of the total amount.

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

FINANCIAL ASSETS CLASSIFIED AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR MILLION

	Fair value	
	30.6.2019	31.12.2018
Fixed-income securities		
Government debt securities of EU member states	53	146
Other foreign government debt securities	361	368
Debt securities issued by quasi-governmental entities ¹⁾	21	1
Corporate bonds	459	484
Investment funds	186	259
Covered bonds/asset-backed securities	5	4
Profit participation certificates	55	82
Total fixed-income securities	1,139	1,344
Investment funds (variable-yield securities)	41	37
Other variable-yield securities	95	89
Total financial assets classified at fair value through profit or loss	1,276	1,470
Investment funds (variable-yield securities)	104	131
Derivatives	311	239
Total financial assets held for trading	415	370
Total	1,691	1,840

¹⁾ Debt securities issued by quasi-governmental entities include securities of EUR 3 (0) 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

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: financial instruments available for sale, financial instruments at fair value through profit or loss, other investments and investment contracts (financial assets and liabilities) that are measured at fair value, other liabilities (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 and of the valuation process, the valuation models for measuring fair value, the essential input factors, the essential level 3 portfolios and the statements on the sensitivity analysis have not materially changed compared to the description in the 2018 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 117 (110) million and, at 2.4% (2.4%) of the carrying amount of financial instruments assigned to level 3, is immaterial.

As at the reporting date, we allocate around 5% (4%) of the financial investments at fair value at level 1 of the fair value hierarchy, 90% (90%) at level 2 and 5% (6%) at level 3.

There were no material transfers between levels 1 and 2 in the reporting period.

There are no liabilities (31 December 2018: none) issued with an inseparable third-party credit enhancement within the meaning of IFRS 13.98 as at the reporting date.

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
30.6.2019				
Financial assets measured at fair value				
Financial assets available for sale				
Fixed-income securities	79	76,393	5	76,477
Variable-yield securities	688	83	1,159	1,930
Financial assets classified at fair value through profit or loss				
Financial assets classified at fair value through profit or loss	135	1,079	61	1,276
Derivatives held for trading	—	166	144	311
Financial assets held for trading	104	—	—	104
Other investments	1,815	4	2,952	4,770
Other assets, derivative financial instruments (hedging instruments)	—	79	—	79
Investment contracts				
Financial assets classified at fair value through profit or loss	872	1	199	1,072
Derivatives	—	—	1	1
Total amount of financial assets measured at fair value	3,693	77,806	4,521	86,019
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	—	55	87	142
Negative fair values under derivatives	—	—	—	—
Other liabilities (investment contracts)				
Financial assets classified at fair value through profit or loss	291	583	199	1,072
Derivatives	—	—	1	1
Total amount of financial liabilities measured at fair value	291	638	286	1,215
31.12.2018				
Financial assets measured at fair value				
Financial assets available for sale				
Fixed-income securities	68	70,092	5	70,165
Variable-yield securities	622	83	1,094	1,799
Financial assets classified at fair value through profit or loss				
Financial assets classified at fair value through profit or loss	127	1,256	87	1,470
Derivatives held for trading	—	107	132	239
Financial assets held for trading	131	—	—	131
Other investments	1,498	13	2,843	4,354
Other assets, derivative financial instruments (hedging instruments)	—	52	—	52
Investment contracts				
Financial assets classified at fair value through profit or loss	794	2	200	996
Derivatives	—	—	2	2
Total amount of financial assets measured at fair value	3,240	71,605	4,363	79,208
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	—	88	82	170
Negative fair values under derivatives	—	—	—	—
Other liabilities (investment contracts)				
Financial assets classified at fair value through profit or loss	266	530	200	996
Derivatives	—	—	2	2
Total amount of financial liabilities measured at fair value	266	618	284	1,168

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 INSTRUMENTS (FINANCIAL ASSETS) INCLUDED IN LEVEL 3¹⁾ AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 30 JUNE

EUR MILLION

	FI available for sale/fixed-income securities	FI available for sale/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 financial assets measured at fair value
2019								
Opening balance at 1.1.2019	5	1,094	87	132	2,843	200	2	4,363
Income and expenses								
recognised in the statement of income	—	–5	–7	18	–31	–5	–1	–31
recognised in other comprehensive income	—	–9	—	—	5	—	—	–4
Transfers into Level 3	—	—	1 ²⁾	—	—	—	—	1
Transfers out of Level 3	—	—	—	—	—	—	—	—
Additions								
Purchases	—	125	2	38	281	12	1	459
Disposals								
Sales	—	69	1	45	155	11	1	282
Repayments/redemptions	—	—	20	—	—	—	—	20
Exchange rate changes	—	23	—	1	9	2	—	35
Ending balance at 30.6.2019	5	1,159	61	144	2,952	199	1	4,521

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

²⁾ Trading in an active market discontinued.

RECONCILIATION OF FINANCIAL INSTRUMENTS (FINANCIAL LIABILITIES) INCLUDED IN LEVEL 3¹⁾ 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 financial liabilities measured at fair value	
2019					
Opening balance at 1.1.2019		82	200	2	284
Income and expenses					
recognised in the statement of income		1	5	1	7
recognised in other comprehensive income		—	—	—	—
Transfers into Level 3		—	—	—	—
Transfers out of Level 3		—	—	—	—
Additions					
Purchases		5	12	1	18
Disposals					
Sales		—	11	1	12
Exchange rate changes		1	2	—	3
Ending balance at 30.6.2019		87	199	1	286

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

	FI available for sale/ 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 financial assets measured at fair value
2019							
Gains and losses in financial year 2019 until 30.6.2019							
Investment income	—	—	18	—	7	1	26
Investment expenses	-5	-7	—	-31	-12	-2	-57
of which attributable to financial instruments included in the portfolio as at 30.6.2019							
Investment income ²⁾	—	—	18	—	7	1	26
Investment expenses ³⁾	-5	-4	—	-29	-12	-2	-52

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

²⁾ Of which EUR 25 million attributable to unrealised gains.

³⁾ Of which EUR 36 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 financial liabilities measured at fair value
2019				
Gains and losses in financial year 2019 until 30.6.2019				
Investment income	4	12	2	18
Investment expenses	-1	-7	-1	-9
Financing costs	-2	—	—	-2
of which attributable to financial instruments included in the portfolio as at 30.6.2019				
Investment income ²⁾	4	12	2	18
Investment expenses ³⁾	-1	-7	-1	-9
Financing costs ⁴⁾	-2	—	—	-2

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

²⁾ Of which EUR 18 million attributable to unrealised gains.

³⁾ Of which EUR 9 million attributable to unrealised losses.

⁴⁾ Of which EUR 2 million attributable to unrealised losses.

(7) EQUITY**SUBSCRIBED CAPITAL**

The share capital was unchanged at EUR 316 million and is composed of 252,797,634 no-par value registered shares; it is fully paid up. For details of equity, please see the “Consolidated statement of changes in equity”.

There were no changes in the composition of contingent and authorised capital in the reporting period. Please also see the comments in the 2018 consolidated financial statements (page 207ff.).

ATTRIBUTABLE TO NON-CONTROLLING INTERESTS**NON-CONTROLLING INTERESTS IN EQUITY**

EUR MILLION

	30.6.2019	31.12.2018
Unrealised gains and losses on investments	956	356
Share of net income	380	656
Other equity	4,677	4,536
Total	6,013	5,548

“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⁾	Issue	30.6.2019	31.12.2018
Talanx AG	750	Fixed (2.25%)	2017/2047	(–; A–)	These guaranteed subordinated bonds were issued in 2017 on the European capital market. They can be called for the first time in 2027 under normal conditions.	750	750
Hannover Finance (Luxembourg) S. A.	500	Fixed (5.75%), then floating rate	2010/2040	(aa–; A)	These guaranteed subordinated bonds were issued in 2010 on the European capital market. They can be called for the first time after ten years under normal conditions.	500	499
Hannover Finance (Luxembourg) S. A.	500	Fixed (5.0%), then floating rate	2012/2043	(aa–; A)	These guaranteed subordinated bonds in the amount of EUR 500 million were issued in 2012 on the European capital market. They can be called for the first time after ten years under normal conditions.	498	498
Hannover Rück SE ¹⁾	450	Fixed (3.375%), then floating rate	2014/ no final maturity	(a+; A)	These guaranteed subordinated bonds were issued in 2014 on the European capital market. They can be called for the first time in 2025 under normal conditions.	446	446
Talanx Finanz (Luxemburg) S. A.	500	Fixed (8.37%), then floating rate	2012/2042	(a; A–)	These guaranteed subordinated bonds in the amount of EUR 500 million were issued in 2012 on the European capital market. They can be called for the first time after ten years under normal conditions.	500	500
HDI Assicurazioni S. p. A.	27	Fixed (5.5%)	2016/2026	(–; –)	Subordinated loans	27	27
HDI Assicurazioni S. p. A. (formerly CBA Vita S. p. A.)	14	Fixed (4.15%)	2010/2020	(–; –)	EUR 15 million were issued in 2010 on the European capital market; securities with a nominal value of EUR 1.5 million have already been repurchased.	14	14
HDI Global SE	3	Fixed (4.25%), then floating rate	No final maturity	(–; –)	Subordinated loans The loan can be called annually from 12 August 2021.	3	3
Magyar Posta Életbiztosító Zrt.	1	Fixed (7.57%)	2015/2045	(–; –)	Subordinated loans, callable for the first time after ten years.	1	1
Total						2,739	2,738

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 2018 Annual Report, page 208f.

The fair value of the subordinated liabilities amounted to EUR 3,048 (2,896) million at the reporting date.

(9) TECHNICAL PROVISIONS**TECHNICAL PROVISIONS**

EUR MILLION

	Gross	Re	Net	Gross	Re	Net
	30.6.2019			31.12.2018		
a. Unearned premium reserve	11,073	966	10,106	8,590	684	7,906
b. Benefit reserve	56,658	1,033	55,625	56,234	1,209	55,025
c. Loss and loss adjustment expense reserve	47,408	6,211	41,197	45,887	6,284	39,603
d. Provision for premium refunds	7,655	1	7,654	5,703	6	5,697
e. Other technical provisions	679	23	655	628	17	611
Total	123,472	8,234	115,238	117,042	8,200	108,842

Technical provisions where the investment risk is borne by the policyholders amounted to EUR 11,159 (9,990) million; the reinsurers' share of this total amounts to EUR 320 (306) million.

(10) NOTES PAYABLE AND LOANS

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

NOTES PAYABLE AND LOANS

EUR MILLION

	30.6.2019	31.12.2018
Talanx AG notes payable	1,065	1,065
Hannover Rück SE	743	743
Mortgage loans of Hannover Re Real Estate Holdings, Inc.	96	97
Mortgage loans of HR GLL Central Europe GmbH & Co. KG	175	169
Loans from infrastructure investments	98	102
Mortgage loans of Real Estate Asia Select Fund Limited	58	57
Inversiones HDI Limitada	10	12
Total	2,246	2,245

As at 30 June 2019, 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 2,343 (2,352) million at the reporting date.

NOTES PAYABLE

EUR MILLION

	Nominal amount	Coupon	Maturity	Rating ¹⁾	Issue	30.6.2019	31.12.2018
Talanx AG ²⁾	565	Fest (3.125%)	2013/2023	(-; A+)	These senior unsecured bonds have a fixed term and may be called only for extraordinary reasons.	565	565
Talanx AG	500	Fest (2.5%)	2014/2026	(-; A+)	These senior unsecured bonds have a fixed term and may be called only for extraordinary reasons.	500	500
Hannover Rück SE	750	Fest (1.125%)	2018/2028	(-; AA-)	These senior unsecured bonds have a fixed term.	743	743
Total						1,808	1,808

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 2019¹⁾								
Gross written premiums, including premiums from unit-linked life and annuity insurance	3,451	1,042	2,252	3,153	7,189	3,777	—	20,864
Savings elements of premiums from unit-linked life and annuity insurance policies	—	—	429	42	—	—	—	472
Ceded written premiums	1,022	23	61	158	668	392	16	2,341
Change in gross unearned premiums	-741	-272	-42	-138	-1,190	-31	—	-2,415
Change in ceded unearned premiums	-211	-4	1	—	-55	-1	-8	-281
Net premiums earned	1,899	750	1,719	2,815	5,386	3,355	-8	15,917
6M 2018¹⁾								
Gross written premiums, including premiums from unit-linked life and annuity insurance	2,866	1,022	2,212	2,962	6,253	3,445	—	18,760
Savings elements of premiums from unit-linked life and annuity insurance policies	—	—	431	117	—	—	—	548
Ceded written premiums	1,027	29	63	157	555	282	14	2,127
Change in gross unearned premiums	-718	-275	-35	-123	-792	-38	—	-1,981
Change in ceded unearned premiums	-245	-7	1	-3	-67	—	-10	-331
Net premiums earned	1,366	725	1,682	2,568	4,973	3,125	-4	14,435

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 2019 ¹⁾								
Income from real estate	16	4	48	1	88	—	—	156
Dividends ²⁾	19	1	7	1	8	—	1	37
Current interest income	78	39	610	161	366	145	-1	1,399
Other income	34	10	52	2	84	5	1	186
Ordinary investment income	146	54	717	165	545	149	1	1,778
Income from reversal of impairment losses	—	—	—	—	—	—	—	—
Realised gains on disposal of investments	41	4	151	34	66	122	1	419
Unrealised gains on investments	19	3	50	14	2	66	—	154
Investment income	206	61	918	213	613	337	2	2,351
Realised losses on disposal of investments	45	1	38	6	50	9	—	150
Unrealised losses on investments	7	1	44	5	3	21	—	81
Total	52	2	82	11	54	30	—	231
Depreciation of/impairment losses on investment property								
Amortisation	2	—	10	—	18	—	—	30
Impairment losses on equity securities	1	—	3	1	—	—	—	5
Impairment losses on fixed-income securities	—	—	—	1	—	—	—	2
Amortisation of/impairment losses on other investments								
Amortisation	3	2	11	—	—	—	—	17
Impairment losses	7	—	12	—	19	4	—	42
Investment management expenses	2	1	9	3	12	3	48	78
Other expenses	4	2	15	2	22	2	1	47
Other investment expenses/impairment losses	19	5	60	8	71	9	49	221
Investment expenses	71	7	142	19	125	39	49	453
Net income from assets under own management	135	54	777	194	488	298	-48	1,898
Net income from investment contracts	—	—	—	1	—	—	—	1
Interest income from funds withheld and contract deposits	—	—	—	—	23	89	—	113
Interest expense from funds withheld and contract deposits	—	—	3	2	1	20	—	26
Net interest income from funds withheld and contract deposits	—	—	-3	-2	22	69	—	87
Net investment income	135	54	773	194	510	367	-48	1,986

¹⁾ After elimination of intragroup cross-segment transactions.²⁾ Income from investments in associates and joint ventures amounted to EUR 14 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 2018¹⁾								
Income from real estate	9	1	39	1	82	—	—	132
Dividends ²⁾	12	4	8	1	3	—	1	29
Current interest income	71	38	621	141	323	135	—	1,329
Other income	46	8	52	1	89	1	—	197
Ordinary investment income	138	51	720	144	497	136	1	1,687
Income from reversal of impairment losses	—	—	—	—	—	—	—	—
Realised gains on disposal of investments	50	2	340	49	146	18	—	605
Unrealised gains on investments	4	—	10	6	1	34	—	55
Investment income	192	53	1,070	199	644	188	1	2,347
Realised losses on disposal of investments	27	1	39	9	88	22	—	186
Unrealised losses on investments	9	2	28	6	—	16	—	61
Total	36	3	67	15	88	38	—	247
Depreciation of/impairment losses on investment property								
Amortisation	2	—	9	—	17	—	—	28
Impairment losses on equity securities	6	—	3	1	—	—	—	10
Impairment losses on fixed-income securities	6	—	—	—	—	—	1	7
Amortisation of/impairment losses on other investments								
Amortisation	3	2	11	—	—	—	—	16
Impairment losses	6	1	7	—	4	—	—	18
Investment management expenses	3	1	8	2	13	2	42	71
Other expenses	4	2	18	2	20	2	1	49
Other investment expenses/impairment losses	30	6	56	5	54	4	44	199
Investment expenses	66	9	123	20	142	42	44	446
Net income from assets under own management	126	44	947	179	502	146	-43	1,901
Net income from investment contracts	—	—	—	—	—	—	—	—
Interest income from funds withheld and contract deposits	—	—	—	—	17	145	—	162
Interest expense from funds withheld and contract deposits	—	—	5	—	1	50	—	56
Net interest income from funds withheld and contract deposits	—	—	-5	—	16	95	—	106
Net investment income	126	44	942	179	518	241	-43	2,007

¹⁾ After elimination of intragroup cross-segment transactions.

²⁾ Income from investments in associates and joint ventures amounted to EUR 4 million and is reported in "Dividends".

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

EUR MILLION

	6M 2019	6M 2018
Shares in affiliated companies and participating interests	102	4
Loans and receivables	499	486
Financial assets held to maturity	8	11
Financial assets available for sale		
Fixed-income securities	1,007	1,030
Variable-yield securities	48	43
Financial assets classified at fair value through profit or loss		
Financial assets classified at fair value through profit or loss		
Fixed-income securities	33	12
Variable-yield securities	18	-2
Financial assets held for trading		
Variable-yield securities	1	—
Derivatives	57	61
Other investments, insofar as they are financial assets	148	254
Other ¹⁾	102	122
Total assets under own management	2,023	2,021
Investment contracts: investments/liabilities ²⁾	1	—
Funds withheld by ceding companies/funds withheld under reinsurance treaties	87	106
Total	2,111	2,127

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 0 (0) million. Financial instruments (assets/liabilities) measured at fair value through profit or loss account for income of EUR 48 (52) million and expenses of EUR -45 (-50) million, while loans and receivables and other liabilities account for income of EUR 0 (1) million and expenses of EUR 0 (0) million. In addition, expenses include amortisation of PVFP amounting to EUR -2 (-3) million.

Including investment management expenses of EUR 78 (71) million and other expenses of EUR 47 (49) million, net investment income at the reporting date totalled EUR 1,986 (2,007) 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 2019¹⁾								
Gross	2,059	456	2,087	2,314	3,892	3,176	10	13,994
Reinsurers' share	569	5	23	130	278	309	4	1,317
Net	1,490	451	2,065	2,184	3,614	2,867	6	12,677
6M 2018¹⁾								
Gross	1,649	464	2,294	2,047	3,411	2,905	—	12,770
Reinsurers' share	543	16	23	82	225	299	2	1,190
Net	1,106	448	2,271	1,965	3,186	2,606	-2	11,580

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 2019¹⁾								
Gross total of acquisition costs and administrative expenses	577	281	349	618	1,664	722	2	4,214
Administrative expenses	173	119	42	101	113	129	2	678
Gross total of acquisition costs	404	162	308	517	1,551	594	—	3,536
Reinsurers' share	128	4	31	37	88	20	1	309
Net total of acquisition costs	275	158	277	480	1,464	573	-1	3,227
Net total of acquisition costs and administrative expenses	449	277	318	581	1,577	702	1	3,905
6M 2018¹⁾								
Gross total of acquisition costs and administrative expenses	438	263	302	583	1,641	647	1	3,875
Administrative expenses	166	111	41	104	113	106	1	642
Gross total of acquisition costs	272	152	261	479	1,528	541	—	3,233
Reinsurers' share	139	4	32	33	76	16	1	301
Net total of acquisition costs	133	148	229	446	1,452	525	-1	2,932
Net total of acquisition costs and administrative expenses	299	259	270	550	1,565	631	—	3,574

¹⁾ After elimination of intragroup cross-segment transactions.

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

EUR MILLION

	6M 2019	6M 2018
Other income		
Foreign exchange gains	488	377
Income from services, rents and commissions	185	177
Recoveries on receivables previously written off	16	14
Income from contracts recognised in accordance with the deposit accounting method	138	99
Income from the sale of property, plant and equipment	—	—
Income from the reversal of other non-technical provisions	4	8
Interest income	22	21
Miscellaneous income	90	42
Total	944	738
Other expenses		
Foreign exchange losses	487	370
Other interest expenses	32	31
Depreciation, amortisation and impairment losses	29	41
Expenses for the company as a whole	152	148
Personnel expenses	15	27
Expenses for services and commissions	99	96
Expenses from contracts recognised in accordance with the deposit accounting method	2	4
Other taxes	35	32
Miscellaneous other expenses	127	36
Total	978	785
Other income/expenses	-34	-47

VII. OTHER DISCLOSURES**NUMBER OF EMPLOYEES**

The Talanx Group's total workforce at the reporting date numbered 22,834 (22,642).

RELATED PARTY DISCLOSURES

Related parties in the Talanx Group include HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit (HDI V.a.G.), which directly holds the majority of the shares of Talanx AG, all subsidiaries that are not consolidated on the grounds of 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 Haftpflichtverband der Deutschen Industrie 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 Haftpflichtverband der Deutschen Industrie 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.

OTHER DISCLOSURES ON FINANCIAL INSTRUMENTS

As at the end of the reporting period, in the context of a securities lending transaction, the Group recognised securities that were lent to third parties in exchange for collateral in the form of securities. The loaned securities are still reported on the balance sheet as their significant risks and opportunities remain with the Group, while the securities received as collateral have not been recognised. The carrying amount of financial assets in the “financial assets available for sale” category on loans in securities lending transactions was EUR 299 (288) million as at the reporting date. The fair value is equivalent to the carrying amount. The components of these transactions recognised as income are shown under “Net investment income”.

As at the end of the reporting period, the Group also recognised securities in the “financial assets available for sale” category that were sold to third parties with a repurchase commitment at a fixed price (genuine repurchase transactions), as the principal risks and opportunities associated with the financial assets remained within the Group. As at the reporting date, the carrying amount of transferred financial assets from repo transactions was EUR 257 (3) million,

with the associated liabilities also at EUR 257 (3) million. The difference between the amount received for the transfer and the amount agreed for the return is allocated for the term of the repurchase transaction and recognised in net investment income.

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 2018.

EARNINGS PER SHARE

Earnings per share are calculated by dividing Group 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 2019	6M 2018	Q2 2019	Q2 2018
Net income attributable to shareholders of Talanx AG for calculating earnings per share (in EUR million)	477	437	242	219
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)	1.89	1.73	0.96	0.87
Diluted earnings per share (in EUR)	1.89	1.73	0.96	0.87

DIVIDEND PER SHARE

In the second quarter of 2019, a dividend of EUR 1.45 per share was paid for financial year 2018 (in 2018 for financial year 2017: EUR 1.40), resulting in a total distribution of EUR 367 (354) million.

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

Outstanding capital commitments from investments in private equity funds as at 30 June 2019 increased by EUR 707 million to EUR 3,070 (2,363) million. There were no other significant changes in contingent liabilities or other financial commitments in the reporting period compared with 31 December 2018.

REVENUE

Revenue from contracts with customers covered by IFRS 15 is predominantly recognised over a period of time and breaks down as follow:

REVENUE CATEGORY

EUR MILLION

	6M 2019	6M 2018
Capital management services and commission ¹⁾	98	103
Other insurance-related services ²⁾	75	70
Income from infrastructure investments ²⁾	34	32
Total revenue³⁾	206	205

¹⁾ Revenue predominantly recognised over a period of time.

²⁾ Revenue recognised over a period of time.

³⁾ Revenue is recognised in the income statement in the amount of EUR 166 (167) million under "10.a. Other income", in the amount of EUR 34 (32) million under "9.a. Investment income" and in the amount of EUR 7 (6) million in "Net income from investment contracts".

EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no significant events after the reporting date that would have a material impact on the net assets, financial position and results of operations of the Group.

Prepared and hence authorised for publication in Hannover on 2 August 2019.

Board of Management



Torsten Leue,
Chairman



Sven Fokkema



Jean-Jacques Henchoz



Dr Edgar Puls



Dr Immo Querner



Dr Jan Wicke

REVIEW REPORT

TO TALANX AG, 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, for the period from 1 January to 30 June 2019, which are components of the half-yearly financial report in accordance with section 115 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 Board of 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, 2 August 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Florian Möller
German Public Auditor

ppa. Christoph Czupalla
German Public Auditor

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, 2 August 2019

Board of Management



Torsten Leue,
Chairman



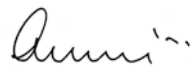
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This is a translation of the original German text;
the German version shall be authoritative in case of
any discrepancies in the translation.

Interim Report online:

www.talanx.com/investor-relations

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FINANCIAL CALENDAR 2019

11 November

Quarterly Statement as at 30 September

20 November

Capital Markets Day

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