Talanx AG Annual Report 2010

Talanx AG at a glance

	2010	2009	2008	2007	2006
Figures in EUR thousand					
Income from participating interests	360,231	397,564	471,613	431,789	286,317
Net interest income	–109,414	–66,029	–59,807	–48,510	–109,550
Other operating income	87,069	18,660	22,760	161,507	95,983
Other operating expenses and write-downs	358,484	80,522	107,265	96,101	35,239
Profit or loss on ordinary activities before tax	–20,599	269,673	327,301	448,685	237,511
Extraordinary profit or loss	–14,161	—	—	4,908	–42,561
Tax expenditure	–44,524	57,020	–41,899	210,569	38,739
Profit or loss for the financial year	9,764	212,654	369,200	243,024	156,211
Allocation to other retained earnings	—	106,327	—	—	—
Profit carried forward from the previous year	290,927	184,600	—	—	—
Disposable profit	300,691	290,927	369,200	243,024	156,211
Financial assets	6,003,032	5,752,932	5,736,944	5,439,715	4,623,900
Capital and reserves					
Subscribed capital	260,000	260,000	260,000	260,000	260,000
Capital reserve	629,529	629,529	629,529	629,529	629,529
Retained earnings	2,902,758	2,986,528	2,695,601	2,452,576	2,296,366
Disposable profit	300,691	290,927	369,200	243,024	156,211
Total	4,092,978	4,166,984	3,954,330	3,585,129	3,342,106
Borrowed funds with a term in excess of 1 year	1,876,285	1,600,438	1,714,116	1,717,440	1,072,182

For mathematical reasons rounding differences of ± one unit may occur in the tables.

Contents

Report of the Supervisory Board

In the 2010 financial year the Supervisory Board performed its functions and duties at all times in accordance with statutory requirements, the Articles of Association and the Rules of Procedure. We considered at length the economic situation, risk position and strategic development of Talanx AG and its major subsidiaries. We advised the Board of Management on the direction of the company, monitored the management of business and were directly involved in decisions of fundamental importance.

In the year under review we came together for four ordinary meetings of the Supervisory Board, which were held on 26 March, 28 May, 31 August and 13 November 2010. As in the previous year, the Federal Financial Supervisory Authority (BaFin) exercised its legal powers and sent two representatives to attend one of these meetings. The Finance and Audit Committee of the Supervisory Board met four times and the Personnel Committee met on three occasions. The Mediation Committee formed in accordance with the requirements of the Co-Determination Act again had no reason to meet in 2010. The full Supervisory Board was briefed on the work of the various committees. In addition, we received quarterly written reports from the Board of Management on the course of business and the position of the company and the Group. At no point in the year under review did we consider it necessary to conduct audit measures pursuant to § 111 Para. 2 Sentence 1 German Stock Corporation Act (AktG). Insofar as transactions requiring approval arose between meetings, the Board of Management submitted these to us for a written resolution. The Chairman of the Supervisory Board also remained in constant contact with the Chairman of the Board of Management and was regularly advised of all important business transactions within the company and the Talanx Group. All in all, within the scope of our statutory responsibilities and those prescribed by the Articles of Association we assured ourselves of the lawfulness, expediency, regularity and efficiency of the actions of the Board of Management.

The Board of Management provided us with regular, timely and comprehensive information about the business and financial situation – including the risk situation and risk management –, about major capital expenditure projects and fundamental issues of corporate policy as well as about transactions that – while not subject to the approval of the Supervisory Board – nevertheless need to be reported in accordance with the requirements of the Rules of Procedure. At our meetings we considered at length the reports provided by the Board of Management and put forward suggestions and proposed improvements.

Key areas of discussion for the full Supervisory Board

The business development of the company and the individual Group segments, the reorientation of the Group and optimization of its structures as well as the planning for 2011 formed the primary focus of the reporting and were discussed in detail at our meetings. The reasons for divergences between the business experience and the relevant plans and targets in the financial year just-ended were explained to us, and we were able to satisfy ourselves accordingly with the explanations provided.

At the end of 2009, as part of the Group's reorientation and the optimization of its structures, we approved a modified allocation of responsibilities for the Board of Management – which came into effect progressively in the course of 2010 – and adopted the necessary resolutions for implementation of the target structure.

A further focus of our deliberations was risk management within the Group. The risk reporting by the Board of Management was a matter for discussion at each meeting of the Supervisory Board. In addition, we considered a number of acquisition, disposal and cooperation projects, which the Board of Management presented to us for discussion and adoption of a resolution. Specifically, reference may be made here to the sale of the US-based Clarendon National Insurance Company and its subsidiaries, the establishment of a cooperation arrangement with Meiji Yasuda Life Insurance Company, the purchase of an insurance company in the Netherlands and the acquisition of a minority stake in an Austrian investment company. Not only that, the strategic orientation of the new division of Retail Germany as well as the globalization strategy pursued in Industrial Lines were considered by the Supervisory Board. In this connection various acquisition projects were explored in 2010, inter alia in Vietnam, Canada and Argentina; we were kept informed of the status of these deliberations and discussions.

With an eye to § 87 Para. 1 Stock Corporation Act (AktG) as amended by the Act on the Adequacy of Management Board Remuneration (VorstAG), the full Supervisory Board considered the specification of the bonuses for the members of the Board of Management and reviewed the fixed remuneration of individual members of the Board of Management; in this context it drew inter alia on horizontal and vertical remuneration aspects and concepts as a means of comparison and orientation. Considerable attention was also devoted to the reorganization of the system of remuneration for the Board of Management and the adjustment of the contracts of service with the members of the Board of Management. These revisions were approved at the meeting of the Supervisory Board held on 13 November 2010. In addition, at this meeting the Supervisory Board was informed about the structure of the remuneration systems within the Group as required by § 3 Para. 5 of the Regulation on the Supervisory Law Requirements for Remuneration Schemes in the Insurance Sector (Versicherungs-Vergütungsverordnung).

The transactions and measures subject to approval in accordance with legal requirements, the company's Articles of Association and its Rules of Procedure were agreed with the Board of Management following examination and discussion. The Supervisory Board gave the necessary consent to the control and profit transfer agreement of Talanx AG with HDI-Gerling Gesellschaft für IT-Dienstleistungen mbH – now Talanx Systeme AG – on the basis of the written and verbal explanations provided by the Board of Management.

Work of the Committees

Along with preparations for discussion and adoption of resolutions in the full Supervisory Board, the Finance and Audit Committee of the Supervisory Board considered at length the company's quarterly financial statements compiled on a voluntary basis. Furthermore, the Finance and Audit Committee discussed the findings of an actuarial audit of the net loss reserves for non-life insurance business within the Talanx Group as well as the profitability trend at the individual Group companies as at 31 December 2009 and considered the internal control system, the risk reports, the work of the internal auditing department and the annual report submitted by the Chief Compliance Officer.

The Personnel Committee, together with external advisers, prepared the review of the remuneration system for the Board of Management – including the major contractual elements – at a number of meetings. It presented to the full Supervisory Board a proposal for the reorganization of the remuneration system with a view to satisfying, in the first place, the supervisory standards and, subsequently, in the course of 2010 – following the entry into force of the legal bases and specifications handed down by lawmakers – the new legal requirements as well. In a written procedure the Committee – following approval of the new remuneration system by the full Supervisory Board – defined the targets for the individual members of the Board of Management in the 2011 financial year. Furthermore, recommendations were made to the full Supervisory Board with respect to upcoming reappointments and in the context of the setting of bonuses and the review of the fixed remuneration for members of the Board of Management.

Corporate Governance

The Supervisory Board again devoted special attention to the issue of Corporate Governance. In accordance with the provisions of the German Corporate Governance Code, the existing Supervisory Board remuneration consisting exclusively of fixed components was extended to include a variable component and the amount of remuneration was reviewed with an eye to its appropriateness and brought more closely into line with the level of relevant competitors.

The deductibles in the D&O cover were revised and adjusted in line with the changed legal environment.

Audit of the annual and consolidated financial statements

The annual financial statements of Talanx AG submitted by the Board of Management, the financial statements of the Talanx Group – drawn up in accordance with International Financial Reporting Standards (IFRS) – as well as the corresponding management reports and the bookkeeping system were audited by KPMG AG, Wirtschaftsprüfungsgesellschaft, Hannover. The General Meeting appointed the auditors; the Finance and Audit Committee awarded the concrete audit mandate. In addition to the usual audit tasks, the Committee placed special emphasis on the implementation of the Act on the Modernization of Accounting Law (BilMoG) as well as – in the case of the consolidated financial statements – on the measurement of the deferred acquisition costs, the determination of the fair values of investments with a special eye to the fair value hierarchy and on taxes. The audit concentrations of the Financial Reporting Enforcement Panel (FREP) were also the subject of the audit procedures carried out by the auditors.

The audits conducted by the auditors gave no grounds for objection. The unqualified audit certificates that were issued state that the accounting, annual financial statements and consolidated financial statements give a true and fair view of the net assets, financial position and results and that the management reports suitably reflect the annual and consolidated financial statements.

The financial statements and the audit reports of KPMG were distributed to all the members of the Supervisory Board in due time. They were examined in detail at a meeting of the Finance and Audit Committee on 16 May 2011 and at a meeting of the Supervisory Board on 17 May 2011. The auditor took part in the deliberations of the Finance and Audit Committee and of the full Supervisory Board regarding the annual and consolidated financial statements, reported on the conduct of the audits and was available to provide the Supervisory Board with additional information. In accordance with the final outcome of our own examination of the annual financial statements, the consolidated financial statements, the corresponding management reports and the audit reports, we concurred with the opinion of the auditors and approved the annual and consolidated financial statements drawn up by the Board of Management.

The annual financial statements are thus adopted. We approve of the statements made in the management reports regarding the further development of the company. After examination of all relevant considerations we agree with the Board of Management's proposal for the appropriation of the disposable profit.

The report on the company's relations with affiliated companies drawn up by the Board of Management in accordance with § 312 German Stock Corporation Act (AktG) has likewise been examined by KPMG Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Hannover, and given the following unqualified audit certificate:

"Having audited the report in accordance with our professional duties, we confirm that
1. its factual details are correct,
2. in the case of the transactions detailed in the report, the expenditure of the company was not unreasonably high."

We have examined the report on relations with affiliated companies; we reached the same conclusion as the auditors and have no objections to the statement reproduced in this report.

Changes on the Board of Management and Supervisory Board

With effect from 1 September 2010 Mr. Torsten Leue was appointed as a new member of the company's Board of Management; from this date onwards he assumed responsibility for the newly formed Retail International division. In addition, the Supervisory Board decided to renew the Board mandates of Dr. Hinsch, Dr. Querner and Dr. Noth – which were due to expire in 2011 – as well as to renew the mandate of Mr. Haas, which was set to expire at the beginning of 2012.

With effect from the end of 31 January 2011 Mr. Hans-Ulrich Hanke stepped down from the company's Supervisory Board as a representative of the employees. The Supervisory Board expressed its appreciation and recognition of his constructive and dedicated contribution. With effect from 1 February 2011 Ms. Jutta Hammer succeeded him as a member of the Supervisory Board for the remainder of the current term of office.

Word of thanks to the Board of Management and staff

The Board of Management and staff worked and acted with dedication and prudence in an environment that continued to be challenging. The Supervisory Board would like to express its special appreciation of their efforts.

Hannover, 17 May 2011

For the Supervisory Board

Wolf-Dieter Baumgartl
(Chairman)

Boards and officers

Supervisory Board

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

Ralf Rieger
Deputy Chairman
Employee,
HDI-Gerling Vertrieb Firmen
und Privat AG,
Raesfeld

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

Karsten Faber
Managing Director,
Hannover Rückversicherung AG,
E+S Rückversicherung AG,
Hannover

Jutta Hammer
(from 01.02.2011)
Employee, HDI-Gerling
Leben Betriebsservice GmbH,
Bergisch Gladbach

Hans-Ulrich Hanke
(until 31.01.2011)
Employee, HDI-Gerling
Leben Betriebsservice GmbH,
Brühl

Gerald Herrmann
Trade union secretary,
Norderstedt

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

Jutta Mück
Employee, HDI-Gerling
Industrie Versicherung AG,
Oberhausen

Otto Müller
Employee,
Hannover Rückversicherung AG,
Hannover

Dr. Hans-Dieter Petram
Former Member of the Board
of Management of Deutsche Post AG,
Inning

Dr. Michael Rogowski
Chairman of the Foundation
Council of Hanns-Voith-Stiftung,
Heidenheim

Katja Sachtleben-Reimann
Employee, Talanx Service AG,
Hannover

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

Bodo Uebber
Member of the Board
of Management of Daimler AG,
Stuttgart

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

Werner Wenning
Former Chairman of the Board
of Management of Bayer AG,
Leverkusen

Supervisory Board Committees

The Supervisory Board has formed four committees from among its ranks. They support the full Supervisory Board in the performance of its tasks.

Finance and Audit Committee
- Wolf-Dieter Baumgartl, *Chairman*
- Dr. Thomas Lindner
- Ralf Rieger
- Prof. Dr. Eckhard Rohkamm
- Dr. Erhard Schipporeit

Personnel Committee
- Wolf-Dieter Baumgartl, *Chairman*
- Prof. Dr. Eckhard Rohkamm
- Dr. Michael Rogowski
- Prof. Dr. Ulrike Wendeling-Schröder

Mediation Committee
- Wolf-Dieter Baumgartl, *Chairman*
- Ralf Rieger
- Prof. Dr. Eckhard Rohkamm
- Katja Sachtleben-Reimann

Nomination Committee
- Wolf-Dieter Baumgartl, *Chairman*
- Dr. Thomas Lindner
- Dr. Michael Rogowski

Tasks of the committees

Finance and Audit Committee
- Preparation of financial decisions for the full Supervisory Board
- Decisions in lieu of the full Supervisory Board on certain financial matters, including the establishment of companies, acquisition of participations and capital increases at subsidiaries within defined value limits

Personnel Committee
- Preparation of personnel matters for the full Supervisory Board
- Decisions in lieu of the full Supervisory Board on certain personnel matters for which the full Supervisory Board is not required to bear sole responsibility

Mediation Committee
- Proposal for the appointment of a Board member if the necessary two-thirds majority is not achieved in the first ballot (§ 31 Para. 3 Co-Determination Act)

Nomination Committee
- Proposal of suitable candidates for the Supervisory Board's nominations to the General Meeting

Board of Management

Herbert K. Haas
Chairman

Chairman of the Board of Management
HDI Haftpflichtverband der Deutschen Industrie V. a. G., Hannover

Responsible on the Talanx Board of Management for
- Corporate Development
- Investor Relations
- Public Relations
- Legal Affairs
- Internal Auditing
- Executive Staff Functions/Compliance

Dr. Christian Hinsch
Deputy Chairman

Deputy Chairman of the Board of Management
HDI Haftpflichtverband der Deutschen Industrie V. a. G.,
Chairman of the Management Board
HDI-Gerling Industrie Versicherung AG, Hannover

Responsible on the Talanx Board of Management for
- Division: Industrial Lines
- Facility Management
- Human Resources
- Procurement
- Reinsurance Purchasing

Norbert Kox
(until 31.05.2010)

Chairman of the Board of Management
ProACTIV Holding AG, Hilden

Responsible on the Talanx Board of Management for
- Former Domestic and Foreign Bancassurance Division

Torsten Leue
(from 01.09.2010)

Chairman of the Board of Management
Talanx International AG, Hannover

Responsible on the Talanx Board of Management for
- Division: Retail International

Dr. Thomas Noth
Chairman of the Board of Management
Talanx Systeme AG, Hannover

Responsible on the Talanx Board of Management for
- Information Services

Dr. Immo Querner
Member of the Board of Management
HDI Haftpflichtverband der Deutschen Industrie V. a. G., Hannover

Responsible on the Talanx Board of Management for
- Finance/Participating Interests/Real Estate
- Investments
- Controlling
- Collections
- Risk Management
- Accounting/Taxes

Dr. Heinz-Peter Roß
Chairman of the Board of Management
Talanx Deutschland AG, Hannover

Responsible on the Talanx Board of Management for
- Division: Retail Germany
- Business Organization

Ulrich Wallin
Chairman of the Board of Management
Hannover Rückversicherung AG, Hannover

Responsible on the Talanx Board of Management for
- Division: Reinsurance

Management report.

Business overview and general climate

In its function as the financial and management holding company of the Talanx Group, Talanx AG is represented by its own companies or branches in 40 countries around the world. Including its cooperation arrangements, the Group is active in altogether 150 countries on all five continents. The companies belonging to the Talanx Group operate chiefly in the areas of primary insurance and reinsurance. Some subsidiaries – principally in Germany – are engaged in the financial services sector.

The Talanx Group is headed by Talanx AG, whose primary task is to lead and steer the Group. Its Board of Management defines the Group strategy and decides on the Group's business-policy objectives. Goal accomplishment is monitored by Talanx AG and steered by means of capital allocation, set targets, performance measurement and appropriate incentive schemes. At the same time Talanx AG bears responsibility for optimizing equity and debt capital in the interests of the Group.

With its restructuring in 2010 the Group completed a transition in primary insurance business from a line-of-business organization to a customer-oriented organization. Its operations are now conducted by the following five divisions: Retail Germany, Retail International, Industrial Lines, Reinsurance and Corporate Operations. Information on the individual divisions and the companies operating in them is provided under "Development of the major participations".

Macroeconomic environment and industry-specific conditions

Macroeconomic developments
The hallmarks of 2010 were the global economic recovery and the sovereign debt crisis. The picture around the world was a very mixed one: emerging markets as well as developed countries – first and foremost Germany – linked with them through strong export relationships enjoyed a vigorous upturn. Growth in some countries on the Eurozone periphery, however, was curtailed by the spreading sovereign debt contagion and corresponding austerity efforts.

The eruption of the sovereign debt crisis was triggered by the downgrading of Greece's credit rating and the rapid increase in risk premiums for Spain, Portugal and Ireland too – as well as Italy as the year progressed. The European Union (EU) and the International Monetary Fund (IMF) approved a bailout package for Greece and additionally agreed upon a safety net – comprised of credit commitments – for Eurozone countries at risk. Ireland was the first country to avail itself of this assistance, taking out loans of EUR 85 billion in November.

Unemployment in the United States remained stubbornly at a historic high of 9.4%, just 0.5% lower than at the end of 2009. Convincing corporate profits across all reporting seasons provided a ray of light, and hence the US generated third-quarter GDP growth of 3.2% year-on-year. The figure for the Eurozone was 1.9%. Germany took over as the driver of growth within the Eurozone, recording an increase of 3.6% for the full year.

Despite monetary policy intervention by the US Federal Reserve and the European Central Bank on a massively expansionary scale, inflation in both regions remained on a modest level. The inflation rate in the United States in November 2010 stood at 1.1% relative to the previous year, while in the Eurozone the figure was 1.9% and in the United Kingdom it was 3.3%. In the latter case, however, an increase in value-added tax and exchange rate effects both played a significant role. Core inflation reached historic lows in 2010, standing at 0.8% in the US in November, 1.1% in the Eurozone and 2.5% in the UK.

The euro depreciated against the US dollar from 1.43 USD/EUR to 1.19 USD/EUR. The bailout package for Greece and the subsequent establishment of a rescue fund for affected Eurozone countries gave the single currency some breathing space, as a result of which it had recovered to 1.34 USD/EUR by year-end. The movement of the euro against the pound sterling was almost a mirror image: the rate slipped from 0.89 GBP/EUR as the year progressed to 0.81 GBP/EUR and then recovered by year-end to 0.86 GBP/EUR.

Capital markets

Central banks in the United States and the Eurozone pressed ahead with their extremely relaxed monetary policy in 2010. The US Federal Reserve left its key interest rate unchanged at virtually zero. In the third quarter the decision was taken to invest funds from maturing instruments in US treasury bonds. This was followed in November by the announcement of further monetary policy expansion through the additional purchase of government bonds. Altogether, the Federal Reserve is looking to buy up the equivalent of roughly USD 900 billion by the summer of 2011. These unprecedented steps were prompted by the fear that the US economy could slip back again into recession.

Similarly, the European Central Bank also kept its foot on the gas in 2010. The prime rate was left unchanged at 1% and tender transactions were awarded in full. Not only that, the ECB also began to buy up government bonds. As justification for this move, hitherto unprecedented in the history of the ECB, the temporary restriction in the proper functioning of the markets was cited: the purpose of these measures is not to extend the money supply, but rather to hold it on a constant level through offsetting transactions.

After an untroubled first quarter in which yields moved sideways, the debt crisis affecting countries on the Eurozone periphery took center stage in the following months. This prompted a flight to low-risk asset classes among market players. The market for government bonds issued by AAA–rated core countries, especially Germany, profited from this development. The risk aversion displayed by market participants caused yields on 10-year government bonds in the Eurozone to fall to levels barely above 2% on multiple occasions between April and August. Parallel to this, risk premiums for government bonds issued by peripheral Eurozone countries increased sharply. While the extensive bailout packages repeatedly served to calm markets for the short term in the period that followed, the skepticism prevailing among market players remains very high overall to this day.

In conjunction with implementation of a Bank Reorganization Act in Germany at the beginning of November, the market segment for financial bonds also saw a significant increase in risk premiums. Since developments on the economic side were looking brighter, particularly in Germany, yields rose sharply in this period on the interest rate side. Ten-year German federal government bonds listed just below 3% at year-end. All relevant euro bond markets closed the year with a positive performance.

Movements on equity markets in the developed countries were driven by the sovereign debt crisis in 2010. A brief period of consolidation at the beginning of the year was followed by an upward movement from February onwards, although this quickly came to an end as the second quarter got underway owing to the emerging sovereign debt issues. Prices moved sideways until the end of the third quarter. The closing quarter of 2010 ushered in a year-end rally in which almost all indices reached new highs.

The varying economic developments were reflected in the equity indices. The strong performance of the German economy carried over to the DAX, which closed the year with a performance of +16%. The EuroStoxx 50, on the other hand, performed weakly in the course of the year on the back of the sovereign debt crisis affecting Eurozone peripheral countries and recorded a negative performance of –2%. The S&P500 Total Return beat the previous year by 14%.

While economic worries served as a drag on stock markets, the abundant supply of liquidity provided by central banks as well as – most significantly – surprisingly strong corporate profits and increased M&A activities were positive drivers. The successful outcome of the stress tests performed on banks at the start of the second half-year was also a source of relief.

Insurance industry

With growth of a good 4% in 2010 – another slight increase on the previous year – the German insurance industry impressively maintained its positive premium trend of recent years. It should, however, be borne in mind that a not inconsiderable part of this growth derives from so-called single-premium business in life insurance. This is a product group that consists, firstly, of annuity insurance products and, secondly, of so-called capitalization products in which investors are able to park capital over a shorter or longer period at attractive interest rates. Although there was no mistaking an appreciable caution among broad groups of buyers owing to the turmoil of the financial and economic crisis – especially with respect to a long-term commitment such as for retirement provision –, the German insurance industry presented an exceptionally stable picture – even without the growth effect stemming from single-premium business.

Despite the limited growth potential due to the high level of market saturation in Germany, the capital and reserves of the German insurance industry make it – now more than ever – a reliable guarantor for protection against the diverse risks faced in both private and business life.

In German property and casualty insurance the upturn in business was further consolidated – insofar as this was possible given the degree of market saturation reached in most lines – and led to premium growth of 0.7%. Motor insurance, the largest single line, continues to be of crucial importance to the business development in property and casualty insurance as a whole. Massive price competition had raged in this key line for numerous years; with the premium level no longer adequate, however, most providers have now begun to rethink their approach with an eye to greater commercial sense, and this has been reflected in corresponding tariff increases for new business. This marks a first step towards bringing about the urgently needed turnaround in average premiums – which are currently still falling – in motor insurance in the foreseeable future. The growth recorded in motor insurance in 2010 was generated above all by own damage insurance, while premiums for liability coverage continued to decline slightly. In the other property and casualty insurance lines, too, premium increases are to be expected for 2010 – with the exception of marine and general liability insurance. The picture on the claims side shows – compared with the burden of losses incurred in previous years and also with an eye to the premium growth – a disproportionately marked increase, which can be attributed not least to the major loss events recorded in the year under review (including winter storm "Xynthia"). The underwriting results are therefore likely to reflect a rise of 1–2 percentage points in the combined ratio, which could not be offset by investment income on account of the low interest rate environment.

For the second consecutive year the German life insurance industry generated significant premium growth in 2010. With an increase of 7% German life insurers (excluding providers of occupational retirement provision in the form of Pensionskassen and Pensionsfonds) boosted their gross written premium to around EUR 87 billion. As in the previous year, a significant portion of this gratifying growth derived from single-premium business, which recorded a gain of some 30% to reach a volume of EUR 26 billion. Single-premium business was assisted by the prevailing climate and capital market conditions. The funds available for investment were only able to attract very low interest rates in bank deposits, as a consequence of which considerable amounts were invested in the products offered by insurers ranging from immediate and deferred private annuities through so-called "Riester" and "basic" annuities to capitalization products. Capitalization products – normally short-term financial investments similar to savings accounts – at times enjoyed very brisk demand, at least as long as an appealing above-average return was offered. Since the fourth quarter of 2010, however, the growth momentum of this form of single-premium business has slowed appreciably – a reflection of interest rate reductions and the wide-ranging limitation of such product offerings to the maturity benefits of providers' own existing customers. In contrast to single-premium business, new business with regular premium payments fell away sharply owing to the fact that the willingness to enter into longer-term contracts evidently has still to re-establish itself across a broad front in the wake of the shock inflicted by the financial crisis. Nevertheless, customers remain keenly interested in security. This need corresponds to the core competence of German life insurers, who are able to satisfy the diverse spectrum of return and security expectations with their extensive product range.

Despite the protracted low interest rate environment, which continues to put German life insurers to an endurance test that must be taken very seriously, and despite policyholder bonuses that are sinking market-wide, maturity benefits in profit-sharing new endowment and annuity business declined only very moderately, if at all. In this respect, policyholders benefit from the fact that the fixing of the interest rate for the interest paid on credit balances constitutes only one of several factors that determine the total amount of surplus participation.

Conditions on the reinsurance markets were favorable overall in 2010. Along with positive run-off results from well-priced prior years and extensively intact underwriting discipline with an adequate rate level, this was reflected in broadly satisfactory results. Whilst the 2010 hurricane season was the third-most severe in the past hundred years in terms of numbers and intensity, it produced relatively minimal insured losses in the order of USD 150 million owing to fortunate circumstances – the storms raged almost exclusively on the open seas.

Overview of the business development

The recovery of the global economy that had begun in the second half of 2009 was sustained in 2010. The macroeconomic environment for insurance groups nevertheless remained challenging. The result posted by Talanx AG in 2010 is lower than in the previous year. While the reinsurance subsidiary Hannover Rückversicherung AG paid a dividend again in 2010 running into the triple-digit millions – after the dividend omission in the previous year – the profit transfer from the primary insurers fell well short of the previous year's level. In addition to non-recurring special charges associated with the Group restructuring carried out in 2010 and the merger of Aspecta Lebensversicherung AG into HDI-Gerling Lebensversicherung AG, the protracted low level of interest rates as well as the continuing competitive market in many areas had adverse repercussions.

With the measures set in motion in 2010, the Talanx Group has laid the foundation for boosting its profitability going forward. Appreciable organic growth is flanked by efficiency enhancement programs at home and a growth strategy for international markets. With the Japanese life insurer Meiji Yasuda Life a long-term strategic cooperation partner has been secured with a view to jointly leveraging business opportunities in the increasingly globalized insurance markets. Similarly, with the acquisition of the Dutch commercial and industrial insurer Nassau Verzekering Maatschappij N.V. we are systematically pursuing our strategy of internationalization.

Net assets, financial position and results of operations

Results of operations

The profitability of our company was influenced by special effects in the financial year just-ended that had differing impacts on various items of the profit and loss account. In order to facilitate a better understanding, therefore, we are explaining the business result in a summary presentation that does justice to our company's holding function (cf. inside cover "Talanx at a glance").

The income from participating interests, which consists of the income from participations as well as the income and expenditures from profit and loss transfers from our subsidiaries, amounted to EUR 360 (398) million in the 2010 financial year.

Income from participations was sharply higher at EUR 591 (38) million. The primary reasons here were the receipt of a dividend from Talanx Deutschland AG amounting to EUR 460 million, which was paid out of the increased capital reserve resulting from merger transactions, as well as recognition of the dividend from Hannover Re in an amount of EUR 127 million (EUR 2.10 per share), which had been omitted in the previous year. However, loss assumptions of EUR 431 (1) million from subsidiaries were also necessary, of which EUR 428 million was attributable purely to the loss assumed from Talanx Deutschland AG.

On the other hand, distributions made by other companies with which a profit transfer agreement does not exist were lower than in the previous year, which had been influenced by special effects. This was true of Talanx Finanz (Luxemburg) S. A. with EUR 0 (16) million, HNG Hannover Nationale Grundstücksverwaltung GmbH & KG – on account of its disposal – with EUR 0 (13) million and Talanx Beteiligungs-GmbH & Co. KG with EUR 1 (3) million, while the distribution from the directly held interest in Targo Lebensversicherung AG remained stable at EUR 2 million.

Income from profit transfer agreements also contracted to EUR 200 (360) million. Of this, EUR 131 million was attributable to HDI-Gerling Industrie Versicherung AG, EUR 40 million to AmpegaGerling Asset Management GmbH, EUR 22 million to Talanx International Holding AG and EUR 8 million to Protection Reinsurance Intermediaries AG.

The balance of interest income and expenses deteriorated to –EUR 109 (–66) million. Income from other long-term securities and loans decreased by EUR 40 million to EUR 1 million, primarily owing to the restructuring-related loss of interest income in an amount of EUR 34 million from a loan to HDI-Gerling Sach Serviceholding AG. Other interest and similar income retreated by EUR 4 million to EUR 16 million. The principal reasons here were the continued fall in the interest rate level for fixed deposits and overnight money as well as the drop in variable interest income from a swap transaction.

Interest expenditure remained on a par with the previous year at EUR 126 (127) million. The reduced interest charges for floating-rate liabilities reflecting movements in interest rates contrasted with increased interest expenditure for the provisions for pensions. The latter is connected with the higher level of the provisions for pensions resulting from the changes in accounting principles.

The other operating income surged by EUR 68 million in the year under review to EUR 87 million. The increase was driven principally by income of EUR 56 million from disposal gains associated chiefly with the sale of EURO Re Luxemburg as well as HNG Hannover National Grundstücksverwaltung.

Impairments of EUR 4 (0) million were taken on financial assets.

The total amount of all the other expenditures (expenditures for personnel, other operating expenses, depreciation of property, plant and equipment) was EUR 354 (81) million in the year under review. The vast bulk of the increase – EUR 297 million – can be attributed to income contributions.

A loss on ordinary activities of EUR 21 million was therefore recorded, compared with a profit of EUR 270 million in the previous year.

The extraordinary profit or loss includes an extraordinary charge of EUR 14 million from the amount allocated to the provision for pensions pursuant to the Act on the Modernization of Accounting Law (BilMoG). Reflecting the negative earnings situation, no taxes were incurred in the year under review (previous year: tax expenditure of EUR 57 million). The release of tax provisions in the context of a favorable decision by the Federal Fiscal Court (BFH) on the taxation of investment income generated by Irish subsidiaries as foreign-sourced income produced tax income of EUR 44 million.

The profit for the year contracted by EUR 203 million year-on-year to EUR 10 (213) million. After addition of the profit carried forward from the previous year of EUR 291 million, the disposable profit amounted to EUR 301 (291) million.

Financial position

The liquidity needed to meet current payment obligations is ensured by means of ongoing cash planning. This cash planning is carried out by Accounting at least once a month, and at shorter intervals if required.

The inflow of funds to Talanx AG derives principally from profit transfer agreements with affiliated companies, dividend income and interest income on loans. As part of the cash planning, the anticipated cash flows from profit transfers are regularly reconciled with Group Controlling within the scope of constantly updated budget accounting. The company has to spend funds principally to service interest payments and repayment of principal in connection with liabilities. On account of its status as a holding company, activities relating to the acquisition or disposal of undertakings may give rise to short-term cash flows in the form of outflows or inflows.

If required, the company is able to call at short notice on an available line of credit that has already been firmly agreed with a broad consortium of banks. When selecting the providers of the line of credit, the company pays close attention – as it always has in the past – to their long-term reliability and capital strength. As a consequence of the financial crisis and credit crunch, several major banks slipped into insolvency, merged or received various forms of state aid in 2008/2009. Constant monitoring of the capital strength of the line of credit providers – a task performed centrally by AmpegaGerling Asset Management GmbH – is therefore especially relevant at the present time.

Net assets

As in past years, the balance sheet of Talanx AG continues to be shaped by its function as a holding company and – on the assets side – in particular by its participating interests in subsidiaries. Total assets grew by around 1% to EUR 6.8 (6.7) billion. This was driven primarily by the 17% rise in the book value of the shares in affiliated companies to roughly EUR 6 billion. This increase was in turn largely attributable to the Group restructuring carried out in the 2010 financial year, in the context of which inter alia the participating interests in HDI-Gerling Industrieversicherung AG as well as in Talanx International AG (previously: HDI-Gerling International AG) were spun off from Talanx Service AG (previously: HDI-Gerling Sach Serviceholding AG) to Talanx AG. In this respect, in order to avoid a loss on these spin-offs the carrying amounts of the participating interests were increased in an amount of EUR 363 million to interim values. Altogether, then, the proportion of total assets attributable to shares in affiliated companies rose to 88 (76)%.

Within the other assets, capitalized tax assets receivable from revenue authorities with respect to corporation tax and trade tax rose sharply by EUR 52 million to EUR 105 million. The level of cash at banks also climbed from EUR 330 million in 2009 to EUR 360 million.

The capitalized deferred taxes of the previous year (EUR 84 million) were released and netted with retained earnings through exercise of the disclosure option.

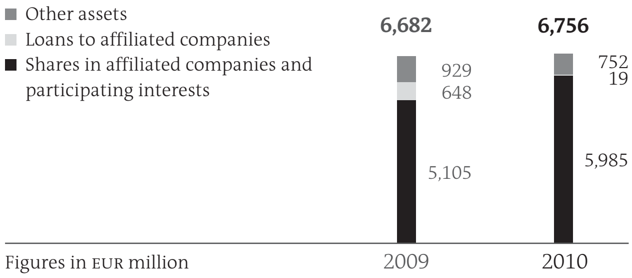
On the liabilities side of the balance sheet it remained the case that of the line of credit totaling altogether EUR 1.5 billion an amount of EUR 550 million had been drawn as at the 2010 balance sheet date.

In November 2010 a subordinated perpetual mandatory convertible bond with a volume of EUR 300 million was issued; it was taken up in the full amount by the Japanese life insurer Meiji Yasuda Life.

The liabilities to banks from mortgage loans were repaid in full in the year under review (EUR 56 million).

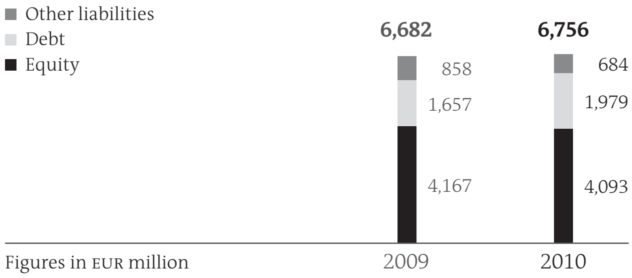
The equity ratio consequently decreased to 60.6 (62.4)%.

Assets



Figures in EUR million

Liabilities



Figures in EUR million

Report on relations with affiliated companies

The report on relations with affiliated companies that is to be drawn up by the Board of Management in accordance with § 312 of the Stock Corporation Act states that our company received an adequate consideration for all transactions with affiliated companies according to the circumstances of which it was aware at the time when the transactions were effected. No measures as defined by § 312 of the Stock Corporation Act were taken or omitted.

The company did not incur any losses that required offsetting within the meaning of § 311 (1) of the Stock Corporation Act.

Proposal for the distribution of profits

The Board of Management and Supervisory Board intend to propose to the General Meeting that the disposable profit of EUR 301 million reported as at 31 December 2010 should be carried forward to new account.

Development of the major participations

The following section describes the development and 2010 business experience of the most important companies grouped together under Talanx AG. This mode of presentation was chosen in view of the fact that the performance of Talanx AG – as a holding company – is crucially determined by income from participating interests and profit/loss transfers from the individual companies. The key figures of the companies are determined in accordance with the German Commercial Code (HGB). Talanx International AG (previously: HDI-Gerling International Holding AG) presents its foreign subsidiaries in accordance with International Financial Reporting Standards (IFRS) in order to ensure that they can be compared with one another. Most domestic companies are linked with Talanx AG via control and profit transfer agreements; these are listed in the Notes under "Other information/Major agreements".

With its restructuring in primary insurance the Talanx Group has completed a transition from a line-of-business organization to a customer-oriented organization in order to be aligned even more closely with the needs of its customers and the capital market going forward. The presentation adopted in this individual financial statement is similarly oriented towards the five divisions of Retail Germany, Retail International, Industrial Lines, Reinsurance and Corporate Operations. The names of individual companies changed in some cases as a consequence of the restructuring. Thus, for example, Retail Germany is now headed by Talanx Deutschland AG (previously: HDI-Gerling Leben Service Holding AG) and Retail International is led by Talanx International AG (previously: HDI-Gerling International AG). The Industrial Lines division is headed by HDI-Gerling Industrie Versicherung AG. The Reinsurance division remains unaffected by the restructuring. Together with Talanx AG, the financial services companies AmpegaGerling and Protection Re as well as the service company Talanx Service AG (previously: HDI-Gerling Sach Serviceholding) and the IT service provider Talanx Systeme AG make up the Corporate Operations division.

Division: Retail Germany

The new division of Retail Germany brings together the German business transacted with private and commercial clients by HDI-Gerling as well as the bancassurance companies that market their products through cooperation arrangements with banks and post office partners. The division is headed by Talanx Deutschland AG and encompasses the following major participations, the development of which is described below: HDI-Gerling Lebensversicherung AG, HDI-Gerling Firmen und Privat Versicherung AG and HDI Direkt Versicherung AG as well as the bancassurance companies Neue Leben, Targo Versicherungen and PB Versicherungen.

Talanx Deutschland AG
As a subsidiary, Talanx Deutschland AG (TD) – which previously traded as HDI-Gerling Leben Serviceholding – holds participations in domestic insurance companies and other undertakings. The core function of the company is to enhance and successfully coordinate the brands of the Retail Germany division under uniform leadership in the domestic market.

With an eye to the repositioning of the company, far-reaching measures were implemented in company law in the year under review in the context of the restructuring. Effective 1 January 2010 HDI-Gerling Firmen und Privat Versicherung AG, HDI Direkt Versicherung AG, HDI-Gerling Vertrieb Firmen und Privat AG and HDI-Gerling Rechtsschutz Schadenregulierungs-GmbH were spun off from HDI-Gerling Sach Serviceholding AG to TD and included by way of a capital increase against a non-cash contribution at the book value of EUR 594 million. In addition, ProACTIV Holding AG was merged into TD and its subsidiaries were transferred at the fair value of EUR 1,265 million. Furthermore, TD acquired HNG Hannover Grundstücksverwaltung GmbH & Co. KG from Talanx AG at the fair value of EUR 51 million. Aspecta Euro Group GmbH was sold to the former HDI-Gerling International Holding AG in the year under review.

On the basis of a service agreement TD bore responsibility in the year under review for handling the task areas of internal auditing, commercial law, advertising, marketing and corporate communications within the Retail Germany division. The sales revenues generated in connection with these services amounted to altogether EUR 40 (14) million in the year under review. The increase in income from profit transfer agreements to EUR 25 (0) million can be attributed principally to additions to the shares in affiliated companies in the year under review. The company generated income from participating interests of EUR 96 (104) million.

Profitability was impacted in particular by expenses from loss assumptions totaling EUR 278 (16) million, primarily in connection with Aspecta Lebensversicherung AG and HDI-Gerling Firmen und Privat Versicherung AG. In addition, increased write-downs on shares in affiliated companies of EUR 231 (74) million were incurred. Special mention should be made in this context of the write-downs taken on a life insurance company in an amount of EUR 115 million as well as on Aspecta Euro Group GmbH in an amount of EUR 111 million owing to the provisional discontinuation of new business by its subsidiaries in Liechtenstein and Luxembourg. Other operating expenses also climbed to EUR 65 (22) million, reflecting above all impending losses from the reorientation of a sales company in an amount of EUR 16 (15) million as well as the derecognition of advances on commissions in an amount of EUR 15 million.

The resulting loss for the year of EUR 428 million is assumed in full by Talanx AG on the basis of the existing profit/loss transfer and control agreement.

HDI-Gerling Lebensversicherung AG

HDI-Gerling Lebensversicherung AG (HG-LV) stands for comprehensive insurance and provision solutions. It offers a broad spectrum of innovative provision solutions which ranges from the so-called "basic" pension through "Riester" pension products and occupational retirement provision to traditional or unit-linked annuity insurance and is complemented by the necessary risk protection and disability coverage. Following a review of strategic positioning and objectives, the portfolio of ASPECTA Lebensversicherung AG (A-LV) was merged into HG-LV with retroactive effect from 1 October 2010. By bringing together the two companies' existing activities in this way, the market positioning of HG-LV will be further strengthened in light of the considerable overlaps with respect to target groups and product range.

The new business premiums booked by HG-LV surged by 41% in the year under review to EUR 411 million. Growth was generated in the area of single premiums and in new business with a regular premium payment; it resulted only to a lesser extent from the addition of A-LV, whose products accounted for new business premiums of EUR 23 million in the final quarter. Single premiums were boosted by 50% to EUR 234 million. Crucial to the company's sustainable development, however, are the regular new business premiums, which grew by 31% to EUR 178 million. Through its successful marketing of the "TwoTrust" product family HG-LV was thus able to halt the trend towards diminishing regular premiums that can be observed in the industry as a whole. The corresponding market share enjoyed by the company consequently rose to 3 (2)%.

The emphasis continued to shift away from conventional provision products towards units-linked endowment and annuity policies. New business premiums in this product segment grew by 87% to EUR 215 million. After adjustment for the addition of A-LV, which specializes in unit-linked life and annuity products, new business premiums deriving from unit-linked products increased by 70% to EUR 195 million. Yet new business with conventional provision products also recorded growth of 9% to reach EUR 173 million. The proportion attributable to A-LV was of only minor significance in this regard. Appreciable growth was also generated in the area of risk-oriented products, where new business premiums climbed 31% to EUR 23 million. The development of disability insurance policies – which have been honored with multiple awards – was vital in this respect: new business premiums here rose by 66% to EUR 14 million.

Owing to the inclusion of the premiums attributable to A-LV in the last quarter, gross written premium comfortably surpassed the threshold of EUR 2 billion. Altogether, growth of 8% to EUR 2,041 million was achieved. The investment result improved further on the previous year, showing a net interest return of 4.5%. On this basis HG-LV generated a profit for the year of EUR 15 million.

The extensive product range offered by HG-LV – which has been further enhanced through the addition of A-LV – is particularly well suited to meeting the challenges posed by demographic change. Most notably, with the "TwoTrust" product family the company is able to satisfy precisely those requirements that are most important to customers: opportunities for above-average returns combined with a high level of security. With this in mind, we expect the company's favorable development to continue.

HDI-Gerling Firmen und Privat Versicherung AG

HDI-Gerling Firmen und Privat Versicherung AG office insurance protection for private individuals, sole proprietors and self-employed professionals as well as small and mid-sized enterprises in the liability, accident, property and motor insurance segments. The company is present in the market with its own field service and cooperates with selected insurance brokers. Through its field organization the company pursues a holistic counseling approach for its clients.

The gross premium written by the company totaled EUR 708 (725) million in the 2010 financial year, a contraction of EUR 17 million or 2%. The primary factor here was the volume decline in the company's dominant motor line; this can be attributed to premium erosion associated with the restructuring of a sales cooperation as well as to the termination of specific relationships. Modest erosion was also observed in other lines.

The expenses for incurred claims showed a sharp increase of EUR 28 million in the year under review, principally owing to the prudent raising of the level of reserves set aside for certain groups of claims from prior years. The development of gross premiums was reflected in a rise of 5.3 percentage points in the gross loss ratio.

Net expenses for incurred claims surged by EUR 44 million to EUR 460 million and hence outpaced the rise of EUR 28 million in gross expenses to EUR 484 million. In addition to the minimal relief afforded by reinsurance in the 2010 financial year due to a favorable major loss experience combined with increased basic claims, this can be attributed to the disproportionately low participation of reinsurers in the aforementioned strengthening of reserves.

After a withdrawal from the equalization reserves of EUR 19 million (allocation of EUR 9 million), an underwriting deficit of –EUR 64 (–44) million was reported. The decline of EUR 20 million in the result reflected the development of the claims expenditure.

The investment result generated by HDI-Gerling Firmen und Privat Versicherung AG amounted to altogether EUR 28 (70) million. This includes the expenses associated with the loss assumed from the subsidiary HDI-Gerling Rechtsschutz Versicherung AG.

With effect from the beginning of 2011 HDI-Gerling Firmen und Privat Versicherung AG tailored its range of private property/casualty offerings in the retail sector to a modular product architecture, bundling contract administration across all lines for operational purposes.

Not only does this generate value-added for policyholders, including for example greater flexibility and transparency, it also opens up cost-cutting potential for the insurance carrier and on the sales side.

In the segment comprised of commercial clients and freelance professions, HDI-Gerling Firmen und Privat Versicherung AG will continue to focus on professional indemnity and directors' and officers' (D&O) insurance, areas in which the tariffs are to be revised. The product range will also be extended through the addition of a new IT insurance product. In medical malpractice insurance there are plans to modernize the terms and conditions and enlarge the portfolio – subject to tight risk controls. The existing business in the "Compact" product line is to be substantially expanded through a high-volume cooperation and extended through the addition of a "receivables management" module.

HDI Direkt Versicherung AG

HDI Direkt Versicherung AG offers private customers a comprehensive portfolio of insurance products ranging from personal liability through motor insurance to accident, householders' and homeowners' policies. HDI Direkt Versicherung AG sells its products inter alia through almost 100 business offices and customer service points nationwide as well as through selected cooperation partners. The company is the German market leader in employee affinity business. Through its subsidiary HDI Direkt Service GmbH it serves a variety of distribution channels, including telephone sales and – under the HDI24 brand – online sales.

Thanks to its good tariff positioning, especially in motor insurance – the dominant line with 77% of gross premiums –, HDI Direkt AG was able to significantly enlarge its existing portfolio and boost its premium income. All in all, the gross written premium came in 1% higher than in the previous year at EUR 562 (557) million.

The gross expenses for incurred claims climbed slightly altogether by EUR 2 million to EUR 407 (405) million. For HDI Direkt AG, in contrast to the market as a whole, the claims experience for the financial year was somewhat better than in the previous year. Although here, too, an increased claims volume was observed – most strikingly in the motor own damage and homeowners' lines as a consequence of the unusually harsh winter weather and winter storm "Xynthia" – expenditure on major claims in motor liability insurance decreased. Profits from the run-off of losses in prior years for which very prudent reserves had been set aside did not, however, entirely match up to the level of the previous year. All in all, the increase in gross premiums brought about an improvement of 4.5 percentage points in the gross loss ratio.

Primarily on account of the reinsurance results, the underwriting result deteriorated to –EUR 33 million (previous year: profit of EUR 10 million) following an allocation to the equalization reserve of EUR 9 million (previous year: withdrawal of EUR 31 million).

The investment result totaled EUR 53 (75) million in the year under review. The decrease was for the most part due to a considerably lower extraordinary investment result of –EUR 0.1 (23) million. Other income remained on the level of the previous year.

The turn of the year from 2010 to 2011 has raised hopes that the motor market is slowly stabilizing. The average premium level is around 3% higher than in the previous year. In the current financial year HDI Direkt will continue to position itself as a value-for-money provider in this market. Special emphasis will again be placed on the expansion of sales through the Internet as well as with cooperation partners. Sales activities in the area of employee affinity business will also be further intensified. Overall, the company expects to boost its premium income by around 3%.

Bancassurance companies

"Bancassurance by Talanx" (previously: ProACTIV Holding AG) in Germany consists of three cooperations with banks and Sparkasse savings institutions: the Neue Leben Group, the PB insurers and the Targo insurers. These insurance companies concentrate particularly on the areas of life, annuity and accident insurance and are based in Hilden, Hamburg and Hamelin. ProACTIV Holding AG was merged into Talanx Deutschland AG (until 31 December 2010: HDI-Gerling Leben Serviceholding AG) with effect from 1 October 2010 as a wholly-owned subsidiary.

The German bancassurance companies contributed around EUR 2.9 (2.6) million to the gross premium income of the Talanx Group in the year under review. The profit for the year recorded by Talanx Deutschland AG was crucially shaped by income from participating interests in the bancassurance sector. The income received from these subsidiaries under profit transfer agreements totaled EUR 20 million, while the dividend claims capitalized in phase from distributing participations stood at EUR 81 million in 2010 – together with a further EUR 2 million that was transferred directly to Talanx AG.

The Neue Leben Group positions itself in the market as the provision specialist and expert partner for Sparkasse savings institutions; with an entire system of high-quality products, flexible provision solutions and concepts tailored to specific customer groups it has established itself with its sales partners as an innovator in the field of individual and occupational retirement provision. This is backed by intensive support and training for sales employees as well as a high degree of integration into the IT infrastructure and sales processes of the Sparkasse partners.

Neue Leben Holding AG is the parent company of Neue Leben Lebensversicherung AG and Neue Leben Unfallversicherung AG, in which it holds all shares. It also holds a participating interest of 49% in Neue Leben Pensionsverwaltung AG, which in turn is the sole owner of Neue Leben Pensionskasse AG. The majority shareholder of Neue Leben Holding AG is Talanx Deutschland AG with a stake of 67.5% minus one share. Since the beginning of 2011 additional interests have been held indirectly and directly by three Sparkasse savings institutions.

The profit for the year reported by Neue Leben Holding AG in 2010 grew by EUR 4 million to EUR 21 (17) million, principally as a result of the increased distribution paid by Neue Leben Lebensversicherung AG. Neue Leben Lebensversicherung AG generated a disposable profit of EUR 17 (14) million, the full amount of which was paid out to Neue Leben Holding AG. In addition, Neue Leben Holding AG booked income from the profit transfer of Neue Leben Unfallversicherung AG in an amount of EUR 4 (3) million. Neue Leben Pensionsverwaltung AG closed the financial year with a profit, but it was unable to pay a dividend to Neue Leben Holding AG due to the loss carried forward from the previous year. After the allocation to retained earnings Neue Leben Holding AG reported a disposable profit of EUR 20 (17) million in the year under review.

All in all, the Neue Leben companies were able to further strengthen their competitive position in the financial year just-ended. Neue Leben Lebensversicherung, for example, held its administrative expense ratio on the low level of 1.1 (1.1)%. Based on a sustainable and safety-first investment policy, Neue Leben Lebensversicherung AG generated a net interest return of 4.44%. Neue Leben Lebensversicherung AG has responded to the protracted low level of interest rates with a slight adjustment of its overall return, which had been stable for five years. Interest of 4.4 (4.6)% will therefore be calculated on the accumulated bonus shares in 2011. Including the terminal bonus and base amount for the participation in the valuation reserves, the total return stands at 5.25%. Against the backdrop of sustained low interest rates on capital markets, the stable high risk and expense surpluses also constitute a significant competitive edge for the future.

Following on from the good results in the 2010 financial year, the goals for 2011 have again been set high: with this in mind, Neue Leben Lebensversicherung AG will seek to extend its positioning as a provision specialist and strategic partner for Sparkasse savings institutions and to further establish itself on the market with innovative products and its proven level of performance. In this context, the high quality of its retirement provision products and an above-average surplus participation by market standards constitute a good point of departure for Neue Leben Lebensversicherung AG. For the current 2011 financial year Neue Leben Holding AG anticipates a good year-end result.

The **Targo insurers** are wholly owned subsidiaries of Talanx Deutschland AG based in Hilden; they consist of Targo Lebensversicherung AG, the specialist insurer for retirement provision products, and Targo Versicherung AG, the specialist insurer for accident policies. As exclusive insurance partners of TARGOBANK (Crédit Mutuel Group), the Targo insurers (previously: CiV insurers) adapted to the bank's new market presence in the year under review.

The Targo insurers can look back on 25 years of successful cooperation with TARGOBANK – a partnership that today ranks among the most successful bancassurance cooperations in Germany. Working together with TARGOBANK, the Targo insurers develop tailored provision products that are fully integrated into the partner bank's corporate design and product portfolio. The insurance products marketed by the Targo insurers thus form an integral part of TARGOBANK's range of offerings.

The new business generated by **Targo Lebensversicherung AG** produced total premiums paid of EUR 2.6 (2.2) billion, while gross written premium in the 2010 financial year totaled EUR 951 (832) million. 2010 was a particularly successful year for single premium production – a credit first and foremost to the financial consulting sales channel. The traditional deferred annuity product “Privat-Rente”, the “Leben Vital” life insurance product targeting the over-fifties, the unit-linked deferred annuity “Investment-Rente” and the immediate annuity product “Sofort Rente” were the main contributing factors here. The gross written premium for single-premium policies amounted to EUR 499 million in 2010, accounting for 52% of gross premiums. The net return on investments of 4.6% was again above the level of the previous year.

With a return (excluding terminal bonuses) of 4.8% paid on the credit balances of policyholders under life and annuity products, Targo Lebensversicherung AG was again comfortably better than the market average in the year under review. Targo Lebensversicherung AG generated a profit for the year of EUR 40 (39) million.

Targo Lebensversicherung AG has again set itself exacting goals for the 2011 financial year: its focus will be on safeguarding profitable growth for the long term, outstanding cost efficiency, the excellent quality of its products and services as well as the cultivation of new customer segments.

PBV Lebensversicherung AG and **PB Lebensversicherung AG** are wholly owned subsidiaries of Talanx Deutschland AG based in Hilden. The companies also have a branch in Hamelin. PBV Lebensversicherung AG operates on the market in concert with PB Lebensversicherung AG, PB Versicherung AG, PB Pensionsfonds AG and PB Pensionskasse AG under the uniform "PB insurers" brand as partners of Postbank. The individual companies have specialized in the following products:

- PBV Lebensversicherung AG – Specialist insurer for retirement provision product
- PB Lebensversicherung AG – Specialist insurer for payment protection
- PB Versicherung AG – Specialist insurer for personal accident insurance
- PB Pensionsfonds AG/PB Pensionskasse AG – Specialists for occupational retirement provision products

Working together with their partner Deutsche Postbank AG, the PB insurers offer insurance products that are optimally attuned to the needs of Postbank customers. All products are developed exclusively for and sold through the seven distribution channels of Deutsche Postbank AG. The cooperation combines the selling power of Postbank with the insurance know-how of Talanx.

The gross written premium of **PBV Lebensversicherung AG** increased to EUR 586 (496) million, a gain of 18%. This favorable development was driven by the rise in single premiums, which climbed 66% to EUR 214 (129) million. Net premium earned grew by 18% to EUR 558 million, thereby surpassing the level of the previous year. Individual life policies accounted for EUR 530 (436) million – or 90 (88)% of written premiums.

Altogether, new business was brokered in 2010 with a sum insured of EUR 1.4 (1.9) billion or a volume of EUR 39 (52) million in relation to regular premiums for one year. The net investment return of PBV Lebensversicherung AG reached EUR 98 million. The current average return on investments stood at 4.5%, while the net interest return was 4.4 (5.3)%. In the 2010 financial year PBV Lebensversicherung AG generated a profit for the year of EUR 11 (15) million. Allowing for the profit carried from the previous year of EUR 4.3 million, PBV Lebensversicherung AG posted a disposable profit of EUR 15 million.

The company has again set the bar high for the 2011 financial year: the primary objective is to further reinforce its market position in Germany as a specialist in retirement provision. To this end, innovative new products will be developed and launched. With a view to acquiring new customers and generally simplifying access to customers, optimizations in the existing consulting technologies coupled with the implementation of innovative forms of communication are planned. In the interests of value-based management PBV Lebensversicherung AG will continue to emphasize increased efficiency through further improvement of its cost situation and investment result. On this basis we see opportunities to gain market advantages and further strengthen the competitive position of PBV Lebensversicherung AG as a specialist insurer for individual retirement provision products.

Since 2008 **PB Lebensversicherung AG** has concentrated in new business exclusively on credit life insurance. It also continues to manage the "legacy portfolio" of individual life policies acquired in the years up to 2008.

The gross written premium of PB Lebensversicherung AG amounted to altogether EUR 184 (193) million in the financial year just-ended. Gross earned premiums totaled EUR 183 (169) million. Single premiums decreased by 7% year-on-year to EUR 56 (59) million. Gross written premium in credit life insurance stabilized in the 2010 financial year at around EUR 39 million.

The net investment result of PB Lebensversicherung AG improved appreciably from EUR 37 million in the previous year to EUR 40 million. The net return on investments reached 4.3%, a good level that also reflects the current average return of 4.4 (4.5)%. The life insurance customers of PB Lebensversicherung AG are generally able to share in an unchanged high surplus participation of 4.7%. The profit for the year was boosted from EUR 9 million in the previous year to EUR 15 million in the 2010 financial year.

Division: Retail International

The new Retail International division emerged out of the restructuring of the previous line-based two-way split into "Property/Casualty Primary Insurance" and "Life Primary Insurance".

The division brings together the activities of the companies transacting business in foreign markets with private and commercial customers in the areas of property/casualty insurance, life insurance and bancassurance; it is present in 12 countries and has more than 8 million customers. The Retail International division is led by Talanx International AG (previously: HDI-Gerling International Holding AG)

Talanx International AG

Talanx International AG (previously: HDI-Gerling International Holding AG) bears responsibility within the Talanx Group for steering the foreign-based legally independent insurance companies that transact the retail business of the brands HDI, HDI-Gerling, CiV and Magyar Posta. It assumes a pivotal role when it comes to evaluating new markets and identifying strategic options on the international level. As a holding company, it holds interests of between 66% and 100% in the companies concerned and it is itself a wholly owned subsidiary of Talanx AG.

The goal of Talanx International AG is to generate value-based, profit-oriented growth with its portfolio of participating interests. Thanks to its strategy geared to long-term success, the company is well prepared to handle the challenges of dramatically changing markets. Its focus in this context is on clearly defined target countries and markets: Eastern Europe including Russia and Turkey as well as Latin America have been defined as primary strategic target markets. In the medium term, selected markets in the Asia-Pacific region may also be of interest. The strategic orientation towards international retail business was further reinforced by the restructuring of the Group that was initiated in the year under review. As part of this process, on the one hand, the companies writing industrial business in Belgium, Spain, Austria and the Netherlands were transferred to HDI-Gerling Industrie Versicherung AG. On the other hand, the foreign retail business in the bancassurance and life sectors was transferred to Talanx International AG, as a consequence of which the presence of Talanx International was extended to locations in Hungary, Russia, Liechtenstein and Luxembourg as well as an additional location in both Poland and Turkey.

The purchase of another company in Russia in 2010, "HDI Strakhovanie", is intended to complement the life portfolio of the Russian company CiV Life with property/casualty products going forward. In the financial year just-ended the Polish company HDI-Gerling Polska TU S. A. was merged into HDI Asekuracja TU S. A. with retroactive effect from 1 January 2010.

The vast majority of the group companies succeeded in boosting their premium volume year-on-year. Gross written premium in the segment climbed 22% compared to the previous year to reach altogether EUR 2.2 (1.8) billion. Adjusted for exchange rate effects, growth amounted to 13%.

In the 2010 financial year the underwriting result was impacted in large measure by special effects such as the flood and winter-related damage in Poland and the earthquake in Chile. In addition, in light of the Group's strategic reorientation it was decided in the financial year just-ended to discontinue new business at the companies Aspecta Liechtenstein and Aspecta Luxemburg until further notice.

On the capital markets the entire industry – and hence also the Talanx International group – faced special challenges as a consequence of the low interest rate level and considerable volatilities. The Retail International division generated an investment result of EUR 150 million in 2010, corresponding to an increase of 24% on the previous year – in which the companies' investment performance had still been heavily overshadowed by the after-effects of the financial crisis. The higher realized gains from the sale of equities and fixed-income securities were opposed as at year-end by substantially lower realized losses than in the previous year. The impairments taken on investments in 2010 were also appreciably less than those taken in 2009.

The Retail International division posted an operating result of EUR 26 (–42) million for the year under review.

Talanx International AG generated income of altogether EUR 21 (31) million from dividend payments received from participating interests. On the basis of the existing control and profit transfer agreement, the profit of EUR 21 (14) million was transferred to Talanx AG.

For the 2011 financial year retail business in foreign markets will continue to pursue a clear expansionary strategy geared to growth combined with commensurate profitability.

Division: Industrial Lines

The Industrial Lines division is led by HDI-Gerling Industrie Versicherung AG. The company is active worldwide through subsidiaries and network partners. As an internationally operating industrial insurer, HDI-Gerling Industrie offers its clients at home and abroad bespoke solutions optimally tailored to their individual requirements. The product range extends from liability, motor, accident, fire and property to marine, special lines and engineering insurance.

HDI-Gerling Industrie Versicherung AG

With a modest improvement of EUR 6 million in the year under review, the gross written premium of HDI-Gerling Industrie Versicherung AG remained almost on a par with the previous year at EUR 2.5 (2.5) billion. Developments varied in the individual lines: while premium erosion was incurred in marine, aviation and engineering lines against the backdrop of a fiercely competitive market climate, increases were obtained in other lines such as liability and motor. The premium development was also influenced by the assumption of a legal protection portfolio from the sister company HDI-Gerling Rechtsschutz Versicherung AG. The gross written premium in legal protection insurance amounted to around EUR 18 million; no premiums had been booked in the comparable reporting period.

Net premium earned was virtually unchanged at EUR 1.2 (1.2) billion. A slight increase of EUR 7 million can be attributed to recognition of almost all the legal protection premiums and higher retentions in specific cases, on the one hand, and more expensive reinsurance covers, especially in business assumed, on the other.

The gross loss ratio of HDI-Gerling Industrie Versicherung AG increased fractionally to 64.9 (64.0)%. Net expenses for incurred claims fell, however, by EUR 46 million to EUR 885 (931) million thanks to the very favorable loss experience in assumed business. Net expenditures here contracted by more than EUR 100 million, although this was partially offset by opposing developments in the business written directly in the various lines. Along with other effects, for example, a reinsurance profit stemming from commutation of a quota share reinsurance treaty in the motor line was a contributory factor. Overall, the net loss ratio improved by 5.4 percentage points to 74.1 (79.5)%.

All in all, the underwriting result recorded by HDI-Gerling Industrie Versicherung AG improved on the previous year by EUR 35 million to –EUR 46 (–81) million; this includes allocations of EUR 39 million (previous year: withdrawal of EUR 5 million) to the equalization reserves.

The investment result generated by HDI-Gerling Industrie Versicherung AG amounted to altogether EUR 207 (235) million. Reduced gains on disposals were the key factor in the decline.

HDI-Gerling Industrie Versicherung AG ranks together with its branches and subsidiaries among the market-leading industrial insurers in Germany and throughout Europe. Rising premium income and growing foreign business cement its strong position in the international competitive arena.

In the 2011 financial year industrial business is to be further expanded in Europe as well as in Latin America, (South-)East Asia and the Arab Peninsula. The establishment of a branch office in Canada is also planned. In view of the economic recovery both on the domestic market and on the export front, the company anticipates a particularly vigorous premium increase under turnover-based policies. The gross premium volume of EUR 2.6 billion expected for 2011 is thus marginally higher than the figure as at 31 December 2010. Owing to the sustained very intense competition over prices and conditions, the industrial insurance market is fiercely competitive. Premium adjustments in the in-force portfolio can therefore probably only be implemented to a limited extent for 2011. Furthermore, with the economy picking up in many respects, increased claims expenditure is to be anticipated. Despite cautious assumptions as to the income expected from investments, the company is nevertheless looking to repeat the satisfactory investment result of 2010 in 2011.

Division: Reinsurance

The Reinsurance division of the Talanx Group, which combines non-life and life/health reinsurance, is comprised primarily of the Hannover Re Group, one of the world's pre-eminent reinsurance groups. Talanx AG holds a stake of 50.2% in Hannover Rückversicherung AG (Hannover Re), while the remaining shares of this listed company are held by institutional and private investors.

Hannover Re writes the Group's active reinsurance solely in foreign markets; its subsidiary E+S Rückversicherung AG (E+S Rück) bears responsibility for German business. Hannover Re participates in the German reinsurance market and, conversely, international developments are reflected in the business result of E+S Rück through internal group retrocessions between the companies

Hannover Rückversicherung AG

Hannover Re is thoroughly satisfied with the development of business in the 2010 financial year. Demand for reliable reinsurance protection remained strong in the year under review, and gross premium in total business consequently grew to EUR 8.6 (8.3) billion. The level of retained premium retreated slightly to 76 (78)%. The net premium earned of EUR 6.4 (6.4) billion was on a par with the previous year.

The largest single loss event – at EUR 71 million – was the severe earthquake in Chile. The devastating earthquake in Haiti, on the other hand, produced a relatively moderate loss amount of EUR 22 million owing to lower insured values. In Europe, too, Hannover Re was impacted by a number of natural disasters in the year under review, including for example several flood events and a powerful winter storm ("Xynthia"). Along with the aforementioned natural disasters, one loss event in particular attracted worldwide attention in the year under review – namely the sinking of the "Deepwater Horizon" drilling rig, which caused extensive environmental damage. Particularly with regard to possible liability claims, very many questions remain unanswered; the loss for the insurance industry and hence also for reinsurers is therefore still difficult to assess.

The development of life reinsurance business was pleasing: the picture as regards individual retirement products, which for tax reasons are taken out as annuity policies in many countries, is a positive one. Hannover Re has positioned itself in this segment as a major reinsurer of immediate annuities.

As a consequence of the improved underwriting result, the very good investment performance and increased other income on the basis of the Federal Fiscal Court (BFH) decision, the profit on ordinary activities climbed from EUR 364 million to EUR 590 million. The profit for the year therefore grew appreciably to EUR 406 (259) million.

Hannover Re is broadly satisfied with conditions in non-life reinsurance. The renewals as at 1 January 2011 passed off better than the market players had expected. Despite softer market conditions, there were sufficient opportunities to write profitable business. All in all, Hannover Re was able to enlarge its premium volume by 2% in this round of renewals. In the coming years, as in the past, Hannover Re expects to see a positive basic direction and further dynamic growth in its domestic and international activities in the area of life, annuity and health reinsurance; this can be attributed in particular to the demographic changes in mature markets, the ongoing formation of a stable middle class in emerging markets as well as the professional competition conducted among the six leading life reinsurers. The high entry barriers and long-term orientation of life and health reinsurance continue to act as stabilizing structural factors in its markets.

Hannover Re anticipates another very good overall result in the current year. The company expects its non-life reinsurance business group to deliver stable or slightly higher net premium income, with an increase of up to 3%. Despite the continued trend towards softening markets, a very good result is anticipated for 2011. Hannover Re expects its life and health reinsurance business to generate stable premium growth and a gratifying EBIT margin in the current financial year.

Hannover Re is targeting a return on investment of 3.5% for 2011. Bearing in mind the satisfactory to good market conditions described above in non-life and life/health reinsurance as well as its strategic orientation, Hannover Re is looking forward to another good financial year in 2011.

E+S Rückversicherung AG

In Germany, the world's second-largest non-life reinsurance market, E+S Rück continues to rank second among reinsurers. In the year under review E+S Rück was again a highly sought-after partner thanks to its excellent financial standing and the company succeeded in further enlarging its customer base.

Altogether, the gross written premium booked by E+S Rück in 2010 contracted by 2% to EUR 2.5 (2.6) billion. The decline was mainly due to the reduced premium volume in life and health business. In non-life reinsurance the intensive competition on the primary side was sustained in many lines of both industrial and retail insurance in the year under review. Motor insurance was particularly competitive at the beginning of the year, leading inter alia to declining premium income in the proportional business booked by E+S Rück.

E+S Rück's net premium earned decreased by just 1% to EUR 1.95 (1.97) billion in light of an increased retention. At the same time, net expenditure for incurred claims climbed 4% to EUR 1.61 (1.55) billion, principally due to increased expenditures in the accident, motor and life lines.

E+S Rück was particularly impacted by a number of catastrophe events in foreign markets in the year under review, as a consequence of which the burden of catastrophe losses and major claims was appreciably higher than in the previous year. The largest single loss event was the earthquake in Chile with a net strain of EUR 17 million, closely followed by the sinking of the "Deepwater Horizon" drilling rig in the Gulf of Mexico at a cost of EUR 17 million. Substantial losses also stemmed from the earthquake in Haiti (EUR 5 million) and the European winter storm "Xynthia" (EUR 4 million). In addition, there were a number of more modest natural disasters and several major claims in aviation and other lines. Total net expenditure from catastrophe losses and major claims in 2010 thus came in considerably higher than in the previous year at EUR 78 (35) million.

On account of the improved underwriting result, the very healthy investment performance and the positive balance of other expenses and income, the profit on ordinary activities surged to EUR 229 (132) million in the 2010 financial year. As a consequence of the release of tax provisions amounting to EUR 47 million following the Federal Fiscal Court (BFH) decision, the tax load in the year under review (EUR 47 million) was somewhat lower than in the previous year (EUR 52 million) despite the improved profitability. The profit for the year was thus more than doubled from EUR 80 million in the previous year to EUR 176 million. This is the second-best result in the history of E+S Rück after the record figure reported in 2007 (EUR 180 million).

Having cemented its position as one of the leading reinsurers in Germany in 2010, E+S Rück is looking ahead optimistically to the current financial year. E+S Rück's growing foreign business is likely to largely offset the contraction in German business in the current year, and premium volume is therefore expected to remain relatively stable overall in 2011.

Given that market conditions in non-life and life/health reinsurance are still commensurate with the risks and bearing in mind our strategic orientation, we anticipate another good financial year in 2011 overall. On this basis, and in view of the expected refund of prepaid taxes and interest for tax assessments that have still to be amended following the decision of the Federal Fiscal Court (BFH), another pleasing result should be attainable for the current year. This is, however, subject to the proviso that the loss experience in natural catastrophe business stays within the expected bounds and that there are no fresh distortions on international capital markets.

Division: Corporate Operations

Together with Talanx AG, the AmpegaGerling companies, the reinsurance broker Protection Reinsurance Intermediaries AG (Protection Re) as well as the internal Group service companies Talanx Service AG (previously: HDI-Gerling Sach Serviceholding) and the IT service provider Talanx Systeme AG make up the Corporate Operations division.

The "AmpegaGerling" brand brings together the Talanx Group's own asset management as well as asset management and funds provider activities aimed at institutional and private clients. The brand name encompasses AmpegaGerling Asset Management GmbH, AmpegaGerling Investment GmbH and AmpegaGerling Immobilien Management GmbH. As part of the restructuring measures AmpegaGerling Asset Management will be renamed Talanx Asset Management and AmpegaGerling Immobilien Management is to become Talanx Immobilien Management in the course of the year. With an eye to its business with private clients AmpegaGerling Investment GmbH will not be renamed.

Protection Re, the professional reinsurance consultant and broker for the Talanx Group's non-life reinsurance cessions, is similarly assigned to the Corporate Operations division. In the course of the year Protection Re will also be renamed and is to commence trading as Talanx Reinsurance Broker.

As a consequence of the restructuring within the Talanx Group the former HDI-Gerling Sach Serviceholding was renamed Talanx Service AG and at the same time its tasks were reconfigured. Talanx Service AG now brings together the domestic central functions that do not directly relate to the insurance business, such as Accounting, Collections, Purchasing, Facility Management and Human Resources. The companies that were previously under the auspices of HDI-Gerling Sach Serviceholding were separated from it as part of the restructuring. Major companies such as HDI Direkt and HDI-Gerling Firmen- und Privat Versicherung AG now belong to the Retail Germany division, while HDI-Gerling International Holding AG was renamed Talanx International AG and now heads the Retail International division. HDI-Gerling Industrie Versicherung AG was similarly split off, and now leads the Industrial Lines division.

The IT service provider Talanx Systeme AG will commence its operations in the course of 2011.

The service companies Talanx Service AG and Talanx Systeme AG perform exclusively internal functions within the Group, and for this reason only the AmpegaGerling companies and Protection Re are considered at greater length below.

AmpegaGerling Asset Management GmbH

AmpegaGerling Asset Management GmbH (AMG) is an asset management firm that is not supervised by the Federal Financial Supervisory Authority (BaFin) as defined by § 2 Para. 6 No. 5 of the Banking Act (KWG). It renders its financial services exclusively within the scope of the intra-Group exemption, specifically for insurance and other undertakings within the Talanx Group.

In addition to performing asset management tasks for the Talanx Group companies, the business activities of AMG encompass the full range of administrative services such as investment accounting including taxes and HGB/IFRS reporting, performance measurement, investment/risk controlling, compliance, investment reporting as well as financial analysis and asset/liability management (ALM) in coordination with the insurance carriers.

In the fourth quarter of 2010 AMG acquired a strategic participation of 25.1% in C-QUADRAT Investment AG (Vienna). The goal is extended cooperation with a view to leveraging synergistic potentials, especially in the areas of investment company administration, asset management activities and the sale of retail business (through the subsidiary AmpegaGerling Investment GmbH).

The total volume of assets under management at the end of the financial year was EUR 67.2 billion. It therefore exceeded the previous year's level by EUR 7.3 billion, principally due to market effects. The profit on ordinary activities excluding income from profit transfer agreements increased to EUR 36 (23) million. Along with the volume-driven rise in fees and commission income (+EUR 7 million), the reduction in consulting expenses after special effects in 2009 was a key factor in the profit trend. The modified valuation of provisions owing to first-time application of the requirements of the Act on the Modernization of Accounting Law (BilMoG) gave rise to an extraordinary charge of EUR 2 million. The liquid assets totaled EUR 10 million as at the balance sheet date. At all times, therefore, the company's solvency was ensured. The equity capital stood at EUR 84 million, or 65% of the balance sheet total of EUR 129 million.

On account of lower fee agreements with the affiliated Group companies reflecting the findings of updated arm's length comparisons, sales revenues are expected to contract by EUR 12 million. If operating expenses are maintained on the level of 2010, this will result in a planned decrease in the operating profit to EUR 21 million (excluding income from profit transfer agreements).

AmpegaGerling Investment GmbH

AmpegaGerling Investment GmbH (AIG) is an investment company under German law pursuant to § 2 Para. 6 of the Investment Act (InvG). AIG is owned by AmpegaGerling Asset Management GmbH (AMG) with a stake of 94.9% and Alstertor Erste Beteiligungs- und Investitionssteuerungs-GmbH & Co. KG (Alstertor) with a share of 5.1%. AIG manages separate funds, separate real estate funds, separate mixed funds and separate funds for retirement provision that are in conformity with the applicable directives, performs financial portfolio management tasks and – until the end of September 2010 – conducted custodian business.

The company had 47 special funds and 69 public funds under management as at 31 December 2010 with a total volume of EUR 10.7 (9.8) billion. The launch of seven new separate funds in the public funds segment and two in the special funds segment contrasted with the closing of ten public funds and three special funds. Within the scope of financial portfolio management the company also administered nine financial portfolios with a volume of EUR 3.9 (3.4) billion as at 31 December 2010. All in all, AIG had 125 portfolios under management with a total volume of EUR 14.6 (13.2) billion as at the balance sheet date.

The company's retail business developed highly successfully in 2010 thanks to significant net cash inflows of EUR 738 million. The volume of public funds climbed by EUR 0.9 billion year-on-year from EUR 2.6 billion to EUR 3.5 billion, facilitating the purposeful expansion of this strategic business segment. After the industry-wide slump in fund business in 2008 and the ensuing stabilization of 2009, 2010 ushered in an upturn in investment business in Germany. While the volume of public funds in the industry as a whole grew by EUR 65.2 billion or 11.6% in 2010, AIG recorded a disproportionately vigorous increase of 33%. Measured by net cash inflow, the company placed fifteenth of 49 players in the industry rankings published by the association representing the German investment fund and asset management industry (BVI Bundesverband Investment und Asset Management e.V.); in the area of public funds it is thus the largest and highest-growth pure German investment company compared with rival investment companies of German insurers. In structural terms, divergences between the development of AIG and of the industry in general are plain to see: while the number of funds on the market as a whole increased moderately by 4%, AIG was able – despite new mandates – to reduce the number of its funds by three to 69 (minus 4%) thanks to streamlining of the fund range. Taken in conjunction with the substantially enlarged total volume, this produces a significantly improved average volume per public fund of EUR 50 (36) million. As far as a differentiation by asset classes is concerned, it is evident that AIG's growth in the area of bond funds and mixed funds comfortably outpaced what was in itself a positive industry showing, whereas it clearly fell short of the overall industry growth when it came to equity funds. This can be attributed in part to AIG's roots as an investment company serving insurance clients with an inevitable concentration on fixed-income securities as an asset class, although the conscious profiling of its range of offerings on the market was also a factor here. With a view to counteracting any excessive dependency of the company on business and broader economic trends as they affect the bond market, selective strengthening of the equity segment is envisaged in cooperation with external fund managers and investment advisors.

Looking at the sales performance by channels and client segments, administrative business with label funds for external fund initiators proved to be the most significant success factor – delivering a cash inflow of EUR 937 million. Special mention should be made here of the cooperations with C-QUADRAT Investment AG, Zantke & Cie. Assetmanagement Gesellschaft and Johannes Führ Vermögensverwaltung. A further sales concentration is the Group's own unit-linked business (AIG funds within the Group's unit-linked policies). In this area sales of AIG public funds reached a net volume of EUR 101 million. The sale of funds through the Group's own exclusive agency network stabilized and – from a low starting point – showed a moderate increase in gross volume in the second half of the year. Third-party business with self-managed public funds was notable for the withdrawal of EUR 120 million by a single investor. There is ground to make up in this segment, and this is to be achieved in 2011 through repositioning of the funds on the market.

In addition to retail business, the company engages in institutional business with third-party clients and – on the basis of its existing know-how profile – positions itself as an outsourcing partner for small and mid-sized primary insurers and as an administrator for non-Group asset managers. Existing mandates were expanded by EUR 140 million in 2010. This volume growth of 4%, which lagged behind the industry growth of 11.7%, reflects the fact that AIG operates in this segment as a niche provider. The volume of non-Group institutional business as at 31 December 2010 thus stood at EUR 3.4 billion, hence accounting for 23% of the total volume of assets under management at AIG. The outsourcing mandate from a non-Group company was cancelled with effect from the beginning of 2011, causing the administered volume to contract by EUR 0.7 billion.

The asset portfolios managed for Talanx Group companies exceeded the previous year's volume (EUR 7.7 billion) at EUR 8.1 billion.

Against the backdrop of the sales success in retail business and the associated favorable trend in volume, fees and commission income of altogether EUR 23.3 (22.5) million were generated in the year under review. Personnel and material expenditures including cost allocation within the Ampega-Gerling companies were on a par with the previous year. Overall, a profit on ordinary activities of EUR 9 (7) million was achieved in 2010. In addition, an extraordinary charge of EUR 2 million was taken in connection with the modified valuation of provisions due to the first-time application of the requirements of the Act on the Modernization of Accounting Law (BilMoG).

The liquid assets totaled EUR 31 million as at the balance sheet date. The company's solvency was ensured at all times. Its equity capital amounted to EUR 17 million, or 44% of the balance sheet total of EUR 39 million.

Along with portfolio management of public and special funds, the company's activities in 2011 will be concentrated on refining its business processes with a view to attaining UCITS IV-compliance (management of foreign funds) as well as on further expanding its technical expertise for the administration of investments. All in all, the operating profit for 2011 is expected to be on the level of the previous year.

AmpegaGerling Immobilien Management GmbH

In additional to commercial and technical functions associated with real estate management for the insurance carriers of the Talanx Group, the business activities of AmpegaGerling Immobilien Management GmbH (AIM) also encompass services in the areas of investment, client accounting and corporate real estate management. The handling of mortgage lending transactions, chiefly for HDI-Gerling Lebensversicherung AG, was handed over to HDI-Gerling Leben Betriebsservice with effect from 1 October 2010.

The fair market value of the real estate under management at the end of the 2010 financial year was on a par with the previous year at EUR 1.1 billion. The company reported a loss on ordinary activities of –EUR 1.2 million, compared to a profit of 0.2 million in the previous year. The result was burdened by special effects, especially in connection with project costs associated with the replacement of the existing real estate management system with SAP. In addition, the modified valuation of provisions due to first-time application of the requirements of the Act on the Modernization of Accounting Law (BilMoG) led to an extraordinary charge of EUR 0.8 million. The liquid assets amounted to EUR 5 million as at the balance sheet date. The company's solvency was ensured at all times. Its equity capital amounted to EUR 3 million, or 31% of the balance sheet total of EUR 9 million.

In view of the transfer of the mortgage lending business (and hence the loss of the accompanying revenues), it is anticipated that revenues will contract by around EUR 1 million despite the reorganization of commission structures and, among other things, the associated increase in portfolio margins. Driven by special project costs in connection with the further expansion of the SAP-based production platform, a negative operating result of –EUR 0.7 million is planned for 2011. From 2012 onwards, following complete implementation of the new production structures and elimination of special project expenses, an operating profit should be generated.

Protection Reinsurance Intermediaries AG

Protection Reinsurance Intermediaries AG (Protection Re) is also allocated to the Corporate Operations segment within the Talanx Group. The company is wholly owned by Talanx AG and serves as the professional reinsurance advisor and broker for reinsurance cessions (non-life business) of the Talanx Group.

The core business of Protection Re consists of providing primary insurers with comprehensive advice on all aspects of outward composite reinsurance. Protection Re handles the complete spectrum of the reinsurance business process for each Group cedant to the extent necessary in each particular case. From portfolio analysis and advising on the structuring of reinsurance programs to administration and run-off of the placed reinsurance arrangements, specialized teams develop and support viable solutions that help Group cedants to achieve their business objectives on a lasting basis.

In this central function Protection Re optimizes reinsurance for ceding companies within the Talanx Group worldwide. Treaty and facultative reinsurance capacities are built up and secured for the long term. The credit standards applied to reinsurers are centrally managed and constantly monitored by the company. The know-how, long-standing experience and superb contacts of Protection Re's teams in the international reinsurance markets as well as the intensive personal cooperation with global partners safeguard reliable reinsurance capacities.

The branch of Protection Re established in London (PRL) in 2009 specifically with a view to placing German cedants' business with reinsurance companies outside the European Union fulfilled the requirements placed upon it in 2010 and contributed to the company's good result. The reinsurance capacities required for all Group cedants served by Protection Re were again successfully obtained for 2011 on the world market.

The entire profit for the year of EUR 8 (12) million is transferred to Talanx AG on the basis of the existing profit transfer agreement. As things currently stand, it is to be anticipated that the profit generated by Protection Re in 2011 will surpass the level of the 2010 financial year.

Events of special significance after the end of the financial year

In a press release dated 5 April 2011 the Board of Management announced that Talanx International AG had acquired two insurance companies effective 1 April 2011, namely L'Union de Paris Cía. Argentina de Seguros S. A. and L'Union de Paris Cía. Uruguaya de Seguros S. A. The insurance companies, which were previously privately owned, employ 138 staff and booked a premium volume equivalent to roughly EUR 44 million in the 2010 financial year.

In a press release dated 1 April 2011 the Board of Management announced that Talanx Deutschland AG had sold a 74.9% stake in Clarus AG to the financial services company Aragon AG. Talanx Deutschland AG itself retains an interest of 25.1% in the company. The purchase agreement is subject to the approval of the cartel office as well as further conditions precedent, materialization of which is expected shortly.

On 11 March 2011 a magnitude 9.0 earthquake occurred off the coast of Japan, which will impact us through our worldwide industrial insurance as well as our reinsurance activities. In view of the complexity of the event, reliable information about the total market loss for the insurance industry is not yet available. Any assessment of the loss amount is therefore subject to considerable uncertainty. Overall, based on initial contract analyses, we currently anticipate a net burden of losses for the Group in the order of EUR 300 million before tax.

On 22 February 2011 New Zealand was impacted by an earthquake of magnitude 6.3. It was the second earthquake to affect Christchurch in the space of five months. This latest New Zealand earthquake is expected to produce a net burden of losses in primary insurance and reinsurance business in the range of EUR 150–160 million.

We anticipate net loss expenditure of between EUR 40 million and EUR 100 million from the flooding in the Australian city of Brisbane in January 2011.

In a press release dated 20 January 2011 our subsidiary HDI-Gerling Industrie Versicherung AG, Hannover, announced that it had acquired the Dutch property/casualty insurer Nassau Verzekering Maatschappij N. V. with retroactive effect from 30 September 2010 for a purchase price of EUR 195 million. The acquired company will subsequently be merged into the Dutch insurer HDI Verzekeringen N. V. with retroactive effect from 1 January 2011. This company is a wholly owned subsidiary of HDI-Gerling Industrie Versicherung AG.

The subordinated debt of EUR 350 million issued in 2001 through Hannover Finance (Luxembourg) S. A. can be called for the first time on 14 March 2011 and has a remaining volume of EUR 138 million after the offer made in 2005 to existing issue holders to exchange into a new bond. As announced on 1 February 2011, the issuer exercised its call option and will repay the outstanding bond volume in full effective 14 March 2011.

In a press release dated 11 January 2011 the Executive Board of Hannover Re advised that the New York State Insurance Department had allowed Hannover Re to qualify as a so-called "Eligible Reinsurer" in the state of New York. Under this regulation the collateral requirements for our non-life reinsurance business written in the state of New York are reduced. Whereas it had previously been necessary to post collateral for 100% of the technical reserves, the required collateral level now stands at just 20%.

In October 2010 the Federal Fiscal Court (BFH) confirmed a decision of the lower court according to which investment income of Irish subsidiaries is not subject to taxation of foreign-sourced income. Since tax assessments were amended accordingly or the amendment thereof was announced by the revenue authority in February 2011, the refund of prepaid taxes and interest is expected for the Hannover Re subgroup in the 2011 financial year. The effect on profits is likely to be in the order of EUR 100–120 million.

In a press release dated 22 December 2010 the Executive Board of Hannover Re reported that Hannover Re had reached agreement on the sale of all operational companies of its US subsidiary Clarendon Insurance Group, Inc., New York, to the Bermuda-based Enstar Group Ltd., Hamilton. This transaction is still subject to the customary regulatory approvals.

Risk report

Risk strategy

The risk strategy derived from the company strategy constitutes the basis for our handling of risks and opportunities. The parameters and decisions of the Board of Management with respect to the Group's risk appetite are fundamental to the acceptance of risks. The risk strategy – as a self-contained set of rules – serves as the foundation for Group-wide risk management. It thus forms an integral component of entrepreneurial actions and is reflected in the detailed strategies of the various divisions.

As an internationally operating insurance and financial services group we are confronted with a broad diversity of risks that are indivisibly bound up with our entrepreneurial activities and which manifest themselves differently in the individual divisions and geographical regions. Both the company strategy and the risk strategy are therefore subject to regular review. Through this regular scrutiny of our assumptions and any resulting adjustments, we ensure that our strategic principles and hence also our actions are guided by the latest insights.

The overriding goal of our risk management is to adhere to our strategically defined risk positions. As far as capital resources are concerned, we strive for a capital adequacy ratio in our internal risk capital model that gives us a sizeable safety cushion. As a collateral condition to the regulatory target of overfulfillment of capital adequacy, Talanx pursues a target rating corresponding to the Standard & Poor's category of "AA".

Functions within the risk management system

The interplay of the individual functions and bodies within the overall system is vital to an efficient risk management system. Talanx has clearly defined the roles and responsibilities in order to ensure smooth interaction.

Controlling elements	Key risk management tasks
Supervisory Board	■ Advising and monitoring the Board of Management in its management of the company, inter alia with respect to risk strategy and risk management
Board of Management	■ Overall responsibility for risk management ■ Definition of the risk strategy ■ Responsible for the proper functioning of risk management
Risk Committee	■ Risk-monitoring and coordinating body, charged especially with the following tasks: ■ Critical observation and analysis of the risk position of the Group as a whole, with particular attention paid to the risk budget approved by the Board of Management and the risk strategy ■ Monitoring of steering measures within the Group with an eye to risks that could threaten the Group's continued existence
Chief Risk Officer	■ Responsible for holistic risk monitoring across divisions (systematic identification and assessment, control/monitoring and reporting of risks) of all material risks from the Group perspective
Central Risk Management	■ Group-wide risk monitoring function ■ Methodological competence, inter alia for ■ Development of processes/methods for risk assessment, management and analysis, ■ Risk limitation and reporting, ■ Risk monitoring and determination of the required risk capital across the Group
Local Risk Management	■ Risk monitoring function in the divisions ■ Observance of centrally defined guidelines, methods and processes as well as systems of limits and thresholds that serve as a framework for local implementation, monitoring and reporting.
Internal Auditing	■ Process-independent review of the functional areas of the Group
Independent Auditor	■ Systematic annual review of risk management

Risk management process

As the holding company of an insurance and financial services group whose undertakings are active predominantly in the insurance industry, Talanx AG not only carries its own entrepreneurial risks but also shares in the risks of its subsidiaries. Talanx AG and its subsidiaries use a diverse range of methods and tools to monitor and manage risks. In accordance with an approach geared to ensuring comparatively extensive individual responsibility and decentralization, our subsidiaries each maintain their own risk management systems; for they are best able to assess and quantify their risks and implement timely risk controlling measures. Group Risk Management nevertheless defines guidelines for the structuring of local risk management systems, thereby assuring a consistent minimum standard across the Group that can be aggregated.

The risk management process encompasses the identification, measurement, analysis, evaluation, limitation and monitoring of risks as well as risk reporting.

We identify risks with the aid of appropriate indicators and using various risk surveys, in which experts and selected managers comment on the risk position. Group Risk Management holds quarterly meetings with local risk managers in order to remain constantly updated on the risk situation in the divisions. The risk managers in the divisions report material changes in the risk position to Group Risk Management on an ad hoc basis.

In order to measure, analyze and evaluate risks Group Risk Management derives the risk situation of the Talanx Group from the local risks with the aid of an internal risk capital model. This internal risk capital model enables us to adequately assess the risks. Still based in key respects during the reporting period on a refined so-called GDV (German Insurance Association) standard model, it is used for the analysis and measurement of individual risks as well as of the Group's overall risk position. The purpose of risk quantification is to calculate the risk-based capital on the basis of a 99.97% Value at Risk. The time horizon considered under the model is a calendar year. The risk model makes allowance for the effects of correlations between Group companies and risk categories. A stochastic, Solvency II-oriented risk-based capital model is currently under development that will facilitate the Talanx-wide use of internal models. The Federal Financial Supervisory Authority (BaFin) began to examine this model in 2008, and we are seeking to obtain regulatory approval for its future adoption.

With respect to risk limitation, key indicators have been specified for steering and monitoring the Group's material risks within our central system of limits and thresholds. Risk steering and monitoring is operationalized through the specification of suitable limits and thresholds for quantitatively measurable material risks. Material risks that cannot be quantified or are difficult to quantify (such as operational risks) are primarily steered and monitored using appropriate processes and practices.

In the area of risk monitoring we make a distinction, in particular, between process-integrated independent monitoring and process-independent monitoring. Process-integrated independent monitoring is primarily the responsibility of the Risk Committee, the Chief Risk Officer and the organizational units supporting the CRO. Process-independent monitoring falls above all to Internal Auditing and the Supervisory Board.

The purpose of our risk reporting is to provide systematic and timely information about risks and their potential implications as well as to safeguard adequate internal communication within the company about all material risks as a basis for decision-making. Regular reporting on both current business developments and on risk management ensures that the Board of Management of Talanx AG is kept continuously informed of risks and can intervene as necessary to take controlling action; the Supervisory Board is also regularly advised of the risk situation. Material changes in the risk position are reported to the Board of Management of Talanx AG on an ad hoc basis.

The potential implications of risks are not only documented but are also incorporated into the annual planning of the Group companies, thereby making it possible to allow for the risks of future development and consider appropriate countermeasures in a timely manner. The plans drawn up by all Group companies and the Group as a whole are discussed and approved by the Board of Management and Supervisory Board of Talanx AG. Talanx AG draws up its own profit projection on this basis. This planning process takes into account both future developments and the interdependencies between the subsidiaries' planning and that of Talanx AG. In the context of the Performance Management cycle the planning takes account of both operational and strategic aspects.

Our decision and monitoring processes not only satisfy the extensive requirements placed on reporting by the Insurance Supervision Act (VAG), they also extend to the preparation and examination of the annual and consolidated financial statements, the internal control system and the use of powerful planning and controlling tools.

In the year under review our risk management activities in the area of primary insurance were assessed as "adequate with positive trend" by Standard & Poor's. The primary insurance sector thus achieved the highest rating that can be attained by insurers without a stochastic internal model. The risk management of Hannover Re was assessed by S&P as "strong", the second-best S&P rating. These ratings testify to the quality of our holistic risk management approach.

Following SAS 70 Type 1 auditing and certification of AmpegaGerling's control activities in 2009 as evidence of the adequate structuring of its control system, the Type 2 audit examination relating to effective implementation of the material controls was successfully passed in 2010.

Risks of future development

We have combined the risks to which Talanx AG is exposed into risk groups and analyzed and evaluated them on the basis of the existing standards. The risk groups include:

- global risks
- participation risks
- functional risks

Global risks encompass risks associated with changes in the political environment, economic climate or provisions of tax law. They are discussed intensively by the Board of Management of Talanx AG and the corresponding bodies for the Group as a whole and are monitored, in particular, through Association activities, information databases and a constant dialog with local management.

We associate participation risks, in particular, with the performance of individual subsidiaries, the stability of results in the portfolio of participating interests and a potentially inadequate balance in the business. Through profit transfer agreements and dividend payments Talanx AG participates directly in the business development and risks of the subsidiaries. What is more, negative results trends at the subsidiaries can prompt a need to write down the book values of participating interests at Talanx AG. We use appropriate tools in the areas of controlling, internal auditing and risk management to counter risks arising out of the development of results at specific subsidiaries. A standardized reporting system supplemented as necessary by special reports regularly provides decision-makers with the latest information not only about the Group but also about the business development at all major subsidiaries. They are thus able to intervene at all times in order to control risks. Risks associated with a lack of stability in the results of the portfolio of participating interests or with an inadequate business balance are reduced for the various risk sources primarily by means of segmental and regional diversification, appropriate strategies for risk minimization and risk shifting as well as by investing systematically in growth markets and in product and portfolio segments that stabilize results.

As part of the group of functional risks, the risk of asset erosion on acquisitions and their inadequate profitability is kept as low as possible through detailed due diligence tests conducted in cooperation with independent professional consultants and auditors as well as intensive monitoring of the business development. Furthermore, Talanx pays close attention to risks deriving from the financing of acquisitions and the capital needs of subsidiaries as well as their anticipated profitability. It counters the financing risk by compiling regularly updated cash flow statements and forecasts and defining priorities for the application of funds. With respect to the financing and liquidity risks, too, Talanx AG is directly exposed to the risks of its subsidiaries through the profit transfer agreements and dividend payments. The leverage of Talanx AG is regularly reviewed. In 2010 the ratio of provisions and liabilities to total assets stood at 39.4 (37.6)%. A large proportion of the provisions relates to provisions set aside for pensions. Talanx counteracts the possibility of insufficient allocations to the pension provisions (e.g. through changes in mortality, inflation and the interest rate trend) by regularly reviewing the adequacy of the actuarial bases.

The tools and procedures described above for monitoring and controlling risks additionally include a planning component, thereby also enabling us to keep our sights firmly trained on the risks of future development.

Summary assessment of the risk situation

No specific risks have as yet emerged that could jeopardize the continued existence of Talanx AG or significantly impair its assets, financial position or net income. Particularly with an eye to the further unfolding of the banking crisis, however, there is a considerable abstract degree of uncertainty. The same is true of ongoing developments in the legal framework governing our entrepreneurial activities.

Since the risk situation of Talanx AG is crucially shaped by the risks of the subsidiaries, their risks and risk management measures are described in greater detail below. The overall risk situation of the subsidiaries can be broken down into the following five risk categories:

- underwriting risks
- default risks in insurance business
- investment risks
- operational risks
- other risks

Effects of the banking crisis

The Talanx Group, in common with other industry players, was unable to escape the repercussions of the banking crisis entirely unscathed. Compared to 2008, in which extensive write-downs were taken on securities owing to the adverse capital market climate, the situation in 2010 – as in the previous year – was considerably more relaxed. Having initially scaled back equity holdings substantially in 2008 and early 2009, the first moves back into this asset class were made from the summer of 2009 onwards. On the Group level the volume of equities held was almost the same as at the end of 2009, and the portfolio is extensively hedged against price losses through stop loss mechanisms.

Talanx's exposure is limited by the investment guidelines, and dependencies on individual debtors that could jeopardize the Group's survival are thereby ruled out. In the context of the advancing banking crisis on capital markets, the Talanx Group tightened up its previously applicable risk limits in key respects so as to further minimize risks.

Should the current low interest rate level be sustained or indeed should further interest rate cuts ensue, this would give rise to a considerable reinvestment risk for the life insurance companies offering traditional guarantee products since it would become increasingly difficult to generate the guaranteed return. The Group reduces this interest guarantee risk primarily by means of interest rate hedges (see under "Material underwriting risks"). What is more, especially in the context of further declines in interest rates and higher volatilities, decreases may be seen in the Market Consistent Embedded Value (MCEV) of the life insurers. The MCEV for 2010 will be calculated in the first half of 2011.

The contraction in bank lending that has been observed in the market as part of the banking crisis and the associated potential difficulties raising cash are of only minor significance to the Talanx Group (compared to the banking industry) for reasons connected with the business model; this is because Talanx inherently has sufficient cash due to the regular premium payments and interest income from invested assets as well as its liquidity-conscious investment policy. Extensive unused lines of credit are also available to the Group. Liquidity risks may, however, arise in particular as a consequence of illiquid capital markets and – in the life insurance sector – due to increased cancellations by policyholders, if this necessitates the liquidation of a large volume of additional investments at short notice.

Furthermore, the uncertainties triggered by the banking crisis among private and institutional investors may have implications for the business models of the Talanx Group's individual divisions, e.g. in the form of a possible softening of demand for insurance coverage.

Material underwriting risks

The underwriting risks in property and casualty insurance are considered separately from those in life insurance because of the considerable differences between them.

Underwriting risks in **property/casualty business (primary insurance and reinsurance)** derive principally from the premium/loss risk and the reserving risk. The premium/loss risk is the risk that previously defined insurance premiums are used to pay subsequent indemnification, although the amount of such payments is initially unknown. The actual claims experience may therefore diverge from the expected claims experience. This can be attributable to two reasons: the risk of random fluctuation and the risk of error.

The risk of random fluctuation refers to the fact that both the number and amount of claims are subject to random factors and the expected claims level may therefore be exceeded. This risk cannot be excluded even if the claims spread is known. The risk of error describes the risk of the actual claims spread diverging from the assumed claims spread. A distinction is made here between the diagnostic risk and the forecasting risk. The diagnostic risk refers to the possibility that the current situation may be misinterpreted on the basis of the available data. This is particularly likely to occur if only incomplete data is available regarding claims from previous insurance periods. The forecasting risk refers to the risk that the probability distribution of the total claims may change unexpectedly after the estimation is made, for example due to higher inflation.

The Talanx Group manages and reduces all components of the premium/loss risk first and foremost through claims analyses, actuarial modeling, selective underwriting, specialist audits and regular review of the claims experience as well as through the use of appropriate reinsurance protection.

The second underwriting risk in property/casualty business, namely the reserving risk, refers to the possibility that the underwriting reserves may not suffice to pay in full claims that have not yet been settled or reported. This may then give rise to a need to establish additional reserves. In order to manage this risk the companies belonging to the Talanx Group measure their reserves prudently. They not only take into account the claims information provided by their customers but also the insights of their own claims investigations and experiences. Furthermore, a so-called IBN(E)R (incurred but not (enough) reported) reserve is constituted for claims that have probably already occurred but have not yet been (adequately) reported. What is more, the level of reserves is regularly reviewed – not only internally but also by external actuaries – and an external expert assessment of the reserves is commissioned in order to minimize the reserving risk.

Typical risks in **life primary insurance** arise out of the fact that contracts provide long-term benefit guarantees: while the premiums for a defined benefit are fixed at the beginning of the contract for the entire period, the underlying parameters (interest rate level, biometric assumptions) may change. This is also true – to an increasing extent – of the general legal framework on which the contractual relationship is based; risk-entailing changes in this regard are discussed further under "Material operational risks".

Biometric actuarial bases such as mortality, longevity and morbidity are established at the inception of the contract in order to calculate premiums and reserves. Over time, however, these assumptions may prove to be no longer accurate and may therefore necessitate additional expenditures for raising the benefit reserve. The adequacy of the biometric actuarial bases is therefore regularly reviewed. Epidemics, a pandemic or a worldwide shift in lifestyle habits may pose special risks to contracts under which death is the insured risk. Under annuity policies the risk derives first and foremost from the continuous improvement in medical care and social conditions, thereby increasing longevity – with the result that insureds draw benefits for a longer time than calculated.

The constant ability to fulfill these contracts is safeguarded by way of reserves calculated on the basis of assumptions regarding the development of biometric data such as mortality or disability. Specially trained life insurance actuaries ensure that the actuarial bases also make adequate allowance for risks of change through safety loadings.

Life insurance policies additionally entail lapse risks. In the event of an unusual accumulation of cancellations it is possible, for example, that sufficient liquid assets may not be available to cover insurance benefits. This can give rise to the unplanned realization of losses on the disposal of assets. For this reason, the Group's life insurers hold a sufficiently large asset portfolio in short-term investments. Furthermore, they regularly match and control the duration of their assets and liabilities. What is more, receivables due from insurance agents may be lost in the event of cancellation if the accounts receivable from intermediaries cannot be collected. Insurance agents are therefore carefully selected. Cancellation may also create a cost risk if new business declines sharply and the fixed costs – unlike the variable costs – cannot be reduced at short notice. Cost controlling and a focus on variable sales costs through distribution channels such as brokers limit this risk.

An interest guarantee risk exists under life insurance policies with guaranteed interest payments. This risk arises if, upon inception of a life insurance policy, a guaranteed interest rate is agreed on the savings element of the premium. The interest guarantee risk has been exacerbated by the reform of the Insurance Contract Act inasmuch as policyholders are entitled to participate in the unrealized reserves upon policy termination. The insurance premiums must be invested at appropriate terms on the capital market in order to generate this guaranteed return. Yet the capital market fluctuates over time; future investments are thus subject to the risk of poorer conditions. What is more, the duration of the investments is generally shorter than the duration of the insurance contracts, hence creating a reinvestment risk. An interest rate risk also exists in connection with guaranteed surrender values. A rapidly rising interest rate level, for example, may give rise to hidden obligations. If contracts were to be terminated prematurely the policyholders would be entitled to the guaranteed surrender values and would not share in any incurred hidden losses. Upon disposal of the corresponding investments the hidden losses would have to be borne by the life insurers, and in theory it is possible that the fair market value of the investments would not suffice to cover the guaranteed surrender values. As a further factor, the change in the distribution of acquisition costs brought about by amendment of the Insurance Contract Act will lead to higher surrender values in the initial phase. The Group reduces the interest guarantee risk primarily by constantly monitoring the asset portfolios and capital markets and taking appropriate countermeasures. To some extent interest rate hedging instruments, known as swaptions and book yield notes, are used. For a large part of our life insurance portfolio the interest guarantee risk is reduced through contractual provisions The surplus distributions paid in addition to the guaranteed interest rate can be adjusted according to the state of the capital market. Under unit-linked life insurance policies the investment risks and opportunities are borne by policyholders. The investment risks could, however, be shifted back onto the life insurers as a consequence of adverse legal developments.

Particularly for the entire German life insurance industry and hence also for the Group's life insurers, the protracted low level of interest rates poses the risk that successive strengthening of the interest provisions may be needed. With this in mind, the Federal Ministry of Finance forwarded a draft ordinance amending the Mathematical Provisions Act (Deckungsrückstellungsverordnung) to the German Insurance Association (GDV) and other associations in December 2010 with a request for comments. The aim is to facilitate the early, gradual establishment of an additional interest provision.

In **life and health reinsurance** the previously described biometric risks are of special importance; this is particularly true of catastrophe risks, for example with respect to pandemics. The reserves in life and health reinsurance are based principally upon the information provided by ceding companies. The plausibility of the figures is checked using reliable biometric actuarial bases. Through our quality assurance measures we ensure that the reserves established by ceding companies in accordance with local accounting principles satisfy all requirements with respect to the calculation methods used and assumptions made (e.g. use of mortality and morbidity tables, assumptions regarding the lapse rate). The Group writes new business in all regions in compliance with globally applicable underwriting guidelines which set out detailed rules governing the type, quality, level and origin of risks and are revised annually. Special underwriting guidelines give due consideration to the particular features of individual markets. By monitoring compliance with these underwriting guidelines the Group minimizes the potential credit risk stemming from an inability to pay or deterioration in the financial status of cedants. Regular reviews and holistic analyses (e.g. with an eye to lapse risks) are carried out with respect to new business activities and the assumption of international portfolios. The interest rate risk, which in the primary sector is important in life business owing to the guarantees that are given, is of only minimal relevance in life and health reinsurance owing to the structure of the contracts.

A key risk management tool in the areas of life insurance and life/health reinsurance is systematic monitoring of the Market Consistent Embedded Value (MCEV). Sensitivity analyses highlight the areas where the Group is exposed and provide pointers as to which areas to focus on from the risk management perspective.

Default risks under insurance business

Bad debts may arise on receivables due under insurance business. This applies, in particular, to receivables due from reinsurers, retrocessionaires, policyholders and insurance agents. Value adjustments or write-downs on receivables would be the result.

The Group counteracts the default risk at reinsurers and retrocessionaires by carefully selecting them with the aid of expertly staffed Credit Committees, constantly monitoring their credit status and – where necessary – taking appropriate measures to secure receivables. Depending upon the type and expected run-off period of the reinsured business as well as a required minimum capital adequacy, the selection of reinsurers and retrocessionaires is guided by our own credit assessments as well as the minimum ratings of the rating agencies Standard & Poor's and A.M. Best.

The default risk at policyholders is countered first and foremost by means of an effective collection procedure and the reduction of outstandings. Agents are subject to credit checks. In addition, adequate general bad debt provisions are established to allow for the default risk.

Material investment risks

Investment risks should be considered in the context of the investment policy. Based on a Group investment guideline, the investment policy at the individual companies is regulated within the Talanx Group by the supervisory framework applicable to each particular company and by internal investment guidelines.

Particularly in the interests of policyholders as well as with a view to accommodating the future requirements of the capital market, the investment policy is essentially guided by the following maxims:

- optimizing the return on investments while at the same time preserving a high level of security
- ensuring liquidity requirements are satisfied at all times (solvency)
- risk diversification (mix and spread)

An essential component of risk management is the principle of separation of functions – i.e. keeping a distinction between Portfolio Management, Settlement and Risk Controlling. Risk Controlling – which is organizationally and functionally separate from Portfolio Management – bears responsibility above all for monitoring all risk limits and evaluating financial products. In this respect the management and control mechanisms are geared particularly closely to the standards adopted by the Federal Financial Supervisory Authority (BaFin) and the respective local regulators.

Within the scope of the Group guidelines, detailed investment guidelines are in force for the individual companies, compliance with which is constantly monitored. These investment guidelines are used to define the framework of the investment strategy. Monitoring of the quotas and limits set out in these guidelines is the responsibility of Group Risk Management and local risk management as well as the Chief Financial Officer of each company. Any material modification of the investment guidelines and/or investment policy must be approved by the Management Board of the company concerned and brought to the attention of its Supervisory Board.

Risks in the investment sector consist most notably of market price, credit and liquidity risks. The market price risk arises from the potential loss due to adverse changes in market prices and may be attributable to changes in interest rates, equity prices and exchange rates. The credit risk refers to the possible fall in the value of an asset due to the failure of a debtor or a change in their ability to pay. In the area of profit-participating loans, there is a particular risk of default on interest payments. The liquidity risk refers to the risk of being unable to convert investments and other assets into cash in order to meet our financial obligations when they become due. Thus, for example, it may not be possible to sell holdings (or to do so only with delays) or to close open positions (or to do so only with price markdowns) due to the illiquidity of the markets. In general terms, the Group continuously generates significant liquidity positions because premium income normally accrues well before claim payments and other benefits need to be rendered.

Material operational risks

In our understanding, this category encompasses the risk of losses occurring because of the inadequacy or failure of internal processes or as a result of events triggered by employee-related, system-induced or external factors. The operational risk also extends to legal risks.

Multifaceted, cause-based risk management and an efficient internal control system minimize such risks, which may be associated with business activities of all types, members of staff or technical systems. In addition to Internal Auditing, the Compliance function also bears responsibility for overseeing compliance with applicable laws as well as with external and internal guidelines.

Legal risks may arise in connection with contractual agreements and the general legal environment, especially with respect to business-specific imponderables of commercial and tax law as they relate to an internationally operating life and property/casualty insurer as well as a life/health and non-life reinsurer. Insurers and reinsurers are also dependent on the political and economic framework conditions prevailing on their respective markets. These external risks are subject to intense monitoring by the Talanx Board of Management on behalf of the entire Group and as part of an ongoing exchange of information with local management.

We view with some concern the extensions of government powers to intervene in banks if there is a danger of them falling below the ratios set by regulators. Particularly with respect to profit participation certificates (Genussscheine) and silent partners' contributions (stille Einlagen), the Bank Restructuring Act has exacerbated the risk of state intervention to the detriment of institutional investors as well as the investing insurance industry and hence also insurance customers. What is more, a financial tax (financial transaction tax and financial activity tax) is envisaged or has already been implemented in various countries in order to at least partially fund the costs of the banking crisis. There is a risk that such a levy could also impact the Group.

In addition, against the backdrop of the banking crisis, the G20 nations discussed the adoption of surcharges on capital for insurers similar to those for systemically-relevant banks. It apparently remains to be seen just what form such a capital surcharge is supposed to take at the insurers under consideration. If, however, the general thrust of the bank plans is carried over to the insurance industry, large insurance undertakings – and hence potentially also the Talanx Group – could find themselves faced with exacting new capital requirements. It should, though, be mentioned in this context that Frankfurt Administrative Court already expressed serious doubts as to the possible systemic relevance of the Talanx Group during the final closure of other proceedings.

There are also proceedings pending before the courts, especially with respect to life insurance, that could have implications for the entire German insurance industry and hence also for the Talanx Group once they are legally final. This includes, for example, the question of how to deal with a monthly, quarterly or half-yearly method of payment in insurance contracts.

The Talanx Group – in common with the entire insurance industry – is also facing far-reaching changes against the backdrop of the impending and in some cases already implemented reform of regulatory standards, especially in the context of IFRS, Solvency II and the Minimum Requirements for Risk Management in Insurance Undertakings (MaRisk VA). We are tracking the accounting and regulatory changes closely; we have identified the associated more exacting requirements and initiated measures designed to refine our risk management accordingly and hence enable us to satisfy the more complex and extensive standards going forward.

Along with legal risks, the other operational risks include the failure of data processing systems and data security. Ensuring the availability of applications and protecting the confidentiality and integrity of data are of vital importance to the Talanx Group. Since the global sharing of information increasingly takes place via electronic data transfer, this also creates a vulnerability to computer viruses. Systematic investment in the security and availability of information technology preserves and enhances the existing high level of security.

Operating risks may also arise in the area of human resources, for example due to a lack of the skilled experts and managers necessitated by an increasingly complex business with a strong customer orientation. Talanx therefore attaches great importance to further and advanced training activities. With the aid of individual development plans and appropriate skills enhancement opportunities members of staff are thus able to respond to the latest market requirements. What is more, state-of-the-art management tools and appropriate incentive schemes – both monetary and non-monetary – foster strong employee motivation. Talanx counters the risk of personnel committing fraudulent acts to the detriment of the company with internal guidelines governing areas of competence and processing workflows as well as with regular specialist checks and audits.

On the marketing side the Talanx Group works together with external agents, brokers and a number of cooperation partners. In this respect there is, of course, an immanent risk that marketing agreements can be impacted by external influences – with a corresponding potential for the loss of new business and erosion of the in-force portfolios.

Other material risks

Of material importance to our company in the category of other risks are primarily emerging risks, strategic risks and reputational risks.

The hallmark of emerging risks (such as in the field of nanotechnology or in connection with climate change) is that the content of such risks cannot as yet be reliably assessed – especially with respect to our in-force portfolio. Such risks evolve gradually from weak signals to unmistakable tendencies. It is therefore vital to detect these risks at an early stage and then determine their relevance. For the purpose of early detection we have developed an efficient process that spans divisions and ensures the linkage to risk management, thereby making it possible to pinpoint any necessary measures (e.g. ongoing observation and evaluation, the implementation of contractual exclusions or the development of new (re)insurance products).

Strategic risks derive from the risk of an imbalance between the corporate strategy and the constantly changing general business environment. Such an imbalance might be caused, for example, by incorrect strategic policy decisions or a failure to consistently implement the defined strategies. We therefore review our corporate strategy and risk strategy annually and adjust our processes and structures as required.

With Project Fokus, for example, Talanx is seeking to implement the restructuring of the Group that has been decided upon to improve its market positioning. The core of the new structure is a reconfiguration of the Group segments in primary insurance business with a view to being able to operate more successfully in the market. It is geared to customer segments – specifically, to industrial lines transacted worldwide as well as to German and international retail business, in both cases spanning the various insurance lines. Operational risks, in particular, could arise during the project in connection with the simplification of processes within the central functions. We counter the operational risks most notably with a multi-site concept that serves to reduce the potential for staff turnover.

The reputational risk is the risk associated with possible damage to the company's name as a consequence of an unfavorable public perception (e.g. among customers, business partners, government agencies). Management of this risk is made possible by our set communication channels, a professional approach to corporate communications, tried and tested processes for defined crisis scenarios as well as our established Code of Conduct.

Corporate Governance report

Talanx AG takes good Corporate Governance to mean responsible enterprise management and supervision geared to sustainable value creation. In particular, we strive to further foster the trust placed in us by future investors, our customers and employees as well as the public at large. We also attach considerable importance to the efficient conduct of their work by the Board of Management and Supervisory Board, good cooperation between these bodies and with the company's staff as well as open and transparent corporate communications.

Talanx AG is a joint-stock company under German stock corporation law. It has three executive bodies: the Board of Management, Supervisory Board and General Meeting. The tasks and powers of these bodies are defined by law, the company's Articles of Association and the Rules of Procedure for the Board of Management and Supervisory Board.

In accomplishing its goal of generating a sustainable increase in the value of the company, Talanx AG is guided extensively by the principles of the German Corporate Governance Code (DCGK), by means of which it is progressively aligning itself with the standards of German listed enterprises.

Board of Management

The Board of Management leads the company at its own responsibility and defines goals as well as strategy. In accordance with § 7 Para. 1 of the Articles of Association, the Board of Management is comprised of at least two persons. Beyond that, the Supervisory Board determines the number of members. The current composition of the Board of Management is set out on page 7 of the Annual Report.

The working practice of the Board of Management is governed by Rules of Procedure adopted by the Supervisory Board. These define the areas of responsibility of the individual members of the Board of Management. Each member of the Board of Management leads the area(s) assigned to them at their own responsibility within the scope of the resolutions of the full Board of Management.

In addition, the Rules of Procedure set out the matters reserved for the full Board of Management as well as the required voting majorities. The full Board of Management decides in all cases where adoption of a resolution by the full Board of Management is stipulated by law, the Articles of Association or the Rules of Procedure of the Board of Management.

The Board of Management meets at least once a month.

The Board of Management reports regularly and comprehensively to the Supervisory Board on the strategic orientation, the development of business, the financial position and results of operations, the planning and goal accomplishment as well as the existing opportunities and risks.

Certain decisions of the Board of Management that are of special importance require the approval of the Supervisory Board. Some of these reservations of approval are prescribed by law, others are governed by the Rules of Procedure of the Board of Management. The following measures and transactions, among others, require the prior approval of the Supervisory Board:

- the approval of strategic principles and objectives for the company and the Group;
- the approval of the annual planning for the company and the Group;
- the approval of the medium- and long-term planning for the company and the Group;
- the closing, modification and termination of company agreements;
- the acquisition and disposal of parts of undertakings in excess of a certain size.

Members of the Board of Management may only take on sideline activities, most notably seats on supervisory boards outside the company, with the consent of the Chairman of the Supervisory Board.

Supervisory Board

The Supervisory Board advises and monitors the management of the company. It is also responsible, in particular, for the appointment and employment contracts of members of the Board of Management and for the examination of the annual financial statements.

The Supervisory Board consists of 16 members. Half of them are chosen by the shareholders and the other half are elected by the employees.

In order to ensure that the Supervisory Board performs its tasks effectively, the Supervisory Board has formed the following committees:

- Personnel Committee
- Finance and Audit Committee
- Nomination Committee
- Standing Committee

The Board of Management informs the Supervisory Board in a regular and timely manner of the development of business, the implementation of strategic decisions, material opportunities and risks as well as the company's planning. The Chairman of the Supervisory Board is in constant contact with the Chairman of the Board of Management in order to discuss with him the company's strategy, business development and risk management.

The composition of the Supervisory Board and its committees is set out on pages 5–6.

General Meeting

Shareholders exercise their rights at the General Meeting. The sole shareholder is HDI Haftpflichtverband der Deutschen Industrie V. a. G.

Each share carries one vote in the voting on resolutions. The General Meeting elects the members of the Supervisory Board representing the shareholders and votes to ratify the acts of management of the Board of Management and the Supervisory Board. It decides upon the appropriation of the disposable profit, on capital measures and the approval of company agreements, as well as on the remuneration of the Supervisory Board and on amendments to the company's Articles of Association. Each year an ordinary General Meeting is held, at which the Board of Management and the Supervisory Board provide an account of the financial year just-ended. In special cases, the Stock Corporation Act provides for the convening of an extraordinary General Meeting.

Compliance

For the Talanx Group, compliance with applicable laws as a fundamental prerequisite for lasting successful business operations is a matter of course. Employees are supported in this respect by the compliance officers at Talanx.

The Code of Conduct for our staff has defined standards for responsible and ethical behavior on all levels of the Group. It is incumbent upon every employee within the Group to ensure that their actions are in compliance with this code and the laws, guidelines and instructions governing their area of work.

Our commercial success is determined not only by the quality of our products and services, but also by the legally correct and responsible conduct of our employees towards each other, our business partners and the public at large. Only in this way can we create trust, an especially decisive competitive factor in our industry.

In the form of training events and programs we offer staff the opportunity to refresh, broaden and deepen their knowledge and proficiency with respect to selected compliance-related topics.

A whistleblower system gives staff the opportunity to provide tips on certain serious breaches of the law – anonymously, if they so desire. This enables compliance officers to take action, contain the damage and avoid further losses.

Risk monitoring and steering

The risk management system of Talanx AG applicable throughout the Group is based on the risk strategy, which in turn is derived from the company strategy. A core component is systematic and comprehensive recording of all risks that from the current standpoint could conceivably jeopardize the company's profitability and continued existence. Further details in this regard may be obtained from the risk report contained in the present Annual Report on page 29 et seq.

Remuneration report

The remuneration report describes and explains the basic features of the remuneration structure for the Board of Management of Talanx AG as well as the amount of remuneration paid to the Board of Management and the key criteria used in its determination. The explanations provided cover both the remuneration structure applicable to the year under review and the revised remuneration structure for the Board of Management that is to be adopted for the 2011 financial year in response to changes in the legal framework. The remuneration of the Supervisory Board of Talanx AG, which additionally included a performance-based component for the first time in the year under review, is also described. Furthermore, the main features of the remuneration paid to managing directors and managers outside the Group Board of Management are also discussed.

Remuneration of the Board of Management

The remuneration of the Board of Management is determined by the Supervisory Board. The Supervisory Board reviews and discussed the remuneration structure and the appropriateness of the remuneration at regular intervals. The most recent review was conducted by the Supervisory Board at its meeting on 13 November 2010. At this meeting the Supervisory Board also decided upon a fundamental reorientation of the system of remuneration for the Board of Management with effect from the 2011 financial year. This is described in greater detail below.

The purpose of the remuneration system for the Board of Management is to appropriately recompense the members of the Board of Management. Based on the scope of activity and responsibility of the individual member of the Board of Management, the total remuneration is geared to his or her personal performance and the commercial success of the company. It consists of the following components:

Fixed remuneration: The fixed remuneration is paid in twelve equal monthly installments. It is guided, in particular, by the range of duties and professional experience of the individual Board member. The amount of fixed remuneration is reviewed by the Supervisory Board at intervals of two years.

Variable remuneration: The individual performance of a particular Board member and the commercial success of the company are recognized through an appropriate portion of variable remuneration in the total remuneration. The variable remuneration is paid in the form of a bonus for the financial year just-ended. It is determined by the Supervisor Board in light of the performance and economic position of the company and the Group as a whole, the performance of the specific Board member's area of responsibility as well as his or her individual performance.

Fringe benefits: The members of the Board of Management also receive certain fringe benefits, most notably a company car and insurance protection (liability, accident and luggage insurance). Insofar as Board members exercise a mandate at Group companies and are recompensed for this function, such remuneration is counted towards the bonus paid by Talanx AG.

Amount of remuneration received by the Board of Management

With regard to the amount of remuneration received by the Board of Management, please see the information contained in the Notes to this Annual Report.

Occupational retirement provision

The employment contracts of the members of the Board of Management with Talanx AG include – with one exception, where an annual funding contribution is paid according to the fixed remuneration – commitments to an annual pension that is calculated as a percentage of the fixed annual remuneration ("defined benefit"). The agreed maximum pension amounts to – depending on the particular contract – between 35% and 65% of the monthly fixed salary payable upon retirement as provided for by the contract at the age of 65. In one instance a commitment exists on the basis of a defined contribution. In this case the company pays an annual funding contribution amounting to 20% of the pensionable income (fixed annual remuneration as at the key date of 1 July of any year). Under both contract variants ("defined benefit" and "defined contribution") income from other sources during drawing of the pension may under certain circumstances be counted towards it pro rata or in full (e.g. in the event of incapacity for work or termination of the employment contract before reaching age 65, drawing of disability benefits or previously earned pension payments).

In the year under review six individual commitments existed to active members of the Board of Management. The provision expensed for this purpose pursuant to the Act on the Modernization of Accounting Law (BilMoG) amounted to EUR 2.4 million in the year under review.

With respect to the remuneration received by former members of the Board of Management and their surviving dependents as well as the provisions for pension liabilities constituted for this group of persons, please see the information provided in the Notes to this Annual Report.

Revised remuneration structure from 1 January 2011 onwards

The Supervisory Board reviewed the remuneration system for the Board of Management in the year under review on the basis of revised legal and regulatory requirements for management remuneration and adjusted its structure with a special eye to sustainability considerations. In this context, the criteria for measurement of the profit- and performance-based variable remuneration and their weighting were also redefined. The revised remuneration structure applies with effect from the 2011 financial year onwards to all active members of the Board of Management.

The remuneration of the Board of Management is geared to the size and activities of the company, its economic and financial position, its success and future prospects as well as the customariness of the remuneration, making reference to the benchmark environment (horizontal) and the remuneration level applicable to the company's employees. It is also guided by the tasks of the specific member of the Board of Management, his or her individual performance and the performance of the full Board of Management.

Overall, the remuneration is structured in such a way that it reflects both positive and negative developments, is measured competitively and in line with market standards and takes into account the sustainable development of the company.

As before, the remuneration is split into annual fixed remuneration – which for the first time to some extent does not constitute the basis for calculating the amount of the final salary pension – and variable remuneration; in this respect, the variable remuneration consists of a performance-based annual cash payment, a so-called "bonus bank" with disbursement after three years and share-based remuneration (share awards). By exercising due discretion the Supervisory Board determines at regular intervals and in exceptional situations whether adjustments need to be made to the variable remuneration or restrictions placed upon its disbursement.

The proportion of the total remuneration attributable to variable remuneration varies individually and is within a range of 45% to 65%.

Measurement of the variable remuneration

The amount of variable remuneration depends on certain defined events and on the accomplishment of certain set targets. The set targets vary according to the function of the Board member in question. The variable remuneration is comprised of a so-called "Group bonus" and an "individual bonus" as well as – in the case of Board members with responsibility for a particular division – a so-called "divisional bonus". The weighting of the various components is determined individually for each member of the Board of Management in light of the function that he or she performs.

An individually determined amount is paid as the **Group bonus** for each 0.1 percentage point by which the average return on equity (RoE) of the last three financial years exceeds the risk-free interest rate. If the average return on equity of the last three financial years is below the risk-free interest rate or if it is negative, this results in a corresponding penalty amount for each 0.1 percentage point of undershoot. The maximum amount of the Group bonus and the maximum penalty amount are agreed individually. The arrangements governing the Group bonus may be adjusted if the risk-free interest rate changes to such an extent that an (absolute) deviation arises of at least 1 percentage point.

The risk-free interest rate is the average market rate over the last five years for 10-year German government bonds, with the average being calculated annually at year-end on the basis of the relevant interest rate.

The divisional bonus is to be geared to the average "Intrinsic Value Created" ("IVC") over the three-year period just-ended for the division for which the Board member in question bears responsibility. A generally applicable concept for measurement of the IVC has still to be finalized. The provision governing calculation of the divisional performance on the basis of the divisional IVC is to be applied for the first time to the 2013 financial year.

Until such a provision has been drawn up, the divisional bonus will be established by the Supervisory Board according to its due discretion. In this context, the Supervisory Board shall pay particular attention to the following criteria: relative change in the IVC in the remuneration year, absolute amount of the IVC in the remuneration year, IVC in the remuneration year relative to the target value, distribution ratio or profit transfer ratio of the division relative to the target value, general market environment. The individually defined amount for 100% criteria fulfillment is attained if the criteria are achieved in full. Over- or underfulfillment of the criteria results in additions or deductions. The minimum divisional bonus amounts to EUR 0, while the maximum is double the bonus payable on complete fulfillment of the criteria.

In addition, individual qualitative and, as appropriate, quantitative personal goals that are to be attained in the subsequent year are defined annually for the Board member in question. The criteria applied in this regard may, in particular, be the Board member's individual contribution to the overall result, their leadership skills, power of innovation and entrepreneurial abilities as well as other quantitative or qualitative personal goals, especially making allowance for the special features associated with their area of Board responsibility. The degree of goal attainment is determined by the Supervisory Board at its due discretion in the Supervisory Board meeting at which the consolidated financial statements for the financial year in question are approved. The amount for 100% goal attainment is established on an individual basis. Over- or underfulfillment results in additions or deductions. The minimum individual bonus amounts to EUR 0, while the maximum is double the bonus payable on complete attainment of the goals.

The total amount of the variable remuneration is arrived at by adding the amounts for the individual remuneration components. If addition of the individual amounts gives rise to a negative amount, the variable remuneration amounts to zero (in other words, there is no negative variable remuneration). A negative amount is, however, taken into consideration when calculating the bonus bank.

Payment of the variable remuneration

Of the total amount of defined variable remuneration, a partial amount of 60% is paid out in the month following the Supervisory Board meeting that approves the consolidated financial statements. The remaining amount – i.e. 40% of the total amount of variable remuneration – is initially withheld. Half of the withheld portion is allocated to a bonus bank, while the other half is granted in the form of share awards.

Each year 20% of the mathematically determined variable remuneration is allocated to the bonus bank and withheld interest-free for a period of three years. If the mathematically calculated amount of the variable remuneration is negative, 100% of this negative amount is allocated to the bonus bank. The balance in the bonus bank is reduced accordingly. A positive balance in the bonus bank is carried forward to the following year after deduction of any amount paid out, while a negative balance is not carried forward to the next year. The amount allocated to the bonus bank in each case is paid out after three years to the extent that it is covered by the balance existing at that time – allowing for credits/debits up to and including those for the most recent financial year just-ended. Any portion of the variable remuneration due for disbursement that is not covered by the balance in the bonus bank is forfeited.

The other partial amount of 20% of the total defined variable remuneration is granted as share-based remuneration in the form of share awards. The total number of **share awards** granted is to be determined – following an initial public offering of Talanx AG – by the value per share of Talanx AG at the time when the award is made. The value per share of Talanx AG is established according to the unweighted arithmetic mean of the Xetra closing prices of the Talanx share in a period of five trading days before to five trading after the meeting of the Supervisory Board that approves the consolidated financial statements. As long as the shares of Talanx have not been listed, the value per share of Talanx AG shall be deemed to be the book value of the shareholders' equity obtained from the consolidated financial statement for the financial year just-ended drawn up in accordance with international financial reporting standards as defined by § 315 a of the Commercial Code (HGB). The total number of share awards granted is arrived at by dividing the credit amount by the value per share, rounded up to the next full share. For each share award the value of a Talanx share calculated on the disbursement date is paid out after expiry of a vesting period of four years.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is guided by § 13 of the Articles of Association of Talanx AG. It is set by the General Meeting of Talanx AG and was adjusted and restructured at the 2010 General Meeting.

In addition to reimbursement of their expenses, the members of the Supervisory Board annually receive fixed remuneration (basic remuneration) and performance-based variable remuneration, which also reflects the company's long-term success. In order to make allowance for their considerable additional workload, the Chairman receives 2.5 times and his Deputy 1.5 times these remuneration amounts.

For the 2010 financial year the annual basic remuneration set by the General Meeting amounts to EUR 50,000 per member of the Supervisory Board. The basic remuneration of the Chairman amounts to EUR 125,000, while that of the Deputy Chairman amounts to EUR 75,000.

In addition, commencing with the 2010 financial year, each member of the Supervisory Board receives variable remuneration of EUR 55 for each full EUR million by which the average Group net income after minority interests of the last three financial years exceeds the minimum return pursuant to § 113 Para. 3 Stock Corporation Act (AktG) (4% of the contributions paid on the lowest issue price of the shares) (benchmark). The factor for the Chairman amounts to EUR 138, and for his Deputy EUR 83. The variable remuneration of the members of the Supervisory Board is capped at a maximum of EUR 50,000, for the Chairman at EUR 125,000 and for his Deputy at EUR 75,000. If the average Group net income after minority interests of the last three financial years falls short of the minimum return pursuant to § 113 Para. 3 Stock Corporation Act (AktG), the variable remuneration is forfeited.

Further remuneration of EUR 25,000 per member has been defined for the 2010 financial year for the members of the Finance and Audit Committee and the Personnel Committee of the Supervisory Board. The Chairman of the Committee receives twice this amount.

In addition to reimbursement of their expenses, the members of the Supervisory Board receive an attendance allowance of EUR 1,000 for their participation in each meeting of the Supervisory Board as well as for their participation in each meeting of Committees of the Supervisory Board.

The upper limit of the annual total remuneration that can be received by a Supervisory Board member is three times the applicable basic remuneration.

With regard to the amount of Supervisory Board remuneration, please see page 80 of the Notes to this Annual report.

Remuneration received by managing directors and managers outside the Group Board of Management

The remuneration strategy of the Talanx Group is geared to the goal of a sustainable increase in the value of the Group. The remuneration structure described above for members of the Group Board of Management therefore applies in principle to managing directors and managers outside the Group Board of Management who are equally able to exert a material influence on the overall risk profile (so-called risk carriers).

Separate remuneration systems exist in the individual divisions within the Talanx Group for the group of persons composed of managing directors and managers below the rank of managing director who are not included among the risk carriers; these systems reflect the remuneration strategy of the Group. Structuring differences are designed to take account of the specific framework factors in the divisions as well as to promote their competitiveness.

It is also the case with this group of persons that the remuneration is composed of a fixed and variable component. The fixed part of the remuneration amounts to between 50% and 85% of the total remuneration and is paid out in twelve equal monthly installments. Certain fringe benefits, in particular the use of a company car and insurance protection (liability, accident and luggage insurance), as well as employer-funded commitments to occupational retirement benefits are also granted. Furthermore, it is possible to build up additional employee-funded retirement provision through deferred compensation. Hannover Rückversicherung AG also offers a virtual stock option plan that provides for the award of stock appreciation rights to certain managerial staff.

The measurement of the variable part of the remuneration takes into account the sustainable success of the company, the sustainable success of the organizational unit and the personal success of the member of staff. Individual goals must be in harmony with the strategy of the Talanx Group and must be conducive to enhancing the performance of the Talanx Group. The remuneration schemes and management-by-objectives systems used within the Group will be further standardized in 2011 in those areas where such a move is expedient – without losing sight of the differences between the divisions.

Non-financial performance indicators

Public relations and advertising

As a holding company that does not offer products under its own name, Talanx AG does not conduct any marketing activities of its own and it places traditional advertising only on a minor scale. The individual subsidiaries and brands carry out marketing campaigns in various media that target their own specific clientele.

Since the Talanx brand is aimed at the financial community – analysts, banks and fund managers – and business journalists, print advertisements intended to enhance awareness are placed selectively in newspapers and magazines that are particularly widely read by this group of individuals.

Human resources

In total, an average of 97 (91) staff were employed by Talanx AG in the financial year just-ended. The number of staff as at year-end was 99 (97), corresponding to 93.8 (91.9) full-time equivalents.

The primary task of Talanx AG as a financial and management holding company is to lead and steer the Group. The central human resources unit therefore coordinates personnel matters of Group relevance. Along with industrial co-determination on the Group level and occupational retirement provision for the Group's employees, this includes, most notably, the areas of human resources development and the positioning of Talanx as an employer brand.

On the human resources policy side, too, 2010 was dominated by preparations for the organizational reconfiguration of the Group that was to be unveiled at the beginning of 2011. In the first place, the transition from the previous line-of-business to a customer orientation in the primary insurance sector was successfully completed; secondly, Talanx AG was expanded into the role of a financial and management holding company. In this connection, most notably, various central functions were concentrated at the holding company and areas such as risk management, internal auditing and corporate development were enlarged and strengthened.

The Talanx Corporate Academy for top-level management at all Group companies worldwide was again a core element of the Group's human resources development in the year under review. Launched in the previous year, the institution has been very successful in establishing itself and offers an especially high-grade training program in German and English for Board members and senior managers. Complementing the already existing offerings of the divisions, the Corporate Academy serves in particular to convey the Talanx strategy and Talanx management methods. Another important goal is to enhance communication and links between the holding company and the divisions as well as between the various divisions. Professors from highly reputed business schools are joined by members of the Talanx Board of Management as guest speakers and discussants.

Yet personnel development activities target not only senior management, but also the employees of Talanx AG. On the basis of the umbrella strategy of Talanx, which in terms of the Group's human resources policy pursues the goal of strategic personnel advancement and development, a range of (further) training activities was designed in 2009 for the staff of the holding company. They were again well received in the year under review.

A broad range of Talanx-wide personnel marketing activities were carried out in the year under review as part of the employer image campaign. Driven by the slogan "Talanx your career", the focus in 2010 was principally on high-performing and talented university graduates and young professionals. Among the measures taken, the online Talanx career website was expanded to include a Group-wide jobs market, personnel image advertisements and editorial pieces were developed and published and cooperation with universities was stepped up. We shall continue to pursue these and other measures in the coming years with a view to recruiting young well qualified talent for the Group and hence countering the looming shortage of skilled workers.

The Talanx Foundation, which was set up in 2009 with the aim of offering financial assistance to particularly strong students in insurance-related disciplines and institutes at selected universities, awarded a further ten study scholarships in 2010. The scholarships are initially awarded for one year and may be extended for a further year on at most two occasions until completion of the standard period of study. In addition, Talanx AG also awarded five scholarships to students at the University of Hannover (Gottfried Wilhelm Leibniz Universität Hannover) in 2010. Not only that, at regular intervals Talanx AG invites school pupils, apprentices and students to attend events that it organizes. By way of example, the company has already participated several times in the “Win a boss” campaign, which enables senior class students to meet business leaders and thereby gain insights into the career and daily leadership tasks of managers. By way of these activities Talanx AG seeks to live up to its responsibility to society through the emphasis that it has placed on “education and training”.

The Board of Management thanks all the members of staff at Talanx AG for their dedication and efforts in the financial year just-ended.

Forecast

Economic environment

We expect the economic recovery to be sustained in 2011. Developments will, however, continue to be very mixed. The most vigorous growth will be generated in emerging markets, which are benefiting from a rebound in domestic consumption and comparatively low levels of indebtedness. Many developed nations, on the other hand, will struggle under heavy debt burdens. These structural imbalances will have adverse implications for potential growth in the affected countries. This is especially true of countries on the Eurozone periphery, where the indispensable government austerity packages to reduce debt are putting the brakes on public and private consumption expenditure and hence curtailing growth. Germany, on the other hand, will profit more heavily from the favorable development of emerging markets through its export-oriented growth model and should again outpace Eurozone growth in the coming year. For the United States, too, we anticipate continued recovery and growth in excess of the Eurozone. Given the large proportion of gross domestic product attributable to domestic consumption, the development of the US economy depends in large measure on the state of the labor market. We expect the gradual easing here to be sustained, although minor setbacks from time to time must be anticipated.

The state of the real economy will again prevent any significant pressure on prices in 2011 since underutilized capacities and high unemployment leave little room to pass on price increases. Cautious lending practices show that the monetary holdings of central banks are scarcely finding their way into the real economy and that this transmission channel – as it is envisaged by monetary policy – continues to be disrupted. We do not expect to see any significant change in 2011, with inflation rates likely to pick up slightly – albeit without any real inflationary pressure. In some emerging markets, on the other hand, there is already appreciable price pressure and this will make itself felt – albeit in milder form – in developed countries too through imported inflation. The appetite of emerging economies for commodities shows no signs of easing and to some extent could again find its way into the shopping baskets of developed markets in 2011 through rising energy prices. The modestly positive economic trend overall will give central banks little incentive in 2011, as in the previous year, to bring about a swift end to their highly expansionary monetary policy. To this extent, we do not expect any significant departure from the prevailing expansionary monetary policy in the current year.

A tightening of monetary policy is more likely in 2012. Sustained growth, falling unemployment and rising capacity utilization will lead to somewhat greater pricing pressures. The continued dynamic growth of emerging markets will exacerbate this situation through rising commodity prices. A cyclical softening in the pace of growth is probable in 2012. There are currently no grounds to fear a fresh downturn, although structural problems such as the high indebtedness of private households and national budgets in developed countries continue to pose substantial risks.

Capital markets

Bonds

As far as the monetary policy that can be expected from central banks in 2011 is concerned, we anticipate increased vigilance. In our assessment, central banks will be ready for a tightening of monetary policy in order to be able to respond at short notice if necessary and set in motion steps to reduce the surplus liquidity. Interest rate increases at the short end of the curve are, however, not expected from the Fed or the ECB for the time being. The question of how long central banks will keep interest rates on the current low level and continue to pursue their expansionary monetary policy cannot, as things presently stand, be answered. Decision-makers must, however, be made aware that a continuation of this monetary policy – which has undoubtedly played its part in helping to cope with the consequences of the worldwide financial and economic crisis – entails considerable interest rate losses on new investments made by the insurance industry and makes it increasingly difficult for insurance enterprises to generate sustainable surpluses. Inflation expectations in the Eurozone are likely to remain moderate, although they are the subject of heated discussion – including within the ECB. The inflation risks for the United States and United Kingdom are assessed as slightly higher than for the Eurozone.

In 2011 the focus will continue to be on the sovereign debt crisis affecting countries on the Eurozone periphery. Since the funding requirements of these countries are high, further volatility can be expected – depending on the latest news to emerge. Overall, the picture remains very mixed. In the banking sector, too, there is a considerable need for refinancing. When possible, banks will likely switch to issuing covered bonds. The more exacting capital requirements of Basel III will also keep the banks busy in 2011. The quest for returns, combined with the large issue volume of government bonds anticipated for 2011, will cause ten-year yields on government bonds to rise. In this climate the interest curve should initially become even steeper, before discussions about hiking key interest rates can bring about flattening as this year progresses. We continue to anticipate a stable development overall on the corporate bond markets, allowing for short-term news-driven volatility. For 2012, too, we expect interest rates to move higher on the back of the anticipated steps in monetary policy.

Equities

Boosted by the ongoing economic upturn, it is our belief that equity markets will again deliver positive returns in 2011. The fundamental valuation is below the long-term average yields, making equities still appear a favorable proposition. Dividend yields are also relatively high and will support the performance of equities accordingly. An intact profit trend among companies is adding to the positive mood. In our assessment, the M&A cycle is only in its initial phase and will have positive effects in 2011. Companies have sufficient cash at their disposal and can obtain refinancing on reasonable terms in the present low interest rate environment. The considerable supply of liquidity which central banks continue to provide points to increased cash inflows into equity markets. Companies which are heavily exposed in growth regions are likely to fare especially well in 2011. Analysts' earnings estimates for 2011 are, however, already very positive and higher than the pre-crisis level. These high expectations are increasingly opening up a certain potential for disappointment. As a consequence of the slowing pace of economic growth the increase in corporate profits forecast for 2012 will not be as vigorous as that anticipated in 2011. Based on diminishing earnings growth, we expect an average return by the standards of this asset class.

Future state of the industry

Assisted by the broadly positive prospects for the economy as a whole as well as for capital markets, and given the robust state of the insurance industry, the underlying mood driving expectations for the development of business in 2011/2012 is currently one of optimism. This should not, however, obscure the uncertainties that still exist or the risk of setbacks associated with the global imbalances and the failure as yet to restore financial stability to the Eurozone on account of the budget situation of certain member states. These factors pose a latent threat to international financial markets. Any turmoil occurring there could spill over again relatively quickly to the real economy and ultimately also to the insurance sector.

The interest rate environment will be crucial to the development of the German life insurance industry until the end of 2012. The dilemma – one that will only become more acute going forward – is that the high minimum guaranteed interest rates entered into (especially in the existing portfolios from prior years) cannot be earned in the prevailing low interest rate climate; looking to the future, then, it will become increasingly difficult to operate successfully with low interest rate levels. In this context, it should be borne in mind that the financial options and guarantees which are found particularly in traditional endowment insurance are of considerable economic value to customers. In our assessment, given its solid capitalization and reserves as well as its long-term investment horizon, the German life insurance sector should be able to survive a few more years with interest on investments of around 3%, but after that things could quickly become very challenging.

If we imagine a scenario with a sustained economic downturn and a sudden sharp rise in interest rates, the growing lapse risk could also become a problem. Such general economic conditions could prompt a sizeable portion of life insurance customers to cancel their existing long-term retirement provision policies early. In order to pay the surrender values associated with these unexpectedly high lapse rates insurers would have to liquidate investments, leading to a decline in investment income, a lower return and an even greater lapse risk. While we do not rule out the possibility of such a scenario, we consider it highly improbable. In our basic scenario we are looking at stable economic growth without any sudden shock increase in interest rates.

Over the next two years the German life insurance market will also be shaped, in our view, by increasing competition for sales capacities as well as by the regulatory requirements for solvency and risk capital anticipated under Solvency II. Against the backdrop of changing capital requirements, we may see a far-reaching reorientation in the market and competitive situation.

For German property and casualty insurance we expect fundamentally positive influences from the friendly economic climate that is likely to be sustained in Germany over the next two years. Nevertheless, the already attained level of market saturation puts relatively tight limits on further growth in the quantity structure. We believe that tariffs and premiums have room to move higher in a variety of lines. This is especially true of motor insurance, by far the largest property/casualty line, which has been scarred by intense price competition for several years. The scope for premium increases could be extended still further by positive economic effects, since rising production numbers normally go hand-in-hand with rising claims expenditures, which in turn lead to higher minimum required premiums. All in all, it is our expectation that the pressure on underwriting profits will also grow as the net return on investments keeps falling.

In motor insurance, which in the German insurance industry traditionally serves as a gateway for generating new business, we anticipate sustained fierce competition over the coming two years – which could, however, shift from a pure price war to other competitive factors. This view is supported by the fact that the asset base of numerous providers has been heavily eroded by the years of price warfare. The current level of average premiums in motor insurance is not adequate and must rise over the short or long term. One reason for the recurrent annual flare-up in price competition is the prevailing market-wide renewal date of 1 January. It is our expectation that greater flexibility in the renewal date will also result in motor insurance premiums that are more commensurate with requirements.

Orientation of the company over the next two financial years

The orientation of Talanx AG over the next two financial years is directly connected with the restructuring of the Talanx Group in primary insurance business as well as with the development and structuring of central functions within the Group. With its restructuring the Group is transitioning from a line-of-business organization to a customer-oriented organization with a view to being aligned even more closely with the needs of customers and the capital market going forward.

At the same time, as part of the restructuring, central functions are also being concentrated within the Talanx Group in order to operate more efficiently and streamline complex structures. Along with the reduction of complexity, the restructuring offers considerable opportunities to leverage synergies and – over the medium term – realize cost-cutting potentials. What is more, a uniform Corporate Identity will be established and fostered through the renaming of relevant holding and service companies – some of which already include Talanx in their company name.

As a consequence of the restructuring, Talanx AG is extending its function from that of a pure financial holding company to a financial and management holding company. This means that Talanx AG will play a greater role in steering the Group. It will perform strategic tasks, as it has in the past, but it will also exert a stronger influence on the positioning and performance of the Group segments in order to ensure adherence to the overall strategy. Its goal is to position the Group in such a way that we remain a secure, reliable company for all our stakeholders:

- offering secure long-term jobs for employees,
- with a high product quality and a good price,
- as well as first-class service for our customers and
- as an attractive investment for our capital providers.

Anticipated profitability and financial position of the company

Profit trend
The profit generated by Talanx AG is determined essentially by the income from participating interests and profit transfer from its subsidiaries, interest income and expenses as well as other operating income and expenses. For the 2011 financial year we expect significantly more favorable income from participating interests, which in 2010 was particularly hard hit by special effects in the Retail Germany division. Based on investment income from the subordinated debt of EUR 300 million issued in 2010 as well as the effects of the interest rate swap, we anticipate rising interest income at Talanx AG – which will be offset by an increased in interest expenditures. For 2012 we are looking to further increases in the income from participating interests and profit transfers from affiliated companies as well as an improved profit on ordinary activities.

Financial position
It is also our expectation that the liquidity surplus of Talanx AG will continue to grow on balance in the course of the 2011 financial year. The liquidity of Talanx AG is to be kept available inter alia for possible acquisition projects in defined growth segments. The line of credit of

EUR 1.5 billion, which was accessed in recent years to fund growth, will expire at the end of 2012 with the requirement that the resulting liabilities accruing to us must be repaid or refinanced. A number of options for follow-up financing are being explored in advance so as to ensure that the optimal course of action is open to us.

Opportunities

This section sets out significant opportunities open to Talanx AG and its affiliated companies. The ability to act on opportunities is a major entrepreneurial challenge. The opportunities discussed here refer to the next two financial years.

Opportunities associated with the development of the general business environment

Demographic change: The emergence of two markets offering considerable growth potential can currently be observed in connection with demographic change: in the first place, the "market for senior citizens", and, secondly, the "market for young customers", who need to take out additional provision at their own responsibility in response to the diminishing benefits afforded by social welfare systems. In 2010 around 33 million Germans will be over the age of 50. It is already apparent that seniors today cannot be equated with the traditional pensioner of the past. This is clear not only from their growing use of services, for which there is a considerable willingness and ability to pay; the shift is also and more significantly illustrated by the fact that this customer group is increasingly active and hence exposed more than previous generations to risks against which they need protection. For providers, then, it is not simply a matter of supplementing existing products with assistance benefits; rather, innovatively designed products must be offered to cover these newly emerging needs. By way of example, we may cite here products for secondary residences, extensive foreign travel, sporting pursuits conducted well into advancing years or the handing down of assets to children. At the same time, young customers, too, are becoming increasingly aware of the issue of financial security in old age. This potential can be tapped into through a broad range of (state-subsidized) individual provision products and attractive employer offerings for occupational retirement provision. For this customer group we currently expect a stronger demand trend for retirement provision products with flexible saving and dissaving phases. Based on their comprehensive range of products with innovative solutions and their sales positioning across a broad front, the life insurance companies within the Group are well placed to profit disproportionately strongly from the "seniors' market" and the "young customers' market".

Insurance demand: Trust in banks and bank-related products (including unit-linked life insurance) took a battering from the financial crisis. Although equity markets have rallied of late, a considerable degree of uncertainty and fear regarding stock market volatility still prevails among policyholders in light of the experience of the banking and economic crisis. In Europe, the United States and Asia (life) insurers had increasingly concentrated on the sale of "modern", flexible products tied to movements on stock markets. Some voices in the industry are now predicting an ever more likely renaissance of products with guarantees. The life insurers within the Group may profit disproportionately strongly from this turn of events thanks to their innovative products.

Growth potential in reinsurance: The Hannover Re Group expects general growth stimuli for non-life reinsurance to come from the more exacting requirements placed on companies' risk-based capital resources; for them, the transfer of risk to reinsurers with good ratings offers an economically attractive alternative. The general framework conditions in international life and health reinsurance can in principle be described as favorable for the next two years. In mature insurance markets such as the United States, Japan, United Kingdom and Germany this assessment is colored by the demographic trend, which is reflected in heightened awareness of the need for individual provision. This is especially advantageous for annuity and health insurance products. Increasing urbanization in leading emerging markets such as China, India and Brazil is fostering a rapidly growing middle class, which to a greater extent than before is clamoring for insurance solutions designed to protect surviving dependents and afford individual retirement provision for policyholders.

Opportunities created by the company

Transparency through reform of the Insurance Contract Act (VVG) and the flat-rate tax on investments (Abgeltungssteuer): The reform of the Insurance Contract Act enables customers to better compare providers and products. If the use of "Reduction-in-Yield" (RIY) ratios were to become established, this could benefit companies with low competitive expense ratios – such as those operating in the bancassurance sales channel.

Bancassurance sales channel: The proportion of life insurance business in Germany deriving from bancassurance is expected to rise to 31% in 2012 (currently 26%). This growth in the life insurance sector is supported by the demographic shift as well as trends on insurance and banking markets. Looked at across all European countries, bancassurance sales of non-life products currently account for only around 10% of the total sales capacity.

Following the changes of ownership affecting the existing cooperation partners in the bancassurance sector, the new owners have in each case decided to maintain the cooperation arrangements. Firstly, the former Citibank Privatkunden AG & Co. KGaA was renamed TARGOBANK effective 22 February 2010 and with a fresh orientation is now in a position to reaffirm the confidence of its customers. The CiV insurers changed their name to TARGO so as to continue to underscore the exclusive nature of the partnership. As anticipated, sales again fared well following the roll-out of the "Enhanced Banking System" and the new sales system VERS at TARGOBANK. Secondly, Postbank was taken over by Deutsche Bank: the integration of DWS products into the unit-linked tariffs of PBV Lebensversicherung AG is intended to bring about a situation which satisfies the interests of all contracting parties.

With a view to jointly developing credit life business in Europe, Talanx – through its subsidiary ProACTIV Holding – and Rheinland Versicherungsgruppe together established an agency company, Credit Life International Services. In addition, ProACTIV established two insurance companies based in Hilden, Credit Life International Leben and Credit Life International Sach; in this regard, the approvals of the competition authorities have already been received, but the licensing procedure of the Federal Financial Supervisory Authority (BaFin) has still to be completed. This will further promote diversification in the markets served by the segment.

Broker sales channel: Talanx AG has agreed upon a partnership with Swiss Life and acquired a long-term equity stake of almost 10% in order to cement this cooperation. As part of the cooperation it is envisaged that the Talanx companies will become a major product partner of AWD. In addition, Talanx has acquired an interest of just under 10% in MLP. Both MLP and the AWD Group, which has belonged to Swiss Life since last year, are significant sales partners of the life group. At this moment in time it is not possible to definitively assess what effects the Talanx stake in MLP/Swiss Life will have on the life group's new business. The extension of Talanx AG's involvement in Swiss Life presents an opportunity not only to maintain the business relationships with the brokers in question on a stable level but also to further expand them.

Internet tariffs: HDI Direkt Versicherung AG sees further opportunities inter alia in the refinement of Internet tariffs and their extension to other lines such as householders' insurance. In addition, HDI-Gerling Rechtsschutz Versicherung AG (HG-RS) has identified opportunities for the online sale of certain legal protection insurance products.

Capital participation of Meiji Yasuda Life: The capital participation and cooperation with Meiji Yasuda Life agreed in November 2010 offers further international business prospects for Talanx's expansion in foreign markets. Consideration is being given to joint investments, such as in the focus markets of Poland and Turkey, as well as to the expansion of our industrial business in Japan.

Financial Statement.

Balance sheet as at 31 December 2010

Assets	31.12.2010	31.12.2009
Figures in EUR thousand		
A. Fixed assets		
I. Intangible assets		
1. Franchises, trademarks, patents, licenses and similar rights	2,040	1,351
2. Advances paid on intangible assets	1	—
	2,041	1,351
II. Property, plant and equipment		
1. Other equipment, fixtures, fittings and equipment	1,001	838
2. Advance payments and plant and machinery in process of construction	7	18
	1,008	856
III. Financial assets		
1. Shares in affiliated companies	5,954,883	5,068,785
2. Loans to affiliated companies	18,940	647,828
3. Participating interests	29,209	36,319
	6,003,032	5,752,932
B. Current assets		
I. Receivables and other assets		
1. Receivables from affiliated companies – thereof with a remaining term of more than one year: EUR 2,479,000 (previous year: EUR 2,183,000)	263,915	421,037
2. Other assets – thereof with a remaining term of more than one year: EUR 2,511,000 (previous year: EUR 14,321,000)	113,242	74,202
	377,157	495,239
II. Marketable securities		
1. Other marketable securities	**10,600**	15,457
III. Cash in banks	**359,908**	330,277
C. Prepayments and accrued income	**2,489**	2,515
D. Deferred tax assets	**—**	83,769
E. Excess of plan assets over pension liability	**2**	—
Total assets	**6,756,237**	6,682,396

Liabilities	**31.12.2010**	**31.12.2009**
Figures in EUR thousand		
A. Capital and reserves		
I. Subscribed capital	260,000	260,000
II. Capital reserve	629,529	629,529
III. Retained earnings	2,902,758	2,986,528
IV. Disposable profit	300,691	290,927
	4,092,978	**4,166,984**
B. Provisions		
1. Provisions for pensions and similar obligations	447,245	461,177
2. Provisions for taxation	165,104	182,847
3. Other provisions	69,215	92,259
	681,564	**736,283**
C. Liabilities		
1. Debenture loans – thereof convertible: EUR 300,000,000 (previous year: EUR —) – thereof with a remaining term of up to one year: EUR — (previous year: EUR —)	309,000	9,000
2. Liabilities to banks – thereof with a remaining term of up to one year: EUR 145,000 (previous year: EUR 56,651,000)	550,145	606,651
3. Trade accounts payable – thereof with a remaining term of up to one year: EUR 821,000 (previous year: EUR 324,000)	822	324
4. Accounts due to affiliated companies – thereof with a remaining term of up to one year: EUR 82,788,000 (previous year: EUR 107,132,000)	1,100,074	1,148,570
5. Other liabilities – thereof for taxes: EUR 129,000 (previous year: EUR 23,000) – thereof for social security: EUR 2,112,000 (previous year: EUR 2,558,000) – thereof with a remaining term of up to one year: EUR 17,724,000 (previous year: EUR 9,289,000)	19,360	11,372
	1,979,401	**1,775,917**
D. Deferred charges	**2,294**	**3,212**
Total liabilities	**6,756,237**	**6,682,396**

Profit and loss account for the 2010 financial year

Figures in EUR thousand	31.12.2010	31.12.2009
1. Income from participating interests – thereof from affiliated companies: EUR 590,523,000 (previous year: EUR 37,298,000)	591,147	37,900
2. Other operating income	87,069	18,660
3. Personnel expenses		
a. Wages and salaries	14,300	10,198
b. Social security, pensions and other benefit costs – thereof for pensions: –EUR 18,329,000 (previous year: EUR 9,618,000)	–17,360	10,492
4. Depreciation and amortization costs and other write-offs on intangible assets and property, plant and equipment	984	502
5. Other operating expenses	356,360	59,330
6. Income from other long-term securities and loans – thereof from affiliated companies: EUR 451,000 (previous year: EUR 37,487,000)	569	40,915
7. Other interest and similar income – thereof from affiliated companies: EUR 5,913,000 (previous year: EUR 5,418,000)	15,907	20,410
8. Write-downs on financial assets and short-term investments	4,200	—
9. Interest and similar expenses – thereof to affiliated companies: EUR 55,886,000 (previous year: EUR 54,577,000)	125,890	127,354
10. Income from profit transfer agreements	199,754	359,665
11. Expenses from loss transfers	430,670	1
12. Profit or loss on ordinary activities before tax	**–20,599**	269,673
13. Extraordinary expenses	14,161	0
14. Extraordinary profit/loss	**14,161**	0
15. Taxes on profit and income	–44,526	57,017
16. Other taxes	2	3
17. Profit for the financial year	9,764	212,654
18. Profit carried forward from the previous year	290,927	184,600
19. Allocation to other retained earnings	—	106,327
20. Disposable profit	**300,691**	290,927

Notes

General information

The annual accounts for the financial year were compiled in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (AktG).

The modified accounting principles based on the Act on the Modernization of Accounting Law (BilMoG) are applied for the first time in these annual accounts.

We have availed ourselves of the option to omit adjustment of the figures for the previous year pursuant to Art. 67 Para. 8 Sentence 2 of the Introductory Act to the Commercial Code (EGHGB).

Information on accounting and valuation

Valuation of assets
Intangible assets were valued at acquisition cost less scheduled depreciation in accordance with the normal operational useful life.

Property, plant and equipment and inventories were carried at purchase cost. Fixtures, fittings and equipment were carried at purchase cost less depreciation. Depreciation was taken using the straight-line method; the useful life varied from 3 to 20 years. Low-value items up to EUR 150 are immediately deductible business expenses. Low-value items up to EUR 410 are written off in full in the year of acquisition. For earlier years (2008 and 2009) a compound item was established for items with acquisition or manufacturing costs of between EUR 150 and EUR 1,000; depreciation is taken over five years.

Shares in affiliated companies were carried at acquisition cost, reduced by write-downs to the lower fair value.

The fair value of the holding companies was determined using a so-called “sum-of-parts” valuation, in which the assets and liabilities are recognized at the corresponding fair values. The fair values for participating interests in operating companies were established using the income-value method in the case of composite companies and financial services providers, while the fair value of life insurance companies was calculated largely on the basis of projected embedded values. Companies were carried at book value in specific justified instances, especially in the case of acquisitions just prior to valuation.

Loans to affiliated companies were carried at acquisition cost or nominal value, reduced as appropriate by write-downs to the lower fair value as at the balance sheet date.

Participating interests were shown at acquisition cost less capital repayments.

Loans to affiliated companies were shown at acquisition cost less amortization.

Receivables, other assets, bank deposits as well as cash in banks were recognized at the nominal amounts.

Since the cost closing occurred prior to the balance sheet date, cost bookings made after the cut-off date were carried under other receivables. The accrual item is opposed by cost estimates for the period between the cost closing and balance sheet date, which are shown under the other provisions.

Other marketable securities were shown at purchase cost or at the lower stock exchange or market price.

Valuation of liabilities
We are availing ourselves of the option afforded by Art. 67 Para. 1 Sentence 1 of the Introductory Act to the Commercial Code (EGHGB) to spread the required contributions to the provision for pensions over at most 15 years and to recognize the amounts as an extraordinary expense.

Liabilities from pensions were recognized pursuant to § 253 Para. 1 Sentence 2 of the Commercial Code (HGB) in the settlement amount required on the basis of reasonable commercial judgement and discounted in accordance with § 253 Para. 2 Sentence 2 of the Commercial Code (HGB) using the average interest rate for the past seven years published by the German Bundesbank as per the Regulation on the Discounting of Provisions (RückAbzinsVO), assuming a maturity of 15 years. The pension provisions for employer-funded commitments and for those employee-funded commitments that are not linked to securities were calculated according to the projected unit credit method using the "2005G" standard tables of Dr. Klaus Heubeck as an actuarial basis.

The calculation was based on the following assumptions:

Rate of compensation increase:	2,75%
Pension indexation:	2,00%
Interest rate:	5,25% as at 1 January 2010
	5,17% as at 31 December 2010

The recognized fluctuation corresponds to the company-specific probabilities diversified according to age and gender.

The securities-linked employee-funded commitments involve exclusively pension commitments insured on a matching basis, which are to be valued in accordance with § 253 Para. 1 Sentence 3 of the Commercial Code (HGB) as required by IDW RS HFA 30 Margin No. 74. For such commitments the settlement amount therefore corresponds to the fair value of the mathematical reserve for the life insurance contract plus the surplus distribution.

The calculation of the provision for partial retirement made allowance for all company employees who have availed themselves of partial retirement arrangements or will probably take up this opportunity in the future (expectancy). The possible availments were weighted with acceptance rates selected on the basis of past empirical values. The calculations were performed with the aid of the "2005G standard tables" of Dr. Klaus Heubeck. The formula for active lives remaining was taken as a basis. In this context, an actuarial interest rate of 4.09% was applied, assuming an average maturity of 3 years. A rate of compensation increase of 2.75% was assumed. The provision is recognized at its required settlement amount pursuant to § 253 of the Commercial Code (HGB). It consists of the provision for pay arrears, the provision for top-up contributions, the provision for the additional employer contribution to the statutory pension scheme and the provision for severance.

The anniversary bonuses are established according to length of service and the existing eligibility requirements, making allowance for accrual of the corresponding expectancies.

The provisions for taxation and other provisions reflect all identifiable risks and uncertain liabilities.

Provisions with a maturity of more than one year were discounted using the average interest rate for the past seven years calculated and published by the German Bundesbank as per the Regulation on the Discounting of Provisions (RückAbzinsVO).

The subordinated liabilities were recognized at the nominal amount.

The other liabilities are carried at the settlement amounts.

Currency conversion
Where there are items in foreign currencies, valuation as at the balance sheet date is made at the closing rate for items of the balance sheet and at the average rate for items of the profit and loss account.

Profit and loss account
The profit and loss account was drawn up using the cost-summary method. The breakdown of individual items in the profit and loss account differs from the legally required method of itemization in order to ensure that the items shown in the profit and loss account reflect the special features of a holding company. For this purpose the income from participating interests was shown at the beginning in view of its considerable significance.

Miscellaneous
The sum total of the amounts subject to a restriction on distribution is EUR 15,000. It results from the capitalization of assets at fair value. The free capital and reserves exceed this amount.

In the year under review interest income from plan assets for the provisions for partial retirement amounting to EUR 21,000 was netted with interest charges from the compounding of provisions for partial retirement amounting to EUR 16,000.

Information on the balance sheet – assets

Change in asset items	Acquisition cost 01.01.2010	Position as at 01.01.2010	Additions
Figures in EUR thousand			
A. I. Intangible assets			
1. Franchises, trademarks, patents, licenses and similar rights	2,851	1,351	1,406
2. Advances on intangible assets	—	—	1
3. Total A.I.	**2,851**	**1,351**	**1,407**
A. II. Property, plant and equipment			
1. Other equipment, fixtures, fittings and equipment	1,583	838	459
2. Advance payments and plant and machinery in process of construction	18	18	7
3. Total A.II.	**1,601**	**856**	**466**
A. III. Financial assets			
1. Shares in affiliated companies	5,068,785	5,068,785	3,137,288
2. Loans to affiliated companies	647,828	647,828	18,940
3. Participating interests	36,319	36,319	—
4. Long-term investments	—	—	—
5. Total A.III.	**5,752,932**	**5,752,932**	**3,156,228**
Sum total	**5,757,384**	**5,755,139**	**3,158,101**

Information on the balance sheet – liabilities

Movements in provisions	Position as at 31.12.2009	First-time application of BilMoG	Netting	Position as at 01.01.2010
Figures in EUR thousand				
B.1 Provisions for pensions and similar obligations				
Employer-funded	461,109	14,009	–9,671	465,447
Employee-funded	69	29	–96	2
Total B.1	**461,178**	**14,038**	**–9,767**	**465,449**
B.2 Provisions for taxation				
Corporation tax, solidarity surcharge	122,877	—	—	122,877
Trade tax	59,970	—	—	59,970
Total B.2	**182,847**	**—**	**—**	**182,847**
B.3 Other provisions				
Remuneration paid to the Board of Management	1,726	—	—	1,726
Remuneration paid to the Supervisory Board	860	—	—	860
Variable remuneration/bonuses	1,113	—	—	1,113
Leave entitlements	173	—	—	173
Anniversary bonuses	137	—	—	137
Flexitime credits	58	—	—	58
Partial retirement	375	30	—155	250
Consulting expenses	4,707	—	—	4,707
Cost of the annual accounts	829	—	—	829
Other items [1)]	82,281	—	—	82,280
Total B.3	**92,259**	**30**	**–155**	**92,133**
Sum total	**736,284**	**14,068**	**–9,922**	**740,429**

1) Talanx shall indemnify Talanx International AG for expenditures incurred by Talanx International AG in connection with the run-off of the current in-force portfolio of Aspecta Assurance International and Aspecta International Luxembourg S.A. as well as their cessation of new business. For this purpose an amount of EUR 34,089,000 is recognized under the other provisions. Talanx shall indemnify HDI-Gerling Lebensversicherung AG (HG-LV) – as the legal successor of the former subsidiary Aspecta Lebensversicherung AG – for all tax payments in excess of an amount of EUR 16,571,000 that may be incurred by HG-LV in the context of a tax audit for the years 2002 to 2005. An amount of EUR 21,200,000 has been set aside for this purpose.

Transfers	Disposals	Write-ups	Cumulative depreciation	Depreciation in financial year	**Position as at 31.12.2010**
—	—	—	1,500	717	2,040
—	—	—	—	—	1
—	**—**	**—**	**1,500**	**717**	**2,041**
—	75	—	688	278	1,001
—	18	—	—	—	7
—	**93**	**—**	**688**	**278**	**1,008**
—	2,251,190	—	—	—	5,954,883
—	647,828	—	—	—	18,940
—	2,910	—	4,200	4,200	29,209
—	—	—	—	—	—
—	**2,901,928**	**—**	**4,200**	**4,200**	**6,003,032**
—	**2,902,021**	**—**	**6,388**	**5,195**	**6,006,081**

Utilization	Release	Allocation	Compounding/ interest rate change	Netting (continued)	**Book value as at 31.12.2010**
50,097	—	295	31,975	−382	447,238
22	—	57	5	−36	6
50,119	**—**	**352**	**31,980**	**−418**	**447,244**
—	44,474	14,024	—	—	92,427
—		12,707	—	—	72,677
—	**44,474**	**26,731**	**—**	**—**	**165,104**
1,726	—	2,048	—	—	2,048
844	16	1,663	—	—	1,663
1,112	1	1,135	—	—	1,135
173	—	162	—	—	162
4	—	3	7	—	143
58	—	56	—	—	56
22	—	—	16	−2	242
4,020	687	5,139	—	—	5,139
786	45	1,005	—	—	1,003
82,087	193	57,623	—	—	57,623
90,832	**942**	**68,834**	**23**	**−2**	**69,214**
140,951	**45,416**	**95,917**	**32,003**	**−420**	**681,562**

The settlement amount of the employer-funded provision for pensions amounted to EUR 457,291,000. The plan assets that can be netted involve claims under life insurance contracts for which the amortized cost and hence the fair value as defined by § 255 Para. 4 Sentence 4 of the Commercial Code (HGB) corresponds to the so-called plan assets of the insurance contract as per business plan plus surplus distribution. The fair value amounted to EUR 10,053,000 as at 31 December 2010.

The settlement amount of the employee-funded provision for pensions was EUR 138,000. The fair value of the insurance taken out to cover this amounted to EUR 132,000 as at 31 December 2010.

The option to maintain previous value adjustments afforded by Article 67 Para. 1 Sentence 2 of the Introductory Act to the Commercial Code (EGHGB) was utilized for the other provisions. The amount of excess coverage with respect to the provision for anniversary bonuses was EUR 20,000 as at 31 December 2010.

The settlement amount of the provision for partial retirement was EUR 399,000. The fair value of the funds held to cover this amounted to EUR 157,000 as at 31 December 2010. The amortized cost of the funds amounted to EUR 141,000.

Notes on the balance sheet – assets

A.I.1. Franchises, trademarks, patents, licenses and similar rights

An amount of EUR 2,040,000 was recognized for acquired software.

A.III.1. Shares in affiliated companies

The list of shareholdings pursuant to § 285 No. 11 Commercial Code (HGB) as at 31 December 2010 is shown below.

1. Shares in affiliated companies in Germany	Calculated share of capital[1] in %	Capital and reserves[2] in EUR thousand	Result before profit/loss transfer[2] in EUR thousand
Alstertor Erste Beteiligungs- und Investitionssteuerungs-GmbH & Co. KG, Hamburg, Germany[13]	100.00	5,263	578
Alstertor Zweite Beteiligungs- und Investitionssteuerungs-GmbH & Co. KG, Hamburg	100.00	30,596	–24
AmpegaGerling Asset Management GmbH, Cologne, Germany[3]	100.00	83,600	39,918
AmpegaGerling Immobilien Management GmbH, Cologne, Germany[3]	100.00	2,837	–2,029
AmpegaGerling Investment GmbH, Cologne, Germany[3]	100.00	16,936	7,258
Bureau für Versicherungswesen Robert Gerling & Co. GmbH, Cologne, Germany[3]	100.00	26	–5
CiV Grundstücksgesellschaft mbH & Co. KG, Hilden[13]	100.00	25,565	530
CiV Immobilien GmbH, Hilden, Germany[13]	100.00	28	1
Clarus AG, Wiesbaden (formerly: DTPVO Deutsche Privatvorsorge AG, Darmstadt)[3]	100.00	222	–25,189
E+S Rückversicherung AG, Hannover, Germany	31.98	683,413	176,000
Erste Credit Life International AG, Hilden	100.00	264	–1,772
Funis GmbH & Co. KG, Hannover, Germany[14]	50.22	7,996	–4
GERLING Beteiligungs-GmbH, Cologne, Germany	100.00	4,792	–582
GERLING Pensionsenthaftungs- und Rentenmanagement GmbH, Cologne	100.00	5,458	–2,023
GERLING Sustainable Development Project-GmbH, Cologne, Germany	100.00	55	–6
Hannover America Private Equity Partners II GmbH & Co. KG, Cologne, Germany[14]	47.85	167,582	5,832
Hannover Euro Private Equity Partners II GmbH & Co. KG, Cologne, Germany[14]	58.52	5,747	454
Hannover Euro Private Equity Partners III GmbH & Co. KG, Cologne, Germany[14]	51.73	62,438	4,723
Hannover Euro Private Equity Partners IV GmbH & Co. KG, Cologne, Germany[14]	53.82	72,582	8,946
Hannover Insurance-Linked Securities GmbH & Co. KG, Hannover, Germany[14]	50.22	65,883	8,585
Hannover Life Re AG, Hannover, Germany[3]	50.22	1,032,596	23,499
Hannover Re Euro PE Holdings GmbH & Co. KG, Cologne, Germany[14]	45.66	25,979	691
Hannover Re Euro RE Holdings GmbH, Cologne, Germany[14]	41.10	56,057	–305
Hannover Rück Beteiligung Verwaltungs-GmbH, Hannover, Germany[3]	50.22	2,621,855	164,970
Hannover Rückversicherung AG, Hannover, Germany	50.22	1,682,903	302,000

1. Shares in affiliated companies in Germany	Calculated share of capital[1] in %	Capital and reserves[2] in EUR thousand	Result before profit/loss transfer[2] in EUR thousand
HAPEP II Holding GmbH, Cologne, Germany[14]	47.85	41,565	1,702
HAPEP II Komplementär GmbH, Cologne, Germany[14]	100.00	26	1
HDI Direkt Service GmbH, Hannover, Germany[3]	100.00	51	–319
HDI Direkt Versicherung AG, Hannover[3]	100.00	162,088	4,657
HDI-Gerling Beschäftigungs-und Qualifizierungsgesellschaft mbH, Hannover, Germany[3]	100.00	25	–22
HDI-Gerling Firmen und Privat Versicherung AG, Hannover[3]	100.00	154,926	–56,373
HDI-Gerling Friedrich Wilhelm Rückversicherung AG, Cologne[3]	100.00	39,619	111,006
HDI-Gerling Industrie Versicherung AG, Hannover, Germany[3]	100.00	406,536	130,813
HDI-Gerling Leben Betriebsservice GmbH, Cologne[3, 12]	100.00	171	130
HDI-Gerling Leben Vertriebsservice AG, Cologne[3, 12]	100.00	4,028	—
HDI-Gerling Lebensversicherung AG, Cologne	100.00	234,593	15,000
HDI-Gerling Pensionsfonds AG, Cologne	100.00	5,278	133
HDI-Gerling Pensionskasse AG, Cologne	100.00	28,248	—
HDI-Gerling Pensionsmanagement AG, Cologne[3, 12]	100.00	6,414	–1,462
HDI-Gerling Rechtsschutz Schadenregulierungs-GmbH, Hannover[3, 12]	100.00	288	–27
HDI-Gerling Rechtsschutz Versicherung AG, Hannover[3]	100.00	18,951	–21,664
HDI-Gerling Sicherheitstechnik GmbH, Hannover, Germany	100.00	1,875	1,233
HDI-Gerling Vertrieb Firmen und Privat AG, Hannover[3, 12]	100.00	55	–2,806
HDI-Gerling Welt Service AG, Hannover, Germany[3]	100.00	90,986	5,231
HEPEP II Holding GmbH, Cologne, Germany[14]	58.52	2,944	483
HEPEP III Holding GmbH, Cologne, Germany[14]	51.73	11,925	56
HEPEP II Komplementär GmbH, Cologne, Germany[14]	100.00	27	–1
HEPEP III Komplementär GmbH, Cologne, Germany[14]	100.00	21	–1
HEPEP IV Komplementär GmbH, Cologne, Germany[14]	100.00	22	–1
HG Sach AltInvest GmbH & Co. KG, Cologne, Germany[14]	100.00	37,699	1,123
HILSP Komplementär GmbH, Hannover, Germany[14]	50.22	22	—
HNG Hannover National Grundstücksverwaltung GmbH & Co. KG, Hannover[13]	100.00	37,957	3,871
IVEC Institutional Venture and Equity Capital AG, Cologne, Germany	100.00	178,003	21,171
Kommanditgesellschaft Trans Leben Grundstücksverwaltungs-GmbH & Co., Hamburg, Germany[13]	100.00	1	–356
neue leben Holding AG, Hamburg	67.50	75,960	20,456
neue leben Lebensversicherung AG, Hamburg	67.50	64,566	17,800
neue leben Unfallversicherung AG, Hamburg[3]	67.50	3,596	3,814
Oval Office Grundstücks GmbH, Hannover, Germany[10]	75.11	57,789	1,878
Paetau Sports Versicherungsmakler GmbH, Berlin, Germany	99.00	344	11
PARTNER OFFICE AG, Cologne[3, 12]	100.00	3,041	–16,189
PB Lebensversicherung AG, Hilden	100.00	31,587	14,739
PB Pensionsfonds AG, Hilden[3]	100.00	5,038	235
PB Pensionskasse AG, Hilden	100.00	6,030	79
PB Versicherung AG, Hilden	100.00	10,473	4,003
PBV Lebensversicherung AG, Hilden	100.00	46,987	10,772
Proactiv Communication Center GmbH, Hilden[3]	100.00	630	538
Proactiv IT Servicegesellschaft mbH, Munich, Germany[3]	100.00	50	453
Proactiv Servicegesellschaft mbH, Hilden[3]	100.00	7,025	2,176
Protection Reinsurance Intermediaries AG, Hannover, Germany[3]	100.00	389	7,575

1. Shares in affiliated companies in Germany	Calculated share of capital[1] in %	Capital and reserves[2] in EUR thousand	Result before profit/loss transfer[2] in EUR thousand
Riethorst Grundstückgesellschaft mbH, Hannover, Germany[13]	100.00	43,246	–137
Shamrock Marine-Insurance Agency GmbH, Hamburg, Germany[3]	100.00	25	–5
SSV Schadenschutzverband GmbH, Hannover, Germany[3]	100.00	200	234
Talanx Beteiligungs-GmbH & Co. KG, Hannover, Germany[8]	100.00	146,024	1,242
Talanx Deutschland AG, Hannover (formerly: HDI-Gerling Leben Serviceholding AG, Cologne)[3]	100.00	2,899,468	–428,051
Talanx International AG (formerly: HDI-Gerling International Holding AG), Hannover, Germany[3]	100.00	595,337	21,449
Talanx Service AG (formerly: HDI-Gerling Sach Serviceholding AG), Hannover, Germany[3, 12]	100.00	1,605	–2,593
Talanx Systeme AG, Hannover (formerly: HDI-Gerling Gesellschaft für IT-Dienstleistungen AG, Cologne), Germany[3]	100.00	130	7
TARGO Lebensversicherung AG, Hilden	100.00	73,774	40,119
TARGO Versicherung AG, Hilden[3]	100.00	27,106	16,751
THS Services Versicherungsvermittlungs GmbH, Berlin, Germany	99.00	13	15
THV Versicherungsmakler GmbH, Berlin, Germany	99.00	2,014	251
VES Gesellschaft f. Mathematik, Verwaltung und EDV mbH, Gevelsberg, Germany[3]	100.00	195	–950
Zweite Credit Life International AG, Hilden	100.00	1,854	–684

2. Shares in affiliated companies abroad	Share of fund assets[1] in %		Fund assets[2] in EUR thousand		Change in fund assets incl. cash inflows and outflows[2] in EUR thousand
300 S. Orange Avenue LLC, Wilmington, USA[6, 11]	47.71	USD	55,392	USD	1,743
402 Santa Monica Blvd. LLC, Wilmington, USA[6, 11]	47.71	USD	31,673	USD	1,139
465 Broadway LLC, Wilmington, USA[6, 11]	47.71	USD	42,394	USD	1,088
5115 Sedge Boulevard LP, Chicago, USA[6, 11]	40.12	USD	1,012	USD	231
5115 Sedge Corporation, Chicago, USA[6, 11]	47.76	USD	2,582	USD	277
ASPECTA Assurance International AG, Vaduz, Liechtenstein[11]	100.00	CHF	1,054	CHF	–3,427
ASPECTA Assurance International Luxembourg S. A., Luxembourg, Luxembourg[11]	100.00		273		–16,798
Atlantic Capital Corporation, Wilmington, USA[4, 16]	50.22	USD	–113,387	USD	—
Cargo Transit Insurance (Pty) Ltd., Helderkruin, South Africa[5, 10]	20.49	ZAR	–269	ZAR	–769
CiV Hayat Sigorta A. Ş., Istanbul, Turkey[11]	100.00	TRY	14,152	TRY	–3,698
Clarendon America Insurance Company, Trenton, USA[4, 10, 19]	50.22	USD	131,093	USD	–7,999
Clarendon Insurance Group Inc., Wilmington, USA[4, 10, 19]	50.22	USD	–46,297	USD	–36,624
Clarendon National Insurance Company, Trenton, USA[4, 10, 19]	50.22	USD	–46,580	USD	–33,254
Clarendon Select Insurance Company, Tallahassee, USA[4, 10, 19]	50.22	USD	13,412	USD	–867
Clarendon Services of New Jersey, Inc., Trenton, USA[10, 16, 19]	50.22	USD	—	USD	—
Compass Insurance Company Limited, Johannesburg, South Africa[5]	50.22	ZAR	111,083	ZAR	–13,847
Construction Guarantee (Pty.) Ltd., Parktown, South Africa[5]	13.06	ZAR	1,476	ZAR	1,152
Desarollo de Consultores Profesionales en Seguros S. A. de CV, Leon, Mexico[7]	99.47	MXN	—	MXN	—
Envirosure Underwriting Managers (Pty.) Ltd., Durban, South Africa[5]	15.37	ZAR	–1,849	ZAR	–618
Film & Entertainment Underwriters SA (Pty). Ltd., Northcliff, South Africa[5, 10]	13.06	ZAR	–610	ZAR	–860
Garagesure Consultants and Acceptances (Pty) Ltd., Johannesburg, South Africa[5]	20.49	ZAR	1,926	ZAR	220
Gem & Jewel Acceptances (Pty) Ltd., Johannesburg, South Africa[5, 10]	17.93	ZAR	459	ZAR	393
Gente Compania de Soluciones Profesionales de Mexico, S. A. de C. V., Leon, Mexico[11]	100.00	MXN	12,840	MXN	2,744

2. Shares in affiliated companies abroad	Share of fund assets[1] in %		Fund assets[2] in EUR thousand		Change in fund assets incl. cash inflows and outflows[2] in EUR thousand
Gerling Insurance Agency, Inc., Chicago, USA[7]	100.00	USD	—	USD	—
Gerling Norge A/S, Oslo, Norway[13]	100.00	NOK	228	NOK	21
Gerling-Konzern Panamericana Ltda., São Paulo, Brazil[13]	100.00	BRL	629	BRL	–67
GLL HRE CORE PROPERTIES LP, Wilmington, USA[6), 11]	47.71	USD	111,270	USD	2,058
GLL Terry Francois Blvd. LLC, Wilmington, USA[6), 11]	24.32	USD	24,801	USD	1,768
H. J. Roelofs Assuradeuren B. V., Rotterdam, Netherlands[13]	100.00		718		8
Hannover Finance (Luxembourg) S. A., Luxembourg, Luxembourg[10]	50.22		31,244		–2,331
Hannover Finance (UK) Limited, Virginia Water, United Kingdom[10]	50.22	GBP	131,095	GBP	–12
Hannover Finance Inc., Wilmington, USA[9), 10]	50.22	USD	307,866	USD	–34,956
Hannover Life Re Consultants, Inc., Orlando, USA[13]	50.22	USD	181	USD	37
Hannover Life Re of Australasia Ltd., Sydney, Australia[10]	50.22	AUD	251,641	AUD	27,673
Hannover Life Reassurance (Ireland) Ltd., Dublin, Ireland[10]	50.22		922,025		84,505
Hannover Life Reassurance (UK) Ltd., Virginia Water, United Kingdom[10]	50.22	GBP	40,509	GBP	–461
Hannover Life Reassurance Africa Ltd., Johannesburg, South Africa[5), 10]	50.22	ZAR	411,113	ZAR	69,634
Hannover Life Reassurance Bermuda Ltd., Hamilton, Bermuda[11]	50.22		163,387		15,451
Hannover Life Reassurance Company of America, Orlando, USA[10]	50.22	USD	166,599	USD	217
Hannover Re (Bermuda) Ltd., Hamilton, Bermuda[10]	50.22		920,679		27,287
Hannover Re (Guernsey) PCC Ltd., St. Peter Port, United Kingdom[10]	50.22		261		–42
Hannover Re Advanced Solutions Ltd., Dublin, Ireland[17]	50.22		31		—
Hannover Re Consulting Services India Private Limited, Mumbai, India[15]	50.22	INR	45,643	INR	5,643
Hannover Re Real Estate Holdings Inc., Orlando, USA[9), 11]	47.76	USD	254,774	USD	2,838
Hannover Re Services Italy S. r. L., Milan, Italy[10]	50.04		313		91
Hannover Re Services Japan, Tokyo, Japan	50.22	JPY	90,297	JPY	3,690
Hannover Re Services USA, Inc., Itasca, USA	50.22	USD	794	USD	78
Hannover Reinsurance (Ireland) Ltd., Dublin, Ireland[10]	50.22		462,537		46,010
Hannover Reinsurance Africa Ltd., Johannesburg, South Africa[5), 10]	50.22	ZAR	726,038	ZAR	151,044
Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg, South Africa[9), 10]	50.22	ZAR	155,813	ZAR	138,961
Hannover Reinsurance Mauritius Ltd., Port Louis, Mauritius[5]	50.22	MUR	50,613	MUR	2,824
Hannover ReTakaful B. S. C (c), Manama, Bahrain[10]	50.22	BHD	28,198	BHD	6,208
Hannover Risk Consultants B. V., Rotterdam, Netherlands[13]	100.00		349		7
Hannover Rückversicherung AG Escritorio de Representacao no Brasil Ltda., Rio de Janeiro, Brazil[13]	50.22	BRL	35	BRL	107
Hannover Services (Mexico) S. A. de C. V., Mexico City, Mexico[10]	50.22	MXN	11,022	MXN	1,031
Hannover Services (UK) Ltd., Virginia Water, United Kingdom[10]	50.22	GBP	763	GBP	–17
Harbor Specialty Insurance Company, Trenton, USA[4), 10), 19]	50.22	USD	37,840	USD	1,804
HDI Asekuracja Towarzystwo Ubezpieczen S. A., Warsaw, Poland[11]	100.00	PLN	273,770	PLN	–34,996
HDI Assicurazioni S. p. A., Rome, Italy[11]	100.00		170,116		8,736
HDI-Gerling Insurance of South Africa Ltd., Johannesburg, South Africa	100.00	ZAR	39,989	ZAR	1,688
HDI HANNOVER International Espana, Cia de Seguros y Reaseguros S. A., Madrid, Spain[13]	100.00		44,898		4,911
HDI Immobiliare S. r. L., Rome, Italy[11]	100.00		63,033		343
HDI Reinsurance (Ireland) Ltd., Dublin, Ireland[13]	100.00		5,102		102
HDI Seguros S. A. de C.V., Leon, Mexico[11]	99.48	MXN	276,970	MXN	29,347
HDI Seguros S. A., Santiago, Chile[11]	99.93	CLP	7,145,291	CLP	–1,534,363
HDI Seguros S. A., São Paulo, Brazil[11]	100.00	BRL	367,740	BRL	58,972
HDI Sigorta A. Ş., Istanbul, Turkey[11]	100.00	TRY	58,191	TRY	106,698

2. Shares in affiliated companies abroad	Share of fund assets[1] in %		Fund assets[2] in EUR thousand		Change in fund assets incl. cash inflows and outflows[2] in EUR thousand
HDI STRAKHUVANNYA (Ukraine), Kiev, Ukraine[11]	99.22	UAH	40,537	UAH	–16,242
HDI Versicherung AG, Vienna, Austria[13]	100.00		41,930		7,512
HDI Zahstrahovane AD, Sofia, Bulgaria[13]	94.00	BGN	8,134	BGN	254
HDI-Gerling America Insurance Company, Chicago, USA	100.00	USD	124,801	USD	11,928
HDI-Gerling Assurances S. A., Brussels, Belgium[14]	100.00		36,637		4,602
HDI-Gerling Australia Insurance Company Pty. Ltd., Sydney, Australia	100.00	AUD	23,796	AUD	–802
HDI-Gerling de Mexico Seguros S. A., Mexico, Mexico[13]	100.00	MXN	53,101	MXN	–921
HDI-Gerling Financial Service GmbH, Vienna, Austria	100.00		781		112
HDI-Gerling Services S. A., Brussels, Belgium[13]	100.00		143		31
HDI-Gerling Versicherungs-Service AG, Zurich, Switzerland[13]	100.00	CHF	1,346	CHF	–61
HDI-Gerling Verzekeringen N.V., Rotterdam, Netherlands[13]	100.00		70,885		15,932
HDI-Gerling Zycie Towarzystwo Ubezpieczen S. A., Warsaw, Poland[11]	100.00	PLN	31,226	PLN	–8,385
Hospitality Industries Underwriting Consultants (Pty) Ltd., Johannesburg, South Africa[5]	18.77	ZAR	3,071	ZAR	2,763
HR Hannover Re Correduria de Reaseguros S. A., Madrid, Spain[10]	50.22		198		30
InChiaro Assicurazioni S. p. A., Rome, Italy[11]	51.00		7,888		–962
Indoc Holdings S. A., Luxembourg, Luxembourg[5), 16]	50.22	CHF	—	CHF	—
InLinea S. p. A., Rome, Italy[11]	70.00		591		145
Inter Hannover (No. 1) Ltd., London, United Kingdom[10]	50.22	GBP	1	GBP	—
International Insurance Company of Hannover Ltd., Bracknell, United Kingdom[10]	50.22	GBP	119,353	GBP	9,134
International Mining Industry Underwriters Ltd., London, United Kingdom[10]	50.22	GBP	358	GBP	57
Inversiones HDI Limitada, Santiago, Chile[11]	100.00	CLP	13,011,024	CLP	186,548
Kaith Re Ltd., Hamilton, Bermuda[10), 11]	44.19	USD	640	USD	–441
Landmark Underwriting Agency (Pty) Ltd., Bloemfontein, South Africa[5]	20.62	ZAR	1,873	ZAR	374
Lireas Holdings (Pty) Ltd., Johannesburg, South Africa[5]	25.61	ZAR	185,175	ZAR	36,888
LRA Superannuation Plan Pty Ltd., Sydney, Australia[17]	50.22	AUD	—	AUD	—
Magyar Posta Biztosító Részvénytársaság, Budapest, Hungary[11]	66.93	HUF	1,738,292	HUF	–457,831
Magyar Posta Életbiztosító Részvénytársaság, Budapest, Hungary[11]	66.93	HUF	3,006,804	HUF	35,383
Mediterranean Reinsurance Services Ltd., Hong Kong, China[16]	50.22	USD	—	USD	—
Micawber 185 (Pty) Ltd., Johannesburg, South Africa[5]	50.22	ZAR	18,257	ZAR	3,225
MUA Insurance Acceptances (Pty) Ltd., Cape Town, South Africa[5]	25.61	ZAR	3,751	ZAR	4,696
MUA Insurance Company Ltd., Cape Town, South Africa[5]	25.61	ZAR	19,673	ZAR	5,655
One Winthrop Square LLC, Wilmington, USA[6), 11]	47.71	USD	23,123	USD	1,078
OOO Strakhovaya Kompaniya "HDI Strakhovanie", Moscow, Russia[11]	100.00	RUB	49,186	RUB	1,535
OOO Strakhovaya Kompaniya CiV Life, Moscow, Russia[11]	100.00	RUB	26,262	RUB	–69,937
Peachtree (Pty) Ltd., Johannesburg, South Africa[5), 16]	50.22	ZAR	—	ZAR	—
Scandinavian Marine Agency AS, Oslo, Norway[13]	52.00	NOK	5,196	NOK	1,483
Secquaero ILS Fund Ltd., Georgetown, Grand Cayman, Cayman Islands[10), 11]	50.22	USD	51,472	USD	26
SUM Holdings (Pty) Ltd., Johannesburg, South Africa[5]	18.77	ZAR	21,469	ZAR	478
Svedea AB, Stockholm, Sweden[18]	37.77	SEK	—	SEK	—
Talanx Finanz (Luxemburg) S. A., Luxembourg, Luxembourg	100.00		8,260		2,201
Thatch Risk Acceptances (Pty) Ltd., Cape Town, South Africa[5]	16.89	ZAR	764	ZAR	1,008
Transit Underwriting Managers (Pty) Ltd., Cape Town, South Africa[5]	25.61	ZAR	1,332	ZAR	2,552
Woodworking Risk Acceptances (Pty) Ltd., Pietermaritzburg, South Africa[5]	15.37	ZAR	1,001	ZAR	209

3. Shares in special and public funds (Germany) pursuant to § 285 No. 26 Commercial Code (HGB)	Calculated share of capital[1] in %	Capital and reserves[2] in EUR thousand	Result before profit/loss transfer[2] in EUR thousand
Ampega-nl-Balanced-Fonds, Cologne[13]	67.50	54,571	–121,927
Ampega-nl-Euro-DIM-Fonds, Cologne[13]	67.50	437,366	24,385
Ampega-nl-Global-Fonds, Cologne[13]	67.50	47,187	2,293
Ampega-nl-Rent-Fonds, Cologne[13]	67.50	780,130	64,371
Ampega-TAL-A-Fonds, Cologne[13]	100.00	93,583	7,263
GERLING EURO-RENT 3, Cologne, Germany[13]	100.00	594,660	169,873
Gerling Immo Spezial 1, Cologne[13]	100.00	269,383	2,674
GKL SPEZIAL RENTEN, Cologne[13]	100.00	599,516	50,720
HDI Gerling-Sach Industrials, Cologne, Germany[13]	100.00	171,287	–149,415
HGLV-Corporates, Cologne[13]	100.00	1,081,286	278,276
HGLV-Financial, Cologne[13]	100.00	1,047,099	117,219
PBVL-Aktien, Cologne[13]	100.00	52,062	8,127
PBVL-Corporate, Cologne[13]	100.00	106,927	58,335
terrAssisi Aktien I AMI, Cologne	69.02	7,408	505

4. Shares in special and public funds (abroad) pursuant to § 285 No. 26 Commercial Code (HGB)	Calculated share of capital[1] in %		Capital and reserves[2] in EUR thousand		Result before profit/loss transfer[2] in EUR thousand
Ampega-Vienna-Bonds-Fonds, Vienna, Austria	100.00		264,297		53,762
BNP-HDI Credit FI Renda Fixa Credito Privado, São Paulo, Brazil	100.00	BRL	66,468	BRL	24,727
Credit Suisse HDI RF Créditor, São Paulo, Brazil	100.00	BRL	61,131	BRL	5,482
CSHG Hannover FI Multimercado Credito Privado, São Paulo, Brazil	100.00	BRL	20,190	BRL	20,190
FRACOM FCP, Paris, France[13]	49.90		708,449		116,703
HSBC FI Renda Fixa Hannover, São Paulo, Brazil	100.00	BRL	95,963	BRL	–38,307
HSBC Performance HDI RF Crédito, São Paulo, Brazil	100.00	BRL	70,121	BRL	11,020
UBS Pactual HDI RF Crédito, São Paulo, Brazil	100.00	BRL	65,392	BRL	11,222

5. Participating interests	Calculated share of capital[1] in %		Capital and reserves[2] in EUR thousand		Result before profit/loss transfer[2] in EUR thousand
Aviation Insurance Company Limited, Johannesburg, South Africa[5), 10)]	8.01	ZAR	6,270	ZAR	–140
C-QUADRAT Investment AG, Vienna, Austria[14)]	25.10		33,111		9,342
Carmargue Underwriting Managers (Pty) Ltd., Parktown, South Africa[5)]	6.66	ZAR	9,012	ZAR	1,666
Clarendon Transport Underwriting Managers (Pty) Ltd., Johannesburg, South Africa[5), 10)]	9.56	ZAR	3,880	ZAR	30,190
Commercial & Industrial Acceptances (Pty) Ltd., Johannesburg, South Africa[5), 10)]	10.24	ZAR	5,147	ZAR	15,703
Credit Life International Services GmbH, Neuss, Germany	50.00		64		38
DFA Capital Management, Inc., Wilmington, USA[13)]	25.40	USD	1,177	USD	–1,928
Energi Holding Inc., Peabody, USA[13)]	14.31	USD	4,805	USD	–190
Flexible Accident & Sickness Acceptances (Pty) Ltd., Johannesburg, South Africa[5)]	10.24	ZAR	1,811	ZAR	2,995
Hannover Care AB, Stockholm, Sweden[13)]	15.07	SEK	570	SEK	–2,657
Hannover Finanz GmbH, Hannover, Germany[13)]	12.56		69,093		5,617
Hannoversch-Kölnische Beteiligungsgesellschaft mbH, Hannover, Germany[7)]	50.00		—		—
Hannoversch-Kölnische Handels-Beteiligungsgesellschaft mbH & Co. KG, Hannover, Germany[13)]	50.00		28,326		2,564
IGEPA Gewerbepark GmbH & Co. Vermietungs KG, Munich, Germany[13)]	37.50		–11,272		8,764
ITAS Vita S. p. A., Trento, Italy[13)]	17.52		75,355		5,572
neue leben Pensionsverwaltung AG, Hamburg, Germany	33.08		15,176		408
PlaNet Guarantee (SAS), Saint-Quen, France[10)]	11.84		1,069		–927
Sciemus Power MGA Limited, London, United Kingdom[13)]	12.55	GBP	1	GBP	—
Takafol South Africa (Pty) Ltd., Johannesburg, South Africa[5)]	12.55	ZAR	825	ZAR	351
WeHaCo Unternehmensbeteiligungs-GmbH, Hannover, Germany[13)]	16.44		73,950		192
XS Direct Holding Ltd., Dublin, Ireland[13)]	12.55		658		16

6. Participating interests of Hannover Re in large public limited companies in respect of which the participation exceeds 5% of the voting rights	in %	Capital and reserves[2] in EUR thousand	Result before profit/loss transfer[2] in EUR thousand
Acte Vie S. A. Compagnie d'Assurances sur la Vie et de Capitalisation, Strasbourg, France[13)]	9.38	8,118	136

1) In the case of participating interests held in part indirectly, the calculated shares have been specified
2) The figures correspond to the annual financial statements of the companies according to the applicable local law or international accounting; diverging currencies are indicated
3) A profit/loss transfer agreement exists
4) Subgroup accounts: included in the figures for Hannover Finance Inc.
5) Subgroup accounts: included in the figures for Hannover Reinsurance Group Africa (Pty) Ltd.
6) Subgroup accounts: included in the figures for Hannover Re Real Estate Holdings Inc.
7) No data pursuant to § 286 Para. 3 Commercial Code (HGB)
8) The exemption afforded by § 264 b Commercial Code (HGB) was utilized
9) The company prepares its own subgroup accounts
10) Provisional/unaudited figures
11) Figures as per IFRS
12) The facilities afforded by § 264 Para. 3 Commercial Code (HGB) were utilized
13) Figures at financial year-end 2009
14) Figures as at 30 September 2010
15) Figures at financial year-end 31 March 2010
16) Company is in liquidation
17) Company is inactive and does not compile an annual report
18) Company was newly established in 2010; an annual financial statement is not yet available
19) Certain equity items are not counted under IFRS, as a consequence of which the amount of capital and reserves can be negative here. According to the local accounting practice relevant for supervisory purposes, the company is adequately capitalized

In the context of the restructuring of the Talanx Group, the companies HDI-Gerling Firmen und Privat Versicherung AG, HDI Direkt Versicherung AG, HDI-Gerling Vertrieb Firmen und Privat AG as well as HDI-Gerling Rechtsschutzregulierungs-GmbH were, as a first step, spun off from Talanx Service AG (TS) (previously: HDI-Gerling Sach Serviceholding AG) to Talanx Deutschland AG (TD) (previously: HDI-Gerling Leben Serviceholding AG). As a second step, HDI-Gerling Industrie Versicherung AG and Talanx International AG (previously: HDI-Gerling International AG) were spun off from TS to Talanx AG. These two companies were carried at interim values with no effect on profit or loss. The spin-offs took place with economic effect as at 1 January 2010.

ProACTIV Holding AG was merged into TD with economic effect as at 1 January 2010.

A.III.2. Loans to affiliated companies

This item consists of subordinated debts of EUR 18,940,000 due from Talanx Finanz (Luxemburg) S.A.

A.III.3. Participating interests

This amount includes the participation held in IGEPA Industrie- und Gewerbepark GmbH & Co. KG of EUR 29,209,000 – allowing for scheduled capital repayments.

B.I.1. Receivables from affiliated companies

	31.12.2010	31.12.2009
Figures in EUR thousand		
	263,915	421,037

This item mainly comprises receivables from profit transfer agreements and receivables from regular business transactions.

B.I.2. Other assets

	31.12.2010	31.12.2009
Figures in EUR thousand		
Other receivables	113,242	74,202

The other receivables consist mainly of receivables due from the revenue office.

C. Prepayments and accrued income

	31.12.2010	31.12.2009
Figures in EUR thousand		
	2,489	2,515

In addition to deferred administration costs, a debt discount arising from the taking up of loans at HDI-Gerling Industrie Versicherung AG and HDI-Gerling Lebensversicherung AG is carried here. The debt discount is reversed pro rata temporis.

D. Deferred tax assets

	31.12.2010	31.12.2009
Figures in EUR thousand		
	—	83,769

The option to capitalize a net asset position for deferred taxes afforded by § 274 Para. 1 Sentence 2 of the Commercial Code (HGB) has not been exercised. The deferred tax assets shown in the previous year referred to a partial amount of deferred tax assets relating to the realistic valuation of the loss reserves in the tax balance sheets of HDI-Gerling Industrie Versicherung AG (HG-I), HDI-Gerling Firmen und Privat Versicherung AG (HG-FP) and HDI Direkt Versicherung AG (H-D). These companies are in a group relationship with Talanx for the purposes of corporation and trade tax. Pursuant to Article 67 Para. 6 of the Introductory Act to the Commercial Code (EGHGB) these partially capitalized deferred tax assets were netted directly with retained earnings.

Notes on the balance sheet – liabilities

A.I. Subscribed capital

Figures in EUR thousand	2010	2009
Position at the beginning of the financial year	260,000	260,000
Capital increase	—	—
Position at the end of the financial year	**260,000**	**260,000**

The share capital consists of 260,000 no-par-value registered shares. HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit, Hannover, holds 100% of the share capital of our company.

A.II. Capital reserve

Figures in EUR thousand	2010	2009
Position at the beginning of the financial year	629,529	629,529
Capital increase	—	—
Position at the end of the financial year	**629,529**	**629,529**

A.III. Retained earnings

Figures in EUR thousand	2010	2009
Position at the beginning of the financial year	2,986,528	2,695,601
Release of deferred tax assets BilMoG	–83,769	—
Allocation to other retained earnings	—	290,927
Position at the end of the financial year	**2,902,759**	**2,986,528**

In the context of the first-time allocation of the Act on the Modernization of Accounting Law (BilMoG), the deferred tax assets recognized as at 31 December 2009 were offset against retained earnings with no effect on profit or loss. The amount shown refers entirely to other retained earnings.

A.IV. Disposable profit

	31.12.2010	31.12.2009
Figures in EUR thousand		
	300,691	290,927

In an amount of EUR 290,927,000 this consists of the disposable profit for the 2009 financial year, which was carried forward on the basis of the resolution adopted by the General Meeting on 4 June 2010; an amount of EUR 9,764,000 derives from the result for the current year.

C.1. Debenture loans

Talanx AG has entered into a capital and business cooperation with Meiji Yasuda Life. The capital participation of Meiji Yasuda Life takes the form of a subordinated perpetual mandatory convertible bond with a volume of EUR 300,000,000 issued by Talanx AG. The conditions of the bond are structured in such a way as to ensure recognition as regulatory Tier 1 capital (equity substitute) – also under the rules of Solvency II. In the event of an initial public offering of Talanx AG, the bond is to be converted to common stock of the company and Meiji Yasuda Life will become a major shareholder of Talanx. In addition, a share in the bearer debenture issued in 2003 held by a company that no longer belongs to the consolidated group is recognized here.

C.2. Liabilities to banks

	31.12.2010	31.12.2009
Figures in EUR thousand		
	550,145	606,651

Talanx AG was granted a line of credit of EUR 1,500,000,000 by a group of banks under the lead management of Bank of America. As at the balance sheet date an amount of EUR 550,000,000 had been drawn. The total amount does not include any liabilities with a remaining term of more than five years.

C.4. Accounts due to affiliated companies

	31.12.2010	31.12.2009
Figures in EUR thousand		
	1,100,074	1,148,570

Talanx AG issued bearer debentures carrying coupons consistent with market rates that were taken up by various Group companies. They were carried in an amount of EUR 696.0 million as at the balance sheet date.

On 10 February 2005 Talanx Finanz (Luxemburg) S.A. issued subordinated debt with a term of twenty years. Repayment is guaranteed by Talanx AG. The proceeds of the issue were made available to Talanx AG in the form of a loan. The outstanding principal balance of the loan was EUR 271.3 million as at the balance sheet date.

Hannover Re (Bermuda) Ltd. made a loan of EUR 50.0 million available to Talanx AG. The loan is due on 31 May 2013.

In addition, this item includes liabilities arising out of loss transfers from affiliated companies, short-term time money and accounts due under regular business transactions with subsidiaries.

C.5. Other liabilities

	31.12.2010	31.12.2009
Figures in EUR thousand		
	19,360	11,372

This item mainly consists of deferred interest in connection with loans and swaps. A smaller portion is attributable to liabilities due to the pension assurance association.

Notes on the profit and loss account

1. Income from participating interests

	31.12.2010	31.12.2009
Figures in EUR thousand		
Dividend payments made by affiliated companies:		
HBG Hannover Beteiligungsgesellschaft mbH & Co. KG, Hannover	51	3,184
HNG Hannover National Grundstücksverwaltung GmbH & Co. KG, Hannover	—	12,900
Hannover Rückversicherung AG, Hannover	127,184	—
Talanx Beteiligungs-GmbH & Co. KG, Hannover	1,242	2,949
Talanx Deutschland AG (previously: HDI-Gerling Leben Serviceholding AG), Hannover	460,000	—
Talanx Finanz (Luxemburg) S. A., Luxembourg	—	16,267
Targo Lebensversicherung AG (previously: CiV Lebensversicherung AG), Hilden	2,046	1,998
	590,523	**37,298**
IGEPA Industrie- und Gewerbepark GmbH & Co. KG	624	602
	591,147	**37,900**

In the 2010 financial year shares in affiliated companies were spun off from Talanx Service AG to Talanx Deutschland AG (TD), and ProActiv Holding AG was merged into TD. Owing to the fact that the additions to the capital reserve of TD in the context of these asset transfers exceeded the addition to the book value of the TD participation held by Talanx AG by more than EUR 460,000,000, the distribution from the capital reserve of TD was booked as income.

2. Other operating income

	31.12.2010	31.12.2009
Figures in EUR thousand		
Gains from the disposal of investments	56,229	5,573
Profit from services	6,528	8,496
Reimbursement of expenses	8,176	3,138
Income from the release of provisions	687	214
Proceeds from the commutation agreement with Hannover Reinsurance (Ireland) Ltd.	12,805	—
Reimbursement of the purchase price for neue leben Holding AG	—	778
Other income	2,644	461
	87,069	**18,660**

Of the gains on investments, an amount of EUR 37,158,000 was attributable to the sale of Euro International Reinsurance S. A., Luxembourg.

3. Personnel expenses

	31.12.2010	31.12.2009
Figures in EUR thousand		
	–3,060	20,690

This item shows remuneration paid to the Board of Management and salaries in an amount of EUR 14,300,000, social security contributions and pension payments to former members of the Board of Management. The change in the provision for pensions including indemnity claims was recognized in the net amount (cf. also "No. 13 Extraordinary expenses").

5. Other operating expenses

Figures in EUR thousand	31.12.2010	31.12.2009
Remuneration paid to the Supervisory Board	1,694	918
Expenses based on internal cost allocation	6,109	4,955
Travel expenses	771	888
Auditing and consulting expenses	35,697	23,348
Advertising expenses	8,347	9,588
Income contribution Talanx International AG	67,400	—
Indemnity commitment Talanx International AG	37,289	—
Income contribution HDI-Gerling Lebensversicherung AG	170,735	—
Indemnity commitment HDI-Gerling Lebensversicherung AG	21,200	—
Settlement of a quota share reinsurance treaty	—	14,000
Other expenditure	7,118	5,688
	356,360	59,385

The advertising expenses derive mainly from the image campaign. The bulk of the consulting expenses are connected with IT projects and the restructuring of the Group.

6. Income from other long-term securities and loans

Figures in EUR thousand	31.12.2010	31.12.2009
	569	40,915

This item refers largely to interest income on loans extended to affiliated companies. A loan liability of Talanx Service AG was spun off to Talanx AG with economic effect as at 1 January 2010. The extended loan was consequently lost through merger of rights.

7. Other interest and similar income

Figures in EUR thousand	31.12.2010	31.12.2009
	15,907	20,409

This item consists primarily of interest income from overnight and time money, from profit transfer agreements, from cash in banks and swaps as well as income from dividends.

9. Interest and similar expenses

Figures in EUR thousand	31.12.2010	31.12.2009
	125,890	127,354

The amount carried refers to interest paid on loans as well as interest expenditures incurred in connection with the debts placed with various Group companies in the 2003 and 2006 financial years, interest expenditures from the loan extended by Talanx Finanz (Luxemburg) S.A., interest expenses from swaps, interest expenses from the mandatory convertible bond taken up by Meiji Yasuda Life, loans from affiliated companies, interest expenses from partial drawing on the line of credit, interest costs for pensions and loan commitment interest.

10. Income from profit transfer agreements

Figures in EUR thousand	31.12.2010	31.12.2009
	199,754	359,665

The income reported here derives from the companies listed under "Major agreements" with which profit/loss transfer agreements have been concluded.

11. Expenses from loss transfers

Figures in EUR thousand	31.12.2010	31.12.2009
	430,670	1

The expenses reported here derive from the companies listed under "Major agreements" with which profit/loss transfer agreements have been concluded.

13. Extraordinary expenses

Figures in EUR thousand	31.12.2010	31.12.2009
	14,161	—

With the exception of restructuring expenditures of EUR 63,000, the adjustment effects associated with the Act on the Modernization of Accounting Law (BilMoG) are recognized here.

14. Extraordinary profit/loss

Figures in EUR thousand	31.12.2010	31.12.2009
	14,161	—

The extraordinary profit/loss principally consists of adjusting entries for the pension provisions on the basis of the Act on the Modernization of Accounting Law (BilMoG) in an amount of EUR 14,038,000.

15. Taxes on profit and income

	31.12.2010	31.12.2009
Figures in EUR thousand		
Actual taxes for the year under review	—	77,051
Actual taxes for previous years	–44,526	–3
Deferred taxes for the year under review	—	–20,031
Deferred taxes for previous years	—	—
	–44,526	57,017

The tax income shown in the year under review for previous years principally involves income from the release of tax provisions that had been established with respect to the subsidiary HDI Direkt Versicherung AG and amounts relating to the taxation of foreign-sourced investment income generated by an Irish subsidiary under the Foreign Transactions Tax Act. Based on a favourable decision of the Federal Fiscal Court (BFH) in October 2010 in a comparable case, the provision was released.

Despite the profit for the year no tax expense is shown for the 2010 financial year because it was possible to book significant income (e.g. distributions of Talanx Deutschland AG and Hannover Rückversicherung AG) on a virtually tax-free basis.

At Talanx and its subsidiaries deferred taxes are assessed using a corporation tax rate (including solidarity surcharge) of 15.83% and a trade tax rate of 15.79%. Deferred tax liabilities – which arise most notably in the balance sheet items land and buildings (on account of circumstances pursuant to § 6 b Income Tax Act (EStG)), participating interests (on account of diverging recognition of shares in partnerships) and bearer debentures and receivables (in-phase booking of dividends) – were netted with deferred tax assets from the balance sheet item provision for outstanding claims. Deferred tax assets above and beyond this netting were not recognized based on exercise of the option afforded by § 274 Para. 1 Sentence 2 of the Commercial Code (HGB).

Further information

Shareholder
All shares of the company are held by HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit, Hannover, as the sole shareholder.

Major agreements
Controlling and profit transfer agreements existed as at the balance sheet date between Talanx and

- Talanx Deutschland AG (previously: HDI-Gerling Leben Serviceholding AG) dated 14 June 2001
- Protection Reinsurance Intermediaries AG dated 27 June 2003, amended on 2 December 2008
- Talanx Service AG (previously: HDI-Gerling Sach Serviceholding AG) dated 27 November 2003 (effective 1 January 2004)
- AmpegaGerling Asset Management GmbH dated 26 February 2004
- HDI-Gerling Beschäftigungs- und Qualifizierungsgesellschaft mbH dated 12 December 2007
- Bureau für Versicherungswesen Robert Gerling & Co. GmbH dated 2 December 2008
- Talanx International AG (previously: HDI-Gerling International Holding AG) dated 25 February 2004. The agreement was split off in the year under review from Talanx Service AG to Talanx AG.
- HDI-Gerling Industrie Versicherung AG dated 21 March 2007. This agreement was also split off in the year under review from Talanx Service AG to Talanx AG.
- Talanx Systeme AG (previously: HDI-Gerling Gesellschaft für IT-Dienstleistungen AG) dated 6 December 2010

A cooperation agreement has existed with Magyar Posta Rt. since 17 April 2002 in order to be able to offer life and property/casualty insurance products to its customers through Hungarian joint ventures (subsidiaries of ProACTIV Holding AG).

A framework agreement for cooperations on foreign markets in the bancassurance sector was concluded with Citibank on 22 December 2006 and agreement was reached on cooperation in Russia and Turkey.

On 18 July 2007 Talanx concluded a cooperation agreement with Deutsche Postbank AG regarding the distribution of products from the PB insurers. The cooperation agreement, which has a term of 15 years, follows on from the cooperation between HDI V.a.G. and Deutsche Postbank AG and puts it on a new footing.

In addition, with effect from 4 October 2010 a strategic cooperation has existed with the Japanese life insurer Meiji Yasuda Life Insurance Company with the goal of jointly identifying and leveraging business opportunities on the international insurance markets. The cooperation is backed by a subordinated perpetual mandatory convertible bond with a volume of EUR 300 million issued by Talanx AG and taken up by the cooperation partner, which is to be converted to common stock of Talanx in the event of an initial public offering by Talanx AG.

Staff

Average number of employees during the year	31.12.2010	31.12.2009
Full-time	86	85
Part-time	11	6
Total	97	91

Board and officers

The names of the members of the Supervisory Board and the Board of Management are listed in the management report under “Boards and officers of the company”.

Remuneration paid to executive bodies of the company

The total remuneration paid to members of the Board of Management amounted to EUR 4,844,000. The remuneration paid to members of the Supervisory Board totaled EUR 1,694,000. The remuneration paid to former members of the Board of Management and their surviving dependants totaled EUR 1,897,000. A total provision of EUR 20,769,000 was set aside for pension liabilities to former members of the Board of Management and their surviving dependants.

Derivative financial instruments

The company took out opposing equity swaps in 2010 and combined them into a single valuation unit. The risk entered into vis-à-vis the counterparty is passed on in full – including the default risk – to an affiliated company. The opposing effects of the valuation unit are entirely correlated and therefore offset each other completely. The term of the concluded equity swaps is limited to three years.

The company additionally uses interest rate swaps (hedges) in valuation units to hedge cash flows in connection with certain floating-rate commitments (underlyings) against the interest rate risk. The “plain vanilla” interest rate swaps serve to protect against negative effects on the result for the period in the event of rising interest rates. The company receives interest payments (floating interest) from these swaps in the same amount as the interest payments that it is required to make on the basis of the liabilities; in addition, it pays fixed interest to the swap partners. The selection of highly rated counterparties ensures that any significant credit risk is avoided. The floating rate tracks the 3-month EURIBOR.

Contingent liabilities and other financial commitments

Talanx AG has given the holders of the subordinated debt issued by its subsidiary Talanx Finanz (Luxemburg) S.A. in February 2005 in the amount of originally EUR 350 million a subordinated guarantee covering payment of the amounts due in connection with the debt, such as interest and repayments. The debt has a term of 20 years. The funds totaling EUR 350 million raised through issuance of the debt were made available to Talanx AG by Talanx Finanz (Luxemburg) S.A. in the form of a loan. Up until December 2010 Talanx Finanz (Luxemburg) S.A. had repurchased and cancelled part of the issued debt in a nominal amount of around EUR 107 million, leaving a debt of EUR 275 million at the close of the year under review. Talanx AG repaid roughly EUR 79 million of the loan that it received from Talanx Finanz (Luxemburg) S.A. The residual amount of the loan is recognized in the balance sheet under the item “Accounts due to affiliated companies”.

Talanx AG has also put up guarantees for the uncalled portions of capital increases at the subsidiaries TARGO Lebensversicherung AG (EUR 59 million) and TARGO Versicherung AG (EUR 9 million).

In addition, potential call commitments exist on shares that have not been fully paid of Protection Reinsurance Intermediaries AG (EUR 0.7 million).

Talanx AG is also contractually required to pay sales partners of various Group companies sales and advertising cost subsidies in 2011 of up to EUR 1.3 million altogether for sales support measures.

As a sponsoring undertaking of Gerling Versorgungskasse in relation to employees of the former Gerling companies who were taken on by our company in the context of the Gerling integration, our company is responsible pro rata for any shortfalls that may arise.

As a consequence of the spin-off completed in the year under review of various participating interests from Talanx Service AG (previously: HDI-Gerling Sach Serviceholding AG) to our company, Talanx AG – as the acquiring legal entity pursuant to § 133 of the Reorganization Act (UmwG) – bears responsibility with Talanx Service AG as joint debtor for the liabilities of Talanx Service AG established prior to entry into force of the spin-off on 4 August 2010 for a period of five years – or in the case of pension commitments for a period of ten years on the basis of the Employers' Retirement Benefits Act (Betriebsrentengesetz). The total amount of these liabilities is EUR 44 million. Of this, an amount of EUR 0 million is attributable to affiliated companies.

Consolidated financial statements
The company is a group company of HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit, Hannover. HDI (parent company) compiles a consolidated financial statement pursuant to § 341 i of the Commercial Code (HGB), in which the company is included. Talanx AG, Hannover, also draws up its own consolidated financial statement on a voluntary basis in accordance with IFRS. The consolidated financial statements are published in the electronic Federal Register.

Hannover, 28 March 2011

Talanx Aktiengesellschaft

Board of Management

Haas Dr. Hinsch Leue

Dr. Noth Dr. Querner Dr. Roß Wallin

Certification by the Independent Auditors

To Talanx Aktiengesellschaft, Hannover:

We have audited the original German financial statements – consisting of the balance sheet, profit and loss account and notes –, including the accounting and the management report of Talanx Aktiengesellschaft, Hannover, for the financial year from 1 January to 31 December 2010. The accounting and the preparation of these annual financial statements and the management report in accordance with the provisions of German commercial law and the additional requirements of the Articles of Association are the responsibility of the company's Board of Management. Our responsibility is to express an opinion on these annual financial statements, including the accounting, and on the management report on the basis of our audit.

We conducted our audit of the annual financial statements in accordance with § 317 of the German Commercial Code (HGB) and in compliance with the generally accepted auditing standards set out by the Institut der Wirtschaftsprüfer (IDW = German Institute of Certified Public Accountants). These standards require that we plan and perform the audit in such a way as to identify with reasonable assurance inaccuracies and misstatements which significantly impact the view of the assets, financial position and net income given by the annual financial statements in compliance with generally accepted accounting principles and by the management report. The determination of auditing procedures makes allowance for knowledge of the business activity and of the economic and legal environment of the company as well as the expectations of possible errors. Within the scope of the audit, the efficiency of the accounting-related internal controlling system as well as the evidence supporting the figures in the accounting, annual financial statements and management report are evaluated largely on the basis of random tests. The audit also includes assessing the accounting principles used and the significant estimates made by the Board of Management, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a sound basis for our opinion.

Our audit gave rise to no objections.

In our assessment based on the insights gained from the audit, the annual financial statements comply with statutory requirements and the additional provisions of the Articles of Association and give a true and fair view of the assets, liabilities, financial position and net income of Talanx Aktiengesellschaft in accordance with generally accepted accounting principles. The management report is in keeping with the annual financial statements, correctly represents the company's overall state of affairs and accurately reflects the opportunities and risks associated with its future development.

Hannover, 5 May 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Ellenbürger	Husch
German Public Auditor	German Public Auditor

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Group structure

Talanx AG

- HDI-Gerling Industrie Versicherung AG
- HDI-Gerling Australia Insurance Company Pty. Ltd.
- HDI Versicherung AG (Austria)
- HDI-Gerling Assurances (Belgium) S. A.
- HDI-Gerling de México Seguros S. A.
- HDI-Gerling Verzekeringen N.V. (Netherlands)
- HDI-Gerling Insurance of South Africa Ltd.
- HDI Seguros S. A. (Spain)
- HDI-Gerling America Insurance Company

- HDI-Gerling Lebensversicherung AG
- HDI-Gerling Pensionskasse AG
- HDI-Gerling Pensionsmanagement AG
- HDI-Gerling Firmen und Privat Versicherung AG
- HDI-Gerling Rechtsschutz Versicherung AG
- HDI Direkt Versicherung AG
- neue leben Lebensversicherung AG
- neue leben Unfallversicherung AG
- PB Lebensversicherung AG
- PBV Lebensversicherung AG
- PB Versicherung AG
- PB Pensionsfonds AG
- TARGO Lebensversicherung AG
- TARGO Versicherung AG

- HDI Seguros S. A. (Brazil)
- HDI Zahstrahovane AD (Bulgaria)
- HDI Seguros S. A. (Chile)
- Magyar Posta Életbiztosító Zrt. (Hungary)
- Magyar Posta Biztosító Zrt. (Hungary)
- HDI Assicurazioni S. p. A. (Italy)
- HDI Seguros S. A. (Mexico)
- HDI-Gerling Zycie TU S. A. (Poland)
- HDI Asekuracja TU S. A. (Poland)
- OOO Strakhovaya Kompaniya "CiV Life" (Russia)
- HDI Strakhovaya (Russia)
- CiV Hayat Sigorta A. Ş. (Turkey)
- HDI Sigorta A. Ş. (Turkey)
- HDI STRAKHUVANNYA (Ukraine)

- Hannover Rückversicherung AG
- E+S Rückversicherung AG

- Hannover Reinsurance Africa Limited
- Hannover Re (Bermuda) Ltd.
- Hannover Reinsurance (Ireland) Ltd.
- Hannover Re Takaful B. S. C. (c) (Bahrain)
- International Insurance Company of Hannover Ltd. (UK)

- Hannover Life Reassurance Africa Limited
- Hannover Life Reassurance Company of America
- Hannover Life Reassurance Bermuda Ltd.
- Hannover Life Re of Australasia Ltd.
- Hannover Life Reassurance (Ireland) Ltd.
- Hannover Life Reassurance (UK) Ltd.

- AmpegaGerling Asset Management GmbH
- AmpegaGerling Investment GmbH
- AmpegaGerling Immobilien Management GmbH
- HDI Reinsurance (Ireland) Ltd.
- Protection Reinsurance Intermediaries AG
- Talanx Service AG
- Talanx Systeme AG

Group segments

- Industrial Lines
- Retail Germany
- Retail International
- Non-Life Reinsurance
- Life/Health Reinsurance
- Corporate Operations

Major participations only, simplified representation

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