Jan.-Sept.

Talanx Group Interim Report as at 30 September 2014

talanx.

Insurance. Investments.

THE TALANX GROUP AT A GLANCE

GROUP KEY FIGURES

	UNIT	6M 2014	Q3 2014	9M 2014	6M 2013	Q3 2013	9M 2013	+/– % 9M 2014/ 9M 2013
Gross written premium	IN EUR MILLION	**14,975**	**6,757**	**21,732**	14,966	6,414	21,380	**+2**
by regions								
Germany	IN %	35	28	33	36	30	34	–1 pt.
UK	IN %	9	10	9	9	11	9	— pt.
Central and Eastern Europe including Turkey (CEE)	IN %	8	9	8	9	8	9	–1 pt.
Rest of Europe	IN %	16	14	16	15	14	15	+1 pt.
USA	IN %	11	13	12	12	13	13	–1 pt.
Rest of North America	IN %	2	3	2	2	3	2	— pt.
Latin America	IN %	6	8	7	7	8	7	— pt.
Asia and Australia	IN %	11	12	11	8	11	9	+2 pt.
Africa	IN %	2	3	2	2	2	2	— pt.
Net premium earned	IN EUR MILLION	**11,308**	**5,823**	**17,131**	11,498	5,605	17,103	**—**
Underwriting result	IN EUR MILLION	**–775**	**–578**	**–1,353**	–716[5]	–512	–1,228[5]	**–10**
Net investment income	IN EUR MILLION	**1,948**	**1,048**	**2,996**	1,877	937	2,814	**+6**
Net return on investment[1]	IN %	**4.0**	**—**	**4.0**	4.0	—	4.0	**— pt.**
Operating profit (EBIT)	IN EUR MILLION	**1,005**	**439**	**1,444**	1,032[5]	344	1,376[5]	**+5**
Net income (after financing costs and taxes)	IN EUR MILLION	**657**	**311**	**968**	672[5]	231[5]	903[5]	**+7**
of which attributable to shareholders of Talanx AG	IN EUR MILLION	381	149	530	410[5]	118[5]	528	—
Return on equity[2][3]	IN %	**10.4**[5]	**7.7**	**9.4**	11.8[5]	7.0	10.0	**–0.6 pt.**
Earnings per share								
Basic earnings per share	IN EUR	1.51	0.59	2.10	1.62[5]	0.47[5]	2.09[5]	—
Diluted earnings per share	IN EUR	1.51	0.59	2.10	1.62[5]	0.47[5]	2.09[5]	—
Combined ratio in property/casualty primary insurance and non-life reinsurance[4]	IN %	**96.4**	**100.0**	**97.7**	96.1[5]	100.7[5]	97.6[5]	**+0.1 pt.**
Combined ratio of property/ casualty primary insurers	IN %	98.0	105.2	100.5	98.5[5]	105.5[5]	100.9[5]	–0.4 pt.
Combined ratio for non-life reinsurance	IN %	95.1	95.7	95.3	94.2	96.6	95.0	+0.3 pt.

	UNIT	30.9.2014	31.12.2013	+/– %
Policyholders' surplus	IN EUR MILLION	**15,223**	14,231[5]	**+7**
Equity attributable to shareholders of Talanx AG	IN EUR MILLION	7,937	7,127[5]	+11
Non-controlling interests	IN EUR MILLION	4,625	3,997	+16
Hybrid capital	IN EUR MILLION	2,661	3,107	–14
Assets under own management	IN EUR MILLION	**94,053**	86,310	**+9**
Total investments	IN EUR MILLION	**110,135**	100,962	**+9**
Total assets	IN EUR MILLION	**144,845**	132,793[5]	**+9**
Carrying amount per share at the end of the period	IN EUR	**31.40**	28.19[5]	**+11**
Share price at the end of the period	IN EUR	**26.35**	24.65	**+7**
Market capitalisation of Talanx AG at the end of the period	IN EUR MILLION	**6,661**	6,231	**+7**
Staff	FULL-TIME EQUIVALENTS	**19,763**	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 (30 September 2014 and 31 December 2013)
[2] Annualised net income excluding non-controlling interests relative to average shareholders' equity excluding non-controlling interests
[3] Annualised quarterly net income excluding non-controlling interests relative to average shareholders' equity excluding non-controlling interests as at the beginning and the end of the quarter
[4] Combined ratio adjusted for interest income on funds withheld and contract deposits, before elimination of intra-Group cross-segment transactions
[5] Adjusted on the basis of IAS 8, cf. "Accounting policies" section of the Notes

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BOARDS AND OFFICERS OF TALANX AG

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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

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Hamburg
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Member of the Board of Management
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Hannover Rück SE,
E+S Rückversicherung AG

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Gerald Herrmann*
Norderstedt
Trade union secretary
(until 8 May 2014)

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of Voith GmbH

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of Groz-Beckert KG

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

Christoph Meister*
Hannover
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(since 8 May 2014)

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Oberhausen
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Board of Management of E.ON AG

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Potsdam
Head of Legal Department,
ver.di National Administration
(since 8 May 2014)

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

Prof. Dr. Ulrike Wendeling-Schröder*
Berlin
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at Leibniz University Hannover
(until 8 May 2014)

BOARD OF MANAGEMENT

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Burgwedel

Dr. Christian Hinsch
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Burgwedel

Torsten Leue
Hannover

Dr. Thomas Noth
Hannover
(until 31 March 2014)

Dr. Immo Querner
Celle

Dr. Heinz-Peter Roß
Gräfelfing
(until 30 June 2014)

Ulrich Wallin
Hannover

Dr. Jan Wicke
Stuttgart
(since 1 May 2014)

** Staff representative*

INTERIM GROUP MANAGEMENT REPORT

MARKETS AND BUSINESS CLIMATE

OVERALL ECONOMIC DEVELOPMENT

Third quarter figures for the Eurozone are not yet available in full. In the second quarter of 2014 the economy in the Eurozone stagnated. GDP in Germany and in Italy fell by 0.2% in comparison with the previous quarter; the Ifo Index experienced a correction for the fifth consecutive month, closing September at 104.7 points. The economy in France also stagnated. However, the positive signals from countries that have implemented tough reform programmes are increasing. Spain's growth in the third quarter picked up by +0.5% in comparison with the previous quarter. In Portugal, the unemployment rate dropped to 14% in August 2014. Leading indicators in the Eurozone were disappointing, but hovered overall above the expansion threshold.

The United Kingdom recorded a further upturn in economic growth in the third quarter, with an increase of 0.7%. The US economy bounced back quickly after a weather-related slump in the first quarter; growth amounted to 3.5% in the third quarter (annualised) and the unemployment rate fell to a six-year low of 5.9% in September 2014. The recovery in the housing market continued. Economic worries in the emerging countries had a negative overall impact on the global upswing. Economic growth in China declined, amounting to 7.3% in the third quarter; economic data continued to deteriorate. The real estate market also stalled.

The major central banks maintained their expansionary monetary policies; the Federal Reserve still considers a very expansionary monetary policy necessary for a sustained recovery of the US labour market. It systematically continued to reduce its bond purchases by USD 10 billion per month, ending bond purchases as at the end of October 2014. In the Eurozone, the ECB unveiled a comprehensive package of measures in the summer of 2014. On the one hand it reduced its benchmark interest rate from 0.25% to 0.15% in June, while on the other it announced a EUR 400 billion targeted long-term refinancing operation for banks. In the second half of the year, the ECB unexpectedly reduced its refinancing rate again from 0.15% to 0.05% and announced that it would buy asset-backed securities (ABSs) and covered bonds. In the United Kingdom, the Bank of England could start raising interest rates earlier than expected by the market.

In the year to date, deflationary trends in the Eurozone strengthened and the annual inflation rate dropped to 0.3% in September, its lowest level since 2009. In the United Kingdom, the inflation rate decreased from 1.9% in June to 1.2% in September. The annual inflation rate in the USA also fell; while it was 2.1% in June, US consumer prices dropped to 1.7% in the third quarter.

CAPITAL MARKETS

Despite positive tendencies, the continued uncertain and above all extremely mixed economic climate in the Eurozone, a range of geopolitical risks, and the ECB's continuing expansionary monetary policy had a significant impact on activity in the Eurozone bond markets. The trend towards declining yields on German government bonds, which emerged in the first week of the financial year, continued with only minor corrections until the end of the reporting period. Along with turbulent developments in various emerging markets such as Argentina, Brazil, Turkey and India, the Russia-Ukraine crisis was the dominant geopolitical risk. Despite this, the credit markets were firm overall; negative effects on risk spreads were isolated and very short-lived.

The European financial markets experienced a turbulent third quarter overall. The performance of the peripheral states was negatively affected by concerns over the outcome of the Scottish referendum at the end of the quarter. The yields on German government bonds retreated further quarter-on-quarter and were slightly negative for durations of up to three years. Two-year bonds closed at –0.08%, while five-year government bonds fell to 0.15%. The yield for ten-year government bonds slumped to 0.91% in the period up to the end of the third quarter.

The primary market saw high levels of activity until July 2014, which significantly exceeded prior-year levels and continued in September. Demand for yields was uninterrupted, with longer-duration corporate bonds, issuers in the crossover/high-yield segment and subordinated bank issuances being particularly well represented. Covered bonds recorded average levels of new issuances. As in the previous year, net issuance volume was slightly negative in the first nine months.

In the third quarter, the less expansionary policy adopted by the Federal Reserve and weak economic data in the Eurozone and China had a negative effect on the stock markets. In addition, geopolitical risks (the Ukraine crisis, military action in Iraq and Syria) overshadowed the measures taken by the ECB. The DAX fell by 3.7% in the third quarter (full year: –0.8%), while the EUROSTOXX 50 closed 0.1% lower (full year: +3.8%). By contrast, in the USA, the S & P 500 rose by a further 0.6% in the third quarter (full year: +6.7%). The Nikkei in Japan benefited from the devaluation of the yen, rising by 6.7% (full year: –0.7%).

INSURANCE MARKETS

Sentiment in the German insurance industry deteriorated in the reporting period, and was below average from a longer-term perspective. This was primarily attributable to more negative assessments of the business outlook for the next six months. In contrast, the current business situation was thought to be slightly more favourable although it, too, was perceived more negatively compared with the previous quarter. The deterioration of the business climate was visible across all main business lines, even though a closer look at property and casualty insurance on the one hand and life insurance on the other clearly reveals that they are viewed differently.

In the German property and casualty insurance sector, business confidence deteriorated significantly in the third quarter compared with the all-time high achieved in the previous quarter, but remained above the long-term trend. While the current business situation was assessed just as positively as in the previous quarter, considerably lower expectations of business developments in the next six months were the driver behind the slump in sentiment. All business lines were affected by this with the exception of legal protection insurance. Sentiment in accident insurance and industrial/commercial lines of business was restrained, whereas in liability insurance, private property insurance and motor insurance, it was favourable in a long-term comparison.

Premium income growth in the composite business was expected, as was net growth across all other business lines overall. Particularly strong growth was anticipated in motor insurance, industrial/commercial lines of business and private property insurance. However, further rate adjustments in the next twelve months were only expected in relation to motor insurance.

Growth in claims expenses was moderate in the reporting period. A recovery in claims was expected for the full year compared with the previous year.

In the German life insurance sector, sentiment deteriorated in the reporting period after muted positive growth in both of the previous quarters. Against the background of ongoing low interest rates and the challenges presented by the German Life Insurance Reform Act (LVRG) that was signed into law in the third quarter, both the current comparative business situation and the outlook for the next six months were assessed more negatively. The most optimistic business climate, following a significant recovery, was thought to be in unit-linked life and annuity insurance and occupational disability insurance, while the least favourable was in endowment life insurance and term life insurance.

With regard to premium income, stable growth is expected for the full financial year in new business with regular premiums, while an increase is expected in single-premium business. Potential for growth in premium income was only observed in unit-linked life and annuity insurance, occupational disability insurance and, to a lesser extent, in term life insurance.

Competition on the international property/casualty reinsurance markets remained high. High excess capacity on the reinsurance market, an increasing number of investors from outside the industry and, in part, higher retentions by cedants led to pressure on prices and terms in some market segments.

After claims levels were below average in the first half of the year, expenses for major losses increased somewhat in the third quarter. Overall, major losses in 2014 have been relatively moderate to date.

The business climate in international life/health reinsurance was dominated by an increasingly competitive environment and persistently low interest rates. Promising business opportunities arose in the industrialised nations, where new regulatory requirements generated demand for reinsurance solutions to provide capital relief for insurers and optimise their solvency situation. Further potential was seen here and also in Asian countries with ageing populations and growing affluence; the demographic change here is generating growing demand for solutions to protect against risks associated with longevity.

BUSINESS DEVELOPMENT

PERFORMANCE OF THE GROUP

- Gross premium up slightly, due to Retail International in particular
- Healthy net investment income and EBIT offset underwriting result
- Major loss budget for the first nine months not fully utilised

GROUP KEY FIGURES

FIGURES IN EUR MILLION

	9M 2014	9M 2013[1]	+/– %
Gross written premium	21,732	21,380	+2
Net premium earned	17,131	17,103	—
Underwriting result	–1,353	–1,228	–10
Net investment income	2,996	2,814	+6
Operating profit (EBIT)	1,444	1,376	+5
Combined ratio (net, property and casualty only) in%[2]	97.7	97.6	+0.1 pt.

[1] Adjusted on the basis of IAS 8, cf. "Accounting policies" section in the Notes
[2] Including net interest income on funds withheld and contract deposits

MANAGEMENT METRICS

IN %

	9M 2014	9M 2013[1]	+/– %
Gross premium growth (adjusted for exchange rate effects)	3.1	9.7	–6.6 pt.
Group net income in EUR million	530	528	+0.4
Return on equity[2]	9.4	10.0	–0.6 pt.
Net return on investment[3]	4.0	4.0	—

[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 increased by 2% to EUR 21.7 (21.4) billion. Adjusted for exchange rate effects, gross premium growth amounted to 3.1%, slightly higher than the 2014 target of gross premium growth of 2% to 3% based on steady exchange rates. This growth was primarily generated in the Retail International Division, among other things due to single-premium business in Italy. The retention ratio fell slightly to 86.2 (86.6)%, while net premium earned was at the prior-year level, at EUR 17.1 (17.1) billion.

UNDERWRITING RESULT

The underwriting result fell by 10% to –EUR 1.4 (–1.2) billion, partly owing to the participation of policyholders in net investment income for life insurers in the Group. At EUR 501 (668) million, major losses in the Group were significantly down year-on-year overall, with considerable differences in growth in primary insurance and reinsurance. Total major man-made losses in the first nine months of the year were more than twice as high as the total number of losses from natural disasters. At 97.7 (97.6)%, the Group's combined ratio remained more or less stable year-on-year thanks to the improved loss ratio.

NET INVESTMENT INCOME

Net investment income amounted to EUR 3.0 billion, up 6% on the same period of the previous year (EUR 2.8 billion). This is due in particular to realised gains in the Industrial Lines and Retail Germany segments and higher extraordinary income in Non-Life Reinsurance. At 4.0%, the net return on investment in the first nine months was at exactly the same level as in the prior-year period. We have therefore so far achieved our goal for 2014, which was to exceed 3.4%.

OPERATING PROFIT AND GROUP NET INCOME

Operating profit (EBIT) increased by 5% to EUR 1,444 (1,376) million, thanks in particular to the good result in the Industrial Lines, Non-Life Reinsurance and Life/Health reinsurance segments. Group net income improved slightly to EUR 530 (528) million. The return on equity of 9.4 (10.0)% was slightly below the 10% forecast for full-year 2014. This was due in part to the increase in shareholders' equity caused by interest rates.

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 shaped by catastrophe losses (single losses and natural hazards)
- Net investment income influenced by positive effects from sale of investments

ESSENTIAL KEY FIGURES IN THE INDUSTRIAL LINES SEGMENT

FIGURES IN EUR MILLION

	9M 2014	9M 2013[1)]	+/– %
Gross written premium	3,213	3,128	+3
Net premium earned	1,401	1,345	+4
Underwriting result	–66	–93	+29
Net investment income	209	167	+25
Operating profit (EBIT)	125	50	+150

STEUERUNGSGRÖSSEN

IN %

	9M 2014	9M 2013[1)]	+/– %
Gross premium growth (adjusted for exchange rate effects)	3.8	10.9	–7.1 pt.
Retention	50.5	45.7	+4.8 pt.
Combined ratio (net)[2)]	104.7	106.9	–2.2 pt.
EBIT margin[3)]	8.9	3.7	+5.2 pt.
Return on equity[4)]	5.8	2.0	+3.8 pt.

1) Adjusted on the basis of IAS 8, cf. "Accounting policies" section in the Notes
2) Including net interest income on funds withheld and contract deposits
3) Operating profit (EBIT)/net premium earned
4) Annualised net income excluding non-controlling interests relative to average shareholders' equity excluding non-controlling interests

MARKET DEVELOPMENT

Competition is extremely fierce in industrial insurance in our core market of Germany. Despite this strong competition, HDI-Gerling Industrie Versicherung AG increased its premium volume both within and outside Germany in the first nine months of 2014. 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 Australia, the UK and Hong Kong.

PREMIUM VOLUME

The Industrial Lines segment's gross written premium amounted to EUR 3.2 (3.1) billion as at 30 September 2014, an increase of 3% (3.8% after adjustment for exchange rate effects). HDI-Gerling industrial insurance 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. Growth slowed slightly compared with the previous year.

The segment's retention ratio increased significantly to 50.5 (45.7)% in the first nine months of 2014 due to the higher premium retained at HDI-Gerling industrial insurance. Net premium earned in the segment also rose by 4% year-on-year to EUR 1,401 (1,345) million.

UNDERWRITING RESULT

The segment again recorded a negative net underwriting result, at –EUR 66 (–93) million. The net loss ratio, which was impacted in the previous year by the flooding in southern and eastern Germany and hail damage, declined to 81.3 (87.9)%. HDI-Gerling Industrie Versicherung AG accounted for –EUR 26 (–77) million of this figure, mainly due to catastrophe losses, various single losses and the severe weather conditions in early June. The net expense ratio was up on the prior year, at 23.4 (19.1)%. The prior-year figure had been positively influenced by the change in the accounting for reinsurance settlement. Despite this deterioration, the combined ratio for the Industrial Lines segment decreased to 104.7 (106.9)%.

NET INVESTMENT INCOME

Net investment income rose significantly by 25% to EUR 209 (167) million despite persistently low interest rates. HDI-Gerling industrial insurance increased its income substantially through 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. In addition, reversals of impairment losses on Greek bonds amounted to around EUR 7 million.

OPERATING PROFIT AND GROUP NET INCOME

The segment's operating profit (EBIT) grew to EUR 125 (50) million, owing to the above developments and in particular to the improved underwriting result and the increase in net investment income. Group net income – i.e. income attributable to shareholders of Talanx AG – grew to EUR 85 (28) million. The EBIT margin and return on equity in the segment also rose to 8.9 (3.7)% and 5.8 (2.0)% respectively, owing to the increase in operating profit.

RETAIL GERMANY

- Decline in premium income in life business
- Combined ratio on a level with the previous year despite lower run-off result
- Operating profit on a level with the previous year

ESSENTIAL KEY FIGURES IN THE RETAIL GERMANY SEGMENT

FIGURES IN EUR MILLION

	9M 2014	9M 2013	+/– %
Gross written premium	5,079	5,196	–2
Net premium earned	3,917	4,036	–3
Underwriting result	–1,264	–1,130	–12
Net investment income	1,430	1,319	+8
Operating profit (EBIT)	119	111	+7

MANAGEMENT METRICS

IN %

	9M 2014	9M 2013	+/– %
Gross premium growth	–2.3	2.8	–5.1 pt.
Combined ratio (net, property/casualty only)[1]	101.7	101.6	+0.1 pt.
EBIT margin[2]	3.0	2.8	+0.2 pt.
Return on equity[3]	3.6	3.2	+0.4 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

Economic growth is expected to increase by a moderate amount of up to 2%, driven by domestic demand and investments in construction, as well as consumer spending. The German life insurance market is forecast to see slight premium growth in 2014. New business with regular premiums expressed in terms of APE is at the lowest level since 2000 and is expected to decline further. In contrast, positive growth rates are expected in property/casualty insurance across all business lines.

PREMIUM VOLUME AND NEW BUSINESS

At EUR 5.1 (5.2) billion, gross written premium in the Retail Germany segment – including savings elements under unit-linked life insurance – was down 2% year-on-year.

Gross written premium in property/casualty insurance amounted to EUR 1.3 (1.3) billion, virtually unchanged as against the previous year. The profitability-related decline in motor insurance could not be fully offset by premium growth, in particular in liability and homeowners' insurance. The share of the segment accounted for by property/casualty insurers almost matched the prior-year figure, at 25.3 (25.4)%.

Gross written premium for our life insurers – including savings elements under unit-linked life insurance – fell slightly by 2% to EUR 3.8 (3.9) billion, owing to high portfolio disposals and a decline in new business due to market conditions. The division's retention ratio was unchanged as against the previous year, at 94.6 (94.6)%. Allowing for higher savings elements from unit-linked products and the change in unearned premiums, the segment's net premium earned declined by 3% to EUR 3.9 (4.0) billion. At EUR 313 (322) million, new business in life insurance products – measured in terms of the annual premium equivalent (APE), the international standard – was down on the prior-year figure in a difficult market environment.

UNDERWRITING RESULT

The underwriting result is dominated by life insurance companies and declined by 12% to –EUR 1.3 (–1.1) billion due to the compounding of technical provisions and the participation of our policyholders in net investment income, which was recognised as an expense. These expenses are offset by net investment income, which is recognised in the non-underwriting result.

The combined ratio (net) for property insurance remained almost unchanged as against the previous year, at 101.7 (101.6)%. HDI insurance saw a decline in loss expenditure for the financial year on the back of ongoing profitability measures and lower expenses from loss events in connection with natural disasters. This contrasted with a significantly lower run-off result, which led to a higher combined ratio overall.

NET INVESTMENT INCOME

Net investment income rose by 8% to EUR 1.4 (1.3) billion, of which 95 (94)% was attributable to the life insurance companies. Unrealised gains on investments were realised in order to finance the additional interest reserve and policyholder participation in the valuation reserves until the entry into force of the LVRG. This led to a corresponding increase in extraordinary investment income. Ordinary investment income remained unchanged, at EUR 1.2 billion.

OPERATING PROFIT AND GROUP NET INCOME

Operating profit was on a level with the previous year, at EUR 119 (111) million. Accordingly, the EBIT margin increased by 0.2 percentage points to 3.0%. After taking into account taxes on income and financing costs, Group net income attributable to shareholders of Talanx AG rose to EUR 72 (63) million; as a result, return on equity increased by 0.4 percentage points to 3.6%.

FURTHER KEY FIGURES

THE RETAIL GERMANY SEGMENT AT A GLANCE

FIGURES IN EUR MILLION

	9M 2014	9M 2013	+/– %
Gross written premium	**5,079**	5,196	**–2**
Property/casualty	1,286	1,319	–3
Life	3,793	3,877	–2
Net premium earned	**3,917**	4,036	**–3**
Property/casualty	1,059	1,074	–1
Life	2,858	2,962	–4
Underwriting result	**–1,264**	–1,130	**–12**
Property/casualty	–17	–17	—
Life	–1,247	–1,113	–12
Other	—	—	—
Net investment income	**1,430**	1,319	**+8**
Property/casualty	77	82	–6
Life	1,353	1,237	+9
Other	—	—	—
New business measured in annual premium equivalent (life)	**313**	322	**–3**
Single premiums	1,111	1,149	–3
Regular premiums	202	207	–2
New business by product in annual premium equivalent (life)	**313**	322	**–3**
Unit-linked life and annuity insurance	87	105	–17
Traditional life and annuity insurance	168	160	+5
Term life products	55	54	+2
Other life products	3	3	—

RETAIL INTERNATIONAL

- Premium growth of approximately 6% or 10% after adjustment for exchange rate effects
- EBIT growth of 4% despite slightly higher combined ratio
- Realised gains/losses have only minor impact on investments

ESSENTIAL KEY FIGURES IN THE RETAIL INTERNATIONAL SEGMENT

FIGURES IN EUR MILLION

	9M 2014	9M 2013	+/– %
Gross written premium	3,307	3,133	+6
Net premium earned	2,820	2,597	+9
Underwriting result	–6	23	–126
Net investment income	241	214	+13
Operating profit (EBIT)	164	157	+4

MANAGEMENT METRICS

IN %

	9M 2014	9M 2013	+/– %
Gross premium growth (adjusted for exchange rate effects)	10.0	46.3	–36.3 pt.
Combined ratio (net, property/ casualty only)[1]	96.5	95.8	+0.7 pt.
EBIT margin[2]	5.8	6.0	–0.2 pt.
Return on equity[3]	7.2	7.2	—

[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 6% year-on-year (10% after adjustment for exchange rate effects) to EUR 3.3 (3.1) billion. Gross premium growth (adjusted for exchange rate effects) declined year-on-year, as the premium volume for the first nine months of 2013 had included the Polish companies TUiR WARTA S. A. and TUnŻ WARTA S. A., which were acquired in the 2012 financial year, in full for the first time.

The Retail International Division is active in 14 countries, focusing on two strategic target regions and on two high-growth core markets within each of these. In Latin America, it is present in Brazil and Mexico, the two largest countries in terms of premium income. In Central and Eastern Europe, the division operates in Poland and Turkey, two of the three markets with the highest premium income.

Gross written premium in property insurance was EUR 2.1 billion. This corresponds to an increase of 2%. After adjustment for exchange rate effects, however, gross premium in property insurance increased by 8% owing to positive development of premium income, particularly in Brazil and Turkey. In contrast, life insurance business grew by 13% to EUR 1.2 billion, owing to higher premium income at the Italian company HDI Assicurazioni. Written premium in life insurance rose by 15% after adjustment 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 increased by 2% year-on-year to EUR 640 million, taking into account exchange rate effects. After adjustment for exchange rate effects, however, premium income rose by 13%, partly owing to a 5% increase in average premiums in comprehensive motor insurance business. At the same time, the company's motor policy portfolio grew year-on-year by 9% to a total of 1.6 million policies; this was largely due to a large number of new contracts being signed. The gross written premium of the Mexican company HDI Seguros rose by 2% year-on-year to EUR 133 million. After adjustment for exchange rate effects, premium growth amounted to 7%, mainly owing to growth in new business in motor and other property insurance (especially building insurance).

The Polish companies accounted for 34% of the division's total written premium, compared with 40% in the same period of the previous year, reflecting the decline in single-premium business in life insurance in particular. This was impacted in particular by the discontinuation of the tax break for endowment life insurance. Premium volume from property insurance at TUiR WARTA S. A. remained at EUR 621 (622) million mainly due to price competition in motor insurance, which saw written premiums in the Polish motor insurance market decline by 3.3% as at the end of the second quarter of 2014. Gross written premium at the life insurer TUnŻ WARTA S. A. amounted to EUR 196 (244) million. Premium income for the TU Europa Group from life and property insurance combined amounted to EUR 316 (390) million. The Talanx Group was the second-largest operator on the Polish insurance market at the end of the second quarter of 2014 in terms of premium income.

Gross written premium at the Turkish property company HDI Sigorta rose by 3% to EUR 142 million taking into account exchange rate effects; after adjustment for exchange rate effects, premium income rose by 22%. Written premium in other property insurance increased by 47% in local currency, while the number of contracts rose by 6%. Premium income in motor insurance grew by 4% in local currency.

The Italian company HDI Assicurazioni held its ground well in a competitive property insurance market that was in decline overall. Gross written premium in the property insurance business remained stable, with a 13% rise in the number of contracts in motor third-party liability insurance offsetting the 10% decline in average premiums. In addition, an adequate combined ratio of 96.7% was achieved. In contrast, life insurance premiums rose by 110% year-on-year, largely owing to higher single premiums.

UNDERWRITING RESULT

The combined ratio of the property insurance companies rose by 0.7 percentage points year-on-year to 96.5%. This development was primarily due to a rise of 1.9 percentage points in the gross acquisition cost ratio to 24.4% owing to the increase in the proportion of non-motor insurance, which generally involves higher commission for brokers, in line with the diversification strategy. The decline in the administrative expense ratio by 0.3 percentage points to 6.1% was unable to fully offset this effect. The loss ratio also fell, which was largely attributable to TU Europa and HDI Assicurazioni. By contrast, the low level of losses in motor insurance in Brazil in the corresponding prior-year period did not continue in the first nine months of the 2014 financial year as a result of price increases due to inflation.

The division's underwriting result totalled –EUR 6 million, compared with EUR 23 million in the same period of the previous year. This was mainly due to the EUR 18 million decline in the underwriting result reported by the life insurance business, although this effect was offset by the increase in net investment income.

NET INVESTMENT INCOME

Net investment income in the division amounted to EUR 241 million as at the end of the third quarter of 2014, a year-on-year rise of 13%. The division's ordinary investment income rose by 11% compared with the corresponding period of the previous year, owing in particular to larger investment portfolios. In total, lower interest rates in most of our markets saw the average yield on assets under own management fall by 0.2 percentage points compared with the first nine months of 2013, to 4.7%. Net investment income includes profit on investment contracts in the amount of EUR 7 (8) 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 164 million in the first three quarters of the 2014 financial year, a year-on-year increase of 4%. The positive effect on EBIT of extraordinary investment income weakened compared with the first half of 2014. The EBIT margin amounted to 5.8%, above the 5% target for 2014. Group net income after minority interests grew by 3% to EUR 96 (93) million. At 7.2%, annualised return on equity remained stable as against the previous year, meaning that our target for 2014 of over 6% was met in the first three quarters.

FURTHER KEY FIGURES

THE RETAIL INTERNATIONAL SEGMENT AT A GLANCE

FIGURES IN EUR MILLION

	9M 2014	9M 2013	+/– %
Gross written premium	**3,307**	3,133	**+6**
Property/casualty	2,144	2,103	+2
Life	1,163	1,030	+13
Net premium earned	**2,820**	2,597	**+9**
Property/casualty	1,757	1,755	—
Life	1,063	842	+26
Underwriting result	**–6**	23	**–126**
Property/casualty	63	74	–15
Life	–69	–51	–35
Other	—	—	—
Net investment income	**241**	214	**+13**
Property/casualty	139	122	+14
Life	102	92	+11
Other	—	—	—
New business measured in annual premium equivalent (life)	**148**	145	**+2**
Single premiums	993	828	+20
Regular premiums	49	62	–21
New business by product in annual premium equivalent (life)	**148**	145	**+2**
Unit-linked life and annuity insurance	8	22	–64
Traditional life and annuity insurance	37	39	–5
Term life products	53	61	–13
Other life products	50	23	+117

NON-LIFE REINSURANCE

- Ongoing tough competition in Non-Life Reinsurance
- Moderate volume of major losses in the first nine months
- Another good underwriting result

ESSENTIAL KEY FIGURES IN THE NON-LIFE REINSURANCE SEGMENT

FIGURES IN EUR MILLION

	9M 2014	9M 2013	+/– %
Gross written premium	6,060	5,956	+2
Net premium earned	5,104	5,093	—
Underwriting result	224	245	–9
Net investment income	666	600	+11
Operating profit (EBIT)	868	833	+4

MANAGEMENT METRICS

IN %

	9M 2014	9M 2013	+/– %
Gross premium growth (adjusted for exchange rate effects)	3.2	2.8	+0.4 pt.
Combined ratio (net)[1]	95.3	95.0	+0.3 pt.
EBIT margin[2]	17.0	16.3	+0.7 pt.
Return on equity for Non-Life and Life/Health Reinsurance[3]	15.4	15.2	+0.2 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

Non-Life Reinsurance continues to be dominated by strong competition. Demand for reinsurance is significantly outweighed by supply. This situation also impacted treaty renewals as at 1 July 2014. Traditionally, parts of the North American business, a large share of the agricultural risk business and business in Latin America come up for renewal on this date.

In the US property business, rates for claims-free programmes declined by between 5% and 10%. In contrast, increases of up to 30% for programmes subject to recent claims were achieved. Prices in the US property catastrophe business continued to experience strong pressure due in particular to the absence of major losses and the inflow of capital from alternative markets. However, there are isolated encouraging signs in individual segments and regions that this trend may have bottomed out. The US liability business saw significantly greater competition than during the renewals period at the beginning of the year. In light of our selective underwriting policy, we slightly reduced our premium volume for North America as at 1 July 2014.

We are satisfied overall with the results of treaty renewals in Latin America. Growth here remains high, although rates also declined slightly in the Central and Southern American markets. Parts of the agricultural risk business were also up for renewal. Here, too, there was an oversupply of reinsurance capacity. Nevertheless, we succeeded in maintaining our strong market position.

PREMIUM DEVELOPMENT

Premium volume in Non-Life Reinsurance remained stable overall, despite our selective underwriting policy. At EUR 6.1 billion, the gross premium was up slightly on the prior-year figure (EUR 6.0 billion). At constant exchange rates, an increase of 3.2% would have been recorded. The retention ratio was almost unchanged at 89.6 (89.1)%. Net premium earned was on a par with the previous year at EUR 5.1 billion; after adjustment for exchange rate effects, a gain of 1.5% would have been recorded.

UNDERWRITING RESULT

After burdens from major losses were below average in the first half of 2014, expenses for major losses rose somewhat in the third quarter. The aviation line was particularly hard hit. The crash of the Malaysia Airlines aircraft over Ukraine resulted in a net loss burden of EUR 32 million. The largest individual loss was caused by the armed conflict in Libya, which severely impacted Tripoli airport. We have set aside EUR 50 million for this loss. The net burden from large losses in the first nine months totalled EUR 242 (447) million, significantly below our budget for major losses for this period. At 95.3 (95.0)%, not only was the combined ratio positive, it was also well within our target of below 96%. The underwriting result as of 30 September 2014 was an encouraging EUR 224 (245) million.

NET INVESTMENT INCOME

Income from assets under own management for Non-Life Reinsurance rose to EUR 651 (589) million. At –EUR 4 million, normalised income from the change in fair value of inflation swaps, which amounted to –EUR 27 million in the prior-year period, contributed to this. Inflation swaps are used to hedge a portion of the inflation risks associated with the underwriting loss reserve.

OPERATING PROFT AND GROUP NET INCOME

The operating profit (EBIT) in the Non-Life Reinsurance segment as at 30 September 2014 was EUR 868 million, up 4% on the prior-year figure (EUR 833 million). At 17.0 (16.3)%, the EBIT margin clearly exceeded the target of at least 10%. Group net income rose by 10% to EUR 271 (247) million. Return on equity, which is shown for both reinsurance segments together, was 15.4 (15.2)%, slightly above the 2014 target of 15%.

LIFE/HEALTH REINSURANCE

- Positive profit trend sustained
- EBIT well above prior-year level
- First annuity treaty with regular premium payments in French market successfully completed

ESSENTIAL KEY FIGURES IN THE LIFE AND HEALTH REINSURANCE SEGMENT

FIGURES IN EUR MILLION

	9M 2014	9M 2013 [1]	+/– %
Gross written premium	4,644	4,582	+1
Net premium earned	3,861	4,024	–4
Underwriting result	–242	–273	+11
Net investment income	461	460	—
Operating profit (EBIT)	237	164	+45

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

MANAGEMENT METRICS

IN %

	9M 2014	9M 2013 [1]	+/– %
Gross premium growth (adjusted for exchange rate effects)	2.6	7.4	–4.8 pt.
EBIT margin [2] financial solutions/longevity	5.6	4.6	+1.0 pt.
EBIT margin [2] mortality/morbidity	6.3	2.8	+3.5 pt.
Return on equity for Non-Life and Life/Health Reinsurance [3]	15.4	15.2	+0.2 pt.

[1] Adjusted on the basis of IAS 8, cf. "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

The Life/Health Reinsurance business met our expectations in the course of the third quarter. In Germany, interest rates were still very low. This increased the pressure on life insurance companies to find long-term solutions to enable them to meet payment obligations from existing policies despite the low interest rates. In addition, new and for the most part stricter regulatory requirements around the world are a key issue in the international life insurance market.

In Australia, profitability improved year-on-year in the third quarter despite in some cases slightly negative effects from group business. The US business was dominated by opposing trends: although senior markets did not fully meet our expectations, the development of new business as a whole was extremely encouraging. Overall, our expectations were exceeded, although the mortality business also recorded slightly lower profitability in the third quarter.

We successfully completed the first annuity treaty with regular premium payments in France during the reporting period. The fact that the longevity market in Europe outside the United Kingdom is only in its infancy means that it is all the more encouraging that we were able to reinsure an annuity portfolio from a leading French life insurer with over 22,000 policyholders and underlying pension obligations of EUR 750 million. We are solely assuming the biometric risk under the reinsurance contract. In return, we will receive a premium of approximately EUR 47.5 million for 2014.

PREMIUM DEVELOPMENT

Gross premium income amounted to EUR 4.6 (4.6) billion as at 30 September 2014, an increase of 1% as against the previous year. Adjusted for exchange rate effects, it would have grown by 2.6%. The retention ratio declined year-on-year to 83.7 (88.5)%. Against this background, net premium earned decreased by 4% to EUR 3.9 (4.0) billion; after adjustment for exchange rate effects, the decline would have been 2.9%.

NET INVESTMENT INCOME

Net income from investments including interest on deposits was on a level with the prior-year period, at EUR 461 (460) million. The performance of the embedded ModCo derivatives declined from EUR 5 million to –EUR 2 million.

OPERATING PROFT AND GROUP NET INCOME

Operating profit (EBIT) in the Life/Health Reinsurance segment rose significantly by 45% to EUR 237 (164) million as at 30 September 2014, lifted by measures to improve profitability. As a result, the EBIT margin in the financial solutions and longevity areas was 5.6 (4.6)%, above the target of 2%. At 6.3 (2.8)%, the EBIT margin for our mortality and morbidity business exceeded the target of 6%. Group net income rose by 16% to EUR 86 (74) million. This increase was significantly lower than growth in EBIT due to lower tax expenditure in the prior-year period. Return on equity, which is shown for both reinsurance segments together, was 15.4 (15.2)%, slightly above the 2014 target of 15%.

CORPORATE OPERATIONS

- Gross written premium at Talanx Reinsurance (Ireland) Ltd. up 29% in the Corporate Operations segment
- Operating result in the Corporate Operations segment falls to –EUR 13 million owing to positive one-off effects in the previous year
- Talanx AG issues senior unsecured bond with a volume of EUR 500 million

In July 2014, Talanx AG successfully issued a senior unsecured bond with a volume of EUR 500 million. The bond was primarily placed with domestic and foreign institutional investors. It carries a fixed coupon of 2.50% and will mature on 23 July 2026. The bond issue enables long-term refinancing at attractive rates. It is envisaged that the cash inflow will be used to reduce credit lines and enable the early repayment of existing bonds.

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 43 (33) million in the first nine months 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 3 (2) million for this business in the Corporate Operations segment in the first nine months 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 2014, it once again managed to obtain the reinsurance capacity on the global market required for all of the Group cedants that it manages. The company's operating profit for the first nine months of 2014 was EUR 11 (11) million, of which a significant portion will be reallocated to the business ceding segments. EUR 2 (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 – 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 32 (28) million in the first nine months of 2014.

As an investment company, Ampega Investment GmbH administers mutual and special funds and performs financial portfolio management tasks for institutional clients. It focuses on portfolio management and the administration of investments for clients outside the Group. The persistently low interest rates are having a lasting impact on the German population's willingness to save. Consumer confidence is the highest it has been since 2006 owing to low interest rates, whereas savings appetite sank to its lowest level since 1997 in the middle of 2014. As a result, net cash inflows in the investment sector are at a relatively low level compared with the years before the financial crisis. The fact that people wanting to make further financial provisions for their future are currently seeking alternatives to the low rate of return offered by traditional savings deposits is having a positive impact on the investment sector, as they are increasingly also turning to investment funds. The total volume of assets managed by Ampega rose by 2% to EUR 15.9 (15.5) billion in the first nine months of 2014 compared with the beginning of the year. Over half of this sum, EUR 9.0 (8.3) billion, was administered on behalf of Group companies through special funds and direct investment mandates. Of the remaining portion, EUR 2.9 (3.5) billion was attributable to institutional third-party clients and EUR 4.0 (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. The decline in the volume of institutional third-party client business is due to the expected loss of one customer. However, the financial effects were significantly reduced by the acquisition of new clients.

OPERATING PROFIT

The operating profit of the Corporate Operations segment declined to –EUR 13 (84) million in the first nine months 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 98 million in the first nine months of 2013. Group net income for this segment attributable to shareholders of Talanx AG amounted to –EUR 65 (16) million in the first nine months of 2014.

ASSETS AND FINANCIAL POSITION

ASSETS

- Total assets increase by EUR 12.1 billion to EUR 144.8 billion
- Investments account for 76% of total assets

ASSET STRUCTURE

FIGURES IN EUR MILLION

	30.9.2014		31.12.2013	
Intangible assets	2,395	2%	2,551	2%
Investments	110,135	76%	100,962	76%
Investments for the account and risk of holders of life insurance policies	9,148	6%	8,325	6%
Reinsurance recoverables on technical provisions	7,261	5%	6,604	5%
Accounts receivable on insurance business	5,570	4%	5,039	4%
Deferred acquisition costs	4,526	3%	4,513	3%
Cash	2,194	2%	1,864	1%
Deferred tax assets	648	<1%	485	<1%
Other assets	2,747	2%	2,202	2%
Non-current assets and assets of disposal groups classified as held for sale	221	<1%	248	<1%
Total assets	144,845	100%	132,793	100%

SIGNIFICANT MOVEMENTS IN THE ASSET STRUCTURE

The increase of EUR 12.1 billion in our total assets to EUR 144.8 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 10 billion).

Of the EUR 2.4 (2.6) billion in intangible assets shown on the balance sheet, EUR 1.3 (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

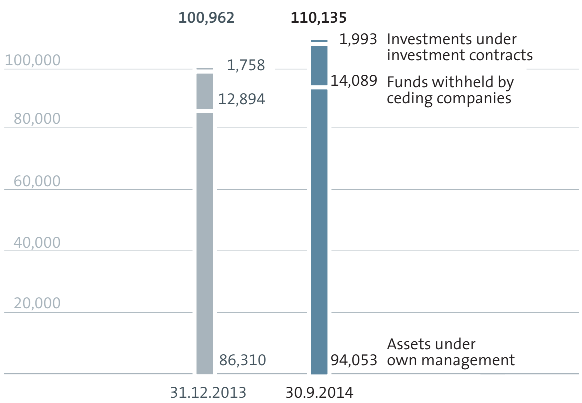
FIGURES IN EUR MILLION

	30.9.2014	31.12.2013
Other intangible assets before deduction of non-controlling interests and the policyholders' portion and including deferred taxes	1,287	1,446
thereof attributable to: non-controlling interests	145	159
thereof attributable to: policyholders' portion	435	513
thereof attributable to: deferred taxes	134	148
Other intangible assets after deduction of non-controlling interests and the policyholders' portion and excluding deferred taxes	573	626

MOVEMENTS IN INVESTMENTS

BREAKDOWN OF THE INVESTMENT PORTFOLIO

FIGURES IN EUR MILLION



The total investment portfolio has grown by 9.1% during the financial year to EUR 110.1 (101.0) billion. Funds withheld by ceding companies were up on the beginning of the year at EUR 14.1 billion (+9.3%) and mainly relate to the Life/Health Reinsurance segment. The main increase was in assets under own management, which grew by EUR 7.7 billion, due mainly to growth from cash inflows in the underwriting business, which were reinvested in accordance with respective corporate guidelines. There were slight cash inflows into investments under investment contracts, which totalled EUR 2.0 billion by the end of the third quarter.

Interest rates remain at a historically low level. Disinflation in Europe is the main argument being put forward for further support from central banks. The ECB cut the benchmark interest rate by another 10 basis points to 0.05% in September. As a result, interest rates on the markets continued to decline in the third quarter of 2014; the decrease affected all maturities. The only slight increase was recorded for maturities of over ten years.

Changes in the exchange rate against the US dollar had a noticeable impact on investments as at the end of the third quarter. Total assets rose, since the rate at the end of the third quarter was USD 1.26 to the euro, significantly below the figure as at 30 June 2014 (USD 1.37). Our holdings of investments in US dollars amounted to EUR 15.6 billion at the end of the quarter, representing 17% of assets under own management.

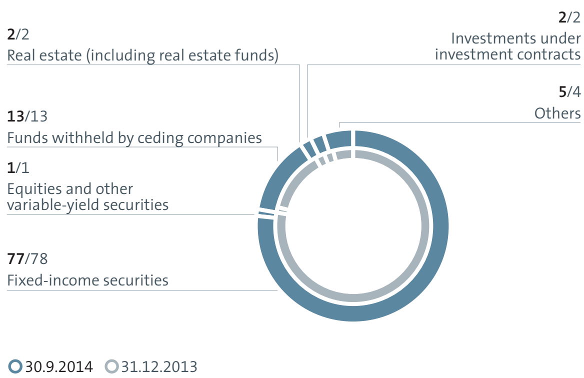
Fixed-income investments are once again the most significant asset class. Most reinvestments occurred in this class. Fixed-income securities accounted for 77% of the total investment portfolio, and the contribution to earnings of this asset class amounted to EUR 2.2 billion. As far as possible, this was reinvested in the year under review.

Once again, there was no tangible increase in equity exposure in the third quarter of 2014. The equity allocation after taking account of derivatives (equity ratio) was 1.1% at the end of the reporting period.

Although the "alternative investments" asset class and real estate still only constitute 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

	30.9.2014		31.12.2013	
Investment property	1,875	2%	1,623	2%
Investments in affiliated companies and participations	136	<1%	92	<1%
Investments in associated companies and joint ventures	253	<1%	247	<1%
Loans and receivables				
Loans incl. mortgage loans	927	1%	1,041	1%
Loans and receivables due from governmental or quasi-governmental entities, together with fixed-income securities	30,370	32%	31,190	36%
Financial assets held to maturity	2,624	3%	2,984	3%
Financial assets available for sale				
Fixed-income securities	51,301	55%	43,531	50%
Variable-yield securities	1,550	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	850	1%	797	1%
Variable-yield securities	123	<1%	87	<1%
Financial assets held for trading				
Fixed-income securities	3	<1%	4	<1%
Variable-yield securities	90	<1%	120	<1%
Derivatives[1]	103	<1%	82	<1%
Other invested assets	3,848	4%	3,121	4%
Total investments under own management	**94,053**	**100%**	**86,310**	**100%**

[1] Derivatives only with positive fair values

FIXED-INCOME SECURITIES

Interest rates remained low in the third quarter. The main risk factors for spreads related to the still unresolved debt problems in many countries, economic instability in Asia and geopolitical risks, particularly in Ukraine. We do not have any significant holdings in Ukraine.

Fixed-income investments chiefly comprised the traditional asset classes of government bonds, corporate securities and German covered bonds (Pfandbriefe). The Retail Germany segment continued to sell bonds with a short residual term to realise gains, which were then used to strengthen the additional interest reserve, and for policyholder participation in the valuation reserves.

The portfolio of fixed-income investments (excluding mortgage and policy loans) rose by EUR 6.6 billion compared with the start of the year and totalled EUR 85.2 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 7.8 billion) to EUR 51.3 billion, or 60% of total investments in the fixed-income portfolio. Corporate securities and government bonds accounted for the majority of these investments. Valuation reserves – i. e. the balance of unrealised gains and losses – have risen by EUR 2.4 billion to EUR 3.7 billion since the end of 2013, owing to the fall in interest rates.

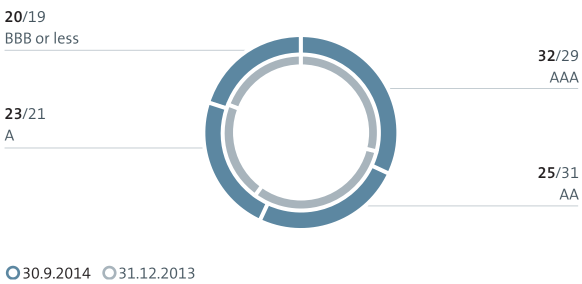
Holdings in the "Loans and receivables" category have declined slightly during the financial year and amounted to EUR 31.3 (32.2) billion at the end of the third quarter. This corresponds to 36% of total holdings in this asset class (including mortgage and policy loans). Along with corporate securities 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 to 5.0 billion.

Group holdings in the "Financial assets held to maturity" category totalled EUR 2.6 (3.0) billion at the end of the third quarter. Having increased our holdings in this category in 2011 through restructuring, particularly in the Reinsurance segment, we undertook no further expansion in the reporting year just ended. 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 27.7 billion as at the balance sheet date, accounting for 32% 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, 80% have a rating of A or above.

The Macaulay duration of the total fixed-income securities investment portfolio of the Talanx Group stood at 7.46 years as at 30 September 2014.

As far as matching currency cover is concerned, US dollar-denominated investments continue to account for the largest share (17%) of the foreign currency portfolio within the Talanx Group. The total share of assets under own management held in foreign currencies as at 30 September 2014 remained virtually unchanged at 30%.

EQUITIES AND EQUITY FUNDS

European stock markets performed well in the first half of 2014. However, a significant decrease was recorded in the last quarter. The DAX closed at 9,474 points, down 0.8% on the beginning of the year.

The EUROSTOXX 50 reached 3,226 points on 30 September, up 3.8% compared with the beginning of the year.

The net balance of unrealised gains and losses on holdings within the Group (excluding "Other invested assets") rose by EUR 62 million to EUR 328 (265) million.

REAL ESTATE INCLUDING SHARES IN REAL ESTATE FUNDS

Investment property totalled EUR 1.9 billion as at the balance sheet date. An additional EUR 593 million is held in real estate funds, which are recognised under "Financial assets available for sale". No significant investments were made in the year to date. The Reinsurance and Retail segments recorded portfolio growth. Depreciation of EUR 25 million was taken on investment property in the period under review. Impairments were immaterial in the third quarter.

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

	9M 2014	9M 2013
Ordinary investment income	2,400	2,353
thereof current income from interest	2,162	2,159
thereof profit/loss from shares in associated companies	11	9
Realised net gains on investments	477	426
Write-ups/write-downs on investments	–28	–65
Unrealised net gains/losses on investments	22	–21
Other investment expenses	–153	–137
Income from investments under own management	2,718	2,556
Interest income on funds withheld and contract deposits	271	250
Income from investment contracts	7	8
Total	**2,996**	**2,814**

Net investment income for the first three quarters amounted to EUR 3.0 billion, up on the previous year. We managed to lift current income slightly despite low interest rates given the larger portfolio. At EUR 2.2 billion, current income still accounts for the bulk of income. While gains of EUR 477 million were realised on the disposal of investments, there were also lower write-ups/write-downs of –EUR 28 (–65) million and higher unrealised gains than in the previous year of EUR 22 (–21) million.

Overall, realised net gains on investments were up year-on-year as at the end of the quarter, at EUR 477 (426) million. When comparing these figures with the previous year, it should be noted that the 2013 figure was impacted by a one-off effect from the partial sale of shares in Swiss Life Holding AG for approximately EUR 70 million. The positive net gains realised are attributable to regular portfolio restructuring in all segments, as well as to the realisation of hidden reserves to contribute to the additional interest reserve for life insurers and pension funds.

No significant write-downs were necessary in the course of the reporting period. Write-downs across all asset classes totalled EUR 38 (65) million, including depreciation of EUR 25 million on our property portfolio, compared with write-ups of EUR 10 (0) million.

The unrealised net gain improved from –EUR 21 million in the previous year to EUR 22 million. Across all segments, unrealised gains were mainly generated in the fixed-income securities and derivatives asset categories. In the year to date, inflation swaps entered into to hedge a portion of the inflation risks associated with our underwriting loss reserve (Non-Life Reinsurance segment) have given rise to negative changes in fair value of EUR 4 million, which were recognised in profit or loss. Negative changes in fair value of EUR 27 million were recognised in profit or loss in the previous year.

The net result from interest income and expenses on funds withheld and contract deposits amounted to EUR 271 (250) million.

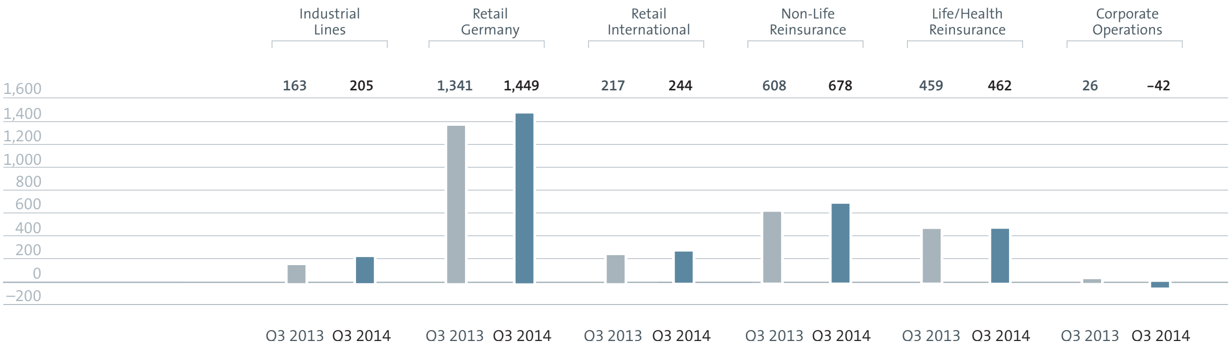
Net investment income for the first three quarters of 2014 is shown below broken down into Group segments. Contributions to earnings rose in all segments. The increase in the Retail Germany segment was mainly due to the realisation of hidden reserves on investments.

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 shareholdings.

For further comments, please see "Notes on the consolidated balance sheet", item 12 "Net investment income", in the Notes.

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 1.4 billion to EUR 12.6 billion
- Subordinated liabilities decline by EUR 446 million
- Technical provisions up by EUR 7.9 billion at EUR 99.6 billion
- In the liabilities item, notes payable and loans increase by EUR 425 million

CAPITAL STRUCTURE OVER A MULTI-YEAR PERIOD

FIGURES IN EUR MILLION

	30.9.2014		31.12.2013	
Shareholders' equity	12,562	9%	11,124	9%
Subordinated liabilities	2,661	2%	3,107	2%
Technical provisions	99,643	69%	91,717	69%
Technical provisions for life insurance insofar as the investment risk is borne by policyholders	9,148	6%	8,325	6%
Other provisions	3,462	2%	3,087	2%
Liabilities	14,874	10%	13,446	10%
Provisions for deferred taxes	2,274	2%	1,754	1%
Liabilities of disposal groups classified as held for sale	221	<1%	233	<1%
Total liabilities	**144,845**	**100%**	**132,793**	**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 NET PROVISIONS (AFTER CONSOLIDATION)

FIGURES IN EUR BILLION

	30.9.2014	31.12.2013
Unearned premium reserve	6.2	5.0
Benefit reserve	50.9	48.9
Loss and loss adjustment expense reserve	31.4	28.9
Provision for premium refunds	3.9	2.2
Other technical provisions	0.3	0.3
Total	**92.7**	**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 86 (86)%. Provisions thus include surplus coverage in the amount of EUR 15.5 (13.9) billion.

Overall, net technical provisions rose by 9% or EUR 7.4 billion year-on-year. EUR 2.5 billion of this increase related to loss and loss adjustment expense reserves, EUR 2.0 billion to benefit reserves and EUR 1.7 billion to provisions for premium refunds. The increase was distributed mainly across the Retail Germany (+EUR 2.6 billion), Non-Life Reinsurance (+EUR 2.1 billion), Life/Health Reinsurance (+EUR 1.1 billion) and Retail International (+EUR 1.0 billion) segments.

SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDERS' EQUITY

In the reporting period just ended, shareholders' equity grew by EUR 1,438 million – or 13% – to EUR 12,562 (11,124) million.

The Group's share (shareholders' equity excluding non-controlling interests) amounted to EUR 7,937 (7,127) million. The increase is due on the one hand to net income attributable to our shareholders, which amounted to EUR 530 million and was allocated in full to retained earnings, and on the other to "cumulative other comprehensive income and other reserves", which rose by EUR 583 million compared with 31 December 2013 to EUR 771 million. Payment of a dividend to Talanx AG shareholders in May of the period under review reduced shareholders' equity by EUR 303 (265) million.

The change in other reserves (+EUR 583 million) was mainly due to a rise in unrealised gains on investments, which grew by EUR 1,767 million to EUR 3,036 (1,269) million as a result of the slight decline in interest rates since the end of the year. Other changes in shareholders' equity had an offsetting effect, declining by EUR 1,634 million to –EUR 2,540 (–906) million. Of this change, –EUR 1,368 million related to policyholder participation/shadow accounting and –EUR 266 million to underwriting gains and losses from pension provisions. Cumulative gains/losses from currency translation improved by EUR 195 million, from –EUR 209 million to –EUR 14 million. The cash flow hedge reserve grew to EUR 289 (34) million, mainly owing to interest rates.

Non-controlling interests in shareholders' equity increased by EUR 628 million – or 16% – to EUR 4.6 billion. The non-controlling interest share in net income amounted to EUR 438 (9M 2013: 375) million. The dividend payment to non-Group shareholders totalling EUR 245 (9M 2013: 257) million stemmed mainly from the Hannover Re Group.

CHANGES IN SHAREHOLDERS' EQUITY

FIGURES IN EUR MILLION

	30.9.2014	31.12.2013[1]
Common shares	316	316
Additional paid-in capital	1,373	1,373
Retained earnings	5,477	5,250
Cumulative other comprehensive income and other reserves	771	188
Group shareholders' equity	**7,937**	**7,127**
Non-controlling interests in shareholders' equity	4,625	3,997
Total	**12,562**	**11,124**

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

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

FIGURES IN EUR MILLION

	30.9.2014	31.12.2013[2]
Segment		
Industrial Lines	2,005	1,870
thereof non-controlling interests	—	—
Retail Germany	2,846	2,596
thereof non-controlling interests	67	61
Retail International	2,125	1,948
thereof non-controlling interests	248	237
Reinsurance	7,689	6,519
thereof non-controlling interests	4,329	3,717
Corporate Operations	–2,080	–1,799
thereof non-controlling interests	—	—
Consolidation	–23	–10
thereof non-controlling interests	–19	–18
Total shareholders' equity	**12,562**	**11,124**
Group shareholders' equity	7,937	7,127
Non-controlling interest in shareholders' equity	4,625	3,997

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

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

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 1,155 (939) million, notes payable of EUR 1,065 (565) million, provisions for taxes totalling EUR 145 (145) million and liabilities from the utilisation of credit lines of EUR 0 (150) 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 effective as of the first regular redemption date in the amount of the entire nominal sum and was repaid on 26 February 2014. Furthermore, the outstanding nominal amount of the subordinate bond issued by HDI-Gerling Industrie Versicherung AG on 12 August 2004 (EUR 142 million) was repaid by the issuer as at the first possible date (12 August 2014). As at 15 September 2014, the Group placed, via Hannover Rück SE, Hannover, another subordinated bond in the amount of EUR 500 million on the European capital market, of which a nominal amount of EUR 50 million was subscribed for within the Group. Subordinate liabilities thus totalled EUR 2.7 (3.1) billion as at the balance sheet date. For further comments, please see the section of the Notes entitled "Notes to individual items of the consolidated balance sheet", item 8 "Subordinated liabilities".

Two syndicated floating-rate lines of credit with a nominal volume of EUR 1.25 billion were in place as at 30 September 2014. Neither had been drawn down as at the balance sheet date (previous year: EUR 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.

On 23 July 2014, Talanx AG issued a senior unsecured bond with a volume of EUR 500 million on the Luxembourg Stock Exchange. There are a total of two senior unsecured bonds with a volume of EUR 1.25 (0.75) billion, of which EUR 185 million is held by Group companies, as well as long-term loans (principally mortgage loans) amounting to EUR 302 (227) million. More detailed information can be found in the Notes under "Notes to individual items of the consolidated balance sheet", item 10 "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
Actuarial function	■ Coordination of and comments on the calculation of underwriting provisions ■ Ensuring the calculations and the assumptions and methods used are appropriate
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 participation ▪ Cost controlling, focus on variable sales costs ▪ Careful selection of intermediaries ▪ Systematic monitoring of the MCEV ▪ Review of structure and volumes of new business
	Life/Health Reinsurance	
	▪ Changes in biometric actuarial bases ▪ Lapse and credit risk in connection with the prefinancing of cedants' new business acquisition costs	▪ Use of secure biometric actuarial bases ▪ Systematic monitoring of the MCEV
Default risks under insurance business		
	Across segments	
	▪ Risk of default on receivables due from reinsurers, retrocessionaires, policyholders and insurance 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
Investment risks		
	Across segments	
	▪ Potential losses due to adverse changes in market prices (interest rates, real estate, 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

RISK SITUATION OF THE TALANX GROUP

Risk category	Material risks	Major risk management measures
Operational risks		
	Across segments	
	▪ Risk of losses due to the inadequacy or failure of internal processes or on account of employee-related, system-induced or external factors (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 apart from the continued intensification of the low interest rate environment and the uncertainties resulting from the German Life Insurance Reform Act (LVRG). 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. However, certain intangible assets and carrying amounts could require adjustment if risks were to materialise cumulatively. For example, 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 – even if it decreased in the reporting period – 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.

Operational risks are also important to the Talanx Group. We define these as the risk of losses occurring due to the inadequacy or failure of internal processes, or as a result of events triggered by employee-related, system-induced, or external factors. This includes operational risks in connection with investments including unit-linked life insurance policies, as well as risks relating to data protection, antitrust law and other legal risks.

Certain types of losses, in particular in domestic property insurance, may result in major logistical challenges and negatively impact insurance operations. For example, interim measures had to be taken to strengthen operations and cope with the pressure following the large-scale summer storms. Such interim peak workloads always also harbour at least an abstract risk of dissatisfaction – not only among customers but also sales partners.

Legal risks represent significant risks for the Talanx Group in the area of life insurance in particular. Regulatory reforms, e. g. in connection with IFRS and Solvency II, are identified at an early stage in order to fulfil stricter requirements. In addition, we closely monitor developments in rulings of the Federal Court of Justice and changes in the law that affect Group companies.

For example, on 19 December 2013, the European Court of Justice clarified a legal issue in connection with the policy model that applied to insurance contracts from 1994 to 2007. The court ruled that the statutory period that applied at the time (§ 5 Para. 2 Sentence 4 of the VVG [old version]) – after the expiry of which policyholders could no longer revoke the insurance policy – was incompatible with EU law (see the Talanx Group Annual Report 2013 for details). As one of the legal consequences of this decision, the Federal Court of Justice ruled on 7 May 2014 that life insurance policyholders can still exercise their right to object after the expiry of the period set out in § 5a Para. 2 Sentence 4 of the VVG (old version) in the case that insufficient information had been provided on the right to object, or that no consumer information or insurance terms and conditions had been provided. However, in a further ruling on 16 July 2014, the Federal Court of Justice clarified that policyholders who were properly informed about the policy model when they signed the contract and who have held the policy for several years do not have the right to object and thus no claim to enrichment. The actual claim resulting from such an objection, as well as the number of policyholders who will take the ruling from 7 May 2014 as a precedent is, however, still unclear. This means that any assessment of this risk is currently subject to considerable uncertainties.

In addition, the adoption of the Life Insurance Reform Act (LVRG) not only reduces participation in the valuation reserves but also introduces amendments that are disadvantageous to the insurance industry. The economic effects and accounting implications of the change to the law are being analysed and the best possible measures developed as a high priority.

OUTLOOK

ECONOMIC ENVIRONMENT

The economic recovery in the Eurozone is likely to continue at a moderate level in the coming quarters. Falling energy and commodities prices are providing significant growth momentum. In addition, the dampening effect of the adjustment processes taking place in the real economies in the Eurozone periphery are expected to gradually subside. Since economic reforms have yet to gain much traction in France and Italy in particular, we expect Eurozone growth to remain modest.

The US economy is on a stable growth trajectory. Its solid economic growth is particularly apparent from the real estate market and, increasingly, on the labour market as well, which should continue to prop up consumer spending. In keeping with the higher property values, disposable US household income has increased significantly.

The upturn in the emerging markets has recently lost momentum, and we believe that they are facing structural and cyclical challenges. Nevertheless, growth rates there are likely to remain extremely mixed in the future. A positive note is that currency reserves are high in some cases, while overall debt is low. In China we expect growth to ease.

The ECB's monetary policy should remain expansionary due to low inflation rates, high unemployment, and in some cases very moderate growth rates. The deflationary trend in the Eurozone is likely to continue.

CAPITAL MARKETS

The fundamental environment, the continuing geopolitical risks and the highly expansionary monetary policy pursued by the ECB lead us to expect continuing low interest rates in the medium term. Legal and political pressure on the ratings agencies is likely to result in even more cautious and, in case of doubt, lower ratings in the future. Banks and in particular subordinated bank bonds are continuing their rating downtrend. However, stability should set in once again in the medium term after various adjustments to the rating models used by the large agencies are implemented.

Valuation levels on the European and US stock markets have already risen significantly, which means that the upside potential for share prices is limited. Profit margins and returns on equity are very low in Europe, but are likely to see an upturn as the European economy continues to stabilise. We are seeing the first signs of possible overexuberance in the USA. M & A volumes have increased significantly and valuations in the technology sector are currently linked to expectations of high growth. Shares are priced more attractively than bonds meaning that the rotation from bonds to shares that has already started is likely to gain in strength.

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, with by far the largest contribution coming from ordinary investment income. We continue to aim for Group net income of at least EUR 700 million for 2014. It follows that we expect our return on equity to be between 9% and 10%, meaning that we would meet 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, that there will be no disruptions to currency and capital markets and that the other risks described in the risk report, in particular in German life insurance, do not materialise in a lasting negative manner. 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 the current year 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 at least 50%. We expect a combined ratio of just over 100% for the financial year as a whole, due to significantly above-average utilisation of the major loss budget in the first nine months. The EBIT margin should be around 10% and the return on equity between 7% and 8%.

RETAIL GERMANY

We anticipate that gross written premium in the Retail Germany Group segment will continue to 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. The German Life Insurance Reform Act (LVRG) and the low interest rates will fundamentally change the German life insurance market. The impact on intangible assets and carrying amounts, for example, cannot be accurately estimated at this point in time. In the property/casualty business we anticipate a combined ratio of just over 100% for the financial year as a whole, due to the disproportionally high utilisation of the major loss budget in the first nine months and a deterioration in the run-off result. We forecast an EBIT margin of around 2% for 2014, meaning that the return on equity should be in the region of 3%.

RETAIL INTERNATIONAL

In the Retail International Group segment we are aiming for growth in gross written premium of 4% to 8% in 2014, assuming constant exchange rates. We expect growth in the value of new business 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% will be positively influenced by the synergy effects created from merging with the Polish WARTA companies. Integration was completed in 2014. In addition, we expect the return on equity for 2014 to be in excess of 6%.

NON-LIFE REINSURANCE

As a reinsurer with a strong capital base and a very good rating, we still have opportunities to grow despite competitive pressure in non-life reinsurance. This is particularly the case in the Asia-Pacific markets and Latin America, where increasing insurance density and the growing concentration of assets within conurbations are contributing to this trend. In addition to traditional reinsurance coverage, we provide customised support for our customers in introducing risk-based solvency regimes and analysing and assessing insurance risks.

We expect premium volume in Non-Life Reinsurance to remain more or less stable or grow slightly in the current financial year, assuming constant exchange rates. We shall not make any concessions as far as our systematic underwriting policy is concerned and we will continue to ensure that treaty conditions reflect the risks involved. We have set a target of less than 96% for the combined ratio and are continuing to aim for an EBIT margin of at least 10%. At this point in time, we expect to achieve these targets for the current financial year. We report the return on equity for the Reinsurance Division as a whole; this figure should be around 15% in 2014.

With respect to treaty renewals as at 1 January 2015, there are signs that reinsurance rates will stabilise, with some exceptions, since the scope for further rate reductions is ultimately limited if reinsurers are to achieve their return on equity requirements. This was also the thrust of discussions at the reinsurance industry meetings in Monte Carlo in September and in Baden Baden and the USA in October.

LIFE AND HEALTH REINSURANCE

In Life and Health Reinsurance, positive growth is expected to continue. We are anticipating promising business opportunities despite the stiff competition, and believe that we are well-positioned in this area as well to provide our customers with professional solutions for meeting the comprehensive regulatory requirements such as those set out in Solvency II. Reinsurance structures that offer our customers capital relief and optimise solvency are becoming especially important in this context. Against this background, we expect further growth in demand in the area of financial solutions.

In addition, interest in reinsurance solutions for longevity risks has also strengthened outside the United Kingdom, for example in continental Europe. We see further potential for growth in the emerging countries due to the increasing prosperity of society and the greater need for protection that are therefore emerging. The highly competitive environment in Germany is expected to continue.

In Life and Health Reinsurance, the forecast for 2014 remains unchanged; we are anticipating that organic gross premium growth adjusted for exchange rate effects will be in the low single-digit percentage range. We are expecting the performance of our Australian disability business in particular to further stabilise and improve. Overall, we are anticipating an increase in profit in Life and Health Reinsurance. The value of new business (excluding non-controlling interests) should exceed EUR 90 million. The target EBIT margin for our financial solutions and longevity business is still 2%. In the mortality and morbidity reporting categories, the objective remains an EBIT margin of 6%. Return on equity for the Reinsurance Division should be around 15% in 2014 overall.

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 STATEMENTS

CONSOLIDATED BALANCE SHEET OF TALANX AG AS AT 30 SEPTEMBER 2014

CONSOLIDATED BALANCE SHEET — ASSETS

FIGURES IN EUR MILLION

	Notes	30.9.2014			31.12.2013[1]
A. Intangible assets	1				
a. Goodwill			1,108		1,105
b. Other intangible assets			1,287		1,446
				2,395	**2,551**
B. Investments					
a. Investment property			1,875		1,623
b. Investments in affiliated companies and participating interests			136		92
c. Investments in associated companies and joint ventures			253		247
d. Loans and receivables	2		31,297		32,231
e. Other financial instruments					
i. Held to maturity	3	2,624			2,984
ii. Available for sale	4/6	52,851			44,922
iii. At fair value through profit or loss	5/6	1,169			1,090
f. Other invested assets	6	3,848			3,121
Investments under own management			**94,053**		**86,310**
g. Investments under investment contracts			1,993		1,758
h. Funds withheld by ceding companies			14,089		12,894
Investments				**110,135**	**100,962**
C. Investments for the account and risk of holders of life insurance policies				9,148	8,325
D. Reinsurance recoverables on technical provisions				7,261	6,604
E. Accounts receivable on insurance business				5,570	5,039
F. Deferred acquisition costs				4,526	4,513
G. Cash				2,194	1,864
H. Deferred tax assets				648	485
I. Other assets				2,747	2,202
J. Non-current assets and assets of disposal groups classified as held for sale[2]				221	248
Total assets				**144,845**	**132,793**

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

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

CONSOLIDATED BALANCE SHEET — LIABILITIES

FIGURES IN EUR MILLION

	Notes	30.9.2014			31.12.2013[1]
A. Shareholders' equity	7				
a. Common shares		316			316
Nominal value: 316 (previous year: 316) Conditional capital: 104 (previous year: 104)					
b. Reserves		7,621			6,811
Shareholders' equity excluding non-controlling interests			**7,937**		**7,127**
c. Non-controlling interests in shareholders' equity			4,625		3,997
Total shareholders' equity				**12,562**	**11,124**
B. Subordinated liabilities	8		2,661		3,107
C. Technical provisions	9				
a. Unearned premium reserve		6,910			5,678
b. Benefit reserve		51,922			49,767
c. Loss and loss adjustment expense reserve		36,560			33,775
d. Provision for premium refunds		3,914			2,178
e. Other technical provisions		337			319
			99,643		**91,717**
D. Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders			9,148		8,325
E. Other provisions					
a. Provisions for pensions and similar obligations		2,100			1,696
b. Provisions for taxes		759			703
c. Sundry provisions		603			688
			3,462		**3,087**
F. Liabilities					
a. Notes payable and loans	10	1,367			942
b. Funds withheld under reinsurance treaties		5,911			5,535
c. Other liabilities	6	7,596			6,969
			14,874		**13,446**
G. Deferred tax liabilities			2,274		1,754
H. Liabilities of disposal groups classified as held for sale[2]			221		233
Total liabilities/provisions				**132,283**	**121,669**
Total liabilities				**144,845**	**132,793**

[1] Adjusted on the basis of IAS 8. Cf. "Accounting policies" section of the Notes, subsection "Changes in accounting policies and accounting errors"
[2] Cf. our remarks in the section "Non-current assets held for sale and disposal groups" 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 30 SEPTEMBER 2014

CONSOLIDATED STATEMENT OF INCOME

FIGURES IN EUR MILLION

	Notes	9M 2014	9M 2013[1]	Q3 2014	Q3 2013[1]
1. Gross written premium including premium from unit-linked life and annuity insurance		21,732	21,380	6,757	6,414
2. Savings elements of premiums from unit-linked life and annuity insurance		801	846	275	263
3. Ceded written premium		2,892	2,756	933	857
4. Change in gross unearned premium		–1,024	–922	355	422
5. Change in ceded unearned premium		–116	–247	81	111
Net premium earned	11	**17,131**	**17,103**	**5,823**	**5,605**
6. Claims and claims expenses (gross)		16,397	15,926	5,768	5,594
Reinsurers' share		2,148	1,757	805	786
Claims and claims expenses (net)	14	**14,249**	**14,169**	**4,963**	**4,808**
7. Acquisition costs and administrative expenses (gross)		4,534	4,451	1,554	1,451
Reinsurers' share		390	416	148	148
Acquisition costs and administrative expenses (net)	15	**4,144**	**4,035**	**1,406**	**1,303**
8. Other technical income		32	41	8	14
Other technical expenses		123	168	40	20
Other technical result		**–91**	**–127**	**–32**	**–6**
Net technical result		**–1,353**	**–1,228**	**–578**	**–512**
9. a. Income from investments		3,030	2,933	1,053	985
b. Expenses for investments		312	377	116	126
Net income from investments under own management		**2,718**	**2,556**	**937**	**859**
Income/expense from investment contracts		7	8	5	4
Net interest income from funds withheld and contract deposits		271	250	106	74
Net investment income	12/13	**2,996**	**2,814**	**1,048**	**937**
thereof income/expense from associated companies and joint ventures recognised using the equity method		11	9	5	3
10. a. Other income		611	552	273	158
b. Other expenses		810	762	304	239
Other income/expenses	16	**–199**	**–210**	**–31**	**–81**
Profit before goodwill impairments		**1,444**	**1,376**	**439**	**344**
11. Goodwill impairments		—	—	—	—
Operating profit/loss (EBIT)		**1,444**	**1,376**	**439**	**344**
12. Financing costs		133	155	44	51
13. Taxes on income		343	318	84	62
Net income		**968**	**903**	**311**	**231**
thereof attributable to non-controlling interests		438	375	162	113
thereof attributable to shareholders of Talanx AG		530	528	149	118
Earnings per share					
Basic earnings per share (figures in EUR)		2.10	2.09	0.59	0.47
Diluted earnings per share (figures in EUR)		2.10	2.09	0.59	0.47

[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 30 SEPTEMBER 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FIGURES IN EUR MILLION

	9M 2014	9M 2013 [1]	Q3 2014	Q3 2013 [1]
Net income	**968**	903	**311**	231
Not reclassifiable in the consolidated statement of income				
Actuarial gains (losses) on pension provisions				
Gains (losses) recognised in other comprehensive income during the period	–404	78	–176	96
Tax income (expense)	122	–23	53	–29
	–282	55	**–123**	67
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised in other comprehensive income during the period	17	–3	8	–4
Tax income (expense)	—	—	—	—
	17	–3	8	–4
Total non-reclassifiable income (expenses) after taxes recognised in other comprehensive income during the period	**–265**	52	**–115**	63
Reclassifiable in the consolidated statement of income				
Unrealised gains and losses from investments				
Gains (losses) recognised in other comprehensive income during the period	2,871	–847	853	—
Shifted to the consolidated statement of income	–358	–240	–130	–41
Tax income (expense)	–373	225	–78	6
	2,140	–862	**645**	–35
Currency translation				
Gains (losses) recognised in other comprehensive income during the period	404	–323	302	–77
Shifted to the consolidated statement of income	—	–4	—	—
Tax income (expense)	–34	27	–24	13
	370	–300	**278**	–64
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised in other comprehensive income during the period	–1,560	431	–538	100
Tax income (expense)	55	–9	19	2
	–1,505	422	**–519**	102
Changes from cash flow hedges				
Gains (losses) recognised in other comprehensive income during the period	292	–68	99	–20
Shifted to the consolidated statement of income	—	—	—	—
Tax income (expense)	–13	1	–5	—
	279	–67	**94**	–20
Changes attributable to equity-accounted investments				
Gains (losses) recognised in other comprehensive income during the period	—	–1	—	—
Shifted to the consolidated statement of income	—	—	—	—
Tax income (expense)	—	—	—	—
	—	–1	**—**	—
Other changes				
Gains (losses) recognised in other comprehensive income during the period	—	1	—	1
Shifted to the consolidated statement of income	—	—	—	—
Tax income (expense)	—	—	—	—
	—	1	**—**	1
Total reclassifiable income (expenses) after taxes recognised in other comprehensive income during the period	**1,284**	–807	**498**	–16
Income (expenses) after taxes recognised in other comprehensive income during the period	**1,019**	–755	**383**	47
Total comprehensive income during the period	**1,987**	148	**694**	278
thereof attributable to non-controlling interests	874	73	344	102
thereof attributable to shareholders of Talanx AG	1,113	75	350	176

[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 31.12.2012	**316**	**1,369**	**4,830**
Adjustments on the basis of IAS 8 [1]	—	—	–57
As at 1.1.2013 adjusted	316	1,369	4,773
Changes in ownership interest without change of control status	—	—	7
Other changes in scope of consolidation	—	—	—
Net income [1]	—	—	528
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 [1]	—	—	—
thereof change from cash flow hedges	—	—	—
thereof change in equity-accounted investments	—	—	—
thereof sundry changes [1, 2]	—	—	—
Total comprehensive income	**—**	**—**	**528**
Capital increase	—	—	—
Capital reduction	—	—	—
Dividends to shareholders	—	—	–265
Other changes recognised In OCI	—	—	3
As at 30.9.2013	**316**	**1,369**	**5,046**
2014			
As at 31.12.2013	**316**	**1,373**	**5,337**
Adjustments on the basis of IAS 8 [1]	—	—	–87
As at 31.12.2013 adjusted	316	1,373	5,250
Changes in ownership interest without change of control status	—	—	—
Other changes in scope of consolidation	—	—	—
Net income	—	—	530
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 change in equity-accounted investments	—	—	—
thereof sundry changes [2]	—	—	—
Total comprehensive income	**—**	**—**	**530**
Dividends to shareholders	—	—	–303
As at 30.9.2014	**316**	**1,373**	**5,477**

[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	Gains/losses from currency translation	Other changes in shareholders' equity	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**
—	—	—	—	–57	—	–57
1,949	48	–1,446	87	7,096	4,156	11,252
—	1	—	—	8	–8	—
—	—	—	—	—	–14	–14
—	—	—	—	528	375	903
–613	**–216**	**439**	**–63**	**–453**	**–302**	**–755**
—	**—**	**50**	**—**	**50**	**2**	**52**
—	—	52	—	52	3	55
—	—	–2	—	–2	–1	–3
–613	**–216**	**389**	**–63**	**–503**	**–304**	**–807**
–613	—	—	—	–613	–249	–862
—	–216	—	—	–216	–84	–300
—	—	—	–63	–63	–4	–67
—	—	–1	—	–1	—	–1
—	—	390	—	390	33	423
–613	**–216**	**439**	**–63**	**75**	**73**	**148**
—	—	—	—	—	2	2
—	—	—	—	—	–2	–2
—	—	—	—	–265	–257	–522
—	5	—	—	8	–33	–25
1,336	**–162**	**–1,007**	**24**	**6,922**	**3,917**	**10,839**
1,269	**–209**	**–906**	**34**	**7,214**	**3,997**	**11,211**
—	—	—	—	–87	—	–87
1,269	–209	–906	34	7,127	3,997	11,124
—	—	—	—	—	—	—
—	—	—	—	—	–1	–1
—	—	—	—	530	438	968
1,767	**195**	**–1,634**	**255**	**583**	**436**	**1,019**
—	**—**	**–252**	**—**	**–252**	**–13**	**–265**
—	—	–266	—	–266	–16	–282
—	—	14	—	14	3	17
1,767	**195**	**–1,382**	**255**	**835**	**449**	**1,284**
1,767	—	—	—	1,767	373	2,140
—	195	—	—	195	175	370
—	—	—	255	255	24	279
—	—	—	—	—	—	—
—	—	–1,382	—	–1,382	–123	–1,505
1,767	**195**	**–1,634**	**255**	**1,113**	**874**	**1,987**
—	—	—	—	–303	–245	–548
3,036	**–14**	**–2,540**	**289**	**7,937**	**4,625**	**12,562**

CONSOLIDATED CASH FLOW STATEMENT OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2014

CONSOLIDATED CASH FLOW STATEMENT

FIGURES IN EUR MILLION

	9M 2014	9M 2013[1]
I. 1. Net income	968	903
I. 2. Changes in technical provisions	3,843	4,039
I. 3. Changes in deferred acquisition costs	–8	–130
I. 4. Changes in funds withheld and in accounts receivable and payable	–541	–715
I. 5. Changes in other receivables and liabilities as well as investments and liabilities from investment contracts	193	343
I. 6. Changes in financial assets held for trading	52	–28
I. 7. Net gains and losses on investments and property, plant and equipment	–484	–418
I. 8. Other non-cash expenses and income (including income tax expense/income)	790	844
I. Cash flows from operating activities[2]	**4,813**	4,838
II. 1. Cash inflow from the sale of consolidated companies	—	—
II. 2. Cash outflow from the purchase of consolidated companies[3]	–13	–6
II. 3. Cash inflow from the sale of real estate	32	32
II. 4. Cash outflow from the purchase of real estate	–258	–379
II. 5. Cash inflow from the sale and maturity of financial instruments	17,853	16,215
II. 6. Cash outflow from the purchase of financial instruments	–19,917	–19,125
II. 7. Changes in investments for the account and risk of holders of life insurance policies	–821	–815
II. 8. Changes in other invested assets	–520	–454
II. 9. Cash outflows from the acquisition of tangible and intangible assets	–104	–79
II. 10. Cash inflows from the sale of tangible and intangible assets	19	8
II. Cash flows from investing activities	**–3,729**	–4,603
III. 1. Cash inflow from capital increases	—	2
III. 2. Cash outflow from capital reductions	—	–2
III. 3. Dividends paid	–548	–522
III. 4. Net changes from other financing activities	–247	123
III. Cash flows from financing activities	**–795**	–399
Change in cash and cash equivalents (I. + II. + III.)	**289**	–164
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	**43**	–70
Changes in cash and cash equivalents attributable to scope of consolidation[4]	**–4**	3
Changes in cash and cash equivalents of disposal groups in the reporting period	**2**	–5
Cash and cash equivalents at the end of the reporting period, excluding disposal groups	**2,194**	1,883
Additional information		
Taxes paid	170	364
Interest paid[5]	281	248
Dividends received	108	71
Interest received	2,501	2,602

[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] The cash outflow from the acquisition of a property company described in the section entitled "Consolidation" is recognised under "Cash outflow from the purchase of real estate"
[4] This item essentially includes changes in the scope of consolidation excluding disposals and acquisitions
[5] EUR 201 (186) million of interest paid pertains to cash flows from financing activities, EUR 42 (40) million to cash flows from operating activities and EUR 38 (22) 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

The consolidated quarterly financial report as at 30 September 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 30 September 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. 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.

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:

On 20 May 2013 the IASB published IFRIC 21 "Levies". This clarifies how liabilities should be recognised for levies and in particular when these liabilities which are imposed by a government body and do not fall under the scope of a different standard, should be carried. The interpretation standard is applicable for the first time to financial years beginning on or after 1 January 2014. However, application of the interpretation has only been mandatory since its endorsement by the EU in June 2014. This provision has no practical relevance for the Group, since it merely involves a clarification that corresponds to our current accounting practice.

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" – Offsetting Financial Assets and Financial 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. The revised IAS 27 contains 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 it is no longer permitted to consolidate joint ventures, e. g. arrangements where the parties have rights to the net assets, on a proportional basis. 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.

The 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.

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 (see a)).

Effective 30 June 2014, the Group retrospectively corrected accounts receivable recognised in prior periods relating to own risks assumed in respect of a client relationship in the Industrial Lines segment in accordance with IAS 8.41 and restated the comparative amounts (see b)).

In the third quarter of 2014, the computation of current tax and deferred tax in the Industrial Lines segment was corrected retrospectively and a corresponding adjustment was made to the comparable figures in accordance with IAS 8.41 (see c)). This is due to a correction in the allocation of domestic versus international earnings and did not impact pre-tax profit.

The effects of the retroactive application of the adjustments described in b) and c) on the opening balance sheet as at 1 January 2013, the consolidated balance sheet as at 31 December 2013, the consolidated statement of income and the consolidated statement of comprehensive income for the comparative period (see a), b) and c)) were as follows:

EFFECTS ON THE CONSOLIDATED BALANCE SHEET AS AT 1 JANUARY 2013

FIGURES IN EUR MILLION

			Changes due to adjustments in accordance with IAS 8		
		As reported 1.1.2013	Adjustment relating to b)	Adjustment relating to c)	1.1.2013
Assets					
D.	Reinsurance recoverables on technical provisions	6,989	4	—	6,993
E.	Accounts receivable on insurance business	5,081	–20	—	5,061
H.	Deferred tax assets	529	—	–64	465
Shareholders' equity and liabilities					
A.b.	Reserves	6,837	–18	–39	6,780
C.c.	Loss and loss adjustment expense reserve	33,243	10	—	33,253
E.b.	Provisions for taxes	632	—	1	633
G.	Deferred tax liabilities	1,984	–8	–26	1,950

EFFECTS ON THE CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2013

FIGURES IN EUR MILLION

			Changes due to adjustments in accordance with IAS 8 (incl. adjustments as at 1.1.2013)		
		As reported 31.12.2013	Adjustment relating to b)	Adjustment relating to c)	31.12.2013
Assets					
D.	Reinsurance recoverables on technical provisions	6,596	8	—	6,604
E.	Accounts receivable on insurance business	5,071	–32	—	5,039
H.	Deferred tax assets	532	14	–61	485
I.	Other assets	2,201	—	1	2,202
Shareholders' equity and liabilities					
A.b.	Reserves	6,898	–30	–57	6,811
C.c.	Loss and loss adjustment expense reserve	33,755	20	—	33,775
E.b.	Provisions for taxes	711	—	–8	703
G.	Deferred tax liabilities	1,749	—	5	1,754

EFFECTS ON THE CONSOLIDATED STATEMENT OF INCOME FROM 1 JANUARY 2013 TO 30 SEPTEMBER 2013[1)]

FIGURES IN EUR MILLION

	As reported 1.1.–30.9.2013	Changes due to adjustments in accordance with IAS 8: Adjustment relating to a)	Changes due to adjustments in accordance with IAS 8: Adjustment relating to b)	1.1.–30.9.2013
6. Claims and claims expenses (gross)	15,937	–26	15	15,926
Reinsurers' share	1,754	–2	5	1,757
13. Taxes on income	314	7	–3	318
Net income	893	17	–7	903
thereof attributable to non-controlling interests	365	9	1	375
thereof attributable to shareholders of Talanx AG	528	8	–8	528

[1)] Changes for the period from 1 July 2014 to 30 September 2014 were not presented for reasons of materiality

EFFECTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FROM 1 JANUARY 2013 TO 30 SEPTEMBER 2013[1)]

FIGURES IN EUR MILLION

	As reported 1.1.–30.9.2013	Changes due to adjustments in accordance with IAS 8: Adjustment relating to a)	Changes due to adjustments in accordance with IAS 8: Adjustment relating to b)	1.1.–30.9.2013
Net income	**893**	**17**	**–7**	**903**
Currency translation				
Gains (losses) recognised in other comprehensive income during the period	–325	2	—	–323
Shifted to the consolidated statement of income	–4	—	—	–4
Tax income (expense)	27	—	—	27
	–302	2	—	–300
Other changes				
Gains (losses) recognised in other comprehensive income during the period	29	–28	—	1
Shifted to the consolidated statement of income	—	—	—	—
Tax income (expense)	–8	8	—	—
	21	–20	—	1
Total reclassifiable income (expenses) after taxes recognised in other comprehensive income during the period	**–789**	**–18**	**—**	**–807**
Income (expenses) after taxes recognised in other comprehensive income during the period	**–738**	**–17**	**—**	**–755**
Total comprehensive income during the period	**155**	**—**	**–7**	**148**
thereof attributable to non-controlling interests	73	—	—	73
thereof attributable to shareholders of Talanx AG	82	—	–7	75

[1)] Changes for the period from 1 July 2014 to 30 September 2014 were not presented for reasons of materiality

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

EFFECTS ON EARNINGS PER SHARE AS AT 9M 2013

FIGURES IN EUR

	As reported 30.9.2013	Changes due to adjustments in accordance with IAS 8: Adjustment relating to a)	Changes due to adjustments in accordance with IAS 8: Adjustment relating to b)	30.9.2013
Basic earnings per share	2.09	0.03	–0.03	2.09
Diluted earnings per share	2.09	0.03	–0.03	2.09

EFFECTS ON EARNINGS PER SHARE AS AT Q3 2013

FIGURES IN EUR

	As reported 1.7.–30.9.2013	Changes due to adjustments in accordance with IAS 8: Adjustment relating to a)	Adjustment relating to b)	1.7.–30.9.2013
Basic earnings per share	0.48	0.00	–0.01	0.47
Diluted earnings per share	0.48	0.00	–0.01	0.47

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)	
		30.9.2014	31.12.2013	9M 2014	9M 2013
AUD	Australia	1.4447	1.5513	1.4848	1.3512
BRL	Brazil	3.0967	3.2095	3.1108	2.7978
CAD	Canada	1.4066	1.4751	1.4799	1.3501
CNY	China	7.7829	8.3445	8.3299	8.1309
GBP	United Kingdom	0.7778	0.8357	0.8115	0.8505
MXN	Mexico	16.9800	17.9831	17.7741	16.9007
PLN	Poland	4.1766	4.1502	4.1810	4.2098
USD	USA	1.2588	1.3766	1.3516	1.3180
ZAR	South Africa	14.2096	14.4390	14.4982	12.5182

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 motor 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 reinsurance, and facultative 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 specialty lines 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 segment statement of income in line with the consolidated statement of income. The same applies to the segment balance sheet and the consolidated balance sheet.

Depending upon the nature and time frame of the commercial activities, various management metrics and performance indicators are used to assess the financial 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 30 SEPTEMBER 2014

FIGURES IN EUR MILLION

Assets	Industrial Lines		Retail Germany		Retail International	
	30.9.2014	31.12.2013 [1]	30.9.2014	31.12.2013	30.9.2014	31.12.2013
A. Intangible assets						
a. Goodwill	153	153	403	403	536	533
b. Other intangible assets	14	16	865	1,000	207	235
	167	**169**	**1,268**	**1,403**	**743**	**768**
B. Investments						
a. Investment property	40	21	812	734	13	21
b. Investments in affiliated companies and participating interests	19	19	16	17	—	—
c. Investments in associated companies and joint ventures	123	124	36	35	—	—
d. Loans and receivables	1,814	2,029	25,592	26,466	926	672
e. Other financial instruments						
i. Held to maturity	80	32	169	116	368	353
ii. Available for sale	4,635	3,821	17,282	14,194	4,632	3,883
iii. At fair value through profit or loss	155	98	257	319	614	565
f. Other invested assets	530	524	1,064	549	631	528
Investments under own management	**7,396**	**6,668**	**45,228**	**42,430**	**7,184**	**6,022**
g. Investments under investment contracts	—	—	—	—	1,993	1,758
h. Funds withheld by ceding companies	22	23	23	25	—	—
Investments	**7,418**	**6,691**	**45,251**	**42,455**	**9,177**	**7,780**
C. Investments for the account and risk of holders of life insurance policies	—	—	8,462	7,616	686	709
D. Reinsurance recoverables on technical provisions	5,047	4,640	2,475	2,446	732	668
E. Accounts receivable on insurance business	1,232	1,168	404	364	865	820
F. Deferred acquisition costs	26	16	1,917	2,161	489	403
G. Cash	435	322	504	398	356	427
H. Deferred tax assets	139	75	98	95	98	99
I. Other assets	545	423	972	794	451	409
J. Non-current assets and assets of disposal groups classified as held for sale [2]	—	—	—	4	221	233
Total assets	**15,009**	**13,504**	**61,351**	**57,736**	**13,818**	**12,316**

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

	Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013[1]	30.9.2014	31.12.2013	30.9.2014	31.12.2013[1]
	16	16	—	—	—	—	—	—	1,108	1,105
	25	22	95	94	81	79	—	—	1,287	1,446
	41	**38**	**95**	**94**	**81**	**79**	**—**	**—**	**2,395**	**2,551**
	1,008	845	2	2	—	—	—	—	1,875	1,623
	79	32	—	—	22	24	—	—	136	92
	131	126	19	19	14	13	–70	–70	253	247
	2,863	3,137	75	72	27	11	—	–156	31,297	32,231
	2,103	2,469	196	198	3	6	–295	–190	2,624	2,984
	19,350	16,918	6,457	5,768	495	338	—	—	52,851	44,922
	82	38	60	69	1	1	—	—	1,169	1,090
	1,664	1,536	418	281	300	245	–759	–542	3,848	3,121
	27,280	**25,101**	**7,227**	**6,409**	**862**	**638**	**–1,124**	**–958**	**94,053**	**86,310**
	—	—	—	—	—	—	—	—	1,993	1,758
	1,090	890	14,475	13,453	1	—	–1,522	–1,497	14,089	12,894
	28,370	**25,991**	**21,702**	**19,862**	**863**	**638**	**–2,646**	**–2,455**	**110,135**	**100,962**
	—	—	—	—	—	—	—	—	9,148	8,325
	1,296	1,307	844	589	2	1	–3,135	–3,047	7,261	6,604
	2,035	1,702	1,354	1,243	9	4	–329	–262	5,570	5,039
	612	491	1,242	1,181	2	2	238	259	4,526	4,513
	603	434	216	209	80	74	—	—	2,194	1,864
	16	16	83	56	214	144	—	—	648	485
	1,476	1,273	267	151	418	484	–1,382	–1,332	2,747	2,202
	—	11	—	—	—	—	—	—	221	248
	34,449	31,263	25,803	23,385	1,669	1,426	–7,254	–6,837	144,845	132,793

SEGMENT REPORTING. BALANCE SHEET AS AT 30 SEPTEMBER 2014

FIGURES IN EUR MILLION

Liabilities	Industrial Lines		Retail Germany		Retail International	
	30.9.2014	31.12.2013[1]	30.9.2014	31.12.2013	30.9.2014	31.12.2013
B. Subordinated liabilities	200	144	161	213	2	2
C. Technical provisions						
a. Unearned premium reserve	1,287	936	1,100	888	1,767	1,591
b. Benefit reserve	—	1	37,459	36,795	3,157	2,554
c. Loss and loss adjustment expense reserve	8,965	8,463	2,742	2,701	2,327	2,142
d. Provision for premium refunds	9	8	3,695	2,071	210	99
e. Other technical provisions	37	34	8	8	7	8
	10,298	**9,442**	**45,004**	**42,463**	**7,468**	**6,394**
D. Technical provisions in the area of life insurance insofar as the investment risk is borne by policyholders	—	—	8,462	7,616	686	709
E. Other provisions						
a. Provisions for pensions and other post-employment benefits	613	502	127	92	16	14
b. Provisions for taxes	168	122	138	116	74	92
c. Sundry provisions	70	70	196	266	75	74
	851	**694**	**461**	**474**	**165**	**180**
F. Liabilities						
a. Notes payable and loans	—	—	—	—	—	—
b. Funds withheld under reinsurance treaties	56	27	1,977	1,951	185	184
c. Other liabilities	1,495	1,283	2,084	2,138	2,803	2,543
	1,551	**1,310**	**4,061**	**4,089**	**2,988**	**2,727**
G. Deferred tax liabilities	104	44	356	285	163	121
H. Liabilities of disposal groups classified as held for sale[2]	—	—	—	—	221	235
Total liabilities/provisions	**13,004**	**11,634**	**58,505**	**55,140**	**11,693**	**10,368**

	Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013 [1]	30.9.2014	31.12.2013 [1]
	1,987	2,238	62	60	612	612	−363	−162	2,661	3,107
	2,827	2,297	141	108	14	8	−226	−150	6,910	5,678
	—	—	11,513	10,632	—	—	−207	−215	51,922	49,767
	20,485	18,848	3,242	2,821	19	9	−1,220	−1,209	36,560	33,775
	—	—	—	—	—	—	—	—	3,914	2,178
	151	129	136	140	—	—	−2	—	337	319
	23,463	**21,274**	**15,032**	**13,701**	**33**	**17**	**−1,655**	**−1,574**	**99,643**	**91,717**
	—	—	—	—	—	—	—	—	9,148	8,325
	116	90	37	27	1,191	971	—	—	2,100	1,696
	180	218	39	4	160	151	—	—	759	703
	80	90	48	45	135	145	−1	−2	603	688
	376	**398**	**124**	**76**	**1,486**	**1,267**	**−1**	**−2**	**3,462**	**3,087**
	302	227	236	213	1,513	1,217	−684	−715	1,367	942
	431	440	6,138	5,778	—	—	−2,876	−2,845	5,911	5,535
	908	953	1,875	1,495	104	112	−1,673	−1,555	7,596	6,969
	1,641	**1,620**	**8,249**	**7,486**	**1,617**	**1,329**	**−5,233**	**−5,115**	**14,874**	**13,446**
	1,306	1,005	323	271	1	—	21	28	2,274	1,754
	—	—	—	—	—	—	—	−2	221	233
	28,773	**26,535**	**23,790**	**21,594**	**3,749**	**3,225**	**−7,231**	**−6,827**	**132,283**	**121,669**
Shareholders' equity [3]									**12,562**	**11,124**
Total liabilities									**144,845**	**132,793**

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

SEGMENT REPORTING. STATEMENT OF INCOME FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2014

FIGURES IN EUR MILLION

	Industrial Lines		Retail Germany		Retail International	
	9M 2014	9M 2013[1]	9M 2014	9M 2013	9M 2014	9M 2013
1. Gross written premium, including premiums from unit-linked life and annuity insurance	3,213	3,128	5,079	5,196	3,307	3,133
thereof attributable to other segments	68	49	43	48	—	—
with third parties	3,145	3,079	5,036	5,148	3,307	3,133
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	727	695	74	151
3. Ceded written premium	1,592	1,697	237	244	277	284
4. Change in gross unearned premium	–318	–314	–212	–234	–160	–121
5. Change in ceded unearned premium	–98	–228	–14	–13	–24	–20
Net premium earned	**1,401**	**1,345**	**3,917**	**4,036**	**2,820**	**2,597**
6. Claims and claims expenses (gross)	2,321	2,181	4,281	4,441	2,261	1,933
Reinsurers' share	1,184	1,004	111	126	157	101
Claims and claims expenses (net)	**1,137**	**1,177**	**4,170**	**4,315**	**2,104**	**1,832**
7. Acquisition costs and administrative expenses (gross)	561	531	1,046	880	757	762
Reinsurers' share	233	274	85	84	69	62
Acquisition costs and administrative expenses (net)	**328**	**257**	**961**	**796**	**688**	**700**
8. Other technical income	6	16	8	6	15	16
Other technical expenses	8	20	58	61	49	58
thereof attributable to amortisation PVFP	—	—	46	46	11	23
Other technical result	**–2**	**–4**	**–50**	**–55**	**–34**	**–42**
Net technical result	**–66**	**–93**	**–1,264**	**–1,130**	**–6**	**23**
9. a. Income from investments	242	205	1,568	1,492	274	260
b. Expenses for investments	33	39	125	155	39	53
Net income from investments under own management	**209**	**166**	**1,443**	**1,337**	**235**	**207**
Income/expense from investment contracts	—	—	—	—	7	8
Net interest income from funds withheld and contract deposits	—	1	–13	–18	–1	–1
Net investment income	**209**	**167**	**1,430**	**1,319**	**241**	**214**
thereof attributable to interest and similar income	149	151	1,174	1,161	256	234
attributable to interest and similar expenses	1	—	14	18	39	35
impairments/depreciation on investments	1	5	19	40	2	6
write-ups on investments	7	—	3	—	—	—
income/expense from associated companies and joint ventures recognised using the equity method	2	—	2	1	—	—
10. a. Other income	64	88	146	130	69	51
b. Other expenses	82	112	193	208	140	131
Other income/expenses	**–18**	**–24**	**–47**	**–78**	**–71**	**–80**
thereof attributable to interest and similar income	7	1	4	2	9	11
write-ups on accounts receivable and other assets	3	3	—	—	3	1
attributable to interest and similar expenses	18	14	6	4	2	3
write-downs on accounts receivable and other assets	9	16	1	5	24	39
Profit before goodwill impairments	**125**	**50**	**119**	**111**	**164**	**157**
11. Goodwill impairments	—	—	—	—	—	—
Operating profit/loss (EBIT)	**125**	**50**	**119**	**111**	**164**	**157**
12. Financing costs	6	7	9	10	2	2
13. Taxes on income	34	15	35	35	43	42
Net income	**85**	**28**	**75**	**66**	**119**	**113**
thereof attributable to non-controlling interests	—	—	3	3	23	20
thereof attributable to shareholders of Talanx AG	85	28	72	63	96	93

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

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
9M 2014	9M 2013	9M 2014	9M 2013[1)]	9M 2014	9M 2013	9M 2014	9M 2013[1)]	9M 2014	9M 2013[1)]
6,060	5,956	4,644	4,582	43	33	−614	−648	21,732	21,380
346	378	114	140	43	33	−614	−648	—	—
5,714	5,578	4,530	4,442	—	—	—	—	21,732	21,380
—	—	—	—	—	—	—	—	801	846
629	647	758	526	8	10	−609	−652	2,892	2,756
−373	−269	−25	−31	−6	−11	70	58	−1,024	−922
−46	−53	—	1	−1	−2	67	68	−116	−247
5,104	**5,093**	**3,861**	**4,024**	**30**	**14**	**−2**	**−6**	**17,131**	**17,103**
3,846	3,897	3,959	3,749	19	12	−290	−287	16,397	15,926
321	357	654	467	−1	3	−278	−301	2,148	1,757
3,525	**3,540**	**3,305**	**3,282**	**20**	**9**	**−12**	**14**	**14,249**	**14,169**
1,442	1,406	869	1,063	7	4	−148	−195	4,534	4,451
88	102	75	53	—	—	−160	−159	390	416
1,354	**1,304**	**794**	**1,010**	**7**	**4**	**12**	**−36**	**4,144**	**4,035**
3	2	—	1	—	—	—	—	32	41
4	6	4	6	2	1	−2	16	123	168
—	—	2	7	—	—	—	—	59	76
−1	**−4**	**−4**	**−5**	**−2**	**−1**	**2**	**−16**	**−91**	**−127**
224	**245**	**−242**	**−273**	**1**	**—**	**—**	**—**	**−1,353**	**−1,228**
751	712	221	224	16	88	−42	−48	3,030	2,933
100	123	30	21	56	52	−71	−66	312	377
651	**589**	**191**	**203**	**−40**	**36**	**29**	**18**	**2,718**	**2,556**
—	—	—	—	—	—	—	—	7	8
15	11	270	257	—	—	—	—	271	250
666	**600**	**461**	**460**	**−40**	**36**	**29**	**18**	**2,996**	**2,814**
512	537	536	507	4	8	−44	−49	2,587	2,549
3	5	94	78	—	—	−5	−7	146	129
16	14	—	—	—	1	—	—	38	66
—	—	—	—	—	—	—	—	10	—
6	10	—	—	3	1	−2	−3	11	9
178	129	115	92	556	606	−517	−544	611	552
200	141	97	115	530	558	−432	−503	810	762
−22	**−12**	**18**	**−23**	**26**	**48**	**−85**	**−41**	**−199**	**−210**
1	3	11	7	5	1	−4	−1	33	24
4	8	—	—	—	—	—	—	10	12
13	13	33	44	31	26	−7	−7	96	97
26	21	7	6	2	2	—	—	69	89
868	**833**	**237**	**164**	**−13**	**84**	**−56**	**−23**	**1,444**	**1,376**
—	—	—	—	—	—	—	—	—	—
868	**833**	**237**	**164**	**−13**	**84**	**−56**	**−23**	**1,444**	**1,376**
70	95	3	3	78	75	−35	−37	133	155
206	214	56	13	−26	−7	−5	6	343	318
592	**524**	**178**	**148**	**−65**	**16**	**−16**	**8**	**968**	**903**
321	277	92	74	—	—	−1	1	438	375
271	247	86	74	−65	16	−15	7	530	528

SEGMENT REPORTING. STATEMENT OF INCOME FOR THE PERIOD FROM 1 JULY TO 30 SEPTEMBER 2014

FIGURES IN EUR MILLION

	Industrial Lines		Retail Germany		Retail International	
	Q3 2014	Q3 2013[1]	Q3 2014	Q3 2013	Q3 2014	Q3 2013
1. Gross written premium, including premiums from unit-linked life and annuity insurance	716	729	1,516	1,573	1,052	982
thereof attributable to other segments	21	26	15	16	—	—
with third parties	695	703	1,501	1,557	1,052	982
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	248	224	27	39
3. Ceded written premium	435	445	67	69	86	79
4. Change in gross unearned premium	292	291	105	95	–28	–4
5. Change in ceded unearned premium	99	125	2	2	3	11
Net premium earned	**474**	**450**	**1,304**	**1,373**	**908**	**849**
6. Claims and claims expenses (gross)	887	866	1,483	1,611	708	649
Reinsurers' share	447	432	34	57	33	51
Claims and claims expenses (net)	**440**	**434**	**1,449**	**1,554**	**675**	**598**
7. Acquisition costs and administrative expenses (gross)	187	178	324	268	277	254
Reinsurers' share	76	94	39	30	35	21
Acquisition costs and administrative expenses (net)	**111**	**84**	**285**	**238**	**242**	**233**
8. Other technical income	2	8	2	–1	4	6
Other technical expenses	–3	14	28	–22	15	18
thereof attributable to amortisation PVFP	—	—	24	–30	4	7
Other technical result	**5**	**–6**	**–26**	**21**	**–11**	**–12**
Net technical result	**–72**	**–74**	**–456**	**–398**	**–20**	**6**
9. a. Income from investments	71	73	540	527	98	80
b. Expenses for investments	13	15	43	74	18	16
Net income from investments under own management	**58**	**58**	**497**	**453**	**80**	**64**
Income/expense from investment contracts	—	—	—	—	5	4
Net interest income from funds withheld and contract deposits	—	1	–4	–6	—	—
Net investment income	**58**	**59**	**493**	**447**	**85**	**68**
thereof attributable to interest and similar income	47	49	385	386	90	79
attributable to interest and similar expenses	—	—	4	6	13	–5
impairments/depreciation on investments	—	—	5	24	1	—
write-ups on investments	—	—	—	—	—	—
income/expense from associated companies and joint ventures recognised using the equity method	2	—	2	1	—	—
10. a. Other income	22	40	58	48	37	10
b. Other expenses	24	45	73	76	62	40
Other income/expenses	**–2**	**–5**	**–15**	**–28**	**–25**	**–30**
thereof attributable to interest and similar income	7	1	3	1	3	3
write-ups on accounts receivable and other assets	—	3	—	—	1	—
attributable to interest and similar expenses	8	4	2	1	1	1
write-downs on accounts receivable and other assets	—	2	—	4	8	9
Profit before goodwill impairments	**–16**	**–20**	**22**	**21**	**40**	**44**
11. Goodwill impairments	—	—	—	—	—	—
Operating profit/loss (EBIT)	**–16**	**–20**	**22**	**21**	**40**	**44**
12. Financing costs	2	1	2	4	—	1
13. Taxes on income	–14	–8	5	5	11	11
Net income	**–4**	**–13**	**15**	**12**	**29**	**32**
thereof attributable to non-controlling interests	—	—	—	1	7	5
thereof attributable to shareholders of Talanx AG	–4	–13	15	11	22	27

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

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
Q3 2014	Q3 2013	Q3 2014	Q3 2013 [1)]	Q3 2014	Q3 2013	Q3 2014	Q3 2013 [1)]	Q3 2014	Q3 2013 [1)]
1,982	1,859	1,657	1,452	8	8	–174	–189	6,757	6,414
92	94	38	45	8	8	–174	–189	—	—
1,890	1,765	1,619	1,407	—	—	—	—	6,757	6,414
—	—	—	—	—	—	—	—	275	263
267	247	254	201	—	5	–176	–189	933	857
1	60	–11	–14	5	3	–9	–9	355	422
–18	–17	—	—	3	–2	–8	–8	81	111
1,734	**1,689**	**1,392**	**1,237**	**10**	**8**	**1**	**–1**	**5,823**	**5,605**
1,358	1,397	1,426	1,181	9	5	–103	–115	5,768	5,594
165	193	212	167	—	—	–86	–114	805	786
1,193	**1,204**	**1,214**	**1,014**	**9**	**5**	**–17**	**–1**	**4,963**	**4,808**
510	462	304	343	3	2	–51	–56	1,554	1,451
35	37	32	18	—	—	–69	–52	148	148
475	**425**	**272**	**325**	**3**	**2**	**18**	**–4**	**1,406**	**1,303**
1	1	—	1	—	—	–1	–1	8	14
–1	7	1	—	1	—	–1	3	40	20
—	—	—	5	—	—	—	—	28	–18
2	**–6**	**–1**	**1**	**–1**	**—**	**—**	**–4**	**–32**	**–6**
68	**54**	**–95**	**–101**	**–3**	**1**	**—**	**—**	**–578**	**–512**
280	243	73	72	2	5	–11	–15	1,053	985
32	24	15	4	20	17	–25	–24	116	126
248	**219**	**58**	**68**	**–18**	**–12**	**14**	**9**	**937**	**859**
—	—	—	—	—	—	—	—	5	4
6	3	104	77	—	—	—	–1	106	74
254	**222**	**162**	**145**	**–18**	**–12**	**14**	**8**	**1,048**	**937**
173	183	195	144	1	2	–9	–12	882	831
2	3	31	12	—	—	–1	–2	49	14
6	6	—	—	—	—	—	—	12	30
—	—	—	—	—	—	—	—	—	—
2	4	—	—	1	1	–2	–3	5	3
69	9	60	22	193	198	–166	–169	273	158
56	19	42	32	179	188	–132	–161	304	239
13	**–10**	**18**	**–10**	**14**	**10**	**–34**	**–8**	**–31**	**–81**
—	1	5	2	2	—	–1	—	19	8
–1	1	—	—	—	—	—	—	—	4
5	4	12	15	10	9	–1	–2	37	32
9	6	2	2	—	1	—	—	19	23
335	**266**	**85**	**34**	**–7**	**–1**	**–20**	**—**	**439**	**344**
—	—	—	—	—	—	—	—	—	—
335	**266**	**85**	**34**	**–7**	**–1**	**–20**	**—**	**439**	**344**
21	32	2	1	22	19	–5	–7	44	51
78	73	28	–20	–21	–5	–3	6	84	62
236	**161**	**55**	**53**	**–8**	**–15**	**–12**	**1**	**311**	**231**
130	80	26	26	—	—	–1	1	162	113
106	81	29	27	–8	–15	–11	—	149	118

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
30.9.2014				
Germany	22,248	6,009	317	**28,574**
United Kingdom	3,368	2,574	23	**5,965**
Central and Eastern Europe (CEE), including Turkey	3,311	600	3	**3,914**
Rest of Europe	25,289	8,518	442	**34,249**
USA	1,923	9,445	9	**11,377**
Rest of North America	144	1,374	7	**1,525**
Latin America	1,129	1,380	1	**2,510**
Asia and Australia	1,694	3,910	9	**5,613**
Africa	3	323	—	**326**
Total	**59,109**	**34,133**	**811**	**94,053**
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
30.9.2014				
Germany	3,255	754	81	**4,090**
United Kingdom	—	3	—	**3**
Central and Eastern Europe (CEE), including Turkey	—	—	—	**—**
Rest of Europe	358	85	—	**443**
USA	—	363	—	**363**
Rest of North America	—	—	—	**—**
Latin America	33	—	—	**33**
Asia and Australia	—	2	—	**2**
Africa	—	7	—	**7**
Total	**3,646**	**1,214**	**81**	**4,941**
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
9M 2014				
Germany	6,380	725	—	**7,105**
United Kingdom	101	1,861	—	**1,962**
Central and Eastern Europe (CEE), including Turkey	1,598	163	—	**1,761**
Rest of Europe	1,964	1,488	—	**3,452**
USA	286	2,276	—	**2,562**
Rest of North America	20	528	—	**548**
Latin America	932	594	—	**1,526**
Asia and Australia	168	2,289	—	**2,457**
Africa	39	320	—	**359**
Total	**11,488**	**10,244**	**—**	**21,732**
9M 2013				
Germany	6,550	680	—	**7,230**
United Kingdom	96	1,930	—	**2,026**
Central and Eastern Europe (CEE), including Turkey	1,687	163	—	**1,850**
Rest of Europe	1,710	1,493	—	**3,203**
USA	240	2,449	—	**2,689**
Rest of North America	14	538	—	**552**
Latin America	908	603	—	**1,511**
Asia and Australia	118	1,825	—	**1,943**
Africa	37	339	—	**376**
Total	**11,360**	**10,020**	**—**	**21,380**

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

GROSS WRITTEN PREMIUM BY GEOGRAPHICAL ORIGIN

FIGURES IN EUR MILLION

	Primary insurance	Reinsurance	Corporate Operations	Total
Q3 2014				
Germany	1,690	177	—	**1,867**
United Kingdom	31	631	—	**662**
Central and Eastern Europe (CEE), including Turkey	533	49	—	**582**
Rest of Europe	466	519	—	**985**
USA	88	787	—	**875**
Rest of North America	9	195	—	**204**
Latin America	345	226	—	**571**
Asia and Australia	68	739	—	**807**
Africa	18	186	—	**204**
Total	**3,248**	**3,509**	**—**	**6,757**
Q3 2013				
Germany	1,765	166	—	**1,931**
United Kingdom	27	660	—	**687**
Central and Eastern Europe (CEE), including Turkey	494	46	—	**540**
Rest of Europe	494	403	—	**897**
USA	70	768	—	**838**
Rest of North America	7	197	—	**204**
Latin America	316	193	—	**509**
Asia and Australia	48	643	—	**691**
Africa	21	96	—	**117**
Total	**3,242**	**3,172**	**—**	**6,414**

[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 MILLION

	9M 2014	9M 2013	Q3 2014	Q3 2013
Property/casualty primary insurance	6,576	6,501	1,671	1,648
Life primary insurance	4,912	4,859	1,577	1,594
Non-Life Reinsurance	5,714	5,578	1,890	1,765
Life/Health Reinsurance	4,530	4,442	1,619	1,407
Total	**21,732**	**21,380**	**6,757**	**6,414**

[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 its 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, 126 individual companies, 32 investment funds, two 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 nine companies that were included at equity.

The major changes in the scope of consolidation relative to year-end 2013 are set out below.

Significant additions and disposals of fully consolidated subsidiaries

Effective 24 March 2014, Funis GmbH & Co. KG, Hannover, ("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.

On entry of the transaction in the commercial register on 27 May 2014, HDI Lebensversicherung AG and HG-I Alternative Investments Beteiligungs-GmbH & Co. KG (both Cologne) together acquired 100% of the limited partner shares of WP Mörsdorf Nord GmbH & Co. KG, Cologne (formerly ABO Wind WP Mörsdorf Nord GmbH & Co. KG, Heidesheim); this company's general partner is Talanx Direct Infrastructure 1 GmbH, Cologne. The purpose of the company is to build and operate a wind farm. The purchase price amounted to EUR 7.1 million; no goodwill arose. No contingent liabilities, contingent considerations or separate transactions within the meaning of IFRS 3 were identified. The company was initially consolidated in the second quarter of 2014.

HDI-Gerling Assurances S. A., Brussels, Belgium, was merged with HDI-Gerling Industrie Versicherung AG, Hannover, effective 1 January 2014; this transaction was entered in the commercial register of Hannover on 16 June 2014, on which date it also became legally effective.

By way of an agreement dated 6 August 2014, HR GLL Europe Holding S. à. r. l., Luxembourg, acquired all of the shares in the property company Mustela s. r. o., Prague, which owns and manages a commercial building in Prague, for a purchase price of EUR 69 million. No contingent liabilities, contingent considerations, or separate transactions within the meaning of IFRS 3 were identified. The company has been included in the subgroup financial statements of HR GLL Central Europe GmbH & Co. KG effective the third quarter of 2014.

On entry of the transaction in the commercial register on 28 August 2014, HDI Lebensversicherung AG and HG-I Alternative Investments Beteiligungs-GmbH & Co. KG (both Cologne) together acquired 100% of the limited partner shares of WP Berngerode GmbH & Co. KG, Cologne (formerly ABO Wind WP Berngerode GmbH & Co. KG, Heidesheim); this company's general partner is Talanx Direct Infrastructure 1 GmbH, Cologne. The purpose of the company is to build and operate a wind farm. The purchase price amounted to EUR 12 million; no goodwill arose. No contingent liabilities, contingent considerations or separate transactions within the meaning of IFRS 3 were identified. The company was initially consolidated in the third quarter of 2014.

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. Since that date, the shares of the company have been reported in the consolidated financial statements as a financial investment measured at amortised cost.

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

CONSOLIDATED SUBSIDIARIES (FULLY CONSOLIDATED)

	Individual companies		Investment funds [1]		Structured entities	Subgroups [2]	
	Domestic	Foreign	Domestic	Foreign	Foreign	Domestic/ Foreign	Total
31.12.2013	68	55	25	11	2	4	165
Additions	—	2	—	2	—	—	4
Disposals	—	1	—	—	—	—	1
31.3.2014	68	56	25	13	2	4	168
Additions	2	—	—	1	—	—	3
Disposals	—	1	—	1	—	—	2
30.6.2014	70	55	25	13	2	4	169
Additions	1	—	—	1	—	—	2
Disposals	—	—	7	—	—	—	7
30.9.2014	**71**	**55**	**18**	**14**	**2**	**4**	**164**

[1] Not structured entities because they are controlled via voting or similar rights
[2] 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.

As explained in the "Consolidation" section in the notes to the consolidated financial statements in the 2013 Annual Report (pages 183 to 188), we classify business relations with structured entities and assess whether or not they must be consolidated on the basis of the following five categories: investment funds, investments, securitisation of reinsurance risks, assumed life/health reinsurance business and retrocessions and insurance-linked securities.

The total of the contractually agreed capacities of the transactions in the "assumed life/health reinsurance business" category as at 30 September 2014 is the equivalent of EUR 2,482 (1,372) million, of which the equivalent of EUR 1,474 (892) million has been underwritten as at the balance sheet date. There were no further material changes in the business relations compared with 31 December 2013 that are significant for an assessment of the assets, financial position and net income.

Two structured entities are fully consolidated, as they were in the 2013 consolidated financial statements.

ASSOCIATED COMPANIES/JOINT VENTURES VALUED AT EQUITY

As at the balance sheet date, three domestic and five foreign associated companies were consolidated at equity (the figures are exclusive of foreign subgroups). As was the case in the 2013 consolidated 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

CIV HAYAT SIGORTA A. Ş. (RETAIL INTERNATIONAL SEGMENT)

In the second quarter of 2014, CIV Hayat Sigorta A. Ş., Istanbul, Turkey, decided to sell its entire insurance portfolio. As a result, the Group reported assets and liabilities in the amount of EUR 12 million in each case separately as a disposal group. The portfolio was disposed of on 31 October 2014. No material effects on Group profit are expected.

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

The sale of the life insurance portfolio belonging to HDI Seguros S. A. de C. V., Mexico City, Mexico, was completed in the third quarter of 2014. A minor gain was recognised on the disposal. At the time of sale, assets amounted to EUR 16 (15) million and mainly comprised cash (investments, including accounts receivable on insurance business). These contrasted with technical provisions and other liabilities amounting to EUR 18 (17) million. No cumulative income/expenses were contained in "Other comprehensive income". No impairments were recognised from measurement at fair value less costs to sell.

The non-life insurance portfolio previously reported as a disposal group was disposed of in the second quarter of 2014 (assets and liabilities amounting to EUR 2 million in each case).

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 Luxembourg 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 2014 and the transfer will take place in the fourth quarter of 2014. The disposal group contains assets of EUR 209 (216) million (including investments for the account and risk of holders of life insurance policies amounting to EUR 208 [212] million and cash of EUR 1 [4] million) and liabilities of EUR 209 (214) million (including technical provisions in the area of life insurance, insofar as the investment risk is borne by policyholders, amounting to EUR 207 [212] million, and other liabilities amounting to EUR 2 [2] 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

	30.9.2014	31.12.2013
a. Goodwill	1,108	1,105
b. Other intangible assets	1,287	1,446
thereof attributable to		
Insurance-related intangible assets	1,038	1,182
Software	142	140
Other		
Acquired distribution networks and customer relationships	38	51
Other	36	40
Acquired brand names	33	33
Total	**2,395**	2,551

(2) LOANS AND RECEIVABLES

LOANS AND RECEIVABLES

FIGURES IN EUR MILLION

	Amortised cost		Unrealised gains/losses		Fair value	
	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013
Mortgage loans	741	849	79	88	820	937
Loans and prepayments on insurance policies	186	192	—	—	186	192
Loans and receivables due from governmental or quasi-governmental entities [1]	9,625	9,691	1,487	860	11,112	10,551
Corporate securities	6,412	6,731	512	218	6,924	6,949
Covered bonds/asset-backed securities	14,313	14,737	2,913	1,608	17,226	16,345
Participation rights	20	31	5	5	25	36
Total	**31,297**	32,231	**4,996**	2,779	**36,293**	35,010

[1] Loans and receivables due from governmental or quasi-governmental entities include securities of EUR 3,019 (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 14,292 (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	
	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013
Government debt securities of EU member states	557	556	31	26	588	582
US treasury notes	365	501	5	13	370	514
Other foreign government debt securities	62	69	—	—	62	69
Debt securities issued by quasi-governmental entities[1]	445	544	20	25	465	569
Corporate securities	347	343	9	10	356	353
Covered bonds/asset-backed securities	848	971	66	65	914	1,036
Total	**2,624**	**2,984**	**131**	**139**	**2,755**	**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 848 (969) million, which corresponds to 100 (99)%.

(4) FINANCIAL ASSETS AVAILABLE FOR SALE

FINANCIAL ASSETS AVAILABLE FOR SALE

FIGURES IN EUR MILLION

	Amortised cost		Unrealised gains/losses		Fair value	
	30.9.2014	31.12.2013	30.9.2014	31.12.2013	30.9.2014	31.12.2013
Fixed-income securities						
Government debt securities of EU member states	7,173	6,554	902	217	8,075	6,771
US treasury notes	2,502	1,750	16	–5	2,518	1,745
Other foreign government debt securities	1,900	1,682	–16	–30	1,884	1,652
Debt securities issued by quasi-governmental entities[1]	7,440	7,056	747	219	8,187	7,275
Corporate securities	20,235	16,923	1,110	361	21,345	17,284
Investment funds	655	699	86	38	741	737
Covered bonds/asset-backed securities	7,380	7,152	795	489	8,175	7,641
Participation rights	363	416	13	10	376	426
Total fixed-income securities	**47,648**	**42,232**	**3,653**	**1,299**	**51,301**	**43,531**
Variable-yield securities						
Equities	384	391	282	221	666	612
Investment funds	725	639	118	99	843	738
Participation rights	41	41	—	—	41	41
Total variable-yield securities	**1,150**	**1,071**	**400**	**320**	**1,550**	**1,391**
Total securities	**48,798**	**43,303**	**4,053**	**1,619**	**52,851**	**44,922**

[1] Debt securities issued by quasi-governmental entities include securities of EUR 2,922 (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 7,022 (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	
	30.9.2014	31.12.2013
Fixed-income securities		
Government debt securities of EU member states	17	31
Other foreign government debt securities	41	39
Debt securities issued by quasi-governmental entities [1]	2	34
Corporate securities	583	453
Investment funds	137	114
Covered bonds/asset-backed securities	—	24
Participation rights	70	82
Other	—	20
Total fixed-income securities	**850**	**797**
Investment funds (variable-yield securities)	52	52
Other variable-yield securities	71	35
Total financial assets classified at fair value through profit or loss	**973**	**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)	90	120
Derivatives	103	82
Total financial assets held for trading	**196**	**206**
Total	**1,169**	**1,090**

[1] Debt securities issued by quasi-governmental entities include securities of EUR 2 (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 0 (12) million, which corresponds to 0 (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 6 (7)%.

Altogether, 90 (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.

In the reporting period just ended, securities with a fair value of EUR 117 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. Most 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.

FAIR VALUE HIERARCHY

FIGURES IN EUR MILLION

	Level 1	Level 2	Level 3 [1]	Book value
				30.9.2014
Financial assets measured at fair value				
Financial assets available for sale				
Fixed-income securities	60	51,241	—	**51,301**
Variable-yield securities	844	69	637	**1,550**
Financial assets at fair value through profit or loss				
Financial assets classified at fair value through profit or loss	92	852	29	**973**
Financial assets held for trading	98	93	5	**196**
Other invested assets	2,176	81	1,539	**3,796**
Other assets, derivative financial instruments (hedging instruments)	—	208	—	**208**
Investment contracts				
Financial assets classified at fair value through profit or loss	149	656	143	**948**
Financial assets available for sale	—	24	—	**24**
Derivatives	—	64	7	**71**
Total financial assets measured at fair value	**3,419**	**53,288**	**2,360**	**59,067**
Financial liabilities measured at fair value				
Other liabilities (negative market values under derivative financial instruments)				
Negative market values under derivatives	—	83	174	**257**
Negative market values under hedging instruments	—	—	—	**—**
Other liabilities (investment contracts)				
Financial liabilities classified at fair value through profit or loss	207	656	143	**1,006**
Derivatives	—	63	7	**70**
Nominal values	**207**	**802**	**324**	**1,333**
				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 (hedging 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

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 30 SEPTEMBER

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**
Income and expenses	—	—	—	—	—	—	**—**
recognised in the statement of income	–5	1	—	–9	45	2	**34**
recognised in other comprehensive income	16	—	—	86	—	—	**102**
Transfers to level 3	3[2]	—	—	—	—	—	**3**
Transfers from level 3	—	—	—	—	—	—	**—**
Additions							
Purchases	129	19	3	264	20	3	**438**
Disposals							
Sales	42	1	—	136	10	8	**197**
Repayments	—	14	—	—	—	—	**14**
Exchange rate fluctuations	13	—	—	69	–1	—	**81**
Book value as at 30.9.2014	**637**	**29**	**5**	**1,539**	**143**	**7**	**2,360**
2013							
Book value as at 1.1.2013	369	31	3	1,179	114	18	**1,714**
Change in scope of consolidation	—	–7	—	–9	—	—	**–16**
Income and expenses							
recognised in the statement of income	–20	–1	–1	–6	–29	—	**–57**
recognised in other comprehensive income	25	—	—	17	—	—	**42**
Transfers to level 3	30[3]	—	—	—	—	—	**30**
Transfers from level 3	—	1[4]	3[4]	—	—	—	**4**
Additions							
Purchases	115	10	3	148	28	1	**305**
Disposals							
Sales	31	18	—	101	23	6	**179**
Exchange rate fluctuations	–3	–1	—	–16	–4	–1	**–25**
Book value as at 30.9.2013	485	13	2	1,212	86	12	**1,810**

1) In the following, financial instruments are abbreviated as "FI"
2) Trading on an active market ceased
3) Measurement at net asset value and thus transfer to level 3
4) Trading on an active market commenced

RECONCILIATION OF FINANCIAL INSTRUMENTS[1] (FINANCIAL LIABILITIES) INCLUDED IN LEVEL 3 AT THE BEGINNING OF THE REPORTING PERIOD WITH THE VALUES AS AT 30 SEPTEMBER

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	2	–45	–2	**–45**
recognised in other comprehensive income	—	—	—	**—**
Transfers to level 3	—	—	—	**—**
Transfers from level 3	—	—	—	**—**
Additions				
Purchases	49	20	3	**72**
Disposals				
Sales	—	10	8	**18**
Exchange rate fluctuations	10	–1	—	**9**
Book value as at 30.9.2014	**174**	**143**	**7**	**324**
2013				
Book value as at 1.1.2013	**103**	**115**	**18**	**236**
Income and expenses				
recognised in the statement of income	–3	29	—	**26**
recognised in other comprehensive income	—	—	—	**—**
Transfers to level 3	—	—	—	**—**
Transfers from level 3	—	—	—	**—**
Additions				
Purchases	—	54	3	**57**
Disposals				
Sales	3	50	8	**61**
Exchange rate fluctuations	–3	–4	–1	**–8**
Book value as at 30.9.2013	**100**	**86**	**12**	**198**

[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 30.9.2014							
Income from investments	—	1	4	2	58	8	**73**
Investment expenses	–5	—	–4	–11	–13	–6	**–39**
thereof attributable to financial instruments included in the portfolio as at 30.9.2014							
Income from investments[2]	—	1	4	2	58	8	**73**
Investment expenses[3]	–5	—	–4	–11	–13	–6	**–39**
2013							
Gains and losses in the 2013 financial year until 30.9.2013							
Income from investments	—	5	1	—	111	9	**126**
Investment expenses	–20	–6	–2	–6	–140	–9	**–183**
thereof attributable to financial instruments included in the portfolio as at 30.9.2013							
Income from investments	—	5	1	—	111	9	**126**
Investment expenses	–20	–6	–2	–6	–140	–9	**–183**

1) In the following, financial instruments are abbreviated as "FI"
2) Thereof EUR 73 (126) million attributable to unrealised gains
3) Thereof –EUR 31 (–157) 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				
Income from investments	4	13	6	**23**
Investment expenses	—	–58	–8	**–66**
Financing costs	–2	—	—	**–2**
thereof attributable to financial instruments included in the portfolio as at 30.9.2014				
Income from investments[2]	4	13	6	**23**
Investment expenses[3]	—	–58	–8	**–66**
Financing costs[4]	–2	—	—	**–2**
2013				
Gains and losses in the 2013 financial year				
Income from investments	—	140	9	**149**
Investment expenses	–1	–111	–9	**–121**
Financing costs	–2	—	—	**–2**
thereof attributable to financial instruments included in the portfolio as at 30.9.2013				
Income from investments	—	140	9	**149**
Investment expenses	–1	–111	–9	**–121**
Financing costs	–2	—	—	**–2**

1) In the following, financial instruments are abbreviated as "FI"
2) Thereof EUR 23 (149) million attributable to unrealised gains
3) Thereof –EUR 66 (–120) million attributable to unrealised losses
4) Thereof –EUR 2 (–2) 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
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

[1] NAV: net asset value

MEASUREMENT MODELS FOR DETERMINATION OF FAIR VALUE

Financial instrument	Pricing method	Parameter	Pricing model
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 30.9.2014	Measurement method	Unobservable inputs	Fluctuation (weighted average)
CDOs/CLOs [2]	19	Present value method	Prepayment speed, risk premiums, default rates, recovery rates, redemptions	n. a. [4]
Unlisted equity, real estate and bond funds [1]	649	NAV method [3]	n. a.	n. a.
Private equity funds/private equity real estate funds [1]	1,408	NAV method [3]	n. a.	n. a.
Written put options for minority interests [1]	50	Discounted NAV [3]	Risk-free interest	5.6%
Unlisted bond funds [1]	26	NAV method [3]	n. a.	n. a.
Insurance contracts [2]	232	Present value method	Market values of CAT bonds, interest rate curve, actuarial parameters	n. a. [4]
Investment contracts	300	—	—	—

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 2.7 (2.1) billion as at the balance sheet date, the Group generally measured financial assets with a volume of EUR 2.1 (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 150 (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 contracts in the amount of EUR 232 (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 19 (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".

There were no changes in the composition of conditional and authorised capital in the reporting period. For further information, please refer to the disclosures in our 2013 consolidated financial statements (page 240 et seq.).

NON-CONTROLLING INTERESTS

NON-CONTROLLING INTERESTS IN SHAREHOLDERS' EQUITY

FIGURES IN EUR MILLION

	30.9.2014	31.12.2013
Unrealised gains and losses from investments	753	380
Non-controlling interest in net income	438	520
Other shareholders' equity	3,434	3,097
Total	**4,625**	**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[5]	30.9.2014	31.12.2013
Hannover Finance (Luxembourg) S. A.	500	Fixed (5%), then floating rate	2005/no final maturity	(a; A)	497	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
Hannover Rück SE[1]	450	Fixed (3.375%), then floating rate	2014/no final maturity	(a; A)	445	—
HDI-Gerling Industrie Versicherung AG	142	Fixed (7%), then floating rate	2004/2024	(a–; A–)	—	144
HDI Lebensversicherung AG (formerly HDI-Gerling Lebensversicherung AG)[2]	110	Fixed (6.75%)	2005/no final maturity	(—; A–)	110	112
Talanx Finanz[3]	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.[4]	2	Fixed (2.5%), plus WIBOR 3M	2013/2018	(—; —)	2	2
Total					**2,661**	**3,107**

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

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

The subordinate bond issued by HDI-Gerling Industrie Versicherung AG on 12 August 2004 in the nominal amount of EUR 250 million, part of which had already been repurchased, was repaid by the issuer ahead of schedule in the outstanding nominal amount (EUR 142 million) on the first possible repayment date (12 August 2014).

As at 15 September 2014, the Group placed another subordinated bond via Hannover Rück SE, Hannover, in the amount of EUR 500 million on the European capital markets, of which a nominal amount of EUR 50 million was subscribed for within the Group. The bond has an indefinite term; its first regular call date is 26 June 2025. The bond has a fixed coupon of 3.375% p.a. until this date. It will then incur variable interest of 3.25% above the three-month EURIBOR.

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

The fair value of the subordinated liabilities as at the balance sheet date amounted to EUR 2,976 (3,356) million.

(9) TECHNICAL PROVISIONS

TECHNICAL PROVISIONS

FIGURES IN EUR MILLION

	Gross	Re	Net	Gross	Re	Net
	30.9.2014			31.12.2013[1]		
a. Unearned premium reserve	6,910	775	6,135	5,678	635	5,043
b. Benefit reserve	51,922	997	50,925	49,767	832	48,935
c. Loss and loss adjustment expense reserve	36,560	5,190	31,370	33,775	4,894	28,881
d. Provision for premium refunds	3,914	2	3,912	2,178	2	2,176
e. Other technical provisions	337	8	329	319	8	311
Total	**99,643**	**6,972**	**92,671**	**91,717**	**6,371**	**85,346**

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

Technical provisions where the investment risk is borne by policyholders amounted to EUR 9,148 (8,325) million. Of this amount, EUR 289 (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

	30.9.2014	31.12.2013
Talanx AG bank liability	—	150
Talanx AG notes payable	1,065	565
Mortgage loan of Hannover Re Real Estate Holdings, Inc., Orlando	201	150
Mortgage loan of HR GLL Central Europe GmbH & Co. KG, Munich	101	77
Total	**1,367**	**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 at better conditions, which likewise has a term of five years. The volume was increased to EUR 550 million. Accordingly, as at 30 September 2014, there are lines of credit having a nominal amount of EUR 1.25 billion. There were no draw-downs as at the balance sheet date.

Furthermore, on 23 July 2014, Talanx AG issued a senior unsecured bond with a volume of EUR 500 million on the Luxembourg Stock Exchange (see the disclosures in the table below).

The fair value of the notes payable and loans as at the balance sheet date amounted to EUR 1,428 (958) million.

NOTES PAYABLE

FIGURES IN EUR MILLION

	Nominal amount	Coupon	Maturity	Rating[1]	Issue	30.9.2014	31.12.2013
Talanx AG[2]	565	Fixed (3,125%)	2013/2023	(—; A–)	This senior unsecured bond has a fixed term and may be called only for extraordinary reasons	565	565
Talanx AG	500	Fixed (2,5%)	2014/2026	(—; A–)	This senior unsecured bond has a fixed term and may be called only for extraordinary reasons	500	—
Total						**1,065**	565

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

2) Additionally, as at the balance sheet date, Group companies held bonds with a nominal volume of EUR 185 million

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
9M 2014 [1]							
Gross written premium, including premium from unit-linked life and annuity insurance	3,145	5,036	3,307	5,714	4,530	—	**21,732**
Savings elements of premium from unit-linked life and annuity insurance	—	727	74	—	—	—	**801**
Ceded written premium	1,268	115	167	620	715	7	**2,892**
Change in gross unearned premium	–304	–212	–159	–325	–24	—	**–1,024**
Change in ceded unearned premium	–49	–11	–8	–46	—	–2	**–116**
Net premium earned	**1,622**	**3,993**	**2,915**	**4,815**	**3,791**	**–5**	**17,131**
9M 2013 [1]							
Gross written premium, including premium from unit-linked life and annuity insurance	3,079	5,148	3,133	5,578	4,442	—	21,380
Savings elements of premium from unit-linked life and annuity insurance	—	694	152	—	—	—	846
Ceded written premium	1,345	102	181	634	485	9	2,756
Change in gross unearned premium	–315	–234	–121	–221	–31	—	–922
Change in ceded unearned premium	–169	–9	–15	–53	1	–2	–247
Net premium earned	1,588	4,127	2,694	4,776	3,925	–7	17,103

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

(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
9M 2014[1]							
Income from real estate	3	47	1	63	—	—	**114**
Dividends[2]	8	8	2	7	—	11	**36**
Current interest income	138	1,156	209	485	172	2	**2,162**
Other income	8	13	—	58	9	—	**88**
Ordinary investment income	**157**	**1,224**	**212**	**613**	**181**	**13**	**2,400**
Appreciation	7	3	—	—	—	—	**10**
Realised gains on investments	59	298	39	121	35	—	**552**
Unrealised gains on investments	9	24	20	7	7	1	**68**
Investment income	**232**	**1,549**	**271**	**741**	**223**	**14**	**3,030**
Realised losses on investments	17	29	10	11	8	—	**75**
Unrealised losses on investments	4	6	13	10	12	1	**46**
Total	**21**	**35**	**23**	**21**	**20**	**1**	**121**
Impairments/depreciation on investment property							
scheduled	1	10	—	14	—	—	**25**
unscheduled	—	—	—	—	—	—	**—**
Impairments on equity securities	—	1	1	—	—	—	**2**
Impairments on fixed-income securities	—	3	—	—	—	—	**3**
Impairments on other investments	—	5	—	3	—	—	**8**
Expenses for the administration of investments	4	12	3	17	2	55	**93**
Other expenses	1	24	7	23	5	—	**60**
Other investment expenses/impairments	**6**	**55**	**11**	**57**	**7**	**55**	**191**
Investment expenses	**27**	**90**	**34**	**78**	**27**	**56**	**312**
Net income from assets under own management	**205**	**1,459**	**237**	**663**	**196**	**–42**	**2,718**
Profit on investment contracts	**—**	**—**	**7**	**—**	**—**	**—**	**7**
Interest income from funds withheld and contract deposits	—	—	—	18	360	—	**378**
Interest expense from funds withheld and contract deposits	—	10	—	3	94	—	**107**
Net interest income from funds withheld and contract deposits	**—**	**–10**	**—**	**15**	**266**	**—**	**271**
Net investment income	**205**	**1,449**	**244**	**678**	**462**	**–42**	**2,996**

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

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

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

Of impairments totalling EUR 13 (45) million, EUR 2 (11) million was attributable to equity securities, EUR 4 (20) million to real estate funds, EUR 3 (6) million to fixed-income securities and EUR 3 (6) million to private equity. On the other hand, there was an appreciation of EUR 10 (0) 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 negative changes in fair value of EUR 2 (+5) million, which were recognised in profit or loss. 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 changes in fair value of –EUR 4 (–27) million, which were recognised in profit or loss. 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.

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

NET GAINS AND LOSSES ON INVESTMENTS BY ASSET TYPE

FIGURES IN EUR MILLION

	9M 2014	9M 2013
Investments in affiliated companies and participating interests	–1	5
Loans and receivables	1,053	1,129
Financial assets held to maturity	85	95
Financial assets available for sale		
Fixed-income securities	1,389	1,175
Variable-yield securities	60	83
Financial assets at fair value through profit or loss		
Financial assets classified at fair value through profit or loss		
Fixed-income securities	63	36
Variable-yield securities	4	3
Financial assets held for trading		
Fixed-income securities	—	—
Variable-yield securities	9	5
Derivatives	–3	–11
Other invested assets, insofar as they are financial assets	98	88
Other [1]	114	85
Assets under own management	**2,871**	**2,693**
Investment contracts investments/liabilities [2]	7	8
Funds withheld by ceding companies/funds withheld under reinsurance treaties	271	250
Total	**3,149**	**2,951**

[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 92 million/–EUR 56 million is attributable to financial instruments at fair value through profit or loss (assets/liabilities), EUR 16 million to loans and receivables, and –EUR 38 million to other liabilities. In addition, amortisation of PVFP in the amount of –EUR 6 million is taken into consideration under expenses

Making allowance for “Expenses for assets under own management” in the amount of EUR 93 (82) million and for “Other expenses” in the amount of EUR 60 (55) million, “Net investment income” as at the balance sheet date amounted to EUR 2,996 (2,814) million.

(14) CLAIMS AND CLAIMS EXPENSES

CLAIMS AND CLAIMS EXPENSES

FIGURES IN EUR MILLION

9M 2014[1]	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Gross							
Claims and claims expenses paid	1,987	2,878	1,440	3,048	3,532	—	**12,885**
Change in loss and loss adjustment expense reserve	311	41	187	615	239	—	**1,393**
Change in benefit reserve	—	649	630	—	154	—	**1,433**
Expenses for premium refunds	3	679	4	—	—	—	**686**
Total	**2,301**	**4,247**	**2,261**	**3,663**	**3,925**	**—**	**16,397**
Reinsurers' share							
Claims and claims expenses paid	827	110	79	459	455	—	**1,930**
Change in loss and loss adjustment expense reserve	182	–19	42	–141	53	–1	**116**
Change in benefit reserve	—	–12	1	—	112	—	**101**
Expenses for premium refunds	—	—	1	—	—	—	**1**
Total	**1,009**	**79**	**123**	**318**	**620**	**–1**	**2,148**
Net							
Claims and claims expenses paid	1,160	2,768	1,361	2,589	3,077	—	**10,955**
Change in loss and loss adjustment expense reserve	129	60	145	756	186	1	**1,277**
Change in benefit reserve	—	661	629	—	42	—	**1,332**
Expenses for premium refunds	3	679	3	—	—	—	**685**
Total	**1,292**	**4,168**	**2,138**	**3,345**	**3,305**	**1**	**14,249**

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

CLAIMS AND CLAIMS EXPENSES

FIGURES IN EUR MILLION

	Industrial Lines [2]	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	**Total**
9M 2013 [1]							
Gross							
Claims and claims expenses paid	1,854	2,655	1,439	2,726	3,590	—	**12,264**
Change in loss and loss adjustment expense reserve	309	94	180	974	73	—	**1,630**
Change in benefit reserve	—	1,042	312	—	55	—	**1,409**
Expenses for premium refunds	7	614	2	—	—	—	**623**
Total	**2,170**	**4,405**	**1,933**	**3,700**	**3,718**	**—**	**15,926**
Reinsurers' share							
Claims and claims expenses paid	1,059	92	61	359	406	—	**1,977**
Change in loss and loss adjustment expense reserve	–250	30	2	–3	37	2	**–182**
Change in benefit reserve	—	–33	–4	—	–7	—	**–44**
Expenses for premium refunds	3	—	3	—	—	—	**6**
Total	**812**	**89**	**62**	**356**	**436**	**2**	**1,757**
Net							
Claims and claims expenses paid	795	2,563	1,378	2,367	3,184	—	**10,287**
Change in loss and loss adjustment expense reserve	559	64	178	977	36	–2	**1,812**
Change in benefit reserve	—	1,075	316	—	62	—	**1,453**
Expenses for premium refunds	4	614	–1	—	—	—	**617**
Total	**1,358**	**4,316**	**1,871**	**3,344**	**3,282**	**–2**	**14,169**

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

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

(15) Acquisition costs and administrative expenses

ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES

FIGURES IN EUR MILLION

	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
9M 2014[1]							
Gross							
Acquisition costs and reinsurance commissions	389	648	685	1,299	702	—	**3,723**
Changes in deferred acquisition costs and changes in reserves for commissions	–26	173	–56	–71	–23	—	**–3**
Total acquisition costs	**363**	**821**	**629**	**1,228**	**679**	**—**	**3,720**
Administrative expenses	187	221	128	147	130	1	**814**
Total acquisition costs and administrative expenses	**550**	**1,042**	**757**	**1,375**	**809**	**1**	**4,534**
Reinsurers' share							
Acquisition costs and reinsurance commissions	171	11	26	92	84	—	**384**
Changes in deferred acquisition costs and changes in reserves for commissions	6	9	10	–5	–14	—	**6**
Total acquisition costs	**177**	**20**	**36**	**87**	**70**	**—**	**390**
Net							
Acquisition costs and reinsurance commissions	218	637	659	1,207	618	—	**3,339**
Changes in deferred acquisition costs and changes in reserves for commissions	–32	164	–66	–66	–9	—	**–9**
Total acquisition costs	**186**	**801**	**593**	**1,141**	**609**	**—**	**3,330**
Administrative expenses	187	221	128	147	130	1	**814**
Total acquisition costs and administrative expenses	**373**	**1,022**	**721**	**1,288**	**739**	**1**	**4,144**
9M 2013[1]							
Gross							
Acquisition costs and reinsurance commissions	370	705	693	1,205	829	—	**3,802**
Changes in deferred acquisition costs and changes in reserves for commissions	–23	–59	–68	–30	24	—	**–156**
Total acquisition costs	**347**	**646**	**625**	**1,175**	**853**	**—**	**3,646**
Administrative expenses	178	230	137	143	117	—	**805**
Total acquisition costs and administrative expenses	**525**	**876**	**762**	**1,318**	**970**	**—**	**4,451**
Reinsurers' share							
Acquisition costs and reinsurance commissions	225	12	35	104	69	—	**445**
Changes in deferred acquisition costs and changes in reserves for commissions	–17	7	6	–7	–18	—	**–29**
Total acquisition costs	**208**	**19**	**41**	**97**	**51**	**—**	**416**
Net							
Acquisition costs and reinsurance commissions	145	693	658	1,101	760	—	**3,357**
Changes in deferred acquisition costs and changes in reserves for commissions	–6	–66	–74	–23	42	—	**–127**
Total acquisition costs	**139**	**627**	**584**	**1,078**	**802**	**—**	**3,230**
Administrative expenses	178	230	137	143	117	—	**805**
Total acquisition costs and administrative expenses	**317**	**857**	**721**	**1,221**	**919**	**—**	**4,035**

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

(16) OTHER INCOME/EXPENSES

COMPOSITION OF OTHER INCOME/EXPENSES

FIGURES IN EUR MILLION

	9M 2014	9M 2013
Other income		
Foreign exchange gains	258	153
Income from services, rents and commissions	189	176
Reversals of impairments on receivables	10	12
Income from contracts recognised in accordance with the deposit accounting method	54	52
Income from the release of other non-technical provisions	16	15
Interest income	33	24
Miscellaneous income	51	120
Total	**611**	**552**
Other expenses		
Foreign exchange losses	211	110
Other interest expenses	96	97
Depreciation and impairments	69	89
Expenses for the company as a whole	198	217
Expenses for personnel	33	30
Expenses for services and commissions	111	65
Other taxes	32	35
Allocation for restructuring provisions	1	15
Miscellaneous expenses	59	104
Total	**810**	**762**
Other income/expenses	**–199**	**–210**

"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

	30.9.2014	31.12.2013
Industrial Lines	3,041	2,878
Retail Germany	4,892	5,092
Retail International	7,423	8,072
Reinsurance companies	2,460	2,376
Corporate Operations	2,841	2,792
Total excluding apprentices and student trainees	**20,657**	**21,210**
Apprentices and student trainees	533	509
Total	**21,190**	**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 19,763 (20,004) was employed by the Talanx Group. This figure refers to full-time equivalents (FTEs).

RELATED-PARTY DISCLOSURES

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

Transactions between Talanx AG and its subsidiaries are eliminated on consolidation and hence not discussed in the Notes.

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 outsourcing of the portfolio management of investment funds. As at the balance sheet date, this resulted in expenses for services provided of EUR 9 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 8 million and expenses totalling EUR 9 million, with the latter relating primarily to payments to HDI Versicherung AG in connection with the management of the insurance contract portfolio.

Further business relations with unconsolidated companies, 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 with 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. Of these transactions, investments in the category "Financial assets available for sale" amounting to EUR 65 million (carrying amount prior to the transfer: EUR 65 million, fair value as at the balance sheet date corresponds to the carrying amount) were affected. 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 payments received (EUR 65 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 transaction and recognised under "Net investment income".

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 outstanding shares. 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

	9M 2014	9M 2013[1]	Q3 2014	Q3 2013[1]
Net income attributable to shareholders of Talanx AG for calculating earnings per share (figures in EUR million)	530	528	149	119
Weighted average number of ordinary shares outstanding (in units)	252,797,634	252,625,682	252,797,634	252,625,682
Basic earnings per share (figures in EUR)	2.10	2.09	0.59	0.47
Diluted earnings per share (figures in EUR)	2.10	2.09	0.59	0.47

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

DIVIDEND PER SHARE

In the second quarter of 2014, a dividend for the 2013 financial year was paid in the amount of EUR 1.20 per share (in 2013 for the 2012 financial year: EUR 1.05), resulting in a total distribution of EUR 303 (265) million.

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

	30.9.2014	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]	3,641	3,335
Sureties in the form of letters of credit furnished by various financial institutions as security for technical liabilities	3,019	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]	2,728	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[2]	1,250	1,118
Commitments arising out of rental/lease agreements[3]	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	605	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 20 (2) million for existing derivative transactions[4]	46	92
Other commitments	51	53
Total	**14,528**	**14,480**

[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] The prior-year figure was corrected in light of outstanding intragroup capital commitments and thus decreased by EUR 440 million compared with its original recognition on 31 December 2013

[3] Fresh data is collected only at year-end

[4] The amount stated refers primarily to the fair value/carrying amount

There were no other significant changes in contingent liabilities and other financial commitments in the reporting period compared with 31 December 2013.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Within the Retail Germany Division, HDI Pensionskasse AG, Cologne, was merged with PB Pensionskasse AG, Hilden, in accordance with the merger agreement dated 2 July 2014. The merger was approved by BaFin and took effect on 24 October 2014 on its entry in the commercial register of PB Pensionskasse AG, Hilden, with retrospective economic effect from 1 January 2014. At the same time the transaction was entered in the commercial register, PB Pensionskasse AG was renamed HDI Pensionskasse AG and the company's domicile was changed from Hilden to Cologne.

Within the Non-Life Reinsurance segment, Hannover Rück Beteiligung Verwaltungs-GmbH, Hannover, acquired shares in E+S Rückversicherung AG, Hannover, from a non-controlling interest shareholder for a purchase price of EUR 20 million with effect from 17 October 2014.

The Group acquired 49.94% of the shares in Portugal's largest private water provider, Indaqua Indústria e Gustão de Águas S. A., Matosinhos, Portugal, by way of a purchase agreement dated 1 October 2014. The acquisition is subject to conditions precedent, which are expected to be met in the fourth quarter of 2014. The acquisition was made via a company acquired for this purpose in a separate transaction, INOS 14-003 GmbH (in future: Talanx Infrastructure Portugal GmbH), Munich, of which TD Real Assets GmbH & Co. KG (Retail Germany segment) acquired 70% of the shares and HG-I Alternative Investments Beteiligungs-GmbH & Co. KG (Industrial Lines segment) acquired 30%. The planned investment volume is expected to total approximately EUR 51 million.

The Group acquired the wind farm Belheim GmbH & Co. KG, Aurich, by way of a purchase agreement dated 4 September 2014. The acquisition is subject to conditions precedent, which are expected to be met in the first quarter of 2015. The company operates a wind farm project. TD Real Assets GmbH & Co. KG, Cologne (Retail Germany segment), acquired 85% and HG-I Alternative Investments Beteiligungs-GmbH & Co. KG (Industrial Lines segment) acquired 15% of this company's limited partner interests. The new general partner will be Talanx Direct Infrastructure 1 GmbH, Cologne. The planned investment volume is expected to total approximately EUR 70 million.

Drawn up and released for publication in Hannover, 7 November 2014.

Board of Management

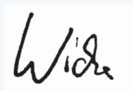
Herbert K. Haas,
Chairman

Dr. Christian Hinsch,
Deputy Chairman

Torsten Leue

Dr. Immo Querner

Ulrich Wallin



Dr. Jan 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 30 September 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, 7 November 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 2015

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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