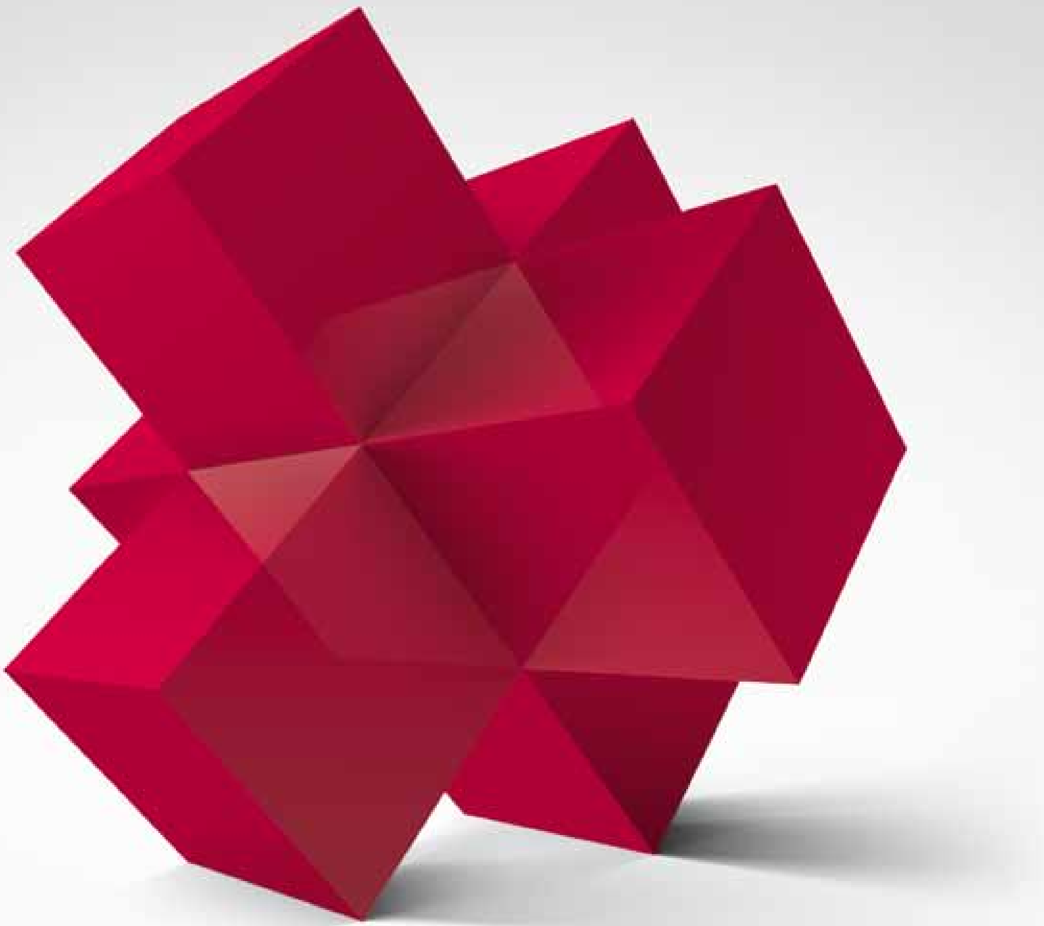

Talanx Group Interim Report as at 31 March 2015

talanx.

Insurance. Investments.

THE TALANX GROUP AT A GLANCE

GROUP KEY FIGURES

	UNIT	Q1 2015	Q1 2014	+/– %
Gross written premiums	IN EUR MILLION	**9,440**	8,414	**12.2**
by region				
Germany	IN %	37	39	–2 pt.
United Kingdom	IN %	9	8	1 pt.
Central and Eastern Europe (CEE), including Turkey	IN %	7	7	—
Rest of Europe	IN %	15	17	–2 pt.
USA	IN %	11	11	—
Rest of North America	IN %	2	2	—
Latin America	IN %	7	6	1 pt.
Asia and Australia	IN %	11	8	3 pt.
Africa	IN %	1	2	–1 pt.
Net premiums earned	IN EUR MILLION	**6,367**	5,599	**13.7**
Underwriting result	IN EUR MILLION	**–389**	–370 [4]	**5.1**
Net investment income	IN EUR MILLION	**996**	1,010	**–1.4**
Net return on investment [1]	IN %	**3.6**	4.3	**–0.7 pt.**
Operating profit (EBIT)	IN EUR MILLION	**643**	554 [4]	**16.1**
Net income (after financing costs and taxes)	IN EUR MILLION	**410**	368 [4]	**11.4**
of which attributable to shareholders of Talanx AG	IN EUR MILLION	251	216 [4]	16.2
Return on equity [2]	IN %	**12.0**	11.8 [4]	**0.2 pt.**
Earnings per share				
Basic earnings per share	IN EUR	0.99	0.86 [4]	15.1
Diluted earnings per share	IN EUR	0.99	0.86 [4]	15.1
Combined ratio in property/casualty primary insurance and Non-Life Reinsurance [3]	IN %	**96.5**	94.3 [4]	**2.2 pt.**
Combined ratio of property/casualty primary insurers	IN %	97.3	94.0 [4]	3.3 pt.
Combined ratio in Non-Life Reinsurance	IN %	95.9	94.5	1.4 pt.

		31.3.2015	31.12.2014	+/— %
Policyholders' surplus	IN EUR MILLION	**16,799**	15,561	**8.0**
Equity attributable to shareholders of Talanx AG	IN EUR MILLION	8,747	7,998	9.4
Non-controlling interests	IN EUR MILLION	5,390	4,902	10.0
Hybrid capital	IN EUR MILLION	2,662	2,661	—
Investments under own management	IN EUR MILLION	**102,212**	96,410	**6.0**
Total investments	IN EUR MILLION	**120,510**	112,879	**6.8**
Total assets	IN EUR MILLION	**160,500**	147,298	**9.0**
Carrying amount per share at end of period	IN EUR	**34.60**	31.64	**9.4**
Share price at end of period	IN EUR	**29.20**	25.27	**15.6**
Market capitalisation of Talanx AG at end of period	IN EUR MILLION	**7,382**	6,388	**15.6**
Employees	FULL-TIME EQUIVALENTS	**20,602**	19,819	**4.0**

1) Ratio of annualised net investment income excluding interest income on funds withheld and contract deposits and profit on investment contracts to average assets under own management (31 March 2015 and 31 December 2014)
2) Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests
3) Combined ratio adjusted for interest income on funds withheld and contract deposits, before elimination of intragroup cross-segment transactions
4) Adjusted to reflect IAS 8, see "Accounting policies" in the Notes

CONTENTS

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* Staff representative

INTERIM GROUP MANAGEMENT REPORT

MARKETS AND BUSINESS CLIMATE

MACROECONOMIC DEVELOPMENT

The increasingly divergent trends in global economic growth also impacted the first quarter of 2015. While the US economy continued to recover and cyclical economic drivers gained the upper hand in the Eurozone, economic concerns in the emerging markets weighed on the global recovery. The US economy continued to benefit from the recovery in the labour and housing market. In March 2015, the unemployment rate fell to 5.5%, its lowest level in six years. The housing market, which is important for US consumer confidence, continued its recovery.

The Eurozone continued to suffer from reform fatigue, which the markets see as applying to France and Italy in particular, where growth is being held back above all by inflexible labour markets. Following the election of anti-austerity party Syriza, Greece once again gave cause for concern. The economy in the Eurozone grew by 0.3% in the final quarter of 2014. The recovery was boosted first and foremost by strong quarterly growth in Germany and Spain, each posting increases of 0.7%. France (0.1%) and Italy (0.0%) again recorded disappointing growth figures. The newsflow from countries that have implemented tough reform programmes is increasingly positive. Encouraging signals are emerging from both Spain and more recently Portugal, where unemployment has now fallen to 14.1%. Leading Eurozone indicators pointed to a positive trend overall at the beginning of the year. The ifo index also improved for the fifth time in a row, reaching 107.9 in March, its highest level since July 2014. Country-specific leading indicators point to a mixed picture in the Eurozone in the future as well. While the French industrial purchasing managers' index continued to languish below the growth threshold of 50 in the first quarter of 2015 (47.5 in March), the beginning of the year saw the equivalent sentiment indicator in Spain stabilise at over 54.

The pace of economic growth in the United Kingdom continued to rise, with unemployment falling to 5.6% in February 2015 (a good percentage point down on the previous year). Growth in China eased again, due in particular to negative effects from the weak real estate market and high debt levels, and amounted to 7.0% in the first quarter of 2015.

The major central banks continued at the least to pursue expansionary monetary policies. The ECB announced its monthly EUR 60 billion bond buying programme in January, running over a period from March 2015 to September 2016. In March, the US Federal Reserve removed a passage from its statement that signalled a "patient" approach to any interest rate increase. The Bank of China unexpectedly cut its key rate in March for the second time in four months to 5.35%. The annual inflation rate in the Eurozone was –0.1% in March 2015. US inflation data were also lower in the first quarter of 2015. The annual inflation rate dropped to –0.1% in March. The United Kingdom was also unable to escape the impact of the global disinflationary trend: at the end of the first quarter, inflation was 0% compared with the prior-year quarter.

CAPITAL MARKETS

In the first quarter of 2015, the bond markets were significantly impacted by two events: the Swiss National Bank announced that it would no longer peg the exchange rate at CHF 1.20 per euro and the ECB announced its intention to purchase government bonds on a monthly basis. In anticipation of this announcement and also following it, yields on all European government bonds declined further. Finally, early elections resulted in a change of government in Greece. Another factor was the Austrian debt moratorium imposed on the successor company to Hypo Alpe Adria (see also page 28 of the risk report in this quarterly report). German banks and insurance companies are affected by this to the tune of approximately EUR 7 billion.

The overall market for corporate bonds recorded a strong start to the new year, experiencing a significant increase. Investors showed increased risk appetite for a while, following the announcement of a ceasefire agreement in Ukraine. After their strong performance in the first two months, the credit markets fell back slightly in March. The cause was primarily of a technical nature, with news about fundamentals having little effect on market activity.

The primary market saw considerable activity, although not beyond the level of the prior year. Demand for yield remained strong, with corporate bonds with longer maturities, issuers from the higher interest-bearing segment and subordinate bank issues doing particularly well. Covered bonds saw an average level of new issues.

INSURANCE MARKETS

Sentiment in the German insurance industry improved somewhat in the first quarter of 2015, but dropped to a more below average level as regards longer-term prospects. The improved sentiment was mainly attributable to a more favourable assessment of the current business situation, whereas expectations for the next six months were less positive, and almost back to the level seen in the previous quarter. A look at property and casualty insurance on the one hand and life insurance on the other reveals diverging assessments of industry sentiment.

Business sentiment in the German property and casualty insurance sector improved markedly, coming close to the all-time record high of 2014. This was primarily attributable to the assessment of the current business situation, which was more positive than ever before, based on favourable trends in premiums and claims in the previous year and a positive economic outlook for the current year. Business expectations for the next six months were also characterised by above-average levels of confidence. Looking at individual lines, sentiment was at its most positive in private property insurance, motor insurance and liability insurance. In contrast, sentiment was more cautious in accident insurance, industrial/commercial and legal protection insurance.

Expectations for premium income trends were optimistic. This was true on balance for all composite insurance lines and classes, but particularly for the private property insurance, legal protection insurance, motor insurance and industrial/commercial classes. Motor insurance was the only portfolio where the majority of market participants assume they will have to adjust rates.

In terms of claims trends, most companies expected costs to remain at a level comparable to the previous year. Nevertheless, at the end of the quarter under review, "Niklas", classified as one of the five most devastating storms in the past 15 years, caused damage totalling EUR 750 million to buildings, home contents and vehicles.

The business climate in the German life insurance industry cooled noticeably in the reporting period, against the backdrop of the ongoing low-interest rate environment. Business expectations for the coming six months were similarly pessimistic. Assessments of the current business situation were also more negative, although still relatively favourable when compared over the long term. In terms of lines, the most optimistic sentiment was found in occupational disability insurance and unit-linked life and annuity insurance, and the least optimistic in classic annuity insurance, with endowment policies again scoring particularly low.

Lower year-on-year growth for new business was expected overall after the maximum technical interest rate was lowered. Whereas a largely negative trend was predicted for single-premium business, expectations for new regular premium business were more favourable. Occupational disability insurance and unit-linked life and annuity insurance were the only lines exhibiting growth potential for premium income.

The international Non-Life Reinsurance markets continued to experience stiff competition. Cedants' high levels of capitalisation thanks to the absence of major losses in previous years contributed to this, together with the ongoing capital inflow from the CAT bonds market. At the 1 January 2015 renewal date, rate increases were only possible for programmes affected by claims, in particular following storms and hailstorms in Europe and Germany.

The general environment in the international life and health reinsurance business continued to prove challenging in the first quarter of 2015, due to the ongoing low level of interest rates, among other things. The changing age structure in the population and the resulting need for innovative insurance products to provide protection against longevity risk remains a challenge, but at the same time offers an opportunity in both the established insurance markets and also, increasingly, in the emerging markets, including China and Hong Kong.

BUSINESS DEVELOPMENT

PERFORMANCE OF THE GROUP

- Gross written premiums increase by 12.2% to EUR 9.4 (8.4) billion
- EBIT improves by 16.1% to EUR 643 (554) million
- Group net income grows by 16.2% to EUR 251 (216) million

GROUP KEY FIGURES

IN EUR MILLION

	Q1 2015	Q1 2014[1]	+/– %
Gross written premiums	9,440	8,414	+12.2
Net premiums earned	6,367	5,599	+13.7
Underwriting result	–389	–370	–5.1
Net investment income	996	1,010	–1.4
Operating profit (EBIT)	643	554	+16.1
Combined ratio (net, property/casualty only) in %	96.5	94.3	+2.2 pt.

1) Adjusted to reflect IAS 8. See the "Accounting Policies" section in the Notes

MANAGEMENT METRICS

IN %

	Q1 2015	Q1 2014[1]	+/– %
Gross premium growth (adjusted for exchange rate effects)[2]	6.8	1.6	+5.2 pt.
Group net income[3] in EUR million	251	216	+16.2
Return on equity[4]	12.0	11.8	+0.2 pt.
Net return on investment[5]	3.6	4.3	–0.7 pt.

1) Adjusted to reflect IAS 8. See the "Accounting Policies" section in the Notes
2) Calculation method changed starting in 2015 to more accurately quantify exchange rate effects (with no impact on the forecast figure)
3) Net income for the period after non-controlling interests
4) Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests
5) Ratio of annualised net income from investments to average assets under own management

PREMIUM VOLUME

The Group's gross written premiums increased by 12.2% to EUR 9.4 (8.4) billion. Adjusted for exchange rate effects, gross premium growth would have amounted to 6.8%, substantially in excess of the target for 2015 to date. All operating segments recorded premium growth; it was particularly high in the Non-Life Reinsurance segment (+24.1%), due among other things to a one-off effect. The retention ratio increased slightly to 84.0% (83.3%), while net premiums earned were up 13.7% year-on-year, at EUR 6.4 (5.6) billion.

UNDERWRITING RESULT

The underwriting result fell by 5.1% to EUR –389 (–370) million. This reflected the high level of major losses in primary insurance, which at EUR 94 million was well above the prior-year figure of EUR 10 million. Major losses of EUR 70 million from property damage were incurred in the Industrial Lines Division. In the Reinsurance Division, major losses were higher than in the prior-year period, but below the expected amount. The most significant natural catastrophe was Storm "Niklas", which hit Central Europe at the end of March and which caused losses of EUR 60 million. Although the net expense ratio declined, it was unable to offset the higher net loss ratio. As a consequence, the combined ratio deteriorated, increasing by 2.2 percentage points year-on-year to 96.5% (94.3%). Major losses alone accounted for 4.6 (1.4) percentage points.

NET INVESTMENT INCOME

Net investment income was down 1.4% year-on-year, at EUR 996 (1,010) million. Higher ordinary net income was offset by a decline in the extraordinary result. The consolidated net return on investment amounted to 3.6% (4.3%) in the first quarter of 2015. Although this figure was lower than in the prior-year quarter, we have so far exceeded our target for 2015 of generating a return above 3.0%.

OPERATING PROFIT AND GROUP NET INCOME

Operating profit (EBIT) rose by 16.1% to EUR 643 (554) million, mainly due to the good result in the Life/Health Reinsurance segment. Group net income – i.e. net income after non-controlling interests – improved by 16.2% to EUR 251 (216) million, and our return on equity was also an encouraging 12.0% (11.8%), above the forecast for full-year 2015 of around 9%.

DEVELOPMENT OF THE DIVISIONS WITHIN THE GROUP

At a strategic level, Talanx divides its business into six reportable segments: Industrial Lines, Retail Germany, Retail International, Non-Life Reinsurance, Life/Health Reinsurance and Corporate Operations. Please refer to the "Segment reporting" section of the Notes to the consolidated financial statements for details of the segments' structure and scope of business.

INDUSTRIAL LINES

- Growth in premiums continues
- Net technical result positive despite major losses
- Net investment income impacted by prolonged period of low interest rates

KEY FIGURES FOR THE INDUSTRIAL LINES SEGMENT

IN EUR MILLION

	Q1 2015	Q1 2014[1]	+/– %
Gross written premiums	1,889	1,764	+7.1
Net premiums earned	518	407	+27.3
Underwriting result	6	51	–88.2
Net investment income	53	72	–26.4
Operating profit (EBIT)	72	106	–32.1

[1] Adjusted to reflect IAS 8. See the "Accounting Policies" section in the Notes

MANAGEMENT METRICS

IN %

	Q1 2015	Q1 2014[1]	+/– %
Gross premium growth (adjusted for exchange rate effects)[2]	3.9	2.2	+1.7 pt.
Retention	50.4	48.8	+1.6 pt.
Combined ratio (net)[3]	98.9	87.7	+11.2 pt.
EBIT margin[4]	13.8	25.8	–12.0 pt.
Return on equity[5]	9.2	13.9	–4.7 pt.

[1] Adjusted to reflect IAS 8. See the "Accounting Policies" section in the Notes
[2] Calculation method changed starting in 2015 to more accurately quantify exchange rate effects (with no impact on the forecast figure)
[3] Including net interest income on funds withheld and contract deposits
[4] Operating profit (EBIT)/net premiums earned
[5] Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests

MARKET DEVELOPMENT

The market environment for the Industrial Lines segment in our core market, Germany, remains highly competitive. While growth in the developed insurance markets declined, the emerging markets recorded much stronger growth. The ongoing government debt crisis in the Eurozone, geopolitical crises such as in Ukraine and the subdued recovery of the global economy continue to represent a challenging environment for insurance companies. Emerging market economies gained momentum again, although the trend in the different regions was mixed. As market penetration in Germany is already high, growth is primarily generated in our overseas branches and subsidiaries.

PREMIUM VOLUME

Gross written premiums for the segment amounted to EUR 1.9 (1.8) billion as at 31 March 2015, an increase of 7.1% (3.9% after adjustment for exchange rate effects). The international branches of HDI-Gerling Industrie Versicherung AG in Belgium, France, the UK, Italy and Canada, in particular, recorded a significant increase in premiums. The US subsidiary HDI-Gerling America Insurance Company also made a positive contribution to premium growth.

The segment's retention ratio rose to 50.4% (48.8%) in the first quarter of 2015 due to higher retention at HDI-Gerling industrial insurance. Net premiums earned in the segment rose by 27.3% compared with the prior-year quarter to EUR 518 (407) million.

UNDERWRITING RESULT

The segment's net underwriting result fell sharply to EUR 6 (51) million. Although the net expense ratio was slightly lower year-on-year at 17.5% (18.6%), the net loss ratio rose to 81.4% (69.1%) due to the significantly higher major losses. The combined ratio for the Industrial Lines segment amounted to 98.9% (87.7%).

NET INVESTMENT INCOME

Net investment income decreased due to the persistently low interest rates, falling 26.4% to EUR 53 (72) million. In the prior-year period, the decline in fixed-income investments due to capital market conditions meant that HDI-Gerling industrial insurance was able to generate significantly higher net gains from the disposal of investments. The positive capital market trend was exploited to generate additional income at the beginning of the previous year and at the same time, to reduce portfolio risk. In the first quarter of 2015, impairment losses charged on a bond issued by Heta Asset Resolution AG (previously Hypo Alpe Adria) and a Greek promissory note loan negatively impacted net income by around EUR 9 million.

OPERATING PROFIT AND GROUP NET INCOME

The segment's operating profit declined to EUR 72 (106) million due to the developments described above and, in particular, to the reduced underwriting result. As a result, Group net income declined to EUR 47 (67) million. The segment's EBIT margin and return on equity also declined to 13.8% (25.8%) and 9.2% (13.9%) respectively, due to the decrease in operating profit. However, this had been distorted by non-recurring effects in the previous year.

RETAIL GERMANY

- Premium income rises due to higher single premiums from life insurance business carried forward
- Combined ratio negatively impacted by natural disasters
- EBIT up slightly year-on-year despite claims for natural disasters

KEY FIGURES FOR THE RETAIL GERMANY SEGMENT

IN EUR MILLION

	Q1 2015	Q1 2014	+/– %
Gross written premiums	2,135	2,027	+5.3
Net premiums earned	1,448	1,287	+12.5
Underwriting result	–392	–430	+8.8
Net investment income	445	501	–11.2
Operating profit (EBIT)	57	54	+5.6

MANAGEMENT METRICS

IN %

	Q1 2015	Q1 2014	+/– %
Gross premium growth [1]	5.3	–4.0	+9.3 pt.
Combined ratio (net, property/casualty only) [2]	100.5	100.2	+0.3 pt.
EBIT margin [3]	3.9	4.2	–0.3 pt.
Return on equity [4]	4.7	4.5	+0.2 pt.

[1] Calculation method changed starting in 2015 to more accurately quantify exchange rate effects (with no impact on the forecast figure)
[2] Including net interest income on funds withheld and contract deposits
[3] Operating profit (EBIT)/net premiums earned
[4] Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests

MARKET DEVELOPMENT

The life insurance business continues to be influenced by low capital market interest rates in the current financial year, which pose a major challenge for the industry. In view of this, a slight decline in premiums of around 0.5% is expected overall, particularly as a result of a decrease in current business, while single premium growth remains stable.

In property/casualty insurance, premium income is expected to increase by 2.5% in the current year. General liability insurance and commercial property insurance, in particular, offer growth opportunities.

Above all, the preparations for Solvency II are dominating the work of the entire sector.

PREMIUM VOLUME AND NEW BUSINESS

Gross written premiums for the Retail Germany segment – including the savings elements of premiums from unit-linked life insurance – increased year-on-year to EUR 2.1 (2.0) billion in the first quarter of 2015.

Written premium income of our property/casualty insurers declined by 5.7% to EUR 0.8 billion. This decline is primarily attributable to the change in the timing of the settlement of two major accounts and the increased use of the option to pay in monthly, quarterly or half-yearly instalments in the motor insurance line. The overall share of the entire segment accounted for by property/casualty insurers declined to 35.7% (39.9%).

Gross written premiums for our life insurers – including savings elements of premiums from unit-linked life insurance – rose by 12.6% to EUR 1.4 (1.2) billion due to higher single premiums from business carried forward from 2014. The retention ratio in the life insurance business was up slightly on the previous year at 95.9% (94.0%). Allowing for higher savings elements under our unit-linked products and the change in the unearned premium reserve, the net premium earned in the segment increased by 17.0% at EUR 1.1 (0.9) billion.

New business in life insurance products – measured using the annual premium equivalent (APE), the international standard – rose from EUR 100 million to EUR 127 million, primarily due to business carried forward from the 2014 year-end.

UNDERWRITING RESULT

The underwriting result remained unchanged in the period under review at EUR –0.4 (–0.4) billion; in the previous year this item related solely to the life insurance companies, including the unwinding of discounts on technical provisions and policyholder participation in net investment income. These expenses are offset by investment income, which is not recognised in the underwriting result.

In the property/casualty business, the above-average impact of storm-related losses in the first quarter of 2015 was almost fully offset by the decline in major and frequency losses.

NET INVESTMENT INCOME

Overall, net investment income declined by 11.2% to EUR 0.4 (0.5) billion. Of this amount, 98.0% is attributable to the life insurance companies. The decline is solely due to extraordinary net investment income, since significant amounts were already realised in the first quarter of the previous year to finance the additional interest reserve. Thanks to an increase in the investment portfolio, ordinary net investment income remained stable at EUR 0.4 (0.4) billion despite the lower reinvestment return.

OPERATING PROFIT AND GROUP NET INCOME

Despite earnings being reduced due to natural disasters, EBIT increased slightly from EUR 54 million to EUR 57 million. As a result of the increase in premiums, the EBIT margin declined slightly by 0.3 percentage points to 3.9%. After adjustment for taxes on income and financing costs, Group net income increased to EUR 36 (31) million, causing the return on equity to rise by 0.2 percentage points to 4.7%.

ADDITIONAL KEY FIGURES

THE RETAIL GERMANY SEGMENT AT A GLANCE

IN EUR MILLION

	Q1 2015	Q1 2014	+/– %
Gross written premiums	**2,135**	2,027	**5.3**
Property/casualty	762	808	–5.7
Life	1,373	1,219	12.6
Net premiums earned	**1,448**	1,287	**12.5**
Property/casualty	342	342	—
Life	1,106	945	17.0
Underwriting result	**–392**	–430	**–8.8**
Property/casualty	–2	—	—
Life	–390	–430	–9.3
Other	—	—	—
Net investment income	**445**	501	**–11.2**
Property/casualty	25	25	—
Life	420	476	–11.8
Other	—	—	—
New business measured in annual premium equivalent (life)	**127**	100	**27.0**
Single premiums	509	329	54.7
Regular premiums	76	67	13.4
New business by product in annual premium equivalent (life)	**127**	100	**27.0**
Unit-linked life and annuity insurance	42	28	50.0
Traditional life and annuity insurance	62	53	17.0
Term life products	21	18	16.7
Other life products	2	1	100.0

RETAIL INTERNATIONAL

- Majority interest acquired in the Chilean Magallanes insurance group
- Premium growth at 3.6% despite negative exchange rate developments
- Rise in net investment income, primarily due to larger investment portfolio

KEY FIGURES FOR THE RETAIL INTERNATIONAL SEGMENT

IN EUR MILLION

	Q1 2015	Q1 2014	+/– %
Gross written premiums	1,206	1,164	+3.6
Net premiums earned	960	983	–2.3
Underwriting result	8	8	—
Net investment income	79	74	+6.8
Operating profit (EBIT)	56	62	–9.7

MANAGEMENT METRICS

IN %

	Q1 2015	Q1 2014	+/– %
Gross premium growth (adjusted for exchange rate effects) [1]	3.1	18.4	–15.3 pt.
Combined ratio (net, property/casualty only) [2]	94.6	95.1	–0.5 pt.
EBIT margin [3]	5.8	6.3	–0.5 pt.
Return on equity [4]	6.8	8.9	–2.1 pt.

1) Calculation method changed starting in 2015 to more accurately quantify exchange rate effects (with no impact on the forecast figure)
2) Including net interest income on funds withheld and contract deposits
3) Operating profit (EBIT)/net premiums earned
4) Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests

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

The period under review was dominated by the acquisition of a majority interest in the Chilean Magallanes insurance group. The acquisition of a holding company, two property insurance companies and one life insurance company in Chile and one property insurer in Peru was completed on 13 February 2015. The Chilean insurance market is stable but still offers significant opportunities. Thanks to this acquisition, the Talanx Group has risen to fifth place in the Chilean property insurance market and second place in the motor insurance market. It is planned that the holding companies Inversiones Magallanes S. A. and Inversiones HDI Ltda. and the property/casualty insurance companies Aseguradora Magallanes S. A. and HDI Seguros S. A. will be merged during financial year 2015.

PREMIUM VOLUME

The division's gross written premiums (including premiums from unit-linked life and annuity insurance) rose by 3.7% year-on-year to EUR 1.2 (1.2) billion. Gross premiums (adjusted for exchange rate effects) increased by 3.1% year-on-year, mainly because the premium volumes in the first quarter of 2015 included the new Chilean companies in the amount of EUR 27.9 million for the first time. Excluding this effect, gross premiums adjusted for exchange rate effects were up 1.3% year-on-year.

Gross written premium growth was influenced by strong double-digit growth in the property business, where premiums rose by 16.1% to EUR 822 billion. The Brazilian company HDI Seguros S. A. and Turkish company HDI Sigorta, as well as the new Magallanes companies, made a particularly significant contribution to this increase. The life insurance business declined by 15.7% compared with the prior-year quarter to EUR 384 million. The positive performance of Polish life insurer TUnŻ WARTA S. A. was unable to offset the non-recurring effect resulting from sales of single-premium products via banks at Italian company HDI Assicurazioni in the first quarter of 2014.

Of the premium volume generated by the division in the Latin America target region, 63.0% was attributable to the Brazilian company HDI Seguros S. A., which is mainly active in motor insurance. The company's written premiums increased by 10.8% year-on-year to EUR 210 million, including exchange rate effects. After adjustment for these effects, premium income rose by 11.5%, partly due to higher premiums in the motor insurance business. At the same time, the company's motor policy portfolio grew by 11.8% to a total of 1.6 million policies; this was mainly due to a large number of new contracts. The Mexican company HDI Seguros increased its gross written premiums by 31.3% year-on-year to EUR 57 million, including exchange rate effects. Adjusted for these effects, premium growth amounted to 23.3% thanks to an increase in new business in the area of motor insurance and in other property insurance, where sales through agents performed particularly well.

The division's Polish companies accounted for 34.8% of its total written premiums, compared with 32.1% in the prior-year period. This increase was mainly attributable to the higher sales of single-premium life insurance products due to the increase in sales co-operation agreements. Accordingly, life insurer TUnŻ WARTA S. A. saw its gross written premiums more than double from EUR 39 million in the first quarter of 2014 to EUR 92 million. TUiR WARTA S. A.'s premium volume from property insurance rose by 1.4% to EUR 233 million, primarily due to the positive development of the other property insurance business. Combined premium income from life and property insurance at the TU Europa Group amounted to EUR 95 million compared with EUR 106 million in the first quarter of 2014; the decline in premiums from life insurance was not fully offset by the rise in gross written premiums in the other property insurance business.

The gross written premiums of Turkish property insurer HDI Sigorta rose by 42.0% to EUR 71 million including exchange rate effects; after adjustment for exchange rate effects, premiums rose by 32.1%. Written premiums in other property insurance increased by 25.3% in local currency, while the number of contracts increased by 12.0%. Premium income in motor insurance increased by 40.0% in local currency, with the average premium per policy remaining stable.

The Italian company HDI Assicurazioni held its ground well in a competitive and generally declining property insurance market. While premium income from property insurance was down by 2.7% year on year for the market as a whole as at 31 December 2014, the company increased its gross written premiums under International Financial Reporting Standards (IFRSs) by 4.7% in the first quarter of 2015, with the 5.5% increase in the number of contracts compensating for the 3.5% decline in the average premium per policy. By contrast, life insurance premiums declined by 37.6% year-on-year due to a non-recurring effect resulting from sales of single-premium products via banks in the first quarter of 2014.

UNDERWRITING RESULT

The combined ratio of the property insurance companies improved by 0.5 percentage points year-on-year to 94.6%. This development was largely attributable to the 1.5 percentage point decline in the loss ratio, mainly due to the lower loss ratios at TUiR WARTA S. A., HDI Sigorta and HDI Assicurazioni. In contrast, motor insurance losses in Brazil increased year-on-year due to inflation-driven price rises. At the same time, the cost ratio increased by 1.0 percentage point, primarily due to the increased proportion of other property insurance, with its generally higher provisions, in line with the diversification strategy of this business line.

Overall, the underwriting result recorded in this division remained at the prior-year level at EUR 8 million.

NET INVESTMENT INCOME

The division's net investment income amounted to EUR 79 million as at the end of the first quarter of 2015, a year-on-year rise of 6.8%. The ordinary investment income rose by 9.2% compared with the previous year. This was primarily due to the larger investment portfolio in connection with the rise in interest rates in Brazil. The average return on investments under own management declined by 0.7 percentage points year-on-year to 4.0%. This was attributable to the broad-based decline in interest rates, particularly in Poland and Italy, which account for the highest investment volume in the segment. Net investment income includes EUR 2 (0.3) million in net income from investment contracts. These are policies that provide insufficient risk cover to be classified as insurance contracts in accordance with IFRSs.

OPERATING PROFIT AND GROUP NET INCOME

In the first quarter of 2015, operating profit (EBIT) in the Retail International Division decreased by 9.7% compared with the prior-year period to EUR 56 million. This development was attributable to the lower other income as a result of foreign exchange losses, as well as to the year-on-year decline in extraordinary net investment income, and was reflected in a 0.5 percentage point decline in the EBIT margin to 5.8%. Group net income after minority interests declined by 14.0% to EUR 33 (39) million. The return on equity declined by 2.1 percentage points compared with the prior-year period to 6.8% due both to the lower Group net income and a significant increase in the equity base.

ADDITIONAL KEY FIGURES

THE RETAIL INTERNATIONAL SEGMENT AT A GLANCE

IN EUR MILLION

	Q1 2015	Q1 2014	+/– %
Gross written premiums	**1,206**	1,164	**+3.6**
Property/casualty	822	708	+16.1
Life	384	456	–15.8
Net premiums earned	**960**	983	**–2.3**
Property/casualty	629	560	+12.3
Life	331	423	–21.7
Underwriting result	**8**	8	**—**
Property/casualty	34	27	+25.9
Life	–26	–19	–36.8
Other	—	—	—
Net investment income	**79**	74	**+6.8**
Property/casualty	41	43	–4.7
Life	38	31	+22.6
Other	—	—	—
New business measured in annual premium equivalent (life)	**46**	58	**–20.7**
Single premiums	316	395	–20.0
Regular premiums	14	18	–22.2
New business by product in annual premium equivalent (life)	**46**	58	**–20.7**
Unit-linked life and annuity insurance	6	3	+100.0
Traditional life and annuity insurance	10	11	–9.1
Term life products	15	20	–25.0
Other life products	15	24	–37.5

NON-LIFE REINSURANCE

- Ongoing competition in non-life reinsurance
- Solid results for treaty renewals as at 1 January 2015
- Major losses in the first quarter lower than expected

KEY FIGURES FOR THE NON-LIFE REINSURANCE SEGMENT

IN EUR MILLION

	Q1 2015	Q1 2014	+/– %
Gross written premiums	2,617	2,108	+24.1
Net premiums earned	1,882	1,632	+15.3
Underwriting result	73	86	–15.1
Net investment income	199	211	–5.7
Operating profit (EBIT)	279	286	–2.4

MANAGEMENT METRICS

IN %

	Q1 2015	Q1 2014	+/– %
Gross premium growth (adjusted for exchange rate effects)[1]	13.0	–1.7	+14.7 pt.
Combined ratio (net)[2]	95.9	94.5	+1.4 pt.
EBIT margin[3]	14.8	17.5	–2.7 pt.

[1] Calculation method changed starting in 2015 to more accurately quantify exchange rate effects (with no impact on the forecast figure)
[2] Including net interest income on funds withheld and contract deposits
[3] Operating profit (EBIT)/net premiums earned

RETURN ON EQUITY FOR THE REINSURANCE DIVISION OVERALL

IN %

	Q1 2015	Q1 2014	+/– %
Return on equity[1]	15.8	16.1	–0.3 pt.

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

BUSINESS DEVELOPMENT

The fierce competition in the Non-Life Reinsurance segment is continuing. Given the absence of market-changing major losses, our cedants' level of capitalisation is high, meaning that fewer risks overall are being passed on to the reinsurance market. In addition, capital inflows from the catastrophe bond market (ILS) – particularly in the US catastrophe business – led to significant price erosion. These factors also set the tone for treaty renewals as at 1 January 2015. Around 65% of our portfolio was renegotiated during this peak period for reinsurance treaty renewals. Considering the challenging environment, we are largely satisfied with the results, even though the rate quality for the portfolio renewals was below the prior-year level.

Although prices declined significantly year-on-year in many markets, we generated very healthy results thanks to our good rating and longstanding customer relationships. We were particularly satisfied with price trends in the German and in the US business. Since rates in the USA were sufficient to account for the associated risks, we were able to expand our premium volume by making selective new acquisitions. In Germany, further price increases in non-proportional comprehensive motor cover were possible due to the losses from storm events and hailstorms in previous years. The overall home market portfolio recorded slight premium growth as a result of new customer relationships.

Rate trends in the aviation business were less favourable. Significant major losses in 2014 did not result in the expected price increases. Rate increases were limited due to the continued high availability of insurance capacity; as a result, we scaled back our premium volume.

Despite our strictly profit-oriented underwriting policy, we were able to lift premium volumes for the entire renewed Non-Life Reinsurance portfolio. In particular, growth was recorded in the emerging markets and the USA, and in the area of agricultural risks.

PREMIUM DEVELOPMENT

Gross premiums in the Non-Life Reinsurance segment climbed by 24.1% to EUR 2.6 (2.1) billion due to the strong US dollar. This figure also includes a one-off effect of approximately EUR 100 million in premium bookings for facultative reinsurance. At constant exchange rates, growth would have amounted to a total of 13.0%. Retention declined to 88.9% (91.2%) year-on-year. Net premiums earned increased by 15.3% to EUR 1.9 (1.6) billion; adjusted for exchange rate effects, growth would have amounted to 4.9%.

UNDERWRITING RESULT

As in the previous year, the burden from major losses remained below the allocated budget, but was up year-on-year at EUR 62.0 (30.6) million. In addition to Storm "Niklas" and a winter storm in the USA, the German passenger plane crash in the French Alps represented another tragedy for civil aviation. At EUR 73 (86) million, the underwriting result for the Non-Life Reinsurance segment was still high. The combined ratio amounted to 95.9%, in line with our target of a figure of less than 96%.

NET INVESTMENT INCOME

Net investment income in the Non-Life Reinsurance segment fell by 5.7% to EUR 199 (211) million. This was primarily attributable to higher realised gains in the prior-year period.

OPERATING PROFIT AND GROUP NET INCOME

Operating profit (EBIT) in the Non-Life Reinsurance segment declined to EUR 279 (286) million as at 31 March 2015. The EBIT margin exceeded the target level of at least 10%, at 14.8% (17.5%). Group net income declined compared with the result seen in the prior-year period, falling from EUR 95 million to EUR 87 million. Total return on equity for the Reinsurance Division amounted to 15.8% (16.1%), significantly above the target for 2015 of at least 11%.

LIFE/HEALTH REINSURANCE

- Significant improvement in the result
- Establishment of a branch in Canada strengthens global presence
- Introduction of Chinese supervisory regime presents challenges and opportunities

KEY FIGURES FOR THE LIFE/HEALTH REINSURANCE SEGMENT

IN EUR MILLION

	Q1 2015	Q1 2014	+/– %
Gross written premiums	1,783	1,517	+17.5
Net premiums earned	1,550	1,281	+21.0
Underwriting result	–85	–87	–2.3
Net investment income	219	152	+44.1
Operating profit (EBIT)	176	64	+175.0

MANAGEMENT METRICS

IN %

	Q1 2015	Q1 2014	+/– %
Gross premium growth (adjusted for exchange rate effects)[1]	6.5	0.7	+5.8 pt.
EBIT margin[2] financial solutions/longevity	16.8	5.9	+10.9 pt.
EBIT margin[2] mortality/morbidity	8.1	4.5	+3.6 pt.

[1] Calculation method changed starting in 2015 to more accurately quantify exchange rate effects (with no impact on the forecast figure)
[2] Operating profit (EBIT)/net premiums earned

RETURN ON EQUITY FOR THE REINSURANCE DIVISION OVERALL

IN %

	Q1 2015	Q1 2014	+/– %
Return on equity[1]	15.8	16.1	–0.3 pt.

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

BUSINESS DEVELOPMENT

The first quarter of 2015 was extremely positive for the Life/Health Reinsurance segment. The economic environment remained largely the same as in 2014. Low interest rates in particular are continuing to affect the European primary insurance and reinsurance markets. In Germany, this situation is prompting discussions on the consolidation and hiving off of life insurance business to run-off platforms, among other things. In addition, primary insurers are interested in attractive alternatives to traditional endowment life insurance. As an international reinsurer, we are rising to the challenge of offering the appropriate solutions. In China, the introduction of a regulatory framework in the form of C-ROSS (China Risk Oriented Solvency System) – which is highly similar to the European Solvency II Directive – will open up the potential for solvency relief products and thus lead to increasing demand among primary insurers. As an experienced and established international partner, we are supporting our customers here.

The financial solutions and health and special risk businesses in the USA performed well in the past quarter, as expected, and contributed to the further improvement in profitability. In addition, we expanded our presence on the North American continent by opening a branch in Toronto, Canada. We are extremely confident about the promising potential offered by the Canadian life insurance market. In addition, our business expectations for the developed insurance markets in France, the United Kingdom, the Scandinavian countries and Japan, as well as in the emerging markets in South America, Asia and Africa were met in full.

PREMIUM DEVELOPMENT

Gross premium income increased by 17.5% to EUR 1.8 (1.5) billion as at 31 March 2015. At constant exchange rates, growth would have amounted to 6.5%. Net premiums earned rose by a very encouraging 21.0% to EUR 1.5 (1.3) billion; adjusted for exchange rates, growth would have amounted to 9.4%. Retention rose to 88.1% (84.5%).

NET INVESTMENT INCOME

Net investment income in the Life/Health Reinsurance segment climbed by a significant 44.1% to EUR 219 (152) million in the first quarter of 2015 due to a one-off effect. A fee of EUR 38.7 million was payable due to a customer withdrawing from an individual US transaction. Since the agreement relates to a derivative financial instrument in accordance with IAS 39, the fee is also recognised in net investment income and thus had a positive impact on the result. At EUR 19.1 thousand, the performance of investments held by US cedants in our name that are recognised in income was significantly below the prior-year level (EUR 5.9 million). Assuming the investments take their course as planned, these remeasurement gains and losses will cancel each other out completely by the time the securities mature, meaning that this item is not expected to have any effect on income over the entire term.

OPERATING PROFIT AND GROUP NET INCOME

Operating profit (EBIT) in the Life/Health Reinsurance segment more than doubled compared with the prior-year quarter as at 31 March 2015, to EUR 176 (64) million. This means that the EBIT margin for all business categories exceeded the relevant targets. In the financial solutions and longevity business, the EBIT margin amounted to 16.8% (5.9%) due to the positive one-off effect. For mortality and morbidity it was 8.1% (4.5%). Group net income amounted to EUR 66 million, compared with EUR 21 million in the previous year. The total reported return on equity for the Reinsurance Division amounted to 15.8% (16.1%), significantly above the target for 2015 of at least 11%.

CORPORATE OPERATIONS

- Talanx, NORD/LB and Bankhaus Lampe cooperate on alternative investments
- Group assets under own management up 6.0%
- Operating profit at EUR 7 million

The Talanx Group, NORD/LB Norddeutsche Landesbank and Bankhaus Lampe are cooperating in the area of alternative investments, with Talanx acquiring a 45% interest in investment services provider Caplantic Alternative Assets GmbH. The partners intend to develop Caplantic into one of Germany's leading providers of alternative asset management and financial solutions. The joint venture will give Talanx access to infrastructure loans and other alternative asset classes offered by the NORD/LB Group, as well as to the rating expertise of RSU Rating Service Unit GmbH & Co. KG, a wholly owned subsidiary of the German Landesbanks. Caplantic will also act as a service provider for the private equity activities of investment management at Talanx.

THE GROUP'S REINSURANCE SPECIALISTS

Underwriting business written via our subsidiary Talanx Reinsurance (Ireland) Ltd. has been reported in the Corporate Operations segment since 2013. The aim of this in-house reinsurer is to increase retention and optimise capital utilisation. The in-house business written by Talanx Re (Ireland) is partly reallocated to the ceding segments in order to leverage diversification benefits there. Business including additional cross-segment diversification benefits is also reported in the Corporate Operations segment. Gross written premiums in this business declined to EUR 11 (15) million in the first quarter of 2015 due to selective underwriting. They resulted from reinsurance cessions in the Industrial Lines, Retail Germany and Retail International segments. Talanx Re (Ireland) posted an operating result of EUR 4 (2) million for this business in the Corporate Operations segment in the first quarter of 2015.

Talanx Reinsurance Broker GmbH is wholly owned by Talanx AG and handles all aspects of the reinsurance business process for Group cedants. In 2015, it again managed to obtain the reinsurance capacity required for all of the Group cedants that it manages on the global market. As part of our segment allocation, earnings are fully reallocated to the ceding segments starting this year; in the first quarter of 2014, EUR 1 million of the company's earnings remained in the Corporate Operations segment.

THE GROUP'S INVESTMENT SPECIALISTS

In cooperation with its subsidiary Ampega Investment GmbH, Talanx Asset Management GmbH is chiefly responsible for handling the management and administration of the Group companies' investments and provides related services such as investment accounting and reporting. The total contribution to the segment's operating profit made by the two companies and Talanx Immobilien Management GmbH amounted to EUR 15 (12) million in the first quarter of 2015.

As an investment company, Ampega Investment GmbH manages retail and special funds and provides financial portfolio management services for institutional clients. It focuses on portfolio management and the administration of investments for clients outside the Group. The prolonged period of low interest rates is gradually forcing German retail investors to seek out alternatives to savings accounts and fixed-term deposits. Investment funds, particularly mixed funds, saw growing interest from savers looking for returns in the first few months of 2015.

The total volume of assets managed by Ampega rose by 7.0% year-on-year to EUR 17.9 (16.7) billion in the first quarter of 2015. At EUR 9.8 (9.4) billion, over half of this total was managed on behalf of Group companies using special funds and direct investment mandates. Of the remainder, EUR 3.5 (3.1) billion was attributable to institutional third-party clients and EUR 4.6 (4.2) billion to retail business. The latter is offered both through the Group's own distribution channels and products such as unit-linked life insurance and through external asset managers and banks.

OPERATING PROFIT

The Corporate Operations segment's operating profit improved to EUR 7 (–7) million in the first quarter of 2015 due to higher income from asset management as a result of the larger investment portfolio and lower holding company expenses. Group net income attributable to shareholders of Talanx AG for this segment amounted to EUR –20 (–32) million in the first quarter of 2015.

NET ASSETS AND FINANCIAL POSITION

NET ASSETS

- Total assets up EUR 13.2 billion to EUR 160.5 billion
- Investments account for 75% of total assets

ASSET STRUCTURE

IN EUR MILLION

	31.3.2015		31.12.2014	
Intangible assets	2,250	1%	2,096	1%
Investments	120,510	75%	112,879	77%
Investments for the benefit of life insurance policyholders who bear the investment risk	10,613	7%	9,426	6%
Reinsurance recoverables on technical provisions	8,421	5%	7,370	5%
Accounts receivable on insurance business	7,076	4%	5,252	4%
Deferred acquisition costs	4,940	3%	4,645	3%
Cash at banks, cheques and cash-in-hand	2,705	2%	2,145	2%
Deferred tax assets	828	<1%	764	<1%
Other assets	3,034	2%	2,699	2%
Non-current assets and assets of disposal groups classified as held for sale	123	<1%	22	<1%
Total assets	160,500	100%	147,298	100%

SIGNIFICANT CHANGES IN THE ASSET STRUCTURE

The EUR 13.2 billion increase in our total assets to EUR 160.5 billion is primarily attributable to growth of +EUR 9 billion in our investment portfolio, including investments for the benefit of life insurance policyholders who bear the investment risk, as well as the EUR 1.8 billion increase in accounts receivable on insurance business. We record above-average premium income in the first quarter of each financial year since the main expiry date is 1 January. This is primarily reflected in the "Investments" line item on the assets side and increases technical provisions in particular on the liabilities side.

Recognised intangible assets of EUR 2.2 (2.1) billion include EUR 1.0 (1.0) billion of other intangible assets (including PVFP). They also include recognised goodwill of EUR 1.2 (1.1) billion. The increase in goodwill is primarily attributable to the acquisition of the Magallanes group. Other intangible assets are recognised in their entirety in the Group. Other intangible assets that are economically attributable to Group shareholders – excluding non-controlling interests and the policyholder's portion – are calculated as follows:

NON-CONTROLLING INTERESTS AND POLICYHOLDERS' PORTION

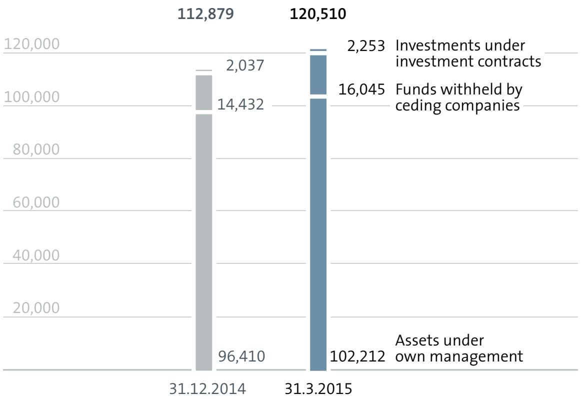
IN EUR MILLION

	31.3.2015	31.12.2014
Other intangible assets before deducting non-controlling interests and the policyholders' portion, including deferred taxes	**1,008**	1,006
of which attributable to: non-controlling interests	132	132
of which attributable to: policyholders' portion	320	334
of which attributable to: deferred taxes	84	84
Other intangible assets after deducting non-controlling interests and the policyholders' portion, net of deferred taxes	**472**	455

CHANGES IN INVESTMENTS

BREAKDOWN OF THE INVESTMENT PORTFOLIO

IN EUR MILLION



The total investment portfolio increased by 6.8% in the first quarter of the financial year to EUR 120.5 billion. Investments under investment contracts totalled EUR 2.3 billion at the end of the quarter and funds withheld by ceding companies amounted to EUR 16.0 billion. Growth in the portfolio of assets under own management was due on the one hand to cash inflows from underwriting business, which were reinvested in accordance with the respective corporate guidelines, and to higher fair values as a result of lower interest rates and exchange rate changes on the other.

Market interest rates fell overall in the first quarter. A continuous decline in the already low levels was seen across all maturities. Yields fell significantly year-on-year in Germany: two-year government bonds declined by around 10 basis points to –0.24%, five-year bonds also decreased by approximately 10 basis points to –0.13% and ten-year bonds by a good 30 basis points to 0.16%.

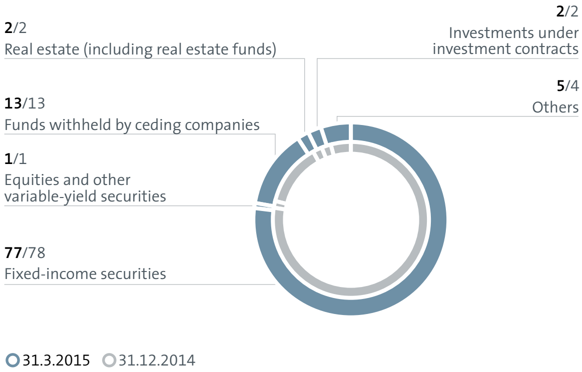
In addition to interest rate factors, movements in the US dollar exchange rate had a direct effect on our US dollar-denominated investments. At 31 March 2015, the US dollar was at 1.07 to the euro, compared with 1.21 to the euro at the beginning of the year. At the year-end, the US dollar-denominated investment portfolio amounted to EUR 18.6 billion and accounted for 18% of total assets under own management.

Fixed-income investments were again the most significant asset class in 2015. Most reinvestments were made in this class, reflecting the existing investment structure. Fixed-income securities accounted for 77% of the total investment portfolio and contributed EUR 0.8 billion to earnings; this amount was reinvested as far as possible in the period under review.

Once again, equity exposures were not increased in 2015. The equity allocation ratio after derivatives (equity ratio) was 0.8% at the end of the quarter.

BREAKDOWN OF THE INVESTMENT PORTFOLIO

IN %



BREAKDOWN OF ASSETS UNDER OWN MANAGEMENT BY ASSET CLASS

IN EUR MILLION

	31.3.2015		31.12.2014	
Investment property	1,905	2%	1,873	2%
Shares in affiliated companies and participating interests	121	<1%	112	<1%
Investments in associates and joint ventures	268	<1%	262	<1%
Loans and receivables				
Loans incl. mortgage loans	838	1%	880	1%
Loans and receivables due from government or quasi-governmental entities, together with fixed-income securities	29,701	29%	29,673	31%
Financial assets held to maturity	2,372	2%	2,454	3%
Financial assets available for sale				
Fixed-income securities	59,616	58%	54,900	57%
Variable-yield securities	1,402	1%	1,283	1%
Financial assets at fair value through profit or loss				
Financial assets classified at fair value through profit or loss				
Fixed-income securities	876	1%	850	1%
Variable-yield securities	70	<1%	95	<1%
Financial assets held for trading				
Fixed-income securities	10	<1%	6	<1%
Variable-yield securities	125	<1%	108	<1%
Derivatives[1]	132	<1%	80	<1%
Other investments	4,776	5%	3,834	4%
Total investments under own management	**102,212**	**100%**	96,410	100%

[1] Only derivatives with positive fair values

FIXED-INCOME SECURITIES

Fixed-income investments mainly comprised the traditional asset classes of government bonds, corporate bonds and Pfandbriefe. The Retail Germany segment sold low-yield Italian and Spanish government bonds with relatively short maturities to realise gains, which were used to strengthen the mandatory additional interest reserve required by the HGB, and for the policyholders' participation in the valuation reserves. The funds that were released were reinvested in longer-term bonds. In particular, government bonds and secured bonds with good ratings were selected, helping to increase the duration of the portfolio.

At the end of the first quarter of 2015, the Group had only moderate exposure to government bonds from the GIIPS countries. In light of risk considerations, we had sold the Greek government bonds in our portfolio back in 2011 with the exception of a small residual holding. In this context, please see our disclosures in the risk report.

At the end of the quarter, the fair value of our investment exposure to GIIPS countries was EUR 2.9 billion, corresponding to 2.8% of total assets under own management. Our exposure to Italian government bonds (fair value of EUR 1,657 million) is due to the Group's presence in the country. Of this amount, EUR 936 million is attributable to our Group company HDI Assicurazioni S.p.A.

The portfolio of fixed-income investments (excluding mortgage and policy loans) rose by EUR 4.7 billion in the first quarter of 2015 to total EUR 92.6 billion. At 77% of total investments, this asset class continues to represent the most significant share of our investments by volume. Fixed-income investments were primarily divided into the investment categories of "Loans and receivables" and "Financial assets available for sale".

"Fixed-income securities available for sale", whose volatility impacts equity, increased significantly (+EUR 4.7 billion) to EUR 59.6 billion or 64% of total investments in the fixed income portfolio. Pfandbriefe and corporate bonds accounted for the majority of these investments. Valuation reserves – i.e. the balance of unrealised gains and losses – have risen from EUR 4.6 billion to EUR 6.1 billion since the end of 2014 due to the slight decrease in interest rates.

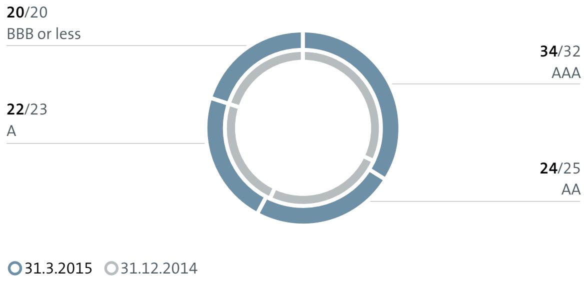
In the "Loans and receivables" category, investments were primarily made in government securities or securities with a similar level of security in the first quarter. Our portfolio of government securities or securities with a similar credit quality in this portfolio category amounted to EUR 9.6 billion. Pfandbriefe still represent the largest item in the portfolio. Total holdings in the "Loans and receivables" category amounted to EUR 30.5 billion at the end of the first quarter, which represents 33% of total holdings in this asset class. Off-balance sheet valuation reserves rose significantly from EUR 5.9 billion to EUR 6.9 billion.

Group holdings in the "Financial assets held to maturity" category in the first quarter totalled EUR 2.4 billion. After expanding our holdings in this category in 2011 through restructuring, particularly in the reinsurance segment, we did not increase this further in the previous financial year or in the first quarter of 2015. The intention and ability to hold these investments until maturity enables the companies to reduce volatility in their balance sheets caused by interest rate movements.

Investment in fixed-income securities continued to focus on government bonds with good ratings or securities from issuers with a similar credit quality. At the end of the quarter, holdings of AAA-rated bonds amounted to EUR 31.7 billion. This represents 34% of the total portfolio of fixed-income securities and loans.

RATING OF FIXED-INCOME SECURITIES

IN %



The Talanx Group pursues a conservative investment policy. As a result, 80% of instruments in the fixed-income securities asset category have a minimum A rating.

The Macaulay duration of the Talanx Group's total fixed-income securities investment portfolio was 7.9 years as at 31 March 2015 (beginning of the year: 7.7 years).

As far as matching currency cover is concerned, US dollar-denominated investments continue to account for the largest share (18%) of the Talanx Group's foreign currency portfolio. The total share of assets under own management in foreign currencies remained almost constant as at 31 March 2015, at 31%.

The Group continues to pursue a conservative investment policy. For further information on the credit quality of our investments, please refer to the risk report in the Group management report.

Funds withheld by ceding companies in respect of collateral provided for cedants' technical provisions in the Reinsurance Division rose in the current financial year, from EUR 14.4 billion to EUR 16.0 billion. Investment portfolios also increased, resulting in a slightly higher ratio of 13.3% (12.8%).

EQUITIES AND EQUITY FUNDS

The European stock markets started 2015 on a positive note as a result of the ECB's bond-buying programme and improved economic data in the Eurozone. The DAX closed at 11,966 points – an increase of 22.0% since the beginning of the year. The EUROSTOXX 50 reached 3,697 points on 31 March, up 17.5% compared with the beginning of the year.

Net unrealised gains and losses on holdings within the Group (excluding "Other Investments") increased by EUR 46 million to EUR 144 (98) million due to market factors.

Real estate including shares in real estate funds

Investment property totalled EUR 1.9 billion at the reporting date. An additional EUR 682 million is held in real estate funds, which are recognised as "Financial assets available for sale".

In light of the low interest rate environment, the German real estate market continues to be dominated by enormous pressure on private and institutional investors to invest, coupled with increasing transaction volumes and a lack of suitable properties. High market liquidity is leading to corresponding price effects, in particular for core properties.

Depreciation of EUR 8 million and impairment losses of EUR 1 million were recognised on investment property in the reporting period.

The real estate ratio including investments in real estate funds was unchanged at 2% (2%).

Alternative investments (investment portfolios under own management)

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

A 45% interest in Caplantic Alternative Assets GmbH was acquired at the beginning of financial year 2015, which is jointly managed with NORD/LB Norddeutsche Landesbank and Bankhaus Lampe. The aim of the investment is to develop the company into a leading provider of alternative asset management and financial solutions, giving it access to infrastructure loans and other alternative asset categories offered by the NORD/LB Group.

In addition, increased direct investments were made in infrastructure, for example with the acquisition of several wind farms in Germany. For information on the performance of the technical property, plant and equipment from these infrastructure investments, see our disclosures in the Notes to the consolidated balance sheet, Note 10 "Other investments" in the 2014 Annual Report. The "alternative investments" category helps improve returns and diversify the portfolio.

Net investment income

CHANGES IN NET INVESTMENT INCOME

IN EUR MILLION

	Q1 2015	Q1 2014
Ordinary investment income	843	767
of which current income from interest	729	717
of which gain/loss on investments in associates	4	4
Realised net gains on disposal of investments	177	209
Write-downs/reversals of write-downs of investments	–74	–10
Unrealised net gains on investments	4	15
Other investment expenses	–51	–55
Income from investments under own management	899	926
Interest income on funds withheld and contract deposits	95	84
Income from investment contracts	2	—
Total	**996**	**1,010**

Net investment income for the year under review was EUR 1.0 billion, down slightly on the previous year. Current interest income rose slightly, and at EUR 0.8 billion still accounted for the majority of investment income. Gains realised on the disposal of investments were partially offset by higher write-downs (EUR 75 [12] million) and slightly lower unrealised gains (EUR 4 [15] million).

Ordinary investment income at the end of the quarter totalled EUR 843 (767) million. Falling interest rates on the capital markets led to an average coupon in the fixed-income securities portfolio of 3.6%, down slightly on the previous year (3.8%). Derivative financial instruments (including forward purchases) are used to hedge reinvestment risk, in particular in the case of life insurers in our Retail Germany segment.

Overall, total realised net gains on the disposal of investments in the first quarter were down on the high prior-year figure, at EUR 177 (209) million. The positive net gains resulted from regular portfolio turnover in all segments.

Compared with the first quarter of 2014, write-downs were required in the past quarter; these totalled EUR 74 million net of reversals of write downs. Of this, a significant EUR 47 million was attributable to the HETA bonds (before the policyholders' portion, taxes and non-controlling interests). Across the Group as a whole, write-downs of fixed-income securities rose to EUR 56 million. Write-downs of other investments increased from EUR 3 million to EUR 5 million.

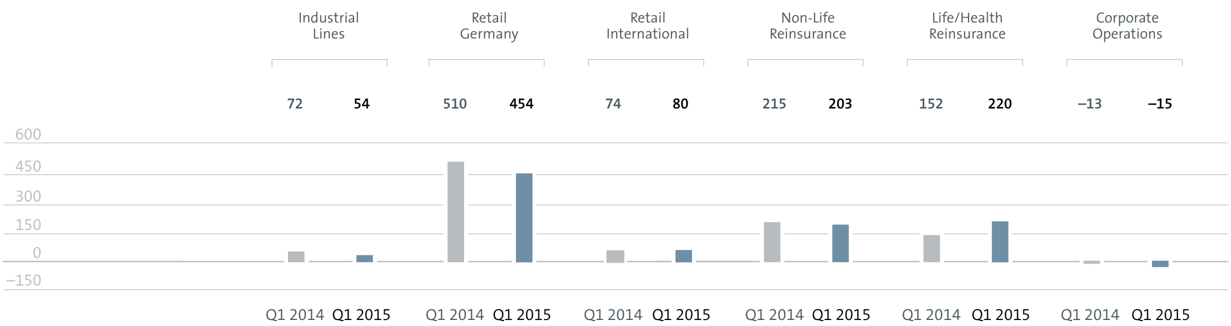
Depreciation and impairment losses of approximately EUR 9 million were recognised on real estate. Total write-downs in the past quarter were partially offset by reversals of impairment losses amounting to EUR 1 million.

Unrealised net gains declined from EUR 15 million to EUR 4 million. The unrealised net gain in the Retail Germany segment decreased from EUR 6 million to EUR 1 million due to changes in interest rates. The two reinsurance segments recorded a deterioration from a net gain of EUR 7 million to a net loss of EUR 11 million. In contrast, the unrealised net gain in the Industrial Lines and Retail International segments rose by EUR 12 million.

Net investment income in the Life/Health Reinsurance segment climbed by a significant 44.4% to EUR 220 (152) million in the first quarter of 2015 due to a one-off effect. A fee of EUR 39 million was payable due to a customer withdrawing from an individual US transaction in the financial solutions area. Since the agreement relates to a derivative financial instrument in accordance with IAS 39, the fee is also recognised in net investment income and thus had a positive impact on the result.

BREAKDOWN OF NET INVESTMENT INCOME BY GROUP SEGMENT[1)]

IN EUR MILLION



1) After elimination of intragroup transactions between the segments

FINANCIAL POSITION

ANALYSIS OF CAPITAL STRUCTURE

- Equity increases by EUR 1.2 billion to EUR 14.1 billion
- Technical provisions up EUR 8.2 billion to EUR 109.3 billion

CAPITAL STRUCTURE OVER A MULTI-YEAR PERIOD

IN EUR MILLION

	31.3.2015		31.12.2014	
Equity	14,137	9%	12,900	9%
Subordinated liabilities	2,662	2%	2,661	2%
Technical provisions	109,341	68%	101,109	69%
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	10,613	7%	9,426	6%
Other provisions	4,020	2%	3,708	2%
Liabilities	17,166	11%	15,228	10%
Deferred tax liabilities	2,531	1%	2,262	2%
Liabilities included in disposal groups classified as held for sale	30	<1%	4	<1%
Total equity and liabilities	**160,500**	**100%**	**147,298**	**100%**

SIGNIFICANT CHANGES IN THE CAPITAL STRUCTURE

Net provisions in the insurance business after consolidation and after adjustment for the reinsurers' share are as follows:

COMPOSITION OF NET PROVISIONS[1] IN THE INSURANCE BUSINESS (AFTER CONSOLIDATION)

IN EUR BILLION

	31.3.2015	31.12.2014
Unearned premium reserve	7.4	5.7
Benefit reserve	53.0	51.5
Loss and loss adjustment expense reserve	34.9	32.0
Provision for premium refunds	5.6	4.5
Other technical provisions	0.3	0.3
Total	**101.2**	**94.0**

[1] For information on the presentation of the net provisions in the insurance business, see our disclosures in the Notes to the consolidated balance sheet, Note 9

Obligations to policyholders must be covered by investments in at least the same amount. 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 85.6% (84.8%) at the reporting date. Investments thus exceed provisions by EUR 17.0 (16.8) billion.

Overall, net technical provisions rose by 7.6% or EUR 7.2 billion year-on-year. The increase was due to the loss and loss adjustment expense reserve (EUR 2.9 billion), unearned premium reserves (EUR 1.7 billion) and benefit reserves (EUR 1.5 billion). It was mainly attributable to the Non-Life Reinsurance (+EUR 2.8 billion), Retail Germany (+EUR 1.9 billion) and Life/Health Reinsurance (+EUR 1.3 billion) segments.

EQUITY

CHANGES IN EQUITY

Equity rose by EUR 1,237 million – an increase of 9.6% – to EUR 14,137 (12,900) million in the reporting period just ended.

The Group's portion (equity excluding non-controlling interests) amounted to EUR 8,747 (7,998) million. On the one hand, the increase relates to the net profit for the period, EUR 251 million of which is attributable to our shareholders and was allocated in full to retained earnings. On the other, it relates to "accumulated other comprehensive income and other reserves", which increased by EUR 501 million compared with 31 December 2014 to EUR 1,120 million.

The change in "Other reserves" (+EUR 501 million) mainly results from the EUR 1,065 million increase in unrealised gains on investments to EUR 4,603 (3,538) million, which was due in particular to gains in the prices of corporate and government bonds as a result of the decline in interest rates. Other changes to equity had an offsetting effect, falling by EUR 1,012 million to EUR –4,266 (–3,254) million. EUR –879 million of this change was attributable to policyholder participations/shadow accounting (in particular policyholder participations in gains on investments) and EUR –134 million attributable to technical gains or losses from provisions for pensions (mainly caused by a decline in interest rates).

Accumulated currency translation gains/losses improved by a significant +EUR 341 million from EUR –33 million to EUR 308 million, due to exchange rate changes for foreign currencies against the euro in the year under review. The increase resulted primarily from the decline of the euro against the US dollar. The cash flow hedge reserve increased to EUR 475 (368) million, in particular due to changes in interest rates.

Non-controlling interests rose by EUR 488 million – or 10.0% – to EUR 5.4 billion. Non-controlling interests in net income for the year under review were EUR 159 (152) million. The dividend payment to non-Group shareholders totalling EUR 48 (46) million was mainly from the Hannover Re Group. Non-controlling interests shared in the higher other income in the amount of EUR 375 (574) million.

CHANGES IN EQUITY

IN EUR MILLION

	31.3.2015	31.12.2014
Subscribed capital	316	316
Capital reserves	1,373	1,373
Retained earnings	5,938	5,690
Accumulated other comprehensive income and other reserves	1,120	619
Group equity	**8,747**	**7,998**
Non-controlling interests	5,390	4,902
Total	**14,137**	**12,900**

EQUITY BY SEGMENT[1] INCLUDING NON-CONTROLLING INTERESTS

IN EUR MILLION

	31.3.2015	31.12.2014
Segment		
Industrial Lines	2,112	1,959
of which non-controlling interests	—	—
Retail Germany	2,899	3,231
of which non-controlling interests	76	67
Retail International	2,379	2,037
of which non-controlling interests	273	249
Reinsurance	9,181	8,240
of which non-controlling interests	5,060	4,604
Corporate Operations	–2,392	–2,531
of which non-controlling interests	—	—
Consolidation	–42	–36
of which non-controlling interests	–19	–18
Total equity	**14,137**	**12,900**
Group equity	8,747	7,998
Non-controlling interest in equity	5,390	4,902

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

Note: To simplify the presentation, the non-controlling interests for the Reinsurance Division are derived from Group non-controlling interests in Hannover Re; for this purpose, the two reinsurance segments have been combined

The Corporate Operations segment reports a negative value that reflects Talanx AG's debt leverage. As the Group's holding company, Talanx AG performs a financing function for the Group in the primary insurance sector and for the companies in Corporate Operations. The liabilities mainly relate to retirement pension provisions (EUR 1,336 [1,239] million), notes payable (EUR [1,065] 1,065 million) and provisions for taxes (EUR 165 [147] million). These liabilities are offset on Talanx AG's balance sheet by liquid assets and, above all, by the carrying amounts of its investments in subsidiaries, which are eliminated against the proportionate equity of the subsidiaries in the consolidated financial statements.

ANALYSIS OF DEBT

Our subordinated bonds and other debt instruments ("subordinated bonds") supplement our equity. They optimise the cost of capital and help to maintain adequate liquidity at all times. We refer to these subordinated bonds and other bank borrowings that serve to finance corporate acquisitions as "strategic debt."

Subordinated liabilities totalled EUR 2.7 (2.7) billion as at the reporting date. Further information can be found in the Notes to the consolidated balance sheet in the section "Notes on individual items of the consolidated balance sheet", and Note 8 "Subordinated liabilities".

The Group has two syndicated variable-rate credit lines with a nominal value of EUR 1.25 billion as at 31 March 2015. As in the previous year, these were not drawn down as at the reporting date. The existing syndicated credit lines can be terminated by the lenders if there is a change of control, i.e. if a person or persons acting in concert, other than HDI Haftpflichtverband der Deutschen Industrie V. a. G., gains direct or indirect control over more than 50% of the voting rights or share capital of Talanx AG.

In addition, as in the previous year, Talanx AG has two senior unsecured bonds with a total volume of EUR 1.25 billion – of which EUR 185 million is held by Group companies – and long-term loans (primarily mortgage loans) amounting to EUR 307 (284) million.

RISK REPORT

We see opportunity and risk management as one of our core functions. Comprehensive monitoring and rigorous management of the Group's and the divisions' risk position are key tasks at Talanx AG. The aim is to avoid developments that could jeopardise the Group's continued existence and, at the same time, to exploit opportunities that arise.

Our risk strategy is derived from our corporate strategy and formulates our risk management objectives and structures. Acceptance of risk is governed by the rules set out, and decisions made, by the Board of Management in relation to the Group's risk budget. The risk strategy is an independent set of rules that lay the foundation for Group-wide risk management. Together with value-based management, the risk strategy forms an integral component of our entrepreneurial actions and is also reflected in the detailed strategies for the various divisions.

As an international insurance and financial services group, we consciously enter into a wide range of risks that are inextricably linked with our business activities. Both our corporate strategy and our risk strategy are subject to an established review process. This re-examination of our assumptions and any necessary adjustment of our underlying strategy resulting from it are designed to ensure that our strategic guidelines are appropriate and that our actions are based on adequate information.

The Talanx Group satisfies all currently applicable regulatory solvency requirements.

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

GROUP RISK MANAGEMENT SYSTEM

Management element	Key risk management tasks
Supervisory Board	■ Advises and oversees the Board of Management in its management of the Company, including with respect to risk strategy and risk management
Board of Management	■ Overall responsibility for risk management ■ Definition of the risk strategy ■ Responsibility for proper functioning of risk management
Executive Risk Committee (ERC)	■ Manages, coordinates and prioritises Group-wide risk issues ■ Adjusts limits within fixed materiality thresholds ■ Approves guidelines and other frameworks in accordance with Group frameworks for the governance of the Group's internal model, to the extent that they do not require the approval of the Board of Management as a whole ■ Preliminary examination at cross-segment level of issues that must be submitted to the full Board of Management
Risk Committee	■ Risk monitoring and coordinating body, charged with the following key tasks: ▪ Critical examination and analysis of the risk position of the Group as a whole, with a particular focus on the risk budget approved by the Board of Management and on the risk strategy ▪ Monitoring of management measures within the Group with respect to risks that could threaten the Group's continued existence
Chief Risk Officer	■ Responsible for holistic monitoring across divisions (systematic identification and assessment, control/monitoring and reporting) of all risks that are material from a Group perspective ■ Chairman of the Risk Committee ■ Option to take part in meetings of the Board of Management when there are items on the agenda relating to risk
Central Risk Management	■ Group-wide risk monitoring function ■ Methodological expertise, including the following: ▪ Development of processes/procedures for risk assessment, management and analysis ▪ Risk limitation and reporting ▪ Overarching risk monitoring and risk capital quantification
Local Risk Management	■ Risk monitoring function in the divisions ■ Observance of the centrally defined guidelines, methods and procedures, limit systems and thresholds that serve as the framework for local implementation, monitoring and reporting
Compliance	■ Analysis of compliance risk, based on the early identification, assessment and communication of relevant changes in the legal framework ■ Establishment and enhancement of suitable structures for ensuring compliance with applicable legal norms and Group rules
Actuarial Function	■ Coordinates and comments on calculations of technical provisions ■ Ensures that the calculations and the assumptions and methods used are appropriate
Group Auditing	■ Process-independent review of the Group's functional areas

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

Further in information on risk management can be found in the 2014 Group Annual Report.

The Talanx Group's risk position can be broken down into the risk categories described below, which are based on GAS 20.

THE TALANX GROUP'S RISK POSITION

Risk category	Material risks	Key risk management measures
Underwriting risk		
	Cross-segment	
	▪ Concentration risk	▪ Risk offset by diversification
	Property/Casualty (Primary Insurance and Reinsurance)	
	▪ Actual claims experience differs from the expected claims experience (premium/loss risk) ▪ Technical provisions are insufficient to pay claims that have not yet been settled or reported (reserving risk)	▪ Claims analysis and regular review of the claims experience ▪ Actuarial modelling and monitoring of exposure to natural hazards ▪ Selective underwriting ▪ Technical audits ▪ Appropriate reinsurance cover ▪ Recognition of IBNR reserves ▪ Reserves reviewed by external actuaries
	Life/Health Primary Reinsurance	
	▪ Changes to biometric actuarial assumptions ▪ Interest guarantee risk in the case of life insurance contracts with guaranteed interest payments ▪ Lapse risks	▪ Biometric actuarial assumptions regularly reviewed ▪ Safety margins factored into actuarial assumptions ▪ Ongoing monitoring of investment portfolios and the capital markets, implementation of appropriate measures (in particular with respect to duration) ▪ Interest rate hedging instruments ▪ Adjustment of surplus participation ▪ Cost control, focus on variable sales costs ▪ Careful selection of intermediaries ▪ Systematic monitoring of MCEV ▪ Review of the structure and volume of new business
	Life/Health Reinsurance	
	▪ Changes to biometric actuarial assumptions ▪ Lapse and credit risk when prefinancing cedants' acquisition costs	▪ Use of reliable biometric actuarial assumptions ▪ Systematic monitoring of MCEV
Default risk in the insurance business		
	Cross-segment	
	▪ Default on accounts receivable from reinsurers, retrocessionaires, policyholders and insurance intermediaries	▪ Careful selection of reinsurers and retrocessionaires ▪ Ongoing monitoring of credit quality ▪ Measures to collateralise receivables ▪ Consistent and uniform use of rating information as at a specific reporting date via a rating information system accessible throughout the Group ▪ Effective dunning process and reduction of outstanding receivables ▪ Recognition of appropriate value adjustments

THE TALANX GROUP'S RISK POSITION

Risk category	Material risks	Key risk management measures
Market risk		
	Cross-segment	
	■ Potential losses due to adverse changes in market prices (interest rates, real estate, equity prices and exchange rates) ■ Losses in value due to adverse changes in debtor credit quality ■ Illiquidity risk: holdings/open positions cannot be sold/closed out, or only after a delay or at a discount	■ Monitoring and managing of market price risk using value at risk (VaR) ■ Performance of proprietary and regulatory stress tests ■ Matching currency cover ■ Analysis of assets and liabilities using ALM VaR ■ Use of ratings (rating agencies, internal ratings) when making investment decisions ■ Monitoring and managing of credit risk using credit VaR ■ Regular tracking of fund development and performance ■ Liquid asset structure ■ Regular liquidity planning
Operational risk		
	Cross-segment	
	■ Risk of losses due to the inadequacy or failure of processes, or as a result of events triggered by employee-related, systemic or external factors (including legal risk)	■ Multifaceted, cause-based risk management ■ Internal control system
Strategic risk		
	Cross-segment	
	■ Danger of an imbalance between our corporate strategy and the constantly changing general business environment	■ Corporate strategy and risk strategy are reviewed annually ■ Processes and structures are adjusted as required
Reputational risk		
	Cross-segment	
	■ Possible damage to the Company's reputation due to negative public perception	■ Defined communication channels ■ Professional corporate communications ■ Tried-and-tested processes for defined crisis scenarios ■ Established Code of Conduct
Emerging risk		
	Cross-segment	
	■ Emerging risks whose risk content is not yet reliably known and whose implications are difficult to assess	■ Early identification of risks; various countermeasures, e.g. reinsurance, diversification, risk exclusions, safety margins, emergency planning, etc.
Model risk		
	Cross-segment	
	■ Risks from inappropriate model-related decisions as a result of uncertainty due to a partial or total lack of information with regard to the understanding or knowledge of an event included in the model, its repercussions or its likelihood	■ Sensitivity analyses quantify the inherent model risk and provide an indication of the robustness of the SCR
Other risks		
	■ Talanx AG's investment risk: volatile earnings by subsidiaries and/or the investment portfolio ■ Risk of asset erosion at acquisitions	■ Appropriate tools in Controlling, Group Auditing and Risk Management ■ Segment and regional diversification ■ Investment in high-growth markets and in product and portfolio segments that stabilise earnings ■ Due diligence ■ Liquidity calculations and forecasts ■ M&A committees
	■ Possible need to establish additional reserves due to Talanx AG's pension obligations	■ Actuarial assumptions are regularly reviewed for adequacy

Risk reporting in this interim report mainly focuses on relevant changes to the risk position that have occurred since Talanx's 2014 Group Annual Report was prepared. A detailed description of the various types of risks is not provided here; these are disclosed in the annual report.

Apart from the further deterioration in the low interest rate environment and the uncertainty resulting from the Life Insurance Reform Act (LVRG), there have not been any significant changes in the risk position as compared with the annual report. No concrete risks that could jeopardise the Talanx Group's continued existence are discernible at present. However, if risks were to materialise cumulatively, this could particularly result in the need to adjust certain intangible assets and carrying amounts in the Retail Germany Division. The risk profile of this division is heavily influenced by the life insurance subsidiaries and is mainly dominated by investment risk – and especially interest rate risk and credit risk. The current capital market environment is characterised by extremely low interest rates (which have already prevailed for an extended period of time) and – as a result – very low credit spreads. This increases the challenge with respect to the division's risk position.

This could have a material adverse effect on earnings in parts of the life insurance business due to increased interest guarantee and reinvestment risk. In particular, it poses a risk to the Group's life insurers and occupational pension scheme providers, which may have to recognise additional provisions for interest payments in the HGB financial statements.

Reserves have been strengthened using the statutory additional interest reserve since 2011. Furthermore, the Group mitigates interest guarantee risk primarily through regular analysis of its assets and liabilities, by constantly monitoring its investment portfolios and the capital markets, and by taking appropriate measures. Interest rate hedging instruments such as book yield notes and forward purchases are also used to a certain extent.

Natural disaster risk also represents a significant risk for the Talanx Group. Carefully and individually selected reinsurance cover is taken out to protect against peak exposures from such risks. This enables us to effectively limit large individual losses and the impact of accumulation events and thus make it possible to plan for them.

In abstract terms at least, there is still considerable uncertainty as to whether risks associated with the sovereign debt crisis could crystallise further in future and have a lasting impact on the Talanx Group's net assets, financial position and results of operations.

In response to the financial crisis, the EU created the basis for shareholder and creditor participation in the recapitalisation of banks in need of restructuring (bail-in rules) in the form of Directive 2014/49/EU on deposit guarantee schemes (BRRD). Austria was the first member state to transpose the EU directive for banks (only) into national law with the Austrian Federal Act on the Recovery and Resolution of Banks (BaSAG). On this basis, the Austrian Financial Market Authority (FMA) imposed a payment moratorium on Heta Asset Resolution ("Heta") on 1 March 2015. However, Heta did not have a banking licence, nor had it participated in ECB stress testing as at this date. As a result, there are serious doubts as to the lawfulness of the FMA's approach for this reason alone. The move impacted net income for the period attributable to shareholders of Talanx AG by an amount in the single-digit millions of euros in the first quarter.

The Talanx Group is also exposed to operational risk. We define this as risks arising from internal processes and events triggered by employee-related, system-induced or external factors. These include operational risks in connection with our actual insurance activities and those associated with asset management activities, including unit-linked life insurance policies. It also covers legal risk, including for example data protection and antitrust law. Strategic risk and reputational risk do not fall into this risk category.

Certain types of losses, in particular in the German property insurance business, may entail substantial logistical challenges and impact insurance operations. For example, measures had to be taken at short notice to strengthen operations and cope with the pressure following the large-scale summer storms of 2014. Such short-term peak workloads also always harbour at least an abstract risk of dissatisfaction among both customers and sales partners.

Legal risk represents a significant risk for the Talanx Group in the area of life insurance in particular. Statutory reforms, e.g. in connection with IFRSs and Solvency II, are identified at an early stage in order to enable us to fulfil stricter requirements. In addition, developments in supreme court rulings in particular and changes in the law that could affect Group companies are closely monitored.

For example, on 19 December 2013, the European Court of Justice clarified a legal issue in connection with the policy model that applied to insurance contracts from 1994 to 2007. The court ruled that the statutory period that applied at the time (section 5(2) sentence 4 of the old version of the Insurance Contracts Act [VVG]) – after the expiry of which policyholders could no longer revoke the insurance policy – was incompatible with EU law (see Talanx's 2013 Group Annual Report for details). As one of the legal consequences of this ruling, the German Federal Court of Justice ruled on 7 May 2014 that life insurance policyholders can still exercise their right of objection after the expiry of the one-year period set out in section 5a(2) sentence 4 of the old version of the VVG in these cases in which insufficient information had been provided on the right of objection, or in which no consumer information or insurance terms and conditions were provided. The Federal Court of Justice confirmed this once again in principle in the ruling handed down on 17 December 2014, stating that, if there is an effective right of objection, the contract can be rescinded in accordance with the principles of the law of restitution. However, in a further ruling handed down on 16 July 2014, the Federal Court of Justice clarified that policyholders who were properly advised when they entered into contracts based on the policy model and who had performed the contract for years do not have a right of objection and therefore do not have a right of restitution either. The precise amounts that can be claimed under a legally valid objection and the number of policyholders who will invoke the ruling handed down on 7 May 2014 are unclear in many respects and are the subject of ongoing court proceedings. Due to the way in which the Group advises policyholders, however, few are expected to take advantage of this right.

In addition, the adoption of the LVRG mentioned above has brought some adverse changes for the insurance industry as well as some relief with regard to granting a share of the valuation reserves. Implementing the requirements of the LVRG is a key priority.

OUTLOOK

ECONOMIC ENVIRONMENT

The mixed performance by the global economy is set to continue in the coming quarters; the developed economies – with the USA and the UK leading the way – are likely to further reduce the growth gap to the emerging markets. The USA is on a stable growth trajectory: the real estate market, and increasingly also the labour market, are showing solid economic development.

The economic recovery in the Eurozone is likely to continue at a moderate level in the coming quarters. The decline in energy and commodities prices will boost growth in the Eurozone in 2015; however, France and Italy remain a drag on growth. Germany should benefit most from the weak euro in terms of exports, which is why we anticipate modest growth in the Eurozone, with the recovery remaining sluggish.

Growth momentum in the emerging markets has slowed recently and we believe that these countries are facing both structural and cyclical challenges. Nevertheless, growth rates are likely to remain extremely mixed in the future. Structural problems in China – including high debt levels – are likely to have an impact on the economy, with a further slowdown expected. The crisis in Russia – with the slump in oil prices and the sanctions – is a risk factor that can quickly lead to disruptions.

The divergence in economic growth between the industrialised nations and the emerging markets is increasingly leading to the decoupling of the economies in question and hence of the associated inflation and interest rate cycles. In the USA, inflation rates are likely to increase on the back of a wage-price spiral, meaning that a “return to normal” for monetary policy would seem to make sense. The ECB is expected to continue its expansionary monetary policy due to low inflation rates, high unemployment and mixed, moderate growth rates. Consequently, the deflationary trend in the Eurozone – a necessary adjustment process – is likely to continue. The slump in oil prices, which has additionally depressed prices, should strengthen the deflationary trend well into 2015.

CAPITAL MARKETS

A generally low interest rate environment is expected to continue in the medium term in view of the general environment, geopolitical risks and the clearly expansionary monetary policy being pursued by the ECB. Almost all yield curves in the EU reached new, historical lows in the first quarter of 2015; German government bonds also followed this trend. The start of the ECB's government bond-buying programme in particular had a significant impact here in the first half of March, with the trend set to continue. Depending on the data, interest rates in the USA are expected to start rising again in the middle of 2015. Legal and political pressure on rating agencies is expected to lead to very cautious rating procedures in the future – in particular in the banking sector – and in cases of doubt, to lower ratings.

The primary market is likely to see continued extremely high levels of activity in 2015. Total volumes of new issues will probably decline slightly compared with 2014. European and American shares are already highly valued and have little upside potential. However, central bank policies, coupled with investor expectations, will continue to be the main stock market drivers. Profit margins and returns on equity are very low in Europe, which is why we are expecting a catch-up process as the European economy stabilises. We anticipate that the decline of the euro against the US dollar and low commodities prices will result in economic tailwinds. Nevertheless, more attractive relative valuations for shares compared to bonds are likely to encourage a shift from the latter to the former. The end of the zero interest rate policy in the USA suggests that risk assets will see greater volatility in 2015.

ANTICIPATED FINANCIAL DEVELOPMENT OF THE GROUP

We are making the following assumptions:

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

TALANX GROUP

Based on steady exchange rates, the Talanx Group is aiming for gross premium growth of 1% to 3% in 2015, with most of this generated outside Germany. The IFRS return on investment should amount to over 3.0%. We are aiming for Group net income of at least EUR 700 million, even though we have substantially increased our calculated budget for major losses in comparison to 2014, and 2015 will be dominated by investments as part of the Retail Germany programme. It follows that we expect our return on equity to be around 9% in 2015, in line with our strategic target of 750 basis points above the average risk-free interest rate. This earnings target assumes that any major losses will be within the expected range and that there will be no disruptions on the currency and capital markets. Our express aim is to pay out 35% to 45% of Group net income as dividends.

INDUSTRIAL LINES

As our domestic market penetration is already high, the best opportunities for growth are still to be found outside Germany. For this reason, in 2015 we intend to continue our efforts to make HDI-Gerling Industrie Versicherung AG a global player. This is also reflected in its future name and legal form – from 2016 it is to be HDI Global SE. Throughout Europe, we aim to expand our industrial insurance business in the fields of local business, small and medium enterprises and international insurance programmes. Latin America, (South-)East Asia and MENA (Middle East and North Africa) remain our target regions outside Europe. Due to the continuing increase in international business in particular, we expect overall gross premium growth of 2% to 5% (adjusted for exchange rate effects). To ensure that premium growth is reflected by more than this amount in earnings, we will continue with our strategic aim of gradually raising the retention in 2015. The segment's strong capital position should probably make it possible to increase the retention ratio to significantly above 50%. Compared with the previous year, we expect that major losses will return to normal in 2015 and, as a result, that the combined ratio will be lower, at 96% to 98%. The EBIT margin should therefore increase and lie between 9% and 10% in 2015, and the return on equity should be in the region of 7%.

RETAIL GERMANY

We anticipate that gross written premiums in the Retail Germany Group segment will erode by approximately 5% in 2015, due in particular to policies maturing, what is likely to be more subdued new business as a result of the Life Insurance Reform Act (LVRG) and the persistently low interest rates in life insurance business. As a result of the changes in the law (LVRG) and persistently low interest rates, we are not providing a figure for the new business margin in 2015. Key components of the LVRG such as the reduction of the maximum technical interest rate, the recognition of the effective costs of contracts and the lowering of the maximum zillmerisation rate apply from 1 January 2015 and will have a negative overall effect on earnings. In addition, if interest rates persist in remaining extremely low, the need to write down intangible assets allocated to the segment cannot be ruled out. The combined ratio is expected to be approximately 100%, due to the investment phase of the divisional programme. Assuming that there is no further decline in interest rates, we expect an EBIT margin of 2% to 3% for 2015. As a result, the return on equity should be in the region of 3% in 2015.

RETAIL INTERNATIONAL

In the Retail International segment we are aiming for growth in gross written premiums of 4% to 8% in 2015, assuming that there are no material exchange rate fluctuations. We anticipate that growth in value of new business is likely to be between 5% and 10% in 2015 and that the combined ratio will probably be around 96%. We expect an EBIT margin of at least 5%. In addition, we expect the return on equity for 2015 to exceed 6%.

NON-LIFE REINSURANCE

Adjusted for exchange rate effects, we expect increasing premium volumes for 2015 in the Non-Life Reinsurance segment, even though we are still not making any concessions as far as our systematic underwriting approach is concerned and are continuing to reduce the share of our business where risks are not adequately priced. The high quality of our Non-Life Reinsurance portfolio is guaranteed by our selective underwriting and the focus on our existing business. In the first quarter, we underwrote several attractive, high-volume new treaties. As a result, we are now forecasting somewhat higher growth for the full year than at the end of 2014.

We are continuing to aim for an EBIT margin of at least 10% in the Non-Life Reinsurance segment. Our goal for the combined ratio is for a figure below 96%.

LIFE/HEALTH REINSURANCE

We also forecast encouraging business developments worldwide for 2015 in the Life/Health Reinsurance segment. The positive developments that we observed at the end of the past year have continued, meaning that the profitability of the business is likely to see further significant improvement.

We anticipate a continuous increase in demand for individual reinsurance solutions. The ageing population in the industrialised countries is ensuring that demand for financially oriented reinsurance solutions to protect against and cover longevity risk is continuing to rise. We expect heightened demand for capital-relief reinsurance products in financial solutions that also help to optimise solvency and the liquidity situation and are designed to suit customers' individual needs. The constantly growing urban middle class in emerging markets such as the People's Republic of China, South Africa, Brazil, India and countries in South East Asia is generating high demand for products providing financial security for families and retirement provision. We anticipate promising business potential in this segment. Adjusted for exchange rate effects, we expect organic gross premium growth for our Life/Health Reinsurance portfolio as a whole to be between 5% and 7%, and to see an increase in profit. Once again, we are expecting the value of new business (excluding non-controlling interests) in 2015 to be in excess of EUR 90 million. Our EBIT margin target for the financial solutions and the longevity business is 2%; for the mortality and morbidity business it is 6%.

REINSURANCE DIVISION OVERALL

The Talanx Group expects the return on equity for the Reinsurance Division overall to be at least 11% in 2015, in line with its strategic target of 900 basis points above the five-year average for (risk free) ten-year German government bonds.

ASSESSMENT OF FUTURE OPPORTUNITIES AND CHALLENGES

Opportunities have not changed significantly compared with the 2014 reporting period. For further information, please refer to Talanx's 2014 Group Annual Report.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET OF TALANX AG
AS AT 31 MARCH 2015

CONSOLIDATED BALANCE SHEET — ASSETS

IN EUR MILLION

	Note			31.3.2015	31.12.2014
A. Intangible assets	1				
a. Goodwill			1,242		1,090
b. Other intangible assets			1,008		1,006
				2,250	**2,096**
B. Investments					
a. Investment property			1,905		1,873
b. Shares in affiliated companies and participating interests			121		112
c. Investments in associates and joint ventures			268		262
d. Loans and receivables	2		30,539		30,553
e. Other financial instruments					
i. Held to maturity	3	2,372			2,454
ii. Available for sale	4/6	61,018			56,183
iii. At fair value through profit or loss	5/6	1,213			1,139
f. Other investments	6	4,776			3,834
Investments under own management			**102,212**		**96,410**
g. Investments under investment contracts			2,253		2,037
h. Funds withheld by ceding companies			16,045		14,432
Investments				**120,510**	**112,879**
C. Investments for the benefit of life insurance policyholders who bear the investment risk				10,613	9,426
D. Reinsurance recoverables on technical provisions				8,421	7,370
E. Accounts receivable on insurance business				7,076	5,252
F. Deferred acquisition costs				4,940	4,645
G. Cash at banks, cheques and cash-in-hand				2,705	2,145
H. Deferred tax assets				828	764
I. Other assets				3,034	2,699
J. Non-current assets and assets of disposal groups classified as held for sale[1]				123	22
Total assets				**160,500**	**147,298**

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

CONSOLIDATED BALANCE SHEET — EQUITY AND LIABILITIES

IN EUR MILLION

	Note	31.3.2015			31.12.2014
A. Equity	7				
a. Subscribed capital		316			316
Nominal value: 316 (previous year: 316) Contingent capital: 104 (previous year: 104)					
b. Reserves		8,431			7,682
Equity excluding non-controlling interests			**8,747**		**7,998**
c. Non-controlling interests			5,390		4,902
Total equity				**14,137**	**12,900**
B. Subordinated liabilities	8		2,662		2,661
C. Technical provisions	9				
a. Unearned premium reserve		8,695			6,316
b. Benefit reserve		54,270			52,679
c. Loss and loss adjustment expense reserve		40,435			37,256
d. Provision for premium refunds		5,576			4,484
e. Other technical provisions		365			374
			109,341		**101,109**
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders			10,613		9,426
E. Other provisions					
a. Provisions for pensions and other post-employment benefits		2,440			2,251
b. Provisions for taxes		852			722
c. Miscellaneous other provisions		728			735
			4,020		**3,708**
F. Liabilities					
a. Notes payable and loans	10	1,372			1,349
b. Funds withheld under reinsurance treaties		7,024			6,253
c. Other liabilities	6	8,770			7,626
			17,166		**15,228**
G. Deferred tax liabilities			2,531		2,262
H. Liabilities included in disposal groups classified as held for sale[1]			30		4
Total liabilities/provisions				**146,363**	**134,398**
Total equity and liabilities				**160,500**	**147,298**

[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 OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2015

CONSOLIDATED STATEMENT OF INCOME

IN EUR MILLION

	Note	Q1 2015	Q1 2014[1]
1. Gross written premiums including premiums from unit-linked life and annuity insurance		9,440	8,414
2. Savings elements of premiums from unit-linked life and annuity insurance		257	219
3. Ceded written premiums		1,466	1,369
4. Change in gross unearned premiums		–1,880	–1,719
5. Change in ceded unearned premiums		–530	–492
Net premiums earned	11	**6,367**	**5,599**
6. Claims and claims expenses (gross)		5,960	5,314
Reinsurers' share		611	573
Claims and claims expenses (net)	14	**5,349**	**4,741**
7. Acquisition costs and administrative expenses (gross)		1,519	1,374
Reinsurers' share		154	152
Acquisition costs and administrative expenses (net)	15	**1,365**	**1,222**
8. Other technical income		13	29
Other technical expenses		55	35
Other technical result		**–42**	**–6**
Net technical result		**–389**	**–370**
9. a. Investment income		1,119	1,031
b. Investment expenses		220	105
Net income from investments under own management	12/13	**899**	**926**
Net income from investment contracts		2	—
Net interest income from funds withheld and contract deposits		95	84
Net investment income		**996**	**1,010**
of which share of profit or loss of equity-accounted associates and joint ventures		4	4
10. a. Other income		467	228
b. Other expenses		431	314
Other income/expenses	16	**36**	**–86**
Profit before goodwill impairments		**643**	**554**
11. Goodwill impairments		—	—
Operating profit (EBIT)		**643**	**554**
12. Financing costs		46	48
13. Taxes on income		187	138
Net income		**410**	**368**
of which attributable to non-controlling interests		159	152
of which attributable to shareholders of Talanx AG		251	216
Earnings per share			
Basic earnings per share (EUR)		0.99	0.86
Diluted earnings per share (EUR)		0.99	0.86

[1] Adjusted to reflect IAS 8, see "Accounting policies", subsection "Changes in accounting policies and errors" in the Notes

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

IN EUR MILLION

	Q1 2015	Q1 2014[1]
Net income	**410**	368
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	–202	–156
Tax income (expense)	60	47
	–142	–109
Changes in policyholder participation/shadow accounting		
Gains (losses) recognised in other comprehensive income for the period	8	6
Tax income (expense)	—	—
	8	6
Total items that will not be reclassified to profit or loss, net of tax	**–134**	–103
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	1,637	950
Reclassified to profit or loss	–180	–144
Tax income (expense)	–207	–132
	1,250	674
Exchange differences on translating foreign operations		
Gains (losses) recognised in other comprehensive income for the period	643	1
Reclassified to profit or loss	—	—
Tax income (expense)	–45	–1
	598	—
Changes in policyholder participation/shadow accounting		
Gains (losses) recognised in other comprehensive income for the period	–985	–446
Tax income (expense)	27	17
	–958	–429
Changes from cash flow hedges		
Gains (losses) recognised in other comprehensive income for the period	127	95
Reclassified to profit or loss	—	—
Tax income (expense)	–8	–4
	119	91
Changes from equity method measurement		
Gains (losses) recognised in other comprehensive income for the period	1	—
Reclassified to profit or loss	—	—
Tax income (expense)	—	—
	1	—
Other changes		
Gains (losses) recognised in other comprehensive income for the period	—	—
Reclassified to profit or loss	—	—
Tax income (expense)	—	—
	—	—
Total items that may be reclassified subsequently to profit or loss, net of tax	**1,010**	336
Other comprehensive income for the period, net of tax	**876**	233
Total comprehensive income for the period	**1,286**	601
of which attributable to non-controlling interests	534	254
of which attributable to shareholders of Talanx AG	752	347

[1] Adjusted to reflect IAS 8, see "Accounting policies", subsection "Changes in accounting policies and errors" in the Notes

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHANGES IN EQUITY

IN EUR MILLION

	Subscribed capital	Capital reserves	Retained earnings
2014			
Balance at 31.12.2013	316	1,373	5,337
IAS 8 adjustments [1]	—	—	−87
Adjusted balance at 1.1.2014	316	1,373	5,250
Changes in ownership interest without a change in control	—	—	1
Other changes in basis of consolidation	—	—	—
Net income [2]	—	—	216
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 [3]	—	—	—
Total comprehensive income	—	—	216
Dividends to shareholders	—	—	—
Other changes outside profit or loss	—	—	—
Balance at 31.3.2014	316	1,373	5,467
2015			
Balance at 1.1.2015	316	1,373	5,690
Changes in ownership interest without a change in control	—	—	—
Other changes in basis of consolidation	—	—	—
Net income	—	—	251
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 [3]	—	—	—
Total comprehensive income	—	—	251
Dividends to shareholders	—	—	—
Other changes outside profit or loss	—	—	−3
Balance at 31.3.2015	316	1,373	5,938

[1] Adjusted to reflect IAS 8, see "Accounting policies", subsection "Changes in accounting policies and errors" in the Notes to our consolidated financial statements for the year ended 31 December 2014
[2] Adjusted to reflect IAS 8, see "Accounting policies", subsection "Changes in accounting policies and errors" in the Notes
[3] Other changes consist of policyholder participation/shadow accounting as well as miscellaneous other changes

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

Other reserves						
Unrealised gains/losses on investments	Currency translation gains/losses	Other changes in equity	Measurement gains/losses on cash flow hedges	Equity attributable to shareholders of Talanx AG	Non-controlling interests	Total equity
1,269	–209	–906	34	7,214	3,997	11,211
—	—	—	—	–87	—	–87
1,269	–209	–906	34	7,127	3,997	11,124
—	—	—	—	1	–1	—
—	—	—	—	—	–1	–1
—	—	—	—	216	152	368
542	–4	–490	83	131	102	233
—	—	–98	—	–98	–5	–103
—	—	–103	—	–103	–6	–109
—	—	5	—	5	1	6
542	–4	–392	83	229	107	336
542	—	—	—	542	132	674
—	–4	—	—	–4	4	—
—	—	—	83	83	8	91
—	—	—	—	—	—	—
—	—	–392	—	–392	–37	–429
542	–4	–490	83	347	254	601
—	—	—	—	—	–46	–46
—	—	—	—	—	—	—
1,811	–213	–1,396	117	7,475	4,203	11,678
3,538	–33	–3,254	368	7,998	4,902	12,900
—	—	—	—	—	—	—
—	—	—	—	—	–1	–1
—	—	—	—	251	159	410
1,065	341	–1,012	107	501	375	876
—	—	–127	—	–127	–7	–134
—	—	–134	—	–134	–8	–142
—	—	7	—	7	1	8
1,065	341	–885	107	628	382	1,010
1,065	—	—	—	1,065	185	1,250
—	341	—	—	341	257	598
—	—	—	107	107	12	119
—	—	1	—	1	—	1
—	—	–886	—	–886	–72	–958
1,065	341	–1,012	107	752	534	1,286
—	—	—	—	—	–48	–48
—	—	—	—	–3	3	—
4,603	308	–4,266	475	8,747	5,390	14,137

CONSOLIDATED CASH FLOW STATEMENT OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2015

CONSOLIDATED CASH FLOW STATEMENT

IN EUR MILLION

	Q1 2015	Q1 2014[1]
I. 1. Net income	410	368
I. 2. Changes in technical provisions	2,859	2,503
I. 3. Changes in deferred acquisition costs	–189	–132
I. 4. Changes in funds withheld and in accounts receivable and payable	–1,155	–1,188
I. 5. Changes in other receivables and liabilities as well as investments and liabilities under investment contracts	508	238
I. 6. Changes in financial assets held for trading	–28	9
I. 7. Gains/losses on disposal of investments and property, plant and equipment	–178	–210
I. 8. Other non-cash expenses and income (including income tax expense/income)	1,000	96
I. Cash flows from operating activities[2]	**3,227**	**1,684**
II. 1. Cash inflow from the sale of consolidated companies	—	1
II. 2. Cash outflow from the purchase of consolidated companies	–185	—
II. 3. Cash inflow from the sale of real estate	12	21
II. 4. Cash outflow from the purchase of real estate	–22	–93
II. 5. Cash inflow from the sale and maturity of financial instruments	5,444	7,030
II. 6. Cash outflow from the purchase of financial instruments	–5,995	–7,131
II. 7. Changes in investments for the benefit of life insurance policyholders who bear the investment risk	–1,163	–161
II. 8. Changes in other investments	–737	–664
II. 9. Cash outflows from the acquisition of tangible and intangible assets	–29	–36
II. 10. Cash inflows from the sale of tangible and intangible assets	2	6
II. Cash flows from investing activities	**–2,673**	**–1,027**
III. 1. Cash inflow from capital increases	—	—
III. 2. Cash outflow from capital reductions	—	—
III. 3. Dividends paid	–48	–46
III. 4. Net changes attributable to other financing activities	–21	–829
III. Cash flows from financing activities	**–69**	**–875**
Net change in cash and cash equivalents (I. + II. + III.)	**485**	–218
Cash and cash equivalents at the beginning of the reporting period, excluding disposal groups	**2,145**	1,863
Effect of exchange rate changes on cash and cash equivalents	**80**	1
Effect of changes in the basis of consolidation on cash and cash equivalents[3]	**—**	–4
Changes in cash and cash equivalents of disposal groups in the reporting period	**–5**	2
Cash and cash equivalents at the end of the reporting period, excluding disposal groups	**2,705**	1,644
Additional information		
Taxes paid[2]	105	94
Interest paid[4]	106	95
Dividends received[2]	22	9
Interest received[2]	1,085	947

[1] Adjusted to reflect IAS 8, see "Accounting policies", subsection "Changes in accounting policies and errors" in the Notes
[2] Income taxes paid as well as dividends and interest received are allocated to cash flows from operating activities. Dividends received also comprise dividend-equivalent distributions from investment funds and private equity companies, resulting in differences to the amounts disclosed in Note 12 "Net investment income"
[3] This item relates primarily to changes in the basis of consolidation, excluding disposals and acquisitions
[4] EUR 20 (64) million of interest paid is attributable to cash flows from financing activities and EUR 86 (31) million to cash flows from operating activities

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

I. BASIS OF PREPARATION AND APPLICATION OF IFRSS

BASIS OF PREPARATION

The consolidated quarterly financial report as at 31 March 2015 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, complies in particular with the requirements of IAS 34 "Interim Financial Reporting".

We have applied all new or amended IFRSs and the interpretations issued by the IFRS Interpretations Committee (IFRS IC, formerly the International Financial Reporting Interpretations Committee [IFRIC]) and the former Standing Interpretations Committee (SIC) effective as at 31 March 2015 (see also the disclosures in the "Application of new and revised standards/interpretations" subsection). Otherwise, the accounting policies for existing and unchanged IFRSs correspond to those applied in our consolidated financial statements as at 31 December 2014. We report changes made in justified specific cases in accordance with IAS 8 in the "Changes in accounting policies and errors" subsection of the "Accounting policies" section.

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

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

APPLICATION OF NEW AND REVISED STANDARDS/ INTERPRETATIONS

The Group applied the following new or revised IFRSs for the first time as of 1 January 2015:

The IASB issued the Annual Improvements, 2011–2013 Cycle on 12 December 2013. This affects IFRS 1, IFRS 3, IFRS 13 and IAS 40. The editorial amendments to the individual standards are designed to clarify the existing requirements. The amendments do not have any material effects on the Group.

The IASB issued IFRIC 21 "Levies" on 20 May 2013. This Interpretation provides guidance on how and in particular when to recognise liabilities for levies imposed by a government that do not fall within the scope of another standard. This Interpretation is of no practical relevance for the Group because it is merely a clarification that corresponds to our existing accounting practice.

II. ACCOUNTING POLICIES

CHANGES IN ACCOUNTING POLICIES AND ERRORS

Effective 30 June 2014, the Group retrospectively corrected accounts receivable from prior periods relating to own risk in respect of a customer relationship in the Industrial Lines segment in accordance with IAS 8.41 and restated the comparative information (see a) below or compare Group Annual Report 2014, page 185ff.).

The effects of retrospective application on the consolidated statement of income for the comparative period are shown in the following:

EFFECTS ON THE CONSOLIDATED STATEMENT OF INCOME FROM 1 JANUARY 2014 TO 31 MARCH 2014

IN EUR MILLION

	As reported 1.1.–31.3.2014	Changes due to adjustments to reflect IAS 8: Adjustment relating to a)	1.1.–31.3.2014
6. Claims and claims expenses (gross)	5,383	–69	5,314
Reinsurers' share	597	–24	573
13. Taxes on income	117	21	138
Net income	344	24	368
of which attributable to non-controlling interests	152	—	152
of which attributable to shareholders of Talanx AG	192	24	216

EFFECTS ON EARNINGS AS AT 31 MARCH 2014

IN EUR

	As reported 31.3.2014	Changes due to adjustments to reflect IAS 8: Adjustment relating to a)	31.3.2014
Basic earnings per share	0.76	0.10	0.86
Diluted earnings per share	0.76	0.10	0.86

CHANGES IN ESTIMATES DURING THE REPORTING PERIOD

Effective as of the first quarter of 2015, Hannover Rück SE extended its estimation methods to a further subportfolio. The extension covers intraperiod estimation variables from as yet unsettled reinsurance contracts and their deferral and has helped to improve estimation accuracy. It involves a change to an accounting estimate that, in accordance with IAS 8, had to be applied prospectively in the reporting period without adjusting the comparative information for previous periods. Retaining the inputs and methods used until 31 December 2014 would have reduced gross premiums by EUR 93 million, net premiums earned by EUR 33 million and operating profit by EUR 2 million in the reporting period. The effects that this adjustment would have in future periods could not be established without undue cost or effort.

CURRENCY TRANSLATION

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)	
		31.3.2015	31.12.2014	Q1 2015	Q1 2014
AUD	Australia	1,4131	1,4879	1,4474	1,5347
BRL	Brazil	3,4846	3,2324	3,2458	3,2237
CAD	Canada	1,3718	1,4131	1,4045	1,5120
CLP	Chile	675,8700	738,3400	705,7225	750,8418
CNY	China	6,6599	7,5533	7,0818	8,3861
GBP	United Kingdom	0,7266	0,7825	0,7469	0,8279
MXN	Mexico	16,4829	17,9228	17,0219	18,1241
PLN	Poland	4,0870	4,3071	4,1891	4,1865
USD	USA	1,0737	1,2155	1,1358	1,3721
ZAR	South Africa	13,1079	14,1409	13,3540	14,7868

III. SEGMENT REPORTING

IDENTIFICATION OF REPORTABLE SEGMENTS

In accordance with IFRS 8 “Operating Segments”, the reportable segments were identified in line with the Group’s internal reporting and management that the Group Board of Management uses to regularly assess the performance of the segments and decides on the allocation of resources to them. The Group classifies its business activities into the areas of Insurance and Corporate Operations. Insurance activities are further subdivided into five reportable segments. However, in view of the different product types, risks and capital allocations involved, these are classified initially into primary insurance and reinsurance.

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

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

The major products and services from which these reportable segments generate income are described in the following.

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

Retail Germany: This reportable segment manages insurance activities serving German retail and commercial customers that span the various lines of business, including our Germany-wide bancassurance business activities – i.e. insurance products sold over the counter at banks. In the area of life insurance, this segment also provides cross-border insurance services in Austria. The segment’s products range from property/casualty insurance through all lines of life insurance and occupational pension insurance, down to all-round solutions for small and medium-sized companies and self-employed professionals. The Group employs a wide range of sales channels, including its own exclusive sales organisation as well as sales through independent brokers and multiple agents, direct sales and partnerships with banks.

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

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

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

Corporate Operations: In contrast to the five operating segments, the Corporate Operations segment encompasses management and other functional activities that support the business conducted by the Group; these mainly relate to asset management and, in the primary insurance sector, the run-off and placement of portions of reinsurance cessions (Talanx Reinsurance Broker GmbH, Hannover), including intragroup reinsurance (Talanx Reinsurance Ltd., Dublin), as well as Group financing. Asset management by Ampega Investment GmbH, Cologne, for non-Group private and institutional investors is also shown in this segment. This segment also includes centralised service companies that provide specific billable services – such as IT, collection, personnel and accounting services – mainly to the Group's primary insurers based in Germany. A portion of the in-house business written by Talanx Reinsurance Ltd. and the operating profit of Talanx Reinsurance Broker GmbH are reallocated to the ceding segments in the course of segment allocation (see the "Corporate Operations" subsection in the "Development of the divisions with the Group" section of the interim Group management report).

MEASUREMENT BASES FOR THE PERFORMANCE OF THE REPORTABLE SEGMENTS

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

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

[1] See our remarks at the beginning of this section for an explanation of the difference between the segment results of the Talanx Group and the Hannover Re Group

SEGMENT REPORTING. BALANCE SHEET AS AT 31 MARCH 2015

IN EUR MILLION

Assets	Industrial Lines		Retail Germany		Retail International	
	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
A. Intangible assets						
a. Goodwill	153	153	403	403	668	518
b. Other intangible assets	14	14	587	601	209	193
	167	**167**	**990**	**1,004**	**877**	**711**
B. Investments						
a. Investment property	33	32	835	847	22	16
b. Shares in affiliated companies and participating interests	19	18	16	17	—	—
c. Investments in associates and joint ventures	130	126	51	36	—	—
d. Loans and receivables	1,537	1,564	24,942	25,113	882	861
e. Other financial instruments						
i. Held to maturity	80	79	166	170	344	358
ii. Available for sale	5,092	4,852	20,585	18,907	5,445	4,858
iii. At fair value through profit or loss	115	132	287	279	626	597
f. Other investments	665	466	1,284	857	667	681
Investments under own management	**7,671**	**7,269**	**48,166**	**46,226**	**7,986**	**7,371**
g. Investments under investment contracts	—	—	—	—	2,253	2,037
h. Funds withheld by ceding companies	21	22	20	21	—	—
Investments	**7,692**	**7,291**	**48,186**	**46,247**	**10,239**	**9,408**
C. Investments for the benefit of life insurance policyholders who bear the investment risk	—	—	9,823	8,718	790	708
D. Reinsurance recoverables on technical provisions	5,840	5,034	2,601	2,524	911	765
E. Accounts receivable on insurance business	1,808	1,214	352	315	1,042	865
F. Deferred acquisition costs	45	20	1,939	1,960	576	521
G. Cash at banks, cheques and cash-in-hand	548	324	618	661	306	302
H. Deferred tax assets	184	175	99	97	91	94
I. Other assets	587	450	1,171	1,616	556	510
J. Non-current assets and assets of disposal groups classified as held for sale[1]	—	8	83	3	45	12
Total assets	**16,871**	**14,683**	**65,862**	**63,145**	**15,433**	**13,896**

[1] For further information see “Assets held for sale and disposal groups” in the Notes

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
18	16	—	—	—	—	—	—	1,242	1,090
27	26	94	94	77	78	—	—	1,008	1,006
45	**42**	**94**	**94**	**77**	**78**	**—**	**—**	**2,250**	**2,096**
1,013	976	2	2	—	—	—	—	1,905	1,873
66	56	—	—	20	21	—	—	121	112
127	132	23	23	18	15	–81	–70	268	262
3,066	2,912	85	76	27	27	—	—	30,539	30,553
1,891	1,961	178	179	1	4	–288	–297	2,372	2,454
22,426	20,532	7,138	6,639	332	395	—	—	61,018	56,183
115	77	70	54	—	—	—	—	1,213	1,139
2,145	1,694	526	438	292	476	–803	–778	4,776	3,834
30,849	**28,340**	**8,022**	**7,411**	**690**	**938**	**–1,172**	**–1,145**	**102,212**	**96,410**
—	—	—	—	—	—	—	—	2,253	2,037
1,218	1,124	16,410	14,794	1	1	–1,625	–1,530	16,045	14,432
32,067	**29,464**	**24,432**	**22,205**	**691**	**939**	**–2,797**	**–2,675**	**120,510**	**112,879**
—	—	—	—	—	—	—	—	10,613	9,426
1,241	1,201	1,155	1,008	5	—	–3,332	–3,162	8,421	7,370
2,646	1,494	1,468	1,620	25	22	–265	–278	7,076	5,252
728	597	1,428	1,317	2	2	222	228	4,940	4,645
793	587	337	186	103	85	—	—	2,705	2,145
59	52	84	70	311	276	—	—	828	764
1,162	1,306	302	271	441	494	–1,185	–1,948	3,034	2,699
3	—	—	—	—	—	–8	–1	123	22
38,744	**34,743**	**29,300**	**26,771**	**1,655**	**1,896**	**–7,365**	**–7,836**	**160,500**	**147,298**

SEGMENT REPORTING. BALANCE SHEET AS AT 31 MARCH 2015

IN EUR MILLION

Equity and liabilities	Industrial Lines		Retail Germany		Retail International	
	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
B. Subordinated liabilities	200	200	161	161	2	2
C. Technical provisions						
a. Unearned premium reserve	1,943	1,022	1,342	937	2,086	1,799
b. Benefit reserve	—	—	38,278	37,894	3,465	3,233
c. Loss and loss adjustment expense reserve	9,664	9,148	2,898	2,883	2,507	2,347
d. Provision for premium refunds	10	8	5,298	4,245	268	231
e. Other technical provisions	39	37	9	8	9	7
	11,656	**10,215**	**47,825**	**45,967**	**8,335**	**7,617**
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders	—	—	9,823	8,718	790	708
E. Other provisions						
a. Provisions for pensions and other post-employment benefits	685	636	157	138	21	19
b. Provisions for taxes	128	107	133	104	93	98
c. Miscellaneous other provisions	85	79	218	240	98	73
	898	**822**	**508**	**482**	**212**	**190**
F. Liabilities						
a. Notes payable and loans	—	—	—	—	—	—
b. Funds withheld under reinsurance treaties	48	39	2,094	2,026	196	185
c. Other liabilities	1,779	1,274	2,177	2,232	3,324	3,011
	1,827	**1,313**	**4,271**	**4,258**	**3,520**	**3,196**
G. Deferred tax liabilities	178	174	375	328	156	136
H. Liabilities included in disposal groups classified as held for sale[1)]	—	—	—	—	39	10
Total liabilities/provisions	**14,759**	**12,724**	**62,963**	**59,914**	**13,054**	**11,859**

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
1,988	1,986	72	64	642	642	−403	−394	2,662	2,661
3,366	2,627	156	122	9	8	−207	−199	8,695	6,316
—	—	12,720	11,757	—	—	−193	−205	54,270	52,679
22,973	20,798	3,712	3,316	37	37	−1,356	−1,273	40,435	37,256
—	—	—	—	—	—	—	—	5,576	4,484
128	158	182	166	—	—	−2	−2	365	374
26,467	**23,583**	**16,770**	**15,361**	**46**	**45**	**−1,758**	**−1,679**	**109,341**	**101,109**
—	—	—	—	—	—	—	—	10,613	9,426
141	128	49	44	1,387	1,286	—	—	2,440	2,251
275	241	47	19	176	153	—	—	852	722
97	94	64	61	168	189	−2	−1	728	735
513	**463**	**160**	**124**	**1,731**	**1,628**	**−2**	**−1**	**4,020**	**3,708**
307	284	252	236	1,496	1,496	−683	−667	1,372	1,349
433	446	7,336	6,443	—	—	−3,083	−2,886	7,024	6,253
949	643	1,817	2,037	127	612	−1,403	−2,183	8,770	7,626
1,689	**1,373**	**9,405**	**8,716**	**1,623**	**2,108**	**−5,169**	**−5,736**	**17,166**	**15,228**
1,426	1,282	373	322	5	4	18	16	2,531	2,262
—	—	—	—	—	—	−9	−6	30	4
32,083	**28,687**	**26,780**	**24,587**	**4,047**	**4,427**	**−7,323**	**−7,800**	**146,363**	**134,398**

	31.3.2015	31.12.2014
Equity[2]	**14,137**	**12,900**
Total equity and liabilities	**160,500**	**147,298**

[1] For further information see “Assets held for sale and disposal groups” in the Notes
[2] Equity attributable to Group shareholders and non-controlling interests

SEGMENT REPORTING. STATEMENT OF INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2015

IN EUR MILLION

	Industrial Lines		Retail Germany		Retail International	
	Q1 2015	Q1 2014[1]	Q1 2015	Q1 2014	Q1 2015	Q1 2014
1. Gross written premiums including premiums from unit-linked life and annuity insurance	1,889	1,764	2,135	2,027	1,206	1,164
of which attributable to other segments	26	24	16	14	—	—
attributable to third parties	1,863	1,740	2,119	2,013	1,206	1,164
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	209	195	48	24
3. Ceded written premiums	937	904	85	99	135	116
4. Change in gross unearned premiums	–858	–832	–405	–458	–97	–77
5. Change in ceded unearned premiums	–424	–379	–12	–12	–34	–36
Net premiums earned	**518**	**407**	**1,448**	**1,287**	**960**	**983**
6. Claims and claims expenses (gross)	845	559	1,619	1,504	751	796
Reinsurers' share	445	262	32	39	58	49
Claims and claims expenses (net)	**400**	**297**	**1,587**	**1,465**	**693**	**747**
7. Acquisition costs and administrative expenses (gross)	198	184	286	275	261	233
Reinsurers' share	107	108	31	30	14	17
Acquisition costs and administrative expenses (net)	**91**	**76**	**255**	**245**	**247**	**216**
8. Other technical income	2	13	7	11	3	5
Other technical expenses	23	–4	5	18	15	17
of which attributable to amortisation of PVFP	—	—	—	9	2	4
Other technical result	**–21**	**17**	**2**	**–7**	**–12**	**–12**
Net technical result	**6**	**51**	**–392**	**–430**	**8**	**8**
9. a. Investment income	84	86	549	545	96	88
b. Investment expenses	31	14	100	39	19	14
Net income from investments under own management	**53**	**72**	**449**	**506**	**77**	**74**
Net income from investment contracts	—	—	—	—	2	—
Net interest income from funds withheld and contract deposits	—	—	–4	–5	—	—
Net investment income	**53**	**72**	**445**	**501**	**79**	**74**
of which attributable to interest and similar income	48	50	378	388	87	82
attributable to interest and similar expenses	—	—	4	5	12	12
impairment losses on investments	15	1	47	5	5	1
reversals of impairment losses on investments	—	—	1	2	—	—
share of profit or loss of equity-accounted associates and joint ventures	—	—	—	—	—	—
10. a. Other income	52	14	63	43	27	22
b. Other expenses	39	31	59	60	58	42
Other income/expenses	**13**	**–17**	**4**	**–17**	**–31**	**–20**
of which attributable to interest and similar income	—	—	1	—	2	3
reversals of impairment losses on accounts receivable and other assets	1	—	—	—	—	1
attributable to interest and similar expenses	3	4	1	2	2	1
impairment losses on accounts receivable and other assets	2	8	1	—	7	8
Profit before goodwill impairments	**72**	**106**	**57**	**54**	**56**	**62**
11. Goodwill impairments	—	—	—	—	—	—
Operating profit/loss (EBIT)	**72**	**106**	**57**	**54**	**56**	**62**
12. Financing costs	2	2	2	3	1	1
13. Taxes on income	23	37	19	20	14	15
Net income	**47**	**67**	**36**	**31**	**41**	**46**
of which attributable to non-controlling interests	—	—	1	2	8	7
of which attributable to shareholders of Talanx AG	47	67	35	29	33	39

[1] Adjusted to reflect IAS 8, see "Accounting policies", subsection "Changes in accounting policies and errors" in the Notes

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
Q1 2015	Q1 2014	Q1 2015	Q1 2014	Q1 2015	Q1 2014[1)]	Q1 2015	Q1 2014	Q1 2015	Q1 2014[1)]
2,617	2,108	1,783	1,517	11	15	–201	–181	9,440	8,414
111	90	37	38	11	15	–201	–181	—	—
2,506	2,018	1,746	1,479	—	—	—	—	9,440	8,414
—	—	—	—	—	—	—	—	257	219
291	186	212	236	7	8	–201	–180	1,466	1,369
–491	–324	–21	—	–1	–2	–7	–26	–1,880	–1,719
–47	–34	—	—	–5	–6	–8	–25	–530	–492
1,882	1,632	1,550	1,281	8	11	1	–2	6,367	5,599
1,404	1,177	1,536	1,331	5	6	–200	–59	5,960	5,314
73	61	195	218	—	–1	–192	–55	611	573
1,331	1,116	1,341	1,113	5	7	–8	–4	5,349	4,741
517	448	311	278	1	2	–55	–46	1,519	1,374
43	21	19	24	—	—	–60	–48	154	152
474	427	292	254	1	2	5	2	1,365	1,222
1	—	—	—	—	—	—	—	13	29
5	3	2	1	—	—	5	—	55	35
—	—	—	1	—	—	—	—	2	14
–4	–3	–2	–1	—	—	–5	—	–42	–6
73	86	–85	–87	2	2	–1	—	–389	–370
251	242	143	75	4	3	–8	–8	1,119	1,031
56	35	19	8	18	16	–23	–21	220	105
195	207	124	67	–14	–13	15	13	899	926
—	—	—	—	—	—	—	—	2	—
4	4	95	85	—	—	—	—	95	84
199	211	219	152	–14	–13	15	13	996	1,010
181	168	184	180	1	1	–10	–10	869	859
1	—	26	40	—	—	–1	–2	42	55
8	5	—	—	—	—	—	—	75	12
—	—	—	—	—	—	—	—	1	2
2	3	—	—	2	1	—	—	4	4
190	110	114	33	177	180	–156	–174	467	228
183	121	72	34	158	176	–138	–150	431	314
7	–11	42	–1	19	4	–18	–24	36	–86
1	—	5	3	2	2	–1	–1	10	7
3	4	—	—	—	—	—	—	4	5
9	3	12	10	6	11	–2	–4	31	27
10	7	3	2	1	1	—	—	24	26
279	286	176	64	7	–7	–4	–11	643	554
—	—	—	—	—	—	—	—	—	—
279	286	176	64	7	–7	–4	–11	643	554
25	28	1	1	23	20	–8	–7	46	48
78	50	48	12	4	5	1	–1	187	138
176	208	127	51	–20	–32	3	–3	410	368
89	113	61	30	—	—	—	—	159	152
87	95	66	21	–20	–32	3	–3	251	216

BREAKDOWN OF INVESTMENTS, NON-CURRENT ASSETS AND WRITTEN PREMIUMS

The tables have been simplified to show only primary insurance, reinsurance and Corporate Operations.

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

INVESTMENTS UNDER OWN MANAGEMENT BY GEOGRAPHICAL ORIGIN

IN EUR MILLION

	Primary insurance	Reinsurance	Corporate Operations	Total
31.3.2015				
Germany	21,699	7,245	211	**29,155**
United Kingdom	3,587	2,859	130	**6,576**
Central and Eastern Europe (CEE), including Turkey	3,592	347	3	**3,942**
Rest of Europe	28,099	8,976	239	**37,314**
USA	2,514	10,976	19	**13,509**
Rest of North America	208	1,596	18	**1,822**
Latin America	1,358	1,687	—	**3,045**
Asia and Australia	2,036	4,434	20	**6,490**
Africa	5	354	—	**359**
Total	**63,098**	**38,474**	**640**	**102,212**
31.12.2014				
Germany	21,436	6,313	432	**28,181**
United Kingdom	3,475	2,605	103	**6,183**
Central and Eastern Europe (CEE), including Turkey	3,393	672	4	**4,069**
Rest of Europe	26,424	8,711	281	**35,416**
USA	2,215	9,673	23	**11,911**
Rest of North America	173	1,410	18	**1,601**
Latin America	1,203	1,465	2	**2,670**
Asia and Australia	1,825	4,203	24	**6,052**
Africa	5	322	—	**327**
Total	**60,149**	**35,374**	**887**	**96,410**

[1] After elimination of intragroup cross-segment transactions. This may result in differences from the amounts disclosed in the management report

NON-CURRENT ASSETS BY GEOGRAPHICAL ORIGIN

Non-current assets largely consist of intangible assets (including goodwill) and real estate held and used/investment property.

NON-CURRENT ASSETS BY GEOGRAPHICAL ORIGIN

IN EUR MILLION

	Primary insurance	Reinsurance	Corporate Operations	Total
31.3.2015				
Germany	2,940	753	76	**3,769**
United Kingdom	—	2	—	**2**
Central and Eastern Europe (CEE), including Turkey	—	—	—	**—**
Rest of Europe	344	83	—	**427**
USA	—	374	—	**374**
Rest of North America	—	—	—	**—**
Latin America	188	—	—	**188**
Asia and Australia	—	2	—	**2**
Africa	—	9	—	**9**
Total	**3,472**	**1,223**	**76**	**4,771**
31.12.2014				
Germany	3,002	756	77	3,835
United Kingdom	—	3	—	3
Central and Eastern Europe (CEE), including Turkey	—	—	—	—
Rest of Europe	341	83	1	425
USA	—	331	—	331
Rest of North America	—	—	—	—
Latin America	32	—	—	32
Asia and Australia	—	2	—	2
Africa	—	7	—	7
Total	3,375	1,182	78	4,635

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

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

GROSS WRITTEN PREMIUMS BY GEOGRAPHICAL ORIGIN

IN EUR MILLION

	Primary insurance	Reinsurance	Corporate Operations	Total
Q1 2015				
Germany	3,110	392	—	**3,502**
United Kingdom	43	770	—	**813**
Central and Eastern Europe (CEE), including Turkey	615	81	—	**696**
Rest of Europe	790	614	—	**1,404**
USA	173	906	—	**1,079**
Rest of North America	11	192	—	**203**
Latin America	366	255	—	**621**
Asia and Australia	62	921	—	**983**
Africa	18	121	—	**139**
Total	**5,188**	**4,252**	**—**	**9,440**
Q1 2014				
Germany	2,963	365	—	3,328
United Kingdom	29	634	—	663
Central and Eastern Europe (CEE), including Turkey	550	66	—	616
Rest of Europe	882	534	—	1,416
USA	138	766	—	904
Rest of North America	7	148	—	155
Latin America	283	203	—	486
Asia and Australia	48	672	—	720
Africa	17	109	—	126
Total	**4,917**	**3,497**	**—**	**8,414**

1) After elimination of intragroup cross-segment transactions. This may result in differences from the amounts disclosed in the management report

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

GROSS WRITTEN PREMIUMS BY TYPE AND CLASS OF INSURANCE

IN EUR BILLION

	Q1 2015	Q1 2014
Property/casualty primary insurance	3,447	3,256
Life primary insurance	1,741	1,661
Non-Life Reinsurance	2,506	2,018
Life/Health Reinsurance	1,746	1,479
Total	**9,440**	**8,414**

1) After elimination of intragroup cross-segment transactions. This may result in differences from the amounts disclosed in the management report

IV. CONSOLIDATION

CONSOLIDATION PRINCIPLES

Subsidiaries are accounted for in accordance with IFRS 10. Subsidiaries are all entities that are controlled by the Group. An investee (participating interest) is controlled if the Group directly or indirectly has power over a Group company from voting rights or other rights and is thereby exposed, or has rights, to positive and negative variable returns from the Group company and has the ability to affect those returns through its power over the investee. All of these criteria must be met.

Subsidiaries are consolidated from the date on which the Group obtains control of them. They are deconsolidated from the date on which control ends.

Companies over which the Group is able to exercise significant influence are generally accounted for as associates using the equity method in accordance with IAS 28. A significant influence is presumed to exist if a company belonging to the Group directly or indirectly holds at least 20% – but no more than 50% – of the voting rights. A joint venture is an arrangement of which the Group has joint control, giving it rights to the net assets of the arrangement rather than rights to its assets and obligations for its liabilities. These entities are accounted for using the equity method in accordance with IFRS 11. Equity method accounting ends when the Group ceases to have significant influence or joint control.

For further information on consolidation principles, please refer to our disclosures in the "Consolidation" section of our 2014 Annual Report (page 215ff.).

BASIS OF CONSOLIDATION

As at the reporting date, 141 individual companies, 31 investment funds, three structured entities and four subgroups (including three foreign subgroups) were consolidated as a group (including associates) in Talanx's consolidated financial statements, and eight companies were included using the equity method.

Significant changes in the basis of consolidation compared with year-end 2014 are presented in the following.

Significant additions and disposals of consolidated subsidiaries

By way of a purchase agreement dated 17 December 2014, Inversiones HDI Limitada, Santiago, Chile (Retail International segment) acquired the Magallanes group by purchasing 99.9959% of the shares of Inversiones Magallanes S. A. effective 13 February 2015 via a tender procedure. Based on the agreements entered into, the Group has therefore recognised the acquisition as at the date of initial consolidation (13 February 2015). The Group's share of the voting rights corresponds to the shares held. The necessary approval was received from the Chilean supervisory body SVS (Superintendencia Valores y Seguros) on 9 April 2015.

The group consists of the holding company Inversiones Magallanes S. A., Santiago, Chile, and three operating insurance companies: Aseguradora Magallanes S. A., Santiago, Chile (property/casualty business), Aseguradora Magallanes de Garantía y Crédito S. A., Santiago, Chile (credit/surety business) and Aseguradora Magallanes de Vida S. A., Santiago, Chile (life insurance business). In addition, a start-up in Peru focusing on the property/casualty business – Aseguradora Magallanes del Perú S. A., Lima, Peru – was part of the transaction. Following completion of the transaction, the Group holds the following shares of the companies in the Magallanes group:

- Inversiones Magallanes S. A. – 99,9%
- Aseguradora Magallanes S. A. – 99,8%
- Aseguradora Magallanes de Garantía y Crédito S. A. – 99,8%
- Aseguradora Magallanes de Vida S. A. – 100%
- Aseguradora Magallanes del Perú S. A. – 100%

The purchase price for the Magallanes group, which was settled entirely in cash, amounted to the equivalent of EUR 193 million as at the closing rate on 13 February 2015. However, thanks to a favourable currency hedge, Talanx International AG effectively only invested EUR 180 million as a capital increase at Inversiones HDI Limitada, Chile, to acquire the Magallanes group. Inversiones HDI Limitada took a further EUR 3 million from its own funds.

The goodwill resulting from the acquisition amounts to EUR 122 million. In addition to considerable synergies and expected cross-selling effects, this also reflects the expected growth, mainly in the motor insurance business. This transaction does not result in any tax-deductible goodwill in the tax accounts (share deal). Acquisition-related costs (EUR 0,6 million) are reported in "Other income/expenses". As a result of the planned merger of the holding companies Inversiones Magallanes S. A. and Inversiones HDI Ltda.

as well as the property/casualty insurance companies Aseguradora Magallanes S.A. and HDI Seguros S.A. (for further information, see “Business development” in the section of the management report on the Retail International segment), unrealised gains from initial consolidation could also be realised for tax purposes and would then be available as tax-deductible writedowns in future periods.

The amounts recognised at the acquisition date for each main group of acquired assets and assumed liabilities and translated at the exchange rate prevailing at the acquisition date in accordance with IFRSs are presented in the following table:

ACQUIRED ASSETS AND ASSUMED LIABILITIES OF THE MAGALLANES GROUP AS AT 13 FEBRUARY 2015

IN EUR MILLION

	Acquisition-date fair value
Intangible assets	13
Investments	93
Reinsurance recoverables on technical provisions	99
Accounts receivable on insurance business [1]	150
Cash	10
Other assets	27
Total assets	**392**
Technical provisions	249
Other provisions	3
Tax liabilities/provisions	6
Other liabilities	63
of which insurance-related	54
Total liabilities	**321**
Net assets acquired	**71**

[1] Gross accounts receivable on insurance business before impairment losses amount to EUR 152 million

The amount reported for accounts receivable corresponds to their fair value. Further credit losses are not expected. The acquired intangible assets include distribution networks and customer relationships as well as brand names. No material contingent liabilities were identified that would have to be recognised under IFRS 3.23. In addition, no contingent liabilities were identified that were not recognised because their fair value could not be measured reliably. No further contingent consideration, indemnification assets or separate transactions within the meaning of IFRS 3 were recognised.

The company’s gross premiums of EUR 28 million and net income of EUR 1 million was included in the financial statements as at 31 March 2015. If the group had already been acquired as at 1 January 2015, the gross premiums and net income to be included would have amounted to EUR 52 million and EUR 3 million, respectively.

On 23 December 2014, the Group signed purchase agreements for two wind farm projects based in Toulouse, France – Ferme Eolienne du Confolentais S.A.R.L. and Ferme Eolienne du Mignaudières S.A.R.L. The acquisition was subject to conditions precedent, which were met on 10 February 2015 (acquisition date). The two companies are wind farm special purpose vehicles. TD Real Assets GmbH & Co. KG, Cologne (Retail Germany segment), indirectly acquired all the shares of Ferme Eolienne des Confolentais S.A.R.L., and HG-I Alternative Investments Beteiligungs-GmbH & Co. KG indirectly acquired all the shares of Ferme Eolienne du Mignaudières S.A.R.L. The purchase price for the companies was EUR 1 million in each case. The total assets of the companies acquired amounting to EUR 8 million in each case are largely attributable to technical equipment for the wind farms, which is financed by equity and loans. No major intangible assets or goodwill exist. No contingent liabilities, contingent considerations or separate transactions within the meaning of IFRS 3 were identified. Both companies were initially consolidated in the first quarter of 2015. The total planned investment volume amounts to approximately EUR 47 million. The legal form of both of the companies acquired was changed to that of a French general partnership (SNC) effective 10 February 2015.

Compass Insurance Company Ltd, Johannesburg, South Africa, which is part of Hannover Reinsurance Group Africa (Pty) Ltd (HRGSA), also domiciled in Johannesburg and a subgroup of the Hannover Re Group, acquired 60% of the shares of Commercial & Industrial Acceptances (Pty) Ltd, Johannesburg ("CIA"), for a purchase price amounting to the equivalent of EUR 4 million effective 1 January 2015 by way of a business acquisition achieved in stages. Lireas Holdings (Pty) Ltd, Johannesburg, a 51% subsidiary of HRGSA, already held 40% of the shares of the company, which was included in the subgroup financial statements of HRGSA using the equity method. As a result of the step acquisition, HRGSA gained control over CIA, which will now be consolidated in the subgroup financial statements of HRGSA. Goodwill amounting to the equivalent of EUR 2 million was capitalised in connection with the transaction. The fair value of contingent purchase price payments were also recognised. As part of initial consolidation, the fair values of the assets and liabilities acquired were calculated using appropriate valuation techniques and based in some cases on estimates and assumptions relating to expected future cash flows. Consequently, the business has initially been included in the financial statements on a provisional basis using the best available information. Under IFRS 3, this provisional accounting treatment must be finalised within 12 months of the acquisition date. Any resulting changes in the fair value of the assets and liabilities recognised must be treated as if the adjusted fair value as at the date of consolidation had been recognised from this date onwards. The provisional fair values of the assets and liabilities acquired in this transaction will be analysed over the course of the financial year and may need to be adjusted in some cases.

The basis of consolidation as at the reporting date comprises the following companies:

CONSOLIDATED SUBSIDIARIES

	Individual companies		Investment funds[1]		Structured entities	Subgroups[2]	
	Germany	Other countries	Germany	Other countries	Other countries	Germany/ other countries	Total
31.12.2014	79	54	15	13	3	4	168
Additions	1	7	3	1	—	—	12
Disposals	—	—	1	—	—	—	1
31.3.2015	80	61	17	14	3	4	179

[1] Not structured entities because control is exercised through voting or similar rights
[2] Including three foreign subgroups

CONSOLIDATION OF STRUCTURED ENTITIES

IFRS 10 requires relationships with structured entities to be examined to determine whether those entities must be consolidated. If voting or similar rights are not the dominant factor in deciding who controls an entity, that entity is a structured entity as defined in IFRS 12. In this respect, the Group must examine whether it controls the entity if it does not hold a majority of the voting rights. The Group controls a structured entity, for instance, if it has the power – for example as a result of contractual arrangements – to direct the entity's returns.

When evaluating relationships with structured entities and assessing whether those entities must be consolidated, we distinguish between the following six categories of transaction, in line with our disclosures in the "Consolidation" section of the 2014 Annual Report (pages 215 to 223): investments including investments in CAT bonds (ILSs), unit-linked life insurance contracts, insurance-linked securities (ILSs), retrocessions and securitisation of reinsurance risks, assumed life/health reinsurance business and "Unterstützungskassen" (provident funds).

In the case of "assumed life/health reinsurance business", the total amount of the contractually agreed capacities of the transactions as at 31 March 2015 is equivalent to EUR 3,486 (3,079) million, of which the equivalent of EUR 2,149 (1,887) million had been underwritten at the reporting date. There were no further material changes in the relationships compared with 31 December 2014 that are significant for an assessment of the net assets, financial position and results of operations.

As in the 2014 consolidated financial statements, three structured entities were consolidated at the reporting date.

EQUITY-ACCOUNTED ASSOCIATES AND JOINT VENTURES

Three German and four foreign associates (not including foreign subgroups) were accounted for using the equity method at the reporting date.

Following the dividend proposal dated 25 March 2015 by ASPECTA Assurance International AG, Vaduz, Liechtenstein, which was previously included in the consolidated financial statements using the equity method, a call option held by the majority shareholder became exercisable. As a result, Hannover Re Group lost its significant influence over the company, so that it is no longer consolidated using the equity method. The company will be reported under "Other participating interests" until the shares are returned to the majority shareholder. The call option had a fair value of EUR 4 million as at the reporting date and is reported under "Miscellaneous other liabilities".

As in the 2014 consolidated financial statements, the Magma HDI General Insurance Company Limited, Kolkata, joint venture is accounted for using the equity method.

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

HDI STRAKHUVANNYA, KIEV, UKRAINE (RETAIL INTERNATIONAL SEGMENT)

We classified HDI STRAKHUVANNYA, Kiev, Ukraine, as a disposal group in accordance with IFRS 5 as at 31 December 2014. The Retail International segment's aim in selling this company is to streamline its portfolio in Eastern Europe. The sale of the shares has now been effected at a price in the low single-digit millions of euros on 19 February 2015. 10% of the shares of the company less one share were transferred to the buyer after payment of the full purchase price. The remaining shares are to be transferred to the buyer once the transaction has received the necessary antitrust and regulatory approval. The transfer of the remaining shares will only be complete and the loss of control over the company will only occur after approval has been granted. We expect the transactions to be approved in the course of 2015. The transaction does not significantly affect the Group's earnings. Accumulated other comprehensive income of EUR –5 million resulting from the translation of the assets and liabilities belonging to the disposal group will only be realised in the course of deconsolidation. The disposal group contains assets of EUR 12 million and liabilities of EUR 3 million.

HDI ZASTRAHOVANE AD, SOFIA, BULGARIA (RETAIL INTERNATIONAL SEGMENT)

In January 2015, the Group decided to sell HDI Zastrahovane AD, Sofia, Bulgaria, (Retail International segment) together with the HDI STRKHUVANNYA, Kiev, Ukraine disposal group. The sale streamlines the Group's portfolio in Eastern Europe in the Retail International Division. The sale of the shares was agreed upon on 19 February 2015; the selling price in millions of euros was in the mid-single-figure range. 9.4% of the shares of the company less one share were already transferred to the buyer after payment of the purchase price. The remaining shares are to be transferred to the buyer once the transaction has received the necessary antitrust and regulatory approval. The transfer of the remaining shares will only be complete and the loss of control over the company will only occur after approval has been granted. We expect the transactions to be approved in the course of 2015. The transaction does not significantly affect the Group's earnings. Accumulated other comprehensive income of EUR –2 million resulting from the translation of the assets and liabilities belonging to the disposal group will not be realised until deconsolidation. The disposal group contains assets of EUR 25 million and liabilities of EUR 27 million.

REAL ESTATE

As at the reporting date, we classified real estate portfolios in the amount of EUR 86 (11) million as held for sale. Of this amount, EUR 55 (3) million was attributable to the Retail Germany segment, EUR 31 (0) million to the Non-Life Reinsurance segment and EUR 0 (8) million to the Industrial Lines segment.

The fair value of the total portfolio (corresponding to the expected selling prices) amounts to EUR 91 (11) million. Fair values were largely determined internally within the Group using discounted cash flow methods and, in individual cases, on the basis of external expert opinions. Intentions to sell depend on specific factors associated with the real estate market and the properties themselves, taking into account current and future opportunity and risk profiles. We expect these transactions to close within one year.

VI. 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

IN EUR MILLION

	31.3.2015	31.12.2014
a. Goodwill	1,242	1,090
b. Other intangible assets	1,008	1,006
of which		
Insurance-related intangible assets	752	766
Software	142	143
Other		
Acquired distribution networks and customer relationships	39	33
Other	35	32
Acquired brand names	40	32
Total	**2,250**	2,096

(2) LOANS AND RECEIVABLES

LOANS AND RECEIVABLES

IN EUR MILLION

	Amortised cost		Unrealised gains/losses		Fair value	
	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
Mortgage loans	656	696	92	72	748	768
Loans and prepayments on insurance policies	182	184	—	—	182	184
Loans and receivables due from government or quasi-governmental entities[1]	9,626	9,783	2,149	1,751	11,775	11,534
Corporate bonds	6,365	6,287	666	591	7,031	6,878
Covered bonds/asset-backed securities	13,690	13,583	3,947	3,451	17,637	17,034
Profit participation rights	20	20	4	4	24	24
Total	**30,539**	30,553	**6,858**	5,869	**37,397**	36,422

[1] Loans and receivables due from government or quasi-governmental entities include securities of EUR 2,975 (3,030) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states

The "Covered bonds/asset-backed securities" item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 13,669 (13,563) million; these correspond to 99% (99%) of the total amount.

(3) FINANCIAL ASSETS HELD TO MATURITY

FINANCIAL INSTRUMENTS HELD TO MATURITY

IN EUR MILLION

	Amortised cost		Unrealised gains/losses		Fair value	
	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
Government debt securities of EU member states	556	540	32	31	588	571
US treasury notes	293	257	2	3	295	260
Other foreign government debt securities	71	60	—	—	71	60
Debt securities issued by quasi-governmental entities [1]	445	445	18	17	463	462
Corporate bonds	316	346	7	8	323	354
Covered bonds/asset-backed securities	691	806	57	61	748	867
Total	**2,372**	**2,454**	**116**	**120**	**2,488**	**2,574**

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

The "Covered bonds/asset-backed securities" item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 691 (805) million; these correspond to 100% (99%) of the total amount.

(4) FINANCIAL ASSETS AVAILABLE FOR SALE

FINANCIAL ASSETS AVAILABLE FOR SALE

IN EUR MILLION

	Amortised cost		Unrealised gains/losses		Fair value	
	31.3.2015	31.12.2014	31.3.2015	31.12.2014	31.3.2015	31.12.2014
Fixed-income securities						
Government debt securities of EU member states	8,509	8,015	1,713	1,215	10,222	9,230
US treasury notes	3,191	2,699	57	32	3,248	2,731
Other foreign government debt securities	2,145	1,992	6	–15	2,151	1,977
Debt securities issued by quasi-governmental entities [1]	7,845	7,458	1,386	1,012	9,231	8,470
Corporate bonds	22,641	21,214	1,767	1,383	24,408	22,597
Investment funds	621	665	126	89	747	754
Covered bonds/asset-backed securities	8,258	7,916	1,009	889	9,267	8,805
Profit participation certificates	329	331	13	5	342	336
Total fixed-income securities	**53,539**	**50,290**	**6,077**	**4,610**	**59,616**	**54,900**
Variable-yield securities						
Equities	307	290	78	49	385	339
Investment funds	838	779	132	123	970	902
Profit participation certificates	46	42	1	—	47	42
Total variable-yield securities	**1,191**	**1,111**	**211**	**172**	**1,402**	**1,283**
Total securities	**54,730**	**51,401**	**6,288**	**4,782**	**61,018**	**56,183**

[1] Debt securities issued by quasi-governmental entities include securities of EUR 2,841 (2,990) million that are guaranteed by the Federal Republic of Germany, other EU states or German federal states

The "Covered bonds/asset-backed securities" item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 7,854 (7,489) million; these correspond to 85% (85%) of the total amount.

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

IN EUR MILLION

	Fair value	
	31.3.2015	31.12.2014
Fixed-income securities		
Government debt securities of EU member states	35	37
Other foreign government debt securities	73	49
Debt securities issued by quasi-governmental entities[1]	2	2
Corporate bonds	578	588
Investment funds	121	111
Covered bonds/asset-backed securities	2	—
Profit participation certificates	65	63
Other	—	—
Total fixed-income securities	**876**	**850**
Investment funds (variable-yield securities)	28	27
Other variable-yield securities	42	68
Total financial assets classified at fair value through profit or loss	**946**	**945**
Fixed-income securities		
Government debt securities of EU member states	2	—
Other foreign government debt securities	3	2
Corporate bonds	5	4
Other securities	—	—
Total fixed-income securities	**10**	**6**
Investment funds (variable-yield securities)	125	108
Derivatives	132	80
Total financial assets held for trading	**267**	**194**
Total	**1,213**	**1,139**

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

As in the prior year, "Covered bonds/asset-backed securities" item does not include any German covered bonds (Pfandbriefe).

(6) DISCLOSURES ON FAIR VALUE AND THE FAIR VALUE HIERARCHY

FAIR VALUE HIERARCHY

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

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

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

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

BREAKDOWN OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

At the reporting date, the share of Level 1 financial instruments in the total portfolio of financial assets measured at fair value was 6% (6%).

In total, 90% (90%) of financial instruments measured at fair value were allocated to Level 2 at the reporting date.

At the reporting date, the Group allocated 4% (4%) of financial instruments measured at fair value to Level 3.

In the reporting period, there were no significant transfers of securities out of Level 1 and into Level 2 or vice versa.

FAIR VALUE HIERARCHY

IN EUR MILLION

	Level 1	Level 2	Level 3 [1]	Carrying amount
				31.3.2015
Financial assets measured at fair value				
Financial assets available for sale				
Fixed-income securities	84	59,532	—	**59,616**
Variable-yield securities	609	87	706	**1,402**
Financial assets at fair value through profit or loss				
Financial assets classified at fair value through profit or loss	64	837	45	**946**
Financial assets held for trading	140	119	8	**267**
Other investments	2,783	58	1,827	**4,668**
Other assets, derivative financial instruments (hedging instruments)	—	350	—	**350**
Investment contracts				
Financial assets classified at fair value through profit or loss	359	653	193	**1,205**
Financial assets available for sale	—	26	—	**26**
Derivatives	—	64	6	**70**
Total financial assets measured at fair value	**4,039**	**61,726**	**2,785**	**68,550**
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	—	151	212	**363**
Negative fair values from hedging instruments	—	—	—	**—**
Other liabilities (investment contracts)				
Financial liabilities classified at fair value through profit or loss	423	643	193	**1,259**
Derivatives	—	62	6	**68**
Notional amount	**423**	**856**	**411**	**1,690**
				31.12.2014
Financial assets measured at fair value				
Financial assets available for sale				
Fixed-income securities	77	54,823	—	54,900
Variable-yield securities	561	65	657	1,283
Financial assets at fair value through profit or loss				
Financial assets classified at fair value through profit or loss	94	814	37	945
Financial assets held for trading	119	69	6	194
Other investments	2,000	41	1,662	3,703
Other assets, derivative financial instruments (hedging instruments)	—	304	—	304
Investment contracts				
Financial assets classified at fair value through profit or loss	326	543	158	1,027
Financial assets available for sale	—	24	—	24
Derivatives	—	56	5	61
Total financial assets measured at fair value	3,177	56,739	2,525	62,441
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	—	111	189	300
Negative fair values from hedging instruments	—	—	—	—
Other liabilities (investment contracts)				
Financial liabilities classified at fair value through profit or loss	385	537	158	1,080
Derivatives	—	55	5	60
Notional amount	385	703	352	1,440

[1] Categorisation in Level 3 does not represent any indication of quality. No conclusions may be drawn as to the credit quality of the issuers

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

The following table shows a reconciliation of the financial instruments (abbreviated in the following to "FI") included in Level 3 at the beginning of the reporting period to the carrying amounts as at the reporting date.

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

IN EUR MILLION

	Available For sale FI/ variable-yield securities	FI classified at fair value through profit or loss	FI held for trading	Other investments	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/ derivatives	**Total amount of financial assets measured at fair value**
2015							
Opening balance at 1.1.2015	**657**	**37**	**6**	**1,662**	**158**	**5**	**2,525**
Income and expenses							
recognised in the statement of income	–8	1	2	8	26	2	**31**
recognised in other comprehensive income	–6	—	—	–17	—	—	**–23**
Transfers into Level 3	—	—	—	—	—	—	**—**
Transfers out of Level 3	—	—	—	—	—	—	**—**
Additions							
Purchases	85	9	—	121	7	1	**223**
Disposals							
Sales	46	2	—	61	7	2	**118**
Repayments/redemptions	—	—	—	—	—	—	**—**
Exchange rate changes	24	—	—	114	9	—	**147**
Ending balance at 31.3.2015	**706**	**45**	**8**	**1,827**	**193**	**6**	**2,785**
2014							
Opening balance at 1.1.2014	523	24	2	1,265	89	10	1,913
Change in basis of consolidation	—	—	—	—	—	—	—
Income and expenses							
recognised in the statement of income	–1	—	—	1	9	1	10
recognised in other comprehensive income	7	—	—	25	—	—	32
Transfers into Level 3	3[2]	—	—	—	—	—	3
Transfers out of Level 3	—	—	—	—	—	—	—
Additions							
Purchases	19	—	2	63	7	2	93
Disposals							
Sales	12	1	—	30	4	3	50
Repayments/redemptions	—	6	—	—	—	—	6
Exchange rate changes	—	—	—	–1	–1	—	–2
Ending balance at 31.3.2014	539	17	4	1,323	100	10	1,993

[1] The term "financial instruments" is abbreviated to "FI" in the following
[2] Trading in an active market discontinued

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

IN EUR MILLION

	Other liabilities/negative fair values from derivatives	Investment contracts/ FI classified at fair value through profit or loss	Investment contracts/ derivatives	**Total amount of financial liabilities measured at fair value**
2015				
Opening balance at 1.1.2015	**189**	**158**	**5**	**352**
Income and expenses				
recognised in the statement of income	–1	–26	–2	**–29**
recognised in other comprehensive income	—	—	—	**—**
Transfers into Level 3	—	—	—	**—**
Transfers out of Level 3	—	—	—	**—**
Additions				
Purchases	37	6	1	**44**
Disposals				
Sales	36	6	2	**44**
Exchange rate changes	21	9	—	**30**
Ending balance at 31.3.2015	**212**	**193**	**6**	**411**
2014				
Opening balance at 1.1.2014	117	89	10	216
Income and expenses				
recognised in the statement of income	4	–9	–1	–6
recognised in other comprehensive income	—	—	—	—
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Additions				
Purchases	—	7	2	9
Disposals				
Sales	—	4	3	7
Exchange rate changes	—	–1	—	–1
Ending balance at 31.3.2014	113	100	10	223

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

There were no liabilities issued with an inseparable third-party credit enhancement within the meaning of IFRS 13.98 as at the reporting date.

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 INSTRUMENTS[1] (FINANCIAL ASSETS) MEASURED AT FAIR VALUE

IN EUR MILLION

	Available for sale FI/ variable-yield securities	FI classified at fair value through profit or loss	FI held for trading	Other investments	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/ derivatives	**Total amount of financial assets measured at fair value**
2015							
Gains and losses in financial year 2015 until 31.3.2015							
Investment income	—	3	3	9	37	3	**55**
Investment expenses	–8	–2	–1	–1	–11	–1	**–24**
of which attributable to financial instruments included in the portfolio as at 31.3.2015							
Investment income[2]	—	2	3	9	36	3	**53**
Investment expenses[3]	–5	–2	–1	–1	–11	–1	**–21**
2014							
Gains and losses in financial year 2014 until 31.3.2014							
Investment income	—	1	1	2	16	3	23
Investment expenses	–1	–1	–1	–1	–7	–2	–13
of which attributable to financial instruments included in the portfolio as at 31.3.2014							
Investment income	—	1	1	2	15	3	22
Investment expenses	–1	–1	–1	–1	–7	–2	–13

[1] The term "financial instruments" is abbreviated to "FI" in the following
[2] Of which EUR 52 (22) million attributable to unrealised gains
[3] Of which EUR –14 (–10) million attributable to unrealised losses

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

IN EUR MILLION

	Other liabilities/negative fair values from derivatives	Investment contracts/ FI classified at fair value through profit or loss	Investment contracts/ derivatives	Total amount of financial liabilities measured at fair value
2015				
Gains and losses in financial year 2015 until 31.3.2015				
Investment income	—	11	1	**12**
Investment expenses	—	–37	–3	**–40**
Financing costs	–1	—	—	**–1**
of which attributable to financial instruments included in the portfolio as at 31.3.2015				
Investment income[2]	—	11	1	**12**
Investment expenses[3]	—	–37	–3	**–40**
Financing costs[4]	–1	—	—	**–1**
2014				
Gains and losses in financial year 2014 until 31.3.3014				
Investment income	5	7	2	14
Investment expenses	—	–16	–3	–19
Financing costs	–1	—	—	–1
of which attributable to financial instruments included in the portfolio as at 31.3.2014				
Investment income	5	7	2	14
Investment expenses	—	–16	–3	–19
Financing costs	–1	—	—	–1

[1] The term “financial instruments” is abbreviated to “FI” in the following
[2] Of which EUR 12 (13) million attributable to unrealised gains
[3] Of which EUR –40 (–13) million attributable to unrealised losses
[4] Of which EUR –1 (–1) million attributable to unrealised losses

MEASUREMENT PROCESS

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

We do not make use of the portfolio measurement option allowed by IFRS 13.48.

Fair value measurement: As a general rule, fair value is the price that the Group would receive on the sale of an asset or pay on the transfer of a liability in an orderly transaction between market participants at the measurement date. The fair value of securities is therefore generally determined on the basis of current, publicly available, unadjusted market prices. Where prices are quoted on markets for financial instruments, the bid price is used. Financial liabilities are measured at the ask price. Securities for which no current market price is available are measured on the basis of current and observable market data using established financial models. Such models are used principally to measure unlisted securities.

The Group uses several valuation models to measure fair value:

VALUATION MODELS USED TO MEASURE FAIR VALUE

Financial instrument	Pricing method	Inputs	Pricing model
Fixed-income securities			
Unlisted plain vanilla bonds	Theoretical price	Yield curve	Present value method
Unlisted structured bonds	Theoretical price	Yield curve, volatility surfaces, correlations	Hull-White, Black-Karasinski, Libor market model, etc.
ABSs/MBSs for which no market prices are available	Theoretical price	Prepayment speed, incurred losses, default probabilities, recovery rates	Present value method
CDOs/CLOs	Theoretical price	Prepayment speed, risk premiums, default rates, recovery rates, redemptions	Present value method
Equities and funds			
Unlisted equities	Theoretical price	Cost, cash flows, EBIT multiples, expert opinions, carrying amount where applicable	NAV method[1]
Unlisted equity, real estate and bond funds	Theoretical price	Audited net asset value (NAV)[1]	NAV method[1]
Other investments			
Private equity funds/private equity real estate funds	Theoretical price	Audited net asset value (NAV)[1]	NAV method[1]
Derivative financial instruments			
Listed equity options	Listed price	—	—
Equity and index futures	Listed price	—	—
Interest rate and bond futures	Listed price	—	—
Plain vanilla interest rate swaps	Theoretical price	Yield curve	Present value method
Currency forwards	Theoretical price	Yield curve, spot and forward rates	Interest parity model
OTC equity options, OTC equity index options	Theoretical price	Listed price of the underlying, implied volatilities, money market rate, dividend yield	Black-Scholes
FX options	Theoretical price	Spot rates, exchange rates, implied volatilities	Garman/Kohlhagen
Interest rate futures (forward purchases)	Theoretical price	Yield curve	Present value method
Inflation swaps	Theoretical price	Inflation swap rates (Consumer price index), historical index fixings, yield curve	Present value method with seasonality adjustment
Swaptions	Theoretical price	Yield curve, implied volatilities	Black76
Credit default swaps	Theoretical price	Yield curves, recovery rates	ISDA model
Insurance derivatives	Theoretical price	Fair values of CAT bonds, yield curve	Present value method
Other			
Real estate	Theoretical value	Location, year of construction, rental space, type of use, term of leases, amount of rent	Extended discounted cash flow method

[1] NAV: net asset value

ADDITIONAL INFORMATION ABOUT THE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS

IN EUR MILLION

	Fair value at 31.3.2015	Fair value at 31.12.2014	Valuation technique	Unobservable inputs	Fluctuation (weighted average)
CDOs/CLOs[1]	35	27	Present value method	Prepayment speed, risk premiums, default rates, recovery rates,redemptions	n. a.[4]
Unlisted equities, real estate and bond funds[2]	771	706	NAV method[3]	n. a.	n. a.
Private equity funds/private equity real estate funds[2]	1,619	1,485	NAV method[3]	n. a.	n. a.
Written put options for minority interests[2]	56	52	Discounted NAV[3]	Risk-free interest rate	5.6% (5.6%)
Unlisted bond funds[2]	31	33	NAV method[3]	n. a.	n. a.
Insurance contracts[1]	286	248	Present value method	Fair values of CAT bonds, yield curve, technical parameters	n. a.[4]
Investment contracts	398	326	—	—	—

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

If Level 3 financial instruments are measured using models in which the use of reasonable alternative inputs leads to a material change in fair value, IFRS 7 requires disclosure of the effects of these alternative assumptions. Of the Level 3 financial instruments with fair values amounting to a total of EUR 3.2 (2.9) billion at the reporting date, the Group generally measured financial instruments with a volume of EUR 2.5 (2.3) billion using the net asset value method, under which alternative inputs within the meaning of the standard cannot reasonably be established. In addition, assets from investment contracts in the amount of EUR 199 (163) million are offset by liabilities from investment contracts in the same amount. Since assets and liabilities completely offset each other and trend similarly in value, we have elected to dispense with a scenario analysis. Insurance contracts in the amount of EUR 286 (248) million are recognised in Level 3. The change in the value of these contracts depends on the change in the risk characteristics of an underlying group of primary insurance contracts with statutory reserve requirements. The use of alternative inputs and assumptions had no material effect on the consolidated financial statements. For the remaining Level 3 financial instruments with a volume of EUR 35 (27) million, the effects of alternative inputs and assumptions are immaterial.

(7) EQUITY

SUBSCRIBED CAPITAL

The share capital of Talanx AG is unchanged at EUR 316 million and is composed of 252,797,634 no-par value registered shares. The share capital is fully paid up. For information on the composition of equity, see the "Consolidated statement of changes in equity".

There were no changes in the reporting period in the composition of contingent and authorised capital. Please see the disclosures in our 2014 consolidated financial statements (page 255ff.).

NON-CONTROLLING INTERESTS

NON-CONTROLLING INTERESTS IN EQUITY

IN EUR MILLION

	31.3.2015	31.12.2014
Unrealised gains and losses on investments	1,076	890
Share of net income	159	599
Other equity	4,155	3,413
Total	**5,390**	**4,902**

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

(8) SUBORDINATED LIABILITIES

COMPOSITION OF LONG-TERM SUBORDINATED DEBT

IN EUR MILLION

	Nominal amount	Coupon	Maturity	Rating[5]	31.3.2015	31.12.2014
Hannover Finance (Luxembourg) S. A.	500	Fixed (5%), then floating rate	2005/no final maturity	(a; A)	499	498
Hannover Finance (Luxembourg) S. A.	500	Fixed (5.75%), then floating rate	2010/2040	(a+; A)	498	498
Hannover Finance (Luxembourg) S. A.	500	Fixed (5.0%), then floating rate	2012/2043	(a+; A)	497	497
Hannover Rück SE[1]	450	Fixed (3.375%), then floating rate	2014/no final maturity	(a; A)	444	444
HDI Lebensversicherung AG (formerly HDI-Gerling Lebensversicherung AG)[2]	110	Fixed (6.75%)	2005/no final maturity	(—; A–)	110	110
Talanx Finanz[3]	113	Fixed (4.5%)	2005/2025	(bbb+; BBB)	112	112
Talanx Finanz	500	Fixed (8.37%), then floating rate	2012/2042	(bbb+; BBB)	500	500
Open Life Towarzystwo Ubezpieczeń Życie S. A.[4]	2	Fixed (2.5%), plus WIBOR 3M	2013/2018	(—; —)	2	2
Total					**2,662**	**2,661**

[1] At the reporting date, Group companies additionally held bonds with a nominal value of EUR 50 million (consolidated in the consolidated financial statements)
[2] At the reporting date, Group companies additionally held bonds with a nominal value of EUR 50 million (of which EUR 10 million is consolidated in the consolidated financial statements, with the remaining EUR 40 million being blocked)
[3] At the reporting date, Group companies additionally held bonds with a nominal value of EUR 96 million (consolidated in the consolidated financial statements)
[4] Not included in the calculation of Group solvency
[5] (Debt rating A. M. Best; debt rating S&P)

For additional information on the features of the bonds, please refer to the published 2014 Annual Report, page 258.

The fair value of the subordinated liabilities amounted to EUR 3,099 (3,023) million at the reporting date.

(9) TECHNICAL PROVISIONS

TECHNICAL PROVISIONS

IN EUR MILLION

	Gross	Re	Net	Gross	Re	Net
	31.3.2015			31.12.2014		
a. Unearned premium reserve	8,695	1,276	7,419	6,316	662	5,654
b. Benefit reserve	54,270	1,277	52,993	52,679	1,185	51,494
c. Loss and loss adjustment expense reserve	40,435	5,554	34,881	37,256	5,222	32,034
d. Provision for premium refunds	5,576	2	5,574	4,484	1	4,483
e. Other technical provisions	365	8	357	374	7	367
Total	**109,341**	**8,117**	**101,224**	**101,109**	**7,077**	**94,032**

Technical provisions where the investment risk is borne by the policyholders amounted to EUR 10,613 (9,426) million; the reinsurers' share of this total amounts to EUR 304 (293) million.

(10) NOTES PAYABLE AND LOANS

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

NOTES PAYABLE AND LOANS

IN EUR MILLION

	31.3.2015	31.12.2014
Talanx AG notes payable	1,065	1,065
Mortgage loans of Hannover Re Real Estate Holdings, Inc., Orlando	206	183
Mortgage loans of HR GLL Central Europe GmbH & Co. KG, Munich	101	101
Total	**1,372**	**1,349**

Talanx AG entered into agreements on two syndicated, variable-rate credit lines with a total nominal value of EUR 1.2 billion and a term of five years in 2011, which were supplemented in 2012. One of these two credit lines from 2011 (EUR 500 million) was replaced in the first quarter of 2014 by a new credit line, again with a term of five years, at improved terms and with an increased volume of EUR 550 million. This means that there were credit lines with a total nominal value of EUR 1.25 billion as at 31 March 2015. They had not been drawn down at the reporting date.

The fair value of notes payable and loans amounted to EUR 1,486 (1,447) million at the reporting date.

NOTES PAYABLE

IN EUR MILLION

	Nominal amount	Coupon	Maturity	Rating[1]	Issue	31.3.2015	31.12.2014
Talanx AG[2]	565	Fixed (3,125 %)	2013/2023	(—; A–)	These senior unsecured bonds have a fixed term and may only be called for extraordinary reasons	565	565
Talanx AG	500	Fixed (2,5 %)	2014/2026	(—; A–)	These senior unsecured bonds have a fixed term and may only be called for extraordinary reasons	500	500
Total						**1,065**	**1,065**

[1] (Debt rating A. M. Best; debt rating S&P)
[2] At the reporting date, Group companies additionally held bonds with a nominal value of EUR 185 million

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

(11) NET PREMIUMS EARNED

Gross premiums written include the savings elements of premiums for unit-linked life and annuity insurance. These savings elements are eliminated from net premiums earned.

NET PREMIUMS EARNED

IN EUR MILLION

	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Q1 2015 [1]							
Gross written premiums, including premiums from unit-linked life and annuity insurance	1,863	2,119	1,206	2,505	1,747	—	**9,440**
Savings elements of premiums from unit-linked life and annuity insurance	—	209	48	—	—	—	**257**
Ceded written premiums	836	48	92	287	197	6	**1,466**
Change in gross unearned premiums	–847	–406	–97	–509	–21	—	**–1,880**
Change in ceded unearned premiums	–442	–15	–22	–46	—	–5	**–530**
Net premiums earned	**622**	**1,471**	**991**	**1,755**	**1,529**	**–1**	**6,367**
Q1 2014 [1]							
Gross written premiums, including premiums from unit-linked life and annuity insurance	1,740	2,013	1,164	2,018	1,479	—	8,414
Savings elements of premiums from unit-linked life and annuity insurance	—	196	23	—	—	—	219
Ceded written premiums	823	61	72	184	222	7	1,369
Change in gross unearned premiums	–820	–458	–78	–364	1	—	–1,719
Change in ceded unearned premiums	–418	–14	–21	–34	—	–5	–492
Net premiums earned	515	1,312	1,012	1,504	1,258	–2	5,599

[1] After elimination of intragroup cross-segment transactions

(12) NET INVESTMENT INCOME

NET INVESTMENT INCOME IN THE REPORTING PERIOD

IN EUR MILLION

	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Q1 2015[1]							
Income from real estate	1	16	—	31	—	—	**48**
Dividends[2]	1	1	—	2	—	3	**7**
Current interest income	47	373	73	173	63	—	**729**
Other income	7	8	—	3	41	—	**59**
Ordinary investment income	**56**	**398**	**73**	**209**	**104**	**3**	**843**
Income from reversal of impairment losses	—	1	—	—	—	—	**1**
Realised gains on disposal of investments	21	143	12	38	22	—	**236**
Unrealised gains on investments	8	3	11	—	17	—	**39**
Investment income	**85**	**545**	**96**	**247**	**143**	**3**	**1,119**
Realised losses on disposal of investments	13	27	4	6	9	—	**59**
Unrealised losses on investments	—	2	5	22	6	—	**35**
Total	**13**	**29**	**9**	**28**	**15**	**—**	**94**
Depreciation of/impairment losses on investment property							
Depreciation	—	3	—	5	—	—	**8**
Impairment losses	1	—	—	—	—	—	**1**
Impairment losses on equity securities	—	—	5	—	—	—	**5**
Impairment losses on fixed-income securities	14	40	—	2	—	—	**56**
Impairment losses on other investments	—	4	—	1	—	—	**5**
Investment management expenses	2	5	2	5	1	18	**33**
Other expenses	1	7	2	7	1	—	**18**
Other investment expenses/impairment losses	**18**	**59**	**9**	**20**	**2**	**18**	**126**
Investment expenses	**31**	**88**	**18**	**48**	**17**	**18**	**220**
Net income from investments under own management	**54**	**457**	**78**	**199**	**126**	**–15**	**899**
Net income from investment contracts	**—**	**—**	**2**	**—**	**—**	**—**	**2**
Interest income from funds withheld and contract deposits	—	—	—	5	120	—	**125**
Interest expense from funds withheld and contract deposits	—	3	—	1	26	—	**30**
Net interest income from funds withheld and contract deposits	**—**	**–3**	**—**	**4**	**94**	**—**	**95**
Net investment income	**54**	**454**	**80**	**203**	**220**	**–15**	**996**

[1] After elimination of intragroup cross-segment transactions
[2] Income from investments in associates and joint ventures amounted to EUR 4 million and is reported in “Dividends”

NET INVESTMENT INCOME IN THE PREVIOUS PERIOD

IN EUR MILLION

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

[1] After elimination of intragroup cross-segment transactions
[2] Income from investments in associates and joint ventures amounted to EUR 4 million and is reported in "Dividends"

Of the impairment losses totalling EUR 67 (4) million, EUR 56 (0) million was attributable to fixed-income securities, EUR 5 (1) million to equities and EUR 4 (2) million to real estate funds. Reversals of impairment losses on investments that had been written down in previous periods amounted to EUR 1 (2) million.

We recognise a derivative (Life/Health Reinsurance segment) for the credit risk associated with special life reinsurance contracts (ModCo) under which securities accounts are held by cedants in our name. Changes in the value of this derivative in the reporting period resulted in positive changes in fair value amounting to EUR 0 (2) million, which are recognised in profit or loss. The inflation swaps (Non-Life Reinsurance Segment) we entered into in 2010 to hedge a portion of the inflation risk exposure of our technical loss reserves resulted in changes in fair value of EUR –15 (1) million in the year to date, which are recognised in profit or loss. In accordance with IAS 39, these changes in fair value attributable to derivatives are recognised in profit or loss. In economic terms, we expect that the changes in these two exposures will be neutral, with the result that no conclusions about actual business performance can be drawn from any volatility occurring in individual quarters.

(13) NET INVESTMENT INCOME BY ASSET CLASS

NET INVESTMENT INCOME BY ASSET CLASS

IN EUR MILLION

	Q1 2015	Q1 2014
Shares in affiliated companies and participating interests	—	—
Loans and receivables	246	381
Financial instruments held to maturity	24	29
Financial assets available for sale		
Fixed-income securities	557	473
Variable-yield securities	17	17
Financial assets at fair value through profit or loss		
Financial assets classified at fair value through profit or loss		
Fixed-income securities	19	21
Variable-yield securities	7	1
Financial assets held for trading		
Fixed-income securities	—	—
Variable-yield securities	1	1
Derivatives	–12	3
Other investments, insofar as they are financial assets	30	13
Other [1]	61	42
Total investments under own management	**950**	**981**
Investment contracts: investments/liabilities [2]	2	—
Funds withheld by ceding companies/funds withheld under reinsurance treaties	95	84
Total	**1,047**	**1,065**

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

[2] Includes income and expenses (net) from the management of investment contracts amounting to EUR 1 million. Financial instruments (assets/liabilities) at fair value through profit or loss account for income of EUR 63 million and expenses of EUR 52 million, while loans and receivables and other liabilities account for income of EUR 4 million and expenses of EUR 11 million. In addition, expenses include amortisation of PVFP amounting to EUR –3 million

Including investment management expenses of EUR 33 (29) million and other expenses of EUR 18 (26) million, net investment income at the reporting date totalled EUR 996 (1,010) million.

(14) CLAIMS AND CLAIMS EXPENSES

CLAIMS AND CLAIMS EXPENSES

IN EUR MILLION

	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Q1 2015[1]							
Gross							
Claims and claims expenses paid	661	842	565	735	1,383	—	**4,186**
Change in loss and loss adjustment expense reserve	170	15	31	508	150	—	**874**
Change in benefit reserve	—	402	156	—	–9	—	**549**
Expenses for premium refunds	3	349	–1	—	—	—	**351**
Total	**834**	**1,608**	**751**	**1,243**	**1,524**	**—**	**5,960**
Reinsurers' share							
Claims and claims expenses paid	169	41	43	141	144	—	**538**
Change in loss and loss adjustment expense reserve	128	3	2	–75	9	—	**67**
Change in benefit reserve	—	–22	–2	—	30	—	**6**
Expenses for premium refunds	—	—	—	—	—	—	**—**
Total	**297**	**22**	**43**	**66**	**183**	**—**	**611**
Net							
Claims and claims expenses paid	492	801	522	594	1,239	—	**3,648**
Change in loss and loss adjustment expense reserve	42	12	29	583	141	—	**807**
Change in benefit reserve	—	424	158	—	–39	—	**543**
Expenses for premium refunds	3	349	–1	—	—	—	**351**
Total	**537**	**1,586**	**708**	**1,177**	**1,341**	**—**	**5,349**

[1] After elimination of intragroup cross-segment transactions

CLAIMS AND CLAIMS EXPENSES

IN EUR MILLION

	Industrial Lines[2]	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Q1 2014[1), 2)]							
Gross							
Claims and claims expenses paid	597	978	457	715	1,117	—	**3,864**
Change in loss and loss adjustment expense reserve	–46	–27	56	437	117	—	**537**
Change in benefit reserve	—	287	283	—	87	—	**657**
Expenses for premium refunds	1	255	—	—	—	—	**256**
Total	**552**	**1,493**	**796**	**1,152**	**1,321**	**—**	**5,314**
Reinsurers' share							
Claims and claims expenses paid	208	36	21	205	143	—	**613**
Change in loss and loss adjustment expense reserve	25	–6	20	–146	28	–1	**–80**
Change in benefit reserve	—	4	–1	—	36	—	**39**
Expenses for premium refunds	—	—	1	—	—	—	**1**
Total	**233**	**34**	**41**	**59**	**207**	**–1**	**573**
Net							
Claims and claims expenses paid	389	942	436	510	974	—	**3,251**
Change in loss and loss adjustment expense reserve	–71	–21	36	583	89	1	**617**
Change in benefit reserve	—	283	284	—	51	—	**618**
Expenses for premium refunds	1	255	–1	—	—	—	**255**
Total	**319**	**1,459**	**755**	**1,093**	**1,114**	**1**	**4,741**

1) After elimination of intragroup cross-segment transactions
2) Adjusted to reflect IAS 8, see "Accounting policies", subsection "Changes in accounting policies and errors" in the Notes

(15) ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES

ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES

IN EUR MILLION

	Industrial Lines	Retail Germany	Retail International	Non-Life Reinsurance	Life/Health Reinsurance	Corporate Operations	Total
Q1 2015 [1]							
Gross							
Acquisition costs and reinsurance commissions	199	262	256	514	242	—	**1,473**
Changes in deferred acquisition costs and in provisions for commissions	–70	–46	–43	–83	1	—	**–241**
Total acquisition costs	**129**	**216**	**213**	**431**	**243**	**—**	**1,232**
Administrative expenses	68	69	48	53	49	—	**287**
Total acquisition costs and administrative expenses	**197**	**285**	**261**	**484**	**292**	**—**	**1,519**
Reinsurers' share							
Acquisition costs and reinsurance commissions	128	4	13	48	13	—	**206**
Changes in deferred acquisition costs and in provisions for commissions	–51	4	–4	–6	5	—	**–52**
Total acquisition costs	**77**	**8**	**9**	**42**	**18**	**—**	**154**
Net							
Acquisition costs and reinsurance commissions	71	258	243	466	229	—	**1,267**
Changes in deferred acquisition costs and in provisions for commissions	–19	–50	–39	–77	–4	—	**–189**
Total acquisition costs	**52**	**208**	**204**	**389**	**225**	**—**	**1,078**
Administrative expenses	68	69	48	53	49	—	**287**
Total acquisition costs and administrative expenses	**120**	**277**	**252**	**442**	**274**	**—**	**1,365**
Q1 2014 [1]							
Gross							
Acquisition costs and reinsurance commissions	187	246	211	441	202	—	1,287
Changes in deferred acquisition costs and in provisions for commissions	–65	–47	–19	–62	12	—	–181
Total acquisition costs	122	199	192	379	214	—	1,106
Administrative expenses	58	74	41	51	44	—	268
Total acquisition costs and administrative expenses	180	273	233	430	258	—	1,374
Reinsurers' share							
Acquisition costs and reinsurance commissions	142	5	10	25	18	—	200
Changes in deferred acquisition costs and in provisions for commissions	–48	1	–1	–4	4	—	–48
Total acquisition costs	94	6	9	21	22	—	152
Net							
Acquisition costs and reinsurance commissions	45	241	201	416	184	—	1,087
Changes in deferred acquisition costs and in provisions for commissions	–17	–48	–18	–58	8	—	–133
Total acquisition costs	28	193	183	358	192	—	954
Administrative expenses	58	74	41	51	44	—	268
Total acquisition costs and administrative expenses	86	267	224	409	236	—	1,222

[1] After elimination of intragroup cross-segment transactions

(16) Other income/expenses

COMPOSITION OF OTHER INCOME/EXPENSES

IN EUR MILLION

	Q1 2015	Q1 2014
Other income		
Foreign exchange gains	325	129
Income from services, rents and commissions	72	63
Recoveries on receivables previously written off	4	5
Income from contracts recognised in accordance with the deposit accounting method	23	15
Income from the reversal of other non-technical provisions	4	1
Interest income	10	7
Miscellaneous income	29	8
Total	**467**	**228**
Other expenses		
Foreign exchange losses	242	120
Other interest expenses	31	27
Depreciation, amortisation and impairment losses	24	26
Expenses for the company as a whole	56	67
Personnel expenses	14	13
Expenses for services and commissions	34	33
Other taxes	10	9
Additions to restructuring provisions	3	1
Miscellaneous other expenses	17	18
Total	**431**	**314**
Other income/expenses	**36**	**–86**

Other income/expenses in the reporting period do not include any material income from the reversal of restructuring provisions.

VIII. Other disclosures

Number of employees

AVERAGE NUMBER OF EMPLOYEES IN THE REPORTING PERIOD

	31.3.2015	31.12.2014
Industrial Lines	3,166	3,061
Retail Germany	4,933	5,082
Retail International	8,164	7,432
Reinsurance companies	2,542	2,475
Corporate Operations	2,794	2,836
Total excluding vocational trainees	**21,599**	**20,886**
Vocational trainees	534	540
Total	**22,133**	**21,426**

The increase in the number of employees in the Retail International segment is primarily due to the acquisition of the Magallanes group (Chile).

The Talanx Group's total workforce at the reporting date numbered 20,602 (19,819); this figure is calculated as full-time equivalents.

Related party disclosures

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

Transactions between Talanx AG and its subsidiaries are eliminated in the course of consolidation and hence not disclosed in the Notes.

In connection with operating activities, there is a contractual relationship between Ampega Investment GmbH, Cologne, and C-QUADRAT Investment AG, Vienna (an associate accounted for using the equity method in the consolidated financial statements), that governs the outsourcing of the portfolio management of special investment funds. At the reporting date, this resulted in expenses for services rendered amounting to EUR 8 million.

There is also a reinsurance treaty in the amount of EUR 4 million between Hannover Rück SE Malaysian Branch, Kuala Lumpur, Malaysia and Petro Vietnam Insurance Holdings, Hanoi, Vietnam.

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

In addition, there are contracts for services with a company in which a member of the Supervisory Board is invested. Revenues generated with Group companies under these contracts during the reporting period were well below EUR 0.1 million.

OTHER DISCLOSURES ON FINANCIAL INSTRUMENTS

The Group enters into securities lending and repo transactions. The Group retained all material risks and opportunities associated with ownership of the transferred financial assets as at the reporting date. Investments in the "Financial assets available for sale" category were affected by these transactions. The carrying amount of the financial assets transferred in connection with securities lending transactions is EUR 3,588 million. The assets transferred in connection with repo transactions and the corresponding liabilities have a carrying amount of EUR 100 million. The fair values correspond to the carrying amounts. The components of these transactions recognised as income are presented under "Net investment income".

LITIGATION

We were not involved in any significant new litigation in the reporting period and at the end of the reporting period in comparison to 31 December 2014.

EARNINGS PER SHARE

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

EARNINGS PER SHARE

	Q1 2015	Q1 2014[1]
Net income attributable to shareholders of Talanx AG for calculating earnings per share (in EUR million)	251	216
Weighted average number of ordinary shares outstanding	252,797,634	252,797,634
Basic earnings per share (in EUR)	0.99	0.86
Diluted earnings per share (in EUR)	0.99	0.86

[1] Adjusted to reflect IAS 8, see "Accounting policies", subsection "Changes in accounting policies and errors" in the Notes

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

At the reporting date, there were the following contingent liabilities and other financial commitments attributable to contracts and memberships that had been entered into, as well as to taxes:

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

IN EUR MILLION

	31.3.2015	31.12.2014
Trust accounts in the United States (master trust funds, supplemental trust funds and single trust funds) as security for technical liabilities to US cedants[1] (Includes the equivalent of EUR 373 (329) million furnished by investors as security for technical liabilities from ILS transactions)	4,778	4,177
Sureties in the form of letters of credit furnished by various credit institutions as security for technical liabilities	3,045	2,956
Guarantees for subordinated bonds issued: the guarantees cover the relevant bond volumes as well as interest due	2,112	2,112
Blocked custody accounts and other trust accounts as collateral in favour of reinsurers and cedants; generally outside the USA[1]	2,965	2,750
Outstanding capital commitments with respect to existing investment exposures: the commitments primarily involve private equity funds and venture capital firms in the form of partnerships	1,638	1,380
Commitments under rental/lease agreements[2]	454	454
Funding commitments and contribution payments in accordance with sections 124ff. of the Insurance Supervision Act (VAG) as a member of the Statutory Guarantee Fund for Life Insurance Undertakings	457	457
Collateral for liabilities to various credit institutions in connection with investments in real estate companies and real estate transactions	613	574
Other financial commitments from planned business combinations	94	245
Commitments under service agreements – primarily in connection with IT outsourcing contracts	142	143
Assets in blocked custody accounts as collateral for existing derivative transactions: we have received collateral with a fair value of EUR 43 (13) million for existing derivative transactions[3]	116	79
Other commitments[4]	60	61
Total	**16,474**	15,388

1) The securities held in the trust accounts are predominantly recognised as "Financial assets available for sale" in the portfolio of investments. The amount disclosed refers primarily to the fair value/carrying amount
2) Fresh data is collected only at year-end
3) The amount disclosed refers primarily to the fair value/carrying amount
4) Other commitments include EUR 42 (42) million attributable to tax litigation and EUR 12 (13) million attributable to other litigation

There were no other significant changes in contingent liabilities and other financial commitments in the reporting period compared with 31 December 2014.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1 October 2014, the Group signed a purchase agreement for 49.94% of the shares of the largest private water company in Portugal, Indaqua Indústria e Gustão de Águas S. A., Matosinhos, Portugal. The acquisition was subject to conditions precedent, which were met as at 16 April 2015. The acquisition is being made via INOS 14-003 GmbH (future name: Talanx Infrastructure Portugal GmbH), Munich, which was acquired separately for this purpose, and in which TD Real Assets GmbH & Co. KG (Retail Germany segment) acquired 70% of the shares and HG-I Alternative Investments Beteiligungs-GmbH & Co. KG, Cologne, (Industrial Lines segment) acquired 30%. The total planned investment volume amounts to approximately EUR 51 million.

On 4 September 2014, the Group signed a purchase agreement for Windfarm Bellheim GmbH & Co. KG, Aurich. The acquisition was subject to conditions precedent, which were met on 10 April 2015 on its entry in the commercial register. The company is a wind farm special purpose vehicle. TD Real Assets GmbH & Co. KG, Cologne, acquired 85% of the company's limited partner shares and HG-I Alternative Investments Beteiligungs-GmbH & Co. KG, Cologne, acquired 15%. Talanx Direct Infrastructure 1 GmbH, Cologne, will become the new general partner. The purchase price for the company was EUR 10 thousand. The total assets of the company acquired (EUR 30 million) largely comprise technical equipment for the wind farms, which is financed by equity and loans. No major intangible assets or goodwill exist. The total planned investment volume amounts to approximately EUR 70 million.

On 23 March 2015, the Group signed a purchase agreement for WP Sandstruth GmbH, Bremen. The acquisition was subject to conditions precedent, which were met on 1 April 2015. The company is a wind farm special purpose vehicle. TD Real Assets GmbH & Co. KG, Cologne, acquired 100% of the company's shares. The purchase price for the company was EUR 9 million. The total assets of the company acquired (EUR 25 million) largely comprise technical equipment for the wind farms, which is financed by equity and loans. No major intangible assets or goodwill exist. The total planned investment volume amounts to approximately EUR 9 million.

On 23 March 2015, the Group signed a purchase agreement for wpd Windparks Mittleres Mecklenburg GmbH, Bremen, the sole limited partner of Windpark Dalwitz GmbH & Co. KG, Bremen. The acquisition was subject to conditions precedent, which were met on 1 April 2015. The companies are wind farm special purpose vehicles. TD Real Assets GmbH & Co. KG, Cologne, acquired 100% of the company's shares. Talanx Direct Infrastructure 1 GmbH, Cologne, will become the new general partner of Windpark Dalwitz GmbH & Co. KG. The purchase price for the company was EUR 26 million. The total assets of the company acquired (EUR 49 million) largely comprise technical equipment for the wind farms, which is financed by equity and loans. No major intangible assets or goodwill exist. The total planned investment volume amounts to approximately EUR 26 million.

On 23 March 2015, the Group signed a purchase agreement for Windpark Vier Fichten GmbH, Bremen. The acquisition was subject to conditions precedent, which were met on 1 April 2015. The company is a wind farm special purpose vehicle. HG-I Alternative Investments Beteiligungs-GmbH & Co. KG, Cologne, acquired 100% of the company's shares. The purchase price for the company was EUR 8 million. The total assets of the company acquired (EUR 25 million) largely comprise technical equipment for the wind farms, which is financed by equity and loans. No major intangible assets or goodwill exist. The total planned investment volume amounts to approximately EUR 8 million.

WP Sandstruth GmbH and Windpark Vier Fichten GmbH hold equal shares in a total amount of 83.34% in Infrastruktur WP Vier Fichten GbR, Bremen, the object of which is the joint use and maintenance of the wind farm infrastructure (access roads, cabling and a power substation). A separate purchase price was not paid since the acquisition is included in the acquisition of the direct parent company. The total assets of the company acquired (EUR 5 million) largely comprise technical equipment for a power substation, which is financed by equity and loans. No major intangible assets or goodwill exist.

Given the changes to the Board of Management at Talanx Deutschland AG and the reorganisation of the members' areas of responsibility as at 1 May 2015, we are reviewing the effects of this change on the supervision of the cash-generating units in the Retail Germany segment.

There was an explosion on the Abkatun oil platform in the Gulf of Mexico on 1 April 2015. Hannover Rück SE expects to record a catastrophe loss from this event in the first half of the year. However, according to the information currently available to us, this should be comfortably within the portion of the large loss budget that was not used in the first quarter of 2015.

On 8 April 2015, Hannover Finance (Luxembourg) S. A. announced that it would repay the subordinated bond it issued in financial year 2005 as at 1 June 2015.

Due to changes in the tax assessments for past assessment periods, Hannover Re expects to receive tax refunds for Hannover Rück SE and E+S Rückversicherung AG in the course of the first half of the year; this will increase Group net income by an amount in the mid-double-digit millions.

Prepared and hence authorised for publication in Hannover on 5 May 2015.

The Board of Management

Herbert K Haas, Chairman

Dr Christian Hinsch, Deputy Chairman

Torsten Leue

Dr Immo Querner

Ulrich Wallin

Dr Jan Wicke

REVIEW REPORT

TO TALANX AKTIENGESELLSCHAFT, HANNOVER

We have reviewed the interim consolidated financial statements – comprising the balance sheet, statement of income, statement of comprehensive income, statement of changes in equity, cash flow statement and selected explanatory notes – and the interim group management report of Talanx AG, Hannover, for the period from 1 January to 31 March 2015, which are components of the quarterly financial report in accordance with section 37x(3) of the German Securities Trading Act (WpHG). The preparation of the interim consolidated financial statements in accordance with the IFRSs applicable to interim financial reporting, as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a review report on the interim consolidated financial statements and the group interim management report based on our review.

We performed our review of the interim consolidated financial statements and the group interim 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 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 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, 5 May 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Jungsthöfel	Czupalla
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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This English Interim Report is a translation of the original German text; the German version takes precedence in case of any discrepancies.

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FINANCIAL CALENDAR 2015/2016

12 August 2015
Interim Report as at 30 June 2015

17 September 2015
Capital Markets Day

12 November 2015
Interim Report as at 30 September 2015

21 March 2016
Results Press Conference 2015

13 May 2016
Interim Report as at 31 March 2016

12 August 2016
Interim Report as at 30 June 2016

15 November 2016
Interim Report as at 30 September 2016

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