

**Talanx Group
Interim Report
as at 30 June
2020**

GROUP KEY FIGURES

	Unit	Q1 2020	Q2 2020	6M 2020	Q1 2019	Q2 2019	6M 2019	+/- 6M 2020 vs 6M 2019
Gross written premiums	EUR million	12,467	9,539	22,006	11,716	9,148	20,864	+5.5 %
by region								
Germany	%	26	16	22	28	20	24	-2.3 pt.
United Kingdom	%	7	9	8	6	8	7	+0.7 pt.
Central and Eastern Europe (CEE), including Turkey	%	6	8	7	7	9	8	-1.0 pt.
Rest of Europe	%	17	14	16	16	16	16	-0.2 pt.
USA	%	20	22	21	21	20	20	+0.8 pt.
Rest of North America	%	3	3	3	2	3	2	+0.7 pt.
Latin America	%	6	7	6	7	8	7	-0.7 pt.
Asia and Australia	%	13	18	15	12	15	13	+2.2 pt.
Africa	%	1	1	1	1	1	1	-0.1 pt.
Gross written premiums by type and class of insurance¹								
Property/casualty primary insurance	EUR million	4,326	2,354	6,680	4,065	2,451	6,516	+2.5 %
Life primary insurance	EUR million	1,567	1,432	2,999	1,690	1,693	3,383	-11.4 %
Property/casualty reinsurance	EUR million	4,523	3,820	8,343	4,017	3,170	7,189	+16.1 %
Life/health reinsurance	EUR million	1,956	1,951	3,906	1,944	1,833	3,777	+3.4 %
Net premiums earned	EUR million	8,354	8,392	16,746	7,842	8,075	15,917	+5.2 %
Underwriting result	EUR million	-425	-704	-1,129	-357	-350	-708	+59.5 %
Net investment income	EUR million	903	882	1,785	988	998	1,986	-10.1 %
Net return on investment²	%	2.7	—	2.7	3.2	—	3.3	-0.6 pt.
Operating profit/loss (EBIT)	EUR million	559	186	745	616	628	1,244	-40.1 %
Net income (after financing costs and taxes)	EUR million	393	156	549	411	447	858	-36.0 %
of which attributable to shareholders of Talanx AG	EUR million	223	103	325	235	242	477	-31.8 %
Return on equity^{3,4}	%	9.0	4.1	6.4	10.3	10.1	10.4	-4.0 pt.
Earnings per share								
Basic earnings per share	EUR	0.88	0.41	1.29	0.93	0.96	1.89	-31.7 %
Diluted earnings per share	EUR	0.88	0.41	1.29	0.93	0.96	1.89	-31.7 %
Combined ratio in property/casualty primary insurance and property/casualty reinsurance⁵	%	99.8	102.7	101.3	96.8	98.1	97.5	+3.8 pt.
Combined ratio of property/casualty primary insurers ¹	%	99.8	97.7	98.8	98.4	98.4	98.4	+0.3 pt.
Combined ratio of property/casualty reinsurance	%	99.8	104.8	102.3	95.7	97.6	96.7	+5.6 pt.
EBIT margin primary insurance and reinsurance								
EBIT margin primary insurance ¹	%	4.3	4.3	4.3	5.2	5.1	5.2	-0.9 pt.
EBIT margin property/casualty reinsurance	%	9.1	-0.1	4.4	11.6	10.6	11.1	-6.7 pt.
EBIT margin life/health reinsurance	%	7.0	5.0	6.0	6.7	9.9	8.3	-2.3 pt.
				30.6.2020		31.12.2019		+/-
Policyholders' surplus	EUR million			20,115		20,089		+0.1 %
Equity attributable to shareholders of Talanx AG	EUR million			10,106		10,149		-0.4 %
Non-controlling interests	EUR million			6,518		6,461		+0.9 %
Hybrid capital	EUR million			3,491		3,479		+0.3 %
Assets under own management	EUR million			125,807		122,638		+2.6 %
Total investments	EUR million			137,378		134,104		+2.4 %
Total assets	EUR million			179,912		177,594		+1.3 %
Carrying amount per share at end of period	EUR			39.98		40.15		-0.4 %
Share price at end of period	EUR			32.98		44.18		-25.4 %
Market capitalisation of Talanx AG at end of period	EUR million			8,337		11,169		-25.4 %
Employees	Full-time equivalents			21,712		21,516		+0.9 %

¹ Excluding figures from the Corporate Operations segment.

² Ratio of annualised net investment income excluding interest income on funds withheld and contract deposits and profit on investment contracts to average assets under own management (30.6.2020 and 31.12.2019).

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

⁴ Ratio of annualised net income for the quarter excluding non-controlling interests to average equity excluding non-controlling interests at the beginning and the end of the quarter.

⁵ Combined ratio taking into account interest income on funds withheld and contract deposits, before elimination of intragroup cross-segment transactions.

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* Staff representative

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Cologne
(since 1 August 2020)

Dr Edgar Puls

Isernhagen

Dr Immo Querner

Celle

Dr Jan Wicke

Hannover

Interim Group Management Report

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Report on economic position

Markets, business climate and the industry environment

The coronavirus pandemic caused global growth to slump in the first half of 2020. Severe restrictions on movement put in place to contain the virus, together with a fall in the oil price in the first and second quarter, resulted in economic indicators collapsing.

The eurozone reported a sharp rise in cases of Covid-19 shortly after the start of the year and responded by imposing severe restrictions on movement at a high economic cost. Eurozone economic output fell by 3.6% against the previous quarter in the first quarter of 2020. In addition, a 12.2% quarter-on-quarter downturn in GDP is expected for the second quarter. The pandemic did not set in in the US until somewhat later, with less restrictive limitations on movement initially meaning that the decline in growth was less severe. Despite this, US GDP fell by 5.0% in annualised terms in the first quarter of 2020 and an annualised downturn of 32.9% is expected for the second quarter.

Development in emerging markets was also dominated by the pandemic. In addition, economies that export raw materials also came under pressure as a result of the fall in the price of oil and industrial metals. Measures to combat a deep recession were complicated by limited room for manoeuvre regarding monetary and fiscal policy in some cases. Economic growth in China is surprisingly resilient given the circumstances. While Chinese GDP was down almost 10% on the previous quarter in the first quarter of 2020, growth of 9.4% is expected again in the second quarter.

On capital markets, the slump in growth and high levels of uncertainty in connection with the coronavirus pandemic initially triggered a fall in the prices of risk products and a rush to “safe havens”. While international stock markets tumbled by around 30%, the price of ten-year German government bonds surged, causing yields to fall to -0.86% at the peak. Massive monetary and fiscal policy stimuli, together with the lifting of many restrictions on movement, helped the capital markets recover. Risk premiums for bank and corporate bonds narrowed substantially, with stock markets also enjoying an impressive rebound in the second quarter. At the same time, the rise in yields on government bonds could not be sustained, with yields on ten-year German government bonds increasing to -0.28% at the start

of June as capital markets recovered but ending the first half of the year at -0.45%.

The insurance industry was also shaped by the impact and challenges of the coronavirus crisis. After what was initially a good start to 2020, the pandemic brought about a decline in global insurance contributions. New business was particularly weak in light of muted demand for insurance and business restrictions in connection with lockdowns. In terms of loss statistics, the coronavirus pandemic is already expected to be one of the most costly single events to have ever occurred. Investments also came under pressure following financial market turbulence in March. The situation initially eased somewhat but remained volatile.

Exchange differences on translating foreign operations

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

EXCHANGE RATES FOR OUR KEY FOREIGN CURRENCIES

EUR 1 corresponds to	Balance sheet (reporting date)		Statement of income (average)	
	30.6.2020	31.12.2019	6M 2020	6M 2019
AUD Australia	1.6341	1.6000	1.6709	1.5954
BRL Brazil	6.0509	4.5128	5.3855	4.3229
CAD Canada	1.5318	1.4620	1.5045	1.5180
CNY China	7.9203	7.8181	7.7768	7.6870
GBP United Kingdom	0.9125	0.8520	0.8737	0.8736
JPY Japan	120.6400	122.1900	119.5171	125.5275
MXN Mexico	25.9442	21.0814	23.7445	22.0124
PLN Poland	4.4554	4.2576	4.4092	4.2962
USD USA	1.1196	1.1190	1.1054	1.1396

Business development

Group's course of business

- Effects of coronavirus pandemic significantly visible
- Gross premiums up 5.5%
- Coronavirus-related large losses higher than the pro rata large loss budget for the period

GROUP KEY FIGURES

EUR million	6M 2020	6M 2019	+/-
Gross written premiums	22,006	20,864	+5.5 %
Net premiums earned	16,746	15,917	+5.2 %
Underwriting result	-1,129	-708	-59.5 %
Net investment income	1,785	1,986	-10.1 %
Operating profit/loss (EBIT)	745	1,244	-40.1 %
Combined ratio (net, property/casualty only) in %	101.3	97.5	+3.8 pt.

MANAGEMENT METRICS

%	6M 2020	6M 2019	+/-
Gross premium growth (adjusted for currency effects)	6.3	10.1	-3.9 pt.
Group net income in EUR million	325	477	-31.8 %
Net return on investment ¹	2.7	3.3	-0.6 pt.
Return on equity ²	6.4	10.4	-4.0 pt.

¹ Ratio of annualised net investment income excluding interest income on funds withheld and contract deposits and profit on investment contracts to average assets under own management.

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

Premium volume

In the first half of 2020, the Talanx Group boosted its gross written premiums by 5.5% to EUR 22.0 (20.9) billion (by 6.3% adjusted for currency effects). Premium growth in the Industrial Lines (up 10.6%) and Property/Casualty Reinsurance (up 16.9%) segments played a key role in this. Net premiums earned grew by 5.2% to EUR 16.7 (15.9) billion. The consolidated retention ratio fell by 0.3% to 88.2% (88.5%).

Underwriting result

The underwriting result dropped by almost 60% to EUR -1,129 (-708) million on account of the coronavirus. Large losses in the first half of 2020 came to EUR 1,018 (308) million, of which reinsurance accounted for EUR 737 million and primary insurance for EUR 281 million. Large losses were well in excess of the budget for the year so far of around EUR 594 (527) million. On account of the coronavirus pandemic, these were largely incurred in the business interruption, event cancellations and credit insurance lines. Adjusted for coronavirus-related negative effects, the combined ratio came to 97.4%. This was a result chiefly of the rise in the loss ratio to 72.7% (69.0%) in connection with the coronavirus. The Group's combined ratio increased by 3.8 percentage points to 101.3% (97.5%).

Net investment income

Net investment income fell by 10.1% to EUR 1.8 (2.0) billion. This partly reflects impairment losses on equities and alternative investments in extraordinary net investment income totalling EUR 103 million due to the coronavirus. Ordinary net investment income declined on account of lower income from fixed-income securities and alternative investments. The Group's net return on investment was 2.7% (3.3%) in the first half of 2020, down on the previous year.

Operating profit and Group net income

Operating profit (EBIT) declined by 40.1% to EUR 745 (1,244) million. The coronavirus pandemic also took a heavy toll on Group net income, which fell by 31.8% to EUR 325 (477) million. Without the negative effects caused by the coronavirus of around EUR 278 million, Group net income would have come to approximately EUR 603 million, representing a year-on-year upturn of around 26%. Accordingly, the return on equity was 4.0 percentage points lower (6.4%) than in the previous year (10.4%).

Performance of the Group's Divisions

At a strategic level, Talanx divides its business into seven reportable segments: Industrial Lines, Retail Germany (divided into Property/Casualty and Life Insurance), Retail International, Property/Casualty Reinsurance, Life/Health Reinsurance and Corporate Operations. Please refer to the "Segment reporting" section of the Notes to the consolidated financial statements of the Talanx Group's 2019 annual report for details of these segments' structure and scope of business.

Industrial Lines

- Premium development shaped primarily by growth in specialty business
- Profitability measures still yielding clear results; underwriting result strained by the coronavirus
- Net investment income down on prior year, as expected

KEY FIGURES FOR THE INDUSTRIAL LINES DIVISION

EUR million	6M 2020	6M 2019	+/-
Gross written premiums	3,852	3,483	+10.6 %
Net premiums earned	1,460	1,367	+6.8 %
Underwriting result	-67	-32	-110.4 %
Net investment income	107	133	-19.9 %
Operating profit/loss (EBIT)	18	69	-74.1 %

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%	6M 2020	6M 2019	+/-
Gross premium growth (adjusted for currency effects)	10.9	18.7	-7.8 pt.
Combined ratio (net) ¹	104.7	102.3	+2.3 pt.
EBIT margin ²	1.2	5.0	-3.8 pt.
Return on equity ³	0.6	3.4	-2.7 pt.

¹ Taking into account interest income on funds withheld.

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

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

The division pools global activities relating to industrial insurance within the Talanx Group and, as well as its presence on the German market, also operates in over 150 countries through its foreign branches, subsidiaries, affiliates and network partners.

Premium volume

Gross written premiums for the division amounted to EUR 3.9 (3.5) billion as at 30 June 2020, a substantial increase of around 10.6% (10.9% after adjustment for currency effects). The premium upturn was essentially a result of strong growth in specialty business. At 6.8%, growth in net premiums earned was far lower than that of gross written premiums, due in particular to comparatively low retention in the growing specialty business. The negative impact on earned premiums expected in the current financial year in connection with the coronavirus crisis was taken into account by way of corresponding provisions of EUR 58 million at the end of the quarter.

Underwriting result

At EUR -67 (-32) million, the net underwriting result in the division was down on the previous year. While ongoing profitability measures continued to have a very positive impact on the loss ratio, the underwriting result deteriorated by a total of EUR 89 million due to exceeding the pro rata large loss budget for the period on account of the coronavirus and because of the provision for expected declines in premiums described above. This caused the loss ratio for the first half of the year to increase to 84.0% (80.9%). The net cost ratio improved to 20.6% (21.4%) thanks to significant premium growth combined with high cost discipline. The combined ratio for the Industrial Lines Division rose to 104.7% (102.3%). Adjusted for the coronavirus impact, it declined to 98.6%.

Net investment income and other income/expenses

Current net investment income was lower than in the previous year, which was characterised mainly by high distributions from alternative investments. Extraordinary investment income, which was strained by unrealised impairment losses on equities due to the coronavirus in the first quarter, was offset almost entirely after the first six months and was on par with the prior year. The coronavirus took a particularly heavy toll on net investment income, causing it to decline by EUR 22 million.

In particular, a foreign exchange gain of EUR 9 million to be recognised as at 30 June 2020 (previous year: foreign exchange loss of EUR 2 million) improved other expenses to EUR -22 (-33) million.

Operating profit and Group net income

Driven by the negative effects of the coronavirus totalling EUR 111 million, the division's operating profit was down year on year at EUR 18 (69) million. Group net income amounted to EUR 7 (42) million.

Retail Germany

Property/Casualty Insurance

- Coronavirus pandemic weighs on underwriting and net investment income
- Operating profit slightly up on previous year overall

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

EUR million	6M 2020	6M 2019	+/-
Gross written premiums	1,005	1,042	-3.6 %
Net premiums earned	697	726	-4.1 %
Underwriting result	22	10	+125.2 %
Net investment income	40	55	-27.5 %
Operating profit/loss (EBIT)	55	54	+1.6 %

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY INSURANCE SEGMENT

%	6M 2020	6M 2019	+/-
Gross premium growth	-3.6	2.0	-5.5 pt.
Combined ratio (net) ¹	96.9	98.7	-1.8 pt.
EBIT margin ²	7.9	7.4	+0.4 pt.

¹ Taking into account interest income on funds withheld.

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

Premium volume and new business

Premiums declined by 3.6% to EUR 1,005 (1,042) million in the Property/Casualty Insurance segment in the first half of the year. This was driven by the substantial downturn in new business when measures were introduced to contain the coronavirus pandemic and negative net year-end motor vehicle business. Despite the unfavourable conditions, the corporate customers/freelance professionals line generated growth. All told, the negative effects of the coronavirus caused a EUR 22 million drop in premium income, especially in motor insurance and the biometric core business of bancassurance.

Underwriting result

The underwriting result was EUR 22 (10) million in the current financial year, up 125.2% on the previous year. Profitability measures in motor insurance and lower basic losses had a very positive impact on the underwriting result. Overall, significant negative effects resulting from large loss events and natural disasters were thus more than offset. In addition, the strain caused by the coronavirus pandemic was limited to around EUR 13 million thanks to Group reinsurance relief. The (net) combined ratio improved by 1.8 percentage points overall from 98.7% to 96.9%. Excluding the effects of the coronavirus, this would have come to 95.1%.

Net investment income

Net investment income fell to EUR 40 (55) million. This chiefly reflected higher depreciation and amortisation, lower net unrealised gains/losses, a decline in income from land and real estate and lower interest income on account of market conditions. The negative impact of the coronavirus pandemic is estimated at EUR 5 million.

Operating profit

EBIT was slightly higher than in the previous year at EUR 55 (54) million due to offsetting effects in underwriting and investment. With lower premium income, the EBIT margin therefore increased to 7.9% (7.4%).

Life Insurance

- Decline in bancassurance biometrics and single premium business
- Operating profit strained by updates to actuarial assumptions

KEY FIGURES FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

EUR million	6M 2020	6M 2019	+/-
Gross written premiums	2,142	2,285	-6.3 %
Net premiums earned	1,628	1,696	-4.0 %
Underwriting result	-634	-664	+4.5 %
Net investment income	685	753	-9.0 %
Operating profit/loss (EBIT)	40	71	-44.0 %
New business measured in annual premium equivalent	178	205	-13.5 %
Single premiums	635	765	-17.0 %
Regular premiums	114	129	-11.4 %
New business by product measured in annual premium equivalent	178	205	-13.5 %
of which capital-efficient products	79	86	-7.1 %
of which biometric products	55	69	-19.3 %

MANAGEMENT METRICS FOR THE LIFE INSURANCE SEGMENT

%	6M 2020	6M 2019	+/-
Gross premium growth	-6.3	2.0	-8.3 pt.
EBIT margin ¹	2.4	4.2	-1.7 pt.

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

Premium volume and new business

In the first half of the year, the Life Insurance segment saw premiums decrease by 6.3% to EUR 2.1 (2.3) billion, which includes the savings elements of premiums from unit-linked life insurance policies. This was driven by the slump in new business when measures were introduced to contain the coronavirus pandemic. Branch closures in the banking sector and companies' reluctance to enter into contracts for occupational retirement provisions had a serious impact. The coronavirus pandemic is estimated to be responsible for a EUR 99 million decrease in premiums. In particular, the bancassurance biometric business saw a downturn of EUR 93 million and single premiums

(excluding bancassurance biometric business) were down by EUR 63 million. This was countered by a EUR 13 million increase in regular premiums (excluding bancassurance biometric business). Allowing for the savings elements of premiums from our unit-linked products and the change in the unearned premium reserve, net premiums earned in the Life Insurance segment fell by 4.0% to EUR 1.6 (1.7) billion.

Measured in APE, new business in life insurance products declined from EUR 205 million to EUR 178 million.

Underwriting result

The actuarial assumptions had to be updated in the current financial year. The underwriting result improved to EUR –634 (–664) million. This was partly due to the unwinding of discounts on the technical provisions and policyholder participation in net investment income. These expenses are offset by investment income, which is not recognised in the underwriting result.

Net investment income

Net investment income declined by 9.0% to EUR 685 (753) million. The decline is due chiefly to lower ordinary investment income as a result of interest rates, lower income from unrealised gains/losses and higher depreciation and amortisation, EUR 15 million of which is attributable to coronavirus-related write-downs on equities.

Operating profit

Operating profit (EBIT) in the Life Insurance segment declined year-on-year to EUR 40 (71) million, chiefly on account of updating the actuarial assumptions.

Retail Germany Division as a whole

RETURN ON EQUITY FOR THE RETAIL GERMANY DIVISION AS A WHOLE

%	6M 2020	6M 2019	+/-
Return on equity ¹	5.0	5.8	–0.9 pt.

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

After adjusting for taxes on income, financing costs and non-controlling interests, Group net income fell to EUR 63 (72) million as a result of lower earnings in Life Insurance. This depressed the return on equity by 0.9 percentage points to 5.0%.

Retail International

- Gross written premiums in property/casualty insurance stable adjusted for currency effects, life insurance premiums decline
- Combined ratio of 94.3% benefits from less frequent motor vehicle claims as a temporary effect of coronavirus pandemic

KEY FIGURES FOR THE RETAIL INTERNATIONAL DIVISION

EUR million	6M 2020	6M 2019	+/-
Gross written premiums	2,758	3,154	–12.6 %
Net premiums earned	2,508	2,753	–8.9 %
Underwriting result	44	24	+88.2 %
Net investment income	167	189	–11.8 %
Operating profit/loss (EBIT)	156	146	+6.9 %

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

	6M 2020	6M 2019	+/-
Gross premium growth (adjusted for currency effects)	–6.8	9.2	–16.0 pt.
Combined ratio (net, property/casualty only) ¹	94.3	95.2	–0.8 pt.
EBIT margin ²	6.2	5.3	+0.9 pt.
Return on equity ³	8.7	8.5	+0.2 pt.

¹ Taking into account interest income on funds withheld.

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

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

This division bundles the Talanx Group's international retail business activities and is active in both Europe and Latin America. The coronavirus pandemic that broke out across the world in the first half of 2020 initially had a positive impact in an amount of EUR 22 million on the underwriting result due to less frequent motor vehicle claims as fewer vehicles were on the roads, and has so far had only a minor negative impact in an amount of EUR –10 million on net investment income in the Retail International Division. Nonetheless, the decline in premium volume that we are already seeing as a result of the coronavirus pandemic is expected to have a delayed adverse effect on the underwriting result in the second half of 2020 and in 2021.

Premium volume

The division's gross written premiums (including premiums from unit-linked life and annuity insurance) fell by 12.6% compared to the first half of 2019 to EUR 2.8 (3.2) billion. Adjusted for currency effects, gross premiums declined by 6.8% on the comparison period.

The Europe region reported a 10.1% decrease in gross written premiums to EUR 2.1 billion, driven primarily by the 21.0% decline in single premiums to EUR 557 million in the life insurance line at the Italian HDI Assicurazioni S.p.A. Polish TUiR WARTA S.A. boosted its premium volume by 2.3% adjusted for currency effects. While premiums in the motor vehicles business declined by 0.2%, this was offset by the 7.8% rise in premiums in other property insurance, especially in homeowners insurance. Gross written premiums in Turkey also performed well. Adjusted for currency effects, premiums at the Turkish HDI Sigorta A.Ş. rose by 39.8%, largely driven by motor and homeowners insurance. Ergo Sigorta A.Ş. which was acquired in the third quarter of 2019, was included for six months in the first half of 2020. Adjusted for currency effects, the downturn in premium volume in Europe stood at 7.7%.

In the Latin America region, gross written premiums fell by 19.0% compared to the same period of the previous year to EUR 699 (863) million, especially in Brazil, Mexico and Chile. Adjusted for currency effects, the downturn in gross written premiums stood at 4.6%. Premiums for the division's companies in the Latin America region are generated chiefly from motor vehicle contracts. Sales of these are declining as new vehicle sales have experienced a downturn on account of the economy and the repercussions of the coronavirus pandemic.

Underwriting result

The combined ratio from property insurance companies decreased by 0.8 percentage points year-on-year to 94.3%. The loss ratio accounts for 1.5 percentage points of this improvement. Adjusted for coronavirus-related relief, the combined ratio came to 95.7%. Fewer vehicles on the roads as a result of lockdowns to contain the coronavirus pandemic temporarily resulted in less frequent motor vehicle claims and so loss ratios declined in the first half of 2020. The expense ratio for the division was 0.7 percentage points higher than the previous year (28.8%), at 29.5%. While the administrative expense ratio remained constant, the acquisition cost ratio increased, especially at the Brazilian HDI Seguros and the Polish TUiR Warta S.A.

Risk products from the Polish TUiR WARTA S.A. played a particularly key role in the EUR 9 million improvement in the underwriting result in life insurance.

Net investment income

Net investment income declined by 11.8% against the first half of 2019 to EUR 167 (189) million. This decrease stemmed from the 51.1% fall in extraordinary net investment income, which declined to EUR 17 (34) million on the back of write-downs of equity securities due to the coronavirus pandemic at the Italian HDI Assicurazioni S.p.A. and the Polish TUiR WARTA S.A. The division's ordinary investment income declined by 1.9% to EUR 162 (165) million in comparison to the previous year, attributable mainly to lower interest rates on all markets, in particular in Brazil and Turkey.

Operating profit and Group net income

In the first half of 2020, operating profit (EBIT) in the Retail International Division rose by 6.9%, compared with the same period of the previous year, to EUR 156 (146) million. The Europe region contributed to the operating profit of the segment with EBIT of EUR 156 (134) million, a year-on-year increase of 16.5%, whereby this growth was primarily due to the earnings contribution by the Polish TUiR WARTA S.A. and the Italian HDI Assicurazioni S.p.A. This upturn offset the EUR 7 million decline in operating profit (EBIT) in the Latin America region. Group net income after minority interests increased accordingly by 4.5% to EUR 89 (85) million. The return on equity rose by 0.2 percentage points to 8.7% compared to the same period in the previous year.

Additional key figures

RETAIL INTERNATIONAL DIVISION BY LINE OF BUSINESS AT A GLANCE

EUR million	6M 2020	6M 2019	+/-
Gross written premiums	2,758	3,154	-12.6 %
Property/Casualty	1,863	2,024	-7.9 %
Life	894	1,130	-20.9 %
Net premiums earned	2,508	2,753	-8.9 %
Property/Casualty	1,651	1,689	-2.2 %
Life	857	1,064	-19.5 %
Underwriting result	44	24	+88.2 %
Property/Casualty	96	83	+14.6 %
Life	-51	-60	+14.3 %
Net investment income	167	189	-11.8 %
Property/Casualty	84	98	-14.2 %
Life	86	95	-8.7 %
Others	-4	-2	-8.3 %
New business by product measured in annual premium equivalent (life)	108	136	-20.8 %
Single premiums	741	987	-24.9 %
Regular premiums	33	37	-9.8 %
New business by product measured in annual premium equivalent (life)	108	136	-20.8 %
of which capital-efficient products	60	76	-21.4 %
of which biometric products	32	34	-4.3 %

RETAIL INTERNATIONAL DIVISION BY REGION AT A GLANCE

EUR million	6M 2020	6M 2019	+/-
Gross written premiums	2,758	3,154	-12.6 %
of which Europe	2,058	2,291	-10.1 %
of which Latin America	699	863	-19.0 %
Net premiums earned	2,508	2,753	-8.9 %
of which Europe	1,849	2,002	-7.7 %
of which Latin America	659	751	-12.2 %
Underwriting result	44	24	+88.2 %
of which Europe	30	14	+122.2 %
of which Latin America	34	21	+62.7 %
Net investment income	167	189	-11.8 %
of which Europe	148	154	-4.0 %
of which Latin America	22	38	-42.2 %
Operating profit/loss (EBIT)	156	146	+6.9 %
of which Europe	156	134	+16.5 %
of which Latin America	27	34	-21.0 %

Reinsurance

Property/Casualty Reinsurance

- Gross premiums in the segment increase by 16.3% adjusted for currency effects
- EUR 600 million reserved for coronavirus-related losses in first half of the year
- Combined ratio deteriorates to 102.3%

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

EUR million	6M 2020	6M 2019	+/-
Gross written premiums	9,174	7,847	+16.9 %
Net premiums earned	6,869	5,964	+15.2 %
Underwriting result	-186	174	-207.3 %
Net investment income	468	508	-7.9 %
Operating profit/loss (EBIT)	300	662	-54.7 %

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%	6M 2020	6M 2019	+/-
Gross premium growth (adjusted for currency effects)	16.3	18.4	-2.0 pt.
Combined ratio (net) ¹	102.3	96.7	+5.6 pt.
EBIT margin ²	4.4	11.1	-6.7 pt.

¹ Taking into account interest income on funds withheld.

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

Business development

The global property/casualty reinsurance market was dominated by the coronavirus impact on the different lines – in particular coverage of business interruption, event cancellations and commercial credit. Uncertainty remains high regarding the extent of insured losses. This was also reflected in the treaty renewal rounds throughout the year, which went smoothly despite ongoing social distancing and travel restrictions. There was demand here for coverage from financially sound reinsurers with excellent ratings and so we secured considerable improvements to prices and conditions in some cases.

Premium development

Gross written premiums in the Property/Casualty Reinsurance segment increased by 16.9% to EUR 9.2 (7.8) billion as at 30 June 2020. At constant exchange rates, the increase would have amounted to 16.3%. Net premiums earned grew by 15.2% to EUR 6.9 (6.0) billion. Adjusted for currency effects, growth would have come to 15.0%.

Underwriting result

Net large losses as at 30 June 2020 were up considerably year-on-year at EUR 737 (141) million, well exceeding the EUR 414 million we expected for the first half of the year. We set aside a total of EUR 600 million for coronavirus claims. The EUR 380 million increase in reserves in the second quarter is essentially due to the unpredictable duration and severity of the pandemic. These resulted in additional expected claims and claims expenses, for example to cover business interruptions, commercial credit or event cancellations.

In addition, the largest natural disasters losses in the first half of the year included tornadoes in the US, with an estimated net participation of EUR 31 million, and forest fires in Australia at EUR 26 million. We classify large losses as catastrophes for which we expect to pay out over EUR 10 million in gross claims and claims expenses.

The underwriting result for the Property/Casualty Reinsurance segment was posted as a loss of EUR 186 million. In the previous year there were gains of EUR 174 million. In light of risk provisions for potential negative impacts from Covid-19, the combined ratio deteriorated to 102.3% (96.7%). Adjusted for Covid-19-related loss reserves and accounting for large losses within budget, the combined ratio would have been 97.6%.

Net investment income

Net investment income from assets under own management in the Property/Casualty Reinsurance segment declined by 8.8% to EUR 443 (485) million on account of lower ordinary income. Net investment income amounted to EUR 468 (508) million in total. Furthermore, coronavirus-related impairment losses on alternative investments of EUR 45 million were reported.

Operating profit

Operating profit (EBIT) in the Property/Casualty Reinsurance segment decreased by 54.7% to EUR 300 (662) million. The EBIT margin was 4.4% (11.1%).

Life/Health Reinsurance

- Growth of 3.6% in written premiums adjusted for currency effects
- Increasing demand for tailored financial solutions
- Coronavirus pandemic has moderate impact on income at the end of the half-year
- Operating profit down 25.6% year-on-year

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

EUR million	6M 2020	6M 2019	+/-
Gross written premiums	3,972	3,847	+3.3 %
Net premiums earned	3,509	3,392	+3.5 %
Underwriting result	-284	-210	-35.3 %
Net investment income	331	364	-9.1 %
Operating profit/loss (EBIT)	210	282	-25.6 %

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

%	6M 2020	6M 2019	+/-
Gross premium growth (adjusted for currency effects)	3.6	7.4	-3.8 pt.
EBIT growth ¹	-25.6	32.6	-58.2 pt.

¹ Change in operating profit/loss (EBIT) compared to the prior year in percent.

Business development

The coronavirus pandemic had only a limited effect on Life/Health Reinsurance in the first half of the year despite the fact that the number of reported cases and deaths has increased sharply worldwide over the last few months. Given the high number of cases and fatalities in the US – our largest market – most of our global losses attributable to the coronavirus (EUR 63 million) were also incurred in the country. Accordingly, the impact on earnings in the Life/Health Reinsurance segment remained moderate as at the end of June. Our initial forecasts on the effects of increased mortality thus seem rather conservative so far. Nonetheless, this is also subject to significant uncertainty and so reliable estimates will be almost impossible for the foreseeable future.

There are particular mortality coverage risks in the regions where we operate most of our mortality business, such as the US and the UK. We also expect higher claims in disability income insurance, while lower claims are anticipated for e.g. accidental death.

In addition to the general upturn in demand for reinsurance, primary insurers are already observing heightened demand for tailor-made solvency relief solutions in the area of financial solutions.

Even going beyond the additional demand for risk coverage stemming from the coronavirus pandemic, we anticipate sustained demand for tailor-made coverage concepts in the financial solutions area, especially in Asia. We underwrote contracts in this area in countries including China, Japan and South Korea in the first six months of the year. Business in Europe performed well generally, with customer interest remaining high. Customers around the world, as well as in European markets, also expressed considerable interest in obtaining protection for longevity risks. Other than the negative

effects stemming from Covid-19, income in the US mortality portfolio business was in line with planning. Measures implemented here in the past are continuing to pay off.

Premium development

The gross premium volume in the Life/Health Reinsurance segment rose by 3.3% to EUR 4.0 (3.8) billion as at 30 June 2020. At constant exchange rates, the growth would have amounted to 3.6%. Net premiums earned grew by 3.5% to EUR 3.5 (3.4) billion. Adjusted for currency effects, growth would have come to 3.8%.

Net investment income

Income from assets under own management in the Life/Health Reinsurance segment decreased to EUR 220 (294) million, coming to EUR 331 (364) million in total. In the prior year, non-recurring income of EUR 99.5 million from restructuring a participating interest had a positive effect on net investment income. The underwriting result for the Life/Health Reinsurance segment amounted to a loss of EUR 284 (-210) million.

Operating profit

Operating profit (EBIT) fell by 25.6% to EUR 210 (282) million on account of business development in the first half of the year and the lack of the non-recurring effect described above.

Reinsurance Division as a whole

RETURN ON EQUITY FOR THE REINSURANCE DIVISION AS A WHOLE

%	6M 2020	6M 2019	+/-
Return on equity ¹	7.9	14.9	-7.0 pt.

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

Group net income in the Reinsurance Division declined to EUR 200 (329) million in the first half of the year, with the return on equity decreasing by 7.0 percentage points to 7.9% (14.9%).

Corporate Operations

- Written premiums rise to EUR 370 million thanks to intragroup takeovers
- Talanx invests EUR 200 million in fibre optic project in France

The Talanx Group is supporting the expansion of high-speed internet in France. It is investing EUR 200 million and is part of a EUR 2.1 billion comprehensive international debt financing programme. This increases the Talanx Group's total infrastructure investments to around EUR 3 billion. Previously, its investments were geared chiefly towards wind and solar energy projects and so funding this French fibre optic project marks its entry into a new asset class.

The Group's reinsurance specialists

We have reported underwriting business that Group companies cede to Talanx AG in the Corporate Operations segment since 2019. Gross written premiums in this business amounted to EUR 370 (46) million in the first half of 2020. They resulted from reinsurance cessions in the Industrial Lines, Retail Germany and Retail International Divisions. The underwriting result in the Corporate Operations segment was EUR -23 (-9) million in the first half of 2020 and includes EUR 10 million in loss expenditure attributable to the coronavirus for losses caused by shutdowns and two additional large losses in the Retail Germany Division of EUR 10 million and EUR 5 million respectively.

The Group's investment specialists

In cooperation with its subsidiary Ampega Investment GmbH, Ampega Asset Management GmbH is chiefly responsible for handling the management and administration of the Group companies' investments and provides related services such as investment accounting and reporting. The Group's assets under own management climbed to EUR 126 (123) billion. The total contribution to the segment's operating profit made by the two companies and Ampega Real Estate GmbH amounted to EUR 33 (22) million in the first half of 2020.

As an investment company, Ampega Investment GmbH manages retail and special funds and provides financial portfolio management services for institutional clients. It focuses on portfolio management and investment administration. After an encouraging start to the year with moderate gains and cash inflows to all product and sales segments, the investment sector suffered a sharp downturn in March and April. This was provoked by the rapid spread of Covid-19 infections and the lockdowns implemented around the world in connection with the virus. Both equities and fixed-income securities slumped. At the same time, retail funds saw cash outflows, especially in business with private (retail) customers. Cash flows were somewhat more stable in institutional business but even here these were also lower than the prior year figure for the year so far. Thanks to massive financial state intervention, the market broadly enjoyed a

clear and unexpectedly substantial rebound starting in May 2020. The total volume of assets managed rose by 0.3% against the figure at the beginning of the year to EUR 27.9 (27.8) billion. At EUR 13.3 (12.7) billion, half the total volume is managed on behalf of Group companies using special funds and direct investment mandates. Of the remainder, EUR 7.4 (7.3) billion was attributable to institutional third-party clients and EUR 7.1 (7.7) billion to the retail business. The latter is offered not only through the Group's own distribution channels and products such as unit-linked life insurance, but also via external asset managers and banks.

Operating profit

The operating profit in the Corporate Operations segment remained stable in the first half of 2020 at EUR -10 (-10) million. Higher negative effects in underwriting were offset by a rise in commission earnings from investment management activities. Group net income attributable to shareholders of Talanx AG for this segment amounted to EUR -37 (-50) million after financing costs in the first half of 2020.

Net assets and financial position

Net assets

- Total assets up EUR 2.3 billion to EUR 179.9 billion
- Investments account for 76% of total assets

Significant changes in the asset structure

The EUR 2.3 billion increase in our total assets to EUR 179.9 billion is primarily attributable to the growth in investments (up EUR 3.3 billion) and the increase in accounts receivable on insurance business (up EUR 0.9 billion). This was countered by a EUR 1.1 billion decline in investments for the benefit of life insurance policyholders who bear the investment risk and a EUR 0.7 billion fall in reinsurance recoverables on technical provisions.

Changes in investments

In light of the current Covid-19 pandemic and the impact this has on capital markets, Ampega – as the Talanx Group asset manager – set up special crisis management. This crisis management for investments features up-to-date monitoring and ad-hoc reporting. Thanks to the excellent credit quality of securities, the monetary impact on the Talanx Group's investments has so far been rather minor. Individual investment activities were introduced for the various portfolios using specific scenario analyses.

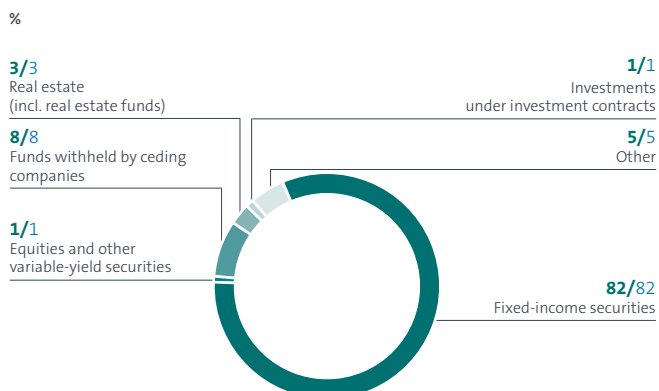
The total investment portfolio increased by 2.4% over the course of the first half of 2020 and amounted to EUR 137.4 (134.1) billion. The portfolio of assets under own management climbed by 2.6% to EUR 125.8 (122.6) billion. The rise in the portfolio of assets under own management is predominantly market-driven. Cash inflows from underwriting business were reinvested in accordance with the respective corporate guidelines and the portfolio of investment contracts remains constant at EUR 1.2 billion. Funds withheld by ceding companies expanded slightly by 1.1% to EUR 10.4 (10.3) billion.

The Talanx Group monitors the liquidity risk of its investments by allocating these to liquidity classes. The LO-L3 cash equivalents and investments are the most liquid. The portfolio declined during the crisis but remains well above the internal minimum requirements.

Fixed-income investments were again the most significant asset class in the first half of 2020. Reinvestments were largely made in this asset class, taking the existing investment structure into account. The asset class contributed EUR 1.6 (1.5) billion to earnings, with the figure being almost totally reinvested in the reporting period.

The equity allocation ratio after derivatives (equity ratio of listed securities) was 0.9% (0.8%) at the end of the six-month period.

INVESTMENT PORTFOLIO



30.6.2020/31.12.2019

BREAKDOWN OF ASSETS UNDER OWN MANAGEMENT BY ASSET CLASS

EUR million	30.6.2020		31.12.2019	
Investment property	3,163	3%	3,193	3%
Shares in affiliated companies and participating interests	417	0%	398	0%
Shares in associates and joint ventures	375	0%	337	0%
Loans and receivables				
Loans including mortgage loans	411	0%	413	0%
Loans and receivables due from government or quasi-governmental entities and fixed-income securities	27,509	22%	27,228	22%
Held-to-maturity financial instruments	336	0%	336	0%
Available-for-sale financial instruments				
Fixed-income securities	83,785	67%	81,483	66%
Variable-yield securities	2,296	2%	2,067	2%
Financial instruments at fair value through profit or loss				
Financial instruments classified at fair value through profit or loss				
Fixed-income securities	1,123	1%	1,128	1%
Variable-yield securities	33	0%	147	0%
Financial instruments held for trading				
Fixed-income securities	—	0%	—	0%
Variable-yield securities	105	0%	122	0%
Derivatives ¹	326	0%	321	0%
Other investments	5,928	5%	5,465	4%
Assets under own management	125,807	100%	122,638	100%

¹ Only derivatives with positive fair values.**Fixed-income securities**

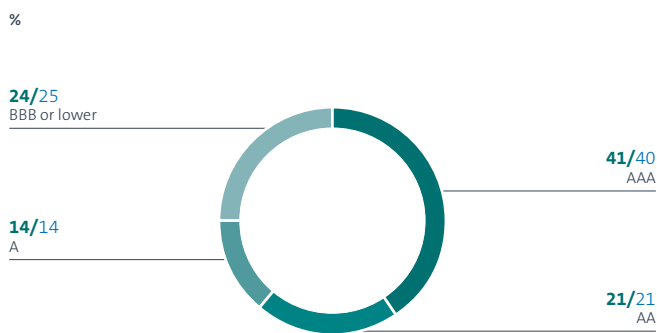
The portfolio of fixed-income investments (excluding mortgage and policy loans) was up by EUR 2.6 billion in the first half of 2020 to total EUR 112.8 (110.2) billion at the end of the six-month period. At 82% (82%) of total investments, this asset class continues to represent the most significant share of our investments by volume. Fixed-income investments were primarily divided into the “Loans and receivables” and “Available-for-sale financial instruments” categories.

“Fixed-income securities available for sale”, whose volatility impacts equity and which total EUR 83.8 (81.5) billion, or 74% (74%) of total investments in the fixed-income portfolio, account for the largest share and increased by approximately EUR 2.3 billion in the first half of the year. Valuation reserves, i.e. the balance of unrealised gains and losses, have increased from EUR 5.6 billion to EUR 6.7 billion since the end of 2019. As described in the information on capital markets, interest markets are characterised by tension, with spreads having generally recovered from eurozone crisis levels to long-term average levels.

In the “Loans and receivables” category, investments are primarily held in government securities or securities with a similar level of security. German covered bonds (Pfandbriefe) continue to account for the majority of the portfolio. Total holdings in fixed-income securities within the category “Loans and receivables” amounted to EUR 27.9 (27.6) billion at the end of the six-month period and thus still represent 25% of total holdings in the asset class of fixed-income investments. Off-balance-sheet valuation reserves of “Loans and receivables” (including mortgage and policy loans) increased from EUR 5.1 billion to EUR 5.6 billion.

Investments made in fixed-income securities in the current financial year continued to focus on highly rated government bonds or securities from issuers with a similar credit quality. Holdings of AAA-rated bonds amounted to EUR 45.8 (44.7) billion as at the reporting date.

RATING STRUCTURE OF FIXED-INCOME SECURITIES



30.6.2020/31.12.2019

The Talanx Group pursues a conservative investment policy. As a result, 76% (75%) of securities in the fixed-income asset class are rated A or higher. Despite a massive wave of downgrades since the outbreak of the coronavirus pandemic, ratings of issuers covered by Ampega have remained stable overall.

The Group has only a small portfolio of investments in government bonds from countries with a rating lower than A-. On a fair value basis, this portfolio amounts to EUR 5.4 (5.1) billion and therefore corresponds to a share of 4.3% (4.1%) of the assets under own management.

All told, rating downgrades for CLOs have been relatively moderate so far. Loan and CLO primary markets are showing the first signs of normalisation, with net year-to-date growth of 2% to 5%. There are thus no relevant effects on rating structure in the Talanx Group portfolio.

As far as matching currency cover is concerned, US dollar-denominated investments continue to account for the largest share of the Talanx Group’s foreign currency portfolio, at 19% (19%). Sizeable exposures – amounting to 8% (7%) of total investments – are also held in pound sterling, Polish zloty and Australian dollars. The total share of assets under own management in foreign currencies was 34% (34%) as at 30 June 2020.

Equities and equity funds

At EUR 164 million, net unrealised gains and losses on the Group’s equity holdings (not including “Other investments”) were on par with the figure at the end of the year (EUR 166 million).

Real estate including shares in real estate funds

The investment property portfolio totalled EUR 3.2 (3.2) billion as at the reporting date. An additional EUR 1.2 (1.2) billion is held in real estate funds, which are reported as “Available-for-sale financial instruments”.

Depreciation of EUR 33 (30) million was recognised on investment property in the reporting period. There were no significant impairment losses. Impairment losses on real estate funds stood at EUR 15 (5) million. These depreciations were not offset by any reversals of impairment losses. To date, rent deferrals, etc., have not had any effects on profit/loss in the area of self-managed real estate.

Infrastructure investments

Talanx currently has a total of around EUR 2.9 (2.5) billion invested in infrastructure projects, both directly and indirectly. Talanx continued to expand and diversify its infrastructure portfolio in the second quarter of 2020, including by adding fibre optic projects and an indirect minority interest in EWE AG. Direct infrastructure investments are also planned for the future, with a volume per project of between EUR 30 million and EUR 150 million (equity) and between EUR 50 million and EUR 200 million (debt), and an investment horizon of five to 30 years.

The infrastructure asset class proved highly stable in light of current market fluctuations and those caused by Covid-19. Values are stable overall essentially because the assets in question address the public’s basic needs and so demand is inelastic. This means that demand is largely immune to short-term economic volatility, which makes them highly plannable for institutional investors. At the same time, the projects are a good fit for an insurer’s partially long-term investment horizon. Our affinity for long maturities and our expertise in this area allow us to leverage illiquidity, complexity and duration premiums. As a result, these carefully selected projects offer attractive returns for an acceptable level of risk. At present, our diversified infrastructure portfolio includes, among other things, finance for wind farms and solar farms, power grids, utilities, transport projects, fibre optic providers and public-private partnership (PPP) projects in Germany and other countries in Europe.

Private equity

The Talanx Group also has a long-term, broadly diversified private equity portfolio with investments in over 100 funds worldwide. The portfolio is dispersed over many sectors, with target companies from the large, highly resilient computer and software segment and from medical health accounting for a significant share. The portfolio is both defensive and high-performance and valuation volatility is low in comparison to fluctuations on public markets.

Net investment income

CHANGES IN NET INVESTMENT INCOME

EUR million	6M 2020	6M 2019
Ordinary investment income	1,613	1,778
of which current income from interest	1,305	1,399
of which attributable to profit/loss from shares in associates	10	14
Realised net gains on disposal of investments	325	268
Depreciation of and impairment losses/reversals of impairment losses on investments	-183	-96
Unrealised net gains/losses on investments	36	73
Other investment expenses	133	125
Income from assets under own management	1,657	1,898
Net interest income from funds withheld and contract deposits	127	87
Net income from investment contracts	—	1
Total	1,785	1,986

The net investment income in the first half of the year was EUR 1,785 (1,986) million, and so was below the previous year's level. The annualised net return on investment for the assets under own management fell to 2.7% (3.3%).

Ordinary investment income at the end of the six-month period was EUR 1,613 (1,778) million. The current interest income included in the investment income amounts to EUR 1.3 (1.4) billion. Persistently low interest rates on the capital markets led to an average coupon in the fixed-income securities portfolio of 2.7% (2.8%). Income from private equity also decreased by EUR 58 million to EUR 83 (141) million. Earnings from real estate investments also declined slightly.

Overall, realised net gains on the disposal of investments were higher than the prior-year figure, at EUR 325 (268) million. The positive net gains resulted from regular portfolio turnover in all segments, as well as from the requirement to realise unrealised gains in order to finance the additional interest reserve required by the HGB for life insurance and occupational pension plans.

At EUR 183 (96) million, higher depreciation and amortisation was required overall in the first half of this year compared to the prior year on account of market slumps in the first quarter. In addition to depreciation on directly held property and infrastructure investments of EUR 50 (47) million, there were also impairment losses for equities of EUR 48 (5) million, for fixed-income securities of EUR 16 (2) million and for other investments of EUR 70 (42) million. Alternative investments accounted for EUR 55 million of the latter. Impairment losses on equities and alternative investments particularly re-

flect the volatility at companies already caused and still to be expected on account of the Covid-19 pandemic, including in the area of private equity and issuers of high-yield bonds. There were no CLO items that had to be written down in the half-yearly financial statements of the Talanx Group.

Unrealised net gains/losses deteriorated on balance from EUR 73 million to EUR 36 million. We recognise a derivative for the credit risk of special life reinsurance contracts (ModCo), under which cedants' securities accounts are held in our name. In the reporting period, the performance of this derivative resulted in unrealised losses through profit or loss of EUR 10 (gains of EUR 9) million. The remaining decrease was due to changes in the fair value of our assets held at fair value through profit or loss.

Net interest income from funds withheld and contract deposits picked up to EUR 127 (87) million.

NET INVESTMENT INCOME BY GROUP SEGMENT¹

EUR million	6M 2020	6M 2019
Industrial Lines	109	135
Retail Germany – Property/Casualty	40	54
Retail Germany – Life	708	773
Retail International	172	194
Property/Casualty Reinsurance	472	510
Life/Health Reinsurance	334	367
Corporate Operations	-50	-48
Total	1,785	1,986

¹ After elimination of intragroup cross-segment transactions.

Financial position

Capital structure analysis

- Equity was in line with the previous year at EUR 16.6 billion
- Technical provisions climbed EUR 3.6 billion to EUR 129.2 billion

Significant changes in the capital structure

Overall, net technical provisions rose by 3.7% or EUR 4.3 billion year-on-year to EUR 121.7 (117.4) billion. This increase essentially related to the unearned premium reserve (up EUR 1.9 billion), the loss and loss adjustment expense reserve (up EUR 1.6 billion) and the benefit reserve (up EUR 1.0 billion).

The ratio of net provisions in the insurance business to total investments, including funds withheld by ceding companies but excluding investments under investment contracts, was 89.4% (88.3%) at the reporting date. Investments exceeded provisions by EUR 14.5 (15.5) billion.

Equity

Changes in equity

Group equity fell by EUR 43 million (0.4%) against 31 December 2019. Net income, EUR 325 (477) million of which is attributable to our shareholders and which was allocated in full to retained earnings, was comfortably offset by the EUR 379 (367) million dividend payment to the shareholders of Talanx AG in May of the reporting period.

Accumulated other comprehensive income (other reserves) rose by just EUR 11 million to EUR 676 million in comparison to 31 December 2019. The change in other reserves reflects the positive change in unrealised gains on investments (up EUR 710 million) and actuarial gains on pension provisions (up EUR 20 million), which were partially offset by the change in policyholder participation/shadow accounting (down EUR 482 million) and negative effects from exchange differences on translating foreign operations (down EUR 241 million). Unrealised gains on investments were particularly affected by the fact that credit spreads, which were still somewhat wider than at the end of the previous year, were more than offset by lower interest rates.

CHANGE IN EQUITY

	30.6.2020	31.12.2019	change	+/- %
Subscribed capital	316	316	—	—
Capital reserves	1,373	1,373	—	—
Retained earnings	7,741	7,795	-54	-0.7
Accumulated other comprehensive income and other reserves	676	665	11	1.6
Group equity	10,106	10,149	-43	-0.4
Non-controlling interests in equity	6,518	6,461	56	0.9
Total	16,624	16,610	14	0.1

EQUITY BY DIVISION¹ INCLUDING NON-CONTROLLING INTERESTS

EUR million	30.6.2020	31.12.2019
Segment		
Industrial Lines	2,294	2,378
of which non-controlling interests	65	62
Retail Germany	2,665	2,572
of which non-controlling interests	80	76
Retail International	2,248	2,335
of which non-controlling interests	257	251
Reinsurance	11,289	11,166
of which non-controlling interests	6,697	6,654
Corporate Operations	-1,922	-1,889
of which non-controlling interests	—	—
Consolidation	50	47
of which non-controlling interests	-581	-582
Total equity	16,624	16,610
Group equity	10,106	10,149
Non-controlling interests	6,518	6,461

¹ Equity for the divisions is defined as the difference between the assets and liabilities of the division concerned.

Debt analysis

Subordinated liabilities remained at EUR 3.5 billion as at the reporting date. Further information can be found in the Notes to the consolidated balance sheet, Note 8 "Subordinated liabilities".

As at 30 June 2020, the Group had two syndicated variable-rate credit lines with a total nominal value of EUR 500 million. As in the prior year, these credit lines had not been drawn down as at the reporting date. The existing syndicated credit lines can be terminated by the lenders if there is a change of control, i.e. if a person or a group of persons acting in concert other than HDI Haftpflichtverband der Deutschen Industrie V.a.G. gains direct or indirect control over more than 50% of the voting rights or share capital of Talanx AG.

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

In addition, a cooperation agreement with HDI V.a.G. allows the Group to offer HDI V.a.G. subordinated bonds with a maturity of five years and a volume of up to EUR 500 million on a revolving basis.

Further information can be found in the Notes to the consolidated balance sheet in the section "Other disclosures – Related party disclosures".

Other reports and declarations

Risk report

Our 2019 Annual Report describes our risk profile and the various types of risk in accordance with German Accounting Standard GAS 20. A detailed description of the various types of risks is not provided here; these are disclosed in the 2019 Annual Report on page 102ff. Risk reporting in this half-yearly financial report focuses on relevant changes to the risk position that have occurred since Talanx's 2019 Group Annual Report was prepared.

The summary of the overall risk position remains unchanged in this respect; there continues to be no discernible concrete risks that could have a material adverse effect on the Group's net assets, financial position or results of operations. The Talanx Group has established a functioning, appropriate system of governance and risk management, which is consistently refined and corresponds to demanding quality requirements and standards. We are therefore able to identify our risks in a timely manner, and to manage them effectively. The coronavirus pandemic does not require any changes to our governance system. Our business continuity and risk management measures are a key aspect of crisis management.

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

The coronavirus pandemic has a detrimental impact on the global economy, which also negatively affects some of our individual companies or the Group.

The pandemic has already had a significant impact on financial markets. Losses on financial markets also affect our assets. Stock markets have plummeted across the board on account of the pandemic. Although the stock market has already recovered considerably in the second quarter, there has not yet been a return to pre-crisis levels. Long-term interest rates in the eurozone continued to fall as a result of the coronavirus pandemic. Considerably wider spreads also increase the market risk. While there are already signs of a recovery here, spreads remain well above their pre-crisis levels. Mounting uncertainty regarding future development and lower long-term interest rates also serve to increase the risk. We counter this with our conservative investments and strict asset/liability management.

The impact on the underwriting risk is also highly dependent on how business development progresses.

Our credit risk is shaped by the default risk at reinsurers. Most of our reinsurance partners/retrocessionaires in the unsecured portion have a category A rating or higher. The large proportion of reinsurers with a good rating reflects our efforts to avoid default risk in this area.

In terms of the liquidity risk, we still assume that we would be able to comply with even relatively large, unexpected payout requirements within the required time frame.

At present, there are no material changes to the estimates for operational risk. So far, our business continuity planning measures have been particularly effective.

The pandemic is expected to result indirectly in economic and social adjustment processes/the acceleration of these (e.g. more extensive digitalisation). This creates strategic opportunities and risks for the Group and its subsidiaries in terms of new products and business fields and potential opportunities.

Insurers may face reputational risks if they prove to be customer-unfriendly or overly bureaucratic in the current situation. It is currently more essential than ever to find ways to handle the difficult situation and to take steps for deciding the course of action for after the pandemic in collaboration with customers and business partners.

High levels of uncertainty may also create new emerging risks in the short term, which may develop more quickly than in the past. We are keeping a very close eye on the situation so that we can quickly respond to new opportunities and risks.

We still assume that the Group is complying with its own Solvency II ratio limits. It is unclear how the pandemic will progress, in particular with regard to possible further waves of infections and the repeated shocks that this would have on the global economy, and so forecasts are subject to major uncertainty.

Interest rates and their development are another issue defining the current risk situation. For example, a prolonged period of low interest rates could have a material adverse effect on earnings and solvency in parts of the life insurance business due to increased interest guarantee and reinvestment risk. Life insurers and pension funds especially are countering the risks arising from low interest rates with extensive measures that improve their ability to satisfy their obligations to policyholders moving ahead.

In addition, spread risks for risky bond investments also pose a significant risk. This risk is also increased as a result of the economic repercussions of the coronavirus pandemic.

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

Likewise, political and macroeconomic uncertainty, on both existing core markets and our target and future markets, pose risks to our net assets, financial position and results of operations. Particular uncertainties result from the as-yet undefined future relationship between the EU and the UK, which left the Union in February 2020.

Furthermore, there is uncertainty regarding the development of the legal framework for our business activities in all the countries in which the Group operates. Another potential risk stems from possible changes to the legal situation on account of the coronavirus pandemic.

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

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

Outlook

Economic environment

Following the downturn caused by the coronavirus pandemic, there are signs at the beginning of the second half of the year that global growth is stabilising. This is driven mainly by countries continuing to ease restrictions on movement and by economic stimulus. At the same time, a sharp rise in cases in some parts of the world is causing a resurgence in economic pessimism. While it is expected that the response to future infections will likely take the form of local, rather than national, restrictions on movement, these constraints still entail significant economic costs.

We are anticipating dynamic economic recovery in major industrialised nations, with monetary and fiscal policy stimulus expected to encourage high growth rates in the second half of the year.

Emerging market economies should also recover in the second half of the year. Nonetheless, we expect a sharper divergence between countries here, depending on how the pandemic develops and the respective country's room for manoeuvre when it comes to economic policy. The Chinese economy seems to have returned to positive growth again in the second quarter of 2020.

In the medium term, the decline in growth and the dramatic fall in the price of commodities are likely to keep inflation low. Accordingly, these general conditions support ongoing expansive monetary policy.

Capital markets

Interest markets are caught between economic recovery on the one hand and interventionist central bank policy and investors' ongoing high need for security on the other. Greater global growth momentum and more expansive monetary policy should bolster development on stock markets. However, most of these positive expectations seems to be already reflected in share prices and so we anticipate only limited potential for upward movement combined with high volatility.

Anticipated financial development of the Group

Given the ongoing coronavirus pandemic and the substantial uncertainty regarding the future development of the economy and capital markets, we withdrew our outlook for the 2020 financial year on 21 April 2020. Our original profit target range was between EUR 900 million and EUR 950 million.

We are still in a period of exceptional uncertainty. This makes it impossible to provide a valid earnings outlook and so we do not present management metrics at Group and segment level.

At EUR 325 million, Group net income for the first half of 2020 is down on the prior year (EUR 477 million), more so than in the first quarter. We do not believe it is possible to extrapolate the half-year result to full-year 2020 as we are expecting further financial costs in the next few quarters as a result of the pandemic and the gloomy economic and capital market environment.

From today's perspective we are still aiming for a payout ratio of 35% to 45% of the IFRS result and to continue our regular dividend policy.

Assessment of future opportunities and challenges

As well as being a human tragedy, the current pandemic caused by the SARS-CoV-2 virus has also become a global economic crisis. It will fundamentally change the world that we know. Yet this also presents opportunities. Unlike most other insurance companies in Germany, the Talanx subsidiary HDI Versicherung AG decided to bear the damage resulting from business closures due to the risk of infection during the current coronavirus crisis, provided this was agreed in the insurance policy terms and conditions and even if this risk is not included in the actuarial calculation for premiums. This boosts our reputation as an insurance company and shows that we stand by the promises we make to our customers.

The increased use of digital services opens up the opportunity for us to move ahead with our digital projects more quickly than beforehand. It also offers us the opportunity to step up sales of premiums via online sales channels. Most primary insurance companies worldwide have seen a decline in solvency as a result of the crisis. This creates an increase in solvency-related reinsurance requirements, which can be covered by our subsidiary Hannover Rück SE.

Finally, the crisis is also accelerating the transformation of our corporate culture. During this crisis, we have demonstrated that we can quickly adapt to changing circumstances. We managed the sudden shift of a significant portion of group employees from working in the office to working from home without any problems in a very short period of time – a key milestone in our transformation to an agile organisation.

For further information, please see our statements in the report on expected developments and on opportunities of the 2019 Group Annual Report.

Interim consolidated financial statements

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Consolidated balance sheet

as at 30 June 2020

CONSOLIDATED BALANCE SHEET – ASSETS

EUR million	Notes	30.6.2020	31.12.2019
A. Intangible assets	1		
a. Goodwill		1,049	1,105
b. Other intangible assets		875	893
		1,924	1,998
B. Investments			
a. Investment property		3,163	3,193
b. Shares in affiliated companies and participating interests		417	398
c. Shares in associates and joint ventures		375	337
d. Loans and receivables	2	27,920	27,641
e. Other financial instruments			
i. Held to maturity	3	336	336
ii. Available for sale	4/6	86,081	83,550
iii. At fair value through profit or loss	5/6	1,587	1,718
f. Other investments	6	5,928	5,465
Assets under own management		125,807	122,638
g. Investments under investment contracts	6	1,162	1,170
h. Funds withheld by ceding companies		10,409	10,296
Investments		137,378	134,104
C. Investments for the benefit of life insurance policyholders who bear the investment risk		10,690	11,824
D. Reinsurance recoverables on technical provisions		7,773	8,483
E. Accounts receivable on insurance business		9,387	8,525
F. Deferred acquisition costs		5,823	5,940
G. Cash at banks, cheques and cash-in-hand		3,624	3,518
H. Deferred tax assets		348	326
I. Other assets	6	2,835	2,819
J. Non-current assets and assets of disposal groups classified as held for sale ¹		129	57
Total assets		179,912	177,594

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

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

EUR million	Notes	30.6.2020	31.12.2019
A. Equity	7		
a. Subscribed capital		316	316
Nominal amount: 316 (previous year: 316)			
Contingent capital: 158 (previous year: 158)			
b. Reserves		9,790	9,833
Equity excluding non-controlling interests		10,106	10,149
c. Non-controlling interests in equity		6,518	6,461
Total equity		16,624	16,610
B. Subordinated liabilities	8	3,491	3,479
C. Technical provisions	9		
a. Unearned premium reserve		12,064	9,837
b. Benefit reserve		57,450	56,859
c. Loss and loss adjustment expense reserve		50,624	49,651
d. Provision for premium refunds		8,346	8,511
e. Other technical provisions		759	755
		129,243	125,614
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders		10,690	11,824
E. Other provisions			
a. Provisions for pensions and other post-employment benefits		2,225	2,284
b. Provisions for taxes		448	561
c. Miscellaneous other provisions		776	971
		3,449	3,816
F. Liabilities			
a. Notes payable and loans	10	2,304	2,308
b. Funds withheld under reinsurance treaties		4,422	4,550
c. Other liabilities	6	7,379	7,224
		14,105	14,081
G. Deferred tax liabilities		2,299	2,160
H. Liabilities included in disposal groups classified as held for sale ¹		11	9
Total liabilities/provisions		163,288	160,983
Total equity and liabilities		179,912	177,594

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

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

Consolidated statement of income

for the period from 1 January to 30 June 2020

CONSOLIDATED STATEMENT OF INCOME

EUR million	Notes	6M 2020	6M 2019 ¹	Q2 2020	Q2 2019 ¹
1. Gross written premiums including premiums from unit-linked life and annuity insurance		22,006	20,864	9,539	9,148
2. Savings elements of premiums from unit-linked life and annuity insurance		446	472	226	247
3. Ceded written premiums		2,545	2,341	997	959
4. Change in gross unearned premiums		-2,652	-2,415	142	207
5. Change in ceded unearned premiums		-383	-281	65	75
Net premiums earned	11	16,746	15,917	8,392	8,075
6. Claims and claims expenses (gross)		14,335	13,994	7,090	6,910
Reinsurers' share		937	1,317	309	457
Claims and claims expenses (net)	14	13,398	12,677	6,781	6,454
7. Acquisition costs and administrative expenses (gross)		4,800	4,214	2,431	2,098
Reinsurers' share		349	309	132	138
Acquisition costs and administrative expenses (net)	15	4,451	3,905	2,298	1,960
8. Other technical income		32	32	14	15
Other technical expenses		58	74	30	26
Other technical result		-27	-42	-17	-11
Net technical result		-1,129	-708	-704	-350
9. a. Investment income		2,262	2,351	987	1,233
b. Investment expenses		605	453	152	255
Net income from assets under own management		1,657	1,898	836	978
Net income from investment contracts		—	1	—	1
Net interest income from funds withheld and contract deposits		127	87	46	19
Net investment income	12/13	1,785	1,986	882	998
of which share of profit or loss of equity-accounted associates and joint ventures		10	14	—	2
10. a. Other income		753	580	148	229
b. Other expenses		664	614	140	249
Other income/expenses	16	89	-34	8	-20
Profit before goodwill impairments		745	1,244	186	628
11. Goodwill impairments		—	—	—	—
Operating profit/loss (EBIT)		745	1,244	186	628
12. Financing costs		103	94	52	49
13. Taxes on income		93	293	-22	133
Net income		549	858	156	447
of which attributable to non-controlling interests		224	380	54	205
of which attributable to shareholders of Talanx AG		325	477	103	242
Earnings per share					
Basic earnings per share (EUR)		1.29	1.89	0.41	0.96
Diluted earnings per share (EUR)		1.29	1.89	0.41	0.96

¹ Adjusted in accordance with IAS 8, see the 2019 Annual Report, "Accounting policies" section of the Notes.

Consolidated statement of comprehensive income

for the period from 1 January to 30 June 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Notes	6M 2020	6M 2019	Q2 2020	Q2 2019
Net income		549	858	156	447
Items that will not be reclassified to profit or loss					
Actuarial gains (losses) on pension provisions					
Gains (losses) recognised in other comprehensive income for the period		33	-227	-162	-125
Tax income (expense)		-11	69	48	39
		22	-159	-114	-87
Changes in policyholder participation/shadow accounting					
Gains (losses) recognised in other comprehensive income for the period		-2	8	8	3
Tax income (expense)		-	-	-	-
		-2	8	8	3
Total items that will not be reclassified to profit or loss, net of tax		20	-151	-105	-84
Items that may be reclassified subsequently to profit or loss					
Unrealised gains and losses on investments					
Gains (losses) recognised in other comprehensive income for the period		1,320	3,840	2,885	1,749
Reclassified to profit or loss		-200	-102	-102	-59
Tax income (expense)		-106	-562	-543	-252
		1,014	3,177	2,240	1,439
Exchange differences on translating foreign operations					
Gains (losses) recognised in other comprehensive income for the period		-329	104	-119	-130
Reclassified to profit or loss		-	-	-	-
Tax income (expense)		21	-7	8	11
		-308	97	-111	-119
Changes in policyholder participation/shadow accounting					
Gains (losses) recognised in other comprehensive income for the period		-481	-1,934	-974	-1,000
Tax income (expense)		-29	73	62	34
		-510	-1,861	-912	-966
Changes from cash flow hedges					
Gains (losses) recognised in other comprehensive income for the period		20	31	16	16
Reclassified to profit or loss		-14	-13	-7	-6
Tax income (expense)		2	-3	-1	-2
		7	15	6	8
Changes from equity method measurement					
Gains (losses) recognised in other comprehensive income for the period		-2	-	-1	-3
Reclassified to profit or loss		-	-	-	-
Tax income (expense)		-	-	-	-
		-2	-	-1	-3
Total items that may be reclassified subsequently to profit or loss, net of tax		201	1,427	1,221	358
Other comprehensive income for the period, net of tax		220	1,277	1,115	275
Total comprehensive income for the period		769	2,134	1,271	721
of which attributable to non-controlling interests		433	887	502	301
of which attributable to shareholders of Talanx AG		336	1,247	770	420

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

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Subscribed capital	Capital reserves	Retained earnings
2020			
Balance at 31.12.2019	316	1,373	7,795
Changes in ownership interest without a change in control	—	—	—
Other changes in basis of consolidation	—	—	—
Net income	—	—	325
Other comprehensive income	—	—	—
of which not eligible for reclassification	—	—	—
of which actuarial gains or losses on pension provisions	—	—	—
of which changes in policyholder participation/shadow accounting	—	—	—
of which eligible for reclassification	—	—	—
of which unrealised gains and losses on investments	—	—	—
of which currency translation	—	—	—
of which change from cash flow hedges	—	—	—
of which change from equity method measurement	—	—	—
of which other changes ¹	—	—	—
Total comprehensive income	—	—	325
Capital increases	—	—	—
Dividends to shareholders	—	—	-379
Other changes outside profit or loss	—	—	—
Balance at 30.06.2019	316	1,373	7,741
2019			
Balance at 31.12.2019	316	1,373	7,281
IAS 8 adjustments ²	—	—	1
Adjusted balance at 1.1.2020	316	1,373	7,282
Changes in ownership interest without a change in control	—	—	21
Other changes in basis of consolidation	—	—	—
Net income	—	—	477
Other comprehensive income	—	—	—
of which not eligible for reclassification	—	—	—
of which actuarial gains or losses on pension provisions	—	—	—
of which changes in policyholder participation/shadow accounting	—	—	—
of which eligible for reclassification	—	—	—
of which unrealised gains and losses on investments	—	—	—
of which currency translation	—	—	—
of which change from cash flow hedges	—	—	—
of which change from equity method measurement	—	—	—
of which other changes ¹	—	—	—
Total comprehensive income	—	—	477
Capital increases	—	—	—
Dividends to shareholders	—	—	-367
Other changes outside profit or loss	—	—	—
Balance at 30.6.2019	316	1,373	7,414

¹ "Other changes" consist of policyholder participation/shadow accounting and miscellaneous other changes.

² Initial application of IFRS 16; see financial report 2019, the "Basis of preparation and application of IFRSs" section, subsection "Application of new and revised standards/interpretations" of the Notes

	Unrealised gains/losses on investments	Currency translation gains/losses	Other changes in equity	Other reserves		Equity attributable to shareholders of Talanx AG	Non-controlling interests	Total equity
				Measurement gains/losses on cash flow hedges				
	4,636	-93	-4,130	252		10,149	6,461	16,610
	—	—	—	—		—	—	—
	—	—	—	—		—	—	—
	—	—	—	—		325	224	549
	710	-241	-466	9		11	209	220
	—	—	18	—		18	2	20
	—	—	20	—		20	2	22
	—	—	-2	—		-2	—	-2
	710	-241	-484	9		-7	208	201
	710	—	—	—		710	305	1,014
	—	-241	—	—		-241	-67	-308
	—	—	—	9		9	-2	7
	—	—	-2	—		-2	—	-2
	—	—	-482	—		-482	-28	-510
	710	-241	-466	9		336	433	769
	—	—	—	—		—	1	1
	—	—	—	—		-379	-378	-757
	—	—	—	—		—	—	—
	5,346	-334	-4,596	261		10,106	6,518	16,624
	1,811	-204	-2,118	254		8,713	5,548	14,261
	—	—	—	—		1	1	2
	1,811	-204	-2,118	254		8,714	5,549	14,263
	—	—	—	—		21	-21	—
	—	—	—	—		—	—	—
	—	—	—	—		477	380	858
	2,577	67	-1,885	12		770	506	1,277
	—	—	-142	—		-142	-8	-151
	—	—	-149	—		-149	-10	-159
	—	—	6	—		6	2	8
	2,577	67	-1,743	12		913	515	1,427
	2,577	—	—	—		2,577	600	3,177
	—	67	—	—		67	30	97
	—	—	—	12		12	3	15
	—	—	—	—		—	—	—
	—	—	-1,743	—		-1,743	-118	-1,861
	2,577	67	-1,885	12		1,247	887	2,134
	—	—	—	—		—	—	—
	—	—	—	—		-367	-401	-768
	—	—	—	—		—	—	—
	4,387	-137	-4,003	267		9,617	6,013	15,630

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

Consolidated cash flow statement

for the period from 1 January to 30 June 2020

CONSOLIDATED CASH FLOW STATEMENT

EUR million	6M 2020	6M 2019
I. 1. Net income	549	858
I. 2. Changes in technical provisions	5,287	4,202
I. 3. Changes in deferred acquisition costs	-22	-370
I. 4. Changes in funds withheld and in accounts receivable and payable	-1,595	-1,312
I. 5. Changes in other receivables and liabilities	252	573
I. 6. Changes in investments and liabilities under investment contracts	4	2
I. 7. Changes in financial instruments held for trading	17	-4
I. 8. Gains/losses on disposal of investments and property, plant and equipment	-327	-297
I. 9. Changes in technical provisions for life insurance policies where the investment risk is borne by the policyholders	-1,119	1,164
I. 10. Other non-cash expenses and income (including income tax expense/income)	-12	-78
I. Cash flows from operating activities^{1,2}	3,032	4,738
II. 1. Cash inflow from the sale of consolidated companies	—	4
II. 2. Cash outflow from the purchase of consolidated companies	—	—
II. 3. Cash inflow from the sale of real estate	70	82
II. 4. Cash outflow from the purchase of real estate	-80	-90
II. 5. Cash inflow from the sale and maturity of financial instruments	14,132	17,371
II. 6. Cash outflow from the purchase of financial instruments	-16,517	-19,550
II. 7. Changes in investments for the benefit of life insurance policyholders who bear the investment risk	1,119	-1,164
II. 8. Changes in other investments	-645	-487
II. 9. Cash outflows from the acquisition of tangible and intangible assets	-72	-67
II. 10. Cash inflows from the sale of tangible and intangible assets	5	7
II. Cash flows from investing activities	-1,988	-3,895
III. 1. Cash inflow from capital increases	1	—
III. 2. Cash outflow from capital reductions	—	—
III. 3. Dividends paid	-757	-768
III. 4. Net changes attributable to other financing activities	-140	-116
III. Cash flows from financing activities²	-895	-884
Net change in cash and cash equivalents (I. + II. + III.)	148	-41
Cash and cash equivalents at the beginning of the reporting period	3,519	3,363
Effect of exchange rate changes on cash and cash equivalents	-27	10
Effect of changes in the basis of consolidation on cash and cash equivalents³	-10	—
Cash and cash equivalents at the end of the reporting period⁴	3,629	3,331

¹ EUR 127 (124) million of "Income taxes paid", EUR 117 (182) million of "Dividends received" and EUR 1.887 (1.754) million of "Interest received" are allocated to "Cash flows from operating activities". Dividends received also include quasi-dividend profit-sharing payments from investment funds and private equity firms.

² Of the "Interest paid" item of EUR 242 (224) million, EUR 118 (83) million is attributable to "Cash flows from financing activities" and EUR 123 (141) million to "Cash flows from operating activities".

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

⁴ The "Cash and cash equivalents at the end of the reporting period" item includes changes in the portfolio of disclosed disposal groups in the amount of EUR 5 (1) million as at the reporting date.

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

EUR million	1.1.	Cash flows from financing activities	Acquisition/disposal of subsidiaries	Exchange rate changes	Non-cash items		30.6.
					Other changes (mainly amortisation)		
2020							
Subordinated liabilities	3,479	11	—	—	1		3,491
Notes payable and loans	2,308	–3	—	–1	1		2,304
Lease liabilities	442	–29	—	–12	46		448
Total debt from financing activities	6,231	–21	—	–13	46		6,242
Interest paid from financing activities		–118					
Total cash flows from other financing activities		–140					
2019							
Subordinated liabilities	2,738	—	—	—	1		2,739
Notes payable and loans	2,245	–1	—	1	1		2,246
Lease liabilities	464	–32	—	2	8		442
Total debt from financing activities	5,447	–34	—	3	10		5,426
Interest paid from financing activities		–83					
Total cash flows from other financing activities		–116					

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

Notes to the interim consolidated financial statements

Basis of preparation and application of IFRSs

Basis of preparation

The consolidated half-yearly financial report as at 30 June 2020 was prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union. The condensed consolidated financial statements, consisting of the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and selected explanatory notes, also comply with the requirements of IAS 34 “Interim Financial Reporting”.

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

As allowed by IAS 34.41, we make greater use of estimation methods and assumptions in preparing the interim consolidated financial statements than we do in preparing the annual financial reports. There were no changes in estimates during the interim reporting period with a material effect on the Group’s net assets, financial position and results of operations. The tax expense (income taxes in Germany, comparable income taxes at foreign subsidiaries and changes in deferred taxes) is calculated for interim reporting periods by applying the effective tax rate expected for the full year to net income for the period. Pension provisions are extrapolated for interim reporting periods by recognising the actuarially estimated effect of interest rate changes on pension liabilities at the end of the interim reporting period in other comprehensive income (“Other reserves”). Other actuarial assumptions are not updated for interim reporting periods.

Due to the coronavirus pandemic estimates are subject to higher levels of uncertainty and so increased use is made of scenario calculations in the current financial statements. The impact of the pandemic on Talanx’s consolidated financial statements has so far been felt chiefly in the Property/Casualty Reinsurance and Industrial Lines segments. A total of around EUR 761 million was set aside in property/casualty primary insurance and reinsurance for losses that occurred in the first half of the financial year (of which, EUR 600 mil-

lion for Property/Casualty Reinsurance and EUR 107 million for Industrial Lines). Impairment losses on investments totalled EUR 134 million and relate primarily to equities (EUR 48 million) and alternative investments (EUR 55 million). This partly reflects the economic turbulence expected in the wake of the Covid-19 pandemic.

The thresholds defined as a way to identify potential impairment of non-financial assets were not exceeded.

The Talanx Group has not made use of direct government assistance. The only exception to this is in the US, where subsidiaries benefited from the CARES Act (“Coronavirus Aid, Relief and Economic Security Act”), which amended regulations on tax loss carrybacks to allow losses to be carried back to years with higher tax rates, with a USD 11 million tax advantage therefore being recognised.

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

Application of new and revised standards/interpretations

The Group applied the following revised IFRS regulations as at 1 January 2020; there were no material effects on the consolidated financial statements:

- IFRS conceptual framework: Conceptual framework for financial reporting
- IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”: Change to definition of materiality
- IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition And Measurement” and IFRS 7 “Financial instruments: Disclosures”: reform of the benchmark rates
- IFRS 3 “Business Combinations”: Definition of a business

In May 2020, the IASB issued an amendment to IFRS 16 “Leases”: Covid-19-related amendments. The aim of the amendment is to make it easier for lessees to recognise concessions such as deferred rent payments or rent reductions that are granted as a direct result of the Covid-19 pandemic. The amendment is to be applied to reporting periods beginning on or after 1 July 2020. As no Group companies have made use of rent relief measures due to Covid-19 and these have not yet been adopted into EU law, the relief is not used in these financial statements.

The IASB issued amendments to IFRS 17 “Insurance Contracts” and an amendment to IFRS 4 in June 2020. The amendment defers the effective date of IFRS 17 by two years, i.e. to 1 January 2023, although it may be applied earlier. The exemption from applying IFRS 9 for the first time allowed for insurers is also to be postponed until 1 January 2023, with the result that the two Standards will still become effective at the same time. The publication concluded specific changes by the IASB to IFRS 17, such as the recognition of profits not only according to the insurance cover provided but also according to the investment management services provided, distribution of acquisition costs including for expected contract renewals outside the contract limits of the original contract, recognition of assets and liabilities from insurance contracts at portfolio level instead of at Group level of insurance contracts, allowing reinsurance of loss-ridden contracts to be recognised as profit to the extent that it covers the loss-ridden contracts. The Group examines the impact of the amendments as part of its implementation project. The application of IFRS 17, including these amendments, and the additional postponement in applying IFRS 9, requires EU endorsement.

Please see the previous year’s consolidated annual financial report for further information on the effects on the consolidated financial statements of applying IFRS 9 and IFRS 17.

Changes to accounting policies

Please see the “Accounting policies” section of the 2019 Annual Report (page 139 f.) for information on the retrospective changes made in the 2019 financial year. Income and expenses from exchange differences on translating foreign operations were corrected retrospectively in accordance with IAS 8 without affecting Group net income. Income and expenses resulting from the same currency are offset in full, reducing the “Other income” and “Other expenses” items in other income/expenses for the comparative period by EUR 364 million each. The correction affects the Property/Casualty Reinsurance and Life/Health Reinsurance segments.

Segment reporting

The description of the business activities, the divisions and the reportable segments of the Talanx Group in the 2019 Annual Report, as well as the products and services with which these earnings are generated, is still accurate as at the end of the reporting period. The general specifications about segment reporting given there and the statements about the measurement basis for the performance of the reportable segments are still applicable.

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 30 JUNE 2020

EUR million

Assets	Industrial Lines		Retail Germany	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019
A. Intangible Assets	163	163	687	687
B. Investments	9,620	9,292	56,221	54,665
C. Investments for the benefit of life insurance policyholders who bear the investment risk	—	—	10,271	11,353
D. Reinsurance recoverables on technical provisions	7,585	7,409	1,760	1,811
E. Accounts receivable on insurance business	2,153	2,060	305	287
F. Deferred acquisition costs	100	75	1,814	2,021
G. Cash at banks, cheques and cash-in-hand	885	857	652	832
H. Deferred tax assets	57	44	78	89
I. Other assets	688	663	678	771
J. Non-current assets and assets of disposal groups classified as held for sale	—	—	9	—
Total assets	21,251	20,564	72,475	72,517

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 30 JUNE 2020

EUR million

Equity and liabilities	Industrial Lines		Retail Germany	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019
B. Subordinated liabilities ¹	278	283	257	162
C. Technical provisions	15,379	14,561	55,590	54,169
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders	—	—	10,271	11,353
E. Other provisions	781	803	531	622
F. Liabilities ²	2,314	2,330	2,901	3,386
G. Deferred tax liabilities	206	209	260	253
H. Liabilities included in disposal groups classified as held for sale	—	—	—	—
Total liabilities/provisions	18,957	18,186	69,810	69,945

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019
772	838	196	204	105	106	—	—	1,924	1,998
13,620	13,636	59,499	58,346	1,237	896	-2,818	-2,731	137,378	134,104
419	471	—	—	—	—	—	—	10,690	11,824
928	921	2,396	3,028	278	18	-5,175	-4,704	7,773	8,483
1,159	1,339	6,239	5,270	194	11	-663	-443	9,387	8,525
591	671	3,059	2,932	7	2	252	238	5,823	5,940
520	387	1,070	1,089	497	353	—	—	3,624	3,518
87	92	50	45	283	276	-206	-221	348	326
532	561	2,162	1,797	723	1,183	-1,948	-2,158	2,835	2,819
20	21	101	36	—	—	—	—	129	57
18,648	18,936	74,771	72,748	3,324	2,845	-10,558	-10,017	179,912	177,594

Retail International		Reinsurance		Corporate Operations		Consolidation		Total		
30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019	
82	42	2,629	2,628	1,280	1,280	-1,035	-916	3,491	3,479	
13,281	13,478	48,758	47,089	586	108	-4,351	-3,792	129,243	125,614	
419	471	—	—	—	—	—	—	10,690	11,824	
266	315	458	592	1,413	1,485	—	—	3,449	3,816	
2,250	2,182	9,713	9,481	1,966	1,861	-5,039	-5,158	14,105	14,081	
94	104	1,921	1,792	—	—	-182	-198	2,299	2,160	
9	9	3	—	—	—	—	—	11	9	
16,400	16,601	63,482	61,582	5,246	4,734	-10,608	-10,064	163,288	160,983	
								Equity³	16,624	16,610
								Total liabilities	179,912	177,594

¹ The nominal value of the subordinated liabilities came to EUR 3,506 (3,495) million.

² The nominal value of the notes payable was EUR 1,815 (1,815) million.

³ Equity attributable to Group shareholders and non-controlling interests.

CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2020¹

EUR million	Industrial Lines		Retail Germany	
	6M 2020	6M 2019	6M 2020	6M 2019
1. Gross written premiums including premiums from unit-linked life and annuity insurance	3,852	3,483	3,147	3,327
of which attributable to other divisions/segments	40	32	38	33
of which attributable to third parties	3,812	3,451	3,109	3,295
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	414	429
3. Ceded written premiums	1,936	1,652	176	169
4. Change in gross unearned premiums	–866	–752	–239	–315
5. Change in ceded unearned premiums	–410	–288	–8	–8
Net premiums earned	1,460	1,367	2,325	2,422
6. Claims and claims expenses (gross)	1,955	2,069	2,289	2,567
Reinsurers' share	730	979	136	66
Claims and claims expenses (net)	1,225	1,089	2,153	2,501
7. Acquisition costs and administrative expenses (gross)	658	580	838	634
Reinsurers' share	357	287	50	55
Acquisition costs and administrative expenses (net)	301	293	788	579
8. Other technical income	2	2	13	10
Other technical expenses	3	18	10	7
Other technical result	–1	–17	3	3
Net technical result	–67	–32	–612	–655
9. a. Investment income	249	208	949	989
b. Investment expenses	142	75	217	176
Net income from assets under own management	107	133	731	813
Net income from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	–1	—	–7	–5
Net investment income	107	133	725	808
of which share of profit or loss of equity-accounted associates and joint ventures	8	10	—	—
10. a. Other income	141	112	107	97
b. Other expenses	162	144	125	125
Other income/expenses	–22	–33	–18	–28
Profit before goodwill impairments	18	69	95	125
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	18	69	95	125
12. Financing costs	6	6	5	5
13. Taxes on income	2	20	25	44
Net income	10	43	65	76
of which attributable to non-controlling interests	3	2	1	4
of which attributable to shareholders of Talanx AG	7	42	63	72

¹ With the exception of the Retail Germany Division and the Reinsurance Division, the statements of income of the other divisions are the same as those of the reportable segments.² Adjusted in accordance with IAS 8, see the 2019 Annual Report, "Accounting policies" section of the Notes.

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
6M 2020	6M 2019	6M 2020	6M 2019 ²	6M 2020	6M 2019	6M 2020	6M 2019	6M 2020	6M 2019 ²
2,758	3,154	13,146	11,694	370	46	-1,266	-840	22,006	20,864
—	1	897	729	292	46	-1,266	-840	—	—
2,757	3,153	12,249	10,965	78	—	—	—	22,006	20,864
32	42	—	—	—	—	—	—	446	472
250	246	1,214	1,095	244	18	-1,275	-838	2,545	2,341
9	-138	-1,629	-1,300	-182	-16	255	106	-2,652	-2,415
-23	-25	-75	-57	-124	-9	256	107	-383	-281
2,508	2,753	10,378	9,356	68	22	8	-3	16,746	15,917
2,052	2,314	8,620	7,520	222	29	-803	-504	14,335	13,994
188	171	568	611	144	4	-830	-514	937	1,317
1,864	2,143	8,053	6,910	77	25	26	10	13,398	12,677
626	618	2,920	2,594	32	7	-274	-219	4,800	4,214
49	49	129	112	18	1	-254	-195	349	309
576	569	2,792	2,482	14	6	-20	-24	4,451	3,905
17	19	—	—	—	—	—	1	32	32
40	37	4	—	—	—	2	11	58	74
-23	-18	-4	—	—	—	-2	-11	-27	-42
44	24	-470	-36	-23	-9	—	—	-1,129	-708
211	213	876	965	9	7	-32	-30	2,262	2,351
43	24	212	186	54	49	-63	-57	605	453
168	189	663	779	-45	-43	32	27	1,657	1,898
—	1	—	—	—	—	—	—	—	1
-2	-2	136	94	—	—	—	—	127	87
167	189	800	873	-45	-43	32	26	1,785	1,986
—	—	2	5	—	—	—	—	10	14
88	49	412	301	382	379	-377	-357	753	580
143	115	232	195	324	338	-323	-303	664	614
-55	-66	180	107	58	41	-54	-55	89	-34
156	146	509	943	-10	-10	-23	-28	745	1,244
—	—	—	—	—	—	—	—	—	—
156	146	509	943	-10	-10	-23	-28	745	1,244
10	6	57	52	52	52	-27	-26	103	94
39	36	51	207	-25	-13	1	-1	93	293
107	104	401	686	-37	-50	3	-1	549	858
19	19	201	356	—	—	—	—	224	380
89	85	200	329	-37	-50	3	-1	325	477

CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT FOR THE PERIOD FROM 1 APRIL TO 30 JUNE 2020¹

EUR million	Industrial Lines		Retail Germany	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019
1. Gross written premiums including premiums from unit-linked life and annuity insurance	1,277	1,187	1,298	1,442
of which attributable to other divisions/segments	12	8	21	13
of which attributable to third parties	1,265	1,179	1,277	1,429
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	218	223
3. Ceded written premiums	728	643	79	74
4. Change in gross unearned premiums	213	244	171	116
5. Change in ceded unearned premiums	28	54	7	5
Net premiums earned	734	733	1,165	1,255
6. Claims and claims expenses (gross)	926	947	1,163	1,293
Reinsurers' share	315	375	102	39
Claims and claims expenses (net)	611	572	1,062	1,254
7. Acquisition costs and administrative expenses (gross)	315	288	464	318
Reinsurers' share	145	121	24	18
Acquisition costs and administrative expenses (net)	171	167	440	300
8. Other technical income	1	1	5	4
Other technical expenses	9	9	—4	1
Other technical result	—8	—8	8	2
Net technical result	—56	—14	—329	—296
9. a. Investment income	117	105	460	496
b. Investment expenses	44	43	51	114
Net income from assets under own management	73	62	410	382
Net income from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	—3	—3
Net investment income	73	62	406	379
of which share of profit or loss of equity-accounted associates and joint ventures	—	—	—	—
10. a. Other income	24	24	46	40
b. Other expenses	53	39	61	59
Other income/expenses	—29	—15	—15	—19
Profit before goodwill impairments	—12	33	62	65
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	—12	33	62	65
12. Financing costs	3	3	2	2
13. Taxes on income	—5	10	16	24
Net income	—10	20	44	39
of which attributable to non-controlling interests	—	1	—	2
of which attributable to shareholders of Talanx AG	—10	19	44	37

¹ With the exception of the Retail Germany Division and the Reinsurance Division, the statements of income of the other divisions are the same as those of the reportable segments.² Adjusted in accordance with IAS 8, see the 2019 Annual Report, "Accounting policies" section of the Notes.

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
Q2 2020	Q2 2019	Q2 2020	Q2 2019 ²	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019 ²
1,244	1,537	6,171	5,321	48	11	-499	-350	9,539	9,148
—	—	400	317	65	11	-499	-350	—	—
1,244	1,536	5,770	5,003	-17	—	—	—	9,539	9,148
8	23	—	—	—	—	—	—	226	247
97	103	590	483	19	—	-516	-345	997	959
39	-61	-291	-81	43	—	-33	-10	142	207
11	9	3	11	41	4	-26	-9	65	75
1,167	1,340	5,287	4,745	31	7	9	-6	8,392	8,075
919	1,117	4,417	3,791	141	16	-477	-252	7,090	6,910
85	89	205	220	97	2	-494	-269	309	457
834	1,027	4,213	3,570	44	14	17	17	6,781	6,454
303	318	1,471	1,273	15	3	-138	-102	2,431	2,098
25	24	60	57	7	—	-129	-83	132	138
279	294	1,411	1,216	8	3	-9	-19	2,298	1,960
8	10	—	—	—	—	—	—	14	15
22	20	3	—	—	—	1	-4	30	26
-14	-10	-3	—	—	—	-1	4	-17	-11
41	9	-339	-41	-21	-9	—	—	-704	-350
68	111	353	531	4	3	-16	-14	987	1,233
-9	14	77	87	23	27	-33	-30	152	255
77	97	277	445	-19	-23	17	16	836	978
—	1	—	—	—	—	—	—	—	1
-1	-1	51	23	—	—	—	—	46	19
76	97	327	468	-19	-23	18	15	882	998
—	—	—	2	—	—	—	—	—	2
-28	20	116	129	188	200	-197	-184	148	229
8	53	23	66	161	180	-166	-147	140	249
-37	-33	93	64	27	20	-31	-37	8	-20
81	73	82	491	-13	-13	-14	-21	186	628
—	—	—	—	—	—	—	—	—	—
81	73	82	491	-13	-13	-14	-21	186	628
6	4	29	26	26	26	-14	-13	52	49
21	17	-43	91	-11	-7	—	-3	-22	133
54	52	96	374	-28	-32	—	-6	156	447
8	9	45	192	—	—	—	—	54	205
46	43	51	182	-28	-32	—	-6	103	242

**CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE RETAIL GERMANY (PROPERTY/CASUALTY AND LIFE),
PROPERTY/CASUALTY REINSURANCE AND LIFE/HEALTH REINSURANCE REPORTABLE SEGMENTS FOR THE PERIOD
FROM 1 JANUARY TO 30 JUNE 2020 AND 1 APRIL TO 30 JUNE 2020**

EUR million	Retail Germany – Property/Casualty			
	6M 2020	6M 2019	Q2 2020	Q2 2019
1. Gross written premiums including premiums from unit-linked life and annuity insurance	1,005	1,042	231	260
of which attributable to other segments	—	—	—	—
of which attributable to third parties	1,005	1,042	231	260
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	—	—
3. Ceded written premiums	66	52	24	16
4. Change in gross unearned premiums	–251	–272	148	131
5. Change in ceded unearned premiums	–9	–9	6	4
Net premiums earned	697	726	348	371
6. Claims and claims expenses (gross)	499	456	264	234
Reinsurers' share	78	12	73	6
Claims and claims expenses (net)	422	444	191	228
7. Acquisition costs and administrative expenses (gross)	266	281	130	142
Reinsurers' share	17	12	8	7
Acquisition costs and administrative expenses (net)	250	269	122	135
8. Other technical income	1	1	—	—
Other technical expenses	4	4	1	1
Other technical result	–3	–3	–1	–1
Net technical result	22	10	35	7
9. a. Investment income	60	63	30	31
b. Investment expenses	20	9	5	5
Net income from assets under own management	40	55	25	26
Gains or losses from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	—	—
Net investment income	40	55	25	26
of which share of profit or loss of equity-accounted associates and joint ventures	—	—	—	—
10. a. Other income	27	28	14	12
b. Other expenses	34	39	16	21
Other income/expenses	–7	–10	–2	–9
Profit before goodwill impairments	55	54	58	25
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	55	54	58	25

¹ Adjusted in accordance with IAS 8, see the 2019 Annual Report, "Accounting policies" section of the Notes.

	Retail Germany – Life				Property/Casualty Reinsurance				Life/Health Reinsurance			
	6M 2020	6M 2019	Q2 2020	Q2 2019	6M 2020	6M 2019 ¹	Q2 2020	Q2 2019 ¹	6M 2020	6M 2019 ¹	Q2 2020	Q2 2019 ¹
	2,142	2,285	1,067	1,181	9,174	7,847	4,188	3,453	3,972	3,847	1,983	1,868
	38	33	21	13	831	659	368	283	66	70	32	35
	2,104	2,252	1,046	1,168	8,343	7,189	3,820	3,170	3,906	3,777	1,951	1,833
	414	429	218	223	—	—	—	—	—	—	—	—
	110	117	54	58	791	670	379	316	423	425	211	168
	12	-42	23	-15	-1,590	-1,269	-275	-92	-39	-31	-16	10
	2	1	1	1	-76	-56	3	12	1	-1	—	-1
	1,628	1,696	817	884	6,869	5,964	3,531	3,034	3,509	3,392	1,756	1,711
	1,789	2,111	900	1,059	5,175	4,319	2,673	2,180	3,445	3,201	1,745	1,611
	58	54	29	34	165	278	4	79	402	332	200	141
	1,731	2,057	871	1,026	5,010	4,041	2,668	2,100	3,043	2,869	1,544	1,470
	572	353	335	176	2,142	1,838	1,094	918	779	757	377	355
	33	43	16	12	96	88	48	45	33	24	12	12
	538	310	318	164	2,046	1,750	1,046	873	746	733	365	343
	12	9	4	3	—	—	—	—	—	—	—	—
	5	3	-5	—	—	-1	1	-1	4	1	1	1
	6	6	9	3	—	1	1	1	-4	—	-1	-1
	-634	-664	-364	-303	-186	174	-184	61	-284	-210	-155	-102
	889	925	430	465	607	628	250	318	268	337	103	214
	198	167	46	109	165	142	95	63	48	44	-19	24
	691	758	384	356	443	485	155	255	220	294	122	190
	—	—	—	—	—	—	—	—	—	—	—	—
	-6	-5	-3	-3	26	23	15	11	111	71	36	12
	685	753	381	353	468	508	170	266	331	364	157	202
	—	—	—	—	2	5	—	3	—	-1	1	-1
	80	69	31	28	184	129	21	48	228	173	95	82
	92	87	45	38	167	149	12	52	65	45	10	13
	-11	-18	-13	-10	18	-21	9	-5	162	127	84	68
	40	71	4	40	300	662	-5	322	210	282	87	169
	—	—	—	—	—	—	—	—	—	—	—	—
	40	71	4	40	300	662	-5	322	210	282	87	169

Consolidation

Basis of consolidation

As at the reporting date, 144 (146) individual companies, 23 (22) investment funds, three (three) structured entities and five subgroups (including four foreign subgroups) were consolidated as a group (including associates) in Talanx's consolidated financial statements, and seven (seven) companies were included using the equity method.

Significant changes in the basis of consolidation compared with year-end 2019 are presented in the following.

Significant additions and disposals of consolidated subsidiaries

IVEC Institutional Venture and Equity Capital GmbH, Cologne, Germany, was deconsolidated for reasons of immateriality effective 1 January 2020. This resulted in deconsolidation income of EUR 7.0 million in the Retail Germany – Life segment.

In addition, there were no material changes to the basis of consolidation in comparison to the end of 2019.

Non-current assets held for sale and disposal groups

HDI Seguros de Vida S. A., Santiago, Chile (Retail International segment)

The Group is planning to sell the 100% interest in HDI Seguros de Vida S. A., Santiago, Chile, held by HDI International AG, Hannover. The disposal group contains assets of EUR 14 (15) million and liabilities of EUR 9 (9) million. The main carrying amounts for the disposal group relate to "investments" (EUR 9 million), "cash at banks, cheques and cash-in-hand", "deferred tax assets" and "accounts receivable on insurance business" (each EUR 1 million), "technical provisions" (EUR 6 million) and "liabilities" (EUR 2 million). The transaction is expected to be completed in the second half of 2020. The Group plans to use the sale to optimise its portfolio in South America.

Pipera Business Park S. r. l., Bucharest, Romania (Property/Casualty Reinsurance segment)

Hannover Re decided to sell the real estate company Pipera Business Park S. r. l., Bucharest, Romania, in March 2020. 100% of shares in Pipera are held via HR GLL Central Europe GmbH & Co. KG, Munich, a subsidiary of Hannover Re Euro RE Holdings GmbH, Hannover. The disposal group contains assets of EUR 101 million and liabilities of EUR 3 million. The main carrying amounts for the disposal group relate to "investment property" (EUR 96 million), "cash at banks, cheques and cash-in-hand" (EUR 4 million), and "liabilities" (EUR 3 million).

Real estate

We report these property holdings as held for sale in the amount of EUR 14 (42) million as at the reporting date. These are attributable to the Retail Germany – Life segment (EUR 9 [–] million) and the Retail International segment (EUR 6 [6] million); (previous year: Property/Casualty Reinsurance segment EUR 36 million).

Notes to individual items of the consolidated balance sheet

The principal items of the consolidated balance sheet are as follows:

(1) Intangible assets

INTANGIBLE ASSETS

EUR million	30.6.2020	31.12.2019
a. Goodwill	1,049	1,105
b. Other intangible assets	875	893
of which		
insurance-related intangible assets	470	475
Software	203	208
Other		
Acquired distribution networks and customer relationships	29	33
Acquired brand names	33	36
Other	140	141
Total	1,924	1,998

(2) Loans and receivables

LOANS AND RECEIVABLES

EUR million	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019
Mortgage loans	300	298	75	46	375	343
Loans and prepayments on insurance policies	111	115	—	—	111	115
Loans and receivables due from government or quasi-governmental entities ¹	10,307	10,428	1,947	1,654	12,254	12,082
Corporate bonds	4,845	4,260	363	496	5,207	4,756
Covered bonds/asset-backed securities	12,357	12,540	3,187	2,881	15,544	15,421
Total	27,920	27,641	5,572	5,077	33,492	32,718

¹ Loans and receivables due from government or quasi-governmental entities include securities of EUR 2,748 (2,952) million that are guaranteed by the Federal Republic of Germany, other EU member states or German federal states.

The “Covered bonds/asset-backed securities” item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 12,356 (12,538) million; this corresponds to 99% (99%) of the total amount.

(3) Financial assets held to maturity

HELD-TO-MATURITY FINANCIAL INSTRUMENTS

EUR million	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019
Government debt securities issued by EU member states	120	123	16	14	136	137
Other foreign government debt securities	17	34	1	3	18	37
Debt securities issued by quasi-governmental entities ¹	51	24	1	1	52	25
Corporate bonds	2	2	—	4	2	5
Covered bonds/asset-backed securities	146	153	5	8	151	161
Total	336	336	22	29	358	365

¹ Debt securities issued by quasi-governmental entities include securities of EUR 27 (0) million that are guaranteed by the Federal Republic of Germany, other EU member states or German federal states.

The "Covered bonds/asset-backed securities" item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 146 (153) million; this corresponds to 100% (100%) of the total amount.

(4) Financial assets available for sale

AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS

EUR million	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019
Fixed-income securities						
Government debt securities issued by EU member states	12,532	12,409	1,687	1,423	14,218	13,831
US treasury notes	8,107	7,820	599	182	8,706	8,002
Other foreign government debt securities	4,007	3,752	139	109	4,146	3,861
Debt securities issued by quasi-governmental entities ¹	12,954	12,626	2,007	1,410	14,961	14,036
Corporate bonds	26,193	26,098	1,024	1,419	27,217	27,517
Investment funds	2,206	1,845	105	141	2,311	1,986
Covered bonds/asset-backed securities	11,037	11,348	1,186	872	12,223	12,220
Profit participation certificates	—	30	—	–1	—	30
Other	2	—	—	—	2	—
Total fixed-income securities	77,039	75,929	6,746	5,554	83,785	81,483
Variable-yield securities						
Equities	258	362	57	105	316	467
Investment funds	1,676	1,350	231	167	1,906	1,517
Profit participation certificates	71	77	4	7	74	83
Total variable-yield securities	2,005	1,789	291	279	2,296	2,067
Total securities	79,044	77,718	7,037	5,832	86,081	83,550

¹ Debt securities issued by quasi-governmental entities include securities of EUR 3,785 (3,607) million that are guaranteed by the Federal Republic of Germany, other EU member states or German federal states.

The "Covered bonds/asset-backed securities" item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 9,927 (10,131) million; this corresponds to 81% (83%) of the total amount.

(5) Financial assets classified at fair value through profit or loss

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR million	Fair values	
	30.6.2020	31.12.2019
Fixed-income securities		
Government debt securities issued by EU member states	16	18
Other foreign government debt securities	372	381
Debt securities issued by quasi-governmental entities	19	17
Corporate bonds	469	456
Investment funds	162	215
Covered bonds/asset-backed securities	4	4
Profit participation certificates	36	37
Other	44	—
Total fixed-income securities	1,123	1,128
Investment funds (variable-yield securities)	13	36
Other variable-yield securities	20	111
Total financial instruments classified at fair value through profit or loss	1,156	1,275
Investment funds (variable-yield securities)	105	122
Derivatives	326	321
Total financial instruments held for trading	431	443
Total	1,587	1,718

The “Covered bonds/asset-backed securities” item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 4 (4) million; this corresponds to 100% (100%) of the total amount.

(6) Fair value hierarchy for financial instruments

Fair value hierarchy

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

The guideline for the allocation to the individual levels of the valuation hierarchy and of the valuation process, the valuation models for measuring fair value, the essential input factors, the essential level 3 portfolios and the statements on the sensitivity analysis have not materially changed compared to the description in the 2019 Annual Report. Level 3 financial instruments had fair values totalling EUR 5.4 (5.2) billion as at the reporting date. Of this figure, the Group measures EUR 4.7 (4.5) billion generally using the net asset value method, under which alternative inputs within the meaning of the standard cannot

reasonably be established. The fair value of level 3 financial instruments at which the use of reasonable alternative inputs leads to a material change in fair value is EUR 73 (75) million and, at 1.4% (1.4%) of the carrying amount of financial instruments assigned to level 3, is immaterial.

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

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

There are no liabilities (31 December 2019: none) issued with an inseparable third-party credit enhancement within the meaning of IFRS 13.98 as at the reporting date.

FAIR VALUE HIERARCHY – FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

EUR million

Carrying amounts of financial instruments measured at fair value by class	Level 1	Level 2	Level 3 ¹	Carrying amount
30.6.2020				
Financial assets measured at fair value				
Available-for-sale financial instruments				
Fixed-income securities	68	83,714	3	83,785
Variable-yield securities	906	89	1,302	2,296
Financial instruments at fair value through profit or loss				
Financial instruments classified at fair value through profit or loss	58	993	104	1,156
Derivatives held for trading	12	157	157	326
Other financial instruments held for trading	105	—	—	105
Other investments	1,644	130	3,336	5,110
Other assets, derivative financial instruments (hedging instruments)	—	18	—	18
Investment contracts				
Financial instruments classified at fair value through profit or loss	937	—	183	1,120
Derivatives	—	—	—	—
Total financial assets measured at fair value	3,731	85,101	5,084	93,916
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	—	82	123	205
Negative fair values from hedging instruments	—	3	—	3
Other liabilities (investment contracts)				
Financial instruments classified at fair value through profit or loss	324	614	183	1,121
Derivatives	—	—	—	—
Total financial liabilities measured at fair value	324	699	306	1,329
31.12.2019				
Financial assets measured at fair value				
Available-for-sale financial instruments				
Fixed-income securities	67	81,413	3	81,483
Variable-yield securities	751	89	1,227	2,067
Financial instruments at fair value through profit or loss				
Financial instruments classified at fair value through profit or loss	135	1,055	84	1,275
Derivatives held for trading	15	146	160	321
Other financial instruments held for trading	122	—	—	122
Other investments	1,514	1	3,242	4,756
Other assets, derivative financial instruments	—	47	—	47
Investment contracts				
Financial instruments classified at fair value through profit or loss	925	—	201	1,127
Derivatives	—	—	—	—
Total financial assets measured at fair value	3,528	82,752	4,918	91,198
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	—	56	123	179
Negative fair values from hedging instruments	—	7	—	7
Other liabilities (investment contracts)				
Financial instruments classified at fair value through profit or loss	313	614	201	1,128
Derivatives	—	—	—	—
Total financial liabilities measured at fair value	313	676	325	1,314

¹ Classification as Level 3 is not an indication of quality. No conclusions may be drawn as to the credit quality of the issuers.

Analysis of financial instruments for which significant inputs are not based on observable market data (Level 3)

RECONCILIATION OF FINANCIAL INSTRUMENTS¹ (FINANCIAL ASSETS) CLASSIFIED AS LEVEL 3 AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 30 JUNE 2020

EUR million	Available for sale FI/ fixed-income securities	Available for sale FI/ variable-yield securities	FI classified at fair value through profit or loss	Derivatives held for trading	Other investments	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/derivatives	Total financial assets measured at fair value
2020								
Opening balance at 1.1.2020	3	1,227	84	160	3,242	201	—	4,918
Income and expenses								
recognised in the statement of income	—	-13	-3	20	-53	-4	—	-52
recognised in other comprehensive income	—	16	—	—	-97	—	—	-81
Transfer into Level 3	—	—	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—	—	—
Additions								
Purchases	—	96	36	26	348	—	—	506
Disposals								
Sales	—	38	1	42	99	6	—	186
Repayments/redemptions	—	—	10	—	—	—	—	9
Exchange rate changes	—	14	-4	-8	-5	-9	—	-11
Closing balance at 30.6.2020	3	1,302	104	157	3,336	183	—	5,084

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

RECONCILIATION OF FINANCIAL INSTRUMENTS¹ (FINANCIAL LIABILITIES) CLASSIFIED AS LEVEL 3 AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 30 JUNE 2020

EUR million	Other liabilities/ negative fair values from derivatives	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/derivatives	Total financial liabilities measured at fair value
2020				
Opening balance at 1.1.2020	123	201	—	325
Income and expenses				
recognised in the statement of income	-1	4	—	3
recognised in other comprehensive income	—	—	—	—
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Additions				
Purchases	3	—	—	3
Disposals				
Sales	—	5	—	5
Repayments/redemptions	—	—	—	—
Exchange rate changes	-5	-9	—	-14
Closing balance at 30.6.2020	123	183	—	306

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

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

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

EUR million	Available-for-sale FI/ variable-yield securities	FI classified at fair value through profit or loss	Derivatives held for trading	Other investments	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/derivatives	Total financial assets measured at fair value
2020							
Gains and losses in financial year 2020 until 30.6.2020							
Investment income	—	3	20	2	9	—	34
Investment expenses	-13	-6	—	-54	-13	—	-86
of which attributable to financial instruments included in the portfolio as at 30.6.2020							
Investment income ²	—	3	20	2	9	—	34
Investment expenses ³	-13	-5	—	-54	-13	—	-85

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

² Of which EUR 34 million attribute to unrealised gains.

³ Of which EUR 18 million attribute to unrealised losses.

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

EUR million	Other liabilities/ negative fair values from derivatives	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/derivatives	Total financial liabilities measured at fair value
2020				
Gains and losses in financial year 2020 until 30.6.2020				
Investment income		4	13	17
Investment expenses		-1	-9	-10
Financing costs		-4	—	-4
of which attributable to financial instruments included in the portfolio as at 30.6.2020				
Investment income ²		4	13	17
Investment expenses ³		-1	-9	-10
Financing costs ⁴		-4	—	-4

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

² Of which EUR 17 million attributable to unrealised gains.

³ Of which EUR 10 million attributable to unrealised losses.

⁴ Of which EUR 4 million attributable to unrealised losses.

(7) Equity

Subscribed capital

The share capital was unchanged at EUR 316 million and is composed of 252,797,634 no-par value registered shares; it is fully paid up. The nominal value per share is EUR 1.25. For details of equity, please see the "Consolidated statement of changes in equity".

There were no changes in the composition of contingent and authorised capital in the reporting period. Please also see the comments in the 2019 consolidated financial statements (page 196).

(8) Subordinated liabilities

LONG-TERM SUBORDINATED DEBT

EUR million	Nominal amount	Coupon	Maturity	Rating ²	Issue	30.6.2020	31.12.2019
Talanx AG	750	Fixed (2.25%)	2017/2047	(-; A-)	These guaranteed subordinated bonds were issued in 2017 on the European capital market. They can be called under normal conditions for the first time in 2027.	750	750
Hannover Rück SE	750	Fixed (1.125%), then floating rate	2019/2039	(-; A)	These guaranteed subordinated bonds were issued on the European capital market in 2019. They can be called for the first time under normal conditions in 2029.	740	740
Hannover Finance (Luxembourg) S. A.	500	Fixed (5.75%), then floating rate	2010/2040	(aa-; A)	These guaranteed subordinated bonds were issued in 2010 on the European capital market. They can be called under normal conditions for the first time after ten years.	500	500
Hannover Finance (Luxembourg) S. A.	500	Fixed (5.0%), then floating rate	2012/2043	(aa-; A)	These guaranteed subordinated bonds in the amount of EUR 500 million were issued on the European capital market in 2012. They can be called for the first time under normal conditions after ten years.	499	499
Hannover Rück SE ¹	450	Fixed (3.375%), then floating rate	2014/ohne Endfälligkeit	(a+; A)	These guaranteed subordinated bonds were issued on the European capital market in 2014. They can be called for the first time under normal conditions in 2025.	447	446
Talanx Finanz (Luxembourg) S. A.	500	Fixed (8.37%), then floating rate	2012/2042	(a; A-)	These guaranteed subordinated bonds in the amount of EUR 500 million were issued in 2012 on the European capital market. They can be called for the first time under normal conditions after ten years.	500	500
HDI Assicurazioni S.p. A.	27	Fixed (5.5%)	2016/2026	(-; -)	Subordinated loan	27	27
HDI Assicurazioni S.p. A.	11	Fixed (5.755%)	2020/2030	(-; -)	Subordinated loan	11	-
HDI Assicurazioni S.p. A.	14	Fixed (4.15%)	2010/2020	(-; -)	These subordinated bonds in the amount of EUR 15 million were issued on the European capital market in 2010. Securities with a nominal value of EUR 1.5 million have already been repurchased.	14	14
HDI Global SE	3	Fixed (4.25%), then floating rate	No final maturity	(-; -)	Subordinated loan. The loan can be terminated annually, starting on 12 August 2021.	3	3
Magyar Posta Életbiztosító Zrt.	1	Fixed (7.57%)	2015/2045	(-; -)	Subordinated loan, callable for the first time after ten years.	1	1
Total						3,491	3,479

¹ In addition, Group companies (included in the consolidated financial statements) held bonds with a nominal amount of EUR 50 million as at the reporting date.

² A.M. Best debt rating; S&P debt rating.

For additional information on the features of the bonds, please refer to the published 2019 Annual Report, page 197f.

The fair value of the subordinated liabilities amounted to EUR 3,666 (3,782) million at the reporting date.

Attributable to non-controlling interests

RECONCILIATION ITEMS FOR NON-CONTROLLING INTERESTS IN EQUITY

EUR million	30.6.2020	31.12.2019
Unrealised gains and losses on investments	1,295	991
Share of net income	224	748
Other equity	4,999	4,723
Total	6,518	6,461

Non-controlling interests in equity primarily consist of the interests in the equity of the Hannover Re subgroup held by non-Group shareholders.

(9) Technical provisions

TECHNICAL PROVISIONS

EUR million	30.6.2020			31.12.2019		
	Gross	Re	Net	Gross	Re	Net
a. Unearned premium reserve	12,064	1,089	10,974	9,837	740	9,097
b. Benefit reserve	57,450	738	56,712	56,859	1,121	55,738
c. Loss and loss adjustment expense reserve	50,624	5,664	44,960	49,651	6,311	43,340
d. Provision for premium redunds	8,346	1	8,345	8,511	1	8,510
e. Other technical provisions	759	21	738	755	21	734
Total	129,243	7,514	121,729	125,614	8,195	117,419

Technical provisions where the investment risk is borne by the policyholders amounted to EUR 10,690 (11,824) million; the reinsurers' share of this total amounts to EUR 258 (288) million.

(10) Notes payable and loans

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

NOTES PAYABLE AND LOANS

EUR million	30.6.2020	31.12.2019
Talanx AG notes payable	1,065	1,065
Hannover Rück SE	744	743
Loans from infrastructure investments	88	93
Hannover Re Real Estate Holdings, Inc. mortgage loans	129	129
HR GLL Central Europe GmbH & Co. KG mortgage loans	145	145
Real Estate Asia Select Fund Limited mortgage loans	121	121
Others	11	11
Total	2,304	2,308

As at 30 June 2020, the Group had two syndicated variable-rate credit lines with a total nominal value of EUR 500 million. They had not been drawn down as at the reporting date.

The fair value of notes payable and loans amounted to EUR 2,480 (2,496) million at the reporting date.

NOTES PAYABLE

EUR million	Nominal amount	Coupon	Maturity	Rating ¹	Issue	30.6.2020	31.12.2019
Talanx AG ²	565	Fixed (3.125%)	2013/2023	(-; A+)	These senior unsecured bonds have a fixed term and can only be called for extraordinary reasons.	565	565
Talanx AG	500	Fixed (2.5%)	2014/2026	(-; A+)	These senior unsecured bonds have a fixed term and can only be called for extraordinary reasons.	500	500
Hannover Rück SE	750	Fixed (1.125%)	2018/2028	(-; AA-)	These unsubordinated unsecured bonds have a fixed term.	744	743
Total						1,809	1,809

¹ A.M. Best debt rating; S&P debt rating

² Group companies also held bonds with a nominal amount of EUR 185 million as at the reporting date.

Notes to individual items of the consolidated statement of income

(11) Net premiums earned

NET PREMIUMS EARNED

EUR million	Industrial Lines	Retail Germany		Retail International	Property/Casualty Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
		Property/Casualty	Life					
6M 2020¹								
Gross written premiums, including premiums from unit-linked life and annuity insurance	3,812	1,005	2,104	2,757	8,343	3,906	78	22,006
Savings elements of premiums from unit-linked life and annuity insurance	—	—	414	32	—	—	—	446
Ceded written premiums	924	18	59	135	798	385	226	2,545
Change in gross unearned premiums	-859	-251	12	9	-1,474	-39	-50	-2,652
Change in ceded unearned premiums	-204	2	2	7	-76	1	-115	-383
Net premiums earned	2,232	734	1,642	2,593	6,148	3,481	-83	16,746
6M 2019¹								
Gross written premiums, including premiums from unit-linked life and annuity insurance	3,451	1,042	2,252	3,153	7,189	3,777	—	20,864
Savings elements of premiums from unit-linked life and annuity insurance	—	—	429	42	—	—	—	472
Ceded written premiums	1,022	23	61	158	668	392	16	2,341
Change in gross unearned premiums	-741	-272	-42	-138	-1,190	-31	—	-2,415
Change in ceded unearned premiums	-211	-4	1	—	-55	-1	-8	-281
Net premiums earned	1,899	750	1,719	2,815	5,386	3,355	-8	15,917

¹ After elimination of intragroup cross-segment transactions.

(12) Net investment income**NET INVESTMENT INCOME IN THE REPORTING PERIOD**

EUR million	Industrial Lines	Retail Germany		Retail International	Property/Casualty Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
		Property/Casualty	Life					
6M 2020¹								
Income from real estate	11	1	52	2	79	—	—	145
Dividends ²	14	1	7	—	5	1	1	29
Current interest income	71	37	568	158	332	138	—	1,305
Other income	28	9	45	2	47	5	—	135
Ordinary investment income	124	48	672	162	462	144	2	1,613
Income from reversal of impairment losses	—	—	—	—	—	—	—	—
Realised gains on disposal of investments	120	8	182	40	128	46	2	525
Unrealised gains on investments	4	1	29	9	3	78	—	124
Investment income	248	57	882	211	592	268	4	2,262
Realised losses on disposal of investments	87	6	53	14	24	11	6	200
Unrealised losses on investments	4	2	44	8	4	26	—	88
Total	91	8	97	23	28	37	6	289
Depreciation of/impairment losses on investment property								
Depreciation	2	—	11	1	19	—	—	33
Impairment losses on equity securities	22	4	15	7	—	—	1	48
Impairment losses on fixed-income securities	2	—	—	2	10	2	—	16
Amortisation of/impairment losses on other investments								
Amortisation	3	2	11	—	—	—	—	17
Impairment losses	9	—	5	—	55	—	—	70
Investment management expenses	3	1	10	5	13	2	45	78
Other expenses	7	3	20	1	21	1	2	55
Other investment expenses/ impairment losses	47	10	73	15	118	6	48	316
Investment expenses	138	18	170	38	145	43	54	605
Net income from assets under own management	109	40	712	173	447	226	-50	1,657
Net income from investment contracts	—	—	—	—	—	—	—	—
Interest income from funds withheld and contract deposits	—	—	—	—	25	146	—	171
Interest expense from funds withheld and contract deposits	—	—	4	2	—	38	—	44
Net interest income from funds withheld and contract deposits	—	—	-4	-2	25	109	—	127
Net investment income	109	40	708	172	472	334	-50	1,785

¹ After elimination of intragroup cross-segment transactions.² Income from shares in associates and joint ventures amounted to EUR 10 million and is reported under "Dividends".

NET INVESTMENT INCOME IN THE PREVIOUS PERIOD

EUR million	Industrial Lines	Retail Germany		Retail International	Property/ Casualty Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
		Property/ Casualty	Life					
6M 2019¹								
Income from real estate	16	4	48	1	88	—	—	156
Dividends ²	19	1	7	1	8	—	1	37
Current interest income	78	39	610	161	366	145	-1	1,399
Other income	34	10	52	2	84	5	1	186
Ordinary investment income	146	54	717	165	545	149	1	1,778
Income from reversal of impairment losses	—	—	—	—	—	—	—	—
Realised gains on disposal of investments	41	4	151	34	66	122	1	419
Unrealised gains on investments	19	3	50	14	2	66	—	154
Investment income	206	61	918	213	613	337	2	2,351
Realised losses on disposal of investments	45	1	38	6	50	9	—	150
Unrealised losses on investments	7	1	44	5	3	21	—	81
Total	52	2	82	11	54	30	—	231
Depreciation of/impairment losses on investment property								
Depreciation	2	—	10	—	18	—	—	30
Impairment losses on equity securities	1	—	3	1	—	—	—	5
Impairment losses on fixed-income securities	—	—	—	1	—	—	—	2
Amortisation of/impairment losses on other investments								
Amortisation	3	2	11	—	—	—	—	17
Impairment losses	7	—	12	—	19	4	—	42
Investment management expenses	2	1	9	3	12	3	48	78
Other expenses	4	2	15	2	22	2	1	47
Other investment expenses/impairment losses	19	5	60	8	71	9	49	221
Investment expenses	71	7	142	19	125	39	49	453
Net income from assets under own management	135	54	777	194	488	298	-48	1,898
Net income from investment contracts	—	—	—	1	—	—	—	1
Interest income from funds withheld and contract deposits	—	—	—	—	23	89	—	113
Interest expense from funds withheld and contract deposits	—	—	3	2	1	20	—	26
Net interest income from funds withheld and contract deposits	—	—	-3	-2	22	69	—	87
Net investment income	135	54	773	194	510	367	-48	1,986

¹ After elimination of intragroup intersegment transactions² Income from shares in associates and joint ventures amounted to EUR 14 million and is reported under "Dividends".

(13) Net investment income by asset class**NET INVESTMENT INCOME BY ASSET CLASS¹**

EUR million	6M 2020	6M 2019
Shares in affiliated companies and participating interests	1	102
Loans and receivables	415	499
Held-to-maturity financial instruments	7	8
Available-for-sale financial instruments		
Fixed-income securities	1.152	1.007
Variable-yield securities	-6	48
Financial instruments at fair value through profit or loss		
Financial instruments classified at fair value through profit or loss		
Fixed-income securities	3	33
Variable-yield securities	-14	18
Financial instruments held for trading		
Variable-yield securities	-4	1
Derivatives	29	57
Other investments (financial instruments)	86	148
Other ²	122	102
Total assets under own management	1.790	2.023
Investment contracts: investments/liabilities ²	—	1
Funds withheld by ceding companies/funds withheld under reinsurance treaties	127	87
Total	1.917	2.111

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

² Includes income and expenses (net) from the management of investment contracts amounting to EUR 0 (0) million. Financial instruments (assets/liabilities) measured at fair value through profit or loss account for income of EUR 64 (48) million and expenses of EUR -62 (-45) million, while loans and receivables and other liabilities account for income of EUR 0 (0) million and expenses of EUR -1 (0) million. In addition, expenses include amortisation of PVFP amounting to EUR -1 (-2) million.

Including investment management expenses (EUR 78 [78] million) and other expenses for assets under own management (EUR 55 [47] million), total net investment income as at the reporting date amounted to EUR 1,785 (1,986) million.

(14) Claims and claims expenses**CLAIMS AND CLAIMS EXPENSES**

EUR million	Industrial Lines	Retail Germany			Retail International	Property/Casualty Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
		Property/Casualty	Life						
6M 2020¹									
Gross	1,939	499	1,760	2,051	4,601	3,415	69	14,335	
Reinsurers' share	118	2	25	129	162	373	128	937	
Net	1,821	497	1,736	1,922	4,440	3,042	-59	13,398	
6M 2019¹									
Gross	2,059	456	2,087	2,314	3,892	3,176	10	13,994	
Reinsurers' share	569	5	23	130	278	309	4	1,317	
Net	1,490	451	2,065	2,184	3,614	2,867	6	12,677	

¹ After elimination of intragroup cross-segment transactions.**(15) Acquisition costs and administrative expenses****ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES**

EUR million	Industrial Lines	Retail Germany			Retail International	Property/Casualty Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
		Property/Casualty	Life						
6M 2020¹									
Gross total of acquisition costs and administrative expenses	655	266	568	626	1,921	754	10	4,800	
Administrative expenses	146	106	47	96	111	131	3	640	
Gross total acquisition costs	509	160	521	529	1,810	622	7	4,160	
Reinsurers' share	144	4	28	32	95	29	16	349	
Net total of acquisition costs	365	156	493	497	1,715	593	-9	3,811	
Net total of acquisition costs and administrative expenses	511	262	540	594	1,826	725	-7	4,451	
6M 2019¹									
Gross total of acquisition costs and administrative expenses	577	281	349	618	1,664	722	2	4,214	
Administrative expenses	173	119	42	101	113	129	2	678	
Gross total acquisition costs	404	162	308	517	1,551	594	—	3,536	
Reinsurers' share	128	4	31	37	88	20	1	309	
Net total of acquisition costs	275	158	277	480	1,464	573	-1	3,227	
Net total of acquisition costs and administrative expenses	449	277	318	581	1,577	702	1	3,905	

¹ After elimination of intragroup cross-segment transactions.

(16) Other income/expenses**OTHER INCOME/EXPENSES**

EUR million	6M 2020	6M 2019 ¹
Other income		
Foreign exchange gains	276	124
Income from services, rents and commissions	175	185
Recoveries on receivables previously written off	9	16
Income from contracts recognised in accordance with the deposit accounting method	186	138
Income from the sale of property, plant and equipment	1	—
Income from the reversal of other non-technical provisions	12	4
Interest income	20	22
Miscellaneous other income	74	90
Total	753	580
Other expenses		
Foreign exchange losses	218	123
Other interest expenses	25	32
Depreciation, amortisation and impairment losses	21	29
Expenses for the company as a whole	155	152
Personnel expenses	9	15
Expenses for services and commissions	83	99
Expenses from contracts recognised in accordance with the deposit accounting method	9	2
Other taxes	37	35
Miscellaneous other expenses	107	127
Total	664	614
Other income/expenses	89	-34

¹ Adjusted in accordance with IAS 8, see the 2019 Annual Report, "Accounting policies" section of the Notes.

Other disclosures

Number of employees

The Group's total workforce at the reporting date numbered 23,508 (23,324).

Related party disclosures

Related parties in the Talanx Group include HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit (HDI V.a.G.), Hannover, which directly holds the majority of the shares of Talanx AG, all subsidiaries that are not consolidated on the grounds of insignificance, and associates and joint ventures. Pension funds ("Versorgungskassen") that pay benefits in favour of employees of Talanx AG or one of its related parties after their employment has ended also fall within this category. Individuals classed as related parties are the members of the Board of Management and the Supervisory Board of Talanx AG and HDI V.a.G.

Transactions between Talanx AG and its subsidiaries (including structured entities) are eliminated in the course of consolidation and are therefore not disclosed in the Notes.

On 21 October 2016, Talanx AG signed a master agreement with HDI V.a.G. which allows Talanx AG to offer HDI subordinated bonds with a maturity of five years and a volume of up to EUR 500 million on a revolving basis. Talanx AG is obliged to convert these bonds into registered shares with voting rights in the event of a rights issue. When the bonds are converted, HDI V.a.G. will waive the rights accruing to it under the capital increase leading to the conversion to subscribe for the number of new Talanx AG shares corresponding to the number of Talanx shares that HDI V.a.G. will receive in the course of the obligatory conversion of the bond. In other words, the waiver only applies if and to the extent that new shares resulting from the capital increase are replaced by shares resulting from the conversion.

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

Other disclosures on financial instruments

As at the end of the reporting period, in the context of a securities lending transaction, the Group recognised securities that were lent to third parties in exchange for collateral in the form of securities. The loaned securities are still reported on the balance sheet as their significant risks and opportunities remain with the Group, while the securities received as collateral have not been recognised. The carrying amount as at the reporting date of financial assets belonging to the "available-for-sale financial instruments" category loaned under securities lending transactions was EUR 299 (295) million. The fair value is equivalent to the carrying amount. The components of these transactions that were recognised as income were reported under the "Net investment income" item.

As at the end of the reporting period, the Group also recognised securities in the "available-for-sale financial instruments" category that were sold to third parties with a repurchase commitment at a fixed price (genuine repurchase transactions), as the principal risks and opportunities associated with the financial assets remained within the Group. As at the reporting date, the carrying amount of transferred financial assets from repo transactions was EUR 145 (66) million, with the associated liabilities at EUR 142 (66) million. The difference between the amount received for the transfer and the amount agreed for the return is allocated for the term of the repurchase transaction and recognised in net investment income.

Litigation

We were not involved in any significant new litigation in the reporting period or at the end of the reporting period in comparison to 31 December 2019.

Earnings per share

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

EARNINGS PER SHARE

	6M 2020	6M 2019	Q2 2020	Q2 2019
Net income attributable to shareholders of Talanx AG used to calculate earnings per share (EUR million)	325	477	103	242
Weighted average number of ordinary shares outstanding	252,797,634	252,797,634	252,797,634	252,797,634
Basic earnings per share (EUR)	1.29	1.89	0.41	0.96
Diluted earnings per share (EUR)	1.29	1.89	0.41	0.96

Dividend per share

In the second quarter of 2020, a dividend of EUR 1.50 per share was paid for financial year 2019 (in 2019 for financial year 2018: EUR 1.45), resulting in a total distribution of EUR 379 (367) million.

Contingent liabilities and other financial commitments

There were no significant changes in contingent liabilities or other financial commitments in the reporting period compared with 31 December 2019.

Revenue

Revenue from contracts with customers covered by IFRS 15 is largely recognised over time and can be broken down as follows:

REVENUE CATEGORY

EUR million	6M 2020	6M 2019
Capital management services and commission ¹	116	98
Other insurance-related services ¹	50	75
Income from infrastructure investments ²	38	34
Total revenue³	204	206

¹ Largely time-based revenue recognition.

² Time-based revenue recognition.

³ Revenue is recognised in the statement of income under "10.a. Other income" EUR 160 (166) million, under "9.a. Investment income" EUR 38 (34) million and under "Net income from investment contracts" EUR 7 (7) million.

Events after the end of the reporting period

Hannover Rück SE placed a subordinated bond of EUR 500 million on the European capital market on 8 July 2020. The bond has a maturity of 20.25 years. It can be called for the first time under normal conditions after ten years. The bond bears interest at a fixed rate of 1.75% p.a. until 8 October 2030 and then has a variable interest rate of 3.00% p.a. over the three-month EURIBOR.

Prepared and hence authorised for publication in Hannover on 3 August 2020.

Board of Management



Torsten Leue,
Chairman



Sven Fokkema



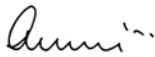
Jean-Jacques Henchoz



Dr Christopher Lohmann



Dr Edgar Puls



Dr Immo Querner



Dr Jan Wicke

Review report

To Talanx AG, Hannover

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and selected explanatory notes – and the interim Group management report of Talanx AG, for the period from 1 January to 30 June 2020, which are components of the half-yearly financial report in accordance with section 115 of the German Securities Trading Act (WpHG). The preparation of the condensed interim consolidated financial statements in accordance with the IFRSs applicable to interim financial reporting, as adopted by the EU, and of the interim Group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's Board of Management. Our responsibility is to issue a review report on the condensed interim consolidated financial statements and the interim Group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting, as adopted by the EU, and that the interim Group management report has not been prepared, in all material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditors' report.

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

Hannover, 3 August 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Florian Möller ppa. Christoph Czupalla
Wirtschaftsprüfer Wirtschaftsprüfer

Responsibility statement

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

Hannover, 3 August 2020

Board of Management



Torsten Leue,
Chairman



Sven Fokkema



Jean-Jacques Henchoz



Dr Christopher Lohmann



Dr Edgar Puls



Dr Immo Querner



Dr Jan Wicke

Contact information

Talanx AG

HDI-Platz 1
30659 Hannover
Germany
Telephone +49 511 3747-0
Telefax +49 511 3747-2525
www.talanx.com

Group Communications

Andreas Krosta
Telephone +49 511 3747-2020
Telefax +49 511 3747-2025
andreas.krosta@talanx.com

Investor Relations

Carsten Werle
Telephone +49 511 3747-2231
Telefax +49 511 3747-2286
carsten.werle@talanx.com

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

Interim Report online

<https://talanx.com/investor-relations>

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Financial calendar 2020

12 November

Quarterly Statement as at 30 September 2020

