Jan.–Mar.

Talanx Group Interim Report as at 31 March 2014

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Insurance. Investments.

THE TALANX GROUP AT A GLANCE

GROUP KEY FIGURES

	UNIT	Q1 2014	Q1 2013	+/– %
Gross written premium	IN EUR MILLION	**8,414**	8,458	**–1**
by regions				
Germany	IN %	39	40	–1 pt.
UK	IN %	8	8	—
Central and Eastern Europe including Turkey (CEE)	IN %	7	8	–1 pt.
Rest of Europe	IN %	17	15	2 pt.
USA	IN %	11	12	–1 pt.
Rest of North America	IN %	2	2	—
Latin America	IN %	6	6	—
Asia and Australia	IN %	8	7	1 pt.
Africa	IN %	2	2	—
Net premium earned	IN EUR MILLION	**5,599**	5,715	**–2**
Underwriting result	IN EUR MILLION	**–415**	–249[4]	**67**
Net investment income	IN EUR MILLION	**1,010**	875	**15**
Net return on investment[1]	IN %	**4.3**	3.7	**0.6 pt.**
Operating profit (EBIT)	IN EUR MILLION	**509**	530[4]	**–4**
Net income (after financing costs and taxes)	IN EUR MILLION	**344**	351[4]	**–2**
of which attributable to shareholders of Talanx AG	IN EUR MILLION	192	208[4]	–8
Return on equity[2]	IN %	**10.4**	11.5[4]	**–1.1 pt.**
Earnings per share				
Basic earnings per share	IN EUR	0.76	0.82[4]	–7
Diluted earnings per share	IN EUR	0.76	0.82[4]	–7
Combined ratio in property/casualty primary insurance and non-life reinsurance[3]	IN %	**95.8**	95.0	**0.8 pt.**
Combined ratio of property/casualty primary insurers	IN %	97.4	96.2	1.2 pt.
Combined ratio for non-life reinsurance	IN %	94.5	94.0	0.5 pt.

		31.3.2014	31.12.2013	+/– %
Policyholders' surplus	IN EUR MILLION	**14,098**	14,318	**–2**
Equity attributable to shareholders of Talanx AG	IN EUR MILLION	7,538	7,214	4
Non-controlling interests	IN EUR MILLION	4,203	3,997	5
Hybrid capital	IN EUR MILLION	2,357	3,107	–24
Assets under own management	IN EUR MILLION	**88,069**	86,310	**2**
Total investments	IN EUR MILLION	**102,789**	100,962	**2**
Total assets	IN EUR MILLION	**136,760**	132,863	**3**
Carrying amount per share at the end of the period	IN EUR	**29.82**	28.54	**4**
Share price at the end of the period	IN EUR	**26.11**	24.65	**6**
Market capitalisation of Talanx AG at the end of the period	IN EUR MILLION	**6,601**	6,231	**6**
Staff	FULL-TIME EQUIVALENTS	**19,704**	20,004	**–1**

1) Annualised net investment income excluding interest income on funds withheld and contract deposits and profit on investment contracts relative to average assets under own management (31 March 2014 and 31 December 2013)
2) Annualised net income excluding non-controlling interests relative to average shareholders' equity excluding non-controlling interests
3) Combined ratio adjusted for interest income on funds withheld and contract deposits, before elimination of intra-Group cross-segment transactions
4) Adjusted on the basis of IAS 8, cf. "Accounting policies" section of the Notes

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BOARDS AND OFFICERS OF TALANX AG

SUPERVISORY BOARD

Wolf-Dieter Baumgartl
Chairman
Berg
Former Chairman of the Board of Management of Talanx AG

Ralf Rieger*
Deputy Chairman
Raesfeld
Employee
HDI Vertriebs AG

Prof. Dr. Eckhard Rohkamm
Deputy Chairman
Hamburg
Former Chairman of the Board of Management of ThyssenKrupp Technologies AG

Antonia Aschendorf
Hamburg
Lawyer
Member of the Board of Management of APRAXA eG

Karsten Faber*
Hannover
Managing Director
Hannover Rück SE,
E+S Rückversicherung AG

Jutta Hammer*
Bergisch Gladbach
Employee
HDI Kundenservice AG

Gerald Herrmann*
Norderstedt
Trade union secretary

Dr. Hermann Jung
Heidenheim
Member of the Board of Management of Voith GmbH

Dr. Thomas Lindner
Albstadt
Chairman of the Board of Management of Groz-Beckert KG

Dirk Lohmann
Forch, Switzerland
President of the Administrative Board and Chairman of the Board of Management of Secquaero Advisors AG

Jutta Mück*
Oberhausen
Employee
HDI-Gerling Industrie Versicherung AG

Otto Müller*
Hannover
Employee
Hannover Rück SE

Katja Sachtleben-Reimann*
Hannover
Employee
Talanx Service AG

Dr. Erhard Schipporeit
Hannover
Former Member of the Board of Management of E.ON AG

Norbert Steiner
Baunatal
Chairman of the Board of Management of K+S AG

Prof. Dr. Ulrike Wendeling-Schröder*
Berlin
Professor at Leibniz University Hannover

BOARD OF MANAGEMENT

Herbert K. Haas
Chairman
Burgwedel

Dr. Christian Hinsch
Deputy Chairman
Burgwedel

Torsten Leue
Hannover

Dr. Thomas Noth
Hannover
(until 31 March 2014)

Dr. Immo Querner
Celle

Dr. Heinz-Peter Roß
Gräfelfing

Ulrich Wallin
Hannover

Dr. Jan Martin Wicke
Stuttgart
(since 1 May 2014)

* *Staff representative*

INTERIM GROUP MANAGEMENT REPORT

MARKETS AND BUSINESS CLIMATE

OVERALL ECONOMIC DEVELOPMENT

The economic upturn that was already becoming apparent in developed countries in the previous year continued in the first quarter of 2014. The Eurozone is growing again. Fundamental data have improved continuously in almost all countries, particularly in large parts of peripheral countries. US economic data were largely robust in the first quarter of 2014, despite weaknesses caused by the weather. The US economy has reduced a large proportion of its imbalances and is also benefiting from a real recovery in the labour and housing markets. Instability in emerging countries, accompanied by political crises in Argentina, Turkey and Ukraine, led to currencies from emerging countries being sold off at the beginning of the year. Central banks in many emerging markets have responded by increasing prime rates, in some cases drastically, in order to stabilise their currencies. The latest economic data suggest that the Chinese economy has made a weak start to the new year. Leading indicators in the Eurozone continued to brighten at the beginning of the year. In Germany, the IFO index reached its highest level for 2.5 years in February, while the purchasing managers' index climbed to its highest level since May 2011.

The US published impressive economic data early in the year. The unemployment rate decreased to a five-year low of 6.6% in January, while the housing market, an important indicator of US consumer confidence, continued to recover. Moreover, companies appear to be gradually losing their reluctance to invest.

The monetary policy of major central banks remained expansionary. The US central bank continued its systematic reduction of its monthly bond purchases. Meanwhile, the ECB has confirmed that it will use all available means to combat the threat of deflation in the Eurozone. The prime rate in the Eurozone is still 0.25%.

The inflation rate in the Eurozone fell to 0.5% in March 2014, its lowest level since 2009. The annual inflation rate in the USA remained at 1.5% in March, the same level as at the end of the previous year. There was a similar situation in the UK, where the inflation rate was 1.6% at the end of the first quarter of 2014.

CAPITAL MARKETS

The year 2014 began well, with overwhelmingly positive fundamental data and news. Yields, however, fell significantly in January owing to political and economic problems in various emerging countries such as Argentina, Turkey and Ukraine. This led to widespread pressure on currencies and capital markets in other emerging countries, including Brazil, India and Russia. Risk premiums on corporate securities remained astonishingly stable in this climate. This resulted in a further drop in interest rates, which had no negative impact on the risk appetite of investors, apart from temporary volatility.

There was a great deal of broadly diversified activity in new issues in the first quarter, although volumes were slightly lower than in the corresponding quarter of the previous year. There was a noticeable increase during the quarter in issues by banks and companies and issues of covered bonds from GIIPS countries, particularly Spain and Italy.

Yields on German government bonds fell significantly compared with the previous quarter, particularly for bonds with medium to long maturities. There was little change in yields on bonds with a maturity of less than one year. Yields on two-year German government bonds fell only marginally from 0.189% to 0.169%, while yields on five-year German government bonds declined from 0.959% to 0.624% and those on ten-year German government bonds dropped significantly from 1.959% to 1.559%.

Instability in emerging countries, the crisis in Ukraine and the slowdown in the Chinese economy temporarily put pressure on the stock markets. Successful bond placements by Ireland and Portugal, growth in leading indicators in Europe and speculation regarding further monetary measures by the ECB supported the stock markets. In net terms, stock markets moved sideways at the beginning of the year while remaining volatile. Germany's DAX index closed the first quarter virtually unchanged. In Europe, the EURO STOXX 50 gained around 1.7%. Likewise, the US S&P 500 index climbed around 1.3% compared with the previous quarter. Following an outstanding annual performance with a gain of 56.7% in 2013, Japan's Nikkei index lost approximately 9% in the first quarter of 2014. Among other factors, the appreciation of the yen had a negative impact.

INSURANCE MARKETS

Sentiment in the German insurance sector was above-average in the first quarter of 2014 compared with previous years. This was due principally to a more optimistic business outlook for the next six months, with companies being more positive about future prospects than about their current situation. However, a look at both property and casualty insurance and life insurance lines shows that the mood in the sector is assessed differently.

The figures for German property and casualty insurance in the quarter under review reflect the fact that natural disasters in 2013 have been dealt with, while economic prospects for the current year are favourable. The business climate reached an all-time high. This can largely be attributed to highly positive assessments of business prospects for the next six months, although assessments of the current business situation have also been favourable. In terms of individual lines of business, there was a similar improvement in assessments in liability insurance and motor insurance in particular and in property and casualty insurance as a whole. In contrast, the mood in industrial/commercial lines of business, accident insurance, private property insurance and legal protection insurance was more cautiously positive.

Premium income is estimated to have increased. Positive growth rates were anticipated across all lines of business, with industrial/commercial lines of business and private property insurance expected to achieve particularly strong growth compared with the previous quarter. A large part of the market in these areas also expected further rate adjustments in the next twelve months.

According to estimates, claims expenses deteriorated slightly year-on-year in the first quarter. Forecasts for 2014 had generally anticipated a recovery compared with 2013.

The business climate in German life insurance improved slightly in the reporting period compared with the previous quarter. Assessments of the current business situation remained at an average level from a longer-term perspective, while the outlook for the next six months was assessed as below average. Only in occupational disability insurance was the mood better than average for the sector. Term life insurance and traditional annuity insurance were more or less in line with the sector, while the business climate was judged to be worst in endowment life insurance, as it has been for some time.

Premium income in new business with regular premiums was expected to increase in 2014, following a decline in the previous year. Single-premium business, which had performed badly at the end of 2013, was also expected to tend to decline in 2014. We saw potential for growth in premium income only in occupational disability insurance, unit-linked life and annuity insurance and, to a lesser extent, term life insurance.

Competition became more intense on international non-life reinsurance markets following renewals on 1 January 2014. Rates increased only in programmes affected by claims, such as natural catastrophe cover in Germany and Canada and marine insurance business.

General conditions in international life and health reinsurance remained challenging in the first quarter of 2014, partly owing to persistently low interest rates. In mature insurance markets in Europe, the USA and Japan, the constantly changing age structure of the population continues to present a challenge – while offering potential at the same time – owing to growing demand for innovative insurance concepts to protect against risks associated with longevity. Emerging countries in Asia and Latin America also provide a stimulus for life and health reinsurance, along with other countries in which the growing urban middle class is increasingly showing an interest in health insurance and pensions.

BUSINESS DEVELOPMENT

PERFORMANCE OF THE GROUP

- Gross written premium remains stable
- Double-digit rise in net investment income despite difficult environment
- Moderate increase in combined ratio owing to rise in burden of major losses

GROUP KEY FIGURES

FIGURES IN EUR MILLION

	Q1 2014	Q1 2013[1]	+/− %
Gross written premium	8,414	8,458	−1
Net premium earned	5,599	5,715	−2
Underwriting result	−415	−249	−67
Net investment income	1,010	875	+15
Operating profit (EBIT)	509	530	−4
Combined ratio (net, property and casualty only) in %	95.8	95.0	+0.8 pt.

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

MANAGEMENT METRICS

IN %

	Q1 2014	Q1 2013[1]	+/− %
Gross premium growth (adjusted for exchange rate effects)	1.6	11.7	−10.1 pt.
Group net income in EUR million	192	208	−7.7
Return on equity[2]	10.4	11.5	−1.1 pt.
Net return on investment[3]	4.3	3.7	+0.6 pt.

1) Adjusted on the basis of IAS 8, cf. "Accounting policies" section in the Notes
2) Annualised net income excluding non-controlling interests relative to average shareholders' equity excluding non-controlling interests
3) Annualised net investment income relative to average assets under own management

PREMIUM VOLUME

The Group's gross written premium fell slightly year-on-year by 1% to EUR 8.4 (8.5) billion, partly owing to a decline in life insurance premiums in the Retail Germany Division. Growth in gross premium outside Germany did not offset this effect. With adjustments for exchange rate effects, the Group's gross premium grew slightly by 1.6%, below the exceptionally high growth of 11.7% in the same period of the previous year. In the first quarter we did not quite meet the target of 2% to 3% that we had announced for 2014. The retention ratio fell slightly to 83.3 (85.8)%, while net premium earned also decreased slightly by 2% to EUR 5.6 (5.7) billion.

UNDERWRITING RESULT

The underwriting result fell by 67%, partly owing to participation of policyholders in net investment income for life insurers in the Group. In addition, provisions for major losses were significantly higher than in the first quarter of the previous year, both in reinsurance business and in Industrial Lines. Major losses were comparatively low in the first quarter of 2014, as in the corresponding quarter of the previous year, at EUR 41 (13) million; EUR 33 million of this sum related to the crash of the Malaysian airliner. The Group's combined ratio rose to 95.8 (95.0)%.

NET INVESTMENT INCOME

Net investment income for the first quarter totalled EUR 1,010 million, an increase of around 15% compared with the same period of the previous year (EUR 875 million). In particular, this was thanks to strong growth in extraordinary investment income. We significantly increased our net return on investment by 0.6 percentage points to 4.3 (3.7)% year-on-year in the first quarter, which means that we surpassed our 2014 target of more than 3.4% in the first quarter.

OPERATING PROFIT AND GROUP NET INCOME

Operating profit (EBIT) fell slightly to EUR 509 (530) million, with the improvement in net investment income unable to compensate for a decline in the underwriting result. Group net income was down 8% year-on-year at EUR 192 (208) million. The return on equity was 10.4%, lower than in the corresponding quarter of the previous year (11.5%). However, it was above the figure of 10% that had been forecast for 2014 as a whole.

DEVELOPMENT OF THE DIVISIONS WITHIN THE GROUP

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

INDUSTRIAL LINES

- Positive growth in premiums continues
- Underwriting result up slightly year-on-year
- Net investment income shaped by positive effects from sale of investments

ESSENTIAL KEY FIGURES IN THE INDUSTRIAL LINES SEGMENT

FIGURES IN EUR MILLION

	Q1 2014	Q1 2013	+/– %
Gross written premium	1,764	1,735	+2
Net premium earned	407	439	–7
Underwriting result	6	2	+205
Net investment income	72	55	+30
Operating profit (EBIT)	61	33	+84

MANAGEMENT METRICS

IN %

	Q1 2014	Q1 2013	+/– %
Gross premium growth (adjusted for exchange rate effects)	2.2	8.0	–5.8 pt.
Retention	48.8	55.3	–6.5 pt.
Combined ratio (net)[1]	98.6	99.4	–0.8 pt.
EBIT margin[2]	14.8	7.5	+7.3 pt.
Return on equity[3]	7.2	4.1	+3.1 pt.

1) Including net interest income on funds withheld and contract deposits
2) Operating profit (EBIT)/net premium earned
3) Annualised net income excluding non-controlling interests relative to average shareholders' equity excluding non-controlling interests

MARKET DEVELOPMENT

Competition remains fierce in industrial insurance in our core market of Germany. HDI-Gerling Industrie Versicherung AG increased its premium volume both within and outside Germany in the first quarter of 2014, despite its high domestic market penetration. The ongoing sovereign debt crisis in the Eurozone and limited growth in the global economy continue to present challenges for insurance companies. Economic momentum is diminishing even in emerging countries, although the level of growth there is still significantly higher than in developed economies. As domestic market penetration is already high, growth is generated primarily at our foreign branches and subsidiaries. HDI-Gerling Industrie Versicherung AG has achieved significant premium growth, particularly through its branches in France.

PREMIUM VOLUME

The segment's gross written premium amounted to EUR 1.8 (1.7) billion as at 31 March 2014, an increase of around 1.6% (2.2% with adjustments for exchange rate effects). HDI-Gerling Industrie Versicherung AG made a particularly significant contribution to this with its branches in Germany and abroad, partly through the expansion of customer relationships in marine insurance business. Although growth slowed compared with the previous year, it remained at a positive level.

The segment's retention ratio fell to 48.8 (55.3)% in the first quarter of 2014, despite a higher premium retained at HDI-Gerling industrial insurance. The main reason for this is a change in accounting for reinsurance settlement at HDI-Gerling that impacts negatively on net written premium. Net premium earned in the segment fell by 7.2% year-on-year to EUR 407 (439) million.

UNDERWRITING RESULT

The segment's net underwriting result increased slightly to EUR 6 (2) million. At 18.6 (19.1)%, the net expense ratio was down slightly year-on-year, as was the net loss ratio at 80.0 (80.5)%. The combined ratio of the Industrial Lines segment was thus 98.6 (99.4)%.

NET INVESTMENT INCOME

Net investment income rose significantly by 30% to EUR 72 (55) million despite persistently low interest rates. HDI-Gerling industrial insurance increased its income substantially by realising higher net gains on the sale of investments, owing to a decline in the area of fixed-income securities caused by the capital market. The company took advantage of positive developments on the capital market early in the year to generate additional income while simultaneously reducing risks in the portfolio. The Dutch subsidiary's income for the previous year had also been negatively affected by its decision to write off a bond from the nationalised bank SNS Reaal Bank in the amount of EUR 3 million.

OPERATING PROFIT AND GROUP NET INCOME

The segment's operating profit grew to EUR 61 (33) million, owing to the above developments and in particular the increase in net investment income. Group net income – i.e. income attributable to shareholders of Talanx AG – grew to EUR 35 (19) million. The EBIT margin and return on equity in the segment also rose to 14.8 (7.5)% and 7.2 (4.1)% respectively, owing to the increase in operating profit.

RETAIL GERMANY

- Decline in premium income owing to decrease in single premiums in life insurance business
- Loss of a positive effect from the previous year explains increase in combined ratio
- Growth in net investment income due to realisation of unrealised gains

ESSENTIAL KEY FIGURES IN THE RETAIL GERMANY SEGMENT

FIGURES IN EUR MILLION

	Q1 2014	Q1 2013	+/– %
Gross written premium	2,027	2,113	–4
Net premium earned	1.287	1.323	–3
Underwriting result	–430	–296	–45
Net investment income	501	387	+29
Operating profit (EBIT)	54	66	–18

MANAGEMENT METRICS

IN %

	Q1 2014	Q1 2013	+/– %
Gross premium growth (adjusted for exchange rate effects)	–4.0	4.1	–8.1 pt.
Combined ratio (net, property/casualty only)[1]	100.2	95.0	+5.2 pt.
EBIT margin[2]	4.2	5.0	–0.8 pt.
Return on equity[3]	4.5	6.5	–2.0 pt.

1) Including net interest income on funds withheld and contract deposits
2) Operating profit (EBIT)/net premium earned
3) Annualised net income excluding non-controlling interests relative to average shareholders' equity excluding non-controlling interests

MARKET DEVELOPMENT

Low interest rates continued to shape the market environment in life insurance. Despite a positive economic situation in private households, only moderate premium growth is anticipated in regular business. Stronger growth is expected in property/casualty insurance, however, particularly in private property insurance.

PREMIUM VOLUME AND NEW BUSINESS

Gross written premium of the Retail Germany segment – including savings elements under unit-linked life insurance – fell year-on-year to EUR 2.0 (2.1) billion in the first quarter of 2014.

Our property/casualty insurers' premium income declined by 3.3% to EUR 0.8 billion. Ongoing measures to increase profitability led to erosion of premiums despite premium adjustments, particularly in motor insurance. The overall share of property/casualty insurers in the entire segment remained virtually unchanged, however, at 39.9 (39.5)%.

Gross written premium for our life insurers – including savings elements under unit-linked life insurance – fell by 4.6% to EUR 1.2 (1.3) billion, owing to lower single premiums.

The division's retention ratio remained at the same level as in the previous year, at 94.6 (94.8)%. Allowing for higher savings elements under our unit-linked products and the change in unearned premiums, the segment's net premium earned thus declined by 3% to EUR 1.3 (1.3) billion.

New business in life insurance products – measured by the international standard of the annual premium equivalent (APE) – fell from EUR 106 million to EUR 100 million.

UNDERWRITING RESULT

The underwriting result for the period under review amounted to –EUR 0.4 (–0.3) billion. This is usually dominated by life insurance companies, partly owing to compounding of technical provisions and participation of our policyholders in net investment income. These expenses are offset by net investment income, which is recognised in the non-underwriting result.

The decline in property insurance business was largely due to the fact that a positive effect from the previous year at HDI Versicherung AG (extraordinary run-off profit) no longer applied, which led to a net rise of 5.2 percentage points in the combined ratio to 100.2%. With adjustments for these effects, continuation of our measures to improve profitability allowed us to maintain the underwriting result at the previous year's level.

NET INVESTMENT INCOME

Net investment income increased by 29% overall to EUR 0.5 (0.4) billion, of which 95% was attributable to the life insurance companies. Unrealised gains on investments were realised in order to continue financing the additional interest reserve and policyholder participation in the valuation reserves. This led to a corresponding increase in extraordinary investment income. Ordinary investment income fell slightly by 3% to EUR 0.4 (0.4) billion.

OPERATING PROFIT AND GROUP NET INCOME

Low interest rates on the capital market continued to have a negative impact on our life insurers' quarterly results. With adjustments for the abovementioned effect from the previous year, EBIT improved from EUR 50 million to EUR 54 million. The EBIT margin fell by 0.8 percentage points (with adjustments for the one-off effect, it rose by 0.4 percentage points). After taking into account taxes on income and financing costs, Group net income attributable to shareholders of Talanx AG fell to EUR 29 (43) million, leading to a decline of 2.0 percentage points in the return on equity to 4.5%.

FURTHER KEY FIGURES

THE RETAIL GERMANY SEGMENT AT A GLANCE

FIGURES IN EUR MILLION

	Q1 2014	Q1 2013[1]	+/– %
Gross written premium	**2,027**	2,113	**–4**
Property/casualty	808	835	–3
Life	1,219	1,278	–5
Net premium earned	**1,287**	1,323	**–3**
Property/casualty	342	346	–1
Life	945	977	–3
Underwriting result	**–430**	–296	**–45**
Property/casualty	—	17	–100
Life	–430	–313	+37
Other	—	—	—
Net investment income	**501**	387	**+29**
Property/casualty	25	27	–7
Life	476	360	+32
Other	—	—	—
New business measured in annual premium equivalent (life)	**100**	106	**–6**
Single premiums	329	363	–9
Regular premiums	67	70	–4
New business by product in annual premium equivalent (life)	**100**	106	**–6**
Unit-linked life and annuity insurance	28	33	–15
Traditional life and annuity insurance	53	54	–3
Term life products	18	19	–4
Other life products	1	1	—

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

RETAIL INTERNATIONAL

- Premium growth of 10% despite negative developments in exchange rates
- First positive effects from rising interest rates
- Polish companies' contribution to income remains stable at 50%

ESSENTIAL KEY FIGURES IN THE RETAIL INTERNATIONAL SEGMENT

FIGURES IN EUR MILLION

	Q1 2014	Q1 2013	+/– %
Gross written premium	1,164	1,056	+10
Net premium earned	983	877	+12
Underwriting result	8	17	–53
Net investment income	74	74	—
Operating profit (EBIT)	62	66	–6

MANAGEMENT METRICS

IN %

	Q1 2014	Q1 2013	+/– %
Gross premium growth (adjusted for exchange rate effects)	18.4	67.9	–49.5 pt.
Combined ratio (net, property/casualty only)[1]	95.1	94.1	+1.0 pt.
EBIT margin[2]	6.3	7.5	–1.2 pt.
Return on equity[3]	8.9	8.8	+0.1 pt.

[1] Including net interest income on funds withheld and contract deposits
[2] Operating profit (EBIT)/net premium earned
[3] Annualised net income excluding non-controlling interests relative to average shareholders' equity excluding non-controlling interests

PREMIUM VOLUME

The division's gross written premium (including premiums from unit-linked life and annuity insurance) rose by around 10% year-on-year (around 18% with adjustments for exchange rate effects) to EUR 1.2 (1.1) billion. Gross premium growth (adjusted for exchange rate effects) declined year-on-year, as the premium volume for the first quarter of 2013 had included the new Polish companies for the first time.

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

Gross written premium in property insurance fell by 1% to EUR 708 million as a result of negative exchange rate effects, particularly in the core markets of Brazil and Turkey. With adjustments for exchange rate effects, however, there was an increase of 9%, owing to positive development of premium income, particularly in Brazil, Poland and Turkey. In contrast, life insurance business grew by 33% to EUR 456 million, owing to higher premium income from HDI in Italy. Written premium in life insurance rose by 37% with adjustments for exchange rate effects.

Around three quarters of our total premium income in Latin America comes from the Brazilian company HDI Seguros S. A., which operates mainly in motor insurance. The company's written premium declined by 11% year-on-year to EUR 189 million, taking into account exchange rate effects. With adjustments for exchange rate effects, however, premium income rose by 9%, partly owing to higher premiums in comprehensive motor insurance business in particular. At the same time, the company's motor policy portfolio grew year-on-year by 12% to a total of 1.5 million policies, largely owing to the conclusion of a large number of new contracts. The Mexican company HDI Seguros increased its gross written premium by 2% to EUR 44 million, mainly owing to growth in new business, which was partly due to a new cooperation agreement in motor insurance business. With adjustments for exchange rate effects, premium growth amounted to 10%.

The Polish companies accounted for 32% of the division's total written premium, compared with 39% in the same period of the previous year. This reduction was primarily due to a decline in single-premium business in life insurance, which was not completely offset by an increase in written premium in property insurance. Premium volume from property insurance at TUiR WARTA S. A. amounted to EUR 229 (222) million. Gross written premium of the life insurer TUnŻ WARTA S. A. amounted to EUR 39 (57) million. Premium income for the TU Europa Group from life and property insurance combined amounted to EUR 106 (130) million. The Talanx Group was the second-largest operator on the Polish insurance market at the end of the 2013 financial year in terms of premium income.

Gross written premium of the Turkish property company HDI Sigorta fell by 2% to EUR 50 million taking into account exchange rate effects; with adjustments for exchange rate effects, premium income rose by 26%. Written premium in other property insurance increased by 53% in local currency, while the number of contracts rose by 8%. Premium income in motor insurance grew by 6% in local currency; average premiums were up 3%, while the number of contracts increased by 2%. Motor insurance accounted for 49% of the company's entire portfolio, compared with 58% at the end of the first quarter of 2013.

The Italian company HDI Assicurazioni held its ground well in a property insurance market that was in decline overall. Gross written premium in property/casualty business fell by 4%, with a 2% rise in the number of contracts in motor third-party liability insurance unable to offset fully the 10% drop in average premiums. In contrast, life insurance premiums rose by 267% year-on-year, largely owing to higher single premiums from the banking sales channel.

UNDERWRITING RESULT

The combined ratio of the property insurance companies rose by 1.0 percentage points year-on-year to 95.1%. This development was due in particular to a rise of 3.0 percentage points in the gross acquisition cost ratio owing to the increase in the proportion of other property insurance, which generally involves higher commission for brokers, in line with the diversification strategy. In contrast, the loss ratio fell by 2.1 percentage points, largely owing to declining loss ratios for the Polish companies, HDI Turkey and HDI Italy. The low level of losses in motor insurance in Mexico and Brazil in the corresponding quarter of the previous year did not continue in the first quarter of 2014.

The division's underwriting result totalled +EUR 8 million, compared with +EUR 17 million in the same quarter of the previous year.

NET INVESTMENT INCOME

Net investment income in the division amounted to EUR 74 million as at the end of the first quarter of 2014 and thus remained stable year-on-year. The division's ordinary investment income rose by 6% compared with the corresponding period of the previous year, owing to larger investment portfolios combined with a rise in interest rates, particularly in Brazil and Turkey. In contrast, extraordinary investment income fell by 6%, largely owing to a reduction in gains realised at the Italian company HDI Assicurazioni. In total, the average yield on assets under own management fell by 0.4 percentage points compared with the first quarter of 2013, to 4.7%. Net investment income includes profit on investment contracts in the amount of EUR 300 thousand (EUR 2 million). Investment contracts are policies that, in accordance with IFRS, provide too little risk cover to be classified as insurance contracts.

OPERATING PROFIT AND GROUP NET INCOME

As a result of the above developments, the Retail International Division achieved an operating profit (EBIT) of EUR 62 million in the first quarter of 2014, a year-on-year decline of 6%. With adjustments for exchange rate effects, EBIT fell by only 1% compared with the first quarter of 2013, owing to the decline in extraordinary investment income. The EBIT margin decreased by 1.2 percentage points to 6.3% in connection with this. Group net income after minority interests grew by 1% to EUR 39 (38) million. The return on equity remained stable year-on-year at 8.9 (8.8)%.

FURTHER KEY FIGURES

THE RETAIL INTERNATIONAL SEGMENT AT A GLANCE

FIGURES IN EUR MILLION

	Q1 2014	Q1 2013[1]	+/– %
Gross written premium	**1,164**	1,056	**+10**
Property/casualty	708	713	–1
Life	456	343	+33
Net premium earned	**983**	877	**+12**
Property/casualty	560	585	–4
Life	423	292	+45
Underwriting result	**8**	17	**–53**
Property/casualty	27	34	–21
Life	–19	–17	+12
Other	—	—	—
Net investment income	**74**	74	**—**
Property/casualty	43	39	+10
Life	31	35	–11
Other	—	—	—
New business measured in annual premium equivalent (life)	**58**	50	**+16**
Single premiums	395	267	+48
Regular premiums	18	23	–21
New business by product in annual premium equivalent (life)	**58**	50	**+16**
Unit-linked life and annuity insurance	3	7	–57
Traditional life and annuity insurance	11	14	–21
Term life products	20	23	–12
Other life products	24	6	+300

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

NON-LIFE REINSURANCE

- Tougher competition in non-life reinsurance
- Moderate volume of major losses in the first quarter
- Good underwriting result

ESSENTIAL KEY FIGURES IN THE NON-LIFE REINSURANCE SEGMENT

FIGURES IN EUR MILLION

	Q1 2014	Q1 2013	+/– %
Gross written premium	2,108	2,198	–4
Net premium earned	1,632	1,692	–4
Underwriting result	86	98	–12
Net investment income	211	195	+9
Operating profit (EBIT)	286	266	+8

MANAGEMENT METRICS

IN %

	Q1 2014	Q1 2013	+/– %
Gross premium growth (adjusted for exchange rate effects)	–1.7	4.0	–5.7 pt.
Combined ratio (net) [1]	94.5	94.0	+0.5 pt.
EBIT margin [2]	17.5	15.7	+1.8 pt.
Return on equity for Non-Life and Life/Health Reinsurance [3]	16.1	15.7	+0.4 pt.

1) Including interest income on funds withheld and contract deposits
2) Operating profit (EBIT)/net premium earned
3) Annualised net income excluding non-controlling interests relative to average shareholders' equity excluding non-controlling interests; reported for the Reinsurance Division overall

BUSINESS DEVELOPMENT

Competition in non-life reinsurance is currently considerably more intense than in 2013. This is being driven by a number of factors. Along with the absence of market-changing major losses, cedants are also keeping more risks in their retention due to good capitalisation. Furthermore, inflow of capital from the catastrophe bond market – particularly in US catastrophe business – is leading to significant price erosion. Overall, supply currently outweighs demand in non-life reinsurance. Despite increased competition, we are satisfied with the results of treaty renewals as at 1 January 2014. Although rates declined significantly in some areas, we were able to obtain prices that were commensurate with risk. Where risks were not adequately priced, we reduced our business share, in some cases substantially. Premium volume fell slightly by 2% as a result, following a 1% rise in the previous year's renewals. We were able to achieve adequate margins, however, thanks to our selective underwriting policy. We expect profitability of newly underwritten business to remain more or less stable compared with 2013.

Rates increased in programmes affected by claims, particularly for natural catastrophe cover in Germany and Canada. We achieved further increases in marine insurance business as a result of negative developments in claims in previous years.

PREMIUM DEVELOPMENT

Gross premium for our Non-Life Reinsurance segment fell slightly by 4% year-on-year to EUR 2.1 (2.2) billion. At constant exchange rates, there would have been a decline of only 1.7%. The retention ratio increased year-on-year to 91.2 (89.8)%. Net premium earned fell by 4% to EUR 1.6 (1.7) billion, or only 1% with adjustments for exchange rate effects.

UNDERWRITING RESULT

As in the previous year, expenses for major losses were comparatively low in the first quarter of 2014. The only major loss resulted from the crash of the Malaysian airliner; we have reserved EUR 31 million for this. Compared with expenses for major losses in the first quarter of 2014, the expenses in the first quarter of 2013 were EUR 13 million. In this context, we were very pleased with the underwriting result of EUR 86 (98) million for the entire Non-Life Reinsurance portfolio. The combined ratio was once again very good, at 94.5 (94.0)%, and thus met our target of a combined ratio of under 96%.

NET INVESTMENT INCOME

Net investment income for Non-Life Reinsurance grew by 9% year-on-year to EUR 211 (195) million owing to higher income from realised gains.

OPERATING PROFIT AND GROUP NET INCOME

Operating profit (EBIT) for Non-Life Reinsurance was up 8% at EUR 286 (266) million as at 31 March 2014. The EBIT margin was well above the target of at least 10%, at 17.5 (15.7)%. Group net income rose by a further 20% compared with the previous year's figure of EUR 79 million, to EUR 95 million. The return on equity shown is for both reinsurance segments, it stood at 16.1 (15.7)%.

LIFE/HEALTH REINSURANCE

- Solid performance in the first quarter
- EBIT margin for financial solutions/longevity surpasses forecasts
- EBIT margin for mortality/morbidity business slightly lower than expected

ESSENTIAL KEY FIGURES IN THE LIFE AND HEALTH REINSURANCE SEGMENT

FIGURES IN EUR MILLION

	Q1 2014	Q1 2013[1]	+/– %
Gross written premium	1,517	1,560	–3
Net premium earned	1,281	1,389	–8
Underwriting result	–87	–68	–27
Net investment income	152	162	–6
Operating profit (EBIT)	64	101	–37

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

MANAGEMENT METRICS

IN %

	Q1 2014	Q1 2013[1]	+/– %
Gross premium growth (adjusted for exchange rate effects)	0.7	12.6	–11.9 pt.
EBIT margin[2] financial solutions/longevity	5.9	4.8	+1.1 pt.
EBIT margin[2] mortality/morbidity	4.5	9.4	–4.9 pt.
Return on equity for Non-Life and Life/Health Reinsurance[3]	16.1	15.7	+0.4 pt.

[1] Adjusted on the basis of IAS 8, cf. the "Accounting policies" section in the Notes
[2] Operating profit (EBIT)/net premium earned
[3] Annualised net income excluding non-controlling interests relative to average shareholders' equity excluding non-controlling interests; reported for the Reinsurance Division overall

BUSINESS DEVELOPMENT

Ongoing low interest rates have had a negative impact on life primary insurance and life reinsurance in Europe and the USA. Intensive discussions are continuing in Germany regarding the payout of valuation reserves for life insurance. The traditional life insurance model has generally been called into question as a result of low interest rates, and the insurance industry faces the challenge of establishing new products with guaranteed benefits on the market. Irrespective of market developments, our customers, primary insurers, have continued to request more services, particularly in medical underwriting. We regard this development as very positive and are supporting them with our expertise.

We achieved disproportionately strong growth in Asia in particular in the first quarter. However, overall premium volume was slightly below our growth target.

Loss experience in our US business also fell slightly short of our expectations. However, these deviations are part of the natural volatility of the underlying business. We are pleased with the contribution to income from our retakaful business, which conforms to Sharia law.

PREMIUM DEVELOPMENT

Gross premium income in Life and Health Reinsurance amounted to EUR 1.5 (1.6) billion as at 31 March 2014, representing a decline of 3%. At constant exchange rates, growth of 0.7% would have been recorded. Net premium earned fell by 8% to EUR 1.3 (1.4) billion owing to a reduction in the retention; with adjustments for exchange rate effects, this corresponds to a decline of 4.5%.

NET INVESTMENT INCOME

Net investment income in Life and Health Reinsurance fell by 6% to EUR 152 (162) million. Changes in the value of ModCo derivatives, which are recognised in income, amounted to EUR 2 million, below the previous year's figure of EUR 6 million.

OPERATING PROFIT AND GROUP NET INCOME

Operating profit (EBIT) for Life and Health Reinsurance as at 31 March 2014 amounted to EUR 64 (101) million. This corresponds to an EBIT margin of 5.9% for financial solutions and longevity business, meeting our target of 2%. The EBIT margin for mortality and morbidity business was 4.5%, slightly below our target of 6%. Group net income was EUR 21 (37) million; the return on equity shown is for Non-Life Reinsurance and Life/Health Reinsurance combined.

CORPORATE OPERATIONS

- Replacement of financing structure leads to reduction in financing costs
- Early extension of Talanx AG's credit line
- Operating result falls to –EUR 7 million owing to positive one-off effects in the previous year

Talanx AG had successfully issued a senior unsecured bond with a volume of EUR 750 million on 13 February 2013. The euro-denominated bond has a fixed coupon of 3.125% and is due on 13 February 2023. The cash inflow was used principally to replace existing financing arrangements, which led to a significant reduction in financing costs in the first quarter of 2014.

Talanx AG arranged a new syndicated credit line on 23 January 2014 to secure liquidity for the Talanx Group. Barclays Bank Plc. once again acted as the lead bank in this process. The credit line has a volume of EUR 550 million and a term of five years, and will replace the EUR 500 million credit line issued in 2011 by Barclays Bank Plc. before it expires.

REINSURANCE SPECIALISTS AT THE GROUP

Underwriting business written through our subsidiary Talanx Reinsurance (Ireland) Ltd. has been reported in the Corporate Operations segment since 2013. The aim of this in-house reinsurance is to increase retention and optimise capital utilisation. In-house business written by Talanx Re (Ireland) will be partly reallocated to the ceding segments, to enable the respective segments to exploit the benefits of diversification. Furthermore, any business that includes additional cross-segment diversification benefits will be reported in the Corporate Operations segment. Gross written premium in this business amounted to EUR 15 (11) million in the first quarter of 2014. It resulted from reinsurance cessions in the Industrial Lines, Retail Germany and Retail International segments. Talanx Re (Ireland) posted an operating profit of EUR 2 (–1) million for this business in the Corporate Operations segment in the first quarter of 2014.

Talanx Reinsurance Broker GmbH is wholly owned by Talanx AG and handles the complete spectrum of the reinsurance business process for Group cedants. In 2013, it once again managed to obtain the reinsurance capacity required for all of the Group cedants that it manages on the global market. The company's operating profit for the first quarter of 2014 was EUR 4 (4) million, of which a significant portion will be reallocated to the business ceding segments. EUR 1 (1) million of this company's earnings remained in the Corporate Operations segment.

INVESTMENT SPECIALISTS AT THE GROUP

Talanx Asset Management GmbH – in cooperation with its subsidiary Ampega Investment GmbH (until 1 July 2013 Ampega Gerling Investment GmbH) – is chiefly responsible for handling the management and administration of the Group companies' investments and provides related services such as investment accounting and reporting. The total contribution of the two companies and of Talanx Immobilien Management GmbH to the segment's operating profit amounted to EUR 12 (12) million in the first quarter of 2014.

As an investment company, Ampega Investment GmbH administers public and special funds and performs financial portfolio management tasks for institutional clients. It focuses on portfolio management and the administration of investments for clients outside the Group. As interest rates have remained persistently low, private investors in Germany are gradually beginning to seek alternatives to savings deposits, having shown a strong preference for savings until now. An increase in the GfK consumer confidence index and a simultaneous drop in the savings rate suggest that many consumers are more prepared to spend money on consumer goods than to invest it elsewhere, in view of low interest rates. Nevertheless, net cash inflows in the investment sector show that private investors are increasingly also turning to funds as an alternative to unattractive time deposit investments, as the chances of a return are higher. The total volume of assets managed by Ampega rose by 4% to EUR 16.2 (15.5) billion in the first quarter of 2014 compared with the beginning of the year. Over half of this sum, EUR 8.5 (8.3) billion, was administered on behalf of Group companies through special funds and direct investment mandates. Of the remaining portion, EUR 3.8 (3.5) billion was attributable to institutional third-party clients and EUR 3.9 (3.8) billion to retail business. The latter is offered both through the Group's own distribution channels and products such as unit-linked life insurance as well as through external asset managers and banks.

OPERATING PROFIT

The operating result of the Corporate Operations segment declined to –EUR 7 (14) million in the first quarter of 2014, largely owing to the sale of shares in Swiss Life Holding AG by Talanx AG in the previous year. This transaction had resulted in a pre-tax profit of EUR 22 million in the previous quarter.

Group net income for this segment attributable to shareholders of Talanx AG amounted to –EUR 24 (–12) million in the first quarter of 2014.

ASSETS AND FINANCIAL POSITION

ASSETS

- Total assets increase by EUR 3.9 billion to EUR 136.8 billion
- Investments account for 75% of total assets

ASSET STRUCTURE

FIGURES IN EUR MILLION

	31.3.2014		31.12.2013	
Intangible assets	2,507	2%	2,551	2%
Investments	102,789	75%	100,962	76%
Investments for the account and risk of holders of life insurance policies	8,488	6%	8,325	6%
Reinsurance recoverables on technical provisions	7,103	5%	6,596	5%
Accounts receivable on insurance business	6,257	5%	5,071	4%
Deferred acquisition costs	4,622	3%	4,513	3%
Cash	1,644	1%	1,864	1%
Deferred tax assets	641	<1%	532	<1%
Other assets	2,484	2%	2,201	2%
Non-current assets and assets of disposal groups classified as held for sale	225	<1%	248	<1%
Total assets	136,760	100%	132,863	100%

SIGNIFICANT MOVEMENTS IN THE ASSET STRUCTURE

The increase of EUR 3.9 billion in our total assets to EUR 136.8 billion can be attributed principally to growth in our investment portfolio, including investments for the account and risk of holders of life insurance policies (+EUR 2.0 billion), and an increase in accounts receivable on insurance business (+EUR 1.2 billion). We obtain disproportionately high premium income in the first quarter of each financial year, as the main expiry date is 1 January. This is reflected mainly in the investments item on the assets side, while on the liabilities side it increases technical provisions in particular.

Of the EUR 2.5 (2.6) billion in intangible assets shown on the balance sheet, EUR 1.4 (1.5) billion related to other intangible assets (including PVFP) and EUR 1.1 (1.1) billion to capitalised goodwill. Other intangible assets are recognised in their entirety in the Group. Excluding non-controlling interests and the policyholders' portion, other intangible assets attributable to the Group are as follows:

NON-CONTROLLING INTERESTS AND POLICYHOLDERS' PORTION

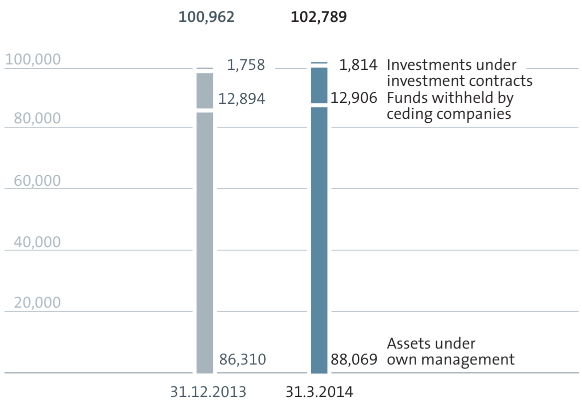
FIGURES IN EUR MILLION

	31.3.2014	31.12.2013
Other intangible assets before deduction of non-controlling interests and the policyholders' portion and including deferred taxes	1,404	1,446
thereof attributable to: non-controlling interests	154	159
thereof attributable to: policyholders' portion	491	513
thereof attributable to: deferred taxes	145	148
Other intangible assets after deduction of non-controlling interests and the policyholders' portion and excluding deferred taxes	614	626

MOVEMENTS IN INVESTMENTS

BREAKDOWN OF THE INVESTMENT PORTFOLIO

FIGURES IN EUR MILLION



The total investment portfolio has grown by 1.8% during the financial year to EUR 102.8 (101.0) billion. Funds withheld by ceding companies remained unchanged at EUR 12.9 billion. The main increase was in assets under own management, which grew by EUR 1.8 billion. This growth was principally due to cash inflows from underwriting business, which were reinvested in accordance with respective corporate guidelines. There were slight cash inflows into investments under investment contracts, which totalled EUR 1.8 billion by the end of the first quarter.

Interest rates are still at a historically low level and fell further in the first quarter of 2014. Disinflation in Europe is the main argument being put forward for further support from central banks. Interest rates on the markets declined slightly in the first quarter of 2014, with a decline in interest rates for all maturities.

Changes in the exchange rate against the US dollar did not have a significant impact on investments in the first quarter, as the rate at the end of the first quarter was USD 1.38 to the euro, the same as at the beginning of the year. Our holdings of investments in US dollars amounted to EUR 13.7 billion at the end of the quarter, representing 16% of assets under own management.

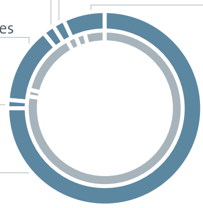
Fixed-income investments are once again the most significant asset class. Most reinvestments occurred in this class. Fixed-income securities accounted for 77% of the total investment portfolio, and the contribution to earnings of this asset class amounted to EUR 0.8 billion. As far as possible, this was reinvested in the year under review.

Equity exposure did not increase significantly in the first quarter of 2014. The equity allocation after taking account of derivatives (equity ratio) was 1.1% at the end of the year.

Although the "alternative investments" asset class and real estate still only constituted a small proportion of the total investment portfolio, they nevertheless diversified and thus added stability to the various portfolios.

BREAKDOWN OF THE INVESTMENT PORTFOLIO

IN %



BREAKDOWN OF ASSETS UNDER OWN MANAGEMENT BY ASSET CLASS

FIGURES IN EUR MILLION

	31.3.2014		31.12.2013	
Investment property	1,712	2%	1,623	2%
Investments in affiliated companies and participations	126	<1%	92	<1%
Investments in associated companies and joint ventures	250	<1%	247	<1%
Loans and receivables				
Loans incl. mortgage loans	996	1%	1,041	1%
Loans and receivables due from governmental or quasi-governmental entities, together with fixed-income securities	30,539	35%	31,190	36%
Financial assets held to maturity	2,710	3%	2,984	3%
Financial assets available for sale				
Fixed-income securities	45,460	52%	43,531	50%
Variable-yield securities	1,389	2%	1,391	2%
Financial assets at fair value through profit or loss				
Financial assets classified at fair value through profit or loss				
Fixed-income securities	801	1%	797	1%
Variable-yield securities	116	<1%	87	<1%
Financial assets held for trading				
Fixed-income securities	3	<1%	4	<1%
Variable-yield securities	116	<1%	120	<1%
Derivatives [1]	81	<1%	82	<1%
Other invested assets	3,770	4%	3,121	4%
Total investments under own management	**88,069**	**100%**	**86,310**	**100%**

[1] Derivatives only with positive fair values

Fixed-income securities

Interest rates remained low in the first quarter. The main risk factors for spreads related to economic instability in Asia and geopolitical risks, particularly in Ukraine, where we do not have any significant holdings. Unresolved debt problems in many countries constitute another risk factor; there has been no material improvement here, either in Europe or globally.

Fixed-income investments chiefly comprised the traditional asset classes of government bonds, corporate securities and German covered bonds (Pfandbriefe). The Retail Germany segment sold bonds with a short residual term in 2013 to realise gains, which were then used to strengthen the additional interest reserve, and for policyholder participation in the valuation reserves. When implementing this strategy, we made a point of selecting secured bonds with a good rating that allowed the average yield and duration of the portfolio to be increased. We continued this strategy in the first quarter of 2014. To increase yields further, the Retail Germany segment invested in government bonds from Italy and Spain.

The portfolio of fixed-income investments (excluding mortgage and policy loans) rose by EUR 1.0 billion in the first quarter of 2014 and totalled EUR 79.5 billion at the end of the quarter. At 77% of total investments, this asset class continues to represent the most significant share of our investments in terms of volume. Fixed-income investments were primarily divided into the investment categories of "Loans and receivables" and "Financial assets available for sale".

"Fixed-income securities available for sale", whose volatility impacts on shareholders' equity, increased significantly (+EUR 1.9 billion) to EUR 45.5 billion, or 57% of total investments in the fixed-income portfolio. Government bonds and corporate securities accounted for the majority of these investments. Valuation reserves – i.e. the balance of unrealised gains and losses – have risen from EUR 1.3 billion to EUR 2.0 billion since the end of 2013, owing to the slight fall in interest rates.

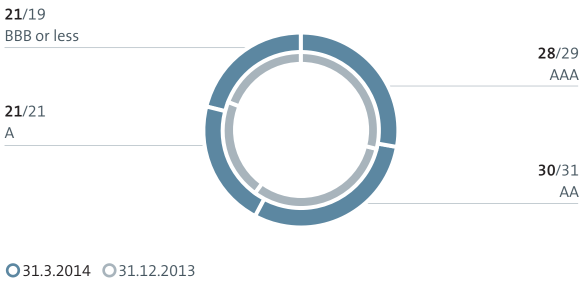
Holdings in the "Loans and receivables" category declined during the first quarter and amounted to EUR 31.5 (32.2) billion at the end of the quarter (40% of total holdings in this asset class). Along with corporate securities and German covered bonds (Pfandbriefe), government bonds accounted for a significant portion of holdings in this category. Off-balance sheet valuation reserves increased considerably from EUR 2.8 billion to EUR 3.5 billion.

Group holdings in the "Financial assets held to maturity" category totalled EUR 2.7 (3.0) billion at the end of the first quarter. Having increased our holdings in this category in 2011 through restructuring, particularly in the Reinsurance segment, we undertook no further expansion in the last financial year. The option and intention of holding these investments to maturity enables companies to reduce the volatility in their balance sheets that is caused by movements in interest rates.

We continue to focus on government bonds with good ratings or securities from similarly sound issuers when investing in fixed-income securities. Holdings of AAA-rated bonds stood at EUR 22.3 billion as at the balance sheet date, accounting for 28% of the total portfolio of fixed-income securities and loans.

RATING OF FIXED-INCOME SECURITIES

IN %



The Talanx Group pursues a conservative investment policy. Of instruments in the fixed-income securities asset class, 79% have a rating of A or above.

The Macaulay duration of the total fixed-income securities investment portfolio of the Talanx Group stood at 7.4 years as at 31 March 2014 (31 December 2013: 7.2 years).

As far as matching currency cover is concerned, US dollar-denominated investments continue to account for the largest share (16%) of the foreign currency portfolio within the Talanx Group. The total share of assets under own management held in foreign currencies as at 31 March 2014 remained virtually unchanged at 28%.

Equities and equity funds

European stock markets performed well at the beginning of 2014. The EURO STOXX 50 closed the reporting period at 3,162 points, up 2% compared with the beginning of the year. The DAX ended the period at 9,556 points and was thus unchanged compared with the start of the year.

The net balance of unrealised gains and losses on holdings within the Group (excluding "Other invested assets") rose slightly by EUR 44 million to EUR 364 (320) million.

REAL ESTATE INCLUDING SHARES IN REAL ESTATE FUNDS

Investment property totalled EUR 1.7 billion as at the balance sheet date. An additional EUR 512 million is held in real estate funds, which are recognised under "Financial assets available for sale". No significant investments were made in the first quarter of 2014. Depreciation of EUR 8 million was taken on investment property in the period under review. Any impairments were negligible. There were no write-ups to offset these write-downs in the period under review.

The real estate allocation, including investments in real estate funds, was 2 (2)%.

ALTERNATIVE INVESTMENTS (INVESTMENT PORTFOLIOS UNDER OWN MANAGEMENT)

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

NET INVESTMENT INCOME

DEVELOPMENT OF NET INVESTMENT INCOME

FIGURES IN EUR MILLION

	Q1 2014	Q1 2013
Ordinary investment income	767	763
thereof current income from interest	717	712
thereof profit/loss from shares in associated companies	4	1
Realised net gains on investments	209	74
Write-ups/write-downs on investments	–10	–13
Unrealised net gains/losses on investments	15	1
Other investment expenses	55	41
Income from investments under own management	926	784
Interest income on funds withheld and contract deposits	84	89
Income from investment contracts	—	2
Total	**1,010**	**875**

Net investment income for the first quarter amounted to EUR 1.0 billion, a slight increase on the previous year. We managed to keep current income stable despite low interest rates by expanding our portfolio. At EUR 0.8 billion, current income still accounts for the bulk of income. While gains of EUR 0.2 billion were realised on the disposal of investments, there were also slight write-downs of EUR 10 (13) million and higher unrealised gains than in the previous year of EUR 15 (1) million.

Realised net gains on investments were up overall year-on-year in the first quarter, at EUR 209 (74) million. These mainly include net gains of EUR 122 million that were realised in the Retail Germany segment (cf. our remarks in the subsection "Fixed-income securities"). We primarily sold securities in the portfolio with a short residual term. To optimise returns and extend durations, we then reinvested in long-term investments with good ratings and in European government bonds, including Italian and Spanish bonds. Net income from the sale of investments in the Non-Life Reinsurance segment came to EUR 48 (25) million. The year-on-year increase was largely due to portfolio restructuring in connection with the change of accounting currency at our subsidiary in Bermuda.

No significant write-downs were necessary in the first quarter. Write-downs across all asset classes totalled EUR 12 (14) million, compared with write-ups of EUR 2 (1) million.

The unrealised net gain improved from EUR 1 million to EUR 15 million in net terms. The main contribution to earnings came from the reinsurance segments and the Retail Germany segment. Unrealised gains and losses increased in both segments due to market developments.

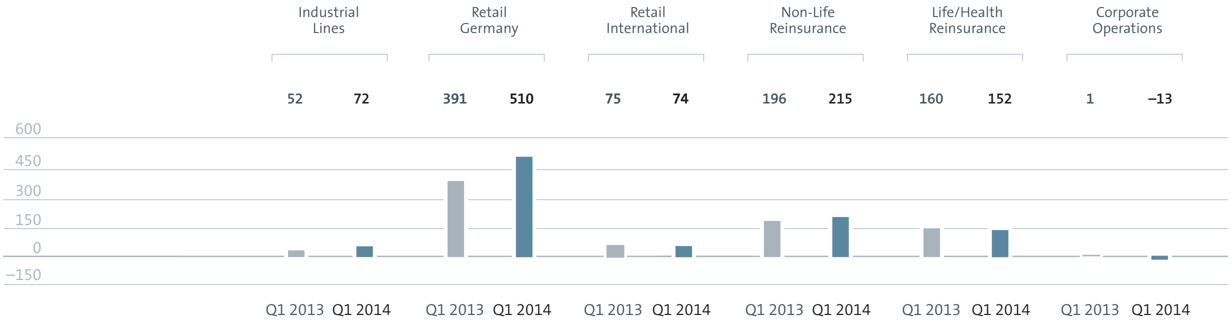
The net result from interest income and expenses on funds withheld and contract deposits amounted to EUR 84 (89) million.

Net income for the first quarter of 2014 is shown below broken down into Group segments. While contributions to earnings from the Retail Germany segment increased, contributions from the other segments remained constant. For further comments, please see "Notes on the consolidated balance sheet", item 30 "Net investment income", in the Notes.

Net investment income in the Corporate Operations Group segment primarily comprises costs for the management of investments. The previous year's figures had also included gains realised on strategic shareholdings.

BREAKDOWN OF NET INVESTMENT INCOME BY GROUP SEGMENT [1]

FIGURES IN EUR MILLION



[1] After elimination of intra-Group cross-segment transactions

FINANCIAL POSITION

ANALYSIS OF CAPITAL STRUCTURE

- Shareholders' equity increases by EUR 0.5 billion to EUR 11.7 billion
- Technical provisions up by EUR 3.4 billion at EUR 95.1 billion
- Technical provisions account for 70% of total assets

CAPITAL STRUCTURE OVER A MULTI-YEAR PERIOD

FIGURES IN EUR MILLION

	31.3.2014		31.12.2013	
Shareholders' equity	11,741	9%	11,211	8%
Subordinated liabilities	2,357	2%	3,107	2%
Technical provisions	95,127	70%	91,697	69%
Technical provisions for life insurance insofar as the investment risk is borne by policyholders	8,488	6%	8,325	6%
Other provisions	3,251	2%	3,095	2%
Liabilities	13,638	10%	13,446	11%
Provisions for deferred taxes	1,933	1%	1,749	1%
Liabilities of disposal groups classified as held for sale	225	<1%	233	<1%
Total liabilities	**136,760**	**100%**	132,863	100%

SIGNIFICANT MOVEMENTS IN THE CAPITAL STRUCTURE

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

COMPOSITION OF INSURANCE BUSINESS GROSS PROVISIONS (AFTER CONSOLIDATION)

FIGURES IN EUR BILLION

	31.3.2014	31.12.2013
Unearned premium reserve	6.3	5.0
Benefit reserve	49.5	48.9
Loss and loss adjustment expense reserve	29.5	28.9
Provision for premium refunds	2.7	2.2
Other technical provisions	0.3	0.3
Total	**88.3**	85.3

Liabilities to policyholders must be covered by assets in at least the same amount. The proportion of net provisions relating to insurance business relative to total assets as at the balance sheet date, including funds withheld by ceding companies but excluding investments under investment contracts, stood at 87 (86)%. Provisions thus include surplus coverage in the amount of EUR 12.7 (13.9) billion.

Overall, net technical provisions rose by 4% or EUR 3 billion year-on-year. EUR 1.3 billion of this increase related to the unearned premium reserve, under which portions of premiums for subsequent insurance periods that are not yet due are reported. This regularly leads to an increase in the first quarter. The increase was distributed mainly across the Retail Germany (+EUR 443 million), Industrial Lines (+EUR 402 million) and Non-Life Reinsurance (+EUR 329 million) segments.

SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS' EQUITY

In the reporting period just ended, shareholders' equity grew by EUR 530 million – or 5% – to EUR 11,741 (11,211) million.

The Group's share (shareholders' equity excluding non-controlling interests) amounted to EUR 7,538 (7,214) million. Major movements in shareholders' equity were driven by the following factors:

Group net income attributable to our shareholders totalled EUR 192 million and was allocated in full to retained earnings.

"Cumulative other comprehensive income and other reserves" increased by EUR 131 million compared with 31 December 2013, to EUR 319 million. This change was mainly due to a rise in unrealised gains/losses on investments, which grew by EUR 542 million from EUR 1,269 million to EUR 1,811 million in the period under review owing to a decline in interest rates on investments, particularly long-term investments. Gains/losses from currency translation remained virtually unchanged, with cumulative losses of EUR 213 (209) million. Other changes in shareholders' equity had a compensatory effect, falling from –EUR 906 million to –EUR 1,396 million. Of the change of –EUR 490 million, –EUR 387 million related to policyholder participation/shadow accounting and –EUR 103 million to underwriting gains and losses from pension provisions. The cash flow hedge reserve grew to EUR 117 (34) million, mainly owing to interest rates.

Non-controlling interests in shareholders' equity increased by EUR 206 million – or 5% – to EUR 4.2 billion. The non-controlling interest share in net income amounted to EUR 152 (143) million. The dividend payment to non-Group shareholders totalling EUR 46 (54) million stemmed mainly from the Hannover Re Group.

CHANGES IN SHAREHOLDERS' EQUITY

FIGURES IN EUR MILLION

	31.3.2014	31.12.2013
Common shares	316	316
Additional paid-in capital	1,373	1,373
Retained earnings	5,530	5,337
Cumulative other comprehensive income and other reserves	319	188
Group shareholders' equity	**7,538**	**7,214**
Non-controlling interests in shareholders' equity	4,203	3,997
Total	**11,741**	**11,211**

SHAREHOLDERS' EQUITY BY SEGMENT[1] INCLUDING NON-CONTROLLING INTERESTS

FIGURES IN EUR MILLION

	31.3.2014	31.12.2013
Segment		
Industrial Lines	1,960	1,898
thereof non-controlling interests	—	—
Retail Germany	2,678	2,596
thereof non-controlling interests	60	61
Retail International	1,992	1,948
thereof non-controlling interests	243	237
Reinsurance	6,929	6,519
thereof non-controlling interests	3,918	3,717
Corporate Operations	–1,806	–1,739
thereof non-controlling interests	—	—
Consolidation	–12	–11
thereof non-controlling interests	–18	–18
Total shareholders' equity	**11,741**	**11,211**
Group shareholders' equity	7,538	7,214
Non-controlling interest in shareholders' equity	4,203	3,997

[1] Shareholders' equity per segment is defined as the difference between the assets and liabilities of each segment

Note: In the interests of simplicity the non-controlling interests in equity for the Reinsurance Division are derived from Group non-controlling interests in Hannover Re; for this purpose, the two reinsurance segments are combined.

The Corporate Operations segment posted a negative value that reflects Talanx AG's debt leverage. As the Group's holding company, Talanx AG performs a financing function for the Group in the primary insurance sector and for the companies in Corporate Operations. The liabilities concerned are mainly retirement pension provisions amounting to EUR 1,024 (939) million, liabilities from the utilisation of credit lines of EUR 100 (150) million, notes payable of EUR 565 (565) million and provisions for taxes totalling EUR 145 (145) million. These liabilities are offset on Talanx AG's balance sheet by liquid assets and, above all, by the value of its participations in subsidiaries, which are consolidated against the pro rata equity of the subsidiaries in the consolidated financial statements.

ANALYSIS OF DEBT

Our subordinated bonds and debentures (abbreviated here to "subordinated bonds") complement shareholders' equity. Their purpose is to optimise the cost of capital and help ensure liquidity at all times. We refer to these subordinated bonds and other bank borrowings that serve to finance corporate acquisitions as "strategic debt".

The bond with a nominal value of EUR 750 million issued on 26 February 2004 through Hannover Finance (Luxembourg) S. A. was called by the issuer with effect from the first regular redemption date in the amount of the entire nominal sum and was repaid on 26 February 2014. As a result, subordinated liabilities totalled EUR 2.4 (3.1) billion as at the balance sheet date.

In 2011, and by way of an addendum in 2012, Talanx AG concluded agreements on two syndicated floating-rate lines of credit with a total nominal amount of EUR 1.2 billion, with a term of five years. One of these two credit lines from 2011, worth EUR 500 million, was replaced during the first quarter of 2014 by a new credit line, also with a term of five years, at improved conditions and with a higher volume of EUR 550 million. Credit lines with a nominal volume of EUR 1.25 billion were thus in place as at 31 March 2014. As at the balance sheet date, draw-downs amounted to EUR 100 (150) million. Existing syndicated credit lines can be terminated by the lenders if there is a change of control, i. e. if a person or persons acting jointly, other than HDI Haftpflichtverband der Deutschen Industrie V. a. G., gains direct or indirect control over more than 50% of the voting rights or share capital of Talanx AG.

Talanx AG also issued a senior unsecured bond with a volume of EUR 750 million in 2013, of which EUR 185 million is held by Group companies. In addition, the Group has long-term loans, principally mortgage loans, amounting to EUR 262 (227) million. A description of these is given under item 10 of the Notes, "Notes payable and loans".

RISK REPORT

We consider opportunity and risk management to be one of our core tasks. A central mandate performed by Talanx AG is comprehensive monitoring and precise management of our risk position within the Group and the divisions, with the aim of avoiding developments that could jeopardise the Group's continued existence while at the same time maximising available opportunities.

Derived from our corporate strategy, our risk strategy formulates the objectives and structure of our risk management. Our acceptance of risks is governed by the Board of Management's guidelines and decisions concerning the Group's risk budget. Our risk strategy is a stand-alone set of rules that provides the foundation for Group-wide risk management. It is, in conjunction with value-oriented management, an integral component of our entrepreneurial activities and is reflected in the detailed strategies of the various divisions.

As an international insurance and financial services group, we consciously enter into a wide range of risks that are inextricably linked to our business activities. Both our corporate strategy and our risk strategy are subject to an established review process. Through this scrutiny of our assumptions and, if necessary, adjustment of the strategy, we seek to ensure that our strategic guidelines are appropriate at all times and hence that actions are based on adequate information.

The Talanx Group satisfies all currently applicable regulatory solvency requirements.

The interplay of the individual functions and bodies within the overall system is vital to an efficient risk management system. Talanx has defined the roles and responsibilities as follows:

GROUP RISK MANAGEMENT SYSTEM

Management element	Key risk management tasks
Supervisory Board	■ Advising and monitoring the Board of Management in its management of the company, inter alia with respect to risk strategy and risk management
Board of Management	■ Overall responsibility for risk management ■ Defining the risk strategy ■ Responsibility for proper functioning of risk management
Risk Committee	■ Risk-monitoring and coordinating body, charged especially with the following tasks: ■ Critical observation and analysis of the risk position of the Group as a whole, with particular attention paid to the risk budget approved by the Board of Management and the risk strategy ■ Monitoring of management measures within the Group with a focus on risks that could threaten the Group's continued existence
Chief Risk Officer	■ Responsible for holistic monitoring across divisions (systematic identification and assessment, control/monitoring and reporting) of all risks that are material from a Group perspective ■ Chairman of the Risk Committee ■ Option to participate in meetings of the Board of Management when there are items on the agenda relating to risk
Central Risk Management	■ Group-wide, independent risk monitoring function ■ Methodological competence, inter alia for ■ Development of processes/methods for risk assessment, management and analysis ■ Risk limitation and reporting ■ Risk monitoring and quantifying the risk capital needed across the Group
Local Risk Management	■ Risk monitoring function in the divisions ■ Observance of the centrally defined guidelines, methods and processes and systems of limits and thresholds that serve as a framework for local implementation, monitoring and reporting
Compliance	■ Analysis of compliance risk, based on early identification, assessment and communication of relevant changes in the legal framework ■ Establishment and refinement of suitable structures for ensuring compliance with applicable legal standards and the rules applied by the Group
Group Auditing	■ Process-independent review of the functional areas of the Group

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

Further information on risk management can be found in the Group Annual Report 2013.

The Talanx Group's risk situation can be broken down into the risk categories described below; they are based on German Accounting Standard DRS 20.

RISK SITUATION OF THE TALANX GROUP

Risk category	Material risks	Major risk management measures
Underwriting risks		
	Across segments	
	▪ Concentration risk	▪ Risk balancing through diversification
	Property/casualty primary insurance and non-life reinsurance	
	▪ Actual claims experience diverges from the expected claims experience (premium/loss risk) ▪ Technical provisions do not suffice to fully pay for claims that have not yet been settled or reported	▪ Claims analysis and regular monitoring of the claims experience ▪ Actuarial modelling and monitoring of the natural hazards exposure ▪ Selective underwriting ▪ Technical audits ▪ Commensurate reinsurance protection ▪ Establishment of IBNR reserves ▪ External actuarial review of provisions
	Life primary insurance	
	▪ Changes in biometric actuarial bases ▪ Interest guarantee risk under life insurance contracts with guaranteed interest payments ▪ Lapse risks	▪ Regular review of the biometric actuarial bases ▪ Factoring of safety loadings into the actuarial bases ▪ Constant monitoring of investments and markets, initiation of appropriate steering measures, especially with regard to duration ▪ Interest rate hedges ▪ Adjustment of the surplus distribution ▪ Cost controlling, focus on variable sales costs ▪ Careful selection of intermediaries ▪ Systematic monitoring of the MCEV ▪ Review of structure and volumes of new business
	Life/Health Reinsurance	
	▪ Changes in biometric actuarial bases ▪ Lapse and credit risk in connection with the prefinancing of cedants' new business acquisition costs	▪ Use of secure biometric actuarial bases ▪ Systematic monitoring of the MCEV
Default risks under insurance business		
	Across segments	
	▪ Risk of default on receivables due from reinsurers, retrocessionaires, policyholders and insurance agents	▪ Careful selection of reinsurers and retrocessionaires ▪ Constant monitoring of credit status ▪ Measures to secure receivables ▪ Consistent and uniform use of rating information relating to the balance sheet date through a rating information system that can be accessed throughout the Group ▪ Effective dunning and reduction of outstandings ▪ Establishment of adequate bad debt provisions

RISK SITUATION OF THE TALANX GROUP

Risk category	Material risks	Major risk management measures
Investment risks		
	Across segments	
	▪ Potential losses due to adverse changes in market prices (interest rates, share prices and exchange rates) ▪ Losses of value due to adverse changes in the credit status of debtors ▪ Illiquidity risk: holdings/open positions cannot be sold or closed or can only be sold/closed with delays/price mark-downs	▪ Monitoring and management of market price risks using the value at risk (VaR) ▪ Performance of enterprise-specific stress tests and those required by regulators ▪ Matching currency coverage ▪ Reviews of assets and liabilities using ALM/VaR ▪ Inclusion of ratings (rating agencies, internal ratings) in investment decisions ▪ Monitoring and management of credit risks using the credit VaR ▪ Regular monitoring of the development and performance of funds ▪ Liquid asset structure ▪ Regular liquidity planning
Operational risks		
	Across segments	
	▪ Risk of losses due to the failure of persons, (IT) systems or processes or on account of external events (including legal risks)	▪ Multi-faceted and cause-based risk management ▪ Internal control system
Other risks		
	▪ Participation risks of Talanx AG: instability in the performance of subsidiaries and/or the portfolio of participating interests ▪ Risk of asset erosion of acquisitions	▪ Appropriate tools in the areas of controlling, internal auditing and risk management ▪ Segmental and regional diversification ▪ Investments in growth markets and in product and portfolio segments that stabilise results ▪ Due diligence checks ▪ Liquidity analyses and forecasts ▪ M&A committees
	▪ Possible need to establish additional reserves in connection with pension obligations of Talanx AG	▪ Regular reviews of the adequacy of actuarial bases
	Across segments	
	▪ Emerging risks, the content of which is not as yet reliably known and the implications of which are difficult to assess	▪ Various management measures, such as reinsurance, diversification, risk exclusions, safety margins, contingency plans, etc.
	▪ Strategic risks: the risk of an imbalance between the corporate strategy and the constantly changing general business environment	▪ At least annual review of the corporate and risk strategy ▪ Adjustment of processes and structures as required
	▪ Reputational risks: possible damage to the company's name as a consequence of an unfavourable public perception	▪ Set communication channels ▪ Professional approach to corporate communications ▪ Tried and tested processes for defined crisis scenarios ▪ Established Code of Conduct

Risk reporting in the interim report mainly focuses on relevant changes in the risk position that have occurred since the compilation of the Talanx Group Annual Report 2013. For a thorough presentation of the various types of risk, which is omitted here, the reader is referred to the information contained in the Annual Report.

No material changes in the risk position have occurred since the Annual Report was published, and no definite risks are as yet discernible that could have a significant negative impact on the Talanx Group's assets, financial position or net income.

Nevertheless, persistently low interest rates could lead to substantial burdens on net income in parts of the life insurance business, owing to increased interest guarantee risk and reinvestment risk. In particular, this poses a risk to the Group's life insurers and occupational pension scheme providers that draw up financial statements according to the German Commercial Code (HGB), in that they may need to boost provisions for interest payments.

The Group has already been strengthening its reserves since 2011 in the form of the additional interest reserve, which is regulated by law. In addition, the Group reduces the interest guarantee risk primarily through regular analyses of its assets and liabilities, by constantly monitoring the investment portfolios and capital markets and by taking appropriate countermeasures. Interest rate hedging instruments such as book yield notes and forward purchases are also sometimes used.

Natural catastrophe risks also constitute significant risks for the Talanx Group. The Group protects itself against peak exposures to such risks by using carefully and individually selected reinsurance coverage. This enables us to limit large individual losses and the impact of accumulation events effectively and thereby to plan for them.

There is still considerable uncertainty, at least in abstract terms and even if it has recently decreased, as to whether risks associated with the sovereign debt crisis could take an even more concrete form in future and have a lasting impact on the assets, financial position or net income of the Talanx Group.

The Talanx Group holds government bonds from the GIIPS countries, which may lead to rating-related impairments. These amounted to EUR 2,291 million at market values as at 31 March 2014, representing 2.6% of assets under own management. Greece accounted for EUR 7 million of this sum, Italy EUR 1,347 million (of which our Italian Group company accounted for EUR 648 million), Ireland EUR 228 million, Portugal EUR 26 million and Spain EUR 682 million.

The Group plans to continue carefully expanding its investment in Italian and Spanish government bonds in future, partly owing to its presence in these countries. This process is subject to regular risk assessment and monitoring.

In the light of risk considerations, we sold the Greek government bonds in our portfolio in 2011 with the exception of a small residual holding.

Thanks to support measures at European level (the European Financial Stability Facility), there is at least no acute risk of default on bonds from the GIIPS countries at present.

In addition to government bonds, the Talanx Group's assets under own management include fixed-income investments in GIIPS countries at the market values below.

Legal risks also represent significant risks for the Talanx Group, especially in the area of life insurance. In particular, we are closely monitoring developments in rulings of the Federal Court of Justice and changes in the law that affect Group companies. We also identify regulatory reforms, particularly in connection with IFRS and Solvency II, at an early stage in order to fulfil stricter requirements.

GIIPS EXPOSURE IN FIXED-INCOME INVESTMENTS

FIGURES IN EUR MILLION

	Government bonds	Semi-government bonds	Corporate securities		Covered bonds/ asset-backed securities	Other	Total
			Financial bonds	Industrial bonds			
31.3.2014[1]							
Greece	7	—	—	—	—	—	7
Ireland	228	—	10	50	130	237	655
Italy	1,347	—	410	482	848	19	3,106
Portugal	26	—	5	3	—	—	34
Spain	682	574	131	233	367	—	1,987
Total	**2,290**	**574**	**556**	**768**	**1,345**	**256**	**5,789**
31.12.2013[1]							
Greece	6	—	—	—	—	—	6
Ireland	258	—	10	49	137	234	688
Italy	1,144	—	335	386	854	19	2,738
Portugal	20	—	2	3	8	—	33
Spain	107	282	123	203	402	—	1,117
Total	**1,535**	**282**	**470**	**641**	**1,401**	**253**	**4,582**

[1] With regard to the allocation of countries, the country of the banking group's parent company, rather than that of the issuer, is decisive

OUTLOOK

ECONOMIC ENVIRONMENT

The Eurozone has come out of recession and the sovereign debt crisis is no longer putting a damper on sentiment. Economic recovery looks set to continue in the next few quarters as momentum increases. Furthermore, the consolidation of public finances and labour market reforms that have begun are increasingly expected to have a positive effect. Improvements in mood are again based on more stable macroeconomic foundations. The Eurozone's trade balance is displaying clear structural improvements, with peripheral countries in particular becoming net exporters. As economic confidence returns, an increase in lending is also likely. We therefore expect solid growth in the Eurozone in 2014.

We still expect the US economy, which is growing steadily, to boost momentum generally in the Eurozone. Economic data are very robust, while private household debt has been cut significantly. The real estate market and improved conditions on the labour market are expected to continue propping up private household spending. The Fed is also continuing with its expansionary strategy.

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

CAPITAL MARKETS

Although yields are currently a long way off the lows reached in 2012, they have fallen significantly since the beginning of this year. Together with ongoing volatility, this signifies uncertainty among market players regarding further macroeconomic developments. The general environment now appears to have stabilised somewhat at a low level, and we therefore expect interest rates to remain low overall for the time being.

Valuation levels on the European and US stock markets have already risen significantly, which means that potential for growth in share prices is limited. We expect the gradual normalisation of US monetary policy to support growth in European shares. We are also seeing the first signs of a possible phase of exaggeration in the USA. The volume of IPOs has climbed to its highest level for several years, while valuations in the technology sector are currently linked to expectations of high growth and we have observed speculative behaviour among small investors.

ANTICIPATED FINANCIAL DEVELOPMENT OF THE GROUP

We are making the following assumptions:

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

TALANX GROUP

Based on steady exchange rates, the Talanx Group is aiming for year-on-year gross premium growth of 2% to 3% for 2014 as a whole, with most of this generated outside Germany. The IFRS net return on investment should be at least 3.4% in 2014, based on disposal gains realised in the first quarter of the year, with by far the largest contribution coming from ordinary income. We are aiming for Group net income of at least EUR 700 million for 2014. It follows that we expect return on equity to be around 10%, thereby meeting our strategic target of 750 basis points in excess of the average risk-free interest rate. This profit target assumes that any major losses will be within the expected range and that there will be no disruptions to currency and capital markets. Our express aim is to pay out 35% to 45% of Group net income as dividends.

INDUSTRIAL LINES

As our domestic market penetration is already high, the best opportunities for growth in this segment are still to be found outside Germany. For this reason, we intend to continue our efforts in 2014 to make HDI-Gerling Industrie Versicherung AG into a global player. Europe-wide, we aim to expand our industrial insurance business in the fields of local business, small and medium enterprises and international insurance programmes. Our target regions outside Europe continue to be Latin America, (South-)East Asia and the Arabian peninsula. Particularly as a result of the continuing increase in international business, we expect gross premium growth overall of 3% to 5% based on steady exchange rates. To enable us to reflect a disproportionate benefit from achieved premium growth in the result, we will continue in 2014 to follow our strategic aim of gradually raising retention. The segment's strong capital position should probably make it possible to increase the retention ratio to around 50%. We expect major losses to return to normal in 2014 compared with the previous year and anticipate that the combined ratio will decline to between 96% and 98% as a result. The EBIT margin should therefore increase to over 10% in 2014 and the return on equity should be in the region of 8%, as equity has risen in relation to the original forecast while expected profit has remained stable.

RETAIL GERMANY

We anticipate that gross written premium in the Retail Germany Group segment will fall slightly by 1% to 2% in 2014, due in particular to life business treaties maturing and further improvements in motor insurance profitability. With regard to new life insurance business, we aim to improve the proportion of term life products and the flexibility of guarantee products. We are targeting a new business margin of at least 2%. The combined ratio is expected to be under 100%, due to a further increase in motor insurance prices. We expect an EBIT margin for 2014 of at least 3% that is likely to reflect the positive impact of the division's realignment when compared with the previous year. The return on equity for 2014 is therefore expected to be around 4%.

RETAIL INTERNATIONAL

In the Retail International Group segment we are aiming for growth in gross written premium of 4% to 8% in 2014, as long as there are no material exchange rate fluctuations. We expect growth in the value of new business in 2014 to be between 5% and 10%, in line with our strategic target. The combined ratio for 2014 should be no higher than 96%; the expected EBIT margin of at least 5% is likely to be positively influenced by the synergy created from merging with the Polish WARTA companies. Integration is expected to be completed in 2014 and should lead to further synergistic effects in subsequent years. In addition, we expect return on equity for 2014 to be in excess of 6%.

NON-LIFE REINSURANCE

Reinsurers are having to deal with a much more competitive environment than in previous years in non-life reinsurance. Nevertheless, we believe there are still attractive business opportunities in North America, Asian/Pacific markets and Central and Eastern European countries, in marine insurance business and in facultative and structured reinsurance. We expect growth to remain stable or increase slightly in the current financial year, based on steady exchange rates.

Overall, we expect premium volume in Non-Life Reinsurance to remain more or less stable in 2014. We shall not make any concessions as far as our systematic underwriting discipline is concerned and we will continue to reduce our business share where risks are not adequately priced. We have set a target of under 96% for our combined ratio and are still aiming for an EBIT margin of at least 10%. Return on equity for the Reinsurance Division in 2014 should be around 15%.

LIFE/HEALTH REINSURANCE

We are optimistic regarding our international Life/Health Reinsurance business in 2014 and still expect the business to perform well, depending on the market. In the areas of financial solutions and longevity in particular, we expect demand for customised reinsurance products to increase continually.

We are anticipating organic growth of a low to medium single-digit percentage, adjusted for exchange rate effects, in gross premium for our entire Life/Health Reinsurance portfolio in the current financial year. The value of new business (excluding non-controlling interests) is expected to be above EUR 90 million. We are still aiming for an EBIT margin of at least 2% in financial solutions and longevity and 6% in mortality and morbidity business. Return on equity for the Reinsurance Division in 2014 should be around 15%.

ASSESSMENT OF FUTURE OPPORTUNITIES AND CHALLENGES

There has been no material change in opportunities since the 2013 reporting year. Please refer to the Talanx Group Annual Report 2013 with regard to this.

INTERIM CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED BALANCE SHEET OF TALANX AG AS AT 31 MARCH 2014

CONSOLIDATED BALANCE SHEET — ASSETS

FIGURES IN EUR MILLION

	Notes	31.3.2014			31.12.2013
A. Intangible assets	1				
a. Goodwill			1,103		1,105
b. Other intangible assets			1,404		1,446
				2,507	**2,551**
B. Investments					
a. Investment property			1,712		1,623
b. Investments in affiliated companies and participating interests			126		92
c. Investments in associated companies and joint ventures			250		247
d. Loans and receivables	2		31,535		32,231
e. Other financial instruments					
i. Held to maturity	3	2,710			2,984
ii. Available for sale	4/6	46,849			44,922
iii. At fair value through profit or loss	5/6	1,117			1,090
f. Other invested assets	6	3,770			3,121
Investments under own management			**88,069**		**86,310**
g. Investments under investment contracts			1,814		1,758
h. Funds withheld by ceding companies			12,906		12,894
Investments				**102,789**	**100,962**
C. Investments for the account and risk of holders of life insurance policies				8,488	8,325
D. Reinsurance recoverables on technical provisions				7,103	6,596
E. Accounts receivable on insurance business				6,257	5,071
F. Deferred acquisition costs				4,622	4,513
G. Cash				1,644	1,864
H. Deferred tax assets				641	532
I. Other assets				2,484	2,201
J. Non-current assets and assets of disposal groups classified as held for sale[1)]				225	248
Total assets				**136,760**	**132,863**

1) Cf. our remarks in the section “Non-current assets held for sale and disposal groups” of the Notes

CONSOLIDATED BALANCE SHEET — LIABILITIES

FIGURES IN EUR MILLION

	Notes			31.3.2014	31.12.2013
A. Shareholders' equity	7				
a. Common shares		316			316
Nominal value: 316 (previous year: 316) Conditional capital: 104 (previous year: 104)					
b. Reserves		7,222			6,898
Shareholders' equity excluding non-controlling interests			**7,538**		**7,214**
d. Non-controlling interests in shareholders' equity			4,203		3,997
Total shareholders' equity				**11,741**	**11,211**
B. Subordinated liabilities	8		2,357		3,107
C. Technical provisions	9				
a. Unearned premium reserve		7,389			5,678
b. Benefit reserve		50,367			49,767
c. Loss and loss adjustment expense reserve		34,339			33,755
d. Provision for premium refunds		2,716			2,178
e. Other technical provisions		316			319
			95,127		**91,697**
D. Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders			8,488		8,325
E. Other provisions					
a. Provisions for pensions and similar obligations		1,853			1,696
b. Provisions for taxes		752			711
c. Sundry provisions		646			688
			3,251		**3,095**
F. Liabilities					
a. Notes payable and loans	10	927			942
b. Funds withheld under reinsurance treaties		5,443			5,535
c. Other liabilities	6	7,268			6,969
			13,638		**13,446**
G. Deferred tax liabilities			1,933		1,749
H. Liabilities of disposal groups classified as held for sale [1]			225		233
Total liabilities/provisions				**125,019**	**121,652**
Total liabilities				**136,760**	**132,863**

[1] Cf. our remarks in the section "Non-current assets held for sale and disposal groups" of the Notes

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

CONSOLIDATED STATEMENT OF INCOME OF TALANX AG
FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2014

CONSOLIDATED STATEMENT OF INCOME

FIGURES IN EUR MILLION

	Notes	Q1 2014	Q1 2013[1]
1. Gross written premium including premium from unit-linked life and annuity insurance		8,414	8,458
2. Savings elements of premiums from unit-linked life and annuity insurance		219	258
3. Ceded written premium		1,369	1,163
4. Change in gross unearned premium		–1,719	–1,696
5. Change in ceded unearned premium		–492	–374
Net premium earned	11	**5,599**	**5,715**
6. Claims and claims expenses (gross)		5,383	4,974
Reinsurers' share		597	327
Claims and claims expenses (net)	14	**4,786**	**4,647**
7. Acquisition costs and administrative expenses (gross)		1,374	1,417
Reinsurers' share		152	139
Acquisition costs and administrative expenses (net)	15	**1,222**	**1,278**
8. Other technical income		29	13
Other technical expenses		35	52
Other technical result		**–6**	**–39**
Net technical result		**–415**	**–249**
9. a. Income from investments		1,031	881
b. Expenses for investments		105	97
Net income from investments under own management		**926**	**784**
Income/expense from investment contracts		—	2
Net interest income from funds withheld and contract deposits		84	89
Net investment income	12/13	**1,010**	**875**
thereof income/expense from associated companies and joint ventures recognised using the equity method		4	1
10. a. Other income		228	230
b. Other expenses		314	326
Other income/expenses	16	**–86**	**–96**
Profit before goodwill impairments		**509**	**530**
11. Goodwill impairments		—	—
Operating profit/loss (EBIT)		**509**	**530**
12. Financing costs		48	50
13. Taxes on income		117	129
Net income		**344**	**351**
thereof attributable to non-controlling interests		152	143
thereof attributable to shareholders of Talanx AG		192	208
Earnings per share			
Basic earnings per share (figures in EUR)		0.76	0.82
Diluted earnings per share (figures in EUR)		0.76	0.82

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FIGURES IN EUR MILLION

	Q1 2014	Q1 2013[1]
Net income	**344**	351
Not reclassifiable in the consolidated statement of income		
Actuarial gains (losses) on pension provisions		
Gains (losses) recognised in other comprehensive income during the period	–156	–20
Tax income (expense)	47	6
	–109	**–14**
Changes in policyholder participation/shadow accounting		
Gains (losses) recognised in other comprehensive income during the period	6	—
Tax income (expense)	—	—
	6	**—**
Total non-reclassifiable income (expenses) after taxes recognised in other comprehensive income during the period	**–103**	–14
Reclassifiable in the consolidated statement of income		
Unrealised gains and losses from investments		
Gains (losses) recognised in other comprehensive income during the period	950	–13
Shifted to the consolidated statement of income	–144	–65
Tax income (expense)	–132	18
	674	**–60**
Currency translation		
Gains (losses) recognised in other comprehensive income during the period	1	53
Shifted to the consolidated statement of income	—	–4
Tax income (expense)	–1	–11
	—	**38**
Changes in policyholder participation/shadow accounting		
Gains (losses) recognised in other comprehensive income during the period	–446	47
Tax income (expense)	17	–3
	–429	**44**
Changes from cash flow hedges		
Gains (losses) recognised in other comprehensive income during the period	95	–5
Shifted to the consolidated statement of income	—	—
Tax income (expense)	–4	—
	91	**–5**
Other changes		
Gains (losses) recognised in other comprehensive income during the period	—	1
Shifted to the consolidated statement of income	—	—
Tax income (expense)	—	—
	—	**1**
Total reclassifiable income (expenses) after taxes recognised in other comprehensive income during the period	**336**	18
Income (expenses) after taxes recognised in other comprehensive income during the period	**233**	4
Total comprehensive income during the period	**577**	355
thereof attributable to non-controlling interests	254	149
thereof attributable to shareholders of Talanx AG	323	206

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

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS' EQUITY

FIGURES IN EUR MILLION

	Common shares	Additional paid-in capital	Retained earnings
2013			
As at 1.1.2013 adjusted	316	1,369	4,830
Other changes in scope of consolidation	—	—	—
Net income [1]	—	—	208
Income and expenses recognised in other comprehensive income [1]	—	—	—
thereof not reclassifiable	—	—	—
thereof actuarial gains or losses on pension provisions	—	—	—
thereof reclassifiable	—	—	—
thereof unrealised gains and losses from investments	—	—	—
thereof currency translation	—	—	—
thereof change from cash flow hedges	—	—	—
thereof sundry changes [1] [2]	—	—	—
Total comprehensive income	—	—	208
Capital increase	—	—	—
Capital reduction	—	—	—
Dividends to shareholders	—	—	—
As at 31.3.2013	316	1,369	5,038
2014			
As at 1.1.2014	**316**	**1,373**	**5,337**
Changes in ownership interest without change of control status	—	—	1
Other changes in scope of consolidation	—	—	—
Net income	—	—	192
Income and expenses recognised in other comprehensive income	—	—	—
thereof not reclassifiable	—	—	—
thereof actuarial gains or losses on pension provisions	—	—	—
thereof changes in policyholder participation/shadow accounting	—	—	—
thereof reclassifiable	—	—	—
thereof unrealised gains and losses from investments	—	—	—
thereof currency translation	—	—	—
thereof change from cash flow hedges	—	—	—
thereof sundry changes [2]	—	—	—
Total comprehensive income	—	—	**192**
Dividends to shareholders	—	—	—
As at 31.3.2014	**316**	**1,373**	**5,530**

[1] Adjusted on the basis of IAS 8. Cf. "Accounting policies" section of the Notes, subsection "Changes in accounting policies and accounting errors"
[2] Sundry changes consist of policyholder participation/shadow accounting as well as other changes

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

Other reserves: Unrealised gains/losses on investments	Other reserves: Gains/losses from currency translation	Other reserves: Other changes in shareholders' equity	Other reserves: Measurement gains and losses from cash flow hedges	Equity attributable to shareholders of Talanx AG	Non-controlling interests	Total shareholders' equity
1,949	**48**	**–1,446**	**87**	**7,153**	**4,156**	**11,309**
—	—	—	—	—	–14	–14
—	—	—	—	208	143	351
–49	**21**	**30**	**–4**	**–2**	**6**	**4**
—	**—**	**–14**	**—**	**–14**	**—**	**–14**
—	—	–14	—	–14	—	–14
–49	21	44	–4	12	6	18
–49	—	—	—	–49	–11	–60
—	21	—	—	21	17	38
—	—	—	–4	–4	–1	–5
—	—	44	—	44	1	45
–49	**21**	**30**	**–4**	**206**	**149**	**355**
—	—	—	—	—	2	2
—	—	—	—	—	–2	–2
—	—	—	—	—	–54	–54
1,900	**69**	**–1,416**	**83**	**7,359**	**4,237**	**11,596**
1,269	**–209**	**–906**	**34**	**7,214**	**3,997**	**11,211**
—	—	—	—	1	–1	—
—	—	—	—	—	–1	–1
—	—	—	—	192	152	344
542	**–4**	**–490**	**83**	**131**	**102**	**233**
—	**—**	**–98**	**—**	**–98**	**–5**	**–103**
—	—	–103	—	–103	–6	–109
—	—	5	—	5	1	6
542	**–4**	**–392**	**83**	**229**	**107**	**336**
542	—	—	—	542	132	674
—	–4	—	—	–4	4	—
—	—	—	83	83	8	91
—	—	–392	—	–392	–37	–429
542	**–4**	**–490**	**83**	**323**	**254**	**577**
—	—	—	—	—	–46	–46
1,811	**–213**	**–1,396**	**117**	**7,538**	**4,203**	**11,741**

CONSOLIDATED CASH FLOW STATEMENT OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2014

CONSOLIDATED CASH FLOW STATEMENT

FIGURES IN EUR MILLION

	Q1 2014	Q1 2013[1]
I. 1. Net income	344	351
I. 2. Changes in technical provisions	2,516	2,715
I. 3. Changes in deferred acquisition costs	–132	–154
I. 4. Changes in funds withheld and in accounts receivable and payable	–1,157	–1,524
I. 5. Changes in other receivables and liabilities as well as investments and liabilities from investment contracts	217	526
I. 6. Changes in financial assets held for trading	9	2
III. 7. Net gains and losses on investments	–210	–75
III. 8. Other non-cash expenses and income	96	145
I. Cash flows from operating activities[2]	**1,683**	**1,986**
II. 1. Cash inflow from the sale of consolidated companies	1	–6
II. 2. Cash outflow from the purchase of consolidated companies	—	—
II. 3. Cash inflow from the sale of real estate	21	17
II. 4. Cash outflow from the purchase of real estate	–93	–161
II. 5. Cash inflow from the sale and maturity of financial instruments	7,030	5,409
II. 6. Cash outflow from the purchase of financial instruments	–7,131	–6,690
II. 7. Changes in investments for the account and risk of holders of life insurance policies	–161	–431
II. 8. Changes in other invested assets	–664	–808
II. 9. Cash outflows from the acquisition of tangible and intangible assets	–36	–28
II. 10. Cash inflows from the sale of tangible and intangible assets	6	3
II. Cash flows from investing activities	**–1,027**	**–2,695**
III. 1. Cash inflow from capital increases	—	2
III. 2. Cash outflow from capital reductions	—	–2
III. 3. Dividends paid	–46	–54
III. 4. Net changes from other financing activities	–829	302
III. Cash flows from financing activities	**–875**	**248**
Change in cash and cash equivalents (I. + II. + III.)	**–219**	**–461**
Cash and cash equivalents at the beginning of the reporting period, excluding disposal groups	**1,864**	**2,119**
Cash and cash equivalents – exchange-rate differences on cash	**1**	**12**
Changes in cash and cash equivalents attributable to scope of consolidation[3]	**–4**	**3**
Changes in cash and cash equivalents of disposal groups in the reporting period	**2**	**2**
Cash and cash equivalents at the end of the reporting period, excluding disposal groups	**1,644**	**1,675**
Additional information		
Taxes paid	94	102
Interest paid[4]	95	82
Dividends received	14	12
Interest received	947	925

[1] Adjusted on the basis of IAS 8. Cf. "Accounting policies" section of the Notes, subsection "Changes in accounting policies and accounting errors"
[2] Taxes paid on income as well as dividends and interest received are allocated to cash flows from operating activities. Dividends received also comprise dividend-like distributions from investment funds and private equity companies, which results in deviations from our figures in Note 12 "Net investment income"
[3] This item essentially includes changes in the scope of consolidation excluding disposals and acquisitions
[4] EUR 64 (48) million of interest paid pertains to cash flows from financing activities, EUR 21 (24) million to cash flows from operating activities and EUR 10 (10) million to cash flows from investing activities

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

NOTES AND EXPLANATORY REMARKS

I. GENERAL ACCOUNTING PRINCIPLES AND APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

GENERAL ACCOUNTING PRINCIPLES

Talanx AG, whose majority shareholder is HDI Haftpflichtverband der Deutschen Industrie V. a. G., Hannover/Germany (HDI V. a. G.), is the parent company for all Group companies belonging to HDI V. a. G. As at 31 March 2014, 79.0% of Talanx AG is held by HDI V. a. G., 14.4% of the shares are in free float with private and institutional investors, 6.5% are held by the Japanese partner of Talanx AG (the insurance company Meiji Yasuda), and 0.1% are held by employees in connection with the employee share programme.

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

The consolidated quarterly financial report as at 31 March 2014 has been compiled in accordance with International Financial Reporting Standards (IFRS) in the form adopted for use in the European Union. The condensed consolidated financial statements, consisting of the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flow statement and select explanatory notes, reflects in particular the requirements of IAS 34 "Interim Financial Reporting".

We have observed all new or revised IFRSs whose application is mandatory as at 31 March 2014, as well as the interpretations thereof issued by the IFRS Interpretations Committee (IFRS IC, formerly known as the International Financial Reporting Interpretation Committee [IFRIC]) and the previous Standing Interpretations Committee (SIC) (see also the section "Newly applicable standards/interpretations and changes in standards"). In addition, the accounting policies and the consolidation principles for already existing and unchanged IFRSs correspond to those of our consolidated financial statements as at 31 December 2013. We report changes made pursuant to IAS 8 in specific, justified cases in the section "Accounting policies", subsection "Changes in accounting policies and accounting errors".

In conformity with IAS 34.41, in our preparation of the consolidated quarterly financial statements we draw on estimates and assumptions to a greater extent than is the case with annual financial reporting. Changes in estimates during the current interim reporting period with significant implications for the Group's assets, financial position or net income did not arise, other than the situation described in the section "Accounting policies". The tax expenditure (domestic income taxes, comparable taxes on income of foreign subsidiaries and changes in deferred taxes) is calculated during the year using an effective rate of taxation anticipated for the full financial year, which is applied to the net income of the reporting period. When extrapolating the provisions for pensions during the year, the actuarially estimated effect of interest rate changes on pension commitments as at the end of the quarter is recognised under "Other comprehensive income" ("Other reserves"). Other actuarial parameters are not updated during the year.

Since 2002 the standards adopted by the International Accounting Standards Board (IASB) have been referred to as IFRS. The standards approved in earlier years still bear the name IAS (International Accounting Standards). Standards are cited in our Notes accordingly. In cases where the Notes do not make explicit reference to a particular standard, the term IFRS is used. Insurance-specific transactions for which IFRSs do not contain any separate standards are recognised in compliance with IFRS 4 "Insurance Contracts" according to the pertinent provisions of United States Generally Accepted Accounting Principles (US GAAP).

These interim financial statements were drawn up in euros (EUR). The amounts shown have been rounded to EUR millions (EUR million). This may give rise to rounding differences in the tables presented in this report. Figures indicated in brackets refer to the previous year.

NEWLY APPLICABLE STANDARDS/INTERPRETATIONS AND CHANGES IN STANDARDS

As at 1 January 2014, the Group for the first time applied the following changed or new IFRSs:

In June 2013 the IASB adopted "Novation of Derivatives and Continuation of Hedge Accounting" (Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"). According to this amendment, despite novation the derivative remains designated as a hedging instrument in an existing hedging relationship. Application of this amendment had no impact for the Group.

The IASB adapted the provisions governing set-off of financial assets and liabilities and published changes on 16 December 2011 in the form of amendments to IAS 32 "Financial Instruments: Presentation" dealing with the set-off of financial assets and liabilities. The presentation requirements set down in IAS 32 were retained more or less in their entirety and were merely clarified by additional guidelines on application. This amendment was applied by the Group retrospectively and had no significant impact.

On 12 May 2011 the IASB published three new (IFRS 10, IFRS 11, IFRS 12) and two revised (IAS 27, IAS 28) standards governing consolidation, the accounting of interests in associated companies and joint ventures, and the related disclosures in the Notes:

IFRS 10 "Consolidated Financial Statements" replaces the regulations previously contained in IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special-purpose Entities". It defines the principle of control as the universal basis for establishing the existence of a parent-subsidiary relationship. The standard also contains additional guidelines demonstrating when control exists. In future, revised IAS 27 will contain only provisions on accounting requirements for interests in subsidiaries, associated companies and joint ventures disclosed in the parent company's individual financial statements. Aside from several minor changes, the wording of the previous standard was retained. Initial application of IFRS 10 had no impact for the Group on the consolidation of participating interests and structured entities held by the Group. For more detailed comments about the new control principle, cf. our remarks in the section "Consolidation", subsection "Consolidation principles".

IFRS 11 "Joint Arrangements" addresses the accounting requirements in cases where an entity shares management control over a joint venture or joint operation. The new standard replaces the pertinent regulations in IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". According to IFRS 11, proportionate consolidation of a joint venture is no longer admissible, i.e. an agreement under which the parties have rights to its net assets, and the equity method must be applied in future where an entity is classified as a joint venture. Initial application of IFRS 11 had no impact on the Group. The significant joint ventures included in the financial statements were already being consolidated using the equity method. There are no joint venture activities pursuant to which the Group has rights to assets attributable to an agreement and liabilities for their debts.

Revised IAS 28 "Investments in Associates and Joint Ventures" is being expanded to include rules governing accounting for interests in joint ventures. In future, the equity method must be applied as standard. This is consistent with how the Group has been treating such interests. Another amendment affects accounting procedures in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" if only part of an interest in an associated company/joint venture is held for sale. IFRS 5 must be applied only to the portion held for sale. Since there are currently no plans to sell portions of our interests in our associated companies/joint ventures, this new accounting rule had no impact as at the balance sheet date.

Disclosure requirements relating to the consolidation and accounting treatment of interests in associated companies and joint ventures are brought together in IFRS 12 "Disclosure of Interests in Other Entities". To some extent, duties of disclosure under the new standard for subsidiaries, associated companies, joint arrangements, unconsolidated structured entities, and all other participating interests extend far beyond what was previously the case, the aim being to provide users of financial statements with a clearer picture of the nature of the company's interests in other entities and the effects on assets, financial position and net income, including risks. These duties of disclosure are not to be applied to interim consolidated financial statements unless material events or transactions during the interim reporting period make disclosure necessary. Consequently, the Group has not made such disclosures.

In June 2012, the IASB published transitional provisions (amendments to IFRS 10, IFRS 11 and IFRS 12). The amendments clarify the transition guidance and also provide additional relief, limiting the requirement to provide comparative information. The effective date of the amendments is aligned with the effective date of IFRS 10, IFRS 11 and IFRS 12. In October 2012, the IASB announced further amendments to IFRS 10, IFRS 12 and IAS 27, which contain an exception to the full consolidation of controlled subsidiaries. These amendments provide that parent companies meeting the definition of an investment entity must measure their investments in subsidiaries at fair value through profit or loss. As a non-investment entity, Talanx AG is not affected by this exception, meaning that this amendment has no practical relevance for the consolidated financial statements.

STANDARDS, INTERPRETATION AND CHANGES TO PUBLISHED STANDARDS, APPLICATION OF WHICH WAS NOT YET MANDATORY IN 2014 AND WHICH WERE NOT APPLIED EARLY BY THE GROUP

On 30 January 2014, the IASB issued an interim standard, IFRS 14 "Regulatory Deferral Accounts". The published standard is intended merely as a transitional arrangement until final adoption of a comprehensive rule for the accounting of rate-regulated activities. IFRS 14 permits an entity that is a first-time adopter of IFRS to continue to use its previous GAAP accounting policies for its rate-regulated activities. Application of the rule, which has not yet been ratified by the EU, is voluntarily for financial years beginning on or after 1 January 2016. Since the Group is neither subject to rate regulation nor a first-time adopter of IFRS, the standard has no practical relevance for it.

On 12 December 2013 and as part of the IFRS annual improvement process, the IASB published the outstanding document from the 2010–2012 Cycle and the collection of amendments for the 2011–2013 Cycle. Subject to pending EU endorsement, these amendments are applicable to financial years beginning on or after 1 July 2014. The Group is currently examining the impact of these amendments.

On 21 November 2013, the IASB published "Defined Benefit Plans: Employee Contributions" (amendments to IAS 19 [revised in 2011]). This amendment clarified how companies should recognise contributions to defined benefit plans from employees or third parties. This amendment – whose application is mandatory for financial years beginning on or after 1 July 2014 – has not yet been ratified by the EU. This amendment has no practical relevance for the Group.

On 20 May 2013 the IASB published IFRIC 21 "Levies". This clarifies how and, in particular, when liabilities are to be recognised for levies, which are imposed by a government body and do not fall under the scope of a different standard. Application of the rule is mandatory for financial years beginning on or after 1 January 2014, although it has not yet been ratified by the EU. This provision has no practical relevance for the Group, since it merely involves a clarification that corresponds to our current accounting practice.

In November 2009, the IASB published a new standard on the classification and measurement of financial instruments. IFRS 9 "Financial Instruments" is the first step in a three-phase project intended to replace IAS 39. IFRS 9 introduces new provisions for classifying and measuring financial assets. In this context, financial assets must be classified into two measurement categories (at fair value or amortised cost). Crucial for this categorisation are the contractually agreed cash flows associated with the financial instrument, as well as the type of financial instrument management employed by the Group (business model). This standard was expanded in October 2010 to include rules governing the accounting of financial liabilities and derecognition of financial instruments, the latter having been imported 1:1 from IAS 39. Furthermore, the IASB published a draft amendment on IFRS 9 in November 2012, which provides for a third measurement model for financial assets. Under certain conditions, debt instruments can therefore be measured at fair value, recognising any changes in value under "Other comprehensive income". On 19 November 2013, the IASB finalised phase 3 as part of the revision of IFRS 9 and published the new section on the accounting treatment of hedging relationships (hedge accounting). According to the current schedule of the IASB, we expect publication of the definitive, complete IFRS 9 in the second quarter of 2014. In February 2014, the IASB decided that application of IFRS 9 is to be mandatory for financial years beginning on or after 1 January 2018. Neither IFRS 9 nor the consequential amendments mentioned have been ratified yet by the EU. The Group has still to analyse the full implications of IFRS 9, including the two additional phases (rules on recording impairments and on recognising hedging relationships). It is already becoming clear, however, that the revised rules will have an influence, inter alia, on the accounting treatment of financial assets within the Group.

II. ACCOUNTING POLICIES

CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ERRORS

In recognising the interest rate-driven portion of the change in the loss and loss adjustment expense reserve (loss provision), various Group companies exercised an option in different ways for certain contracts in the area of Life/Health Reinsurance. For instance, this item was sometimes recognised in the statement of income and sometimes in the statement of other comprehensive income. In accordance with the rules in IAS 8, we provided in the fourth quarter of 2013 for uniform Group recognition in the statement of income, and in accordance with IAS 8.41, we have made a corresponding adjustment to the comparable figures.

The effects of retroactive application on the consolidated statement of income and the consolidated statement of comprehensive income were as follows:

EFFECTS ON THE CONSOLIDATED STATEMENT OF INCOME FROM 1 JANUARY 2013 TO 31 MARCH 2013

FIGURES IN EUR MILLION

	As reported 1.1.–31.3.2013	Changes due to adjustments in accordance with IAS 8	1.1.–31.3.2013
6. Claims and claims expenses (gross)	4,988	–14	4,974
13. Taxes on income	125	4	129
Net income	341	10	351
thereof attributable to non-controllion g interests	138	5	143
thereof attributable to shareholders of Talanx AG	203	5	208

EFFECTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM 1 JANUARY 2013 TO 31 MARCH 2013

FIGURES IN EUR MILLION

	As reported 1.1.–31.3.2013	Changes due to adjustments in accordance with IAS 8	1.1.–31.3.2013
Net income	**341**	**10**	**351**
Other changes			
Gains (losses) recognised in other comprehensive income during the period	15	–14	1
Shifted to the consolidated statement of income	—	—	—
Tax income (expense)	–4	4	—
	11	**–10**	**1**
Total reclassifiable income (expenses) after taxes recognised in other comprehensive income during the period	**28**	**–10**	**18**
Income (expenses) after taxes recognised in other comprehensive income during the period	**14**	**–10**	**4**

The effect of these changes on earnings per share in the comparable period was as follows:

EFFECTS ON EARNINGS PER SHARE AS AT 31 MARCH 2013

FIGURES IN EUR

	As reported 1.1.–31.3.2013	Changes due to adjustments in accordance with IAS 8	31.3.2013
Basic earnings per share	0.80	0.02	0.82
Diluted earnings per share	0.80	0.02	0.82

CHANGES IN ESTIMATES DURING THE REPORTING PERIOD

With effect from the third quarter of 2013, the calculation logic for amortising inflation-indexed government bonds was modified in order to level out seasonal deviations in the underlying inflation indexes. This involves changing an accounting-related estimate that pursuant to IAS 8 is to be made prospectively in the reporting period without adjusting the comparable figures for previous years. If the parameters and procedures used until 30 June 2013 had been maintained, the amount of amortisation in the reporting period would have been lower by EUR 3 million. In future, amortisation amounts will not be different at the end of each year, since adjustment of the parameters merely constitutes a levelling during the year that has an effect only at the end of the respective quarter.

CURRENCY TRANSLATION

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

EXCHANGE RATES FOR OUR KEY FOREIGN CURRENCIES

1 EUR corresponds to		Balance sheet (balance sheet date)		Statement of income (average)	
		31.3.2014	31.12.2013	Q1 2014	Q1 2013
AUD	Australia	1.4943	1.5513	1.5347	1.2695
BRL	Brazil	3.1992	3.2095	3.2237	2.6340
CAD	Canada	1.5230	1.4751	1.5120	1.3285
CNY	China	8.5585	8.3445	8.3861	8.1902
GBP	United Kingdom	0.8285	0.8357	0.8279	0.8463
MXN	Mexico	18.0204	17.9831	18.1241	16.7238
PLN	Poland	4.1755	4.1502	4.1865	4.1513
USD	USA	1.3792	1.3766	1.3721	1.3164
ZAR	South Africa	14.6370	14.4390	14.7868	11.7136

III. SEGMENT REPORTING

IDENTIFICATION OF REPORTABLE SEGMENTS

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

Since they are managed according to customer groups and geographical regions (domestic versus international) – and therefore span various lines of business – insurance activities in the primary sector are organised into three reportable segments: "Industrial Lines," "Retail Germany" and "Retail International". This segmentation also corresponds to the responsibilities of the members of the Board of Management.

Reinsurance business is handled solely by the Hannover Re Group and is divided into the two segments Non-Life Reinsurance and Life/Health Reinsurance in accordance with that group's internal reporting system. In a departure from the segmentation used in the consolidated financial statements of Hannover Rück SE, however, we allocate that group's holding functions to its Non-Life Reinsurance segment. By contrast, cross-segment loans within the Hannover Re Group are allocated to the two reinsurance segments in the consolidated financial statements of the Talanx Group (in the consolidated financial statements of Hannover Rück SE, these loans are shown in the consolidation column). Deviations between the segment results for reinsurance business as presented in the consolidated financial statements of Talanx AG and those reported in the financial statements of Hannover Rück SE are thus unavoidable.

The major products and services from which these reportable segments generate income are set out below.

Industrial Lines: In the Industrial Lines segment we report worldwide industrial business as an independent segment. The scope of business operations encompasses a wide selection of insurance products, such as liability, motor, accident, fire, property, legal protection, marine, financial lines and engineering insurance for large and mid-sized enterprises in Germany and abroad. In addition, reinsurance is provided in various classes of insurance.

Retail Germany: Insurance activities serving German retail and commercial customers that span the various lines of business, including bancassurance business transacted Germany-wide – i. e. insurance products sold over the counter at banks – are managed in this reportable segment. In the area of life insurance, this segment provides insurance services across the border in Austria too. The products range from property/casualty insurance through all segments of life insurance and occupational pension insurance to all-round solutions for small and medium-sized companies and freelancers. The Group employs a wide range of sales channels, including its own tied agents as well as sales through independent brokers and multiple agents, direct sales and bank cooperations.

Retail International: The scope of operations in this segment encompasses insurance business transacted across the various lines of insurance with retail and commercial customers, including bancassurance activities in foreign markets. The range of insurance products includes car insurance, property and casualty insurance, marine and fire insurance as well as many products in the field of life insurance. A large part of international business is transacted by brokers and agents. Additionally, many companies in this segment use post offices and banks as sales channels.

Non-life reinsurance[1]: The most important activities are property and liability business with retail, commercial and industrial customers (first and foremost in the US and German markets), marine and aviation business, credit/surety business, structured and facultative reinsurance and NatCat business.

Life/health reinsurance[1]: The segment comprises the international activities of the Hannover Re Group in all lines of life/health insurance. The Group also has speciality line products, such as Sharia-compliant reinsurance.

[1] For the difference in the segment result between the Talanx Group and the Hannover Re Group, cf. our remarks at the start of the section

Corporate Operations: In contrast to the five operating segments, the Corporate Operations segment encompasses management and other functional activities that support the business conducted by the Group, primarily relating to asset management and, in the primary insurance sector, the run-off and placement of portions of reinsurance cessions, including intra-group reinsurance as well as Group financing. Asset management for private and institutional investors outside the Group by Ampega Investment GmbH, Cologne, is also shown in this segment. This segment includes centralised service companies that provide specific billable services – such as IT, collection, personnel and accounting services – mainly to the Group's primary insurers based in Germany.

MEASUREMENT BASES FOR THE PERFORMANCE OF THE REPORTABLE SEGMENTS

All transactions between reportable segments are measured on the basis of standard market transfer prices that would also be applicable to transactions at arm's length. Cross-segment transactions within the Group are consolidated in the consolidation column, whereas income from dividend payments and profit/loss transfer agreements accruing to the Group holding company are eliminated in the respective segment. For reasons of consistency and comparability, we have adjusted the consolidated statement of income in line with the segment statement of income. The same applies to the consolidated balance sheet and the segment balance sheet.

Depending upon the nature and time frame of the commercial activities, various management metrics and performance indicators are used to assess the financial success of the reportable segments within the Group. However, the operating profit (EBIT) – determined from IFRS profit contributions – is used as a consistent measurement basis. Net profit or loss for the period before income taxes is highlighted as a means of capturing true operating profitability and for the sake of better comparability. In addition, the result is adjusted for interest charges incurred for borrowing (financing costs).

SEGMENT REPORTING. BALANCE SHEET AS AT 31 MARCH 2014

FIGURES IN EUR MILLION

Assets	Industrial Lines		Retail Germany		Retail International	
	31.3.2014	31.12.2013	31.3.2014	31.12.2013	31.3.2014	31.12.2013
A. Intangible assets						
a. Goodwill	153	153	403	403	531	533
b. Other intangible assets	15	16	966	1,000	223	235
	168	**169**	**1,369**	**1,403**	**754**	**768**
B. Investments						
a. Investment property	21	21	829	734	19	21
b. Investments in affiliated companies and participating interests	19	19	19	17	—	—
c. Investments in associated companies and joint ventures	124	124	34	35	—	—
d. Loans and receivables	1,948	2,029	25,994	26,466	749	672
e. Other financial instruments						
i. Held to maturity	33	32	114	116	365	353
ii. Available for sale	3,984	3,821	15,124	14,194	4,364	3,883
iii. At fair value through profit or loss	136	98	315	319	564	565
f. Other invested assets	635	524	1,034	549	449	528
Investments under own management	**6,900**	**6,668**	**43,463**	**42,430**	**6,510**	**6,022**
g. Investments under investment contracts	—	—	—	—	1,814	1,758
h. Funds withheld by ceding companies	22	23	25	25	—	—
Investments	**6,922**	**6,691**	**43,488**	**42,455**	**8,324**	**7,780**
C. Investments for the account and risk of holders of life insurance policies	—	—	7,799	7,616	689	709
D. Reinsurance recoverables on technical provisions	5,014	4,632	2,448	2,446	715	668
E. Accounts receivable on insurance business	1,746	1,200	390	364	801	820
F. Deferred acquisition costs	30	16	2,194	2,161	420	403
G. Cash	367	322	211	398	411	427
H. Deferred tax assets	131	61	100	95	81	99
I. Other assets	451	423	980	794	433	409
J. Non-current assets and assets of disposal groups classified as held for sale[1]	—	—	—	4	225	233
Total assets	**14,829**	**13,514**	**58,979**	**57,736**	**12,853**	**12,316**

[1] Cf. our remarks in the section "Non-current assets held for sale and disposal groups" of the Notes

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
31.3.2014	31.12.2013	31.3.2014	31.12.2013	31.3.2014	31.12.2013	31.3.2014	31.12.2013	31.3.2014	31.12.2013
16	16	—	—	—	—	—	—	1,103	1,105
22	22	95	94	83	79	—	—	1,404	1,446
38	**38**	**95**	**94**	**83**	**79**	**—**	**—**	**2,507**	**2,551**
841	845	2	2	—	—	—	—	1,712	1,623
65	32	—	—	23	24	—	—	126	92
127	126	19	19	14	13	−68	−70	250	247
2,920	3,137	70	72	11	11	−157	−156	31,535	32,231
2,183	2,469	196	198	5	6	−186	−190	2,710	2,984
17,055	16,918	5,959	5,768	363	338	—	—	46,849	44,922
33	38	68	69	1	1	—	—	1,117	1,090
1,574	1,536	302	281	331	245	−555	−542	3,770	3,121
24,798	**25,101**	**6,616**	**6,409**	**748**	**638**	**−966**	**−958**	**88,069**	**86,310**
—	—	—	—	—	—	—	—	1,814	1,758
870	890	13,436	13,453	—	—	−1,447	−1,497	12,906	12,894
25,668	**25,991**	**20,052**	**19,862**	**748**	**638**	**−2,413**	**−2,455**	**102,789**	**100,962**
—	—	—	—	—	—	—	—	8,488	8,325
1,200	1,307	650	589	6	1	−2,930	−3,047	7,103	6,596
2,402	1,702	1,172	1,243	10	4	−264	−262	6,257	5,071
550	491	1,172	1,181	2	2	254	259	4,622	4,513
442	434	171	209	42	74	—	—	1,644	1,864
14	16	82	56	233	205	—	—	641	532
1,243	1,273	166	151	373	483	−1,162	−1,332	2,484	2,201
—	11	—	—	—	—	—	—	225	248
31,557	**31,263**	**23,560**	**23,385**	**1,497**	**1,486**	**−6,515**	**−6,837**	**136,760**	**132,863**

SEGMENT REPORTING. BALANCE SHEET AS AT 31 MARCH 2014

FIGURES IN EUR MILLION

Liabilities	Industrial Lines		Retail Germany		Retail International	
	31.3.2014	31.12.2013	31.3.2014	31.12.2013	31.3.2014	31.12.2013
B. Subordinated liabilities	143	144	212	213	2	2
C. Technical provisions						
a. Unearned premium reserve	1,767	936	1,346	888	1,661	1,591
b. Benefit reserve	1	1	37,037	36,795	2,815	2,554
c. Loss and loss adjustment expense reserve	8,421	8,442	2,672	2,701	2,184	2,142
d. Provision for premium refunds	8	8	2,570	2,071	138	99
e. Other technical provisions	25	34	6	8	8	8
	10,222	**9,421**	**43,631**	**42,463**	**6,806**	**6,394**
D. Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders	—	—	7,799	7,616	689	709
E. Other provisions						
a. Provisions for pensions and other post-employment benefits	542	502	106	92	15	14
b. Provisions for taxes	155	130	147	116	82	92
c. Sundry provisions	72	70	230	266	71	74
	769	**702**	**483**	**474**	**168**	**180**
F. Liabilities						
a. Notes payable and loans	—	—	—	—	—	—
b. Funds withheld under reinsurance treaties	30	27	1,944	1,951	184	184
c. Other liabilities	1,608	1,283	1,920	2,138	2,673	2,543
	1,638	**1,310**	**3,864**	**4,089**	**2,857**	**2,727**
G. Deferred tax liabilities	97	39	312	285	112	121
H. Liabilities of disposal groups classified as held for sale[1)]	—	—	—	—	227	235
Total liabilities/provisions	**12,869**	**11,616**	**56,301**	**55,140**	**10,861**	**10,368**

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
31.3.2014	31.12.2013	31.3.2014	31.12.2013	31.3.2014	31.12.2013	31.3.2014	31.12.2013	31.3.2014	31.12.2013
1,489	2,238	62	60	612	612	–163	–162	2,357	3,107
2,621	2,297	107	108	10	8	–123	–150	7,389	5,678
—	—	10,728	10,632	—	—	–214	–215	50,367	49,767
19,251	18,848	2,969	2,821	12	9	–1,170	–1,208	34,339	33,755
—	—	—	—	—	—	—	—	2,716	2,178
137	129	141	140	—	—	–1	—	316	319
22,009	**21,274**	**13,945**	**13,701**	**22**	**17**	**–1,508**	**–1,573**	**95,127**	**91,697**
—	—	—	—	—	—	—	—	8,488	8,325
100	90	31	27	1,059	971	—	—	1,853	1,696
179	218	34	4	155	151	—	—	752	711
85	90	41	45	147	145	—	–2	646	688
364	**398**	**106**	**76**	**1,361**	**1,267**	**—**	**–2**	**3,251**	**3,095**
263	227	231	213	1,167	1,217	–734	–715	927	942
400	440	5,634	5,778	—	—	–2,749	–2,845	5,443	5,535
919	953	1,381	1,495	140	112	–1,373	–1,555	7,268	6,969
1,582	**1,620**	**7,246**	**7,486**	**1,307**	**1,329**	**–4,856**	**–5,115**	**13,638**	**13,446**
1,104	1,005	281	271	1	—	26	28	1,933	1,749
—	—	—	—	—	—	–2	–2	225	233
26,548	**26,535**	**21,640**	**21,594**	**3,303**	**3,225**	**–6,503**	**–6,826**	**125,019**	**121,652**

	31.3.2014	31.12.2013
Shareholders' equity [2]	**11.741**	**11.211**
Total liabilities	**136.760**	**132.863**

[1] Cf. our remarks in the section "Non-current assets held for sale and disposal groups" of the Notes
[2] Group shareholders' equity, including non-controlling interests

SEGMENT REPORTING. STATEMENT OF INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2014

FIGURES IN EUR MILLION

	Industrial Lines		Retail Germany		Retail International	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013
1. Gross written premium, including premiums from unit-linked life and annuity insurance	1,764	1,735	2,027	2,113	1,164	1,056
thereof attributable to other segments	24	9	14	16	—	—
with third parties	1,740	1,726	2,013	2,097	1,164	1,056
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	195	219	24	39
3. Ceded written premium	904	776	99	99	116	118
4. Change in gross unearned premium	–832	–836	–458	–487	–77	–51
5. Change in ceded unearned premium	–379	–316	–12	–15	–36	–29
Net premium earned	**407**	**439**	**1,287**	**1,323**	**983**	**877**
6. Claims and claims expenses (gross)	628	444	1,504	1,379	796	637
Reinsurers' share	286	93	39	37	49	23
Claims and claims expenses (net)	**342**	**351**	**1,465**	**1,342**	**747**	**614**
7. Acquisition costs and administrative expenses (gross)	184	174	275	290	233	252
Reinsurers' share	108	90	30	28	17	21
Acquisition costs and administrative expenses (net)	**76**	**84**	**245**	**262**	**216**	**231**
8. Other technical income	13	4	11	2	5	5
Other technical expenses	–4	6	18	17	17	20
thereof attributable to amortisation PVFP	—	—	9	13	4	8
Other technical result	**17**	**–2**	**–7**	**–15**	**–12**	**–15**
Net technical result	**6**	**2**	**–430**	**–296**	**8**	**17**
9. a. Income from investments	86	67	545	431	88	87
b. Expenses for investments	14	13	39	38	14	15
Net income from investments under own management	**72**	**54**	**506**	**393**	**74**	**72**
Income/expense from investment contracts	—	—	—	—	—	2
Net interest income from funds withheld and contract deposits	—	1	–5	–6	—	—
Net investment income	**72**	**55**	**501**	**387**	**74**	**74**
thereof attributable to interest and similar income	50	53	388	392	82	78
attributable to interest and similar expenses	—	—	5	6	12	16
impairments/depreciation on investments	1	4	5	5	1	2
write-ups on investments	—	—	2	1	—	—
income/expense from associated companies and joint ventures recognised using the equity method	—	—	—	—	—	—
10. a. Other income	14	27	43	42	22	19
b. Other expenses	31	51	60	67	42	44
Other income/expenses	**–17**	**–24**	**–17**	**–25**	**–20**	**–25**
thereof attributable to interest and similar income	—	—	—	1	3	2
write-ups on accounts receivable and other assets	—	—	—	—	1	1
attributable to interest and similar expenses	4	4	2	1	1	—
write-downs on accounts receivable and other assets	8	10	—	2	8	15
Profit before goodwill impairments	**61**	**33**	**54**	**66**	**62**	**66**
11. Goodwill impairments	—	—	—	—	—	—
Operating profit/loss (EBIT)	**61**	**33**	**54**	**66**	**62**	**66**
12. Financing costs	2	3	3	3	1	1
13. Taxes on income	24	11	20	19	15	17
Net income	**35**	**19**	**31**	**44**	**46**	**48**
thereof attributable to non-controlling interests	—	—	2	1	7	10
thereof attributable to shareholders of Talanx AG	35	19	29	43	39	38

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

	Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013[1]	Q1 2014	Q1 2013	Q1 2014	Q1 2013	Q1 2014	Q1 2013[1]
	2,108	2,198	1,517	1,560	15	11	–181	–215	8,414	8,458
	90	133	38	46	15	11	–181	–215	—	—
	2,018	2,065	1,479	1,514	—	—	—	—	8,414	8,458
	—	—	—	—	—	—	—	—	219	258
	186	225	236	156	8	5	–180	–216	1,369	1,163
	–324	–324	—	–14	–2	–7	–26	23	–1,719	–1,696
	–34	–43	—	1	–6	–2	–25	30	–492	–374
	1,632	**1,692**	**1,281**	**1,389**	**11**	**1**	**–2**	**–6**	**5,599**	**5,715**
	1,177	1,238	1,331	1,339	6	2	–59	–65	5,383	4,974
	61	80	218	163	–1	—	–55	–69	597	327
	1,116	**1,158**	**1,113**	**1,176**	**7**	**2**	**–4**	**4**	**4,786**	**4,647**
	448	470	278	293	2	1	–46	–63	1,374	1,417
	21	35	24	14	—	—	–48	–49	152	139
	427	**435**	**254**	**279**	**2**	**1**	**2**	**–14**	**1,222**	**1,278**
	—	1	—	—	—	—	—	1	29	13
	3	2	1	2	—	—	—	5	35	52
	—	—	1	1	—	—	—	—	14	22
	–3	**–1**	**–1**	**–2**	**—**	**—**	**—**	**–4**	**–6**	**–39**
	86	**98**	**–87**	**–68**	**2**	**–2**	**—**	**—**	**–415**	**–249**
	242	224	75	76	3	19	–8	–23	1,031	881
	35	33	8	4	16	16	–21	–22	105	97
	207	**191**	**67**	**72**	**–13**	**3**	**13**	**–1**	**926**	**784**
	—	—	—	—	—	—	—	—	—	2
	4	4	85	90	—	—	—	—	84	89
	211	**195**	**152**	**162**	**–13**	**3**	**13**	**–1**	**1,010**	**875**
	168	172	180	176	1	3	–10	–25	859	849
	—	1	40	27	—	—	–2	–2	55	48
	5	3	—	—	—	—	—	—	12	14
	—	—	—	—	—	—	—	—	2	1
	3	1	—	—	1	—	—	—	4	1
	110	76	33	54	180	192	–174	–180	228	230
	121	103	34	47	176	179	–150	–165	314	326
	–11	**–27**	**–1**	**7**	**4**	**13**	**–24**	**–15**	**–86**	**–96**
	—	1	3	3	2	1	–1	–1	7	7
	4	4	—	—	—	—	—	—	5	5
	3	4	10	14	11	9	–4	–2	27	30
	7	6	2	2	1	—	—	—	26	35
	286	**266**	**64**	**101**	**–7**	**14**	**–11**	**–16**	**509**	**530**
	—	—	—	—	—	—	—	—	—	—
	286	**266**	**64**	**101**	**–7**	**14**	**–11**	**–16**	**509**	**530**
	28	31	1	1	20	32	–7	–21	48	50
	50	60	12	27	–3	–6	–1	1	117	129
	208	**175**	**51**	**73**	**–24**	**–12**	**–3**	**4**	**344**	**351**
	113	96	30	36	—	—	—	—	152	143
	95	79	21	37	–24	–12	–3	4	192	208

GEOGRAPHICAL BREAKDOWN OF INVESTMENTS, NON-CURRENT ASSETS AND WRITTEN PREMIUM

The tables were essentially condensed to the areas of primary insurance, reinsurance, and Corporate Operations.

INVESTMENTS (EXCLUDING FUNDS WITHHELD BY CEDING COMPANIES AND EXCLUDING INVESTMENTS UNDER INVESTMENT CONTRACTS) BY GEOGRAPHICAL ORIGIN [1)]

INVESTMENTS UNDER OWN MANAGEMENT BY GEOGRAPHICAL ORIGIN

FIGURES IN EUR MILLION

	Primary insurance	Reinsurance	Corporate Operations	Total
31.3.2014				
Germany	23,065	5,411	197	**28,673**
United Kingdom	3,171	2,429	88	**5,688**
Central and Eastern Europe (CEE), including Turkey	3,099	509	2	**3,610**
Rest of Europe	22,721	8,290	401	**31,412**
USA	1,572	8,539	4	**10,115**
Rest of North America	96	1,252	—	**1,348**
Latin America	1,006	919	1	**1,926**
Asia and Australia	1,580	3,395	3	**4,978**
Africa	16	303	—	**319**
Total	**56,326**	**31,047**	**696**	**88,069**
31.12.2013				
Germany	23,484	5,910	173	**29,567**
United Kingdom	3,062	2,348	53	**5,463**
Central and Eastern Europe (CEE), including Turkey	2,992	507	2	**3,501**
Rest of Europe	21,159	8,457	347	**29,963**
USA	1,315	8,353	4	**9,672**
Rest of North America	92	1,257	1	**1,350**
Latin America	931	884	2	**1,817**
Asia and Australia	1,524	3,135	4	**4,663**
Africa	14	300	—	**314**
Total	**54,573**	**31,151**	**586**	**86,310**

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

NON-CURRENT ASSETS BY GEOGRAPHICAL ORIGIN

Non-current assets are considered largely to consist of intangible assets (including goodwill) and own-use real estate/investment property.

NON-CURRENT ASSETS BY GEOGRAPHICAL ORIGIN

FIGURES IN EUR MILLION

	Primary insurance	Reinsurance	Corporate Operations	Total
31.3.2014				
Germany	3,329	618	82	**4,029**
United Kingdom	—	2	—	**2**
Central and Eastern Europe (CEE), including Turkey	—	—	—	**—**
Rest of Europe	392	86	—	**478**
USA	—	333	—	**333**
Rest of North America	—	—	—	**—**
Latin America	32	—	—	**32**
Asia and Australia	—	2	—	**2**
Africa	—	7	—	**7**
Total	**3,753**	**1,048**	**82**	**4,883**
31.12.2013				
Germany	3,279	616	79	3,974
United Kingdom	—	3	—	3
Central and Eastern Europe (CEE), including Turkey	—	—	—	—
Rest of Europe	408	87	—	495
USA	—	335	—	335
Rest of North America	—	—	—	—
Latin America	33	—	—	33
Asia and Australia	—	2	—	2
Africa	—	7	—	7
Total	3,720	1,050	79	4,849

GROSS WRITTEN PREMIUM BY GEOGRAPHICAL ORIGIN (BY DOMICILE OF CUSTOMER)[1)]

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

GROSS WRITTEN PREMIUM BY GEOGRAPHICAL ORIGIN

FIGURES IN EUR MILLION

	Primary insurance	Reinsurance	Corporate Operations	Total
Q1 2014				
Germany	2,963	365	—	**3,328**
United Kingdom	29	634	—	**663**
Central and Eastern Europe (CEE), including Turkey	550	66	—	**616**
Rest of Europe	882	534	—	**1,416**
USA	138	766	—	**904**
Rest of North America	7	148	—	**155**
Latin America	283	203	—	**486**
Asia and Australia	48	672	—	**720**
Africa	17	109	—	**126**
Total	**4,917**	**3,497**	**—**	**8,414**
Q1 2013				
Germany	3,099	315	—	**3,414**
United Kingdom	45	653	—	**698**
Central and Eastern Europe (CEE), including Turkey	587	69	—	**656**
Rest of Europe	714	590	—	**1,304**
USA	116	854	—	**970**
Rest of North America	1	151	—	**152**
Latin America	289	231	—	**520**
Asia and Australia	24	589	—	**613**
Africa	4	127	—	**131**
Total	**4,879**	**3,579**	**—**	**8,458**

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

GROSS WRITTEN PREMIUM BY TYPE AND CLASS OF INSURANCE AT GROUP LEVEL[1)]

GROSS WRITTEN PREMIUM BY TYPE AND CLASS OF INSURANCE

FIGURES IN EUR BILLION

	Q1 2014	Q1 2013
Property/casualty primary insurance	3,256	3,275
Life primary insurance	1,661	1,604
Non-Life Reinsurance	2,018	2,065
Life/Health Reinsurance	1,479	1,514
Total	**8,414**	**8,458**

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

IV. CONSOLIDATION

CONSOLIDATION PRINCIPLES

Effective 1 January 2014, as a result of IFRS 10, the Group changed the accounting method it uses to determine whether it exercises control over it investees, including special purpose entities, and thus must consolidate them.

IFRS 10 establishes a uniform principle of control that is applicable to all entities, including special purpose entities. The standard replaces the provisions of former IAS 27 and of SIC 12. Under IFRS 10, control over an investee exists where the Group has power over a Group entity based on voting or other rights, is exposed, or has rights, to variable returns from its involvement with the Group entity, and has the ability to affect those returns through its power. All of these aspects must be fulfilled.

The capital consolidation is compiled in accordance with the requirements of IFRS 10. Subsidiaries are all companies that are controlled by the Group. Subsidiaries are included in the consolidated financial statements (full consolidation) starting from the point when the Group acquired control over them. They are deconsolidated at the point when control ends.

In addition, cf. our remarks on consolidation principles in the section "Consolidation" in the 2013 Annual Report (page 183).

SCOPE OF CONSOLIDATION

As at the balance sheet date, 124 individual companies, 40 structured entities and four subgroups (three of which are foreign subgroups) – collectively as a group (including associated companies) – were included in full in the Talanx consolidated financial statements, along with 10 companies (nine associated companies and one joint venture) that were included at equity (exclusive of foreign subgroups).

The major changes in the scope of consolidation relative to year-end 2013, including significant relations with special purpose entities, are set out below.

Significant additions and disposals of fully consolidated subdiaries

Effective 24 March 2014, Funis GmbH & Co. KG ("Funis") repaid the callable preferred shares with voting rights that it held in Glencar Underwriting Managers, Inc., Chicago, USA ("Glencar"), thus relinquishing the voting majority in the company. As part of the transaction, it was agreed that a change was to be made to the composition of the board of directors of Glencar, since Hannover Rück SE no longer held a majority of the seats. Since Hannover Rück SE is thus no longer able to exercise control over Glencar, although it continues to be able to exercise significant influence over the company, Glencar was deconsolidated in the first quarter of 2014 and included in the consolidated financial statements under the equity method. Derecognition of assets and liabilities and the recognition of the participating interest at fair value resulted in income of EUR 3 million, which was recognised under "Other income/expenses". In addition, currency translation resulted in a charge against cumulative other comprehensive income in the amount of –EUR 0.1 million.

Other corporate changes

In August 2013, Hannover Rück SE and another investor agreed to acquire a financial participation in a company designed for the indirect acquisition of Heidelberger Lebensversicherung AG, Heidelberg. After the supervisory authority gave its approval, the sale closed on 31 March 2014.

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

CONSOLIDATED SUBSIDIARIES (FULLY CONSOLIDATED)

	Individual companies		Subgroups	
	Domestic	Foreign	Domestic/foreign[1]	Total
31.12.2013	68	55	4	127
Additions	—	2	—	2
Disposals	—	1	—	1
31.3.2014	**68**	**56**	**4**	**128**

[1] Including three foreign subgroups

CONSOLIDATION OF STRUCTURED ENTITIES

Under IFRS 10, business relations with structured entities have to be examined with respect to their consolidation requirement. A structured entity within the meaning of IFRS 12 is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Accordingly, the Group must examine whether it has control despite the absence of a voting majority. For instance, control exists where the Group can use its power over the structured entity – e. g. through contractual arrangements – to influence the amount of the entity's profitability. Normally, special purpose entities belonging to the Group constitute structured entities.

In the following, we make a distinction between special funds, investments, securitisation of reinsurance risks, assumed life and health reinsurance business, as well as retrocessions and insurance-linked securities (ILS).

INVESTMENT FUNDS

The scope of IFRS 10 includes, among other things, special investment funds that are chiefly created to serve a narrowly defined purpose. As at the balance sheet date, 38 special funds were included in the consolidated financial statements due to the existence of a control relationship or economic control with respect to the special investment fund. Of these, 25 were domestic funds.

Two funds in the Retail International segment were consolidated for the first time in the first quarter of 2014.

INVESTMENTS

As part of its asset management activities, the Group participates in numerous structured entities – predominantly funds – which for their part transact certain types of equity and debt-capital investments. On the basis of our analysis of the relations with these entities, we concluded that the Group does not exercise a controlling influence in any of these transactions and that a consolidation requirement therefore does not exist.

Hannover Rück SE participates through Leine Investment SICAV-SIF, a company with registered offices in Luxembourg that was formed in September 2012, in a number of special purpose entities for the securitisation of catastrophe risks by investing in catastrophe (CAT) bonds. Leine Investment General Partner S. à. r. l. is the managing partner of the asset management company Leine Investment SICAV-SIF, whose purpose consists of the development, holding and management of a portfolio of insurance-linked securities (CAT bonds), including for investors outside the Group. Since Hannover Rück SE does not exercise a controlling influence in any of these transactions either, there is no consolidation requirement for the structured entities in question.

SECURITISATION OF REINSURANCE RISKS

The securitisation of reinsurance risks is largely structured through the use of special purpose entities.

In 2012 Hannover Rück SE issued a CAT bond with the aim of transferring to the capital market peak natural catastrophe exposures deriving from European storm events. The term of the CAT bond, which has a volume of nominally EUR 100 million, runs until 31 March 2016 and was placed with institutional investors from Europe, North America, and Asia by Eurus III Ltd., a special purpose entity domiciled in Hamilton, Bermuda that was registered in August 2012 as a "Special Purpose Insurer" under the Bermuda Insurance Act 1978. The retrocessions concluded in connection with the transaction with Eurus III Ltd. afford Hannover Rück SE, E+S Rückversicherung AG and Hannover Re (Bermuda) Ltd. with protection against the aforementioned catastrophe risks. Since Hannover Rück SE does not exercise any controlling influence over Eurus III Ltd., there is no consolidation requirement for this special purpose entity.

Within the scope of its "K" transactions, Hannover Rück SE raised underwriting capacity for catastrophe risks on the capital market. "K-cession", which was placed with institutional investors from Europe, North America and Asia, involves a quota share cession on worldwide natural catastrophe business as well as aviation and marine risks. The volume of "K-cession" was equivalent to EUR 232 (239) million as at the balance sheet date. The transaction has an indefinite term and can be cancelled annually by the investors. Kaith Re Ltd., a structured entity domiciled in Bermuda, is being used for transformer purposes in relation to part of this transaction.

Hannover Rück SE also uses Kaith Re Ltd. for various retrocessions of its traditional covers to institutional investors. In accordance with IFRS 10, Kaith Re Ltd. is included in the consolidated financial statements.

Assumed Life/Health reinsurance business

Some transactions in the Life/Health Reinsurance segment require the involvement of cedant special purpose entities as contractual partners established by parties outside the Group and from whom companies of the Hannover Re Group assume certain technical and/or financial risks. The transactions serve to transfer extreme mortality risks above a contractually defined retention ratio or to transfer longevity risks. Since in its business relations with these structured entities, Hannover Rück SE is not able to influence their relevant activities and does not receive, nor is it able to affect, a majority of the variable returns, it does not exercise a controlling influence over the structured entities. As a result, Hannover Rück SE is not required to consolidate them. Depending on the classification of the contracts in accordance with IFRS 4 or IAS 39, the transactions are recognised either under reinsurance or as derivative financial instruments or financial guarantees.

With reinsurance contracts that serve to finance statutory reserves (so-called Triple-X or AXXX reserves), under which special purpose entities carry extreme mortality risks securitised by cedants above a contractually defined retention ratio, these risks are transferred by way of a fixed/floating swap to a Group company of the Hannover Re Group. The total of the contractually agreed capacities of the transactions is equivalent to EUR 1,370 (1,372) million, of which the equivalent of EUR 917 (892) million has been underwritten as at the balance sheet date. The variable payments to the special purpose entities guaranteed by the Hannover Re Group cover their payment obligations. For some of these transactions, payments resulting from swaps in the event of a claim are reimbursed by the cedants' parent companies by way of compensation agreements. In this case reimbursement claims under the compensation agreements are to be capitalised separately from and up to the amount of the provision. Under IAS 39 these transactions are to be recognised at fair value as a financial guarantee. To this end Hannover Rück SE uses the net method, according to which the present value of the agreed fixed swap premiums is netted with the present value of the guarantee commitment. The fair value on initial recognition therefore amounted to zero. The higher of the fair value and the amount carried as a provision on the liabilities side pursuant to IAS 37 is recognised at the point in time when utilisation is considered probable. This was not the case as at the balance sheet date.

Retrocessions and insurance-linked securities (ILS)

As part of its extended insurance-linked securities (ILS) activities, Hannover Rück SE has underwritten so-called collateralised fronting arrangements, under which risks assumed from ceding companies are passed on to institutional investors outside the Group using structured entities. The purpose of such transactions is to directly transfer clients' business. Due to the lack of a controlling influence over any of the structured entities involved, there is no consolidation requirement for Hannover Rück SE with respect to these transactions.

In the course of selling the operational companies of the subgroup Clarendon Insurance Group, Inc. (CIGI), Wilmington, to Enstar Group Ltd., Hamilton, Bermuda, a partial portfolio of CIGI was retroceded to a special purpose entity with effect from 12 July 2011. The term of the retrocession runs until final settlement of the underlying obligations. Since Hannover Rück SE is not able to exercise control over the special purpose entity by influencing its relevant activities or variable returns, there is no consolidation requirement for this special purpose entity.

Associated companies/joint ventures valued at equity

The Group's investments in financial assets recognised at equity consist of significant investments in associated companies and joint ventures.

Associated companies are those entities where the Group has significant influence over financial and business policies that is short of control or common management. As at the balance sheet date, four domestic and five foreign associated companies were consolidated at equity (the figures are exclusive of foreign subgroups).

Joint ventures are arrangements over which the Group exercises common management and has rights to the net assets of the arrangement. As was the case in the 2013 annual financial statements, Magma HDI General Insurance Company Limited, Kolkata, continues to be included at equity as a joint venture.

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

HDI SEGUROS S.A. DE C.V. (RETAIL INTERNATIONAL SEGMENT)

As part of the merger of HDI Seguros S.A. de C.V. and Metropolitana Compañía de Seguros, Mexico City, Mexico, the Group continues to report the sale of a life insurance portfolio, including investments for covering liabilities, a situation unchanged since the comparable period. The purchase price amounts to EUR 2 million. In addition, in the first quarter of 2013, the company decided to sell a non-life insurance portfolio. For both transactions we expect the transfer to take place in the second quarter of 2014.

The key carrying amounts of both disposal groups relate to investments, including accounts receivable on insurance business, totalling EUR 17 (17) million, as well as technical provisions and other liabilities amounting to EUR 19 (19) million. As at the balance sheet date, no cumulative income/expenses were contained in "Other comprehensive income". No impairments were recognised from measurement at fair value less costs to sell.

The transactions are part of the corporate focusing strategy and will lead to cost optimisation in the area of IT and personnel expenses.

ASPECTA ASSURANCE INTERNATIONAL LUXEMBOURG S.A. (RETAIL INTERNATIONAL SEGMENT)

In the third quarter of 2013, ASPECTA Assurance International Luxemburg S.A., Luxembourg, decided to sell a partial portfolio of its unit-linked life insurance business in connection with portfolio optimisation. The transaction has a purchase price at the lower end of seven figures. The agreement was signed on 23 April 214, and we expect the transfer to take place during 2014. The disposal group contains assets of EUR 208 (216) million (including investments for the account and risk of holders of life insurance policies amounting to EUR 207 [212] million and cash of EUR 1 [4] million) and liabilities of EUR 206 (214) million (including technical provisions in the area of life insurance, insofar as the investment risk is borne by policyholders, amounting to EUR 206 [212] million). As at the balance sheet date, no cumulative income/expenses were contained in "Other comprehensive income". No impairments were recognised from measurement at fair value less costs to sell.

REAL ESTATE

As at the balance sheet date, we are not classifying any material real estate portfolios as held for sale. In the first quarter of 2014, we disposed of all real estate classified as at 31 December 2013 as held for sale (EUR 15 million).

VI. NOTES TO INDIVIDUAL ITEMS OF THE CONSOLIDATED BALANCE SHEET

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

(1) INTANGIBLE ASSETS

INTANGIBLE ASSETS

FIGURES IN EUR MILLION

	31.3.2014	31.12.2013
a. Goodwill	1,103	1,105
b. Other intangible assets	1,404	1,446
thereof attributable to		
Insurance-related intangible assets	1,143	1,182
Software	147	140
Other		
Acquired distribution networks and customer relationships	46	51
Other	35	40
Acquired brand names	33	33
Total	**2,507**	2,551

"Insurance-related intangible assets" (= PVFP) with respect to life primary insurance companies derived principally from the insurance portfolios of the former Gerling Group acquired in 2006 (EUR 674 million), the portfolios of the former BHW Lebensversicherung AG (formerly PBV Lebensversicherung, now PB Lebensversicherung AG) (EUR 230 million) acquired in 2007, and neue leben Lebensversicherung AG (EUR 44 million). In addition, EUR 85 million is attributable to Hannover Life Reassurance (Ireland) Ltd. (Life/Health Reinsurance segment). Business combinations in 2012 resulted in a PVFP of EUR 95 million for the Polish TU Europa Group and in a PVFP of EUR 11 million for the Polish life insurance company WARTA Life.

The PVFP is composed of a shareholders' portion – on which deferred taxes are established – and a policyholders' portion. It is capitalised in order to spread the charge to Group shareholders' equity under IFRS upon acquisition of an insurance portfolio equally across future periods in step with amortisation. Only amortisation of the shareholders' portion results in a charge to future earnings. The PVFP in favour of policyholders is recognised by life insurance companies that are obliged to enable their policyholders to participate in all results through establishment of a provision for deferred premium refunds.

PVFPs with respect to life primary insurance companies amounted to EUR 1,042 (1,077) million, of which EUR 551 (564) million was attributable to the shareholders' portion and EUR 491 (513) million to the policyholders' portion.

Amortisation of insurance-related intangible assets amounted to EUR 29 (Q1 2013: 38) million, of which EUR 17 (Q1 2013: 24) million was attributable to the shareholders' portion – of this, EUR 3 (Q1 2013: 3) million to investment contracts – and EUR 12 (Q1 2013: 14) million to the policyholders' portion. This amortisation relates mainly to the Retail Germany and Retail International segments. Amortisation of PVFP from investment contracts is recognised in the statement of income under "Profit on investment contracts" in "Net income from assets under own management". Amortisation of the shareholders' portion (less investment contracts) is recognised in the statement of income under "Other technical expenses".

(2) LOANS AND RECEIVABLES

LOANS AND RECEIVABLES

FIGURES IN EUR MILLION

	Amortised cost		Unrealised gains/losses		Fair value	
	31.3.2014	31.12.2013	31.3.2014	31.12.2013	31.3.2014	31.12.2013
Mortgage loans	808	849	94	88	902	937
Loans and prepayments on insurance policies	188	192	—	—	188	192
Loans and receivables due from governmental or quasi-governmental entities[1)]	9,662	9,691	1,038	860	10,700	10,551
Corporate securities	6,622	6,731	295	218	6,917	6,949
Covered bonds/asset-backed securities	14,223	14,737	2,031	1,608	16,254	16,345
Participation rights	32	31	5	5	37	36
Total	**31,535**	32,231	**3,463**	2,779	**34,998**	35,010

1) Loans and receivables due from governmental or quasi-governmental entities include securities of EUR 3,022 (3,060) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states

The item "Covered bonds/asset-backed securities" includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 14,202 (14,716) million, which corresponds to 99 (99)%.

(3) FINANCIAL ASSETS HELD TO MATURITY

FINANCIAL ASSETS HELD TO MATURITY

FIGURES IN EUR MILLION

	Amortised cost		Unrealised gains/losses		Fair value	
	31.3.2014	31.12.2013	31.3.2014	31.12.2013	31.3.2014	31.12.2013
Government debt securities of EU member states	554	556	25	26	579	582
US treasury notes	358	501	10	13	368	514
Other foreign government debt securities	75	69	—	—	75	69
Debt securities issued by quasi-governmental entities[1]	486	544	23	25	509	569
Corporate securities	350	343	10	10	360	353
Covered bonds/asset-backed securities	887	971	65	65	952	1,036
Total	**2,710**	2,984	**133**	139	**2,843**	3,123

[1] Debt securities issued by quasi-governmental entities include securities of EUR 114 (130) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states

The item "Covered bonds/asset-backed securities" includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 886 (969) million, which corresponds to 99 (99)%.

(4) FINANCIAL ASSETS AVAILABLE FOR SALE

FINANCIAL ASSETS AVAILABLE FOR SALE

FIGURES IN EUR MILLION

	Amortised cost		Unrealised gains/losses		Fair value	
	31.3.2014	31.12.2013	31.3.2014	31.12.2013	31.3.2014	31.12.2013
Fixed-income securities						
Government debt securities of EU member states	6,919	6,554	415	217	7,334	6,771
US treasury notes	2,070	1,750	6	–5	2,076	1,745
Other foreign government debt securities	1,704	1,682	–25	–30	1,679	1,652
Debt securities issued by quasi-governmental entities[1]	7,033	7,056	371	219	7,404	7,275
Corporate securities	17,624	16,923	631	361	18,255	17,284
Investment funds	639	699	36	38	675	737
Covered bonds/asset-backed securities	7,014	7,152	592	489	7,606	7,641
Participation rights	416	416	15	10	431	426
Total fixed-income securities	**43,419**	42,232	**2,041**	1,299	**45,460**	43,531
Variable-yield securities						
Equities	341	391	265	221	606	612
Investment funds	643	639	99	99	742	738
Participation rights	41	41	—	—	41	41
Total variable-yield securities	**1,025**	1,071	**364**	320	**1,389**	1,391
Total securities	**44,444**	43,303	**2,405**	1,619	**46,849**	44,922

[1] Debt securities issued by quasi-governmental entities include securities of EUR 2,600 (2,681) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states

The item "Covered bonds/asset-backed securities" includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 6,516 (6,541) million, which corresponds to 86 (86)%.

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

FIGURES IN EUR MILLION

	Fair value	
	31.3.2014	31.12.2013
Fixed-income securities		
Government debt securities of EU member states	24	31
Other foreign government debt securities	11	39
Debt securities issued by quasi-governmental entities[1]	30	34
Corporate securities	479	453
Investment funds	150	114
Covered bonds/asset-backed securities	24	24
Participation rights	64	82
Other	19	20
Total fixed-income securities	**801**	**797**
Investment funds (variable-yield securities)	48	52
Other variable-yield securities	68	35
Total financial assets classified at fair value through profit or loss	**917**	**884**
Fixed-income securities		
Government debt securities of EU member states	—	—
Other foreign government debt securities	—	1
Corporate securities	3	3
Other securities	—	—
Total fixed-income securities	**3**	**4**
Investment funds (variable-yield securities)	116	120
Derivatives	81	82
Total financial assets held for trading	**200**	**206**
Total	**1,117**	**1,090**

[1] Debt securities issued by quasi-governmental entities include securities of EUR 6 (7) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states

The item "Covered bonds/asset-backed securities" includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 10 (12) million, which corresponds to 42 (50)%.

(6) INFORMATION ABOUT FAIR VALUE AND FAIR VALUE HIERARCHY

FAIR VALUE HIERARCHY

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

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

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

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

BREAKDOWN OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

As at the balance sheet date, the share of level 1 financial instruments in the total portfolio of financial assets measured at fair value was 7 (7)%.

Altogether, 89 (89)% of financial instruments measured at fair value were allocated to level 2 as at the balance sheet date.

As at the balance sheet date, the Group allocated 4 (4)% of financial instruments measured at fair value to level 3.

FAIR VALUE HIERARCHY

FIGURES IN EUR MILLION

	Level 1	Level 2	Level 3 [1]	Book value 31.3.2014
Financial assets measured at fair value				
Financial assets available for sale				
Fixed-income securities	28	45,432	—	**45,460**
Variable-yield securities	782	68	539	**1,389**
Financial assets at fair value through profit or loss				
Financial assets classified at fair value through profit or loss	78	822	17	**917**
Financial assets held for trading	123	73	4	**200**
Other invested assets	2,380	64	1,323	**3,767**
Other assets, derivative financial instruments	—	176	—	**176**
Investment contracts				
Financial assets classified at fair value through profit or loss	312	331	100	**743**
Financial assets available for sale	—	34	—	**34**
Derivatives	—	55	10	**65**
Total financial assets measured at fair value	**3,703**	**47,055**	**1,993**	**52,751**
Financial liabilities measured at fair value				
Other liabilities (negative market values under derivative financial instruments)				
Negative market values under derivatives	1	63	113	**177**
Negative market values under hedging instruments	—	1	—	**1**
Other liabilities (investment contracts)				
Financial liabilities classified at fair value through profit or loss	398	326	100	**824**
Derivatives	—	55	10	**65**
Nominal values	**399**	**445**	**223**	**1,067**

[1] Categorisation in level 3 does not amount to a statement as to quality; no conclusions may be drawn as to the creditworthiness of the issuers

FAIR VALUE HIERARCHY

FIGURES IN EUR MILLION

	Level 1	Level 2	Level 3 [1]	Book value
				31.12.2013
Financial assets measured at fair value				
Financial assets available for sale				
Fixed-income securities	49	43,482	—	**43,531**
Variable-yield securities	801	67	523	**1,391**
Financial assets at fair value through profit or loss				
Financial assets classified at fair value through profit or loss	53	807	24	**884**
Financial assets held for trading	127	77	2	**206**
Other invested assets	1,782	72	1,265	**3,119**
Other assets, derivative financial instruments	—	86	—	**86**
Investment contracts				
Financial assets classified at fair value through profit or loss	295	268	89	**652**
Financial assets available for sale	—	32	—	**32**
Derivatives	—	59	10	**69**
Total financial assets measured at fair value	**3,107**	**44,950**	**1,913**	**49,970**
Financial liabilities measured at fair value				
Other liabilities (negative market values under derivative financial instruments)				
Negative market values under derivatives	—	67	117	**184**
Negative market values under hedging instruments	—	7	—	**7**
Other liabilities (investment contracts)				
Financial liabilities classified at fair value through profit or loss	414	263	89	**766**
Derivatives	—	60	10	**70**
Nominal values	**414**	**397**	**216**	**1,027**

[1] Categorisation in level 3 does not amount to a statement as to quality; no conclusions may be drawn as to the creditworthiness of the issuers

In the reporting period just ended, securities with a fair value of EUR 26 million that had been classified as level 1 financial assets in the previous year were instead allocated to level 2. The reclassifications were required primarily as a consequence of the reduced liquidity of the instruments. All reclassifications affect fixed-income securities allocated to the category "Financial assets available for sale". Each of the indicated reclassification amounts relates to the recognised carrying amount of the investment at the start of the period.

ANALYSIS OF FINANCIAL INSTRUMENTS FOR WHICH SIGNIFICANT INPUTS ARE NOT BASED ON OBSERVABLE MARKET DATA (LEVEL 3)

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

RECONCILIATION OF FINANCIAL INSTRUMENTS[1] (FINANCIAL ASSETS) INCLUDED IN LEVEL 3 AT THE BEGINNING OF THE REPORTING PERIOD WITH THE VALUES AS AT 31 MARCH

FIGURES IN EUR MILLION

	FI available for sale/ fixed-income securities	FI classified at fair value through profit or loss	FI held for trading	Other invested assets	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/ derivatives	**Total amount of financial assets measured at fair value**
2014							
Book value as at 1.1.2014	**523**	**24**	**2**	**1,265**	**89**	**10**	**1,913**
Change in scope of consolidation	—	—	—	—	—	—	**—**
Income and expenses							
recognised in the statement of income	–1	—	—	1	9	1	**10**
recognised in other comprehensive income	7	—	—	25	—	—	**32**
Transfers to level 3	3[2]	—	—	—	—	—	**3**
Transfers from level 3	—	—	—	—	—	—	**—**
Additions							
Purchases	19	—	2	63	7	2	**93**
Disposals							
Sales	12	1	—	30	4	3	**50**
Repayments	—	6	—	—	—	—	**6**
Exchange rate fluctuations	—	—	—	–1	–1	—	**–2**
Book value as at 31.3.2014	**539**	**17**	**4**	**1,323**	**100**	**10**	**1,993**
2013							
Book value as at 1.1.2013	369	31	3	1,179	114	18	1,714
Change in scope of consolidation	—	—	—	—	—	—	—
Income and expenses							
recognised in the statement of income	—	—	—	–2	42	4	44
recognised in other comprehensive income	2	—	—	3	–46	–7	–48
Transfers to level 3	30[2]	—	—	—	—	—	30
Transfers from level 3	—	—	—	—	—	—	—
Additions							
Purchases	41	5	—	37	10	1	94
Disposals							
Sales	2	8	—	35	6	1	52
Exchange rate fluctuations	3	1	—	20	–3	—	21
Book value as at 31.3.2013	443	29	3	1,202	111	15	1,803

[1] In the following, financial instruments are abbreviated as "FI"
[2] Measurement at net asset value and thus transfer to level 3

RECONCILIATION OF FINANCIAL INSTRUMENTS[1] (FINANCIAL LIABILITIES) INCLUDED IN LEVEL 3 AT THE BEGINNING OF THE REPORTING PERIOD WITH THE VALUES AS AT 31 MARCH

FIGURES IN EUR MILLION

	Other liabilities/ negative market values under derivatives	Investment contracts/ FI classified at fair value through profit or loss	Investment contracts/derivatives	Total amount of financial liabilities measured at fair value
2014				
Book value as at 1.1.2014	**117**	**89**	**10**	**216**
Income and expenses				
recognised in the statement of income	4	–9	–1	–6
recognised in other comprehensive income	—	—	—	—
Transfers to level 3	—	—	—	—
Transfers from level 3	—	—	—	—
Additions				
Purchases	—	7	2	9
Disposals				
Sales	—	4	3	7
Exchange rate fluctuations	—	–1	—	–1
Book value as at 31.3.2014	**113**	**100**	**10**	**223**
2013				
Book value as at 1.1.2013	**103**	**115**	**18**	**236**
Income and expenses				
recognised in the statement of income	—	–6	—	–6
recognised in other comprehensive income	—	—	—	—
Transfers to level 3	—	—	—	—
Transfers from level 3	—	—	—	—
Additions				
Purchases	—	1	1	2
Disposals				
Sales	1	8	4	13
Exchange rate fluctuations	2	–3	—	–1
Book value as at 31.3.2013	**104**	**111**	**15**	**230**

[1] In the following, financial instruments are abbreviated as "FI"

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

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

EFFECT ON RESULTS OF LEVEL 3 FINANCIAL INSTRUMENTS[1] (FINANCIAL ASSETS) MEASURED AT FAIR VALUE

FIGURES IN EUR MILLION

	FI available for sale/variable-yield securities	FI classified at fair value through profit or loss	FI held for trading	Other invested assets	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/derivatives	**Total amount of financial assets measured at fair value**
2014							
Gains and losses in the 2014 financial year until 31.3.2014							
Income from investments	—	1	1	2	16	3	**23**
Investment expenses	–1	–1	–1	–1	–7	–2	**–13**
thereof attributable to financial instruments included in the portfolio as at 31.3.2014							
Income from investments[2]	—	1	1	2	15	3	**22**
Investment expenses[3]	–1	–1	–1	–1	–7	–2	**–13**
2013							
Gains and losses in the 2013 financial year until 31.3.2013							
Income from investments	—	—	—	—	42	4	46
Investment expenses	—	—	—	–2	—	—	–2
thereof attributable to financial instruments included in the portfolio as at 31.3.2013							
Income from investments	—	—	—	—	42	4	46
Investment expenses	—	—	—	–2	—	—	–2

[1] In the following, financial instruments are abbreviated as "FI"
[2] Thereof EUR 22 (46) million attributable to unrealised gains
[3] Thereof –EUR 10 (–2) million attributable to unrealised losses

EFFECT ON RESULTS OF LEVEL 3 FINANCIAL INSTRUMENTS[1] (FINANCIAL LIABILITIES) MEASURED AT FAIR VALUE

FIGURES IN EUR MILLION

	Other liabilities/negative market values under derivatives	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/derivatives	**Total amount of financial liabilities measured at fair value**
2014				
Gains and losses in the 2014 financial year until 31.3.2014				
Income from investments	5	7	2	**14**
Investment expenses	—	–16	–3	**–19**
Financing costs	–1	—	—	**–1**
thereof attributable to financial instruments included in the portfolio as at 31.3.2014				
Income from investments[2]	5	7	2	**14**
Investment expenses[3]	—	–16	–3	**–19**
Financing costs[4]	–1	—	—	**–1**
2013				
Gains and losses in the 2013 financial year until 31.3.2013				
Income from investments	—	—	1	1
Investment expenses	—	–6	–1	–7
Financing costs	—	—	—	—
thereof attributable to financial instruments included in the portfolio as at 31.3.2013				
Income from investments	—	—	1	1
Investment expenses	—	–5	–1	–6
Financing costs	—	—	—	—

[1] In the following, financial instruments are abbreviated as "FI"
[2] Thereof EUR 13 (1) million attributable to unrealised gains
[3] Thereof –EUR 13 (–6) million attributable to unrealised losses
[4] Thereof –EUR 1 (0) million attributable to unrealised losses

MEASUREMENT PROCESS

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

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

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

The Group uses various measurement models for this purpose:

MEASUREMENT MODELS FOR DETERMINATION OF FAIR VALUE

Financial instrument	Pricing method	Parameter	Pricing model
Fixed-income securities			
Unlisted plain vanilla bonds	Theoretical price	Interest rate curve	Present value method
Unlisted structured bonds	Theoretical price	Interest rate curve, volatility surfaces, correlations	Hull-White, Black-Karasinski, Libor market model, etc.
ABS/MBS for which no market prices are available	Theoretical price	Prepayment speed, incurred losses, default probabilities, recovery rates	Present value method
CDOs/CLOs	Theoretical price	Prepayment speed, risk premiums, default rates, recovery rates, redemptions	Present value method
Equities and funds			
Unlisted equities	Theoretical price	Acquisition cost, cash flows, EBIT multiples, expert opinions, carrying amount where applicable	NAV method [1)]
Unlisted equity, real estate and annuity funds	Theoretical price	Audited NAV [1)]	NAV method [1)]
Other invested assets			
Private equity funds/ private equity real estate funds	Theoretical price	Audited NAV [1)]	NAV method [1)]
Derivative financial instruments			
Listed stock options	Listed price	—	—
Equity and index futures	Listed price	—	—
Interest rate and annuities futures	Listed price	—	—
Plain vanilla interest rate swaps	Theoretical price	Interest rate curve	Present value method
Currency forwards	Theoretical price	Interest rate curve, spot and forward rates	Interest parity model

[1)] NAV: net asset value

MEASUREMENT MODELS FOR DETERMINATION OF FAIR VALUE

Financial instrument	Pricing method	Parameter	Pricing model
OTC stock options, OTC stock index options	Theoretical price	Listing of the underlying share, implicit volatilities, money-market interest rate, dividend yield	Black-Scholes
FX options	Theoretical price	Spot rates, exchange rates, implicit volatilities	Garman/Kohlhagen
Interest rate futures (forward purchases)	Theoretical price	Interest rate curve	Present value method
Inflation swaps	Theoretical price	Inflation swap rates (Consumer Price Index), historical index fixings, interest rate curve	Present value method with seasonality adjustment
Swaptions	Theoretical price	Interest rate curve, implicit volatilities	Black76
Credit default swaps	Theoretical price	Interest rate curve, recovery rates	ISDA model
Insurance derivatives	Theoretical price	Market values of CAT bonds, interest rate curve	Present value method
Other			
Real estate	Theoretical value	Location, year of construction, rental space, type of use, term of leases, amount of rent	Expanded discounted cash flow method

1) NAV: net asset value

OTHER INFORMATION ABOUT THE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS

FIGURES IN EUR MILLION

	Fair value 31.12.2013	Measurement method	Unobservable inputs	Fluctuation (weighted average)
CDOs/CLOs[2]	9	Present value method	Prepayment speed, risk premiums, default rates, recovery rates, redemptions	n. a.[4]
Unlisted equity, real estate and bond funds[1]	528	NAV method[3]	n.a.	n. a.
Private equity funds/private equity real estate funds[1]	1,237	NAV method[3]	n.a.	n. a.
Written put options for minority interests[1]	49	Discounted NAV[3]	Risk-free interest	5,6 %
Unlisted bond funds[1]	5	NAV method[3]	n.a.	n. a.
Insurance derivatives[2]	168	Present value method	Market values of CAT bonds, interest rate curve	n. a.[4]
Investment contracts	220	—	—	—

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

If level 3 financial instruments are measured using models where the adoption of reasonable alternative inputs leads to a material change in fair value, IFRS 7 requires disclosure of the effects of these alternative assumptions. Of the level 3 financial assets with fair values of altogether EUR 2.2 (2.1) billion as at the balance sheet date, the Group generally measured financial assets with a volume of EUR 1.8 (1.8) billion using the net asset value method, whereby alternative inputs within the meaning of the standard cannot reasonably be established. In addition, assets under investment contracts in the amount of EUR 110 (99) million are offset by liabilities under investment contracts in the same amount. Since assets and liabilities completely offset each other and trend similarly in value, we have elected to dispense with a scenario analysis. Insurance derivatives in the amount of EUR 168 (130) million are recognised in level 3. The trend in the value of these derivatives depends on the risk trends in a subordinate group of primary insurance contracts with statutory reserve requirements. The use of alternative inputs and assumptions had no material effect on the consolidated financial statements. For the remaining level 3 financial assets with a volume of EUR 9 (14) million, the effects of alternative inputs and assumptions are immaterial.

(7) SHAREHOLDERS' EQUITY

COMMON SHARES

The share capital of Talanx AG remains unchanged at EUR 316 million and is divided into 252,797,634 registered no-par value shares. The share capital is fully paid up. With regard to the composition of shareholders' equity, cf. "Consolidated statement of changes in shareholders' equity".

CONDITIONAL CAPITAL

On 15 May 2012, the General Meeting resolved to conditionally increase share capital by up to EUR 78 million through the issuance of up to 62,400,000 new no-par value shares (conditional capital II). The conditional capital increase is designed to grant no-par value shares to bondholders, which, on the basis of the authorisation conferred on the Board of Management by virtue of a resolution adopted by the General Meeting on the same date, Talanx AG or a subordinate Group company will issue by 14 May 2017 in exchange for cash in satisfaction of the conditional conversion obligation. The amendment to the Talanx AG Articles of Association became effective upon its entry in the commercial register on 4 June 2012.

On 28 August 2012, the Extraordinary General Meeting resolved to conditionally increase share capital by up to EUR 26 million through the issuance of up to 20,800,000 new no-par value shares with a pro rata amount of share capital of EUR 1.25 each (conditional capital III). The conditional capital increase is designed to grant no-par value shares to holders of convertible bonds, warrant bonds, participating bonds with conversion or warrant rights and profit-sharing rights with conversion or warrant rights, as well as measures in connection with the employee share programme, which, on the basis of the aforementioned authorisation, Talanx AG or a subordinate Group company will issue by 27 August 2017 in exchange for cash in satisfaction of the conditional conversion obligation. The amendment to the Talanx AG Articles of Association became effective upon its entry in the commercial register on 5 September 2012.

AUTHORISED CAPITAL

On 29 September 2012, the Extraordinary General Meeting resolved to rescind the authorised capital under § 7 Para. 1 of the Talanx AG Articles of Association, as amended by the General Meeting on 21 November 2011, and to replace it with a new § 7 Para. 1, which authorises the Board of Management, subject to the approval of the Supervisory Board, to increase share capital by 28 September 2017 in one or more tranches, but up to a total amount of EUR 146 million, through the issuance of new registered no-par value shares in exchange for cash or contribution in kind. Subject to the approval of the Supervisory Board, shareholders may be precluded from exercising subscription rights for certain enumerated purposes connected with cash capital increases, provided the pro rata amount of share capital attributable to the new shares does not exceed 10% of share capital. Subject to the approval of the Supervisory Board, EUR 1 million of this may be used to issue employee shares. Subject to the approval of the Supervisory Board, the exercise of subscription rights may be precluded for contribution-in-kind capital increases if such exclusion is in the Company's predominant interest. The amendment became effective upon its entry in the commercial register on 1 October 2012. When the Greenshoe option was exercised on 8 October 2012, authorised capital was reduced to EUR 143 million in accordance with the Articles of Association. In the course of the employee share programme, authorised capital was reduced by EUR 0.2 million. After partial utilisation, authorised capital still amounts to EUR 142,307,260, of which EUR 785,060 is continuing to be used for employee shares.

NON-CONTROLLING INTERESTS

NON-CONTROLLING INTERESTS IN SHAREHOLDERS' EQUITY

FIGURES IN EUR MILLION

	31.3.2014	31.12.2013
Unrealised gains and losses from investments	512	380
Non-controlling interest in net income	152	520
Other shareholders' equity	3,539	3,097
Total	**4,203**	3,997

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

(8) SUBORDINATED LIABILITIES

COMPOSITION OF LONG-TERM SUBORDINATED DEBT

FIGURES IN EUR MILLION

	Nominal amount	Coupon	Maturity	Rating[4]	31.3.2014	31.12.2013
Hannover Finance (Luxembourg) S. A.	500	Fixed (5%), then floating rate	2005/no final maturity	(a+; A)	494	493
Hannover Finance (Luxembourg) S. A.	500	Fixed (5.75%), then floating rate	2010/2040	(a+; A)	498	498
Hannover Finance (Luxembourg) S. A.	750	Fixed (5.75%), then floating rate	2004/2024	(a+; A)	—	749
Hannover Finance (Luxembourg) S. A.	500	Fixed (5.0%), then floating rate	2012/2043	(a+; A)	497	497
HDI-Gerling Industrie Versicherung AG	142	Fixed (7%), then floating rate	2004/2024	(bbb+; A–)	143	144
HDI Lebensversicherung AG (formerly HDI-Gerling Lebensversicherung AG)[1]	110	Fixed (6.75%)	2005/no final maturity	(—; A–)	111	112
Talanx Finanz[2]	113	Fixed (4.5%)	2005/2025	(bbb; BBB)	112	112
Talanx Finanz	500	Fixed (8.37%), then floating rate	2012/2042	(bbb; BBB)	500	500
Open Life Towarzystwo Ubezpieczeń Życie S. A.[3]	2	Fixed (2.5%), plus WIBOR 3M	2013/2018	(—; —)	2	2
Total					**2,357**	**3,107**

[1] As at the balance sheet date, Group companies in addition held bonds with a nominal value of EUR 50 million (of these EUR 10 million are consolidated in the consolidated financial statements, with the remaining EUR 40 million being blocked)
[2] As at the balance sheet date, Group companies in addition held bonds with a nominal value of EUR 96 million (consolidated in the consolidated financial statement)
[3] Not included in the calculation of Group solvency
[4] (Debt rating A. M. Best; debt rating S&P)

The bonds issued by Hannover Finance (Luxembourg) S. A. on 26 February 2004 in the nominal amount of EUR 750 million were called in the entire nominal amount with effect on the first scheduled repayment date and repaid on 26 February 2014.

With respect to other features, cf. the published 2013 Annual Report, page 242.

(9) TECHNICAL PROVISIONS

TECHNICAL PROVISIONS

FIGURES IN EUR MILLION

	Gross	Re	Net	Gross	Re	Net
	31.3.2014			31.12.2013		
a. Unearned premium reserve	7,389	1,128	6,261	5,678	635	5,043
b. Benefit reserve	50,367	865	49,502	49,767	832	48,935
c. Loss and loss adjustment expense reserve	34,339	4,821	29,518	33,755	4,886	28,869
d. Provision for premium refunds	2,716	1	2,715	2,178	2	2,176
e. Other technical provisions	316	2	314	319	8	311
Total	**95,127**	**6,817**	**88,310**	**91,697**	**6,363**	**85,334**

Technical provisions where the investment risk is borne by policyholders amounted to EUR 8,488 (8,325) million. Of this amount, EUR 286 (233) million is attributable to reinsurers.

(10) NOTES PAYABLE AND LOANS

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

NOTES PAYABLE AND LOANS

FIGURES IN EUR MILLION

	31.3.2014	31.12.2013
Talanx AG bank liability	100	150
Talanx AG notes payable	565	565
Mortgage loan of Hannover Re Real Estate Holdings, Inc., Orlando	161	150
Mortgage loan of HR GLL Central Europe GmbH & Co. KG, Munich	101	77
Total	**927**	**942**

In 2011, and by way of an addendum in 2012, Talanx AG concluded agreements on two syndicated floating-rate lines of credit in a total nominal amount of EUR 1.2 billion, with a term of five years. One of these lines of credit obtained in 2011 (for EUR 500 million) was replaced in the first quarter of 2014 with a new line of credit, which likewise has a term of five years. The volume was increased to EUR 550 million. Accordingly, as at 31 March 2014, there are lines of credit having a nominal amount of EUR 1.25 billion. As at the balance sheet date, draw-downs amounted to EUR 100 million.

Interest expenses of EUR 4 (3) million resulting from these liabilities are recognised under the item "Financing costs".

NOTES PAYABLE

FIGURES IN EUR MILLION

	Nominal amount	Coupon	Maturity	Rating[1]	Issue	31.3.2014	31.12.2013
Talanx AG	750	Fixed (3,125%)	2013/2023	(—; A–)	These senior unsecured bonds have a fixed term and may be called only for extraordinary reasons	565	565
Total						**565**	**565**

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

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

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

(11) NET PREMIUM EARNED

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

NET PREMIUM EARNED

FIGURES IN EUR MILLION

	Industrial Lines	Retail Germany	Retail International	Non-life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Q1 2014[1)]							
Gross written premium, including premium from unit-linked life and annuity insurance	1,740	2,013	1,164	2,018	1,479	—	**8,414**
Savings elements of premium from unit-linked life and annuity insurance	—	196	23	—	—	—	**219**
Ceded written premium	823	61	72	184	222	7	**1,369**
Change in gross unearned premium	–820	–458	–78	–364	1	—	**–1,719**
Change in ceded unearned premium	–418	–14	–21	–34	—	–5	**–492**
Net premium earned	**515**	**1,312**	**1,012**	**1,504**	**1,258**	**–2**	**5,599**
Q1 2013[1)]							
Gross written premium, including premium from unit-linked life and annuity insurance	1,726	2,097	1,056	2,065	1,514	—	8,458
Savings elements of premium from unit-linked life and annuity insurance	—	219	39	—	—	—	258
Ceded written premium	653	56	86	222	142	4	1,163
Change in gross unearned premium	–836	–487	–51	–308	–14	—	–1,696
Change in ceded unearned premium	–289	–16	–25	–43	1	–2	–374
Net premium earned	**526**	**1,351**	**905**	**1,578**	**1,357**	**–2**	**5,715**

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

(12) NET INVESTMENT INCOME

NET INVESTMENT INCOME FOR THE REPORTING PERIOD

FIGURES IN EUR MILLION

	Industrial Lines	Retail Germany	Retail International	Non-life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Q1 2014[1]							
Income from real estate	1	17	1	20	—	—	**39**
Dividends[2]	1	1	—	3	—	2	**7**
Current interest income	48	385	66	161	56	1	**717**
Other income	1	—	—	1	2	—	**4**
Ordinary investment income	**51**	**403**	**67**	**185**	**58**	**3**	**767**
Appreciation	—	2	—	—	—	—	**2**
Realised gains on investments	30	130	14	50	8	—	**232**
Unrealised gains on investments	4	7	6	4	9	—	**30**
Investment income	**85**	**542**	**87**	**239**	**75**	**3**	**1,031**
Realised losses on investments	7	8	4	2	2	—	**23**
Unrealised losses on investments	3	1	5	5	1	—	**15**
Total	**10**	**9**	**9**	**7**	**3**	**—**	**38**
Impairments/depreciation on investment property							
scheduled	—	4	—	4	—	—	**8**
unscheduled	—	—	—	—	—	—	**—**
Impairments on equity securities	1	—	—	—	—	—	**1**
Impairments on fixed-income securities	—	—	—	—	—	—	**—**
Impairments on other investments	—	1	1	1	—	—	**3**
Expenses for the administration of investments	1	4	1	6	1	16	**29**
Other expenses	1	10	2	10	3	—	**26**
Other investment expenses/impairments	**3**	**19**	**4**	**21**	**4**	**16**	**67**
Investment expenses	**13**	**28**	**13**	**28**	**7**	**16**	**105**
Net income from assets under own management	**72**	**514**	**74**	**211**	**68**	**–13**	**926**
Profit on investment contracts	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Interest income from funds withheld and contract deposits	—	—	—	4	124	—	**128**
Interest expense from funds withheld and contract deposits	—	4	—	—	40	—	**44**
Net interest income from funds withheld and contract deposits	**—**	**–4**	**—**	**4**	**84**	**—**	**84**
Net investment income	**72**	**510**	**74**	**215**	**152**	**–13**	**1,010**

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

NET INVESTMENT INCOME FOR THE PRIOR REPORTING PERIOD

FIGURES IN EUR MILLION

	Industrial Lines	Retail Germany	Retail International	Non-life Reinsurance	Life/Health Reinsurance	Corporate Operations	**Total**
Q1 2013[1]							
Income from real estate	1	19	1	14	—	—	**35**
Dividends[2]	1	1	—	2	—	—	**4**
Current interest income	48	383	62	161	57	1	**712**
Other income	—	1	1	8	2	—	**12**
Ordinary investment income	**50**	**404**	**64**	**185**	**59**	**1**	**763**
Appreciation	—	1	—	—	—	—	**1**
Realised gains on investments	10	15	18	29	7	16	**95**
Unrealised gains on investments	2	3	5	4	8	—	**22**
Investment income	**62**	**423**	**87**	**218**	**74**	**17**	**881**
Realised losses on investments	4	11	2	4	—	—	**21**
Unrealised losses on investments	2	1	8	8	1	1	**21**
Total	**6**	**12**	**10**	**12**	**1**	**1**	**42**
Impairments/depreciation on investment property							
scheduled	—	3	—	3	—	—	**6**
unscheduled	—	—	—	—	—	—	**—**
Impairments on equity securities	—	—	2	—	—	—	**2**
Impairments on fixed-income securities	3	—	—	—	—	—	**3**
Impairments on other investments	1	2	—	—	—	—	**3**
Expenses for the administration of investments	1	4	1	3	—	15	**24**
Other expenses	—	7	1	8	1	—	**17**
Other investment expenses/impairments	**5**	**16**	**4**	**14**	**1**	**15**	**55**
Investment expenses	**11**	**28**	**14**	**26**	**2**	**16**	**97**
Net income from assets under own management	**51**	**395**	**73**	**192**	**72**	**1**	**784**
Profit on investment contracts	**—**	**—**	**2**	**—**	**—**	**—**	**2**
Interest income from funds withheld and contract deposits	1	—	—	5	115	—	**121**
Interest expense from funds withheld and contract deposits	—	4	—	1	27	—	**32**
Net interest income from funds withheld and contract deposits	**1**	**–4**	**—**	**4**	**88**	**—**	**89**
Net investment income	**52**	**391**	**75**	**196**	**160**	**1**	**875**

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

Of impairments totalling EUR 4 (8) million, EUR 1 (2) million was attributable to equity securities, EUR 2 (0) million to real estate funds and EUR 1 (3) million to private equity. On the other hand, there was slight appreciation of EUR 2 (1) million on investments that had been written down in previous periods.

For the credit risk associated with special life reinsurance contracts (ModCo), under which securities deposits are held by cedants on our behalf, we recognised a derivative (Life/Health Reinsurance segment) whose change in value in the reporting period gave rise to positive changes in fair value of EUR 2 (6) million, which were recognised as income. In 2010 we entered into inflation swaps (Non–Life Reinsurance segment) to hedge a portion of the inflation risks associated with our underwriting loss reserve, and in the year to date, this has given rise to negative changes in fair value of EUR 1 (–2) million, which were recognised as an expense. Pursuant to IAS 39, the changes in their market values are recognised as a derivative in the statement of income. From an economic standpoint, we expect that changes in these two balance sheet items will be neutral, meaning that any volatility that may be experienced in individual quarters will have no bearing on actual business performance.

Net income from the disposal of securities amounted to EUR 209 (74) million. This is principally attributable to the restructuring of fixed-income securities in connection with ongoing portfolio management.

(13) NET GAINS AND LOSSES ON INVESTMENTS BY ASSET TYPE

NET GAINS AND LOSSES ON INVESTMENTS BY ASSET TYPE

FIGURES IN EUR MILLION

	Q1 2014	Q1 2013
Investments in affiliated companies and participating interests	—	1
Loans and receivables	381	330
Financial assets held to maturity	29	33
Financial assets available for sale		
Fixed-income securities	473	362
Variable-yield securities	17	21
Financial assets at fair value through profit or loss		
Financial assets classified at fair value through profit or loss		
Fixed-income securities	21	16
Variable-yield securities	1	1
Financial assets held for trading		
Fixed-income securities	—	—
Variable-yield securities	1	2
Derivatives	3	1
Other invested assets, insofar as they are financial assets	13	9
Other[1]	42	49
Assets under own management	**981**	**825**
Investment contracts investments/liabilities[2]	—	2
Funds withheld by ceding companies/funds withheld under reinsurance treaties	84	89
Total	**1,065**	**916**

[1] For the purposes of reconciliation with the consolidated statement of income, the item “Other” combines the gains on investment property, associated companies, joint ventures and derivative financial instruments – insofar as the fair values are negative. Derivatives held for hedging purposes within the scope of hedge accounting are not included in the list if they do not relate to hedges in the area of investments

[2] Includes income and expenses from the administration of investment contracts, which net out at –EUR 1 million. Of income and expenses, EUR 24 million/–EUR 10 million is attributable to financial instruments at fair value through profit or loss (assets/liabilities), EUR 1 million to loans and receivables, and –EUR 11 million to other liabilities. In addition, amortisation of PVFP in the amount of –EUR 3 million is taken into consideration under expenses

Making allowance for “Expenses for assets under own management” in the amount of EUR 29 (24) million and for “Other expenses” in the amount of EUR 26 (17) million, “Net investment income” as at the balance sheet date amounted to EUR 1,010 (875) million.

(14) CLAIMS AND CLAIMS EXPENSES

CLAIMS AND CLAIMS EXPENSES

FIGURES IN EUR MILLION

Q1 2014[1]	Industrial Lines	Retail Germany	Retail International	Non-life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Gross							
Claims and claims expenses paid	645	978	457	715	1,117	—	**3,912**
Change in loss and loss adjustment expense reserve	–25	–27	56	437	117	—	**558**
Change in benefit reserve	—	287	283	—	87	—	**657**
Expenses for premium refunds	1	255	—	—	—	—	**256**
Total	**621**	**1,493**	**796**	**1,152**	**1,321**	**—**	**5,383**
Reinsurers' share							
Claims and claims expenses paid	225	36	21	205	143	—	**630**
Change in loss and loss adjustment expense reserve	32	–6	20	–146	28	–1	**–73**
Change in benefit reserve	—	4	–1	—	36	—	**39**
Expenses for premium refunds	—	—	1	—	—	—	**1**
Total	**257**	**34**	**41**	**59**	**207**	**–1**	**597**
Net							
Claims and claims expenses paid	420	942	436	510	974	—	**3,282**
Change in loss and loss adjustment expense reserve	–57	–21	36	583	89	1	**631**
Change in benefit reserve	—	283	284	—	51	—	**618**
Expenses for premium refunds	1	255	–1	—	—	—	**255**
Total	**364**	**1,459**	**755**	**1,093**	**1,114**	**1**	**4,786**

[1] Presentation after elimination of cross-segment transactions

CLAIMS AND CLAIMS EXPENSES

FIGURES IN EUR MILLION

	Industrial Lines	Retail Germany	Retail International	Non-life Reinsurance	Life/Health Reinsurance [2]	Corporate Operations	**Total**
Q1 2013 [1]							
Gross							
Claims and claims expenses paid	734	909	451	632	1,097	—	**3,823**
Change in loss and loss adjustment expense reserve	–299	–35	47	570	146	—	**429**
Change in benefit reserve	—	335	138	—	84	—	**557**
Expenses for premium refunds	6	158	1	—	—	—	**165**
Total	**441**	**1,367**	**637**	**1,202**	**1,327**	**—**	**4,974**
Reinsurers' share							
Claims and claims expenses paid	420	34	17	144	129	—	**744**
Change in loss and loss adjustment expense reserve	–369	5	–7	–64	22	—	**–413**
Change in benefit reserve	—	–7	–1	—	—	—	**–8**
Expenses for premium refunds	3	—	1	—	—	—	**4**
Total	**54**	**32**	**10**	**80**	**151**	**—**	**327**
Net							
Claims and claims expenses paid	314	875	434	488	968	—	**3,079**
Change in loss and loss adjustment expense reserve	70	–40	54	634	124	—	**842**
Change in benefit reserve	—	342	139	—	84	—	**565**
Expenses for premium refunds	3	158	—	—	—	—	**161**
Total	**387**	**1,335**	**627**	**1,122**	**1,176**	**—**	**4,647**

[1] Presentation after elimination of cross-segment transactions

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

(15) ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES

ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES

FIGURES IN EUR MILLION

	Industrial Lines	Retail Germany	Retail International	Non-life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Q1 2014[1]							
Gross							
Acquisition costs and reinsurance commissions	187	246	211	441	202	—	**1,287**
Changes in deferred acquisition costs and changes in reserves for commissions	–65	–47	–19	–62	12	—	**–181**
Total acquisition costs	**122**	**199**	**192**	**379**	**214**	**—**	**1,106**
Administrative expenses	**58**	**74**	**41**	**51**	**44**	**—**	**268**
Total acquisition costs and administrative expenses	**180**	**273**	**233**	**430**	**258**	**—**	**1,374**
Reinsurers' share							
Acquisition costs and reinsurance commissions	142	5	10	25	18	—	**200**
Changes in deferred acquisition costs and changes in reserves for commissions	–48	1	–1	–4	4	—	**–48**
Total acquisition costs	**94**	**6**	**9**	**21**	**22**	**—**	**152**
Net							
Acquisition costs and reinsurance commissions	45	241	201	416	184	—	**1,087**
Changes in deferred acquisition costs and changes in reserves for commissions	–17	–48	–18	–58	8	—	**–133**
Total acquisition costs	**28**	**193**	**183**	**358**	**192**	**—**	**954**
Administrative expenses	58	74	41	51	44	—	**268**
Total acquisition costs and administrative expenses	**86**	**267**	**224**	**409**	**236**	**—**	**1,222**

[1] Presentation after elimination of cross-segment transactions

ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES

FIGURES IN EUR MILLION

	Industrial Lines	Retail Germany	Retail International	Non-life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Q1 2013[1]							
Gross							
Acquisition costs and reinsurance commissions	180	266	227	432	216	—	**1,321**
Changes in deferred acquisition costs and changes in reserves for commissions	–64	–57	–20	–39	7	—	**–173**
Total acquisition costs	**116**	**209**	**207**	**393**	**223**	**—**	**1,148**
Administrative expenses	57	79	44	49	40	—	**269**
Total acquisition costs and administrative expenses	**173**	**288**	**251**	**442**	**263**	**—**	**1,417**
Reinsurers' share							
Acquisition costs and reinsurance commissions	89	5	15	39	11	—	**159**
Changes in deferred acquisition costs and changes in reserves for commissions	–14	–3	–1	–5	3	—	**–20**
Total acquisition costs	**75**	**2**	**14**	**34**	**14**	**—**	**139**
Net						**—**	
Acquisition costs and reinsurance commissions	91	261	212	393	205	—	**1,162**
Changes in deferred acquisition costs and changes in reserves for commissions	–50	–54	–19	–34	4	—	**–153**
Total acquisition costs	**41**	**207**	**193**	**359**	**209**	**—**	**1,009**
Administrative expenses	57	79	44	49	40	—	**269**
Total acquisition costs and administrative expenses	**98**	**286**	**237**	**408**	**249**	**—**	**1,278**

[1] Presentation after elimination of cross-segment transactions

(16) OTHER INCOME/EXPENSES

COMPOSITION OF OTHER INCOME/EXPENSES

FIGURES IN EUR MILLION

	Q1 2014	Q1 2013
Other income		
Foreign exchange gains	129	104
Income from services, rents and commissions	63	57
Reversals of impairments on receivables	5	5
Income from contracts recognised in accordance with the deposit accounting method	15	15
Income from the release of other non-technical provisions	1	1
Interest income	7	7
Miscellaneous income	8	41
Total	**228**	**230**
Other expenses		
Foreign exchange losses	120	93
Other interest expenses	27	30
Depreciation and impairments	26	35
Expenses for the company as a whole	67	64
Expenses for personnel	13	17
Expenses for services and commissions	33	27
Other taxes	9	8
Allocation for restructuring provisions	1	6
Miscellaneous expenses	18	46
Total	**314**	**326**
Other income/expenses	**–86**	**–96**

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

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

VIII. OTHER INFORMATION

STAFF

AVERAGE ANNUAL NUMBER OF STAFF EMPLOYED

	31.3.2014	31.12.2013
Industrial Lines	2,971	2,878
Retail Germany	5,034	5,092
Retail International	7,495	8,072
Reinsurance companies	2,431	2,376
Corporate Operations	2,843	2,792
Total excluding apprentices and student trainees	**20,774**	**21,210**
Apprentices and student trainees	530	509
Total	**21,304**	**21,719**

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

As at the balance sheet date, a total workforce of 19,704 (20,004) was employed by the Talanx Group. This figure refers to full-time equivalents (FTEs).

RELATED-PARTY DISCLOSURES

IAS 24 "Related Party Disclosures" defines related parties as e. g. parent companies and subsidiaries, subsidiaries of a common parent company, associated companies, legal entities under the influence of management and the management of the company itself.

Related entities within the Talanx Group consist of HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit (HDI V. a. G.), which directly holds the majority of the shares of Talanx AG, all subsidiaries that are not consolidated on the grounds of materiality, as well as associated companies and joint ventures. In addition, there are the provident funds that pay benefits in favour of employees of Talanx AG or one of its related entities after termination of their employment. Related individuals comprise members of the Board of Management and the Supervisory Board of Talanx AG and of HDI V. a. G.

Transactions between Talanx and its subsidiaries are eliminated on consolidation and hence not discussed in the Notes. In addition, HDI V. a. G. conducts primary insurance business in the form of co-insurance, with the lead insurance companies being HDI-Gerling Industrie Versicherung AG (HG-I), Hannover, and HDI Versicherung AG (HV), Hannover. Pursuant to the Articles of Association of HDI V. a. G., insurance business is split in the ratio 0.1% (HDI V. a. G.) to 99.9% (HG-I/HV).

In connection with operating activity, there is a contractual relationship between Ampega Investment GmbH, Cologne, and C-QUADRAT Investment AG, Vienna (an associated company measured at equity in the consolidated financial statements), for the outsourcing of the portfolio management of special investment funds. As at the balance sheet date, these transactions gave rise to expenses for services provided in connection with portfolio management in the amount of EUR 3 million. Furthermore, services provided for Group companies by the subsidiaries HDI-Gerling Sicherheitstechnik GmbH and HDI Direkt Service GmbH (both Hannover), which were not consolidated on grounds of materiality, generated income of EUR 3 million.

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

In addition, there are service contracts with a company in which a member of the Supervisory Board participates. During the reporting period, the company generated revenues under these contracts in the amount of EUR 0.2 million from Group companies.

OTHER INFORMATION ABOUT FINANCIAL ASSETS

As at the balance sheet date, the Group recognised securities that had been sold to third parties under an obligation to redeem at a fixed price (genuine repurchase agreements), since the material risks and opportunities associated with the financial assets remained within the Group. As at the balance sheet date, investments in the category "Financial assets available for sale" in the amount of EUR 130 million (carrying amount prior to transfer: EUR 130 million; fair value as at the balance sheet date corresponds to the carrying amount) were affected by these agreements. There are no restrictions on use of the transferred financial assets. The Group recognised the redemption obligation under "Other liabilities" in the amount of the payment received (EUR 130 million). The difference between the amount received for the transfer and that agreed to for retransfer is allocated in accordance with the effective interest rate method for the term of the repurchase agreement and is shown under "Net investment income".

During the reporting period, there were no changes in the classification of financial assets attributable to a change in the purpose or use of these assets.

In addition, as at the balance sheet date, the portfolio did not contain any other overdue, unadjusted securities, because overdue securities are written down immediately.

LAWSUITS

There were no significant court cases pending during the reporting period or as at the balance sheet date, with the exception of proceedings in connection with ordinary insurance and reinsurance business.

EARNINGS PER SHARE

Earnings per share are calculated by dividing the Group profit attributable to the shareholders of Talanx AG by the average number of shares outstanding. Dilutive effects, which have to be recognised separately when calculating earnings per share, were not present either as at the balance sheet date or in the previous year. In the future, earnings per share may be diluted as a result of the issuance of shares or subscription rights from conditional or authorised capital.

EARNINGS PER SHARE

	Q1 2014	Q1 2013[1]
Net income attributable to shareholders of Talanx AG for calculating earnings per share (figures in EUR million)	192	208
Weighted average number of ordinary shares outstanding (in units)	252,797,634	252,625,682
Basic earnings per share (figures in EUR)	0.76	0.82
Diluted earnings per share (figures in EUR)	0.76	0.82

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

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

As at the balance sheet date, the following contingent liabilities and other financial commitments derived from contracts and memberships that had been entered into, as well as from taxes:

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

FIGURES IN EUR MILLION

	31.3.2014	31.12.2013
Trust accounts in the United States (Master Trust Funds, Supplement Trust Funds and Single Trust Funds) as security for technical liabilities to US cedants [1]	3,272	3,335
Sureties in the form of letters of credit furnished by various financial institutions as security for technical liabilities	2,816	2,946
Guarantees for subordinated bonds issued: the guarantees cover the relevant bond volumes as well as interest due	2,112	2,862
Blocked custody accounts and other trust accounts as collateral in favour of reinsurers and cedants; generally outside the USA [1]	2,512	2,538
Outstanding capital commitments with respect to existing investment exposures: the commitments primarily involve private equity funds and venture capital firms in the form of partnerships	1,581	1,558
Commitments arising out of rental/lease agreements [2]	464	464
Funding commitments and contribution payments pursuant to §§124 et seq. Insurance Supervision Act (VAG) as a member of the Security Fund for Life Insurers	447	447
Collateral for liabilities to various financial institutions in connection with participating interests in real estate companies and real estate transactions	540	460
Commitments based on service agreements – primarily in connection with IT outsourcing contracts	165	165
Assets in blocked custody accounts as collateral for existing derivative transactions: We have received collateral with a fair value of EUR 12 (60) million for existing derivative transactions [3]	68	92
Other commitments	50	53
Total	**14,027**	**14,920**

[1] Securities held in the trust accounts are predominantly recognised as "Financial assets available for sale" in the portfolio of investments. The amount stated refers primarily to the fair value/carrying amount
[2] Fresh data is collected only at year-end
[3] The amount stated refers primarily to the fair value/carrying amount

The amounts stated in the table are nominal amounts.

As guarantor institutions for Gerling Versorgungskasse VVaG, various Group companies are liable pro rata for any deficits that may be incurred by Gerling Versorgungskasse.

Several Group companies are members of the association for the reinsurance of pharmaceutical risks, the association for the insurance of German nuclear reactors and the traffic accident pool Verkehrsopferhilfe e. V. In the event of one of the other pool members failing to meet its liabilities, an obligation exists to take over such other member's share within the framework of the quota participation.

Within the scope of its regular activities, our subsidiary Hannover Rück SE enters into contingent commitments. A number of reinsurance contracts between Group companies and external third parties contain letters of comfort, guarantees or novation agreements under which, if certain sets of circumstances occur, Hannover Rück SE will guarantee the liabilities of the relevant subsidiary or assume its rights and obligations under the contracts.

The application of tax regulations may be unresolved when the tax items are brought to account. In calculating tax refund claims and tax liabilities, we have adopted the application that we believe to be most probable. However, the revenue authorities may come to different views, which could give rise to additional tax liabilities in the future.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 23 April 2014, the stock of Talanx AG began to be listed on the Warsaw Stock Exchange. The listing in Warsaw did not involve any capital increase or new placement of shares.

By way of a purchase agreement dated 11 April 2014, the Group took over ABO Wind WP Mörsdorf Nord GmbH & Co. KG, Heidesheim. The acquisition will become effective upon entry in the commercial register (expected in the second quarter of 2014). This company operates a wind farm project. HDI Lebensversicherung AG, Cologne (Retail Germany segment) acquired 75% of the company's limited partner interests, and HG-I Alternative Investments Beteiligungs-GmbH & Co. KG (Industrial Lines segment), 25% of its limited partner interests. The new general partner will be Talanx Direct Infrastructure 1 GmbH, Cologne. The purchase price amounted to EUR 7 million, with the planned investment volume expected to total approximately EUR 40 million.

Drawn up and released for publication in Hannover, 6 May 2014.

Board of Management

Herbert K. Haas,
Chairman

Dr. Christian Hinsch,
Deputy Chairman

Torsten Leue

Dr. Immo Querner

Dr. Heinz-Peter Roß

Ulrich Wallin

Dr. Jan Martin Wicke

REVIEW REPORT BY THE INDEPENDENT AUDITORS

TO TALANX AKTIENGESELLSCHAFT, HANNOVER

We have reviewed the condensed interim consolidated financial statements – consisting of the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated cash flow statement, and select notes – and the interim Group Management Report of Talanx AG, Hannover, for the period from 1 January to 31 March 2014, which are the components of the quarterly financial report required under § 37x, Para. 3, of the German Securities Trading Act (WpHG). Preparation of both the condensed interim consolidated financial statements in accordance with the IFRS rules for interim financial reporting, in the form adopted for use in the EU, and the interim Group Management Report in accordance with the provisions of the WpHG applicable to interim group management reports is the responsibility of the company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and the interim Group Management Report based on our review.

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

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

Hannover, 9 May 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Husch	Stiede
Wirtschaftsprüfer	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

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

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FINANCIAL CALENDAR 2014/2015

26/27 June 2014
Capital Markets Day

14 August 2014
Interim Report as at 30 June 2014

13 November 2014
Interim Report as at 30 September 2014

23 March 2015
Results Press Conference 2014

7 May 2015
Annual General Meeting

11 May 2015
Interim Report as at 31 March 2015

12 August 2015
Interim Report as at 30 June 2015

12 November 2015
Interim Report as at 30 September 2015

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