

**Talanx Group
Quarterly
Statement as at
31 March 2020**

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Insurance. Investments.

GROUP KEY FIGURES

	Unit	Q1 2020	Q1 2019	Q1 2020 vs Q1 2019
Gross written premiums	EUR million	12,467	11,716	6.4 %
by region				
Germany	%	26	28	-2.2 pt.
United Kingdom	%	7	6	+0.6 pt.
Central and Eastern Europe (CEE), including Turkey	%	6	7	-0.9 pt.
Rest of Europe	%	17	16	+0.8 pt.
USA	%	20	21	-0.6 pt.
Rest of North America	%	3	2	+0.6 pt.
Latin America	%	6	7	-0.4 pt.
Asia and Australia	%	13	12	+1.2 pt.
Africa	%	1	1	-0.1 pt.
Gross written premiums by type and class of insurance				
Property/casualty primary insurance	EUR million	4,326	4,065	+6.4 %
Primary insurance	EUR million	1,567	1,690	-7.3 %
Property/Casualty Reinsurance	EUR million	4,523	4,017	+12.6 %
Life/Health Reinsurance	EUR million	1,956	1,944	+0.6 %
Net premiums earned	EUR million	8,354	7,842	+6.5 %
Underwriting result	EUR million	-425	-357	-19.1 %
Net investment income	EUR million	903	988	-8.6 %
Net return on investment¹	%	2.7	3.2	-0.5 pt.
Operating profit/loss (EBIT)	EUR million	559	616	-9.3 %
Net income (after financing costs and taxes)	EUR million	393	411	-4.4 %
of which attributable to shareholders of Talanx AG	EUR million	223	235	-5.1 %
Return on equity^{2,3}	%	9.0	10.3	-1.3 pt.
Earnings per share				
Basic earnings per share	EUR	0.88	0.93	-5.4 %
Diluted earnings per share	EUR	0.88	0.93	-5.4 %
Combined ratio in property/casualty primary insurance and property/casualty reinsurance⁴	%	99.8	96.8	+3.0 pt.
Combined ratio of property/casualty primary insurers ⁵	%	99.8	98.4	+1.3 pt.
Combined ratio of Property/Casualty Reinsurance	%	99.8	95.7	+4.0 pt.
EBIT margin primary insurance and reinsurance				
EBIT margin primary insurance ⁵	%	4.3	5.2	-1.0 pt.
EBIT margin property/casualty reinsurance	%	9.1	11.6	-2.5 pt.
EBIT margin life/health reinsurance	%	7.0	6.7	+0.3 pt.
		31.3.2020	31.12.2019	+/-
Policyholders' surplus	EUR million	19,542	20,089	-2.7 %
Equity attributable to shareholders of Talanx AG	EUR million	9,716	10,149	-4.3 %
Non-controlling interests	EUR million	6,346	6,461	-1.8 %
Hybrid capital	EUR million	3,480	3,479	— %
Assets under own management	EUR million	122,678	122,638	— %
Total investments	EUR million	134,343	134,104	+0.2 %
Total assets	EUR million	177,194	177,594	-0.2 %
Carrying amount per share at end of period	EUR	38.43	40.15	-4.3 %
Share price at end of period	EUR	30.06	44.18	-32.0 %
Market capitalisation of Talanx AG at end of period	EUR million	7,599	11,169	-32.0 %
Employees	Full-time equivalents	21,478	21,516	-0.2 %

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 (31.3.2020 and 31.12.2019).

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

³ Ratio of annualised net income for the quarter excluding non-controlling interests to average equity excluding non-controlling interests at the beginning and the end of the quarter.

⁴ Combined ratio taking into account interest income on funds withheld and contract deposits, before elimination of intragroup cross-segment transactions.

⁵ Excluding figures from the Corporate Operations segment.

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Quarterly statement

Business development

Group's course of business

- Effects of coronavirus pandemic already significantly visible
- Gross premiums up 6.4%
- Coronavirus-related large losses in first quarter higher than the pro rata large loss budget for the period

GROUP KEY FIGURES

EUR million	Q1 2020	Q1 2019	+/-
Gross written premiums	12,467	11,716	+6.4 %
Net premiums earned	8,354	7,842	+6.5 %
Underwriting result	-425	-357	-19.1 %
Net investment income	903	988	-8.6 %
Operating profit/loss (EBIT)	559	616	-9.3 %
Combined ratio (net, property/casualty only) in %	99.8	96.8	+3.0 pt.

MANAGEMENT METRICS

%	Q1 2020	Q1 2019	+/-
Gross premium growth (adjusted for currency effects)	6.4	9.7	-3.3 pt.
Group net income in EUR million	223	235	-5.1 %
Net return on investment ¹	2.7	3.2	-0.5 pt.
Return on equity ²	9.0	10.3	-1.3 pt.

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

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

Premium volume

Gross written premiums for the Talanx Group picked up by 6.4% in the first quarter of 2020, rising to EUR 12.5 (11.7) billion. The Industrial Lines Division and the Property/Casualty Reinsurance segment played a key role in this, boosting premiums by 12.2% and 13.5% respectively. Net premiums earned were 6.5% higher year-on-year at EUR 8.4 (7.8) billion. The retention ratio fell by 0.6% to 87.4% (88.0%). Higher retention in the Reinsurance Division could not offset the decline in retention in divisions including Industrial Lines and Retail International.

Underwriting result

The underwriting result dropped by 19.1% to EUR -425 (-357) million. This was a result of the large losses caused by the coronavirus, which came to EUR 435 (137) million at Group level, therefore significantly higher than the pro rata large loss budget of EUR 278 (253) million for the period. The large losses attributable to the coronavirus pandemic totalled EUR 313 million, due primarily to business closures and event cancellations. This caused the combined ratio to rise by 3.0 percentage points after making use of the otherwise unused pro rata large loss budget for the period, coming to 99.8% (96.8%) in the first quarter. The net loss ratio increased by 3.3 percentage points. By contrast, the net cost ratio decreased slightly by 0.3 percentage points.

Net investment income

Net investment income declined by EUR 85 million (8.6%) in the first quarter of 2020 to EUR 903 (988) million in response to the at times major disruptions to capital markets due essentially to the coronavirus pandemic. The good result generated in the Reinsurance Division could not offset lower income in all primary insurance segments. Both ordinary and extraordinary investment income experienced a drop-off overall. The Group's net return on investment was 2.7% (3.2%), down 0.5 percentage points year-on-year.

Operating profit and Group net income

Operating profit (EBIT) fell by 9.3% to EUR 559 (616) million in the first quarter, chiefly in connection with the impact of the coronavirus pandemic on investment and in underwriting. Group net income also declined by 5.1% to EUR 223 (235) million. Return on equity was down 1.3 percentage points at 9.0% (10.3%), with the coronavirus-related valuation declines in our securities leading to a sharp decline in the valuation reserves in equity.

Performance of the Group's divisions

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

Industrial Lines

- Premium development shaped primarily by growth in specialty business
- Underwriting result reflects restructuring and profitability initiatives despite losses in connection with coronavirus
- Net investment income shows impact of coronavirus crisis on capital market

KEY FIGURES FOR THE INDUSTRIAL LINES DIVISION

EUR million	Q1 2020	Q1 2019	+/-
Gross written premiums	2,575	2,296	+12.2 %
Net premiums earned	726	634	+14.5 %
Underwriting result	-11	-18	+38.7 %
Net investment income	34	71	-52.4 %
Operating profit/loss (EBIT)	30	35	-14.8 %

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%	Q1 2020	Q1 2019	+/-
Gross premium growth (adjusted for currency effects)	11.9	10.6	+1.3 pt.
Combined ratio (net) ¹	101.6	102.9	-1.3 pt.
EBIT margin ²	4.2	5.6	-1.4 pt.
Return on equity ³	3.1	3.7	-0.6 pt.

¹ Taking into account interest income on funds withheld.

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

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

Premium volume

Gross written premiums for the division amounted to EUR 2.6 (2.3) billion as at 31 March 2020, an increase of around 12.2% (11.9% after adjustment for currency effects). The premium upturn was essentially a result of growth in specialty business. In addition, restructuring and profitability measures launched in 2018 are showing clear success. The expected premium loss associated with this on account of separating inadequately priced risks was largely offset by risk-free additional premiums. Net premiums earned saw a stronger upturn than gross written premiums due to higher retention in specialty business.

Underwriting result

At EUR –11 (–18) million, the net underwriting result in the division was up on the previous year. At 83.6% (83.0%), the (net) loss ratio is only slightly higher than in the same quarter of the previous year. While the positive profitability effects caused a substantial decline in the frequency loss ratio, the losses in connection with the coronavirus put pressure on earnings. The net cost ratio improved 18.0% (19.8%) thanks to significant premium growth combined with high cost discipline. The combined ratio for the Industrial Lines Division was 101.6% (102.9%).

Net investment income

In terms of net investment income, the impact of the coronavirus crisis is becoming apparent on financial markets. While ordinary investment income is on par with the high level achieved in the prior year, extraordinary investment income is being strained by changes in market value recognised as income.

Operating profit and Group net income

As a result of the lower net investment income caused by extraordinary changes in market value, the division's operating profit was lower in the first three months of 2020 (EUR 30 million) than in the first quarter of the prior year (EUR 35 million). This includes foreign exchange gains of EUR 9 million (prior year: foreign exchange loss of EUR 6 million), which are also included in operating profit. Group net income amounted to EUR 17 (23) million.

Retail Germany

Property/Casualty Insurance

- Coronavirus pandemic weighs heavily on loss expenditure and net investment income
- Sharp decline in operating profit

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

EUR million	Q1 2020	Q1 2019	+/-
Gross written premiums	774	782	–1.0 %
Net premiums earned	348	355	–1.9 %
Underwriting result	–13	4	–611.7 %
Net investment income	14	28	–49.1 %
Operating profit/loss (EBIT)	–3	30	–111.5 %

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY INSURANCE SEGMENT

%	Q1 2020	Q1 2019	+/-
Gross premium growth	–1.0	0.2	–1.2 pt.
Combined ratio (net) ¹	103.8	99.3	+4.5 pt.
EBIT margin ²	–1.0	8.3	–9.2 pt.

¹ Taking into account interest income on funds withheld.

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

Premium volume

Written premium income in the Property/Casualty Insurance segment was slightly lower than in the same quarter of the previous year at EUR 774 (782) million. Growth in commercial customers/freelance professions was unable to fully offset the declines seen in motor insurance and the biometric core business of bancassurance.

Underwriting result

The underwriting result was EUR –13 (4) million in the current financial year, down on the same quarter in the previous year due to the impact of the coronavirus pandemic. All in all, this resulted in a 4.5 percentage point rise in the combined ratio (net), from 99.3% to 103.8%. Without this adverse impact, the underwriting result would have picked up by EUR 7 million year on year, aided in particular by profitable growth in business with corporate customers and freelance professionals.

Net investment income

Net investment income fell to EUR 14 (28) million in connection with the impact of the coronavirus pandemic on capital markets.

Operating profit

Operating profit in the claims and investment sector declined to EUR –3 (30) million as a result of coronavirus-related effects, putting the EBIT margin at –1.0% (8.3%). Without these adverse effects, EBIT would have come to around EUR 38 million.

Life Insurance

- Decrease in single premium business and regular premiums
- Coronavirus pandemic puts a strain on underwriting and net investment income

KEY FIGURES FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

EUR million	Q1 2020	Q1 2019	+/-
Gross written premiums	1,075	1,104	-2.7 %
Net premiums earned	812	812	–
Underwriting result	-270	-363	+25.2 %
Net investment income	304	401	-24.1 %
Operating profit/loss (EBIT)	36	30	+16.0 %
New business measured in annual premium equivalent	96	95	+1.1 %
Single premiums	326	337	-3.2 %
Regular premiums	63	61	+3.5 %
New business by product measured in annual premium equivalent	96	95	+1.1 %
of which capital-efficient products	42	38	+11.9 %
of which biometric products	32	34	-4.6 %

MANAGEMENT METRICS FOR THE LIFE INSURANCE SEGMENT

%	Q1 2020	Q1 2019	+/-
Gross premium growth	-2.7	1.5	-4.1 pt.
EBIT margin ¹	4.4	3.8	+0.6 pt.

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

Premium volume and new business

Over the first three months of the year, the Life Insurance segment saw premiums fall by 2.7% to EUR 1,075 (1,104) million, which includes the savings elements of premiums from unit-linked life insurance policies. Regular premiums saw a downturn on account of the high number of contracts expiring and the biometric business of bancassurance. Allowing for the savings elements of premiums from our unit-linked products and the change in the unearned premium reserve, net premiums earned in the Life Insurance segment were in line with the previous year at EUR 812 (812) million.

Measured in APE, new business in life insurance products rose from EUR 95 million to EUR 96 million.

Underwriting result

The underwriting result improved to EUR -270 (-363) million in the current financial year. This was partly due to the unwinding of discounts on the technical provisions and policyholder participation in net investment income. These expenses are offset by investment income, which is not recognised in the underwriting result. PVFP was written down in the amount of EUR -7 million due to the coronavirus pandemic. This reflected the lower capital market measurement, which results in lower fund volumes and thus a decrease in future fee income.

Net investment income

Net investment income declined by 24.1% to EUR 304 (401) million. As well as lower ordinary investment income driven by ongoing low interest rates, this is due chiefly to the negative impact on capital markets resulting from the coronavirus pandemic.

Operating profit

Operating profit (EBIT) in the Life Insurance segment in the Retail Germany Division rose slightly year-on-year to EUR 36 (30) million.

Retail Germany Division as a whole

RETURN ON EQUITY FOR THE RETAIL GERMANY DIVISION AS A WHOLE

%	Q1 2020	Q1 2019	+/-
Return on equity ¹	3.2	5.9	-2.7 pps

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

After adjusting for taxes on income, financing costs and non-controlling interests, Group net income fell to EUR 19 (36) million as a result of the squeezed earnings in Property/Casualty Insurance provoked by the coronavirus pandemic. This depressed the return on equity by 2.7 percentage points to 3.2%.

Retail International

- Coronavirus pandemic still not having significant impact
- Gross written premiums in property/casualty insurance rise by 5.2% adjusted for currency effects, life insurance premiums decline
- Combined ratio at 96.6%

KEY FIGURES FOR THE RETAIL INTERNATIONAL DIVISION

EUR million	Q1 2020	Q1 2019	+/-
Gross written premiums	1,513	1,617	-6.4 %
Net premiums earned	1,341	1,413	-5.1 %
Underwriting result	3	15	-78.7 %
Net investment income	90	91	-1.6 %
Operating profit/loss (EBIT)	75	73	+3.4 %

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

%	Q1 2020	Q1 2019	+/-
Gross premium growth (adjusted for currency effects)	-2.3	11.8	-14.1 pt.
Combined ratio (net, property/casualty only) ¹	96.6	94.7	+1.9 pt.
EBIT margin ²	5.6	5.2	+0.5 pt.
Return on equity ³	8.8	8.7	+0.1 pt.

¹ Taking into account interest income on funds withheld.

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

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

This division bundles the Talanx Group's international retail business activities and is active in both Europe and Latin America. The outbreak of the global coronavirus pandemic in the first quarter of 2020 had a slight impact on the underwriting result and on net investment income in the Retail International Division, but this was offset by positive business development, especially in the first two months of the quarter.

Premium volume

The division's gross written premiums (including premiums from unit-linked life and annuity insurance) fell by 6.4% compared to the first quarter of 2019 to EUR 1.5 (1.6) billion. Adjusted for currency effects, gross premiums declined by 2.3% on the comparison period. Premium volume was lower in both regions.

The Europe region reported a 5.0% decrease in gross written premiums to EUR 1.1 billion, driven primarily by the 12.9% decline in single premiums to EUR 416 million in the life insurance line at the Italian HDI Assicurazioni S.p.A. This was offset by good gross written premiums at the companies in Poland and Turkey. TUIR WARTA S.A. in Poland boosted premium volume by 7.0% thanks to increased premiums in homeowners insurance and a higher number of insured vehicles. Adjusted for currency effects, premiums at the Turkish HDI Sigorta A.Ş. rose by 44.3%, largely driven by motor and homeowners insurance. Ergo Sigorta A.Ş., which was acquired in the third quarter of 2019, was included for three months in the first quarter of 2020.

Adjusted for currency effects, the downturn in premium volume in Europe stood at 3.3%.

In the Latin America region, gross written premiums fell by 10.2% compared to the same period of the previous year to EUR 401 (446) million on account of lower exchange rates, especially in Brazil and Chile. Adjusted for currency effects, however, gross written premiums were stable year on year. Premiums for the division's companies in the Latin America region are generated chiefly from motor vehicle contracts, which are experiencing a cyclical decline due to the fall in new vehicle sales.

Underwriting result

The combined ratio from property insurance companies increased by 1.9 percentage points year-on-year to 96.6%, reflecting both the loss ratio and the expense ratio. The loss ratio rose by 0.9 percentage points, with the expense ratio for the division 1.0 percentage point higher than the previous year (28.3%), at 29.3%.

Driven by a downturn in new business and in line with lower net investment income in the life insurance line, underwriting losses in the life business moved down by EUR 4 million.

Net investment income

Net investment income declined by 1.6% against the first quarter of 2019 to EUR 90 (92) million. This decrease stemmed from the 33.9% fall in extraordinary net investment income, which declined to EUR 12 (19) million on the back of write-downs of equity securities due to the coronavirus pandemic at the Italian HDI Assicurazioni S.p.A. and the Polish TUIR WARTA S.A. This decline was partially offset by the 6.6% year-on-year rise in the division's ordinary investment income to EUR 84 (79) million, spurred on mainly by higher investment volumes at the Italian HDI Assicurazioni S.p.A. and the Polish TUIR WARTA S.A.

Operating profit

In the first quarter of 2020, operating profit (EBIT) in the Retail International Division rose by 3.4% compared with the prior-year period to EUR 75 million. The Europe region contributed to the operating profit of the segment with EBIT of EUR 89 (67) million, a year-on-year increase of 32.7%, whereby this growth was primarily due to the earnings contribution by the Polish TUIR WARTA S.A. This upturn offset the EUR 7 million decline in operating profit (EBIT) in the Latin America region.

Additional key figures

RETAIL INTERNATIONAL DIVISION BY LINE OF BUSINESS AT A GLANCE

EUR million	Q1 2020	Q1 2019	+/-
Gross written premiums	1,513	1,617	-6.4 %
Property/Casualty	1,005	1,011	-0.6 %
Life	508	606	-16.1 %
Net premiums earned	1,341	1,413	-5.1 %
Property/Casualty	862	836	+3.2 %
Life	478	577	-17.1 %
Underwriting result	3	15	-78.7 %
Property/Casualty	30	45	-33.5 %
Life	-27	-30	+12.1 %
Net investment income	90	91	-1.6 %
Property/Casualty	48	47	+2.0 %
Life	44	45	-4.4 %
Others	-2	-1	-21.1 %
New business by product measured in annual premium equivalent (life)	63	72	-12.7 %
Single premiums	432	538	-19.7 %
Regular premiums	20	18	+8.1 %
New business by product measured in annual premium equivalent (life)	63	72	-12.7 %
of which capital-efficient products	36	39	-9.4 %
of which biometric products	18	17	+7.5 %

RETAIL INTERNATIONAL DIVISION BY REGION AT A GLANCE

EUR million	Q1 2020	Q1 2019	+/-
Gross written premiums	1,513	1,617	-6.4 %
of which Europe	1,113	1,171	-5.0 %
of which Latin America	401	446	-10.2 %
Net premiums earned	1,341	1,413	-5.1 %
of which Europe	985	1,042	-5.5 %
of which Latin America	355	371	-4.1 %
Underwriting result	3	15	-78.7 %
of which Europe	14	7	+112.4 %
of which Latin America	9	11	-21.0 %
Net investment income	90	91	-1.6 %
of which Europe	80	76	+5.1 %
of which Latin America	12	17	-30.2 %
Operating profit/loss (EBIT)	75	73	+3.4 %
of which Europe	89	67	+32.7 %
of which Latin America	8	15	-48.0 %

Reinsurance

Property/Casualty Reinsurance

- Gross premiums in the segment increase by 12.2% adjusted for currency effects
- Approximately EUR 220 million reserved for coronavirus-related losses in first quarter
- Combined ratio deteriorates to 99.8%

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

EUR million	Q1 2020	Q1 2019	+/-
Gross written premiums	4,986	4,394	+13.5 %
Net premiums earned	3,338	2,930	+13.9 %
Underwriting result	-2	112	-101.9 %
Net investment income	298	243	+22.9 %
Operating profit/loss (EBIT)	305	340	-10.2 %

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%	Q1 2020	Q1 2019	+/-
Gross premium growth (adjusted for currency effects)	12.2	19.4	-7.2 pt.
Combined ratio (net) ¹	99.8	95.7	+4.0 pt.
EBIT margin ²	9.1	11.6	-2.5 pt.

¹ Taking into account interest income on funds withheld.

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

Business development

The global property/casualty reinsurance market continued to be marked by stiff competition at the start of the year. In the second half of the first quarter, day-to-day life and many processes and companies were affected by the increasingly rapid global spread of the coronavirus.

The main renewal season in the traditional property/casualty reinsurance business went ahead on 1 January 2020, as yet unaffected by the coronavirus pandemic. We concluded this in line with our expectations, achieving a sound result. All in all, we generated good growth in our renewed business at slightly improved prices and conditions. Nonetheless, rates are still too low – especially for natural disaster risks, in particular in Japan, Latin America and in the Caribbean – and improvements are still needed.

Specifically, we boosted our premium volume on an underwriting-year basis in traditional Property/Casualty Reinsurance by 14.0%, adjusted for currency effects, to EUR 8.0 (7.0) billion as at 1 January. As at 1 January, 67% of Hannover Re's traditional Property/Casualty Reinsurance (excluding facultative reinsurance, business with insurance-linked securities and structured reinsurance) came up for renewal. Prices rose by 2.9% (0.9%). In particular, attractive opportunities opened up to expand our portfolio in North America, the London market and in the agricultural sector.

Premiums

Gross written premiums in the Property/Casualty Reinsurance segment increased by 13.5% to EUR 5.0 (4.4) billion in the first quarter. At constant exchange rates, the growth would have amounted to 12.2%. Net premiums earned increased by 13.9% to EUR 3.3 (2.9) billion; adjusted for currency effects, growth would have amounted to 12.9%.

Underwriting result

Taking into account the approximately EUR 220 million set aside for coronavirus pandemic claims, total large losses came to EUR 284 (59) million. The largest other single losses for us included the forest fires in Australia (EUR 22 million), storm "Sabine" in Europe (EUR 18 million) and a hailstorm in Australia (EUR 15 million). As a result, the combined ratio in the Property/Casualty Reinsurance segment deteriorated to 99.8% (95.7%), higher than the maximum of 97% that we had expected. The underwriting result for the Property/Casualty Reinsurance segment decreased by 101.9% to EUR -2 (112) million.

Net investment income and operating profit

Net investment income improved by 22.9% to EUR 298 (243) million. Net investment income from assets under own management in the Property/Casualty Reinsurance segment rose to EUR 288 (231) million. Operating profit (EBIT) in the Property/Casualty Reinsurance segment decreased by 10.2% to EUR 305 (340) million. The EBIT margin thus came to 9.1% (11.6%), falling short of our target level of at least 10%.

Life/Health Reinsurance

- Coronavirus pandemic not yet having a significant impact in first quarter
- Gross premiums in the segment stable and on par with prior year
- Strong global demand for cover in financial solutions

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

EUR million	Q1 2020	Q1 2019	+/-
Gross written premiums	1,989	1,979	+0.5 %
Net premiums earned	1,753	1,681	+4.3 %
Underwriting result	-129	-108	-19.7 %
Net investment income	174	162	+7.2 %
Operating profit/loss (EBIT)	123	113	+8.4 %

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

%	Q1 2020	Q1 2019	+/-
Gross premium growth (adjusted for currency effects)	0.4	9.6	-9.2 pt.
EBIT growth ¹	8.4	22.4	-14.0 pt.

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

Business development

While global life/health reinsurance markets continued to feature stiff competition, the rapid spread of the coronavirus pandemic increasingly dominated world affairs in the first quarter. In terms of life/health reinsurance, the main questions are how strongly life insurers will be affected by the – in some cases substantial – cuts to prime rates initiated by central banks and what impact the pandemic will have on the mortality and health insurance business. As things stand at present, we have not yet experienced any significant strain on underwriting for Hannover Re in the first quarter.

Global demand for financial solutions remains high and conditions are good. In the first quarter, this was illustrated by way of specific transactions that far exceeded our expectations, especially in Asia. Demand for longevity risk hedging solutions is buoyant, especially in the UK and Canada. There were further attractive business opportunities in the Nordic countries, with the environment in the Life/Health Reinsurance segment looking very positive overall in the first quarter in comparison to the prior year.

Premiums

As at 31 March 2020, gross premium income in our Life/Health Reinsurance segment remained stable year-on-year at EUR 2.0 billion. Adjusted for currency effects, growth would have come to 0.4%. Net premiums earned grew by 4.3% to EUR 1.8 (1.7) billion. At constant exchange rates, the increase would have amounted to 4.2%.

Operating profit and net investment income

Income from assets under own management declined by 4.9% to EUR 99 (103) million, with net investment income totalling EUR 174 (162) million. Operating profit (EBIT) improved by 8.4% to EUR 123 (113) million.

Reinsurance Division as a whole

RETURN ON EQUITY FOR THE REINSURANCE DIVISION AS A WHOLE

%	Q1 2020	Q1 2019 ¹	+/-
Return on equity ²	11.8	13.2	-1.3 pt.

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

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

Group net income in the Reinsurance Division came to EUR 149 million in the first quarter, virtually in line with the prior year (EUR 148 million). However, return on equity fell by 1.3 percentage points year on year, to 11.8% (13.2%).

Corporate Operations

- Group assets under own management were unchanged

Talanx AG received permission from the Federal Financial Supervisory Authority (BaFin) on 1 January 2019 to conduct non-life reinsurance business and has since operated as an intragroup reinsurer. The first quota share reinsurance agreement was signed with HDI Re, Dublin, on 24 January 2019.

Operating profit

The operating profit in the Corporate Operations segment increased slightly in the first quarter of 2020 to EUR 3 (2) million. Group net income attributable to shareholders of Talanx AG for this segment amounted to EUR -9 (-18) million in the first quarter of 2020, with this improvement essentially driven by taxes on income. Tax income picked up to EUR 14 (6) million as a result of capitalising deferred tax assets of EUR 8 million in 2020.

Investments and financial position

Changes in investments

The total investment portfolio increased slightly in the first quarter of 2020, rising to EUR 134.3 (134.1) billion. The portfolio of assets under own management also rose marginally by EUR 40 million to EUR 122.7 billion. This slight growth is a result of the current market situation. While markets remained modest until around mid-February, the sharp rise in the number of cases around the world in the coronavirus pandemic at the end of February meant that economic consequences on the capital market were reevaluated. The major stock indices in the US and Europe fell to a three-month low. The sharp correction seen in the first quarter represents the largest fall in the

S&P 500 since August 2015. Risk-sensitive assets (cyclical equity sectors, oil and industrial metals) came under massive pressure, whilst demand rallied for “safe havens” such as government bonds and defensive equity sectors.

The portfolio of investment contracts sank to EUR 1.1 billion against the start of the year (EUR 1.2 billion). The portfolio of funds withheld by ceding companies rose slightly to EUR 10.6 (10.3) billion compared to the beginning of the year.

Fixed-income investments were again the most significant asset class as at the end of the first quarter of 2020. Its earnings contribution from current interest income came to EUR 0.7 (0.7) billion, with the figure being almost totally reinvested in the reporting period.

BREAKDOWN OF ASSETS UNDER OWN MANAGEMENT BY ASSET CLASS

EUR million	31.3.2020		31.12.2019	
Investment property	3,140	3%	3,193	3%
Shares in affiliated companies and participating interests	412	0%	398	0%
Shares in associates and joint ventures	345	0%	337	0%
Loans and receivables				
Loans including mortgage loans	409	0%	413	0%
Loans and receivables due from government or quasi-governmental entities and fixed-income securities	27,117	22%	27,228	22%
Held-to-maturity financial instruments	313	0%	336	0%
Available-for-sale financial instruments				
Fixed-income securities	80,361	66%	81,483	66%
Variable-yield securities	2,326	2%	2,067	2%
Financial instruments at fair value through profit or loss				
Financial instruments classified at fair value through profit or loss				
Fixed-income securities	1,056	1%	1,128	1%
Variable-yield securities	128	0%	147	0%
Financial instruments held for trading				
Fixed-income securities	—	0%	—	0%
Variable-yield securities	98	0%	122	0%
Derivatives ¹	395	0%	321	0%
Other investments	6,578	5%	5,465	4%
Assets under own management	122,678	100%	122,638	100%

¹ Only derivatives with positive fair values.

Fixed-income securities

The portfolio of fixed-income investments (excluding mortgage and policy loans) declined by EUR 1.3 billion to EUR 108.8 (110.2) billion as at the end of the reporting period. At 81% (82%) of total investments, this asset class continues to represent the most significant share of our investments by volume. Fixed-income investments were primarily divided into the investment categories “available-for-sale financial instruments” (74% [74%] of total investments in the fixed income portfolio) and “Loans and receivables” (25% [25%] of total holdings of fixed-income securities).

“Available for sale fixed-income securities” declined by EUR 1.1 billion to EUR 80.4 (81.5) billion. Some reinvestments were also made in short-term investments outside the asset class of fixed-income securities, taking the existing investment structure into account. Valuation reserves, i.e. the balance of unrealised gains and losses, have declined from EUR 5.6 billion to EUR 4.0 billion since the end of 2019. This reflects an upturn in risk premiums for corporate bonds during the coronavirus pandemic, which was offset only partially by declining interest rates. The volatility of “available for sale fixed-income securities” is reflected in equity.

In the “Loans and receivables” category, investments are primarily held in government securities or securities with a similar level of security. German covered bonds (Pfandbriefe) continue to account for the majority of the portfolio. Total holdings in fixed-income securities within the “Loans and receivables” category amounted to EUR 27.5 (27.6) billion at the end of the quarter. Off-balance-sheet valuation reserves for “Loans and receivables” (including mortgage and policy loans) rose slightly to EUR 5.3 (5.1) billion.

The Talanx Group pursues a conservative investment policy. Investments made in fixed-income securities in 2019 continued to focus on highly rated government bonds or securities from issuers with a similar credit quality. Holdings of “AAA”-rated bonds amounted to EUR 45.7 (44.7) billion as at the reporting date. The rating structure of fixed-income securities changed only marginally in comparison to the end of the previous financial year. 77% (75%) of fixed-income securities have a minimum A rating.

Currency effects

As far as matching currency cover is concerned, US dollar-denominated investments continue to account for the largest share at 20% (19%) of the Talanx Group's foreign currency portfolio. Sizeable exposures – amounting to 7% (7%) of total investments – are also held in pound sterling, Polish zloty and Australian dollars. All in all, 34% (34%) of total assets under own management were denominated in foreign currencies as at the reporting date.

Net investment income

CHANGES IN NET INVESTMENT INCOME

EUR million	Q1 2020	Q1 2019
Ordinary investment income	862	870
of which current income from interest	699	691
of which attributable to profit/loss from shares in associates	10	12
Realised net gains on disposal of investments	197	84
Depreciation of and impairment losses/reversals of impairment losses on investments	-98	-38
Unrealised net gains/losses on investments	-69	64
Other investment expenses	70	60
Income from assets under own management	822	920
Net interest income from funds withheld and contract deposits	81	68
Net income from investment contracts	1	—
Total	903	988

At EUR 903 (988) million, net investment income was down on the previous year's level on account of poorer unrealised gains and losses in the reporting period and higher impairment. This was balanced out only partially by higher gains. This resulted in a drop in the annualised net return on investment to 2.7% (3.2%).

Despite consistently low interest rates, ordinary investment income totalled EUR 862 million at the end of the quarter, a year-on-year decrease of just EUR 8 million (EUR 870 million). This reflects slightly higher income from fixed-income securities and real estate income,

which did not entirely offset the decline in income from private equity. The average coupon in the fixed-income securities portfolio also fell to 2.7% (2.9%) in response to sustained low interest rates.

Total realised net gains on the disposal of investments in the first quarter of the financial year were significantly higher than the previous year's figure at EUR 197 (84) million. Overall, gains were up EUR 113 million on the prior year's level. This can be seen particularly clearly in the Reinsurance segment, where gains result largely from reallocations made as part of portfolio maintenance, whereby the area somewhat reduced its share of bonds in its US SME portfolio and invested in US municipal bonds, as well as from the successful sale of a property. Following the price correction on stock markets, the division also built up a moderate equity ratio of around half a percent.

Higher impairment was required overall in the reporting period compared to the prior year. Net of reversals, this came to EUR 98 (38) million in total. EUR 16 (15) million of this related to depreciation on directly held real estate and EUR 60 (14) million to equities and other investments.

Unrealised net gains/losses fell significantly from EUR 64 million to EUR -69 million on account of market conditions. This development was driven by changes in the fair value of our assets held at fair value through profit or loss and is attributable in particular to fair value changes to futures, credit default swaps, interest rate and currency swaps and structured products, especially in special funds. In addition, unrealised losses of EUR 27 million were recognised from derivatives in connection with the credit risk of special life reinsurance contracts (ModCo). In the previous year there were gains of EUR 5 million.

NET INVESTMENT INCOME BY GROUP SEGMENT¹

EUR million	Q1 2020	Q1 2019
Industrial Lines	35	73
Retail Germany – Property/Casualty	14	29
Retail Germany – Life	315	411
Retail International	93	92
Property/Casualty Reinsurance	299	242
Life/Health Reinsurance	175	163
Corporate Operations	-28	-22
Total	903	988

¹ After elimination of intragroup cross-segment transactions.

Changes in equity

CHANGE IN EQUITY

EUR million	31.3.2020	31.12.2019	Change	+/- %
Subscribed capital	316	316	—	—
Capital reserves	1,373	1,373	—	—
Retained earnings	8,018	7,795	224	2.9
Accumulated other comprehensive income and other reserves	9	665	-657	-98.7
Group equity	9,716	10,149	-433	-4.3
Non-controlling interests in equity	6,346	6,461	-115	-1.8
Total	16,062	16,610	-548	-3.3

EQUITY BY DIVISION¹ INCLUDING NON-CONTROLLING INTERESTS

EUR million	31.3.2020	31.12.2019
Segment		
Industrial Lines	2,221	2,378
of which non-controlling interests	63	62
Retail Germany	2,512	2,572
of which non-controlling interests	75	76
Retail International	2,081	2,335
of which non-controlling interests	234	251
Reinsurance	11,037	11,166
of which non-controlling interests	6,567	6,654
Corporate Operations	-1,839	-1,889
of which non-controlling interests	—	—
Consolidation	50	47
of which non-controlling interests	-593	-582
Total equity	16,062	16,610
Group equity	9,716	10,149
Non-controlling interests	6,346	6,461

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

Outlook

Given the ongoing coronavirus pandemic and the substantial uncertainty regarding the future development of the economy and capital markets, we withdrew our outlook for the 2020 financial year on 21 April 2020.

At EUR 223 million, Group net income for the first quarter of 2020 is similar to the prior year (EUR 234 million). However, we do not believe it is possible to extrapolate the quarterly result to full-year 2020 as only one of the three reporting months reflect the negative coronavirus-related effects on investment and underwriting. As things stand at present, there are too many uncertainties associated with the previous profit target range of between EUR 900 and EUR 950 million to maintain this goal.

This applies to all Group management metrics and to the individual division targets.

We are still aiming for a payout ratio of 35% to 45% of the IFRS result and to continue our regular dividend policy.

Consolidated balance sheet

as at 31 March 2020

CONSOLIDATED BALANCE SHEET – ASSETS

EUR million		31.3.2020	31.12.2019
A. Intangible assets			
a. Goodwill		1,044	1,105
b. Other intangible assets		857	893
		1,902	1,998
B. Investments			
a. Investment property	3,140		3,193
b. Shares in affiliated companies and participating interests	412		398
c. Shares in associates and joint ventures	345		337
d. Loans and receivables	27,526		27,641
e. Other financial instruments			
i. Held to maturity	313		336
ii. Available for sale	82,688		83,550
iii. At fair value through profit or loss	1,677		1,718
f. Other investments	6,578		5,465
Assets under own management	122,678		122,638
g. Investments under investment contracts	1,084		1,170
h. Funds withheld by ceding companies	10,582		10,296
Investments		134,343	134,104
C. Investments for the benefit of life insurance policyholders who bear the investment risk		9,820	11,824
D. Reinsurance recoverables on technical provisions		8,529	8,483
E. Accounts receivable on insurance business		9,456	8,525
F. Deferred acquisition costs		6,017	5,940
G. Cash at banks, cheques and cash-in-hand		3,613	3,518
H. Deferred tax assets		406	326
I. Other assets		2,974	2,819
J. Non-current assets and assets of disposal groups classified as held for sale		134	57
Total assets		177,194	177,594

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

EUR million	31.3.2020		31.12.2019
A. Equity			
a. Subscribed capital	316		316
Nominal amount: 316 (previous year: 316)			
Contingent capital: 158 (previous year: 158)			
b. Reserves	9,400		9,833
Equity excluding non-controlling interests		9,716	10,149
c. Non-controlling interests in equity		6,346	6,461
Total equity		16,062	16,610
B. Subordinated liabilities		3,480	3,479
C. Technical provisions			
a. Unearned premium reserve	12,261		9,837
b. Benefit reserve	56,864		56,859
c. Loss and loss adjustment expense reserve	49,876		49,651
d. Provision for premium refunds	8,124		8,511
e. Other technical provisions	757		755
		127,881	125,614
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders		9,820	11,824
E. Other provisions			
a. Provisions for pensions and other post-employment benefits	2,076		2,284
b. Provisions for taxes	534		561
c. Miscellaneous other provisions	878		971
		3,487	3,816
F. Liabilities			
a. Notes payable and loans	2,312		2,308
b. Funds withheld under reinsurance treaties	4,517		4,550
c. Other liabilities	7,632		7,224
		14,462	14,081
G. Deferred tax liabilities		1,991	2,160
H. Liabilities included in disposal groups classified as held for sale		11	9
Total liabilities/provisions		161,132	160,983
Total equity and liabilities		177,194	177,594

Consolidated statement of income

for the period from 1 January to 31 March 2020

EUR million	Q1 2020	Q1 2019 ¹
1. Gross written premiums including premiums from unit-linked life and annuity insurance	12,467	11,716
2. Savings elements of premiums from unit-linked life and annuity insurance	220	225
3. Ceded written premiums	1,548	1,382
4. Change in gross unearned premiums	-2,794	-2,622
5. Change in ceded unearned premiums	-449	-355
Net premiums earned	8,354	7,842
6. Claims and claims expenses (gross)	7,245	7,084
Reinsurers' share	628	860
Claims and claims expenses (net)	6,617	6,224
7. Acquisition costs and administrative expenses (gross)	2,369	2,116
Reinsurers' share	217	171
Acquisition costs and administrative expenses (net)	2,153	1,945
8. Other technical income	18	17
Other technical expenses	28	47
Other technical result	-10	-30
Net technical result	-425	-357
9. a. Investment income	1,275	1,117
b. Investment expenses	453	197
Net income from assets under own management	822	920
Net income from investment contracts	1	—
Net interest income from funds withheld and contract deposits	81	68
Net investment income	903	988
of which share of profit or loss of equity-accounted associates and joint ventures	10	12
10. a. Other income	605	351
b. Other expenses	523	366
Other income/expenses	81	-15
Profit before goodwill impairments	559	616
11. Goodwill impairments	—	—
Operating profit/loss (EBIT)	559	616
12. Financing costs	51	45
13. Taxes on income	116	160
Net income	393	411
of which attributable to non-controlling interests	170	176
of which attributable to shareholders of Talanx AG	223	235
Earnings per share		
Basic earnings per share (EUR)	0.88	0.93
Diluted earnings per share (EUR)	0.88	0.93

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

Consolidated statement of comprehensive income

for the period from 1 January to 31 March 2020

EUR million	Q1 2020	Q1 2019
Net income	393	411
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	195	-102
Tax income (expense)	-59	30
	136	-72
Changes in policyholder participation/shadow accounting		
Gains (losses) recognised in other comprehensive income for the period	-10	5
Tax income (expense)	-	-
	-10	5
Total items that will not be reclassified to profit or loss, net of tax	125	-67
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	-1,565	2,091
Reclassified to profit or loss	-98	-43
Tax income (expense)	437	-310
	-1,226	1,738
Exchange differences on translating foreign operations		
Gains (losses) recognised in other comprehensive income for the period	-210	234
Reclassified to profit or loss	-	-
Tax income (expense)	13	-18
	-197	216
Changes in policyholder participation/shadow accounting		
Gains (losses) recognised in other comprehensive income for the period	493	-934
Tax income (expense)	-91	39
	402	-895
Changes from cash flow hedges		
Gains (losses) recognised in other comprehensive income for the period	4	15
Reclassified to profit or loss	-7	-7
Tax income (expense)	3	-1
	1	7
Changes from equity method measurement		
Gains (losses) recognised in other comprehensive income for the period	-1	3
Reclassified to profit or loss	-	-
Tax income (expense)	-	-
	-1	3
Total items that may be reclassified subsequently to profit or loss, net of tax	-1,020	1,069
Other comprehensive income for the period, net of tax	-895	1,002
Total comprehensive income for the period	-502	1,413
of which attributable to non-controlling interests	-69	586
of which attributable to shareholders of Talanx AG	-434	827

Segment reporting

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 31 MARCH 2020

EUR million

Assets	Industrial Lines		Retail Germany	
	31.3.2020	31.12.2019	31.3.2020	31.12.2019
A. Intangible Assets	163	163	669	687
B. Investments	9,117	9,292	54,977	54,665
C. Investments for the benefit of life insurance policyholders who bear the investment risk	—	—	9,418	11,353
D. Reinsurance recoverables on technical provisions	7,604	7,409	1,867	1,811
E. Accounts receivable on insurance business	2,635	2,060	338	287
F. Deferred acquisition costs	104	75	2,019	2,021
G. Cash at banks, cheques and cash-in-hand	847	857	643	832
H. Deferred tax assets	53	44	91	89
I. Other assets	891	663	675	771
J. Non-current assets and assets of disposal groups classified as held for sale	—	—	9	—
Total assets	21,415	20,564	70,705	72,517

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 31 MARCH 2020

EUR million

Equity and liabilities	Industrial Lines		Retail Germany	
	31.3.2020	31.12.2019	31.3.2020	31.12.2019
B. Subordinated liabilities ¹	280	283	257	162
C. Technical provisions	15,484	14,561	54,648	54,169
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders	—	—	9,418	11,353
E. Other provisions	779	803	561	622
F. Liabilities ²	2,492	2,330	3,085	3,386
G. Deferred tax liabilities	159	209	223	253
H. Liabilities included in disposal groups classified as held for sale	—	—	—	—
Total liabilities/provisions	19,194	18,186	68,193	69,945

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
31.3.2020	31.12.2019	31.3.2020	31.12.2019	31.3.2020	31.12.2019	31.3.2020	31.12.2019	31.3.2020	31.12.2019
764	838	199	204	106	106	—	—	1,902	1,998
12,967	13,636	58,699	58,346	1,420	896	-2,836	-2,731	134,343	134,104
402	471	—	—	—	—	—	—	9,820	11,824
925	921	2,921	3,028	224	18	-5,012	-4,704	8,529	8,483
1,168	1,339	5,736	5,270	204	11	-625	-443	9,456	8,525
608	671	3,040	2,932	3	2	242	238	6,017	5,940
425	387	1,289	1,089	409	353	—	—	3,613	3,518
107	92	41	45	256	276	-142	-221	406	326
536	561	2,133	1,797	606	1,183	-1,867	-2,158	2,974	2,819
19	21	106	36	—	—	—	—	134	57
17,921	18,936	74,165	72,748	3,228	2,845	-10,240	-10,017	177,194	177,594

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
31.3.2020	31.12.2019	31.3.2020	31.12.2019	31.3.2020	31.12.2019	31.3.2020	31.12.2019	31.3.2020	31.12.2019
42	42	2,637	2,628	1,280	1,280	-1,016	-916	3,480	3,479
12,909	13,478	48,538	47,089	399	108	-4,096	-3,792	127,881	125,614
402	471	—	—	—	—	—	—	9,820	11,824
277	315	514	592	1,357	1,485	—	—	3,487	3,816
2,121	2,182	9,792	9,481	2,031	1,861	-5,060	-5,158	14,462	14,081
81	104	1,645	1,792	—	—	-118	-198	1,991	2,160
8	9	3	—	—	—	—	—	11	9
15,840	16,601	63,128	61,582	5,067	4,734	-10,290	-10,064	161,132	160,983
Equity³								16,062	16,610
Total liabilities								177,194	177,594

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

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

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

CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2020¹

EUR million	Industrial Lines		Retail Germany	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019
1. Gross written premiums including premiums from unit-linked life and annuity insurance	2,575	2,296	1,848	1,886
of which attributable to other divisions/segments	27	24	16	20
of which attributable to third parties	2,548	2,272	1,832	1,866
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	195	206
3. Ceded written premiums	1,208	1,008	98	94
4. Change in gross unearned premiums	-1,079	-996	-410	-432
5. Change in ceded unearned premiums	-438	-342	-15	-13
Net premiums earned	726	634	1,160	1,167
6. Claims and claims expenses (gross)	1,029	1,122	1,125	1,274
Reinsurers' share	415	605	35	26
Claims and claims expenses (net)	614	517	1,091	1,248
7. Acquisition costs and administrative expenses (gross)	342	292	374	316
Reinsurers' share	212	166	26	37
Acquisition costs and administrative expenses (net)	130	126	348	279
8. Other technical income	1	—	8	7
Other technical expenses	-6	9	13	6
Other technical result	7	-9	-5	1
Net technical result	-11	-18	-283	-359
9. a. Investment income	132	102	488	493
b. Investment expenses	98	31	167	62
Net income from assets under own management	34	71	322	431
Net income from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	-3	-2
Net investment income	34	71	318	429
of which share of profit or loss of equity-accounted associates and joint ventures	8	10	—	—
10. a. Other income	117	88	62	56
b. Other expenses	109	106	65	66
Other income/expenses	7	-18	-3	-10
Profit before goodwill impairments	30	35	32	60
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	30	35	32	60
12. Financing costs	3	3	2	2
13. Taxes on income	7	9	9	20
Net income	20	23	21	38
of which attributable to non-controlling interests	2	—	1	2
of which attributable to shareholders of Talanx AG	17	23	19	36

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

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
Q1 2020	Q1 2019	Q1 2020	Q1 2019 ²	Q1 2020	Q1 2019	Q1 2020	Q1 2019 ²	Q1 2020	Q1 2019 ²
1,513	1,617	6,975	6,373	322	35	-767	-491	12,467	11,716
—	—	496	412	227	35	-767	-491	—	—
1,513	1,617	6,479	5,961	95	—	—	—	12,467	11,716
25	19	—	—	—	—	—	—	220	225
153	143	624	612	225	18	-760	-493	1,548	1,382
-29	-76	-1,338	-1,218	-225	-16	288	116	-2,794	-2,622
-35	-34	-78	-68	-165	-14	282	116	-449	-355
1,341	1,413	5,091	4,611	37	15	-1	2	8,354	7,842
1,133	1,197	4,203	3,730	80	13	-326	-252	7,245	7,084
103	82	363	390	47	2	-335	-245	628	860
1,030	1,115	3,840	3,340	33	11	9	-7	6,617	6,224
323	300	1,449	1,322	17	3	-136	-117	2,369	2,116
25	25	68	55	11	—	-126	-112	217	171
298	275	1,381	1,267	6	3	-11	-5	2,153	1,945
9	10	—	—	—	—	—	—	18	17
19	18	1	—	—	—	1	14	28	47
-10	-8	-1	—	—	—	-1	-14	-10	-30
3	15	-131	4	-3	1	—	—	-425	-357
143	102	523	433	5	4	-16	-17	1,275	1,117
52	10	136	99	31	23	-30	-28	453	197
91	92	387	334	-26	-19	14	11	822	920
1	—	—	—	—	—	—	—	1	—
-1	-1	86	71	—	—	—	—	81	68
90	91	472	405	-26	-19	15	11	903	988
—	—	2	2	—	—	—	—	10	12
116	31	296	172	194	178	-180	-174	605	351
134	64	209	128	163	158	-157	-156	523	366
-18	-33	87	44	31	20	-23	-18	81	-15
75	73	427	453	3	2	-9	-7	559	616
—	—	—	—	—	—	—	—	—	—
75	73	427	453	3	2	-9	-7	559	616
4	2	28	25	26	26	-14	-13	51	45
17	19	94	116	-14	-6	2	2	116	160
53	52	305	312	-9	-18	3	4	393	411
10	10	156	164	—	—	—	—	170	176
43	42	149	148	-9	-18	3	4	223	235

CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE RETAIL GERMANY (PROPERTY/CASUALTY AND LIFE), PROPERTY/CASUALTY REINSURANCE AND LIFE/HEALTH REINSURANCE REPORTABLE SEGMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2020

EUR million	Retail Germany – Property/Casualty		Retail Germany – Life		Property/Casualty Reinsurance		Life/Health Reinsurance	
	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019 ¹	Q1 2020	Q1 2019 ¹
1. Gross written premiums including premiums from unit-linked life and annuity insurance	774	782	1,075	1,104	4,986	4,394	1,989	1,979
of which attributable to other segments	—	—	16	20	463	377	34	35
of which attributable to third parties	774	782	1,058	1,084	4,523	4,017	1,956	1,944
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	195	206	—	—	—	—
3. Ceded written premiums	42	36	56	58	412	355	212	257
4. Change in gross unearned premiums	–399	–404	–12	–28	–1,315	–1,177	–24	–41
5. Change in ceded unearned premiums	–16	–13	—	—	–79	–68	1	—
Net premiums earned	348	355	812	812	3,338	2,930	1,753	1,681
6. Claims and claims expenses (gross)	236	222	890	1,052	2,502	2,140	1,701	1,590
Reinsurers' share	5	6	30	20	161	199	202	191
Claims and claims expenses (net)	231	216	860	1,032	2,342	1,941	1,499	1,399
7. Acquisition costs and administrative expenses (gross)	137	139	237	177	1,048	920	402	402
Reinsurers' share	9	6	17	31	48	43	20	12
Acquisition costs and administrative expenses (net)	128	133	220	146	1,000	877	381	390
8. Other technical income	1	1	8	6	—	—	—	—
Other technical expenses	3	3	10	3	1	—	2	—
Other technical result	–3	–2	–3	3	–1	—	–2	—
Net technical result	–13	4	–270	–363	–2	112	–129	–108
9. a. Investment income	30	32	459	461	357	310	165	123
b. Investment expenses	15	4	152	58	69	79	67	20
Net income from assets under own management	15	28	307	403	288	231	99	103
Gains or losses from investment contracts	—	—	—	—	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	–3	–2	10	12	75	59
Net investment income	14	28	304	401	298	243	174	162
of which share of profit or loss of equity-accounted associates and joint ventures	—	—	—	—	2	2	—	—
10. a. Other income	13	16	49	40	163	82	133	91
b. Other expenses	18	18	47	48	154	97	55	32
Other income/expenses	–5	–2	2	–8	9	–15	78	59
Profit before goodwill impairments	–3	30	36	30	305	340	123	113
11. Goodwill impairments	—	—	—	—	—	—	—	—
Operating profit/loss (EBIT)	–3	30	36	30	305	340	123	113

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

Consolidated cash flow statement

for the period from 1 January to 31 March 2020

EUR million	Q1 2020	Q1 2019
I. 1. Net income	393	411
I. 2. Changes in technical provisions	3,729	2,897
I. 3. Changes in deferred acquisition costs	-257	-357
I. 4. Changes in funds withheld and in accounts receivable and payable	-1,475	-1,196
I. 5. Changes in other receivables and liabilities	405	284
I. 6. Changes in investments and liabilities under investment contracts	1	3
I. 7. Changes in financial instruments held for trading	34	26
I. 8. Gains/losses on disposal of investments and property, plant and equipment	-200	-89
I. 9. Changes in technical provisions for life insurance policies where the investment risk is borne by the policyholders	-1,985	939
I. 10. Other non-cash expenses and income (including income tax expense/income)	62	-50
I. Cash flows from operating activities^{1,2}	705	2,868
II. 1. Cash inflow from the sale of consolidated companies	—	4
II. 2. Cash outflow from the purchase of consolidated companies	—	—
II. 3. Cash inflow from the sale of real estate	65	82
II. 4. Cash outflow from the purchase of real estate	-69	-82
II. 5. Cash inflow from the sale and maturity of financial instruments	7,771	8,774
II. 6. Cash outflow from the purchase of financial instruments	-9,047	-10,056
II. 7. Changes in investments for the benefit of life insurance policyholders who bear the investment risk	1,985	-939
II. 8. Changes in other investments	-1,146	-458
II. 9. Cash outflows from the acquisition of tangible and intangible assets	-36	-35
II. 10. Cash inflows from the sale of tangible and intangible assets	4	4
II. Cash flows from investing activities	-473	-2,706
III. 1. Cash inflow from capital increases	—	—
III. 2. Cash outflow from capital reductions	—	—
III. 3. Dividends paid	-46	-54
III. 4. Net changes attributable to other financing activities	-37	-37
III. Cash flows from financing activities²	-83	-91
Net change in cash and cash equivalents (I. + II. + III.)	149	71
Cash and cash equivalents at the beginning of the reporting period	3,519	3,363
Effect of exchange rate changes on cash and cash equivalents	-34	38
Effect of changes in the basis of consolidation on cash and cash equivalents³	-10	—
Cash and cash equivalents at the end of the reporting period⁴	3,624	3,472

¹ EUR 2 (89) million of "Income taxes paid", EUR 60 (77) million of "Dividends received" and EUR 996 (956) million of "Interest received" are allocated to "Cash flows from operating activities". Dividends received also include quasi-dividend profit-sharing payments from investment funds and private equity firms.

² EUR 21 (24) million of the "Interest paid" item of EUR 99 (126) million is attributable to "Cash flows from financing activities" and EUR 78 (102) million to "Cash flows from operating activities".

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

⁴ The "Cash and cash equivalents at the end of the reporting period" item includes changes in the portfolio of disclosed disposal groups in the amount of EUR 10 (1) million as at the reporting date.

Other disclosures

This document is a quarterly statement in accordance with section 51a of the Exchange Rules for the Frankfurter Wertpapierbörse.

The consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income and the consolidated cash flow statement were prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. The statement was prepared in compliance with the requirements of IAS 34 "Interim Financial Reporting". Due to the coronavirus pandemic estimates are subject to higher levels of uncertainty and so increased use is made of scenario calculations. Prior-year figures were adjusted in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The same accounting policies were applied as for the consolidated financial statements as at 31 December 2019. To the extent that there are new standards effective from 1 January 2020, these have been applied accordingly.

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

Exchange differences on translating foreign operations

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

EXCHANGE RATES FOR OUR KEY FOREIGN CURRENCIES

EUR 1 corresponds to	Balance sheet (reporting date)		Statement of income (average)	
	31.3.2020	31.12.2019	Q1 2020	Q1 2019
AUD Australia	1.7943	1.6000	1.6830	1.5954
BRL Brazil	5.6891	4.5128	4.9576	4.3229
CAD Canada	1.5604	1.4620	1.4906	1.5180
CNY China	7.7771	7.8181	7.7273	7.6870
GBP United Kingdom	0.8868	0.8520	0.8585	0.8736
MXN Mexico	26.2507	21.0814	22.4549	22.0124
PLN Poland	4.5470	4.2576	4.3572	4.2962
USD USA	1.0954	1.1190	1.1045	1.1396

Events after the end of the reporting period

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

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

Quarterly Statement online

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

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Financial calendar 2020

12 August

Interim Report as at 30 June 2020

12 November

Quarterly Statement as at 30 September 2020

17 November

Capital Markets Day

