Talanx Group Interim Report as at 30 June 2023

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Insurance. Investments.

GROUP KEY FIGURES

	Unit	6M 2023	6M 2022[1]	+/– 6M 2023 vs 6M 2022
Insurance revenue	EUR million	**20,862**	**19,159**	**8.9%**
Primary Insurance	EUR million	9,031	8,028	12.5%
Property/casualty primary insurance	EUR million	7,909	6,920	14.3%
Life primary insurance	EUR million	1,121	1,109	1.1%
Reinsurance	EUR million	12,273	11,816	3.9%
Property/casualty reinsurance	EUR million	8,365	7,850	6.6%
Life/health reinsurance	EUR million	3,908	3,966	–1.5%
Insurance revenue by region				
Germany	%	15	16	–0.7 ppts
United Kingdom	%	10	10	–0.1 ppts
Central and Eastern Europe (CEE), including Türkiye	%	5	7	–1.6 ppts
Rest of Europe	%	13	11	1.4 ppts
USA	%	27	33	–5.7 ppts
Rest of North America	%	4	3	0.7 ppts
Latin America	%	9	7	1.9 ppts
Asia and Australia	%	14	10	4.2 ppts
Africa	%	1	1	–0.1 ppts
Insurance service result (net)	EUR million	**1,627**	**1,293**	**25.9%**
Net investment result for own risk	EUR million	**1,726**	**1,437**	**20.1%**
Net return on investments for own risk[2]	%	**2.7**	**2.1**	**0.6 ppts**
Operating profit/loss (EBIT)	EUR million	**1,957**	**1,502**	**30.3%**
Net income attributable to shareholders of Talanx AG	EUR million	**827**	**686**	**20.6%**
Primary Insurance	EUR million	380	332	14.3%
Reinsurance	EUR million	484	409	18.5%
Return on equity[3]	%	**18.4**	**15.4**	**3.0 ppts**
Earnings per share				
Basic earnings per share	EUR	3.26	2.71	20.5%
Diluted earnings per share	EUR	3.26	2.71	20.5%
Combined ratio[4]	%	**93.7**	**95.0**	**–1.3 ppts**
Property/casualty primary insurance	%	94.3	94.9	–0.6 ppts
Property/casualty reinsurance	%	92.9	94.9	–2.1 ppts

		30.06.2023	31.12.2022[1]	+/–
Total assets	EUR million	**162,309**	**158,460**	**2.4%**
Equity attributable to shareholders of Talanx AG	EUR million	**9,295**	**8,680**	**7.1%**
Contractual service margin	EUR million	**10,342**	**9,575**	**8.0%**
Subordinated liabilities (hybrid capital)	EUR million	**4,509**	**5,009**	**–10.0%**
Investments for own risk	EUR million	**130,474**	**127,345**	**2.5%**
Carrying amount per share	EUR	**36.69**	**34.26**	**7.1%**
excluding goodwill	EUR	32.52	30.23	7.6%
Share price	EUR	**52.55**	**44.32**	**18.6%**
Number of shares outstanding	number	**253,350,943**	**253,350,943**	**—**
Employees	as at the reporting date	**24,057**	**23,669**	**1.6%**

[1] Adjusted in accordance with IFRS 9 and IFRS 17 in conjunction with IAS 8, see also the "Accounting policies" section of the Notes.
[2] Ratio of annualised investment result for own risk to average investment portfolio for own risk.
[3] Annualised ratio of net income (after financing costs and taxes) excluding non-controlling interests to average equity excluding non-controlling interests.
[4] 1– [insurance service result (net) divided by insurance revenue (gross)].

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Report on economic position

Markets, business climate and the industry environment

Declining but still high inflation, geopolitical tensions and the consequences of restrictive monetary policy at most central banks slowed global economic momentum in the first half of 2023 but did not tip the global economy into a recession.

Despite the geographical proximity to the war in Ukraine and high energy and food prices, the eurozone narrowly avoided a technical recession (two consecutive quarters of declining economic output) in the winter half of the year after fears of gas shortages failed to materialise. While economic output declined by 0.1% year-on-year in the fourth quarter of 2022, it then stagnated at the previous quarter's level at the start of the year. Whereas the services sector was stable, prospects in industry worsened in view of the weak global economy. Weaker lending due to the ECB's restrictive monetary policy also played a role here. In light of this, eurozone GDP grew only slightly by 0.3% in the second quarter compared to the previous quarter.

The US economy continued to grow in the first half of 2023 despite the Fed's virtually unprecedented cycle of interest rate hikes (11 increases since March 2022) and the turbulence that this triggered in the banking sector in spring. This can be attributed to the still sound labour market combined with declining inflation, which decreased from its peak of 9.1% in June of last year to 3.0%. Nevertheless, growth momentum remained modest, with growth rates of +0.5% compared to the previous quarter in the first and +0.6% in the second quarter.

After Covid-19 restrictions were ended in December of last year, which came as a surprise at the time, Chinese GDP picked up by a considerable 2.2% compared to the previous quarter at the start of the year. In the second quarter, however, sentiment deteriorated significantly on account of ongoing geopolitical tensions in conjunction with a flagging global economy and still unresolved turbulence in the real estate sector, and so the economy grew by just 0.8%.

International **capital markets** performed well in a challenging environment of rising inflation, worries about an imminent recession and aggressive cycles of interest rate hikes by many central banks in the first half of the year. Equities in the US (S&P 500: +15.9%) took the lead, coming in slightly ahead of industrialised countries as a whole (MSCI WORLD: +14.0%) and ahead of Europe (EURO STOXX: +12.5%). Asian stock markets lagged far behind (MSCI ASIA EX JAPAN: +1.8%), while Chinese equities suffered price losses (MSCI CHINA: –6.1%). After yields on ten-year government bonds responded to the increasingly restrictive monetary policy environment by picking up substantially last year, in the first six months of this year they tended to move sideways, with some fluctuations. Yields on ten-year US Treasuries declined from 3.87% to 3.84%, while yields on their German counterparts experienced a somewhat greater decrease from 2.57% to 2.39%.

The **insurance industry** was dominated by stubbornly high inflation and geopolitical crises at the start of 2023. While declining real incomes took a particular toll on new business in life insurance, property/casualty insurance continued to be shaped by increasing claims costs due to inflation and the weak economy. Insurers' expectations remained gloomy on account of high levels of uncertainty regarding the development of the global economy. In terms of investments, on the other hand, stock market growth and interest rate levels on the bond market continued to bring about confidence.

Business development

The Talanx Group has reported its business results in accordance with the new accounting standards IFRS 17 and IFRS 9 since 1 January 2023. To ensure better comparability of the business figures, prior year figures are also calculated pursuant to the new standards.

Group's course of business

- Insurance revenue up 10.7% adjusted for currency effects
- Large losses remain below pro rata large loss budget
- Decrease in combined ratio due in part to lower large losses

GROUP KEY FIGURES

EUR million	6M 2023	6M 2022	+/–
Insurance revenue	20,862	19,159	+8.9%
Insurance service result	1,627	1,293	+25.9%
Net insurance financial and investment result before currency effects	760	806	–5.6%
of which investment result	2,506	–166	+1,610.9%
of which net insurance financial result before currency effects	–1,745	972	–279.6%
Operating profit/loss (EBIT)	1,957	1,502	+30.3%
Combined ratio (property/casualty only) in %[1]	93.7	95.0	–1.3 ppts

[1] 1– [insurance service result (net) divided by insurance revenue (gross)].

MANAGEMENT METRICS

EUR million	6M 2023	6M 2022	+/–
Insurance revenue (adjusted for currency effects)	21,208	19,159	+10.7%
Group net income	827	686	+20.6%
Return on equity[1] in %	18.4	15.4	+3.0 ppts

[1] Ratio of annualised net income (after financing costs and taxes) for the period excluding non-controlling interests to average equity excluding non-controlling interests.

Insurance revenue

The Talanx Group boosted its insurance revenue by 8.9% in the first half of 2023 to EUR 20.9 (19.2) billion (10.7% adjusted for currency effects) with the Industrial Lines (10.2%) and Retail International (24.2%) segments particularly instrumental here. Revenue in the Reinsurance Division rose by 3.9%.

Insurance service result

The insurance service result improved substantially by almost 26% to EUR 1,627 (1,293) million. Large losses remained below the pro rata budget of EUR 971 million in the in the first half of 2023 at EUR 820 (1,083) million, but as usual the Group booked the full figure for large losses expected. The prior year result also included provisions for the negative effects of the war in Ukraine. Higher interest rates continued to have a positive effect. In the Life/Health Reinsurance segment, lower negative effects of the pandemic and a good result in mortality business had a positive impact.

The combined ratio improved by 1.3 percentage points to 93.7% (95.0%).

Net insurance financial and investment result before currency effects

Investment income at the end of the first half of 2023 came to EUR 2,506 (EUR –166) million, EUR 779 (EUR –1,603) million of which due to income from unit-linked insurance contracts attributable to policyholders. Net investment income for own risk improved by EUR 289 million to EUR 1,726 million. Ordinary investment income picked up primarily thanks to higher interest income. The financial result adjusted for currency effects, which includes the unwinding of discounted technical provisions and policyholder participation in the net investment result, including income from unit-linked insurance contracts, was EUR –1,745 (972) million. Overall, the net insurance financial and investment result before currency effects declined by EUR 46 million to EUR 760 (800) million.

Operating profit and Group net income

Operating profit (EBIT) picked up by more than 30% to EUR 1,957 (1,502) million. This upturn is thanks primarily to the Retail International Division (EUR +144 million) and the Reinsurance Division (EUR +236 million). Group net income (EUR 827 million) was 20.6% higher than the prior year figure of EUR 686 million. Return on equity in the first half of the year came to 18.4% (15.4%), higher than the strategic target of "over 10%".

Performance of the Group's Divisions

At a strategic level, Talanx divides its business into seven reportable segments: Industrial Lines, Retail Germany (divided into Property/Casualty and Life Insurance), Retail International, Property/Casualty Reinsurance, Life/Health Reinsurance and Corporate Operations. There have been no changes since the Group reported on the structure and scope of business in the 2022 Talanx Group Annual Report.

Industrial Lines

- Growth in insurance revenue driven by property, third-party liability and specialty business
- Insurance service result improved by positive development in frequency and large losses areas and increase in interest rates
- Net investment income on par with prior year

KEY FIGURES FOR THE INDUSTRIAL LINES DIVISION

EUR million	6M 2023	6M 2022	+/−
Insurance revenue	4,221	3,831	+10.2%
Insurance service result	292	226	+29.2%
Net insurance financial and investment result before currency effects	49	103	−52.6%
of which investment result	108	111	−3.3%
of which net insurance financial result before currency effects	−59	−8	−605.4%
Operating profit/loss (EBIT)	190	174	+9.7%

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%	6M 2023	6M 2022	+/−
Growth of insurance revenue (adjusted for currency effects) [1]	11.0	n.a. [2]	—
Combined ratio [3]	93.1	94.1	−1.0 ppts
Return on equity [4]	12.8	10.9	+1.9 ppts

1 The nominal growth adjusted for currency effects: insurance revenue for the current year at the prior year (PY) exchange rate less insurance revenue (PY), divided by insurance revenue (PY).
2 Calculation not possible as IFRS 9 and 17 not retrospectively applied until the 2022 financial year onwards.
3 1− [insurance service result (net) divided by insurance revenue (gross)].
4 Ratio of annualised net income (after financing costs and taxes) for the period excluding non-controlling interests to average equity excluding non-controlling interests.

The division pools global activities relating to industrial insurance within the Talanx Group and operates on the German market and in over 175 countries through its foreign branches, subsidiaries, affiliates and network partners.

Insurance revenue

Insurance revenue for the division amounted to EUR 4.2 (3.8) billion as at 30 June 2023, a substantial increase of 10.2% (11.0% after adjustment for currency effects). The premium growth was the result primarily of growth in property, third-party liability and specialty business.

Insurance service result

At EUR 292 (226) million, the net insurance service result in the division was up significantly on the previous year. The loss ratio is characterised primarily by still low frequency losses, low large losses and the increase in interest rates and improved to 76.1% (77.5%). The expense ratio increased slightly to 17.0% (16.6%). The combined ratio in the Industrial Lines Division was 93.1% (94.1%).

Net insurance financial and investment result before currency effects

At EUR 108 (111) million, net investment income was on par with the comparative period. Losses from the realisation of unrealised losses and fair value changes were almost offset by higher current interest income.

The increase in the loss in the net insurance financial result to EUR −59 (EUR −8) million was the result of higher interest rates when unwinding discounts on technical provisions and portfolio growth. Other income/expenses declined to EUR −155 (EUR −116) million, essentially due to rising costs driven by growth.

Operating profit and Group net income

At EUR 190 (174) million, the division's operating profit was higher than in the prior year thanks to the considerable improvement in the net insurance service result. Group net income amounted to EUR 151 (124) million.

Retail Germany

Property/Casualty Insurance

- Rise in insurance revenue for corporate customers/liberal professions and in the biometric core business of bancassurance
- Insurance service result squeezed by rise in frequency losses in motor and an increase in average losses as a result of inflation
- Higher net investment income due to improved performance of fixed-income securities

KEY FIGURES FOR THE PROPERTY/CASUALTY INSURANCE SEGMENT

EUR million	6M 2023	6M 2022	+/–
Insurance revenue	861	800	+7.6%
Insurance service result	34	46	–27.2%
Net insurance financial and investment result before currency effects	40	16	+150.7%
of which investment result	48	13	+262.4%
of which net insurance financial result before currency effects	–8	3	–389.8%
Operating profit/loss (EBIT)	39	33	+16.6%

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY INSURANCE SEGMENT

%	6M 2023	6M 2022	+/–
Growth of insurance revenue [1]	7.6	n.a. [2]	—
Combined ratio [3]	96.1	94.2	+1.9 ppts

[1] The nominal growth adjusted for currency effects: insurance revenue for the current year at the prior year (PY) exchange rate less insurance revenue (PY), divided by insurance revenue (PY).
[2] Calculation not possible as IFRS 9 and 17 not retrospectively applied until the 2022 financial year onwards.
[3] 1– [insurance service result (net) divided by insurance revenue (gross)].

Insurance revenue

Insurance revenue rose by 7.6% to EUR 861 (800) million in the Property/Casualty Insurance segment in the first half of the year. Growth was achieved in the corporate customers/liberal professions, motor and retail businesses as well as in the biometric core business of bancassurance.

Insurance service result

The insurance service result declined on the prior year in the current financial year to EUR 34 (46) million. This stems primarily from higher claims frequency, especially in motor, and an increase in average losses due to inflation. Improved earnings in the biometric core business of bancassurance offset these negative effects only in part.

The (net) combined ratio rose by 1.9 percentage points from 94.2% to 96.1%.

Net insurance financial and investment result before currency effects

The net insurance financial and investment result rose to EUR 48 (13) million. This is thanks primarily to the improvement in fixed-income securities measured at fair value through profit or loss (EUR 31 million). On the other hand, the net insurance financial result before currency effects declined to EUR –8 (3) million on account of higher interest rates.

Operating profit

The increase in net investment income offset the lower insurance service result, resulting in improved operating profit of EUR 39 (33) million.

Life Insurance

- Decrease in insurance revenue due to declining new business as a result of alternative banking products in current interest rate environment
- Rise in net investment income thanks to improved extraordinary net income

KEY FIGURES FOR THE LIFE INSURANCE SEGMENT

EUR million	6M 2023	6M 2022	+/–
Insurance revenue	861	912	–5.5%
Insurance service result	145	161	–10.0%
Net insurance financial and investment result before currency effects	30	–5	+701.6%
of which investment result	1,237	–1,220	+201.4%
of which net insurance financial result before currency effects	–1,207	1,215	–199.4%
Operating profit/loss (EBIT)	111	110	+0.8%

MANAGEMENT METRICS FOR THE LIFE INSURANCE SEGMENT

%	6M 2023	6M 2022	+/–
Growth of insurance revenue [1]	–5.5	n.a. [2]	—
New business value [3] in EUR million	156	109	+43.0%

[1] The nominal growth adjusted for currency effects: insurance revenue for the current year at the prior year (PY) exchange rate less insurance revenue (PY), divided by insurance revenue (PY).
[2] Calculation not possible as IFRS 9 and 17 not retrospectively applied until the 2022 financial year onwards.
[3] Contractual service margin (CSM) for new business less loss components of new business.

Insurance revenue

Insurance revenue declined by 5.5% to EUR 861 (912) million in the Life Insurance segment in the first half of the year. This reflected a decrease in new business in the biometric core business of bancassurance as a result of alternative banking products in current interest rate environment.

The new business value climbed by 43.0% to EUR 156 (109) million and is thanks exclusively to the improvement in the biometric core business of bancassurance.

Insurance service result

The insurance service declined to EUR 145 (161) million in connection with higher reinsurance expenses.

Net insurance financial and investment result before currency effects

The net insurance financial and investment result (before currency effects) rose to EUR 30 (–5) million as a whole. This was reflected mainly in higher income from unit-linked insurance contracts of EUR 754 (–1,550) million due to positive capital market developments and improved net investment income of EUR 483 (330) million thanks to a EUR 115 million increase in extraordinary net income and a EUR 42 million rise in ordinary investment income. Policyholders participated in these results, putting the insurance financial result before currency effects including net income from unit-linked life insurance contracts at EUR –1,207 (1,215) million.

Operating profit

At EUR 111 (110) million, operating profit (EBIT) in the life insurance segment remained stable at the prior year's level.

Retail Germany Division as a whole

MANAGEMENT METRIC FOR THE RETAIL GERMANY DIVISION AS A WHOLE

%	6M 2023	6M 2022	+/–
Return on equity [1]	11.3	19.7	–8.4 ppts

[1] Ratio of annualised net income (after financing costs and taxes) for the period excluding non-controlling interests to average equity excluding non-controlling interests.

After adjusting for taxes on income, financing costs and non-controlling interests, Group net income declined to EUR 88 (162) million as a result of one-time tax effects. This decreased the return on equity by 8.4 percentage points to 11.3%.

Retail International

- Insurance revenue in property/casualty insurance up 24%, especially in motor insurance, due to higher average premiums as a result of inflation
- Decline in combined ratio to 95.4% due chiefly to positive developments at HDI Brazil
- Contract signed in May 2023 to acquire Liberty Mutual companies in Brazil, Chile, Colombia and Ecuador

KEY FIGURES FOR THE RETAIL INTERNATIONAL DIVISION

EUR million	6M 2023	6M 2022	+/–
Insurance revenue	3,087	2,485	+24.2%
Insurance service result	185	110	+68.8%
Net insurance financial and investment result before currency effects	157	81	+95.0%
of which investment result	277	116	+138.5%
of which net insurance financial result before currency effects	–120	–36	–237.2%
Operating profit/loss (EBIT)	249	104	+137.9%

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

%	6M 2023	6M 2022	+/–
Growth of insurance revenue (adjusted for currency effects, property/casualty insurance) [1]	28.4	n.a. [2]	—
Combined ratio (property/casualty insurance) [3]	95.4	96.4	–1.0 ppts
Growth of insurance revenue (adjusted for currency effects, life insurance) [4]	39.3	n.a. [2]	—
Return on equity [5]	12.0	4.0	+8.0 ppts

[1] The nominal growth adjusted for currency effects: insurance revenue for the current year at the prior year (PY) exchange rate less insurance revenue (PY), divided by insurance revenue (PY).
[2] Calculation not possible as IFRS 9 and 17 not retrospectively applied until the 2022 financial year onwards.
[3] 1– [insurance service result (net) divided by insurance revenue (gross)].
[4] The nominal growth adjusted for currency effects: insurance revenue for the current year at the prior year (PY) exchange rate less insurance revenue (PY), divided by insurance revenue (PY).
[5] Ratio of annualised net income (after financing costs and taxes) for the period excluding non-controlling interests to average equity excluding non-controlling interests.

This division bundles the Talanx Group's international retail business activities and is active in both Europe and Latin America. On 27 May 2023, the Retail International Division signed a purchase agreement to acquire business with retail clients and small and medium-sized companies from Liberty Seguros in Brazil, Chile, Colombia and Ecuador. The transactions are subject to approval by the supervisory authorities responsible. In the Europe region, the Italian companies HDI Italia S. p. A. and HDI Assicurazioni S. p. A. were merged on 5 May 2023, while the sale of the Hungarian Magyar Posta Eletbiztosito Zrt. and Magyar Posta Biztosito Zrt. to the Hungarian state-owned holding company Corvinus Nemzetközi Befektetési Zrt. (Corvinus) was concluded with an economic effect on 5 April 2023. The acquisition of 60% of the company, which has now been renamed HDI Fiba Emeklilik ve Hayat A.Ş., by HDI Sigorta A.Ş. in Türkiye closed in the first quarter on 16 January 2023. Business in the core Polish market is also being further expanded, with the Europa Group and Bank Millennium signing an exclusive ten-year bancassurance agreement. In line with the Division's strategic goals, this should create profitable growth in biometric products and other property insurance business. The acquisition was concluded on 13 February 2023.

Insurance revenue

Insurance revenue in the Division increased by 24% compared to the first half of 2022 to EUR 3.1 (2.5) billion. Insurance revenue adjusted for currency effects was up 29% on the comparative period.

The Europe region reported a 24% increase in insurance revenue to EUR 2.0 billion, driven primarily by premium growth (adjusted for currency effects) of 207% at the Turkish HDI Sigorta A.Ş as a result of higher average premiums due to inflation. The Polish TUiR Warta S.A. boosted its insurance revenue adjusted for currency effects by 12% both in motor insurance and through growth in homeowners insurance. Insurance revenue in life insurance also saw significant growth at the Polish TunZ Warta S.A. climbing to EUR 135 (111) million.

In the Latin America region, insurance revenue increased by 26% compared to the same period of the previous year to EUR 1.1 (0.9) billion with all core markets in the region contributing with double-digit growth rates.

Insurance service result

The insurance service result in property insurance increased by EUR 46 million to EUR 129 million. The combined ratio from property insurance companies decreased by 1.0 percentage points year-on-year to 95.4% with the decline in the loss ratio in Brazil playing a key role. The measures implemented to improve technical excellence focused particularly on improving pricing.

The insurance service result in life insurance improved by a total of EUR 29 million. The newly acquired HDI Fiba Emeklilik ve Hayat A.Ş also contributed to this year-on-year improvement with a positive insurance service result.

Net insurance financial and investment result before currency effects

Net investment income rose compared to the first half of 2022 to EUR 277 (116) million. Higher interest rates and net income from inflation-linked bonds in Poland as well as higher volumes in Türkiye pushed up ordinary net investment income. Income from unit-linked insurance contracts also increased net investment income by EUR 78 million. However, this effect was offset in the net insurance financial result by policyholder participation. In the net insurance financial result of property insurance companies, expenses from unwinding discounts on technical provisions increased by EUR 15 million.

Operating profit and Group net income

In the first half of 2023, operating profit (EBIT) in the Retail International Division rose by 138%, compared with the same period of the previous year, to EUR 249 (104) million. This operating improvement was the result of improved technical profitability at the Latin American companies and in particular of Brazil and also Italy. The net insurance financial and investment result also improved, while the prior year was negatively affected by one-time effects from deconsolidation expenses of EUR 23 million from the sale of the Russian life insurance unit OOO Strakhovaya Kompaniya CiV Life. Operating profit (EBIT) for the Latin America region rose by EUR 112 million to EUR 96 million while EBIT for the Europe region increased to EUR 179 (117) million. Group net income after minority interests increased accordingly to EUR 141 (47) million with return on equity of 12.0% (4.0%).

Additional key figures

RETAIL INTERNATIONAL DIVISION BY LINE OF BUSINESS AT A GLANCE

EUR million	6M 2023	6M 2022	+/–
Insurance revenue	**3,087**	**2,485**	**24.2%**
Property/Casualty	2,827	2,288	23.6%
Life	260	197	32.0%
Insurance service result	**185**	**110**	**68.8%**
Property/Casualty	129	83	56.4%
Life	56	27	106.5%
Net insurance financial and investment result before currency effects	**157**	**81**	**95.0%**
Property/Casualty	146	82	77.6%
Life	13	1	819.7%
Other	–2	–3	30.1%

RETAIL INTERNATIONAL DIVISION BY REGION AT A GLANCE

EUR million	6M 2023	6M 2022	+/–
Insurance revenue	**3,087**	**2,485**	**24.2%**
of which Europe	1,990	1,611	23.5%
of which Latin America	1,098	875	25.5%
Insurance service result	**185**	**110**	**68.8%**
of which Europe	105	128	–17.9%
of which Latin America	81	–18	558.0%
Net insurance financial and investment result before currency effects	**157**	**81**	**95.0%**
of which Europe	115	58	99.4%
of which Latin America	46	26	72.2%
Operating profit/loss (EBIT)	**249**	**104**	**137.9%**
of which Europe	179	117	53.8%
of which Latin America	96	–16	718.2%

Reinsurance

Property/Casualty Reinsurance

- Reinsurance revenue up 6.6% at EUR 8.4 billion
- Large losses in first half of year within expected budget
- Combined ratio of 92.9%
- Continued positive price and conditions development; contractual net service margin (CSM) from new business improved by 45.0% accordingly
- Operating profit for first half of year rises to EUR 841 million

KEY FIGURES FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

EUR million	6M 2023	6M 2022	+/–
Insurance revenue	8,365	7,850	+6.6%
Insurance service result	598	397	+50.7%
Net insurance financial and investment result before currency effects	357	415	–14.1%
of which investment result	641	564	+13.7%
of which net insurance financial result before currency effects	–285	–149	–91.6%
Operating profit/loss (EBIT)	841	662	+27.1%

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%	6M 2023	6M 2022	+/–
Growth of insurance revenue (adjusted for currency effects) [1]	7.8	n.a. [2]	—
Operating profit/loss (EBIT) in EUR million	841	662	+27.1%

[1] The nominal growth adjusted for currency effects: insurance revenue for the current year at the prior year (PY) exchange rate less insurance revenue (PY), divided by insurance revenue (PY).
[2] Calculation not possible as IFRS 9 and 17 not retrospectively applied until the 2022 financial year onwards.

Business development

The trend towards far better prices and conditions in the Property/Casualty Reinsurance segment is continuing.

In the main renewal season in traditional Property/Casualty Reinsurance (excluding facultative reinsurance, business in the securitisation of reinsurance risks and structured reinsurance) as at 1 January, we generated an average price increase of 8.0% adjusted for inflation and risk. As standard, Hannover Re reports price changes on a risk-adjusted basis, i.e. the price changes we report are adjusted for higher inflation or model adjustments.

The traditional contract renewal as at 1 April, which relates primarily to business in Japan and to a lesser extent in Australia, New Zealand, other Asian markets and North America, also resulted in a substantial improvement in risk-adjusted prices and conditions for Hannover Re. The average risk-adjusted price increase was 6.0%.

Insurance revenue

Insurance revenue (gross) in the Property/Casualty Reinsurance segment increased by 6.6% to EUR 8,365 (7,850) million in the first half of the year. At constant exchange rates, the growth would have amounted to 7.8%.

Thanks to an underwriting approach that focuses on quality, the contractual service margin (CSM) from new business also improved by 45% to EUR 1,829 million.

Insurance service result

Spending for large losses in the first half of the year came to EUR 607 (850) million, staying within the budget of EUR 751 million.

The largest net single losses in the first half of 2023 were the earthquake in Türkiye and Syria at the start of the year (EUR 257 million), heavy floods in New Zealand in January (EUR 45 million) and the tropical cyclone "Gabrielle" in February (EUR 65 million). Major storms in Italy in May had an impact of EUR 42 million and losses in connection with tornadoes in the southern United States at the end of March came to EUR 36 million. The Property/Casualty Reinsurance segment also puts the negative effect of recent unrest in France at EUR 50 million.

The Asia-Pacific region also saw further pandemic-related effects in the casualty and health insurance business in comparison to 2022, although these did decline as expected.

The insurance service result (net) climbed by a considerable 50.7% to EUR 598 (397) million. The prior year result also included provisions for the negative effects of Russia's war in Ukraine and additional reserves for prior year claims and claims expenses incurred. The gross combined ratio improved to 92.9% (94.9%). The net ratio was 91.7% (94.4%).

Net insurance financial and investment result before currency effects

Income from investments (net) for the Property/Casualty Reinsurance segment increased by 13.7% to EUR 641 (564) million. The net insurance financial result (before currency effects) came to EUR –285 (EUR –149) million.

Operating profit

Operating profit (EBIT) for the Property/Casualty Reinsurance segment increased by 27.1% to EUR 841 (662) million. The segment thus remains well on track to meeting its annual target of at least EUR 1.6 billion.

Life/Health Reinsurance

- Insurance revenue declines slightly by 1.5% to EUR 3,908 million
- Demand for longevity cover and financial solutions remains high
- Contractual service margin (CSM) from new business of EUR 151 million
- Operating profit up 12.2% year-on-year at EUR 521 million

KEY FIGURES FOR THE LIFE/HEALTH REINSURANCE SEGMENT

EUR million	6M 2023	6M 2022	+/–
Insurance revenue	3,908	3,966	–1.5%
Insurance service result	481	297	+62.0%
Net insurance financial and investment result before currency effects	167	219	–23.6%
of which investment result	225	276	–18.4%
of which net insurance financial result before currency effects	–58	–57	–1.6%
Operating profit/loss (EBIT)	521	464	+12.2%

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

%	6M 2023	6M 2022	+/–
Growth of insurance revenue (adjusted for currency effects)[1]	0.8	n.a.[2]	—
Operating profit/loss (EBIT) in EUR million	521	464	+12.2%

[1] The nominal growth adjusted for currency effects: insurance revenue for the current year at the prior year (PY) exchange rate less insurance revenue (PY), divided by insurance revenue (PY).
[2] Calculation not possible as IFRS 9 and 17 not retrospectively applied until the 2022 financial year onwards.

Business development

The Life/Health Reinsurance segment performed well in the first six months. The contractual service margin (CSM) from new business came to EUR 151 (229) million.

Insurance revenue

Insurance revenue in the Life/Health Reinsurance segment declined slightly by 1.5% to EUR 3,908 (3,966) million; adjusted for currency effects, this would have translated into growth of 0.8%.

Customer demand in financial solutions continued to grow, especially in the US and China, where the segment saw significant new business in the first half of the year. There were similar developments in longevity cover. As well as in the United Kingdom, this business is continuing to grow steadily around the world, for example in Canada and Australia.

In the traditional reinsurance business for mortality and morbidity risks, we were particularly pleased to successfully enter the group life insurance market, which is relatively new in Germany.

Insurance service result

The insurance service result improved substantially by 62.0 % to EUR 481 (297) million. Mortality coverage played a major role here as a result of lower negative effects attributable to the pandemic compared to the prior year.

Net insurance financial and investment result before currency effects

The net insurance financial result before currency effects came to EUR –58 (–57) million. Net investment income in the Life/Health Reinsurance segment, which had benefited from two larger one-time effects in the prior year, thus normalised by 18.4% to EUR 225 (276) million.

Operating profit

Operating profit (EBIT) picked up by 12.2% to EUR 521 (464) million. The segment thus remains well on track to meeting its annual target of at least EUR 750 million.

Reinsurance Division as a whole

MANAGEMENT METRICS FOR THE REINSURANCE DIVISION AS A WHOLE

%	6M 2023	6M 2022	+/–
Growth of insurance revenue (adjusted for currency effects)[1]	5.4	n.a.[2]	—
Return on equity[3]	21.5	16.8	+4.6 ppts

[1] The nominal growth adjusted for currency effects: insurance revenue for the current year at the prior year (PY) exchange rate less insurance revenue (PY), divided by insurance revenue (PY).
[2] Calculation not possible as IFRS 9 and 17 not retrospectively applied until the 2022 financial year onwards.
[3] Ratio of annualised net income (after financing costs and taxes) for the period excluding non-controlling interests to average equity excluding non-controlling interests.

Pro rata group net income in the Reinsurance Division came to EUR 484 (409) million in the first half of 2023 with return on equity rising by 4.6 percentage points to 21.5% (16.8%).

Corporate Operations

- Insurance revenue from intragroup takeovers rises to EUR 533 (437) million
- Insurance service result stable at EUR 12 (13) million
- Investments for own risk in the Group up 2% at EUR 130 billion

The Group's reinsurance specialists

Insurance revenue from intragroup takeovers in the Corporate Operations segment amounted to EUR 533 (437) million in the first half of 2023 and resulted from reinsurance cessions in the Industrial Lines, Retail Germany and Retail International Divisions. The insurance service result in the Corporate Operations segment was stable in the first six months of 2023 at EUR 12 (13) million. Loss expenditures of around EUR 25 million for the earthquake in Türkiye were covered by the pro rata large loss budget for the period.

The Group's investment specialists

In cooperation with its subsidiary Ampega Investment GmbH, Ampega Asset Management GmbH is chiefly responsible for handling the management and administration of the Group companies' investments and provides related services such as investment accounting and reporting. The Group's investments for own risk increased to EUR 130 (127) billion compared to the end of 2022. All divisions saw an upturn. The Ampega companies together accounted for a total of EUR 30 (36) million of the segment's operating profit in the first half of 2023.

As an investment company, Ampega Investment GmbH manages retail and special funds and provides financial portfolio management services for institutional clients. It focuses on portfolio management and investment administration. The first half of 2023 featured an only moderately capital market-friendly environment. The ongoing war in Ukraine remained a source of uncertainty and central banks continued to hike interest rates to rein in inflation. Prospects for global economic growth were restrained. While bond markets were volatile but remained unchanged on the whole, global stock markets recovered surprisingly well from their weak 2022. Markets remain challenging for the fund industry and banks are again competing for investor favour and money. The total volume of assets managed at Ampega Investment GmbH rose by 8.6% against the figure at the beginning of the year to EUR 45.2 (41.6) billion. At EUR 13.0 (12.7) billion, slightly less than one third of the total volume is managed on behalf of Group companies using special funds and direct investment mandates. Of the remainder, EUR 22.7 (20.2) billion was attributable to institutional third-party clients and EUR 9.6 (8.8) billion to the retail business. The latter is offered not only through the Group's own distribution channels and products such as unit-linked life insurance, but also via external asset managers and banks.

Operating profit

The operating profit in the Corporate Operations segment improved to EUR 16 (12) million in the first six months of 2023. A stable insurance service result and positive currency effects contributed to this. Group net income attributable to shareholders of Talanx AG for this segment amounted to EUR –36 (–39) million after financing costs in the first half of 2023.

Assets, liabilities and financial position

Assets and liabilities

- Total assets up EUR 3.8 billion to EUR 162.3 billion
- Investments account for 88% of total assets

Significant changes in the asset structure

The EUR 3.8 billion rise in our total assets to EUR 162.3 billion is attributable primarily to the increase in investments for own risk (up EUR 3.1 billion). Non-current assets and assets of disposal groups classified as held for sale moved in the opposite direction (down EUR 0.5 billion).

Changes in investments

High inflation, geopolitical tensions and the consequences of restrictive monetary policy at most central banks significantly slowed global economic momentum in the first half of 2023 but did not tip the global economy into a recession.

The total investment portfolio rose to EUR 142.5 (138.6) billion in mid-2023. Investments for own risk increased by 2.5% to EUR 130.5 (127.4) billion. This rise reflects inflows from premium income and the decline in interest rates for investments with terms of more than ten years. The latter also slightly increased the fair value of our long-term investments.

Investments for the account and risk of life insurance policyholders rose to EUR 12.0 (11.3) billion.

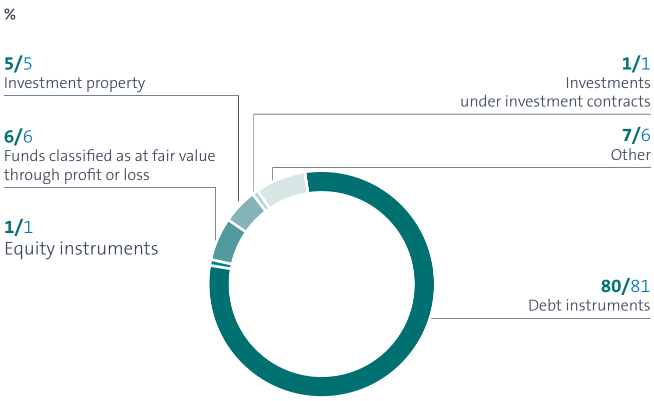
Fixed-income investments were again the most significant asset class in the first half of 2023. Reinvestments were mostly made in this asset class, taking the existing investment structure into account. The asset class contributed EUR 1.7 (1.4) billion to ordinary earnings, with the figure being almost totally reinvested in the reporting period.

A broad-based system designed to limit accumulation risk resulted in a balanced mix of investments.

Our investment activities are bounded by the Group's internal risk model and the individual companies' risk budgets. In accordance with our asset/liability management guidelines and the individual companies' risk-bearing capacity, we continued to optimise and improve the portfolios as part of individual company strategies. As far as matching currency cover is concerned, US dollar-denominated investments continue to account, virtually unchanged, for the largest share of the Talanx Group's foreign currency portfolio, at 21% (21%). Sizeable exposures – amounting to 9% (8%) of total investments – are also held in pound sterling, Polish zloty and Australian dollars. The total share of investments for own risk in foreign currencies was 39% (38%) as at the reporting date.

The equity allocation ratio after derivatives (equity ratio of listed securities) was 1.2% (1.1%) at the end of the six-month period.

INVESTMENT PORTFOLIO



30.06.2023/31.12.2022

BREAKDOWN OF ASSETS FOR OWN RISK BY ASSET CLASS

EUR million	30.06.2023		31.12.2022[1]	
Investment property	6,401	5%	5,971	5%
Shares in affiliated companies and participating interests	945	1%	949	1%
Shares in associates and joint ventures	2,262	2%	2,263	2%
Financial instruments measured at amortised cost	902	1%	857	1%
Financial instruments measured at fair value through other comprehensive income				
Debt instruments	102,450	79%	101,561	80%
Equity instruments	1,394	1%	1,265	1%
Financial instruments at fair value through profit or loss				
Debt instruments	1,220	1%	1,268	1%
Equity instruments	330	0%	311	0%
Derivatives (assets)	527	0%	593	0%
Funds classified as at fair value through profit or loss	8,301	6%	8,223	6%
Short-term investments	3,468	3%	1,897	1%
Investments related to investment contracts	1,895	1%	1,792	1%
infrastructure investments	379	0%	394	0%
Investments for own risk	**130,474**	**100%**	**127,345**	**100%**
Derivatives (liabilities)	385	17%	430	19%
Liabilities related to investment contracts	1,906	83%	1,805	81%
Liabilities related to Investments	**2,291**	**100%**	**2,235**	**100%**

[1] Adjusted in accordance with IFRS 9 and IFRS 17 in conjunction with IAS 8, see also the "Accounting policies" section of the Notes.

Debt instruments

The portfolio of debt instruments was up by EUR 0.9 billion in the first half of the year to total EUR 104.6 (103.7) billion at the end of the six-month period. At 80% (81%) of total investments, this asset class represents the most significant share of our investments for own risk by volume. Debt instruments are divided into the "Financial instruments at amortised cost", "Financial instruments measured at fair value through other comprehensive income" and "Financial instruments measured at fair value through profit or loss" categories. In accordance with the business model, the Group holds only a small portfolio of financial instruments measured at amortised cost.

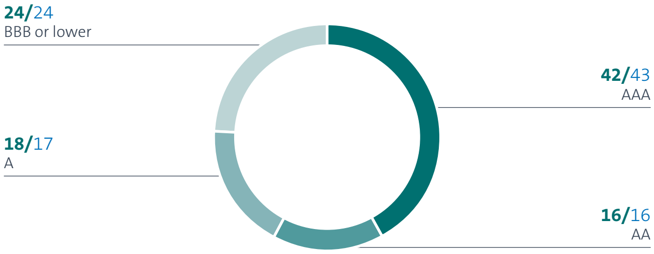
"Financial instruments measured at fair value through OCI" accounted for 98% (98%) of the total portfolio of debt instruments and increased by EUR 0.9 billion to EUR 102.5 (101.6) billion. Government bonds, corporate bonds, German covered bonds (Pfandbriefe) and other similar bonds accounted for the majority of these investments. Valuation reserves recognised in other comprehensive income – i.e. net unrealised gains and losses – came to EUR –14.2 (–15.5) billion. After the sharp rise in interest rates in the prior year, rates declined slightly at the end of the reporting period for EUR and USD, especially for medium and longer-term maturities. This essentially resulted in a decline in unrealised gains for debt securities.

The "Debt instruments measured at fair value through profit or loss" contained primarily corporate bonds. Total holdings in debt instruments in this category amounted to EUR 1.2 (1.3) billion as at the end of the six-month period, or 1% (1%) of total holdings in the debt instrument asset class.

Investments made in debt instruments in the first half of 2023 continued to focus on highly rated government bonds or securities from issuers with a similar credit quality. Holdings of AAA-rated debt instruments amounted to EUR 44.0 (43.4) billion as at the reporting date.

RATING STRUCTURE OF FIXED-INCOME SECURITIES

%



30.06.2023/31.12.2022

The Talanx Group pursues a comparatively conservative investment policy. As a result, 76% (76%) of the debt instruments are rated A or higher. The Group has only a small portfolio of investments in government bonds from countries with a rating lower than A–. On a fair value basis, this portfolio amounts to EUR 4.9 (5.5) billion and therefore corresponds to a share of 3.8% (4.3%) of investments for own risk.

Equities and equity funds

As part of diversification, the Talanx Group also invests in equities and equity funds. As at the end of the reporting period, the size of the equities portfolio rose to around EUR 1.514 (1.383) billion.

The share of "Equities measured at fair value through other comprehensive income" with a portfolio of EUR 1.391 (1.262) billion saw a EUR 62 million increase in net valuation reserves to EUR 104 (42) million. This increase is partially a result of the stock market recovery. These valuation reserves are recognised in equity and cannot be subsequently recycled to the statement of income.

Real estate including shares in real estate funds

The investment property portfolio totalled EUR 6.4 (6.0) billion as at the reporting date. An additional EUR 1.9 (1.9) billion is held in real estate funds, which are reported under financial instruments as "Funds classified as at fair value through profit or loss".

This rise reflects our increasing involvement in this area. Depreciation of EUR 29 (25) million was recognised on investment property in the reporting period. There were no impairment losses.

The Talanx Group's indirect real estate and infrastructure portfolio is designed for the long term and intended to generate future investment income and appreciate value enhancement. The portfolio is globally diversified and focuses on the Europe, North America and Asia regions and covers various asset classes within the real estate and infrastructure sector.

After real estate markets recovered in 2021, they were then affected by geopolitical and monetary policy turbulence last year. Higher interest rates significantly increased both equity and borrowing costs in the last year. This caused the transaction volume on global real estate markets to plummet again after reaching a historic high in 2021. Slight corrections in fair value can be seen within the portfolio. In view of the higher cost of capital, liquidity and credit management is increasingly important for many funds. Fund distributions were thus more cautious in 2022. Transaction markets will remain under pressure in 2023 and further fair value corrections cannot be ruled out. There will likely be attractive entry opportunities in this market phase for funds with the appropriate liquidity. Overall, our portfolio is broadly diversified in terms of sectors, regions and strategy and this resilient approach is also reflected in last year's results. For example, the contribution to earnings was positive both in the indirect real estate and in the indirect infrastructure portfolio despite individual value corrections.

Infrastructure investments

The Talanx Group currently has a total of around EUR 1.3 (1.3) billion invested in infrastructure projects, both directly and indirectly.

Investments in infrastructure projects are a core component of asset management. The infrastructure asset class proved resilient against inflation and current market fluctuations caused by Covid-19 and the war in Ukraine. Values are stable overall essentially because the assets in question address the public's basic needs and so demand is inelastic. Some assets even saw a positive effect in the last few months. For example, renewable energy projects in particular benefited from higher electricity prices, as this allowed them to generate higher income and thus higher profits.

Given the general rise in interest rates, when looking at the asset class in more detail it should also be noted that debt financing returns for infrastructure projects have improved. This is primarily attributable to higher base rates.

At the same time, the projects are a good fit for an insurer's long-term investment horizon. Our affinity for long maturities and our expertise in this area allow us to leverage illiquidity and complexity premiums. As a result, these carefully selected projects offer attractive returns for an acceptable level of risk. At present, our diversified infrastructure portfolio includes, among other things, finance for wind farms and solar farms, power grids, utilities, traffic and transport projects, fibre optic providers and public-private partnership (PPP) projects in Germany and other countries in Europe.

Talanx further expanded its infrastructure portfolio in the first half of 2023, including by adding projects in the areas of the circular economy, hydropower and digital infrastructure. These transactions are also part of the Group's sustainable investment strategy, which complies with ESG guidelines. Direct infrastructure investments are also planned for the future, with a volume per project of between EUR 20 million and EUR 100 million and an investment horizon of five to 30 years. The investments are intended chiefly to support attempts to transition to green energy and public utilities and services in Europe.

Other alternative investments

The Talanx Group has a long-term, broadly diversified private equity portfolio: The portfolio is dispersed worldwide over many sectors and financing phases and has been established and continuously further developed in our Group for decades. The fund portfolio enjoys exclusive market access and generates consistently high income. After increases in value and above-average profit distributions in the prior year, the private equity portfolio consolidated slightly but remained stable, with still significant, albeit lower, distributions. Healthy quality companies in particular are still easy to sell in the current market environment. For other portfolio companies, however, an exit is challenging in the current situation and many private equity managers are choosing to hold these companies in the portfolio for longer. They are generally to be sold only under more favourable general conditions. This tends to result in lower internal rates of return for the investments (with the same multiples). The market environment is still facing high inflation, increased interest rates and high liquidity. We are seeing increasing equity shares due to high financing costs. Transactions and add-on acquisitions by private equity funds were also smaller in the first half of 2023, a preventative measure to reduce financing risks. While realisations are losing momentum at present, private equity managers are taking advantage of declining measurements to make promising new investments. Future development will depend on whether the Fed is successful in bringing about a "soft landing". If this does not materialise and there is a hard landing, we anticipate further headwind for private equity and potentially further devaluations. In the medium and long term, we believe there is potential for further increases in value and expect the Talanx Group's private equity portfolio to make a high contribution to earnings this year too.

Net investment income

CHANGES IN NET INVESTMENT INCOME FOR OWN RISK

EUR million	6M 2023	6M 2022 [1]
Ordinary investment income	2,264	2,097
of which current income from interest	1,652	1,405
of which current income from investment funds	149	219
of which income from real estate	217	205
Realised net gains on disposal of investments	–255	16
Gain/losses from fair value changes	14	–327
Depreciation on and impairment losses/reversals of impairment losses on investments	–37	–58
Other investment expenses	–260	–290
Net investment income for own risk	**1,726**	**1,437**
Net investment income for the account and risk of life insurance policyholders	779	–1,603
Net investment income	**2,506**	**–166**

[1] Adjusted in accordance with IFRS 9 and IFRS 17 in conjunction with IAS 8, see also the "Accounting policies" section of the Notes.

The net investment income for own risk amounted to EUR 1,726 (1,437) million in the first half of the year and was thus higher than the figure in the prior year. The annualised net return on investment for investments for own risk increased to 2.7% (2.1%).

Current income from interest increased by EUR 247 million on the prior year to EUR 1,652 billion. As well as real portfolio growth for our debt instruments, this also reflects higher income from our short-term investments. This rise reflects an inflow of liquidity and the fact that our portfolios are already benefiting from higher interest rates. By contrast, amortisation amounts declined somewhat due to our portfolio of inflation-linked bonds, which contributed EUR 111 (245) million to income and reflected lower inflation expectations. We were able to take advantage of the rise in global interest rates for our new investments and reinvestments, which also shape the average coupon of our bonds. This increased to 2.6%, higher than the average coupon of the prior year's comparable month (2.3%).

Total realised net gains on the disposal of investments in the first half of the year were far lower than the prior-year figure at EUR –255 (16) million. This was the result of realised losses for debt instruments in the Retail Germany – Life segment. In addition, regular portfolio turnover in all segments also contributed to net gains.

Income from fair value changes was slightly positive at the end of the first half of the year at EUR 14 (–327) million. As a result, this contribution to earnings increased by EUR 341 million. EUR 360 million of this rise relates to the Retail Germany – Life segment. The prior year was significantly affected by negative fluctuations in fair value from debt instruments.

Total depreciation and amortisation in the reporting period came to EUR 37 (58) million. EUR 45 (41) million of this related to depreciation on directly held real estate (EUR 29 million) and infrastructure investments (EUR 16 million). Provisions for expected credit losses (ECLs) to be recognised in accordance with IFRS 9 declined by EUR +9 (–16) million through profit or loss.

Net income from **investments for the account and risk of life insurance policyholders**, which is attributable exclusively to policyholders, improved by a substantial EUR 2,382 million to EUR 779 million thanks to positive capital market developments (30 June 2022: EUR –1,603 million). The offsetting item can be found under net insurance financial result with the inverse sign.

Net insurance financial and investment result before currency effects

As well as the EUR 289 million increase in net investment income from investments for own risk to EUR 1,726 (1,437) million, income from unit-linked insurance contracts attributable to policyholders also improved by EUR 2,382 million. Net investment income as a whole thus picked up to EUR 2,506 million (30 June 2022: EUR –166 million). On the other hand, the net insurance financial result before currency effects declined by EUR 2,717 million to EUR –1,745 million (30 June 2022: EUR +972 million). This decrease is attributable to the EUR 236 million increase in expenses from unwinding discounts on insurance obligations due to higher interest rates (EUR –482 million; 30 June 2022: EUR –246 million) and the EUR 2,481 million increase in policyholder participation in the net investment result, including net income from unit-linked life insurance (EUR –1,264 million; 30 June 2022: EUR +1,217 million).

Overall, the net insurance financial and investment result before currency effects thus declined by EUR 46 million to EUR 760 (806) million.

Financial position

Capital structure analysis

- Equity was up on the prior year at EUR 15.1 billion
- Insurance contract liabilities rose by EUR 3.2 billion to EUR 125.8 billion

Significant changes in the capital structure

Overall, net technical provisions (i.e. the balance of assets and liabilities from insurance/reinsurance contracts) rose by 3.2% or EUR 3.6 billion year-on-year to EUR 117.8 (114.2) billion. This increase was the result of the loss and loss adjustment expense reserve (EUR +3.4 billion) and the benefit reserve (EUR +0.2 billion). The contractual service margin rose by EUR 0.8 billion to EUR 10.3 (9.6) billion, while the overall risk adjustment declined by EUR 0.1 billion to EUR 4.8 (4.9 billion). EUR 7.3 (6.6) billion of the contractual service margin can essentially be attributed to the Reinsurance Division and EUR 2.8 (2.6) billion to the Retail Germany Division.

Equity

Changes in equity

Group equity (equity excluding non-controlling interests) increased by EUR 615 million (7.1%) against 31 December 2022. This is partially due to net income, EUR 827 (686) million of which is attributable to our shareholders and which was allocated in full to retained earnings. It was offset by the EUR 507 (405) million dividend payment to the shareholders of Talanx AG in May of the reporting period.

In addition, accumulated other comprehensive income (other reserves) increased by EUR +292 million to EUR –737 million in comparison to 31 December 2022. The change in other reserves essentially reflects the positive change in unrealised gains on investments (up EUR 787 million) and the opposite effect from the change in insurance finance income/expenses from insurance contracts issued (down EUR 566 million). The shift from unrealised losses on investments to unrealised gains is due essentially to the decline in interest in the first six months of the year.

CHANGE IN EQUITY

EUR million	30.06.2023	31.12.2022[1]	Change	+/– %
Subscribed capital	317	317	—	—
Capital reserves	1,394	1,394	—	—
Retained earnings	8,322	7,998	324	4.0
Accumulated other comprehensive income and other reserves	–737	–1,029	292	28.3
Group equity	**9,295**	**8,680**	**615**	**7.1**
Equity attributable to non-controlling interests	5,835	5,692	143	2.5
Total	**15,130**	**14,371**	**759**	**5.3**

[1] Adjusted in accordance with IFRS 9 and IFRS 17 in conjunction with IAS 8, see also the "Accounting policies" section of the Notes.

EQUITY BY DIVISION INCLUDING NON-CONTROLLING INTERESTS

EUR million	30.06.2023	31.12.2022[1]
Division		
Industrial Lines	2,463	2,242
of which non-controlling interests	—	—
Retail Germany	1,670	1,550
of which non-controlling interests	59	56
Retail International	2,880	2,491
of which non-controlling interests	367	323
Reinsurance	10,126	9,919
of which non-controlling interests	5,555	5,469
Corporate Operations	–1,868	–1,689
of which non-controlling interests	—	—
Consolidation	–141	–140
of which non-controlling interests	–146	–156
Total equity	**15,130**	**14,371**
Group equity	9,295	8,680
Non-controlling interests	5,835	5,692

[1] Adjusted in accordance with IFRS 9 and IFRS 17 in conjunction with IAS 8, see also the "Accounting policies" section of the Notes.

Debt analysis

Subordinated liabilities amount to EUR 4.5 (5.0) billion as at the reporting date. Hannover Finance (Luxemburg) S. A. called a EUR 500 million subordinated bond issued in 2012 in the reporting period and repaid it in full.

Further information can be found in the Notes, Note 11 “Subordinated liabilities”.

As at 30 June 2023, the Group had one syndicated variable-rate credit line with a nominal value of EUR 250 million. As in the prior year, this had not been drawn down as at the reporting date.

The Talanx AG bond with an interest rate of 3.125% that matured on 13 February 2023 was repaid in full in the amount of EUR 750 million. Group companies had held bonds with a nominal amount of EUR 185 million.

Further information can be found in the Notes, Note 13 “Notes payable and loans”.

In addition, a cooperation agreement with HDI V. a. G. allows the Group to offer HDI V. a. G. subordinated bonds with a maturity of five years and a volume of up to EUR 750 million on a revolving basis.

Further information can be found in the Notes, “Other disclosures – Related party disclosures”.

Other reports and declarations

Risk report

Risk environment

Our 2022 annual report describes our risk profile and the various types of risk in accordance with German Accounting Standard GAS 20. Risk reporting in this half-yearly financial report focuses on relevant changes to the risk position that have occurred since Talanx's 2022 Group annual report was prepared.

The summary of the overall risk position remains unchanged in this respect; there continues to be no discernible concrete risks that could have a material adverse effect on the Group's assets, liabilities, financial position or financial performance. The Talanx Group has established a functioning, appropriate system of governance and risk management, which is consistently refined and corresponds to demanding quality requirements and standards. We are therefore able to identify our risks in a timely manner, and to manage them effectively.

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

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

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

There are no material changes to the estimates for operational risk.

Material external factors that affect risk management

Major **geopolitical crises** such as the current situation in Ukraine result in uncertainty and greater volatility on capital markets. The resulting economic turbulence can hurt our customers, our subsidiaries and the Group. As well as the war in Ukraine, we are also seeing developments in other regions of the world, in particular the consequences of a potential armed conflict between China and Taiwan.

Risks from the **war in Ukraine** may arise as a result of unforeseeable downstream effects and economic performance. Direct exposure in terms of insurance service result and investments is moderate. The impact on the underwriting risk and investments as a whole is highly dependent on macroeconomic performance and on how business development progresses. For example, there could be declines in premiums and losses from cyber attacks or business interruption in connection with supply chain risks. In relation to claims reserves and the underlying assumptions, uncertainties are increasing due to the discovery of additional claims, the amount and pay-out duration of (known and unknown) claims incurred and the costs of settling these claims. Current developments include legal proceedings regarding leased aircraft that were located in Russia at the time war broke out and have not been returned since. We maintain close contact with both our customers and with intermediaries to stay up to date with important developments.

German GDP was negative for the second time in a row in the first quarter of 2023, putting Germany in a technical recession. Nonetheless, despite ongoing uncertainty the DAX achieved a new high in the second quarter. The eurozone is expected to see slight economic growth this year, although volatility on capital markets is still high.

Moving to **inflation,** public data show that this has already peaked and inflation is declining slightly, albeit still at a high level. One major source of uncertainty is how inflation will develop in the future. There are a plethora of reasons for current high inflation rates, including rising consumer demand after Covid-19 restrictions were eased, higher production costs, supply chain disruption and shortages of raw materials. Despite the complex situation, looking forward we currently expect rates to continue to ease at an elevated level. However, a distinction should be drawn here between the general rise in consumer prices and the claims and cost inflation relevant for reserves, which makes it difficult to determine the downstream effects.

Interest rates and their development are another issue defining the current risk situation. General interest rates have climbed significantly in the last 18 months. As things stand, there are indications that rates could continue to rise only to a limited extent. For example, at its June meeting the Fed left the US prime rate unchanged for the first time after ten interest rate hikes in a row.

Many years of extremely low capital market interest rates, combined with the level of interest guarantees in insurance contracts, are continuing to pose substantial challenges to some areas of life insurance on account of the long-term investment structure.

The considerable rise in interest rates has massively cut the fair values of investments, reducing the coverage of underwriting liabilities in terms of fair value (under German HGB accounting guidelines). However, we assume that shortfalls in the fair values of held-to-maturity financial instruments due exclusively to interest rates will continue to be classified as unproblematic for supervisory purposes. Coverage of underwriting liabilities in terms of carrying amount and fair value is being closely monitored.

The current situation regarding unrealised losses creates lapse risks for life insurers. A rise in lapse rates would result in a risk of potentially having to sell investments that have seen their fair value decline due to higher interest rates in order to finance surrender values. Unrealised losses would be realised as a result. This risk is also closely monitored and managed. Any measures required will be reviewed as needed.

Likewise, political and macroeconomic uncertainty, on both existing core markets and our target and future markets, pose risks to our assets, liabilities, financial position and financial performance. The events in the banking sector in the spring affecting Silicon Valley Bank, Signature Bank and Credit Suisse led to internal ad hoc measures but did not have any direct, noticeable impact on key figures for the Talanx Group.

Natural disaster events in various regions of the world affected the Talanx Group. In the first half of 2023, these primarily included the earthquake in Türkiye at the start of February, flooding at the end of January/start of February, cyclone “Gabrielle“ in New Zealand in mid-February and heavy rain and flood events in Italy in May.

Furthermore, there is uncertainty regarding the development of the legal framework for our business activities in all the countries in which the Group operates. This continues to pose specific legal risks for our German life insurance companies. This also includes tax risks relating to the handling of certain capital investment instruments in the course of company audits as well as the handling in the annual financial statements of the companies in question.

Another specific risk is the political-economic crisis in Italy, as the Group also holds direct investments in Italian securities that could be vulnerable to impairment. The scope and risks of these investments are limited by the internal system of limits and thresholds and by concentration/counterparty limits.

Outlook

Economic environment

The global environment fared relatively well in an environment of high inflation, the resulting loss of purchasing power and sharp hikes in interest rates in the first half of 2023. Nevertheless, concerns of an imminent recession have not been allayed. The consequences of restrictive monetary policy are having a delayed effect, lending is stalling, the war in Ukraine is continuing and there are only a few signs that geopolitical tensions, for example between China and the US, are easing. Last but not least, concerns about new waves of the pandemic and the restrictions on public life that these would entail, as well as energy shortages this winter, should not be dismissed.

We expect the US economy to slow down significantly in the next few quarters, although it should avoid a severe recession thanks to the robust labour market and companies' hesitancy in letting go of staff. In light of this, the eurozone will likely struggle to generate above-average growth. With extensive post-Covid fiscal support gradually being reduced and rising energy prices in Europe hurting industry, we expect only a very cautious economic recovery.

While further developments in China are highly dependent on whether and to what extent the government props up the economy, we anticipate higher growth momentum in emerging markets. Nonetheless, there will likely be regional differences here as a result of factors including, in particular, dependency on raw materials and geographical and trade proximity to the war zone in Ukraine.

Capital markets

The end of extremely expansive monetary policy at many central banks around the world will likely continue to ensure that greater growth and inflation volatility is felt on international capital markets in the second half of the year in the form of higher fluctuation. However, we assume that the changing monetary policy environment is already largely priced in on bond markets. Instead, in the next few months markets will likely begin to gradually price in initial interest rate cuts by the ECB and the Fed next year. In terms of stock markets, we are cautiously optimistic about the next few quarters, although setbacks – for example due to disappointing corporate profit performance – cannot be ruled out after the rally in the first half of the year.

We are making the following assumptions:

- moderate global economic growth
- inflation still high
- end of cycle of interest rate hikes
- no sudden upheavals on the capital markets
- no exchange rate shocks
- no significant fiscal or regulatory changes
- no extraordinarily high number of large losses
- no escalation of geopolitical tension

Anticipated financial development of the Group

At the half-year point, we issue forecasts for the Talanx Group and its divisions for the key figures the Group uses to manage its business.

Talanx Group

MANAGEMENT METRICS

EUR billion	Outlook for 2023 on the basis of 6M 2023	Outlook for 2023 on the basis of Q1 2023	Forecast for 2023 from the 2022 Annual Report
Insurance revenue (adjusted for currency effects)	> 42	~ 42	~ 42
Group net income	> 1.4	~ 1.4	~ 1.4
Return on equity in %	> 10	> 10	> 10

Our outlook for 2023 in the 2022 annual report anticipated insurance revenue of around EUR 42 billion. Insurance revenue is expected to increase to more than EUR 42 billion in 2023 compared to 2022 levels. The Talanx Group is confident to exceed Group net income of around EUR 1,400 million thanks to good business performance in the first half of the year. Return on equity will be well over 10% as announced in the first quarter of 2023.

Industrial Lines

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%	Outlook for 2023 on the basis of 6M 2023	Outlook for 2023 on the basis of Q1 2023	Forecast for 2023 from the 2022 Annual Report
Growth of insurance revenue (adjusted for currency effects)	high single-digit percentage	high single-digit percentage	high single-digit percentage
Combined ratio	< 96	< 96	< 96
Return on equity	> 9	> 9	> 9

Retail Germany

Property/Casualty Insurance

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY INSURANCE SEGMENT

%	Outlook for 2023 on the basis of 6M 2023	Outlook for 2023 on the basis of Q1 2023	Forecast for 2023 from the 2022 Annual Report
Growth of insurance revenue	medium single-digit percentage	medium single-digit percentage	medium single-digit percentage
Combined ratio	~ 97	~ 97	~ 97

Life insurance

MANAGEMENT METRICS FOR THE LIFE INSURANCE SEGMENT

%	Outlook for 2023 on the basis of 6M 2023	Outlook for 2023 on the basis of Q1 2023	Forecast for 2023 from the 2022 Annual Report
Growth of insurance revenue	low single-digit percentage decline	high single-digit percentage	high single-digit percentage
New business value in EUR million	> 300	> 300	> 300

In our outlook for 2023 in the 2022 annual report, we had anticipated high single-digit percentage growth in insurance revenue in the Life Insurance segment. For our Life Insurance segment, we now expect insurance revenue to decline by a low single-digit percentage figure. This is due primarily to reduced single premiums as a result of alternative investment products at higher interest rates.

Retail Germany as a whole

MANAGEMENT METRIC FOR THE RETAIL GERMANY DIVISION AS A WHOLE

%	Outlook for 2023 on the basis of 6M 2023	Outlook for 2023 on the basis of Q1 2023	Forecast for 2023 from the 2022 Annual Report
Return on equity	> 9	> 9	> 9

Retail International

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

%	Outlook for 2023 on the basis of 6M 2023	Outlook for 2023 on the basis of Q1 2023	Forecast for 2023 from the 2022 Annual Report
Growth of insurance revenue (adjusted for currency effects, property/casualty insurance)	low double-digit growth	low double-digit growth	low double-digit growth
Combined ratio (property/casualty insurance)	< 95	< 95	< 95
Growth of insurance revenue (adjusted for currency effects, life insurance)	low double-digit growth	medium single-digit percentage	medium single-digit percentage
Return on equity	~ 8.5	~ 8.5	~ 8.5

Our outlook for 2023 in the 2022 annual report anticipated medium single-digit percentage growth in insurance revenue in life insurance of our Retail International Division. For our Retail International Division, we now expect insurance revenue in life insurance to see low double-digit percentage growth as a result of the acquisition of the Turkish company Fiba Emeklilik ve Hayat A.Ş.

Reinsurance

Property/Casualty Reinsurance

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%	Outlook for 2023 on the basis of 6M 2023	Outlook for 2023 on the basis of Q1 2023	Forecast for 2023 from the 2022 Annual Report
Growth of insurance revenue (adjusted for currency effects)	moderate growth	moderate growth	moderate growth
Operating profit/loss (EBIT) in EUR billion	≥ 1.6	1.6	1.6

In our outlook for 2023 in the 2022 annual report, we had expected EBIT of around EUR 1.6 billion in the Property/Casualty Insurance segment. For our Property/Casualty Insurance segment, we now anticipate EBIT of at least EUR 1.6 billion.

Life/Health Reinsurance

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

%	Outlook for 2023 on the basis of 6M 2023	Outlook for 2023 on the basis of Q1 2023	Forecast for 2023 from the 2022 Annual Report
Growth of insurance revenue (adjusted for currency effects)	moderate growth	moderate growth	moderate growth
Operating profit/loss (EBIT) in EUR million	≥ 750	750	750

In our outlook for 2023 in the 2022 annual report, we had expected EBIT of around EUR 750 million in the Life/Health Reinsurance segment. We now anticipate EBIT here of at least EUR 750 million.

Reinsurance Division as a whole

MANAGEMENT METRICS FOR THE REINSURANCE DIVISION AS A WHOLE

%	Outlook for 2023 on the basis of 6M 2023	Outlook for 2023 on the basis of Q1 2023	Forecast for 2023 from the 2022 Annual Report
Growth of insurance revenue (adjusted for currency effects)	≥ 5% for Property/Casualty and Life/Health Reinsurance as a whole	≥ 5% for Property/Casualty and Life/Health Reinsurance as a whole	≥ 5% for Property/Casualty and Life/Health Reinsurance as a whole
Return on equity [1]	above minimum target	above minimum target	above minimum target

[1] 1,000 basis points above the five-year average for ten-year German government bonds.

Assessment of future opportunities and challenges

Opportunities have not changed significantly compared with the 2022 reporting period. For further information, please refer to Talanx's 2022 Group Annual Report.

Interim consolidated financial statements

Consolidated balance sheet

as at 30 June 2023

CONSOLIDATED BALANCE SHEET – ASSETS

EUR million	Notes		30.06.2023	31.12.2022[1]	01.01.2022[1]
A. Intangible assets	1				
a. Goodwill		1,057		1,020	1,028
b. Other intangible assets		602		452	456
			1,659	**1,472**	**1,484**
B. Insurance contract assets	12		1,244	1,444	1,505
C. Reinsurance contract assets	2		7,213	7,492	7,429
D. Investments					
a. Investment property	3	6,401		5,971	5,443
b. Shares in affiliated companies, associated companies, joint ventures and participating interests		3,207		3,212	846
c. Other financial instruments					
i. Financial instruments measured at amortised cost	4/8	902		857	589
ii. Financial instruments measured at fair value through other comprehensive income	5/8/9	103,844		102,826	118,955
iii. Financial instruments measured at fair value through profit or loss	6/9	15,741		14,084	15,552
f. Other investments	7	379		394	423
Investments for own risk		**130,474**		**127,345**	**141,809**
E. Investments for the account and risk of life insurance policyholders		11,995		11,266	12,991
Investments			**142,469**	**138,611**	**154,800**
F. Cash at banks, cheques and cash-in-hand			3,438	3,592	4,001
G. Deferred tax assets			1,146	1,205	1,303
H. Other assets			5,113	4,110	3,412
I. Non-current assets and assets of disposal groups classified as held for sale[2]			27	534	608
Total assets			**162,309**	**158,460**	**174,543**

[1] Adjusted in accordance with IFRS 9 and IFRS 17 in conjunction with IAS 8, see also the "Accounting policies" section of the Notes.
[2] For further information, see the "Non-current assets and disposal groups held for sale" section of these Notes.

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

EUR million	Notes	30.06.2023		31.12.2022[1]	01.01.2022[1]
A. Equity	10				
a. Subscribed capital[2]		317		317	316
b. Reserves		8,979		8,363	8,329
Equity excluding non-controlling interests		**9,295**		**8,680**	**8,645**
c. Non-controlling interests in equity		5,835		5,692	6,397
Total equity			**15,130**	**14,371**	**15,042**
B. Subordinated liabilities	11		4,509	5,009	4,761
C. Insurance contract liabilities	12		125,795	122,547	139,878
D. Reinsurance contract liabilities			482	564	697
E. Other provisions					
a. Provisions for pensions and other post-employment benefits		1,642		1,678	2,200
b. Provisions for taxes		598		541	492
c. Miscellaneous other provisions		858		873	939
			3,098	**3,092**	**3,631**
F. Liabilities					
a. Notes payable and loans	13	3,436		4,058	2,432
b. Other liabilities	9	7,348		6,072	5,015
			10,784	**10,130**	**7,447**
G. Deferred tax liabilities			2,472	2,296	2,464
H. Liabilities included in disposal groups classified as held for sale[3]			40	450	622
Total liabilities/provisions			**147,179**	**144,089**	**159,501**
Total equity and liabilities			**162,309**	**158,460**	**174,543**

[1] Adjusted in accordance with IFRS 9 and IFRS 17 in conjunction with IAS 8, see also the "Accounting policies" section of the Notes.
[2] The nominal amount is EUR 317 (317) million; the contingent capital is EUR 158 (158) million.
[3] For further information, see the "Non-current assets and disposal groups held for sale" section of the Notes.

Consolidated statement of income

for the period from 1 January to 30 June 2023

CONSOLIDATED STATEMENT OF INCOME

EUR million	Notes			6M 2023	6M 2022[1]
1. Insurance revenue	14		20,862		19,159
2. Insurance service expenses			–17,896		–17,468
3. Net income or expense from reinsurance contracts held			–1,338		–398
Insurance service result				**1,627**	**1,293**
4. a. Investment income for own risk		2,676			3,087
b. Investment expenses for own risk		–950			–1,650
Net investment income for own risk	**15/16**	**1,726**			**1,437**
of which impairments and reversals of impairments on financial instruments		9			–16
of which share of profit or loss of equity-accounted associates and joint ventures		20			13
4. c. Investment income for the account and risk of life insurance policyholders		827			210
d. Investment expenses for the account and risk of life insurance policyholders		–48			–1,813
Net investment income for the account and risk of life insurance policyholders		**779**			**–1,603**
Net investment income			**2,506**		**–166**
5. a. Insurance finance income and expenses from insurance contracts issued (including currency effects)		–1,532			–762
b. Insurance finance income and expenses from reinsurance contracts held (including currency effects)		19			480
Net insurance financial result	**17**	**–1,513**			**–282**
Correction for currency result from net insurance financial result[2]		–232			1,254
Net insurance financial result before currency effects[2]			**–1,745**		**972**
Net insurance financial and investment result before currency effects				**760**	**806**
6. a. Currency result on investments			–210		1,262
b. Currency result on net insurance financial result[2]			232		–1,254
c. Other currency result			14		–40
Net currency result				**36**	**–32**
7. a. Other income			247		373
b. Other expenses			–713		–937
Other income/expenses	**18**			**–466**	**–565**
Profit before goodwill impairments				**1,957**	**1,502**
8. Goodwill impairments				—	—
Operating profit/loss (EBIT)				**1,957**	**1,502**
9. Financing costs				–120	–88
10. Taxes on income				–450	–241
Net income				**1,388**	**1,173**
of which attributable to non-controlling interests				561	488
of which attributable to shareholders of Talanx AG				827	686
Earnings per share					
Basic earnings per share (EUR)				3.26	2.71
Diluted earnings per share (EUR)				3.26	2.71

[1] Adjusted in accordance with IFRS 9 and IFRS 17 in conjunction with IAS 8, see also the "Accounting policies" section of the Notes.
[2] To illustrate the currency matching of technical liabilities by investments, the currency effects are first eliminated from the net insurance financial result as defined by IFRS17 and then shown in the currency result.

Consolidated statement of comprehensive income

for the period from 1 January to 30 June 2023

EUR million	6M 2023	6M 2022[1]
Net income	**1,388**	**1,173**
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on pension provisions		
Gains (losses) for the period recognised in other comprehensive income	16	531
Tax income (expense)	–8	–166
	8	**365**
Unrealised gains and losses on investments (equity instruments)		
Gains (losses) for the period recognised in other comprehensive income	68	–152
Tax income (expense)	–18	37
	50	**–115**
Exchange differences on translating foreign operations		
Gains (losses) for the period recognised in other comprehensive income	–4	2
Tax income (expense)	—	—
	–3	**2**
Total items that will not be reclassified to profit or loss, net of tax	**55**	**253**
Items that may be reclassified subsequently to profit or loss		
Unrealised gains and losses on investments (debt instruments)		
Gains (losses) for the period recognised in other comprehensive income	1,071	–17,168
Reclassified to profit or loss	219	114
Tax income (expense)	–331	4,919
	959	**–12,135**
Insurance finance income or expenses from insurance contracts issued		
Gains (losses) for the period recognised in other comprehensive income	–974	16,215
Reclassified to profit or loss	—	—
Tax income (expense)	257	–5,183
	–717	**11,032**
Insurance finance income or expenses from reinsurance contracts held		
Gains (losses) for the period recognised in other comprehensive income	19	–210
Reclassified to profit or loss	—	—
Tax income (expense)	26	286
	45	**76**
Exchange differences on translating foreign operations		
Gains (losses) for the period recognised in other comprehensive income	–82	775
Reclassified to profit or loss	–1	3
Tax income (expense)	63	–58
	–20	**719**
Changes from cash flow hedges		
Gains (losses) for the period recognised in other comprehensive income	20	–222
Reclassified to profit or loss	–17	–11
Tax income (expense)	–1	73
	2	**–160**
Changes from equity method measurement		
Gains (losses) for the period recognised in other comprehensive income	–13	11
Reclassified to profit or loss	—	—
Tax income (expense)	—	—
	–13	**11**
Other changes		
Gains (losses) for the period recognised in other comprehensive income	—	–6
Reclassified to profit or loss	—	—
Tax income (expense)	—	—
	—	**–6**
Total items that may be reclassified subsequently to profit or loss, net of tax	**256**	**–462**
Other comprehensive income for the period, net of tax	**310**	**–210**
Total comprehensive income for the period	**1,698**	**964**
of which attributable to non-controlling interests	580	87
of which attributable to shareholders of Talanx AG	1,118	877

[1] Adjusted in accordance with IFRS 9 and IFRS 17 in conjunction with IAS 8, see also the "Accounting policies" section of the Notes.

Consolidated statement of changes in equity

EUR million	Subscribed capital	Capital reserves	Retained earnings	Unrealised gains and losses on investments
2023				
Balance at 01.01.2023	**317**	**1,394**	**7,998**	**–8,583**
Changes in ownership interest without a change in control	—	—	–1	—
Other changes in basis of consolidation	—	—	—	—
Net income	—	—	827	—
Other comprehensive income	**—**	**—**	**—**	**787**
of which not eligible for reclassification	**—**	**—**	**—**	**44**
of which actuarial gains or losses on pension provision	—	—	—	—
of which currency translation	—	—	—	—
of which unrealised gains and losses on investments (equity instruments)	—	—	—	44
of which eligible for reclassification	**—**	**—**	**—**	**743**
of which unrealised gains and losses on investments (debt instruments)	—	—	—	743
of which finance gains and losses on insurance contracts issued	—	—	—	—
of which finance gains and losses on reinsurance contracts held	—	—	—	—
of which currency translation	—	—	—	—
of which change from cash flow hedges	—	—	—	—
of which change from equity method measurement	—	—	—	—
of which other changes	—	—	—	—
Total comprehensive income	**—**	**—**	**827**	**787**
Capital increases	—	—	—	—
Dividends to shareholders	—	—	–507	—
Other changes outside profit or loss	—	—	4	—
Balance at 30.06.2023	**317**	**1,394**	**8,322**	**–7,796**
2022				
Balance at 31.12.2021 (as reported)	**316**	**1,385**	**8,709**	**3,906**
IFRS 9 Adjustments	—	—	816	1,388
IFRS 17 Adjustments	—	—	–3,185	—
Other Adjustments[1]	—	—	1,273	–1,307
Balance at 01.01.2022 (adjusted)	**316**	**1,385**	**7,612**	**3,987**
Changes in ownership interest without a change in control	—	—	–7	2
Net income	—	—	686	—
Other comprehensive income	**—**	**—**	**—**	**–9,719**
of which not eligible for reclassification	**—**	**—**	**—**	**–106**
of which actuarial gains or losses on pension provision	—	—	—	—
of which currency translation	—	—	—	—
of which unrealised gains and losses on investments (equity instruments)	—	—	—	–106
of which eligible for reclassification	**—**	**—**	**—**	**–9,613**
of which unrealised gains and losses on investments (debt instruments)	—	—	—	–9,613
of which finance gains and losses on insurance contracts issued	—	—	—	—
of which finance gains and losses on reinsurance contracts held	—	—	—	—
of which currency translation	—	—	—	—
of which change from cash flow hedges	—	—	—	—
of which change from equity method measurement	—	—	—	—
of which other changes	—	—	—	—
Total comprehensive income	**—**	**—**	**686**	**–9,719**
Dividends to shareholders	—	—	–405	—
Other changes outside profit or loss	—	—	1	—
Balance at 30.06.2022	**316**	**1,385**	**7,887**	**–5,730**

[1] "Other" transition effect also includes deferred taxes relating to the IFRS 9 transition effect (EUR -1,271 million) and the IFRS 17 effect (EUR 2,044 million), as it was not reasonably possible to precisely allocate between the shareholders' portion and minority interests at Group level.

Other reserves							
Insurance finance income/expenses from insurance contracts issued	Insurance finance income/expenses from reinsurance contracts held	Currency translation gains/losses	Other changes in Equity	Measurement gains/ losses on cash flow hedges	Equity attributable to shareholders of Talanx AG	Equity attributable to non-controlling interests	Total equity
8,412	**−11**	**−307**	**−438**	**−102**	**8,680**	**5,692**	**14,371**
—	—	—	—	—	−1	—	—
—	—	—	—	—	—	−10	−10
—	—	—	—	—	827	561	1,388
−566	**22**	**45**	**—**	**4**	**292**	**19**	**311**
—	**—**	**−3**	**7**	**—**	**48**	**6**	**55**
—	—	—	7	—	7	1	8
—	—	−3	—	—	−3	—	−3
—	—	—	—	—	44	6	50
−566	**22**	**48**	**−7**	**4**	**244**	**13**	**256**
—	—	—	—	—	743	216	959
−566	—	—	—	—	−566	−151	−717
—	22	—	—	—	22	23	45
—	—	48	—	—	48	−68	−20
—	—	—	—	4	4	−2	2
—	—	—	−7	—	−7	−6	−13
—	—	—	—	—	—	—	—
−566	**22**	**45**	**—**	**4**	**1,119**	**580**	**1,698**
—	—	—	—	—	—	1	1
—	—	—	—	—	−507	−429	−935
—	—	—	—	—	4	1	5
7,846	**11**	**−262**	**−438**	**−98**	**9,295**	**5,835**	**15,130**
—	**—**	**−380**	**−3,278**	**118**	**10,776**	**7,169**	**17,945**
—	—	—	—	—	2,204	419	2,622
−5,162	−27	—	2,555	—	−5,820	−1,277	−7,097
1,602	−16	−28	−3	−35	1,486	86	1,571
−3,560	**−43**	**−409**	**−726**	**82**	**8,645**	**6,397**	**15,042**
—	—	2	—	—	−4	49	45
—	—	—	—	—	686	488	1,173
9,341	**22**	**353**	**345**	**−151**	**191**	**−401**	**−210**
—	**—**	**2**	**340**	**—**	**236**	**16**	**253**
—	—	—	340	—	340	25	365
—	—	2	—	—	2	—	2
—	—	—	—	—	−106	−9	−115
9,341	**22**	**350**	**5**	**−151**	**−45**	**−417**	**−462**
—	—	—	—	—	−9,613	−2,522	−12,135
9,341	—	—	—	—	9,341	1,691	11,032
—	22	—	—	—	22	54	76
—	—	350	—	—	350	369	719
—	—	—	—	−151	−151	−9	−160
—	—	—	11	—	11	—	11
—	—	—	−6	—	−6	—	−6
9,341	**22**	**353**	**345**	**−151**	**877**	**87**	**964**
—	—	—	—	—	−405	−400	−805
—	—	—	—	—	1	—	1
5,781	**−21**	**−54**	**−381**	**−69**	**9,114**	**6,132**	**15,247**

Consolidated cash flow statement

for the period from 1 January to 30 June 2023

EUR million	6M 2023	6M 2022[5]
I. 1. Net income	1,388	1,173
I. 2. Changes in insurance contracts issued	4,006	−15,390
I. 3. Changes in reinsurance contracts held	118	73
I. 4. Changes in other receivables and liabilities	243	−289
I. 5. Other non-cash expenses and income (including income tax expense/income)	−1,288	18,088
I. Cash flows from operating activities[1, 2]	**4,468**	**3,655**
II. 1. Cash outflows for the purchase of real estate	−240	−292
II. 2. Cash inflows from the sale of real estate	37	8
II. 3. Cash outflows for the purchase of unconsolidated companies	−5	−40
II. 4. Cash inflows from the sale of unconsolidated companies	1	8
II. 5. Cash outflows for the purchase of consolidated companies	−131	—
II. 6. Cash inflows from the sale of consolidated companies	62	21
II. 7. Cash outflows for the purchase of investments measured at amortised cost	−114	−111
II. 8. Cash inflows from the sale of investments measured at amortised cost	65	19
II. 9. Cash outflows for the purchase of investments measured at fair value through other comprehensive income	−18,085	−14,988
II. 10. Cash inflows from the sale of investments measured at fair value through other comprehensive income	17,631	12,767
II. 11. Cash outflows for the purchase of investments measured at fair value through profit or loss	−1,826	−2,953
II. 12. Cash inflows from the sale of investments measured at fair value through profit or loss	1,736	2,770
II. 13. Changes in short-term investments	−1,226	−279
II. 14. Cash outflows for the purchase of other investments	−6,630	−2,109
II. 15. Cash inflows from the sale of other investments	6,528	2,778
II. 16. Other changes	−129	5
II. Cash flows from investing activities	**−2,327**	**−2,395**
III. 1. Proceeds from long-term liabilities	66	100
III. 2. Repayments of long-term liabilities	−1,439	−784
III. 3. Cash inflows from capital increases	1	—
III. 4. Cash outflows from capital reductions	—	—
III. 5. Changes in ownership interests in a subsidiary that do not result in a loss of control	—	—
III. 6. Dividends paid	−935	−805
III. 7. Net changes attributable to other financing activities	—	—
III. Cash flows from financing activities[2]	**−2,308**	**−1,490**
Net change in cash and cash equivalents (I. + II. + III.)	**−167**	**−230**
Cash and cash equivalents at the start of the reporting period	**3,596**	**4,001**
Effect of exchange rate changes on cash and cash equivalents	**8**	**111**
Effect of changes in the basis of consolidation on cash and cash equivalents[3]	**—**	**1**
Cash and cash equivalents at the end of the reporting period[4]	**3,438**	**3,882**

[1] EUR 202 (160) million of "income taxes paid", EUR 154 (241) million of "dividends received" and EUR 1.923 (1.730) million of "interest received" are allocated to the "Cash flows from operating activities" item. Dividends received also include quasi-dividend profit-sharing payments from investment funds and private equity firms.
[2] EUR 74 (131) million of the "interest paid" is attributable to "Cash flows from financing activities" and EUR 175 (152) million to "Cash flows from operating activities".
[3] This item relates primarily to changes in the basis of consolidation other than disposals and acquisitions.
[4] The "Cash and cash equivalents at the end of the reporting period" item includes EUR 0 (1) million in cash and cash equivalents held by recognised disposal groups as at the reporting date.
[5] Adjusted in accordance with IFRS 9 and IFRS 17 in conjunction with IAS 8, see also the "Accounting policies" section of the Notes.

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

Notes and disclosures

Basis of preparation and application of IFRSs

General information

The consolidated half-yearly financial report as at 30 June 2023 was prepared in accordance with IAS 34 and with the International Financial Reporting Standards (IFRSs) applicable to interim reporting, as adopted by the European Union.

The accounting policies applied are the same as in the previous consolidated financial statements and the associated interim reporting period, with the exception of the initial application of new and amended standards as explained below and in our disclosures in the "Accounting policies" section. In particular, major changes have resulted from the initial application of IFRS 9 and IFRS 17.

The consolidated financial statements were prepared in euros (EUR). The amounts shown have been rounded to millions of euros (EUR million), unless figures in thousands of euros (EUR thousand) are required for reasons of transparency. Rounding differences may occur in the tables presented in this report. Amounts in brackets refer to the previous year.

Application of new and revised standards/interpretations

The Group applied the following revised IFRS regulations as at 1 January 2023:

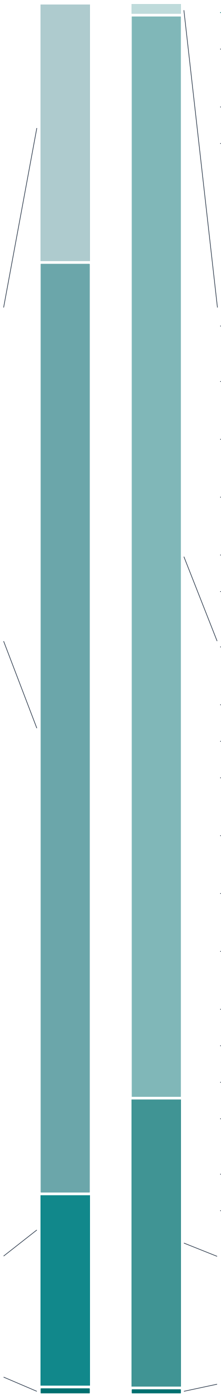
IFRS 9 "Financial Instruments", which was published on 24 July 2014, supersedes the existing guidance in IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 contains revised guidance for the classification and measurement of financial instruments, including a new expected credit loss model for impairing financial assets and new general hedge accounting requirements. As from the date of initial application, a distinction is made when classifying financial assets between equity and debt instruments; in the case of the latter, this is based on the business models used to manage the asset and on the contractual cash flows. If the cash flows are solely payments of principal and interest ("SPPI test"), debt instruments are measured at amortised cost (AC), at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVPL), depending on the business model concerned. Equity instruments and derivatives are measured at fair value through profit or loss. In addition, the standard has taken over the existing IAS 39 rules on the recognition and derecognition of financial instruments. IFRS 9 is effective for financial years beginning on or after 1 January 2018, but will not be applied by the Talanx Group until financial years from 1 January 2023 – taking into account all adjustments made to the Standard by that date – on account of the amendments to IFRS 4 "Application of IFRS 9 and IFRS 4" – which allow certain insurance companies to postpone the obligatory application of IFRS 9. The option existed for companies that are active primarily in the insurance business to apply the temporary exemption from IFRS 9. Please see the information in the "Accounting policies" section of these Notes for specific details of the new recognition, disclosure and measurement requirements, including the new impairment provisions.

Whereas the retrospective application of IFRS 17 (see below) requires comparative figures to be prepared for the 2022 financial year, this does not apply to the initial application of IFRS 9. However, the Group has decided to exercise the option set out in IFRS 9.7.2.15 and to restate the 2022 financial year in the same way as for IFRS 17. The IASB also introduced a transition option for comparative information on financial assets in the amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information", which it issued in December 2021. Contrary to the rules originally set out in IFRS 9, this amendment to IFRS 17 allows first-time adopters to present financial assets in the 2022 comparative period as if the classification and measurement requirements set out in IFRS 9 had also been applied to financial assets that were derecognised in 2022 (classification overlay). The Group has applied this approach, including the IFRS 9 provisions governing impairment, consistently to all eligible financial instruments. EU endorsement for this amendment was granted in September 2022.

The information relevant for the transition to the new IFRS 9 accounting requirements (transitional accounting treatment) including the impact of these requirements on the consolidated financial statements, is given below. The following table provides a reconciliation of the carrying amounts of the financial instruments under IAS 39 to the carrying amounts of the opening balance as at 1 January 2022 under IFRS 9. The changes in value are based entirely on the application of the new measurement criteria. In the opening balance as at 1 January 2022, the initial application of IFRS 9 increased equity compared to the presentation in the 2021 Annual Report by a total of EUR 2.6 billion (before taxes), due largely to the realisation of hidden reserves on securities that had previously been measured at amortised cost.

RECONCILIATION OF MEASUREMENT CATEGORIES

	IAS 39
AC	
Loans and receivables	25,737
Held-to-maturity financial instruments	356
Other investments	619
Investments under investment contracts	3
Other assets – interest and rent due	22
Miscellaneous other assets	774
	27,511
FVOCI	
Available-for-sale financial instruments	92,634
Available-for-sale financial instruments (variable-yield securities)	3,765
Other investments	5,765
	102,164
FVPL	
Shares in affiliated companies and participating interests	511
Investments under investment contracts	1,454
Fixed-income securities at FVPL	541
Trading portfolios and variable-income securities at FVPL (not including derivatives)	215
Derivatives (including other assets)	352
Investments for the account and risk of life insurance policyholders	13,687
Other investments	14
Cash at banks, cheques and cash-in-hand	4,002
	20,776
Equity-accounted	
Equity-accounted associates under IAS 28	504
	504



IFRS 9	
	AC
589	Debt instruments held under the “held to collect” business model
782	Miscellaneous other assets
1,371	
	FVOCI
117,920	Debt instruments held under the “held to collect and sell” business model
349	Shares in affiliated companies and (strategic) investments designated at FVOCI without recycling
1,036	Other equity instruments designated at FVOCI without recycling
119,305	
	FVPL
158	Shares in affiliated undertakings and participating interests (financial investments)
1,910	Investments under investment contracts
324	Equity instruments
9,883	Investment funds
2,136	Debt instruments held under the “held to sell” and “other” business models
325	Derivatives (including other assets)
12,991	Investments for the account and risk of life insurance policyholders
976	Short-term investments
4,001	Cash at banks, cheques and cash-in-hand
32,704	
	Equity-accounted
424	Equity-accounted associates under IAS 28
424	

The following effects resulted from the change in financial instrument accounting as at the transition date of 1 January 2022:

Given the nature of the insurance business, the majority of our debt instruments portfolio is allocated to the "held to collect and sell" business model. As a result, these financial instruments are measured at fair value through other comprehensive income in the Group. This increased the holdings of financial instruments measured at fair value through other comprehensive income reported in the opening balance as at 1 January 2022 to EUR 119,305 (IAS 39: 102,164) million. These holdings include equity instruments of just over EUR 1,385 million, which the Talanx Group has opted to measure at fair value through other comprehensive income with no subsequent recognition through profit or loss on disposal. The reclassification of financial instruments of EUR 332 million that were recognised at fair value through profit or loss under IAS 39 to at fair value through other comprehensive income led to unrealised gains and losses of EUR 6 million being recognised in other comprehensive income (previously these were included in retained earnings).

Financial instruments for investment and receivables allocated to other assets are only assigned to the "held to collect" business model in exceptional cases. This led to a clear drop in the holdings of financial instruments measured at amortised cost to EUR 1,371 (IAS 39: 27,511) million. No major reclassifications of financial instruments that had been measured at fair value under IAS 39 to the "held to collect" business model were made.

The new IFRS 9 classification rules also mean that substantially more financial instruments are now measured at fair value through profit or loss. As at 1 January 2022, the Group reported financial instruments totalling EUR 32,704 million at fair value through profit or loss; under IAS 39, these holdings had amounted to EUR 20,766 million. A large part of this increase was attributable to funds classified as at fair value through profit or loss (such as private equity funds, infrastructure funds and bond funds) and debt instruments that do not pass the SPPI test. This can result in more volatile net income in future financial years. Initial application of IFRS 9 led to an option to redesignate assets and liabilities at fair value through profit or loss. The Group only exercised this option for liabilities relating to investment contracts of EUR 15 million. The measurement at fair value through profit or loss of equity instruments that were previously measured at amortised cost led to EUR 11 million being recognised in retained earnings on initial application of IFRS 9. In addition, initial application of IFRS 9 led to a retrospective adjustment of the carrying amounts of the investments at our equity-accounted associates.

The application of the new impairment model for debt instruments measured at amortised cost or at fair value through other comprehensive income also had an effect. IFRS 9 prescribes an expected loss model for recognising impairments under which – in contrast to the previous incurred loss model under IAS 39 – expected losses must be anticipated and expensed before they occur. A loss allowance of approximately EUR 143 million was recognised for the first time in the opening balance as at 1 January 2022 (reduction in retained earnings). Previously, under IAS 39, impairment losses on debt instruments of EUR 17 million had been included in measurement. Please see Note 9 for further information.

Hedge accounting under IFRS 9 is more closely aligned with corporate risk management than was previously the case under IAS 39; there were no material effects on existing hedges.

IFRS 17 was issued by the IASB on 18 May 2017 and replaced IFRS 4 as at 1 January 2023. **IFRS 17 "Insurance Contracts"** introduces for the first time uniform requirements for the recognition, measurement and presentation in the Notes of information on insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. The announcement of Commission Regulation (EU) 2021/2036 transposed IFRS 17, including the amendments made in June 2020, into EU law; this version is applicable at the latest to financial years beginning on or after 1 January 2023. At the same time, however, the Regulation set out an optional exception that is valid only in the EU and that allows companies to apply an elective exemption from the annual cohort requirement for contracts with a participation feature – a common feature in Germany and a number of other EU states. The Talanx Group has not utilised this option but has applied the IASB version of IFRS 17 for the financial year starting on 1 January 2023. The most important changes in the standard relate to the presentation of underwriting operations in the balance sheet and the statement of income, the discounting of loss reserves, greater transparency with respect to loss-making portfolios and the introduction of the risk adjustment for non-financial risks. IFRS 17 lists three valuation models that reflect different degrees of policyholder involvement in the investment result or in the company's success. These are the general measurement model (GMM), the variable fee approach (VFA) and the premium allocation approach (PAA). Please see the disclosures in the "Accounting policies" section for details of the accounting for insurance contracts.

Information on the transitional accounting treatment as at 1 January 2022 and on the material effects of the transition to IFRS 17 is given below.

One key difference in the presentation of the statement of income under IFRS 17 compared to under IFRS 4 relates to the allocation of income from insurance contracts to the periods in which it is earned, especially in the case of multi-year contracts. Under IFRS 4, the gross premiums earned and technical expenses incurred during the period were the core elements of presentation in the statement of income. Under IFRS 17, the net income for a specific period is collected in the case of the GMM and VFA measurement models by deducting the share of the expected net income for an insurance contract earned in the period in question (the service fee) from the contractual service margin (CSM) and recognising this amount in profit or loss in the statement of income as a component of insurance revenues. Short-term contracts (i.e. contracts with a coverage period of less than 12 months) can be accounted for under the PAA without recognising a CSM; however, the measurement of the liability for remaining coverage and hence the presentation of short-term contracts in the statement of income does not differ materially under the PAA to treatment under the GMM.

IFRS 17 was initially applied retrospectively as at 1 January 2023 using the full retrospective approach (FRA). If there is insufficient data on which to base full retrospective application of IFRS 17, an option permits application of the modified retrospective approach (MRA) – provided that sufficiently reasonable and supportable data are available for this – or the fair value approach (FVA). The objective of the modified retrospective approach is to achieve the closest possible outcome to retrospective application using reasonable and supportable information that is available without undue cost or effort. Certain modifications are permitted where retrospective application is not possible. Under the fair value approach, the contractual service margin of a group of insurance contracts at the transition date is determined as the difference between the fair value under IFRS 13 and the fulfilment cash flows under IFRS 17. The Talanx Group uses all three approaches depending on the availability of data. The Group primarily applies the FRA for portfolios from 2016 onwards. Exceptions are the Retail Germany – Life and Life/Health Reinsurance segments and one company in the Retail International segment. In these cases, the variable fee approach was only applied with the FRA as from 2019 and 2021 respectively, due to the quality of the life insurance data available. Prior to 2016, the MRA and FVA were used extensively here, depending on the data available and the modelling quality for the groups of contracts. This applies both to insurance contracts reported as assets and to those reported as liabilities. The FVA was used in the property/casualty area if retrospective application was not possible. In the primary insurance area, the MRA was largely used to measure direct participating life insurance contracts. The following simplifications provided under the MRA were applied here:

- As with the FVA, contracts issued at intervals of more than one year were combined into groups of actuarial interest rate generations.
- Direct participation features were identified on the basis of information as at 1 January 2022. Specifically it has been assumed, on the basis of our analyses, that the VFA could also have been applied to contracts with a participation feature in the past.
- As with the FVA, no distinction was made between purchased insurance portfolios and direct business.
- A yield curve was used that, for at least three years immediately before the IFRS 17 transition date, approximates the estimated yield curve based on the general approach for calculating discount rates.
- The amount of the expected reversal of the non-financial risk adjustment as at 1 January 2022 was adjusted to account for expected reversals of the risk adjustment before 1 January 2022.
- IFRS 17.C17(e) permitted existing loss components to be adjusted to nil as at 1 January 2022 and the liability for remaining coverage to be increased by the same amount. Certain areas of the participating life insurance business were affected by this simplification.
- Determining other comprehensive income (OCI): OCI for the technical provisions in the VFA as at 1 January 2022 was determined by multiplying the OCI for investments accounted for in accordance with IFRS 9 by the share of investments used to cover obligations from insurance business measured using the VFA. Total OCI is the balance of the technical OCI items and the investment OCI and is largely attributable to investments that do not serve cover insurance obligations. OCI for technical provisions in the GMM as at 1 January 2022 is the difference in the technical reserves discounted using the locked-in interest rate for the year in which the contracts were added and the current interest rate at the reporting date.
- The CSM (or loss component) as at 1 January 2022 was calculated as follows. The fair value of the underlying items as at 1 January 2022 less the fulfilment cash flows as at 1 January 2022, adjusted for:
  - amounts charged to policyholders (including costs deducted from the underlying items) before 1 January 2022
  - amounts paid before 1 January 2022 and amounts not affecting the basis of the underlying items
  - the reversal of the non-financial risk adjustment before 1 January 2022
  - insurance acquisition cash flows paid before the transition date that are allocated to the group of insurance contracts

In the opening balance sheet, total equity as at 1 January 2022 – taking account of mitigating effects from deferred taxes – declined by EUR 2.9 billion in comparison to under IAS 39/IFRS 4. A EUR 5.1 billion decrease in equity here is attributable to IFRS 17. This effect is primarily due to measurement in the life insurance area (i.e. the Retail Germany – Life Insurance and Life/Health Reinsurance segments), and is essentially driven by prevailing interest rates as at the transition date of 1 January 2022. By contrast, equity rose by EUR 1.4 billion as a result of the initial application of IFRS 9. In addition, the measurement options for real estate in the portfolios of life primary insurance companies were again exercised as part of the initial application of IFRS 9 and 17, with the result that our real estate portfolio is partially measured at fair value. This increased equity by EUR 0.8 billion.

Since the PAA is used in the property/casualty primary insurance area, most of the contractual service margin is recognised in the Reinsurance Division and the life insurance business. The reduction in reported equity is offset by the recognition of the contractual service margin as the present value of expected future profits. This shows EUR 9.1 billion for the Group as at the transition date (GMM EUR 6.3 billion; VFA EUR 2.8 billion) and thus significantly exceeds the decrease in reported equity. The combined ratio will remain a critical key indicator in the property/casualty area even after IFRS 17. This will decrease, in particular due to the discounting of the loss reserve.

Separately to the measurement technique, acquisition costs and receivables and liabilities (including funds withheld by ceding companies and funds withheld under reinsurance treaties) on insurance business are no longer presented separately in the balance sheet and are instead recognised as part of assets and liabilities on insurance business. This reduced the opening balance sheet by a low double-digit billion figure compared to accounting under IFRS 4. However, this did not have any material effects on equity.

Based on analyses carried out at the date of transitioning to IFRS 9 and 17 as at 1 January 2022, the initial application of these two standards reduced the equity attributable to shareholders of Talanx AG by a total of EUR 2.1 billion. This breaks down between the segments as follows:

- Equity in the Industrial Lines segment increased by EUR 24 million as at the date of first-time application. This was mainly due to the effects of the introduction of IFRS 17. Mandatory discounting of the loss reserve in the Industrial Lines segment increased equity by EUR +289 million. However, this increase in equity caused by discounting of the loss reserve was more than offset by the introduction of the risk adjustment (EUR–328 million). IFRS 9 resulted in an equity-increasing effect of EUR 45 million.
- These offsetting effects from IFRS 17 led to equity in the Retail Germany – Property/Casualty segment decreasing by EUR 25 million. The measurement of investments at fair value that were previously measured at amortised cost resulted in an increase of EUR 52 million. As a whole, equity increased by EUR 35 million.
- Initial application of IFRS 17 in the Retail Germany – Life segment led to a significant decrease in equity totalling EUR 1.1 billion. EUR 300 million of this is attributable to the stochastic measurement of guarantees at current interest rates and a near-market valuation of reinsurance. In addition, profit shares previously recognised in equity were assigned to the insurance obligations on introduction of IFRS 17 as a component of the contractual service margin, leading to a reduction in the insurance obligations and hence in equity of EUR 285 million. The requirement to recognise a loss component directly for onerous insurance contracts also reduced equity by around EUR 330 million.
- Equity in the Retail International Division increased by EUR 149 million as at the date of initial application, essentially due to the effects of introducing IFRS 17. The effect of discounting the loss reserve (EUR +329 million) also increased equity, while the introduction of the risk adjustment reduced it (EUR –337 million).
- In the Reinsurance Division, the change in technical liabilities reduced equity attributable to Talanx Group shareholders by around EUR 0.9 billion, essentially in the Life/Health Reinsurance segment. This was mainly due to the measurement of portfolios in the US and Asian markets and from the United Kingdom.
- In the Corporate Operations segment, the obligation to recognise the loss component (EUR –224 million) and the risk adjustment (EUR –61 million) in particular had a negative effect. This was offset by the effect of discounting the loss reserve in the amount of EUR 41 million.

In addition to the changes made in the course of transitioning to the initial application of IFRS 9 and IFRS 17, the Group applied **the following revised IFRS standards as at 1 January 2023,** which did not lead to any material effects on the consolidated financial statements:

- IAS 1 “Presentation of Financial Statements”: Disclosure of Accounting Policies
- IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”: Definition of Accounting Estimates
- IAS 12 “Income Taxes”: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Standards, interpretations and revisions to issued standards that were not yet effective in 2023 and that were not applied by the Group prior to their effective date

a) Already endorsed by the EU

No revisions to standards were endorsed.

b)) EU endorsement pending

The following standard amendments have been passed, but are not expected to have any material impact on the Group's assets, liabilities, financial position and financial performance:

APPLICATION OF NEW STANDARD AMENDMENTS

Standard/project	Standard/interpretation/amendment	Date of initial application [1]
IAS 1 "Presentation of Financial Statements"	Adjustment of the assessment criteria for classifying liabilities as current or non-current	01.01.2024
IAS 1	Non-current Liabilities with Covenants	01.01.2024
IFRS 16 Leases	Lease Liabilities in a Sale and Leaseback Transaction	01.01.2024
IAS 12	International Tax Reform – Pillar Two Model Rules	01.01.2023
IAS 7 "Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures"	Supplier Finance Arrangements	01.01.2024

[1] Effective for financial years beginning on or after the date stated.

Introduction of a global minimum tax

As part of the introduction of a global minimum tax, in May 2023 the IASB published the "Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules", following the previous publication of Pillar Two Model Rules by the OECD (Global Anti-Base Erosion Proposal, GloBE). The EU unilaterally adopted the directive to implement these regulations and EU Member States have until the end of 2023 to transpose the directive into national law. Accordingly, large multinational enterprises and domestic companies with total annual revenues of EUR 750 million or more will be subject to minimum taxation of 15% on profits. The amendments to IAS 12 provide a temporary exception to the requirement to recognise deferred taxes resulting from the implementation of the Pillar Two model rules and include certain disclosure requirements in the standard. The temporary exception applies retrospectively in accordance with IAS 8 and immediately after publication. The other disclosure requirements are effective for the first time for financial years beginning on or after 1 January 2023 and must be met by the end of the year. Since neither the IAS 12 amendments have been adopted by the EU nor has the EU directive been transposed into national law, application for the Group as at the reporting date is not being considered. In addition, the Group is currently assessing the impact of the standard amendments and has begun preparing the implementation of the complex Pillar Two rules.

Accounting policies

The material accounting policies applied during the preparation of the consolidated financial statements are presented below. Accounting standards requiring to be applied for the first time in financial year 2023 are described in the “Basis of preparation and application of IFRSs” section on pages 35 ff., while the consolidation principles are described in the “Consolidation” section on pages 62 f.

Significant management judgement and estimates

Preparation of the consolidated financial statements requires management to make judgements, assumptions and estimates. These relate to the accounting policies applied, the carrying amounts of assets, liabilities, income and expenses that are recognised, and the disclosures made on contingent liabilities. Actual results may differ from these estimates.

Estimates and the assumptions underlying them are reassessed continuously; they are based on past experience and on expectations of future events that currently appear reasonable. Revisions of estimates are recognised prospectively.

In line with IAS 34.41, we make greater use of estimation methods and assumptions when preparing the Group’s interim financial reports than in our annual financial reporting. No amendments to standards with a material impact on the Group’s assets, liabilities, financial position and financial performance were made in the current interim reporting period. Intrayear calculations of the tax expense (domestic income taxes, comparable taxes on income at foreign subsidiaries and changes in deferred taxes) apply the expected effective tax rate for the full year to net income. Extrapolations of pension provisions during the year recognise actuarial assessments of the effect of interest rate changes on pension liabilities as at the end of the quarter in other comprehensive income (other reserves). Other actuarial inputs are not updated in the course of the year.

Risks relating to the consequences of climate change are highly important for insurance companies’ business models. Estimating the probability of occurrence of, and the size of the losses associated with, climate-change driven storms, flooding and droughts is a key element of our risk management system. It significantly impacts our underwriting policy in the area of natural hazard risks and requires adequate levels of risk capital to be held. In addition, physical risks such as extreme weather events and their consequences, and long-term changes in the climate and environmental conditions (e.g. amounts of rainfall, rising sea levels and increasing average temperatures), can affect the value of property that we hold or the measurement of securities in our investment portfolio.

Apart from the impact of these physical risks, measurement of our investment portfolio is also subject to transition risks resulting from climate change. Transition risks are defined as risks associated with the consequences of climate change that result from the shift to a low-carbon economy. This shift is being initiated and underpinned by political regulation. Should the latter have an adverse effect on the issuers of the equities or corporate bonds in our investment portfolio, for example, this would also impact the value of these securities.

At a general level, the climate risks are measured in the following areas, among others: during impairment testing for non-financial assets (including goodwill) in accordance with IAS 36, when determining the useful lives and residual value of assets in accordance with IAS 16 or IAS 38, and when recognising provisions and disclosing contingent liabilities under IAS 37 and IFRS 17.

Estimation uncertainties also arose in the reporting period in connection with the war in Ukraine. We conducted probability-weighted scenario analyses for all relevant business lines, taking currently available market insights into account, and then used these analyses to develop our own estimates as a basis for our reserving process. The main business lines affected as at the reporting date were political violence and other property coverage, political risk, marine and aviation. The Group recognised provisions of EUR 378 (367) million as at 30 June 2023 (Property/Casualty Reinsurance: EUR 335 (331) million, Industrial Lines: EUR 43 (36) million).

The range of potential claims scenarios remains high, which could result in substantially higher claims expenses in future if adverse developments were to occur or unfavourable court rulings be handed down; however, these are not expected at present. Legal uncertainties continue to exist, particularly in connection with the status of leased aircraft that are still in Russia. In this case too, however, we are assuming that no material claims expenses will arise for the Group. Transactions with Russian cedants are not being continued, in line with the sanctions in force.

The conflict in Ukraine and its repercussions impacted global raw materials and energy prices and hence inflation rates. Inflation is taken into account in our reserving process at a minimum using average past inflation rates. In addition, realistic inflation assumptions are made when calculating premiums and additional provisions are recognised during the reserving process for the individual underwriting years, also permitting changes in inflation to be partially offset. Index clauses also protect a substantial share of the business from negative inflation effects. Inflation-linked bonds in the Group’s investment portfolio act as a partial hedge against inflation. A scenario analysis was performed to ensure that inflation is adequately taken into account in the technical provisions. The various future inflation scenarios were compared to historical observed rates so as to estimate the potential effect on technical provisions. The scenarios observed include ones featuring longer periods of higher inflation. However, at present we expect inflation rates to be elevated for the next three years and to be slightly above the historical average in the long term.

Judgements, assumptions and estimates are particularly relevant in the case of the following items:

- **Goodwill**
- **Fair value and impairments of financial instruments** (see Note 9 "Fair value hierarchy – financial instruments" and the disclosures on determining the fair values and the expected credit loss allowance given in the "Accounting policies" section).
- **Deferred tax assets**
- **Leases**
- **Insurance contract assets and liabilities and reinsurance contract assets and liabilities** (see Notes 2 and 12) The classification and measurement of, and level of aggregation for, insurance and reinsurance contracts require judgements to be made. Contracts are classified either as (re)insurance contracts or as investment contracts, depending on whether they are considered to involve a significant transfer of insurance risk. Insurance contracts that exhibit certain specific characteristics at inception of the contract are classified as insurance contracts with direct participation features. An appropriate level of aggregation must be found, since contract portfolios have to be identified by distinguishing between those groups of contracts that are onerous at initial recognition and those with no significant possibility of subsequently becoming onerous. When measuring insurance and reinsurance contracts, the measurement method to be used to estimate the risk adjustments for non-financial risk and the volume of services to be provided under the contract must be determined. The measurement of insurance and reinsurance contracts is associated with assumptions and estimation uncertainties. Information on the assumptions made in the course of measuring insurance and reinsurance contracts can be found in Note 12. Changes in material assumptions regarding discount rates (including illiquidity premiums), property insurance claims development and future cash flows relating to mortality, invalidity, policyholder behaviour, participation percentages and differences between crediting rates and discount rates may lead to significant differences in the fulfilment cash flows in the following financial year. These changes do not affect the reported carrying amounts of the insurance or reinsurance contracts (unless these result from onerous contracts or do not relate to future service). However, they may lead to an adjustment to the contractual service margin, among other things, in those cases in which the GMM or VFA measurement models are used.
- **Provisions for pensions and other post-employment benefits**
- **Miscellaneous other provisions and contingent liabilities**
- **Basis of consolidation**)

Summary of significant accounting policie)

Technical balance sheet items

Classification of insurance contracts issued and reinsurance contracts held, and separation of components

A contract must be classified as an insurance contract issued or a reinsurance contract held if it results in the assumption or transfer of a significant insurance risk. In addition, the Group is exposed to financial risk through its insurance contracts and reinsurance contracts. The same rules are used to treat these types of contracts, regardless of whether the contracts concerned are issued, acquired in the course of a business combination, or acquired in a transfer of insurance contracts that do not form a business. Insurance contracts issued and reinsurance contracts held that were acquired in a business combination within the scope of IFRS 3 or in the course of a portfolio transfer are assumed to have been issued at the time of acquisition. Contracts that have the legal form of an insurance contract but do not transfer any significant insurance risk are classified as investment contracts. The recognition and measurement of such contracts is performed in line with the rules governing the accounting treatment of financial instruments under IFRS 9.

Level of aggregation

Insurance contracts are allocated to portfolios in those cases in which the contracts are exposed to the same risk and are managed together. They are allocated on the basis of the main risk for the contract. On initial recognition, the contracts within a portfolio are grouped into three groups of contracts issued within a single calendar year. These cohorts comprise a) contracts that are onerous, b) contracts that have no significant possibility of becoming onerous in subsequent periods and c) any remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Reinsurance contracts held within a portfolio are divided into three groups on the basis of profitability criteria and annual cohorts. With regard to the expected profitability at the date of initial recognition, a distinction is made between contracts that a) are onerous in the net view, b) have no significant possibility of becoming onerous in subsequent periods and c) a group of the remaining contracts. Contracts are not allocated to different groups only because law or regulation specifically constrains the Group's practical ability to set a different price or level of benefits for policyholders with different characteristics (e.g. unisex policies). This exception is only applied within the Talanx Group to motor vehicle insurance in Türkiye and to bancassurance contracts in the Polish life insurance business. Insurance contracts that have been allocated to specific groups are not reassessed in subsequent periods. Aggregation has a number of different effects on the measurement of insurance contracts.

Before the Talanx Group recognises an insurance contract on the basis of the guidance set out in IFRS 17, we analyse whether the contract contains components that must be separated. IFRS 17 sets out three different categories of components that must be accounted for separately:

- cash flows relating to embedded derivatives that are required to be accounted for separately under IFRS 9
- cash flows relating to distinct investment components and
- promises to transfer distinct goods or services as defined by IFRS 15 that are not insurance contract services.

The Talanx Group applies IFRS 17 to all remaining components of the contract.

Accounting treatment and contract boundaries

A group of insurance contracts is recognised when the coverage period begins, or on the date when the first payment from a policyholder for their first contract becomes due, unless facts and circumstances indicate that the group of insurance contracts is onerous. Additional contracts can be added to an existing group of insurance contracts after initial recognition provided that the aggregation criteria are met.

Reinsurance contracts held are accounted for as a separate group of reinsurance contracts per contract as from the start of the coverage period for the group. In the case of reinsurance contracts held that provide proportionate coverage, initial recognition of the group of reinsurance contracts is performed either at the start of the coverage period or on the date on which any underlying insurance contract is initially recognised, where this is later. If, however, an onerous group of underlying contracts is recognised before the start of the coverage period of the group of reinsurance contracts held, the reinsurance contract held is recognised on the same date as the group of underlying contracts. The composition of the groups is not reassessed in subsequent periods. The reinsurance contracts held are entered into on the basis of the underwriting year or the accident year.

All future cash flows within the boundary of each contract in the group are included in the measurement of a group of contracts. All services acquired are within the contract boundary with the exception of services that do not yet represent a substantive obligation. A substantive obligation to provide insurance services ends when the Group can reassess the risks and, as a result, has the practical ability to set a price or level of benefits that fully reflects those reassessed risks, and when the pricing of the premiums paid for insurance coverage up to the reassessment date does not take into account the risks that relate to periods after the reassessment date. The contract boundary is reassessed at the end of each reporting period.

Measurement

IFRS 17 provides for three measurement approaches: the general measurement model (GMM), the variable fee approach (VFA) and the premium allocation approach (PAA). These apply to different lines of insurance when certain requirements and conditions are met. The Group distinguishes between a pre-claims phase (liability for remaining coverage) and a claims phase once the insured event has occurred (liability for incurred claims) in the case of all measurement models.

General measurement model and variable fee approach

The general measurement model (GMM) is the basic model used to recognise insurance contracts under IFRS 17. The GMM is based on the prospective cash flows, which are discounted for the time value of money, the individual financial risks and the uncertainty of the cash flows involved. The GMM is used in the Reinsurance segments and for contracts that fall outside the scope of the other two approaches – the VFA and the PAA.

The VFA is a modified form of the GMM. The VFA must be used if the insurance contracts have direct participation features at inception. Contracts are classified as insurance contracts with direct participation features if they exhibit the following criteria:

- The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items
- The Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items and
- The Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Underlying items are items that determine a portion of payments to policyholders, e.g. a local gross surplus, an individual result or investments, provided that this is clearly set out in the insurance contract and that the payments to policyholders fluctuate with the changes in fair value of the underlying items. In the case of German life insurance business, participation primarily includes policyholder participation in net investment income, the risk result and the cost result. The underlying item is based on this type of participation.

The decision as to whether an insurance contract meets these three criteria is made at inception of the contract and cannot be changed at a later date, except in the case of a material contractual amendment.

In line with this, we apply the VFA to business involving direct profit participation by policyholders and when measuring unit-linked insurance contracts. The VFA is mainly used in the Retail Germany and Retail International segments. Reinsurance contracts issued and reinsurance contracts held do not meet the criteria for classification as contracts with direct participation features.

Initial measurement
On initial recognition, the Group measures a group of insurance contracts as the total of:

- the fulfilment cash flows, which comprise estimates of future cash flows, an adjustment to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk and
- the contractual service margin (CSM).

Fulfilment cash flows
Cash flows within the boundary of an insurance contract are those that relate directly to the fulfilment of the contract, including cash flows for which the Group has discretion over the amount or timing. These cash flows comprise payments to or in the name of policyholders, insurance acquisition cash flows and other costs incurred in fulfilling the contract. Insurance acquisition cash flows result from the costs of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs incurred in fulfilling the contract include loss adjustment expenses, policy administration and maintenance costs, and recurring commissions in connection with premiums paid in instalments that fall due within the contract boundaries. In addition to these direct costs, fixed and variable overheads are allocated to groups of contracts using systematic methods.

The fulfilment cash flows of a group of insurance contracts do not reflect the Group's non-performance risk.

Risk adjustment
The risk adjustment for a group of insurance contracts corresponds to the compensation demanded by the Group for bearing the uncertainty about the amount and timing of the cash flows that arises from non-financial risk. In the case of reinsurance contracts held, the risk adjustment is the risk that is transferred by the Group to the reinsurer.

Contractual service margin (CSM) for insurance contracts issued
The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued. It represents the unearned profit that the Group will recognise as it provides insurance contract services in the future.

Except in the case of an onerous group of contracts or where previously recognised cash flows are derecognised, the CSM does not normally lead on initial recognition to income or expenses from

- the initial recognition of the fulfilment cash flows
- cash flows arising from the contracts in the group at the date of initial recognition
- the derecognition of assets for insurance acquisition cash flows and
- the derecognition of other cash flows recognised in previous periods. Insurance revenue and insurance service expenses are recognised directly for these types of derecognised assets.

If this results in a net cash inflow, the CSM is measured at the equal but opposite amount to the net cash inflow. In the case of a net cash outflow (for contracts not measured using the PAA), the group of contracts is onerous and the net cash outflow is recognised in profit or loss. The loss component determines the amount of fulfilment cash flows that are not included in insurance revenue on subsequent measurement. If such cash flows from fulfilment cash flows occur, they are allocated to the loss component and the liability for remaining coverage excluding the loss component using a systematic method, based on the release of the CSM. Any later decrease in fulfilment cash flows following the reduction of the loss component to nil is allocated to the CSM in the amount by which the decrease exceeds the amount allocated to the loss component.

In the case of groups of contracts acquired in the course of a transfer of contracts or a business combination, the consideration received for the contracts is used as a proxy for the premiums received on acquisition. In the case of business combinations, the consideration received corresponds to the fair value of the contracts on the acquisition date.

Contractual service margin (CSM) for reinsurance contracts held
On initial recognition, the CSM for a group of reinsurance contracts corresponds to the net cost or net gain on purchase, unless the net cost on purchase of the reinsurance relates to events in the past; in such cases, the net cost is expensed immediately in profit or loss. The CSM is calculated in the same way as the CSM for insurance contracts issued. An exception applies to assets for insurance acquisition cash flows, which are not applicable to the reinsurance business. Where the Group recognises a loss on the initial recognition of an onerous group of underlying insurance contracts or on additions of onerous underlying insurance contracts to this group of contracts, the income must be recognised in profit or loss.

The risk adjustment for non-financial risk corresponds to the amount of risk being transferred by the Group to the reinsurer.

A loss-recovery component is recognised or adjusted for remaining coverage for reinsurance contracts held in the amount of the income recognised in the case of an onerous group of underlying insurance contracts. This amount is calculated by multiplying the loss recognised on the underlying insurance contracts by the percentage of claims under the underlying insurance contracts which the Group expects to recover from the group of reinsurance contracts held in those cases in which the contracts held are entered into before or at the same time as the loss from onerous underlying insurance contracts is recognised.

In the case of reinsurance contracts with onerous underlying contracts that are acquired in the course of a transfer or business combination, the adjustment is made in a similar manner to that explained above, with the exception that measurement is based on the acquisition date.

Subsequent measurement

The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims.

- The liability for remaining coverage consists of the fulfilment cash flows related to future service allocated to the group of contracts at that date, plus the CSM for the group of contracts at the end of the reporting period.
- The liability for incurred claims comprises the fulfilment cash flows for claims incurred plus expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The liability for incurred claims is measured in the same way in all three measurement models, with the exception of the interest rates used for discounting, which are established on initial recognition.

The asset for remaining coverage for reinsurance contracts held is recognised in the same way as for insurance contracts issued.

Fulfilment cash flows

The figure for the fulfilment cash flows plus the estimates for current assumptions made by the Group in earlier interim consolidated financial statements is updated at the end of each reporting period using current estimates of the amount, timing and uncertainty of the future cash flows and discount rates. The Group allocates the insurance finance income or expenses between profit or loss and other comprehensive income. Systematic allocation is ensured by using the discount rate applied on initial recognition.

The treatment of changes in the estimated insurance acquisition cash flows for contracts measured under the GMM depends on the estimate used. Changes relating to current or past services are recognised in profit or loss, whereas changes relating to future service are accounted for by adjusting the CSM or the loss component within the liability for remaining coverage.

Changes relating to future service that adjust the CSM for contracts measured under the GMM contain the following things, among others:

- Changes in estimates of the present value of the future cash flows in the liability for remaining coverage, except those described in the following paragraph.
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period and that impacts future service. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable.
- Changes in the risk adjustment for non-financial risk that relate to future service.
- Experience adjustments arising from premiums received in the period that relate to future service, and related cash flows such as insurance acquisition cash flows and premium-based taxes.

The following changes do not result in an adjustment to the CSM in the GMM and are therefore recognised directly in profit or loss:

- changes in fulfilment cash flows due to the effect of the time value of money and of financial risk, plus any changes in these
- changes in fulfilment cash flows that relate to the liability for incurred claims
- experience adjustments arising from premiums received in the period that do not relate to future service, and related cash flows such as insurance acquisition cash flows and premium-based taxes
- experience adjustments that relate to insurance service expenses (not including insurance acquisition cash flows).

In the case of insurance contracts measured under the VFA, the following changes relate to future service and hence lead to an adjustment to the CSM:

- Changes in the amount of the Talanx Group's share of the fair value of the underlying items.
- changes in the fulfilment cash flows that do not vary based on the returns on underlying items:
  - Changes in the effect of the time value of money and financial risk, including the effect of financial guarantees.
  - Experience adjustments arising from premiums received in the period that relate to future service, and related cash flows such as insurance acquisition cash flows and premium-based taxes.
  - Changes in the estimated present value of the future cash flows in the liability for remaining coverage, except those described in the following paragraph.

  - Differences between an investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable.
  - Changes in the risk adjustment for non-financial risk that relate to future service.

The following changes do not lead to any adjustment to the CSM under the VFA:

- changes in the obligation to pay the policyholder an amount equal to the fair value of the underlying items
- changes in the fulfilment cash flows that do not vary based on the returns on underlying items;
  - changes in fulfilment cash flows that relate to the liability for incurred claims
  - experience adjustments arising from premiums received in the period that do not relate to future service, and related cash flows such as insurance acquisition cash flows and premium-based taxes
  - experience adjustments that relate to insurance service expenses (not including insurance acquisition cash flows).

Contractual service margin

The CSM for each group of contracts is calculated at the end of each reporting period as described below. This means that net income is not affected by the treatment of accounting estimates made in earlier interim financial statements.

In the case of insurance contracts issued that are measured under the GMM, the carrying amount of the CSM at the end of the reporting period corresponds to the carrying amount as at the start of the period, adjusted for:

- The CSM for new contracts added to the group during the financial year.
- interest accreted on the carrying amount of the CSM, using the interest rate determined on initial recognition (locked-in discount rate)
- changes in fulfilment cash flows that relate to cash flows relating to the fulfilment of future service. These are recognised by adjusting the CSM, to the extent that this is available. If an increase in the fulfilment cash flows exceeds the CSM, the excess amount is recognised in insurance service expenses and a loss component is created.
- The effect of any currency exchange differences.
- The release of the CSM to the insurance revenue determined after all adjustments have been taken into account.

In the case of insurance contracts issued with direct participation features under the VFA, the following changes lead to adjustments to the CSM:

- the CSM for new contracts added to the group in the financial year
- the amount recognised as insurance revenue for services provided during the financial year
- changes in the amount of the Talanx Group's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future service, with the exception of changes that
  - result in a loss component or
  - result in a change to a loss component
- the effect of any currency exchange differences on the CSM.

In the case of reinsurance contracts held, the carrying amount of the CSM at the start of the financial year is adjusted for the following effects:

- the CSM for new contracts added to the group in the financial year
- interest accreted on the carrying amount of the CSM, using the interest rate determined on initial recognition (locked-in discount rate)
- changes in fulfilment cash flows that relate to cash flows relating to the fulfilment of future service.
- income recognised in profit or loss during the reporting period that leads to a loss-recovery component
- reversals of a loss-recovery component where these do not represent changes in the fulfilment cash flows of the group of reinsurance contracts held
- the effect of currency exchange differences on the CSM
- the amount for insurance services received in the financial year recognised in profit or loss.

Premium allocation approach (PAA)

The premium allocation approach (PAA) is a simplified approach that is applicable to certain types of short-term insurance and reinsurance contracts held. Under the PAA, premiums are recognised on the basis of appropriate timelines for receipts (e.g. a linear method). The PAA can be used for contracts with a coverage period of less that twelve months or for contracts for which the measurement of the liability for remaining coverage does not differ materially from measurement under the GMM in those cases in which the coverage period extends for more than twelve months. When comparing the different possible measurements, the Group takes into account the effects of the different potential timelines for reversing the liability for remaining coverage to profit or loss and the effects of the time value of money. This criterion is not met if significant variability in the fulfilment cash flows is expected during the period before a claim is incurred. The Group uses the PAA in property/casualty primary insurance, provided the contracts meet the above requirements.

Initial recognition

The carrying amount of the liability for remaining coverage is measured on initial recognition on the basis of the premiums received, less the insurance acquisition cash flows allocated to the group of contracts at this date and adjusted for amounts from the derecognition of assets or liabilities previously recognised for the cash flows that relate to the group. The Talanx Group has decided not to expense insurance acquisition cash flows when these are incurred.

Subsequent measurement

Changes in the liability for remaining coverage result from:

- the premiums received in the period
- amortisation of the insurance acquisition cash flows expensed during the period
- the insurance services provided that were reported as insurance revenue during the period
- the additional insurance acquisition cash flows allocated following initial recognition
- any adjustment to a financing component..

The Talanx Group does not accrete interest on the liability for remaining coverage if a group of insurance contracts only contains contracts with coverage periods of one year or less; in all other cases, the time value of money is included in the liability for remaining coverage.

If at any time during the coverage period facts and circumstances indicate that a group of insurance contracts is onerous, the Talanx Group recognises a loss in the statement of income and increases the liability for remaining coverage, to the extent that the current estimates of the fulfilment cash flows that relate to the remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows are discounted (at current interest rates) if the liability for incurred claims is also discounted.

The liability for incurred claims is recognised for a group of insurance contracts in the amount of the fulfilment cash flows that relate to incurred claims. The liability is discounted to account for the time value of money if the maximum claims adjustment period is in excess of one year; in this case, current interest rates are used. The discount rate is determined as at the date on which the claim was incurred. The Group has decided to allocate the insurance finance income or expenses between profit and loss and other comprehensive income. Systematic allocation is ensured under the PAA by applying the average interest rate on the date on which the claim was incurred.

Reinsurance contracts held

The accounting policies described above are also applied to reinsurance contracts held, subject to the following adjustments for onerous underlying insurance contracts:

If a loss-recovery component is established for a group of reinsurance contracts, the asset for remaining coverage is adjusted by the carrying amount of this component.

Derecognition and contract modifications

Contracts are derecognised when they are extinguished or their conditions are modified in accordance with the criteria under IFRS 17.72. If this is not the case, the contract modification results in a change in the estimated fulfilment cash flows.

Derecognition can also affect the fulfilment cash flows for the group of contracts concerned, the CSM (unless the changes are allocated to a loss component) and the number of coverage units. In addition, if a transfer to third parties results in a derecognition, the CSM is also adjusted by the premium charged by the third party unless the group of contracts is onerous. If the derecognition is the result of a contract modification, the CSM is also adjusted for the premium that would have been calculated for a new contract with comparable terms and conditions at the date of the contract modification. Contract modifications recognised under the PAA are accounted for by adjusting the pattern of recognition.

Investment component

The investment component of an insurance contract is defined as the amount that the entity is contractually required to repay to the policyholder even if the insured event does not occur. Investment components are not included in either insurance revenue or insurance service expenses; instead, they are accounted for under IFRS 9. Examples of investment components include incoming and outgoing payments of primary life insurance savings components and certain commissions paid to cedants.

Assets for insurance acquisition cash flows

Assets for insurance acquisition cash flows consist of those insurance acquisition cash flows that are allocated to future insurance contracts until the expected contracts are recognised. The assets are tested for impairment at the end of each reporting period; any irrecoverable amounts are taken to profit or loss.

Investments and financial instruments

Investment property is recognised at cost. Straight-line depreciation is charged over the expected useful life, up to a maximum of 50 years. An impairment loss is recognised if the difference between the market value determined using recognised valuation techniques (recoverable amount) and the carrying amount is less than the depreciation recognised in a calendar year. Appraisals of the directly held portfolio are performed by internal Group experts using the German discounted cash flow method; external appraisals are produced every five years. By contrast, investment property that is used to cover technical liabilities (VFA) is measured at fair value through profit or loss in line with the practical expedient set out in IAS 40.32A. In this case, the market value determined using an appraisal is used as the fair value of the property concerned. In the case of investment property measured at fair value and of special real estate funds, an external market value appraisal is obtained every twelve months, with the end of the reporting period being the reporting date for the initial appraisal.

Gains or losses from the disposal of properties, maintenance costs and repairs, depreciation and any impairment losses or their reversal are recognised in profit or loss under "Net investment income".

The **"Shares in affiliated companies, associates, joint ventures and participating interests"** item comprises all strategic investments in subsidiaries that are not consolidated because of their insignificance for the presentation of the Group's assets, liabilities, financial position and financial performance, and other strategic investments. These are measured at fair value through profit or loss in some cases and at fair value through other comprehensive income in others. This item also includes all investments in strategic associates and joint ventures. Material associates and joint ventures are accounted for using the equity method. Following initial recognition, the consolidated financial statements contain the Group's share of the overall profit or loss from these investments. Shares in immaterial associates and joint ventures are either measured at fair value through other comprehensive income or at fair value through profit or loss.

Unconsolidated shares in affiliated companies and participating interests that are held as financial investments are recognised as financial instruments at fair at value through profit or loss in the "Equity instruments" item. Investments in associates and joint ventures that are used to cover liabilities from insurance contracts with discretionary participation features (VFA) are measured at fair value through profit or loss and reported in the "Other financial instruments" item. Minor investments in associates and joint ventures that are held as investments are also reported in the "Other financial instruments" item either as financial instruments measured at fair value through other comprehensive income or as financial instruments at fair value through profit or loss under the equity instruments.

In accordance with IFRS 9, **Financial Instruments** are recognised and derecognised at the settlement date on acquisition or disposal. Financial assets are assigned to one of the following three categories on initial recognition, depending on their purpose: financial instruments measured at amortised cost (AC), financial instruments at fair value through other comprehensive income (FVOCI) or financial instruments measured at fair value through profit or loss (FVPL). Financial liabilities are classified either as financial instruments measured at fair value through profit or loss or as financial instruments measured at amortised cost. Transaction costs directly connected with the acquisition of the financial instrument are added or deducted depending on the classification used.

Subsequent measurement of financial instruments is either at amortised cost or at fair value. Amortised cost is calculated on the basis of the original cost of the instrument, after allowing for redemption amounts, premiums or discounts amortised using the effective interest method and recognised in profit or loss, and any impairment losses or reversals of impairment losses.

The debt instruments held are reported at amortised cost (AC) and measured at amortised cost in subsequent periods using the effective interest method if the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows and the contractual cash flows are solely payments of principal and interest (SPPI). At the Talanx Group, this business model primarily consists of investments whose premature disposal is generally uncommon (e.g. mortgage loans).

Debt instruments are classified as financial instruments measured at fair value through other comprehensive income (FVOCI) if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and by selling the instruments, and the contractual cash flows meet the SPPI requirement. Financial assets allocated to the FVOCI category are measured at fair value, with all changes in the fair value being recognised in other comprehensive income after adjustment for accrued interest and deferred taxes, and reported in equity under the "Other reserves" item. Premiums and discounts are amortised over the term of the instruments using the effective interest method. A large proportion of the Talanx Group's investments are assigned to the business model whose objective is to collect contractual cash flows and to sell the investments, since they are largely used cover underwriting risk and sales are therefore influenced by the need to meet these obligations.

There is an option to designate equity instruments on initial recognition as measured at fair value through other comprehensive income without reclassifying them to profit or loss ("recycling"). In this case the changes in fair value are recognised directly in other comprehensive income. In contrast to the procedure used for debt instruments assigned to this category, the amounts recognised in other comprehensive income are not reclassified to profit or loss even on disposal. The Group uses this option selectively in the case of equities and unconsolidated participating interests.

Financial instruments measured at fair value through profit or loss (FVPL) include all equity instruments that were not designated as measured at fair value through other comprehensive income without subsequent recycling, plus all debt instruments whose cash flows do not meet the SPPI criteria or that are not held within business models whose objective is achieved by collecting contractual cash flows or by collecting contractual cash flows and selling the instruments. These primarily comprise complex structured products, units in investment funds and private equity interests, short-term investments and investments under investment contracts for which payments of principal and interest are not the main factors influencing the holding period. In addition, all derivative assets used for investment purposes are measured at fair value through profit or loss and are reported in this category if their fair values are positive. Derivatives that are not used for investment purposes are reported under the "Other assets" item, but are still measured at fair value through profit or loss. Derivatives with negative fair values are recognised in "Other liabilities". All securities measured at fair value through profit or loss are carried at their fair value at the reporting date. If no market prices are available that can be used to determine the fair values, the carrying amounts of the financial instruments concerned are determined using accepted valuation techniques. All unrealised measurement gains and losses of this kind and all realised gains and losses are recognised in profit or loss under "Net investment income".

The individual balance sheet items for the investments are reconciled to the IFRS 7 classes of financial instruments in the relevant Notes.

Derivatives designated as hedging instruments (hedge accounting) are recognised at their fair value under “Investments” or under “Other assets” or “Other liabilities”, depending on the type of underlying concerned. Gains and losses are measured following initial recognition depending on the type of risk hedged. The Group designates certain derivatives as fair value hedges. By contrast, other derivatives are used to hedge exposures to variability in cash flows attributable to a particular risk associated with a recognised liability or asset, or a highly probable forecasted transaction (cash flow hedges).

Fair value measurement: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of financial instruments are determined on the basis of current, publicly available, unadjusted market prices. Where prices are quoted on markets for financial instruments, the bid price/traded price is used. Financial liabilities are measured at the ask price at the end of the reporting period. In the event that no current market price is available, they are measured using established financial models on the basis of current and observable market data. The following table shows the valuation techniques used to measure fair values. Financial assets for which publicly available prices or observable market data are not available (Level 3 financial instruments) are mainly measured with the assistance of independent professional experts using plausibility checks (e.g. audited net asset values). Please see the disclosures in Note 9 for further details.

MEASUREMENT MODELS FOR DETERMINING FAIR VALUE

Financial instrument	Pricing method	Input parameter	Pricing model
Fixed-income securities			
Unlisted plain vanilla bonds	Theoretical price	Yield curve, spread premiums	Present value method
Unlisted structured bonds	Theoretical price	Yield curve, spread premiums, volatility surfaces, correlations	Hull-White and other interest rate models
ABSs/MBSs for which no market prices are available	Theoretical price	Prepayment speed, incurred losses, default probabilities, recovery rates	Present value method
CDOs/CLOs	Theoretical price	Prepayment speed, risk premiums, default rates, recovery rates, redemptions	Present value method
Equities and funds			
Unlisted equities	Theoretical price	Cost, cash flows, EBIT multiples, expert opinions, carrying amount where applicable	NAV method [1]
Unlisted equities funds, real estate funds and bond funds	Theoretical price	Audited net asset value (NAV) [1]	NAV method [1]
Other investments			
Private equity funds/private equity real estate funds	Theoretical price	Audited net asset value (NAV) [1]	NAV method [1]
Derivative financial instruments			
Listed equity options	Quoted price	—	—
Equity and index futures	Quoted price	—	—
Interest rate and bond futures	Quoted price	—	—
Plain vanilla interest rate swaps	Theoretical price	Yield curve	Present value method
Cross currency swaps	Theoretical price	Price of underlying, yield curve	Present value method
Total return swaps	Theoretical price	Listed price of the underlying, yield curve	Present value method
OTC equity options, OTC equity index options	Theoretical price	Listed price of the underlying, implied volatilities, money market rate, dividend yield	Black-Scholes
Currency forwards	Theoretical price	Spot and forward rates	Present value method
Interest rate futures (forward purchases, forward sales)	Theoretical price	Yield curve	Present value method
Credit default swaps	Theoretical price	Yield curves, recovery rates	ISDA model
Insurance derivatives	Theoretical price	Fair values of CAT bonds, yield curve	Present value method
Other			
Real estate	Theoretical value	Location, year of construction, rental space, type of use, term of leases, amount of rent	Extended German discounted cash flow method
Infrastructure debt financing	Theoretical price	Yield curve, spread premiums	Present value method
Infrastructure equity investment	a) Payment (construction phase) b) Theoretical price (in operation)	Cost, derived cash flow, yield curve	a) Net payments b) Present value method

[1] NAV: Net Asset Value

Impairment losses: The IFRS 9 impairment requirements are applied to all debt instruments that are recognised at amortised cost or at fair value through other comprehensive income, to off-balance sheet loan commitments and to financial guarantees.

Impairment losses are determined using a three-stage model under IFRS 9:

- Stage 1 consists of debt instruments for which it is assumed that the credit risk has not increased significantly since initial recognition.
- Stage 2 consists of debt instruments that are not in default but whose credit risk has increased significantly since initial recognition. This significant increase in the credit risk is determined using quantitative and qualitative information, a credit risk assessment and forward-looking information.
- Stage 3 comprises all debt instruments that have been classified as in default. The Group defines these debt instruments as impaired..

At present, the Group does not have any purchased or originated credit-impaired (POCI) assets.

The IFRS 9 impairment process is an integral part of the Group's credit risk management activities. The expected credit loss (ECL), which serves as the basis for recognising impairments within the Group, is either calculated automatically using an ECL engine or, in the case of assets in default (Stage 3), individually. In both cases, the calculations are performed separately for each individual debt instrument. The ECL engine is used to determine the expected credit losses for all Stage 1 and Stage 2 financial assets.

Impairment losses on Stage 3 financial instruments are recognised individually at each quarterly reporting date.

Impairment losses and reversals of impairment losses relating to the ECL are recognised in profit or loss regardless of the measurement model involved.

The Group primarily uses the three following components for measuring the ECL:

- the probability of default (PD)
- the loss given default (LGD), and
- the exposure at default (EAD).

As far as possible, the ECL is determined at the transaction level using a risk-adjusted cash flow model. Where necessary, these inputs are adjusted to comply with the requirements of IFRS 9 (e.g. the use of point-in-time (PIT) transfer factors). Including forecasts of future economic conditions when measuring expected credit losses impacts the loss allowances for Stage 1 and Stage 2 assets. Appropriate multiyear probabilities of default are used here to calculate the ECL for the remaining terms of the assets.

During the asset allocation process, all financial assets are initially allocated to Stage 1. In those cases in which the credit risk has increased significantly, the financial assets are transferred to Stage 2. Significant deteriorations are determined using ratings-specific and process-based indicators. By contrast, financial instruments are allocated to Stage 3 on the basis of the counterparty's default status.

Ratings-specific indicators: The Group uses the dynamic change in the counterparty's probability of default to compare the current actual probability of default as at the end of the reporting period with the original probability of default as at the date of initial recognition. The threshold used depends on the debtor's original credit quality. Assets are only transferred to a different stage if the current rating has deteriorated by at least two notches compared to the initial rating. In addition, the Group utilises the simplification option applicable to low-risk financial instruments. Under this option, items are not allocated to Stage 2 if they still have an investment grade issuer rating.

Process-based indicators: The Group's qualitative processes are based on existing risk management indicators that are designed to determine whether the credit risk associated with financial assets has increased significantly. These indicators consist of the assets' obligatory inclusion in a watch list and the qualitative assessment of the changes in risk that have occurred since the assets were initially recognised.

If the preconditions for a stage transfer have been met but the financial asset has not been classified as in default, it remains in Stage 2. If none of the indicators apply any longer and the financial asset has not defaulted, it is assigned to Stage 1.

Financial assets in default are allocated to Stage 3. If a previously defaulted financial asset is no longer classified as being in default, it is transferred to Stage 2 or Stage 1. The treatment of trade receivables and lease/rent receivables uses a simplified impairment model: the amount disclosed on initial recognition of an impairment is the amount of the expected losses over the remaining term of the receivables, irrespective of the receivables' credit quality. Talanx determines the expected losses for trade receivables and lease/rent receivables on the basis of historical default rates. The adjusted default rates are based on the average values for recent years. These model inputs are regularly reviewed and updated. See Note 8 for an overview of the impairment losses on financial instruments.

Under the simplified impairment model, receivables are transferred to Stage 3 as soon as objective evidence of impairment exists.

Financial assets and liabilities are only **offset** and reported net if there is a legally enforceable right to do this and the Group intends either to settle such items on a net basis or to realise the asset and settle the liability simultaneously.

Securities loaned out under **securities lending transactions** continue to be recognised on the balance sheet, since the material opportunities and risks resulting from them remain within the Group. Cash securities are reported under "Other liabilities", whereas securities received as collateral are not recognised, since the associated risks and opportunities have not been transferred.

The Group enters into **genuine securities repurchase transactions** (repo transactions) in which it sells securities while simultaneously entering into an obligation to repurchase them at a later date at an agreed price. It continues to recognise these investments on the balance sheet since the material risks and opportunities associated with them remain within the Group. The repurchase obligation associated with the payment received is recognised on the balance sheet under "Other liabilities". Any difference between the amount received for the transfer and the agreed retransfer amount is allocated over the term of the repurchase transaction using the effective interest rate method and reported in profit or loss under "Net investment income".

The Group mainly uses the **"Other investments"** item to report assets from infrastructure investments (and especially from consolidated wind farm project companies) that are recognised at cost. These are depreciated on a straight-line basis over a useful life of 20 years. Any provisions for restoration obligations are reported in "Miscellaneous other provisions". In addition, we test these assets for impairment as at the end of the reporting period. Impairment losses, reversals of impairment losses, depreciation and revenue relating to these assets are recognised in "Net investment income".

The **investments for the account and risk of life insurance policyholders** consist of policyholders' investments under unit-linked life insurance contracts. The insurance services under these policies are linked to the unit values of investment funds or to a portfolio of separate financial instruments. They are recognised at fair value. Gains and losses on these investments are reported in "Net investment income", whereas the associated changes in technical provisions are reported in insurance finance income or expenses. Policyholders are entitled to the profits generated and are likewise liable for any losses that are incurred.

For further information on the risks associated with financial instruments, please see the Group management report in the 2022 annual report ("Risks from investments" section of the risk report).

Cash at banks, cheques and cash-in-hand are recognised at their nominal amounts.

Subordinated liabilities comprise financial obligations that, in the event that the Company goes into liquidation or becomes insolvent, will only be settled after claims by other creditors have been met. These financial obligations are measured at amortised cost using the effective interest rate method.

Financial liabilities, including **notes payable and loans**, are recognised at amortised cost where they do not relate to **liabilities from derivatives** or financial obligations under **investment contracts** at fair value through profit or loss. Liabilities from derivatives are measured at fair value. Interest accreted on these financial liabilities is reported in "Financing costs". The fair values of investment contracts are calculated using the surrender values for policyholders and account balances. In addition, the Group uses the fair value option to eliminate or significantly reduce accounting mismatches in relation to the assets from investment contracts used to cover the liabilities.

Other balance sheet items

Goodwill resulting from business combinations is tested for impairment once a year and if there are indications that impairment could be present, and is measured at cost less accumulated impairment losses.

Purchased **intangible assets** with finite useful lives are recognised at cost less accumulated amortisation and impairment losses. They are amortised over their estimated useful life, generally on a straight-line basis. The useful life is generally three to 10 years for software, while that for acquired sales networks and customer relationships is four to 16 years. Intangible assets with indefinite useful lives (e.g. acquired brand names) are tested for impairment annually plus whenever there is evidence of impairment. Amortisation, reversals of impairment losses and impairment losses that are required to be recognised in profit or loss are allocated to specific insurance functions if possible and reported in "Other income/expenses" if not.

Deferred tax assets and liabilities are calculated on the basis of the temporary differences between carrying amounts in the tax base and in the financial accounts. Deferred tax assets are also recognised for tax credits and tax loss carryforwards. Valuation allowances are recognised for impaired deferred tax assets.

The deferred tax assets are determined by local tax and finance experts in the countries concerned. The earnings projections are based on business plans that have been duly reviewed and approved and that are also used for managing the companies concerned. In line with uniform Group principles, a particularly high level of evidence is required if the Group company concerned has reported a loss in the current or a prior period. The recognition and recoverability of material deferred tax assets are reviewed by the Group Tax department.

Deferred taxes are calculated using the country-specific tax rates for the year in question. In the event that the tax rates used to calculate the deferred taxes change, an adjustment is made in the year in which the change in the tax rate is adopted. Items recognised at Group level use the Group tax rate of 32.2% unless they can be allocated to specific companies.

Other assets with the exception of hedging instruments are reported at amortised cost. Items of property, plant and equipment are recognised at cost less straight-line depreciation and impairment losses. The maximum useful life for real estate held and used is 50 years. The useful life of operating and office equipment is normally between two and 10 years. The statements made in connection with the presentation of investment property also apply to the measurement and impairment testing of real estate held and used. Depreciation and impairments are allocated to the insurance functions or recognised in "Other income/expenses". Receivables are recognised at amortised cost. A simplified, portfolio-level impairment approach based on historical default rates (see above) is used for these financial instruments due to their short holding period and to the large number of transactions involved.

Non-current assets held for sale (or groups of assets and liabilities held for sale) are classified as held for sale and disclosed separately if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The sale must be highly probable. These assets are measured at the lower of the carrying amount and fair value less costs of disposal. Measurements of financial instruments are not changed in subsequent periods. Depreciation and amortisation charges are recognised as "held for sale" until the date of classification. Impairment losses are recognised in profit or loss, with any subsequent increase in value leading to the recognition of a gain up to the amount of the cumulative impairment loss.

The most important **leases** entered into by the Group relate to buildings, and technical and IT equipment. The Group assesses at inception whether a contract is, or contains, a lease. It uses a uniform model for the recognition and measurement of all leases with a term of more than twelve months, with the exception of low-value assets. As a lessee, the Group recognises a right-of-use asset and a lease liability representing the Group's obligation to make lease payments as at the commencement date. Right-of-use assets under leases are reported under "Property, plant and equipment" in the consolidated balance sheet. Lease liabilities are reported in the "Other liabilities" item and measured in accordance with the requirements of IAS 16. The Group utilises the option not to apply IFRS 16 to short-term leases (i.e. leases with a term of twelve months or less as from the commencement date) and to leases of low-value technical and IT equipment. In these cases the lease payments are expensed as they occur.

The Group's **equity** consists of subscribed capital, capital reserves, retained earnings and other reserves. Subscribed capital and capital reserves contain the amounts paid in for shares by shareholders of Talanx AG.

Retained earnings consist of allocations from net income and reinvested profits that Group companies have generated since becoming members of the Group. Moreover, where accounting policies are changed retrospectively, the adjustment amount for previous periods is recognised in the opening balance for the retained earnings.

Other reserves: Unrealised gains and losses resulting from changes in the fair value of financial instruments measured at fair value through other comprehensive income are recognised in "Unrealised gains/losses on investments". Exchange differences on translating foreign operations in the financial statements of foreign subsidiaries and unrealised gains and losses from equity-method accounting are recognised in "Other reserves", as is the effective portion of the gain or loss attributable to hedging instruments in the context of cash flow hedges.

Net income attributable to non-controlling interests is presented below "Net income" in the consolidated statement of income, and in the "Non-controlling interests" item in equity. It consists of interests held by non-Group third parties in the equity of subsidiaries.

Provisions for pensions and other post-employment benefits: Obligations under defined benefit pension plans are calculated separately for each plan in line with actuarial principles. They are valued using the projected unit credit method. Measurement reflects not only known benefit entitlements and current pension payments at the end of the reporting period but also their future trends. The discount rate for pension obligations is based on the rates for high-quality corporate bonds. The rate used is a payment-weighted average interest rate reflecting the maturities, the amount and the currency of the payments due. When extrapolating the euro yield curve, the Group also accounts for a trend in the corporate bond spread in order to improve the accuracy of estimates. In the case of material plans, individual interest rates are used to calculate interest expenses and income based on the spot rate method, i.e. the various cash flows taken into account are weighted using different interest rates.

Where pension obligations are partially matched by assets of a legally independent entity (e.g. by assets belonging to a fund or by benefit commitments funded by external assets) that may only be used to settle the pension obligations entered into and that are exempt from attachment by creditors, these obligations are recognised net of such assets. If the fair value of such assets exceeds the associated pension liabilities, the net amount is recognised in the "Other accounts receivable" item after adjustment for any effects arising from application of the asset ceiling. The cost components from changes to defined benefit plans are recognised in profit or loss for the period, insofar as they relate to service costs and net interest on the net liability. Past service costs resulting from plan amendments or curtailments, and gains and losses from plan settlements, are recognised in profit or loss as they occur. All remeasurement effects are recognised in other comprehensive income and presented in equity. Remeasurements of pension obligations consist firstly of actuarial gains or losses on gross pension liabilities and secondly of the difference between the actual return on plan assets and the actuarial interest income on plan assets. Moreover, where plans are in surplus, the remeasurement component includes the difference between the interest expense on the effect of the asset ceiling and the total changes in net assets due to the effect of the asset ceiling.

Miscellaneous other provisions and tax provisions are recognised in their likely settlement amount, based on best estimates. Provisions are discounted where the effect of the time value of money is material. Restructuring provisions are recognised if a detailed, formal restructuring plan has been approved by the Group and the main features of the restructuring have been publicly announced. Among other things, the provisions reflect assumptions as to the number of employees affected by redundancy, severance payment amounts and contract termination costs. Expenses for future business activities (e.g. relocation costs) are not included when determining the provisions.

Share-based payments in the Group are settled exclusively in cash. Liabilities for cash-settled share-based payment plans are measured at the end of each reporting period and at the settlement date. The fair value of each of these plans is expensed across the vesting period. Thereafter, any change in the fair value of plans that have not yet been exercised is recognised in the statement of income.

Profit and loss recognition

Insurance revenue is defined as the total changes in the asset for remaining coverage from (re)insurance and the changes in the liability for remaining coverage that have occurred during the period to which the insurance coverage or other services for which the Group expects to receive consideration relate. The Group recognises revenue from the transfer of the promised coverage and other services in the amount of the consideration to which the Group expects to be entitled in exchange for those services. This means that the Group does not include any investment components in the insurance revenue and that it recognises the latter in each reporting period as the amount with which the performance obligations under the insurance contracts are met. Insurance revenue is the core KPI used to provide information on the volume of business transacted and on gross performance.

Insurance revenue – contracts not measured using the PAA

The following items are included in insurance revenue under the GMM and the VFA:

- Any release of the CSM, the measurement of which is based on the coverage units provided (see the section entitled “Release of the CSM” below).
- Changes in the risk adjustment for non-financial risk that relate to future service.
- Claims and other insurance service expenses payable before the end of the financial year; these are normally measured at the amounts expected at the start of the year. This item also contains amounts from the derecognition of assets for cash flows (with the exception of insurance acquisition cash flows) as at the date of the initial recognition of a group of contracts that are recognised as insurance revenue, plus the insurance service expenses incurred as at the date concerned.
- Other amounts including experience adjustments relating to premium income for current or past services in the Life Insurance business, plus amounts in connection with tax expenses for the discretionary participation business incurred by the policyholder.

Release of the CSM

The amount of the CSM for a group of insurance contracts recognised as insurance revenue in a specific financial year is determined by identifying the coverage units in the group, by allocating the CSM remaining at the end of the period before allocating it equally to each coverage unit provided in the current period and expected to be provided in the future, and by recognising in profit or loss the amount of the CSM allocated to the coverage units provided in the period. The number of coverage units is the quantity of services provided by the contracts in the group; this is determined by considering for each contract the quantity of the benefits provided under a contract and the contract’s expected coverage period. These coverage units are reviewed and updated as at the end of each reporting period. This is done by comparing the insurance volumes, at the end of the period that has expired with those for the total contract period, resulting in the service for the period. We select the coverage units for each insurance transaction to best reflect the provision of services in each case.

The services provided under insurance contracts comprise insurance coverage and, in the case of all contracts with direct participation features, investment-related services in connection with the management of the underlying items on behalf of the policyholders and, where appropriate, the investment-return services for contracts with indirect participation features. The expected coverage period reflects expectations regarding contract cancellations and the probability that insured events will occur, to the extent that these affect the expected coverage period. The period for investment-related services ends at the latest on the date on which all amounts due to current policyholders in relation to these services have been paid out.

The amount recognised in profit or loss for the period is the ratio of the coverage units for the current period of the CSM to the total coverage units for the current and all remaining periods, applied to the adjusted CSM before its release.

Insurance revenue – contracts measured under the PAA

Under the PAA, the insurance revenue in each period is the amount of premium income received for providing insurance coverage during that period. The expected premium income is allocated on the basis of the passage of time or of an alternative timeline for receipts if the expected pattern of release from risk during the coverage period differs significantly from the passage of time..

Insurance service expenses

Insurance service expenses from insurance contracts are recognised directly in profit or loss. They do not include any repayments of investment components. Insurance service expenses comprise the following items, among others:

- Incurred claims and other insurance service expenses.
- Amortisation of insurance acquisition cash flows: In the case of contracts not measured under the PAA, this corresponds to the amount of the insurance revenue that relates to recovering those cash flows recognised in the financial year. In the case of contracts measured under the PAA, the Group performs straight-line amortisation of the insurance acquisition cash flows over the coverage period for the group of contracts.
- Losses from onerous contracts and reversals of such losses.
- Adjustments to the liability for incurred claims not resulting from the effect of the time value of money, of financial risk and of changes in financial risk.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such losses.

Net income from reinsurance contracts

Net income from reinsurance contracts must be presented separately from income or expenses from insurance contracts issued and comprises amounts recovered from reinsurers less insurance service expenses from reinsurance contracts held (net). In principle, the breakdown of net income from reinsurance is the same as in the GMM. The Talanx Group recognises payments from reinsurers from incurred claims as income from reinsurance contracts held. For contracts in the GMM, net income from reinsurance contracts held is equal to the release of the CSM for reinsurance contracts held. In the case of contracts measured under the PAA, the insurance service expenses from reinsurance contracts correspond to the amount of the expected premium payments for maintaining the reinsurance coverage during the reporting period, which is then offset with insurance services received from the reinsurance.

Insurance finance income and expenses

The “Net insurance financial result” item comprises the changes in the carrying amount of the group of insurance contracts that result from the effects of the time value of money (interest must be accreted on the amount as at the start of the period using the interest rate used for discounting [the locked-in interest rate]), of financial risk and of changes in financial risk, unless such changes in groups of insurance contracts with direct participation features are allocated to a loss component and reported in the “Insurance service expenses” item.

The Talanx Group has decided to allocate the insurance finance income or expenses for all Group portfolios between profit and loss and other comprehensive income. In the case of contracts measured under the VFA, recognition in other comprehensive income results in the elimination of accounting mismatches within the statement of income. The amount corresponding to the income or expenses from underlying assets recognised in profit or loss (net investment income including net income from investments for the account and risk of life insurance policyholders) is included in finance income or expenses from insurance contracts issued. The remaining amount of finance income or expenses from insurance contracts issued for the reporting period is recognised in other comprehensive income.

Where a contract without direct participation features is derecognised as a result of a transfer to a third party, or in the case of a contract modification, all remaining amounts for the contract accumulated in other comprehensive income are reclassified to profit or loss as a reclassification adjustment. Insurance finance income and expenses for all other contracts are disclosed in the statement of income.

The amounts presented in other comprehensive income are accumulated in the insurance finance reserve. If the Group derecognises a contract without direct participation features as a result of a transfer to a third party or a contract modification, all remaining amounts for the contract accumulated in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

Net investment income

A breakdown of the net investment income is given in Note 15 to the consolidated financial statements.

Other income/expenses

A breakdown of the “Other income/expenses” item is given in Note 18 to the consolidated financial statements. This item also includes (under “Miscellaneous other expenses”) costs that cannot be directly allocated to insurance contracts (e.g. product development and training costs).

Revenue

In addition to its core business activities (which fall within the scope of IFRS 17), the Group provides various services relating to the insurance business in the wider sense. In particular, these comprise asset management services and other insurance-related services that fall within the scope of IFRS 15 “Revenue from Contracts with Customers”. Revenue from contracts with customers is recognised when control of the promised goods or services is transferred to the customer. The amount of revenue recognised corresponds to the amount of consideration to which the Group expects to be entitled for transferring goods or services to the customer. The Group acts as the principal for contracts falling within the scope of IFRS 15, as it generally has control over the goods or services before they are transferred to the customer. Contracts with customers do not usually contain significant financing components. This revenue is reported in the “Other disclosures” section of the Notes to the consolidated financial statements.

Income taxes

Tax expenditures consist of the current taxes levied on the results of Group companies to which local tax rates are applied, plus changes in deferred tax assets and deferred tax liabilities. Expenses for and income from interest and penalties payable to the tax authorities are reported under "Other income/expenses".

Foreign exchange differences arising on translation of foreign operations

The Group's reporting currency is the euro.

Transactions in foreign currencies are generally translated into the functional currency of the units of the company in question at the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies on the reporting date are translated into the functional currency using the exchange rate prevailing on the reporting date. Gains or losses arising from this translation are reported under the net currency result. Exchange rate gains and losses from non-monetary (e.g. equity instruments) classified as FVOCI are recognised in other comprehensive income and cannot be subsequently transferred to profit or loss.

Foreign currency items (including goodwill) at foreign subsidiaries in countries that do not use the euro as their national currency are translated into euros at the middle rates at the end of the reporting period. Foreign currency items in the statement of income are translated at their average exchange rates. All resulting exchange differences on translating foreign operations that are not attributable to non-controlling interests are recognised in other comprehensive income and presented in equity in the currency translation reserve.

EXCHANGE RATES FOR OUR KEY FOREIGN CURRENCIES

		Balance sheet (reporting date)		Statement of income (average)	
EUR 1 corresponds to		**30.06.2023**	31.12.2022	**6M 2023**	6M 2022
AUD	Australia	1.6397	1.5710	1.6107	1.5215
BRL	Brazil	5.2693	5.6362	5.4805	5.5940
CAD	Canada	1.4404	1.4449	1.4586	1.3900
CLP	Chile	871.9600	910.0600	877.7371	912.1443
GBP	United Kingdom	0.8582	0.8872	0.8750	0.8432
MXN	Mexico	18.5457	20.8805	19.6652	22.1267
PLN	Poland	4.4384	4.6843	4.6201	4.6380
SEK	Sweden	11.8103	11.1118	11.3722	10.4546
TRY	Türkiye	28.2839	19.9821	21.8850	16.0128
USD	USA	1.0855	1.0675	1.0785	1.0921

Türkiye has been classified as hyperinflationary within the meaning of IAS 29 "Financial Reporting in Hyperinflationary Economies" for the purposes of financial reporting since the second quarter of 2022. As a result, companies that use the Turkish lira (TRY) as their functional currency must apply the provisions of IAS 29 for reporting periods ending on or after 30 June 2022. This means that the financial statements concerned are adjusted for the effects of inflation rather than recognised on the basis of historical cost. The consumer index used by the Turkish Statistical Institute (TURKSTAT) for this stood at 1,351.59 as at 30 June 2023 (31 December 2022: 1,128.45). Overall, a gain on the net monetary items of EUR 26 million was recognised in other income/expenses for the period from 1 January to 30 June 2023. This includes a contribution to earnings of EUR +15 million.

Segment reporting

The description of the business activities, the divisions and the reportable segments of the Talanx Group in the 2022 Annual Report, as well as of the products and services with which earnings are generated, is still accurate as at the end of the reporting period. The general specifications about segment reporting given there and the statements about the measurement basis for the performance of the reportable segments are still applicable.

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 30 JUNE 2023

EUR million

Assets	Industrial Lines		Retail Germany	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
A. Intangible assets	163	164	302	304
B. Insurance contract assets	87	63	—	—
C. Reinsurance contract assets	7,276	7,193	155	211
D. Investments for own risk	12,557	11,230	47,321	46,591
E. Investments for the account and risk of life insurance policyholders	—	—	11,622	10,907
F. Cash at banks, cheques and cash-in-hand	887	889	782	817
G. Deferred tax assets	45	46	270	285
H. Other assets	1,073	901	699	609
I. Non-current assets and assets of disposal groups classified as held for sale [1]	27	34	—	36
Total assets	**22,115**	**20,519**	**61,151**	**59,760**

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

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 30 JUNE 2023

EUR million

Equity and liabilities	Industrial Lines		Retail Germany	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
B. Subordinated liabilities	410	410	192	206
C. Insurance contract liabilities	16,973	15,935	57,689	56,385
D. Reinsurance contract liabilities	212	167	22	28
E. Other provisions	650	654	373	283
F. Liabilities	1,181	907	1,127	1,239
G. Deferred tax liabilities	185	161	78	69
H. Liabilities included in disposal groups classified as held for sale [1]	40	44	—	—
Total liabilities/provisions	**19,651**	**18,277**	**59,481**	**58,210**

	Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
	30.06.2023	31.12.2022	**30.06.2023**	31.12.2022	**30.06.2023**	31.12.2022	**30.06.2023**	31.12.2022	**30.06.2023**	31.12.2022
	952	758	176	173	66	74	—	—	1,659	1,472
	21	17	1,216	1,448	—	—	−79	−83	1,244	1,444
	941	870	2,028	2,590	1,761	1,618	−4,947	−4,991	7,213	7,492
	12,907	12,745	57,206	55,869	2,136	2,873	−1,653	−1,964	130,474	127,345
	372	359	—	—	—	—	—	—	11,995	11,266
	395	329	1,014	1,309	360	248	—	—	3,438	3,592
	277	298	461	458	285	285	−193	−166	1,146	1,205
	750	753	4,845	4,107	619	1,015	−2,873	−3,276	5,113	4,110
	—	473	—	—	—	—	—	−9	27	534
	16,616	**16,603**	**66,946**	**65,954**	**5,227**	**6,113**	**−9,746**	**−10,488**	**162,309**	**158,460**

	Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
	30.06.2023	31.12.2022	**30.06.2023**	31.12.2022	**30.06.2023**	31.12.2022	**30.06.2023**	31.12.2022	**30.06.2023**	31.12.2022
	101	105	3,592	4,096	1,246	1,246	−1,032	−1,054	4,509	5,009
	10,832	10,928	42,493	41,769	2,489	2,288	−4,682	−4,758	125,795	122,547
	1	1	463	557	—	—	−216	−188	482	564
	326	284	486	516	1,263	1,354	−1	—	3,098	3,092
	2,349	2,315	7,497	6,918	2,096	2,914	−3,467	−4,162	10,784	10,130
	126	74	2,290	2,178	—	—	−207	−185	2,472	2,296
	—	406	—	—	—	—	—	—	40	450
	13,736	**14,112**	**56,820**	**56,035**	**7,095**	**7,802**	**−9,605**	**−10,348**	**147,179**	**144,089**

Equity [2]	**15,130**	**14,371**
Total liabilities	**162,309**	**158,460**

[1] For further information, see the “Non-current assets and disposal groups held for sale” section of the Notes.
[2] Equity attributable to Group shareholders and non-controlling interests.

CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023 [1]

EUR million	Industrial Lines 6M 2023	Industrial Lines 6M 2022	Retail Germany 6M 2023	Retail Germany 6M 2022
1. Insurance revenue	4,221	3,831	1,722	1,712
of which attributable to other divisions/segments	28	27	48	34
of which attributable to third parties	4,193	3,805	1,675	1,678
2. Insurance service expenses	−3,501	−3,282	−1,478	−1,470
3. Net income or expense from reinsurance contracts held	−428	−324	−66	−34
Insurance service result	**292**	**226**	**179**	**208**
4. a. Investment income for own risk	235	256	945	1,169
b. Investment expenses for own risk	−127	−145	−414	−825
Net investment income for own risk	**108**	**111**	**531**	**343**
of which impairments and reversals of impairments on financial instruments	—	—	−3	4
of which share of profit or loss of equity-accounted associates and joint ventures	4	8	—	—
4. c. Investment income for the account and risk of life insurance policyholders	—	—	800	207
d. Investment expenses for the account and risk of life insurance policyholders	—	—	−46	−1,757
Net investment income for the account and risk of life insurance policyholders	**—**	**—**	**754**	**−1,550**
Net investment income	**108**	**111**	**1,285**	**−1,207**
5. a. Insurance finance income and expenses from insurance contracts issued (including currency effects)	7	−524	−1,215	1,217
b. Insurance finance income and expenses from reinsurance contracts held (including currency effects)	−22	340	—	1
Net insurance financial result	**−15**	**−185**	**−1,215**	**1,218**
Correction for currency result from net insurance financial result	−44	177	—	—
Net insurance financial result before currency effects	**−59**	**−8**	**−1,215**	**1,218**
Net insurance financial and investment result before currency effects	**49**	**103**	**70**	**11**
6. a. Currency result on investments	−22	130	−10	30
b. Currency result on net insurance financial result	44	−177	—	—
c. Other currency result	−17	7	−1	3
Net currency result	**5**	**−39**	**−10**	**33**
7. a. Other income	66	90	39	38
b. Other expenses	−221	−206	−128	−147
Other income/expenses	**−155**	**−116**	**−89**	**−109**
Profit before goodwill impairments	**190**	**174**	**150**	**143**
8. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	**190**	**174**	**150**	**143**
9. Financing costs	−6	−5	−3	−3
10. Taxes on income	−34	−44	−53	25
Net income	**151**	**124**	**93**	**165**
of which attributable to non-controlling interests	—	—	5	4
of which attributable to shareholders of Talanx AG	151	124	88	162

[1] With the exception of the Retail Germany Division and the Reinsurance Division, the statements of income of the other divisions are the same as those of the reportable segments.

	Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
	6M 2023	6M 2022	**6M 2023**	6M 2022	**6M 2023**	6M 2022	**6M 2023**	6M 2022	**6M 2023**	6M 2022
	3,087	2,485	12,273	11,816	533	437	–974	–1,123	20,862	19,159
	—	—	430	607	468	455	–974	–1,123	—	—
	3,087	2,485	11,843	11,209	65	–18	—	—	20,862	19,159
	–2,879	–2,301	–10,291	–10,920	–536	–553	788	1,058	–17,896	–17,468
	–23	–74	–903	–203	16	128	66	108	–1,338	–398
	185	**110**	**1,079**	**694**	**12**	**13**	**–120**	**43**	**1,627**	**1,293**
	381	377	1,110	1,300	32	14	–27	–29	2,676	3,087
	–129	–208	–244	–460	–77	–54	42	42	–950	–1,650
	252	**169**	**866**	**839**	**–45**	**–40**	**15**	**14**	**1,726**	**1,437**
	3	—	9	–20	—	—	—	—	9	–16
	—	—	17	5	—	—	—	—	20	13
	27	2	—	—	—	—	—	—	827	210
	–2	–55	—	—	—	—	—	—	–48	–1,813
	25	**–53**	**—**	**—**	**—**	**—**	**—**	**—**	**779**	**–1,603**
	277	**116**	**866**	**839**	**–45**	**–40**	**15**	**14**	**2,506**	**–166**
	–184	–96	–145	–1,362	–17	–17	23	20	–1,532	–762
	56	39	6	109	8	7	–30	–15	19	480
	–129	**–58**	**–139**	**–1,253**	**–9**	**–10**	**–7**	**5**	**–1,513**	**–282**
	9	22	–203	1,047	6	8	—	—	–232	1,254
	–120	**–36**	**–342**	**–205**	**–2**	**–2**	**–7**	**5**	**–1,745**	**972**
	157	**81**	**524**	**634**	**–47**	**–41**	**8**	**19**	**760**	**806**
	20	28	–205	1,072	7	1	—	—	–210	1,262
	–9	–22	203	–1,047	–6	–8	—	—	232	–1,254
	–4	1	36	–52	—	1	—	—	14	–40
	7	**7**	**34**	**–27**	**1**	**–5**	**—**	**—**	**36**	**–32**
	63	31	24	147	775	720	–720	–654	247	373
	–164	–124	–299	–321	–724	–674	822	535	–713	–937
	–101	**–93**	**–274**	**–174**	**51**	**46**	**102**	**–119**	**–466**	**–565**
	249	**104**	**1,362**	**1,126**	**16**	**12**	**–10**	**–57**	**1,957**	**1,502**
	—	—	—	—	—	—	—	—	—	—
	249	**104**	**1,362**	**1,126**	**16**	**12**	**–10**	**–57**	**1,957**	**1,502**
	–10	2	–74	–53	–48	–53	22	25	–120	–88
	–57	–30	–298	–205	–4	2	–4	10	–450	–241
	181	**76**	**990**	**868**	**–36**	**–39**	**8**	**–22**	**1,388**	**1,173**
	41	29	506	460	—	—	9	–6	561	488
	141	47	484	409	–36	–39	–1	–16	827	686

CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE RETAIL GERMANY (PROPERTY/CASUALTY AND LIFE), PROPERTY/CASUALTY REINSURANCE AND LIFE/HEALTH REINSURANCE REPORTABLE SEGMENTS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2023

	Retail Germany – Property/Casualty		Retail Germany – Life		Property/Casualty Reinsurance		Life/Health Reinsurance	
EUR million	6M 2023	6M 2022	6M 2023	6M 2022	6M 2023	6M 2022	6M 2023	6M 2022
1. Insurance revenue	861	800	861	912	8,365	7,850	3,908	3,966
of which attributable to other divisions/segments	—	—	48	34	377	558	53	49
of which attributable to third parties	861	800	814	878	7,988	7,292	3,855	3,917
2. Insurance service expenses	–790	–740	–688	–730	–6,896	–7,283	–3,395	–3,637
3. Net income or expense from reinsurance contracts held	–38	–13	–28	–20	–872	–171	–32	–32
Insurance service result	**34**	**46**	**145**	**161**	**598**	**397**	**481**	**297**
4. a. Investment income for own risk	72	75	872	1,094	832	975	279	325
b. Investment expenses for own risk	–24	–61	–390	–764	–190	–411	–54	–49
Net investment income for own risk	**48**	**13**	**483**	**330**	**641**	**564**	**225**	**276**
of which impairments and reversals of impairments on financial instruments	—	—	–3	4	6	–18	3	–1
of which share of profit or loss of equity-accounted associates and joint ventures	—	—	—	—	10	7	7	–3
4. c. Investment income for the account and risk of life insurance policyholders	—	—	800	207	—	—	—	—
d. Investment expenses for the account and risk of life insurance policyholders	—	—	–46	–1,757	—	—	—	—
Net investment income for the account and risk of life insurance policyholders	**—**	**—**	**754**	**–1,550**	**—**	**—**	**—**	**—**
Net investment income	**48**	**13**	**1,237**	**–1,220**	**641**	**564**	**225**	**276**
5. a. Insurance finance income and expenses from insurance contracts issued (including currency result)	–8	3	–1,208	1,214	–45	–1,325	–100	–37
b. Insurance finance income and expenses from reinsurance contracts held (including currency result)	—	—	1	1	–14	130	19	–21
Net insurance financial result	**–8**	**3**	**–1,207**	**1,215**	**–58**	**–1,195**	**–81**	**–58**
Correction for currency result from net insurance financial result	—	—	—	—	–226	1,046	23	1
Net insurance financial result before currency effects	**–8**	**3**	**–1,207**	**1,215**	**–285**	**–149**	**–58**	**–57**
Net insurance finance and investment result before currency result	**40**	**16**	**30**	**–5**	**357**	**415**	**167**	**219**
6. a. Currency result on investments	–1	3	–9	27	–203	1,124	–2	–52
b. Currency result on net insurance financial result	—	—	—	—	226	–1,046	–23	–1
c. Other currency result	—	2	—	2	36	–102	—	49
Net currency result	**–1**	**5**	**–9**	**29**	**59**	**–24**	**–25**	**–3**
7. a. Other income	9	10	30	28	15	114	9	34
b. Other expenses	–43	–43	–85	–103	–187	–239	–111	–82
Other income/expenses	**–34**	**–34**	**–55**	**–75**	**–172**	**–125**	**–102**	**–49**
Profit before goodwill impairments	**39**	**33**	**111**	**110**	**841**	**662**	**521**	**464**
8. Goodwill impairments	—	—	—	—	—	—	—	—
Operating profit/loss (EBIT)	**39**	**33**	**111**	**110**	**841**	**662**	**521**	**464**

OTHER SEGMENT INFORMATION

EUR million	Industrial Lines	Retail Germany – Property/ Casualty	Retail Germany – Life	Retail International	Property/ Casualty Reinsurance	Life/Health Reinsurance	Corporate Operations	Consolidation	Total
6M 2023									
Included in net investment income									
Current interest income incl. Investment contracts	116	37	447	261	620	173	30	–26	**1,656**
Current interest expense	—	—	–1	–4	–6	—	—	—	**–11**
Share of profit or loss of equity-accounted associates and joint ventures	4	—	—	—	10	7	—	—	**20**
Depreciation of/ impairment losses on investment property									
Depreciation	–2	—	—	–1	–27	—	—	—	**–29**
Depreciation of/ impairment losses on infrastructure investments									
Depreciation	–3	–2	–11	—	—	—	—	—	**–16**
Other positions in profit or loss									
Other interest income	6	2	6	2	14	6	6	–5	**38**
Other interest expense	–11	–1	–9	–5	–21	–5	–18	9	**–59**
Depreciation and amortisation of/impairment losses on property, plant and equipment and intangible assets									
Depreciation and amortisation	–9	—	–1	–54	–11	–3	–18	—	**–96**
Impairment losses	–3	–1	—	—	—	—	—	—	**–5**
Income from reversal of impairment losses on fixed assets	—	—	—	—	—	—	2	—	**2**
6M 2022									
Included in net investment income									
Current interest income incl. Investment contracts	74	32	422	216	525	164	10	–29	**1,414**
Current interest expense	—	–1	–1	–1	—	—	–1	—	**–5**
Share of profit or loss of equity-accounted associates and joint ventures	8	—	—	—	7	–3	—	—	**13**
Depreciation of/ impairment losses on investment property									
Depreciation	–2	—	—	–1	–23	—	—	—	**–25**
Depreciation of/ impairment losses on infrastructure investments									
Depreciation	–3	–2	–11	—	—	—	—	—	**–16**
Other positions in profit or loss									
Other interest income	1	—	1	3	10	48	2	–2	**63**
Other interest expense	–5	–1	–7	–3	–10	–1	–6	6	**–27**
Depreciation and amortisation of/impairment losses on property, plant and equipment and intangible assets									
Depreciation and amortisation	–9	—	–1	–21	–10	–4	–19	—	**–64**
Impairment losses	—	—	—	—	—	—	—	—	**—**
Income from reversal of impairment losses on fixed assets	—	—	—	—	—	—	—	—	**—**

Consolidation

Consolidation principles

Companies over which the Group is able to exercise significant influence are generally accounted for as associates and joint ventures using the equity method in accordance with IAS 28. Following the introduction of IFRS 17, associates and joint ventures held as the underlying items for a group of insurance contracts with direct and discretionary participation features are accounted for at fair value. Other than this, the consolidation principles are the same as in the previous consolidated financial statements

Basis of consolidation

As at the reporting date, 136 (135) individual companies, 30 (30) investment funds, three (three) structured entities and five subgroups (including four foreign subgroups) were consolidated as a group (including associates) in Talanx's consolidated financial statements, seven (seven) were included using the equity method and nine (nine) associates or joint ventures measured at fair value.

Significant changes in the basis of consolidation compared with year-end 2022 are presented in the following.

Significant additions and disposals of consolidated subsidiaries and other changes under company law

By way of purchase agreement dated 16 November 2022, HDI Sigorta A.Ş., Istanbul, Türkiye, a wholly owned Group subsidiary of HDI International AG, Hannover, Germany (Retail International segment), acquired 60% of the shares in Fiba Emeklilik ve Hayat A.Ş, Istanbul, Türkiye (renamed HDI Fiba Emeklilik ve Hayat A.Ş, Istanbul, Türkiye, in January 2023). Based on the agreements reached, the Group accounts for the acquisition as at 16 January 2023 (date of initial consolidation). The purchase price (EUR 55 million) was settled entirely in cash. The acquisition resulted in goodwill of EUR 28 million, providing the potential to significantly expand property insurance business (establishment of Fiba Sigorta A.Ş., Istanbul, Türkiye, on 30 December 2022). In the tax accounts, this transaction does not result in any tax-deductible goodwill (share deal).

Acquisition-related costs of the transaction (EUR 0.3 million) are included in "Other income/expenses".

FAIR VALUES OF ACQUIRED ASSETS AND ASSUMED LIABILITIES OF HDI FIBA EMEKLILIK VE HAYAT A.Ş AS AT 16 JANUARY 2023

EUR million	HDI Fiba Emeklilik ve Hayat A.Ş
Intangible assets	45
Insurance contract assets	1
Reinsurance contract assets	3
Investments	26
Cash at banks, cheques and cash-in-hand	2
Other assets	4
Total assets	**81**
Insurance contract liabilities	13
Other provisions	4
Other liabilities	8
Deferred tax liabilities	12
Total liabilities	**37**
Acquired net assets (before consolidation)	**44**

The intangible assets acquired include essentially acquired distribution networks and customer relationships. No contingent liabilities were identified in connection with the acquired company that must be accounted for in accordance with IFRS 3.23 or that have not been recognised due to a lack of a reliable measurement of their fair value. No contingent consideration, assets for compensation or separate transactions within the meaning of IFRS 3 were recognised.

The company's insurance revenue was included in the financial statements at EUR 39 million and net income at EUR 14 million.

By way of a purchase agreement dated 13 February 2023, Towarzystwo Ubezpieczeń na Życie Europa S.A., Wrocław, Poland (hereinafter referred to as TU Europa Life) and Towarzystwo Ubezpieczeń Europa S.A., Wrocław, Poland (hereinafter referred to as TU Europa Non-Life), a wholly-owned and 50% Group subsidiary of HDI International AG, Hannover, Germany, in the Retail International segment, together acquired 80% of the shares in Millenium Financial Services SP. Z O.O, Warsaw, Poland. 72% was attributable to TU Europa Life and 8% to TU Europa Non-Life. Based on the agreements reached, the Group will account for the acquisition as at 29 March 2023 (date of initial consolidation). As part of this acquisition, distribution agreements for life and non-life insurance products were entered into with Bank Millennium Spółka Akcyjna, Warsaw, Poland. The purchase price of the entire transaction, which was settled entirely in cash, amounted to EUR 111 million, EUR 21 thousand of which related to the acquisition of the shares; the remaining amount was attributable to the distribution agreements. The distribution agreements were recognised as intangible assets on a pro rata basis at TU Europa Life and TU Europa Non-Life.

By way of a purchase agreement dated 23 April 2020 and a supplementary agreement dated 20 June 2023, HDI Lebensversicherung AG, Cologne, neue leben Lebensversicherung AG, Hamburg, LPV Lebensversicherung AG, Hilden, HDI Versicherung AG, Hannover and TARGO Lebensversicherung AG, Hilden (all Retail Germany Division) acquired 79.56% of shares in KOP4 GmbH & Co. KG, Baierbrunn. Based on the agreements reached, the Group will account for the acquisition as at 30 June 2023 (date of initial consolidation). The purchase price (EUR 82 million) was settled entirely in cash. The acquisition did not result in any goodwill.

Overall, assets of EUR 296 million and liabilities of EUR 193 million were acquired. The assets relate to investments (EUR 274 million), other assets (EUR 17 million) and cash at banks, cheques and cash-in-hand (EUR 6 million). Material liabilities assumed relate to liabilities from notes payable and loans (EUR 147 million) and other provisions (EUR 45 million).

In a merger agreement dated 5 May 2023, HDI Italia S.p.A., Milan, Italy, was merged with HDI Assicurazioni S.p.A., Rome, Italy, (both Retail International segment) with retrospective effect from 1 January 2023.

Regarding the disposal of Magyar Posta Biztosító Zrt. and Magyar Posta Életbiztosító Zrt., Budapest, Hungary, please see the "Non-current assets held for sale and disposal groups" section.

There were no other material changes to the basis of consolidation in comparison to the end of 2022.

Non-current assets held for sale and disposal groups

Magma HDI General Insurance company Ltd., Kolkata, India (Industrial Lines segment)

As at the reporting date, the equity-accounted interest in Magma HDI General Insurance Company Ltd., Kolkata, India, was classified by HDI Global SE, Hannover, as held for sale. The disposal relates to the strategic orientation in the Industrial Lines segment. The disposal was completed on 19 December 2022 and is still subject to conditions precedent. The transaction is expected to close in the second half of 2023.

HDI Global SE, Hannover (Industrial Lines segment)

HDI Global SE, Hannover is planning to sell an insurance portfolio in the motor vehicle and marine insurance lines held by its branch in the Netherlands. The portfolio contains assets of EUR 17 (22) million and technical provisions of EUR 40 (44) million. The disposal relates to the strategic orientation in the Industrial Lines segment and is expected to take place in 2023. No valuation adjustments were required.

Real estate

We do not report any property holdings as held for sale as at the reporting date (31 December 2022: EUR 43 million).

Magyar Posta Biztosító Zrt. and Magyar Posta Életbiztosító Zrt., Budapest, Hungary (Retail International segment)

As at 31 December 2022, the Group recognised the subsidiary Magyar Posta Biztosító Zrt., Budapest, Hungary, held by HDI International AG, Hannover, Germany, as a disposal group with assets of EUR 32 million and liabilities of EUR 25 million. The subsidiary Magyar Posta Életbiztosító Zrt., Budapest, Hungary, also held by HDI International AG, Hannover, Germany, was again recognised as a disposal group with assets of EUR 427 million and liabilities of EUR 381 million. Effective 30 May 2023, the Group sold its 66.9% interest with a disposal gain of EUR 1 million.

Notes to the consolidated balance sheet – assets

(1) Intangible assets

INTANGIBLE ASSETS

EUR million	30.06.2023	31.12.2022
a. Goodwill	1,057	1,020
b. Other intangible assets	602	452
of which		
Software	226	212
Other		
Acquired distribution networks and customer relationships	172	22
Acquired brand names	32	30
Other	171	187
Total	**1,659**	**1,472**

(2) Reinsurance contract assets

Reconciliation of changes in the carrying amount

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

	Asset for remaining coverage – ceded		Asset for incurred claims – ceded			
				Contracts measured under the PAA		
EUR million	Excluding loss-recovery component	Loss-recovery component	Contracts not measured under the PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
2023						
Carrying amount of assets at the start of the reporting period	34	24	3,764	3,519	150	7,492
Carrying amount of liabilities at the start of the reporting period	–1,517	—	946	6	—	–564
Net opening balance	**–1,483**	**24**	**4,711**	**3,525**	**150**	**6,927**
Changes in the basis of consolidation	3	—	—	–3	—	—
Disposal groups in accordance with IFRS 5	—	—	—	8	—	8
Changes in the statement of income and other comprehensive income						
Allocation of reinsurance premiums paid	**–3,182**	**–16**	**—**	**—**	**—**	**–3,198**
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses	—	4	1,017	734	9	1,765
Amortisation of insurance acquisition cash flows	–22	—	—	—	—	–22
Recoveries and reversals of recoveries of losses on onerous underlying contracts	4	–3	—	—	—	1
Adjustments to assets for incurred claims	—	—	151	–3	—	148
Total amounts recoverable from reinsurers	**–19**	**1**	**1,168**	**731**	**9**	**1,891**
Investment components	–198	—	197	1	—	—
Changes in the non-performance risk of reinsurers	–29	—	—	–1	—	–30
Net income or expense from reinsurance contracts held	**–3,428**	**–15**	**1,366**	**730**	**9**	**–1,338**
Insurance finance income and expenses from reinsurance contracts held	49	—	3	27	—	79
Effect of movements in exchange rates	18	–3	–20	–77	–2	–83
Other changes	56	—	–48	–2	—	6
Total changes in the statement of income and other comprehensive income	**–3,305**	**–16**	**1,300**	**678**	**7**	**–1,335**
Cash flows						
Premiums paid	2,716	—	—	—	—	2,716
Payments received for incurred claims and other insurance service expenses	—	—	–1,213	–471	—	–1,684
Insurance acquisition cash flows	99	—	—	—	—	99
Other cash flows	1	—	—	—	—	1
Total cash flows	**2,816**	**—**	**–1,213**	**–471**	**—**	**1,132**
Net closing balance	**–1,969**	**7**	**4,798**	**3,737**	**158**	**6,731**
Carrying amount of assets at the end of the reporting period	–599	7	3,944	3,704	157	7,213
Carrying amount of liabilities at the end of the reporting period	–1,370	—	854	33	1	–482

ANALYSIS BY MEASUREMENT COMPONENT – CONTRACTS NOT MEASURED UNDER THE PAA

			Contractual service margin			
EUR million	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts measured under the modified retrospective approach	Contracts measured under the fair value approach	Contracts measured under the full retrospective approach and contracts after transition to IFRS 17	Total
2023						
Carrying amount of assets at the start of the reporting period	3,247	201	129	26	317	3,920
Carrying amount of liabilities at the start of the reporting period	–848	127	164	55	–46	–549
Net opening balance	**2,399**	**328**	**293**	**81**	**270**	**3,371**
Changes in the basis of consolidation	3	—	—	—	—	3
Changes in the statement of income and other comprehensive income						
Changes that relate to current services						
CSM recognised for services provided	—	—	–18	31	–302	–290
Changes in risk adjustment for non-financial risk for the risk expired	—	–34	—	—	—	–34
Experience adjustments	–719	—	—	—	—	–719
Other changes	–14	—	—	—	—	–14
Total changes that relate to current services	**–733**	**–34**	**–18**	**31**	**–302**	**–1,057**
Changes that relate to future services						
Contracts initially recognised in the period	–611	72	—	—	541	2
Changes in estimates that adjust the CSM	–287	15	159	–71	182	–2
Changes in estimates that relate to losses and reversals of losses on underlying onerous contracts	–5	3	—	—	—	–2
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	–10	10	—	—	6	6
Total changes that relate to future services	**–912**	**100**	**159**	**–71**	**728**	**4**
Changes that relate to past services						
Adjustment to the asset for incurred claims	156	–5	—	—	—	151
Total changes that relate to past services	**156**	**–5**	**—**	**—**	**—**	**151**
Effect of changes in the non-performance risk of reinsurers	–29	—	—	—	—	–29
Total changes that relate to services	**–1,519**	**61**	**141**	**–40**	**426**	**–931**
Insurance finance income and expenses from reinsurance contracts held	30	3	5	1	12	51
Effect of movements in exchange rates	–22	1	3	1	–3	–21
Total changes in the statement of income and other comprehensive income	**–1,511**	**65**	**148**	**–39**	**435**	**–902**
Cash flows						
Premiums paid	1,768	—	—	—	—	1,768
Payments received for incurred claims and other insurance service expenses	–1,213	—	—	—	—	–1,213
Insurance acquisition cash flows	1	—	—	—	—	1
Total cash flows	**556**	**—**	**—**	**—**	**—**	**556**
Net closing balance	**1,446**	**393**	**441**	**42**	**705**	**3,028**
Carrying amount of assets at the end of the reporting period	2,498	329	349	55	261	3,492
Carrying amount of liabilities at the end of the reporting period	–1,051	64	93	–13	444	–464

New business analysis – contracts not measured unter the PAA

EUR million	Contracts initiated excluding loss-recovery component	Contracts initiated including loss-recovery component
6M 2023		
Estimates of present value of future cash inflows	1,299	26
Estimates of present value of future cash outflows	–1,910	–36
of which: insurance acquisition cash flows	—	—
Risk adjustment for non-financial risk	72	10
Income recognised on initial recognition	—	6
Contractual service margin [1]	**541**	**6**

[1] The CSM can be attributed to the following segments: Retail Germany – Property/Casualty EUR 4 million, Retail Germany – Life EUR 8 million, Retail International EUR 5 million, Property/Casualty Reinsurance EUR 442 million, Life/Health Reinsurance EUR 8 million and Corporate Operations EUR 93 million. Consolidation had an effect of EUR –18 million.

No material reinsurance contracts were acquired in the course of a portfolio transfer or business combination in accordance with IFRS 3 in the reporting period.

Contractual service margin

The closing balance of the CSM from reinsurance contracts held increased by EUR 544 million to EUR 1,188 (644) million. The change in the CSM can be attributed to the segments as follows: Retail Germany – Property/Casualty EUR –21 million, Retail Germany - Life EUR –12 million, Retail International EUR 2 million, Property/Casualty Reinsurance EUR 367 million, Life/Health Reinsurance EUR 152 million and Corporate Operations EUR 65 million. Consolidation had an effect of EUR –9 million.

(3) Investment property

EUR million	30.06.2023	31.12.2022
Measured at amortised cost	2,745	2,606
Measured at fair value	3,656	3,366
Carrying amount as at the end of the reporting period	**6,401**	**5,971**

(4) Financial instruments measured at amortised cost

	Amortised cost		Unrealised gains/losses		Fair value	
EUR million	30.06.2023	31.12.2022	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Other foreign government debt securities	25	30	1	3	26	33
Corporate bonds	50	—	1	—	52	—
Mortgage loans	813	827	−276	−191	538	636
Other	13	—	—	—	13	—
Total	**902**	**857**	**−273**	**−188**	**629**	**669**

(5) Financial instruments measured at fair value through other comprehensive income

	Amortised cost		Unrealised gains/losses		Fair value	
EUR million	30.06.2023	31.12.2022	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Debt instruments						
Government debt securities issued by EU member states	15,364	16,619	−1,865	−2,154	13,499	14,465
US Treasury notes	12,003	12,328	−746	−796	11,257	11,532
Other foreign government debt securities	5,559	5,486	−226	−266	5,334	5,220
Debt securities issued by quasi-governmental entities	28,378	27,851	−5,751	−5,952	22,627	21,899
Corporate bonds	33,562	33,014	−3,226	−3,715	30,336	29,299
Covered bonds/asset-backed securities	21,139	21,122	−2,395	−2,581	18,744	18,541
Other	657	592	−3	13	654	605
Total debt instruments	**116,662**	**117,013**	**−14,212**	**−15,452**	**102,450**	**101,561**
Equity instruments						
Equities	1,287	1,220	104	42	1,391	1,262
Other participating interests (financial investments)	2	2	1	1	3	3
Total equity instruments	**1,289**	**1,222**	**105**	**43**	**1,394**	**1,265**
Total	**117,952**	**118,235**	**−14,107**	**−15,409**	**103,844**	**102,826**

(6) Financial instruments measured at fair value through profit or loss

EUR million	Fair value 30.06.2023	31.12.2022
Debt instruments		
US Treasury notes	—	19
Other foreign government debt securities	8	6
Debt securities issued by quasi-governmental entities	35	37
Corporate bonds	1,007	994
Covered bonds/asset-backed securities	13	14
Profit participating certificates	96	114
Life settlement contracts	13	13
Other	47	70
Total debt instruments	**1,220**	**1,268**
Equity instruments		
Equities	123	121
Shares in associates and joint ventures	191	184
Other participating interests	6	6
Other equity instruments at fair value through profit or loss	10	—
Total equity instruments	**330**	**311**
Derivatives	527	593
Funds classified as at fair value through profit or loss	8,301	8,223
Investment contracts	1,895	1,792
Short-term investments	3,468	1,897
Total	**15,741**	**14,084**

(7) Other investments

INFRASTRUCTURE INVESTMENTS

EUR million	2023	2022
Gross carrying amount as at 31.12. of the previous year	**659**	**659**
Additions	—	1
Gross carrying amount as at 31.12. of the financial year	**659**	**659**
Accumulated depreciation and impairment losses as at 31.12. of the previous year	**−265**	**−236**
Reversal of impairments	—	4
Depreciation and impairment losses		
Depreciation	−16	−34
Accumulated depreciation and impairment losses as at 31.12. of the financial year	**−281**	**−265**
Carrying amount as at 31.12. of the previous year	394	423
Carrying amount as at 31.12. of the financial year	**379**	**394**

Non-current assets from infrastructure investments relate to investments in wind farms. There are no restrictions on the disposal of these assets, and they have not been pledged as collateral. This item does not include an assets under construction.

(8) Impairment losses on financial instruments

LOSS ALLOWANCE ON FINANCIAL INSTRUMENTS

EUR million	Opening balance	Transfer to Stage 1	Transfer to Stage 2	Transfer to Stage 3	Additions	Disposals	Other	Closing balance
2023								
Measurement category								
Financial instruments measured at amortised cost (Stage 1)	2	—	—	—	—	—	—	2
Financial instruments measured at fair value through other comprehensive income (Stage 1)	87	9	−9	—	21	−9	−23	76
Financial instruments measured at fair value through other comprehensive income (Stage 2)	48	−9	16	—	—	−4	6	57
Financial instruments measured at fair value through other comprehensive income (Stage 3)	134	—	−7	—	—	−3	−9	114
Simplified impairment model	15	—	—	—	2	—	−1	17
Total	**286**	**—**	**—**	**—**	**23**	**−16**	**−28**	**265**

(9) Fair value hierarchy – financial instruments

The disclosures in accordance with IFRS 13 “Fair Value Measurement” require financial instruments measured at fair value to be allocated to a three-level fair value hierarchy. One goal of this requirement is to reveal the link between market inputs and the data used in determining fair value. The following classes of financial instruments are affected: shares in affiliated companies, associates, joint ventures and participating interests (hereinafter abbreviated to shares in companies), financial instruments measured at fair value through OCI, financial instruments measured at fair value through profit or loss, investment contracts (financial assets and liabilities), short-term investments, other liabilities (negative fair values of derivative financial instruments) and hedging instruments (derivatives used in hedge accounting), provided these are measured at fair value.

The guideline for the allocation to the individual levels of the valuation hierarchy and of the valuation process, the valuation models for measuring fair value, the essential input factors, the essential level 3 portfolios and the statements on the sensitivity analysis have not materially changed compared to the description in the 2022 Annual Report. Level 3 financial instruments had fair values totalling EUR 10.0 (9.6) billion as at the reporting date. Of this figure, the Group generally measures EUR 7.3 (7.1) billion using the net asset value method, under which alternative inputs within the meaning of the standard cannot reasonably be established. The fair values of the other Level 3 financial instruments are essentially determined using the present value method and the ISDA model.

As at the end of the reporting period, we allocate around 6% (5%) of the financial instruments at fair value at Level 1 of the fair value hierarchy, 85% (87%) at Level 2 and 8% (8%) at Level 3.

No securities were transferred between Level 2 and Level 1 in the financial year.

As in the prior year, there were no liabilities issued with an inseparable third-party credit enhancement within the meaning of IFRS 13.98 as at the end of the reporting period. The credit enhancements are not reflected in the measurement of the fair value.

FAIR VALUE HIERARCHY – FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

EUR million

Carrying amounts of financial instruments measured at fair value by class	Level 1	Level 2	Level 3 [1]	Carrying amount
30.06.2023				
Financial assets measured at fair value				
Shares in affiliated companies, associates, joint ventures and participating interests	—	1	946	947
Financial instruments measured at fair value through other comprehensive income				
Debt instruments	7	99,756	2,687	102,450
Equity instruments	1,391	—	3	1,394
Financial instruments measured at fair value through profit or loss				
Debt instruments classified as at fair value through profit or loss	12	1,012	196	1,220
Equity instruments classified as at fair value through profit or loss	99	—	231	330
Derivatives	3	304	220	527
Funds classified as at fair value through profit or loss	314	2,455	5,533	8,301
Investment contracts				
Financial instruments classified as at fair value through profit or loss	1,685	135	75	1,895
Short-term investments	3,447	21	—	3,468
Total financial assets measured at fair value	**6,958**	**103,683**	**9,891**	**120,532**
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	—	373	12	385
Other liabilities (investment contracts)				
Financial instruments classified as at fair value through profit or loss	739	1,073	83	1,895
Liabilities designated as at fair value through profit or loss	11	—	—	11
Total financial liabilities measured at fair value	**750**	**1,446**	**95**	**2,291**
31.12.2022				
Financial assets measured at fair value				
Shares in affiliated companies, associates, joint ventures and participating interests	58	1	893	951
Financial instruments measured at fair value through other comprehensive income				
Debt instruments	6	98,998	2,556	101,561
Equity instruments	1,262	—	3	1,265
Financial instruments measured at fair value through profit or loss				
Debt instruments classified as at fair value through profit or loss	14	1,020	234	1,268
Equity instruments classified as at fair value through profit or loss	97	—	214	311
Derivatives	—	330	264	593
Funds classified as at fair value through profit or loss	414	2,531	5,278	8,223
Investment contracts				
Financial instruments classified as at fair value through profit or loss	1,595	123	74	1,792
Short-term investments	1,881	11	5	1,897
Total financial assets measured at fair value	**5,327**	**103,013**	**9,520**	**117,861**
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	—	415	14	430
Other liabilities (investment contracts)				
Financial instruments classified as at fair value through profit or loss	703	1,013	76	1,792
Liabilities designated as at fair value through profit or loss	13	—	—	13
Total financial liabilities measured at fair value	**716**	**1,429**	**90**	**2,235**

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

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

RECONCILIATION OF FINANCIAL INSTRUMENTS (FINANCIAL ASSETS) CLASSIFIED AS LEVEL 3 AT THE START OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 30 JUNE 2023

EUR million	participat-ing interests	Debt instru-ments FVOCI	Equity instru-ments FVOCI	Debt instru-ments FVPL	Equity instru-ments FVPL	Deriva-tives	Funds FVPL	Invest-ment contracts	Short-term invest-ments	Financial assets total
2023										
Opening balance at the start of the reporting period	**893**	**2,556**	**3**	**234**	**214**	**264**	**5,278**	**74**	**5**	**9,520**
Income and expenses										
recognised in profit or loss	–2	1	—	3	—	30	–87	—	—	–55
recognised in other comprehensive income	–6	6	—	—	—	—	—	—	—	—
Transfers into Level 3	—	—	—	—	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—	—	—	—	—
Additions										
Purchases	5	215	—	1	14	—	509	—	51	796
Disposals										
Sales	—	–25	—	–22	—	–79	–138	—	–51	–316
Repayments/redemptions	—	–70	—	–18	—	–1	—	—	—	–88
Exchange rate changes	—	–10	—	–1	3	6	–30	—	–4	–37
Other changes	58	12	—	—	—	—	—	1	—	71
Closing balance at the end of the reporting period	**946**	**2,687**	**3**	**196**	**231**	**220**	**5,533**	**75**	**—**	**9,891**

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

EUR million	participat-ing interests	Debt instru-ments FVOCI	Equity instru-ments FVOCI	Debt instru-ments FVPL	Equity instru-ments FVPL	Deriva-tives	Funds FVPL	Invest-ment contracts	Short-term invest-ments	Financial assets total
2023										
Gains and losses in the financial year										
Investment income	—	1	—	8	1	35	117	—	—	163
Investment expenses	–2	—	—	–6	–1	–5	–203	—	—	–217
of which attributable to financial instruments held as at the end of the reporting period										
Investment income	—	1	—	6	1	29	117	—	—	155
of which investment income from fair value changes	—	—	—	5	1	29	117	—	—	152
Investment expenses	—	—	—	–3	–1	–3	–203	—	—	–210
of which investment losses from fair value changes	—	—	—	–3	–1	–2	–203	—	—	–210

RECONCILIATION OF FINANCIAL INSTRUMENTS (FINANCIAL LIABILITIES) CLASSIFIED AS LEVEL 3 AT THE START OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 30 JUNE 2023

EUR million	Other liabilities/ negative fair values from derivatives	Investment contracts	Total financial liabilities
2023			
Opening balance at the start of the reporting period	**14**	**76**	**91**
Income and expenses			
recognised in profit or loss	1	—	1
recognised in other comprehensive income	—	—	—
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Additions			
Purchases	—	—	—
Disposals			
Sales	–4	—	–4
Exchange rate changes	—	—	—
Other changes	—	7	7
Closing balance at the end of the reporting period	**12**	**83**	**95**

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

EUR million	Other liabilities/ negative fair values from derivatives	Investment contracts	Total financial liabilities
2023			
Gains and losses in the financial year			
Investment income	—	—	—
Investment expenses	1	—	1
of which attributable to financial instruments held at the end of the reporting period			
Investment income	—	—	—
of which investment income from fair value changes	—	—	—
Investment expenses	1	—	1
of which investment losses from fair value changes	1	—	1

Notes to the consolidated balance sheet – equity and liabilities

(10) Equity

Subscribed capital

The share capital was unchanged at EUR 317 million and is composed of 253,350,943 (253,100,943) no-par value registered shares; it is fully paid up. The nominal value per share is EUR 1.25.

For details of the composition of equity, please see the consolidated statement of changes in equity.

Contingent capital

On 5 May 2022, the Annual General Meeting resolved to contingently increase the share capital by up to EUR 94 million, composed of up to 75,000,000 new no-par value shares (Contingent Capital I). The contingent capital increase serves to grant no-par value shares to holders of registered bonds to be issued against cash contributions in the period up to 4 May 2027 by Talanx AG or a subordinate Group company within the meaning of section 18 of the German Stock Corporation Act (AktG) on the basis of the authorisation granted to the Board of Management under the Annual General Meeting's resolution of the same date. The shares will be used to satisfy the contingent conversion obligation.

The same Annual General Meeting resolved to contingently increase the share capital by up to EUR 63 million by issuing up to 50,000,000 new no-par value shares (Contingent Capital II). The contingent capital increase serves to grant no-par value shares to holders of bonds (convertible bonds and bonds with warrants) and participating bonds and profit participation rights with conversion rights or warrants or (contingent) conversion obligations and/or subordinated (hybrid) financial instruments to create equity components within the meaning of section 89 of the German Insurance Supervision Act (VAG) (or a subsequent regulation) or within the meaning of the Solvency 2 Directive (Directive 2009/138/EC) and the latest version of related national measures or measures adopted by the European Union, where the issue of these must be approved by the Annual General Meeting under section 221 of the German Stock Corporation Act (AktG), for example due to profit-related interest, the structure of loss participation or for other reasons, to be issued by Talanx AG or its subordinate Group companies within the meaning of section 18 of the AktG in the period between 5 May 2022 and 4 May 2027 on the basis of the authorising resolution adopted by the Annual General Meeting on the same date.

The amendments to the Articles of Association took effect on their entry in the commercial register on 2 June 2022.

Authorised capital

The Annual General Meeting on 5 May 2022 resolved to renew the authorised capital in accordance with article 7(1) of Talanx AG's Articles of Association and to insert a new article 7(1) authorising the Board of Management, subject to the approval of the Supervisory Board, to increase the share capital on one or more occasions in the period up to 4 May 2027 by a maximum of EUR 158 million by issuing new no-par value registered shares in exchange for cash or non-cash contributions (Authorised Capital 2022/I). Subject to the approval of the Supervisory Board, EUR 2.2 million of this may be used to issue employee shares. Shareholders' pre-emptive rights may be disapplied in the case of cash capital increases for certain specified purposes, subject to the approval of the Supervisory Board. They may be disapplied in the case of non-cash capital increases, also subject to the approval of the Supervisory Board, where this is in the Company's overriding interest. The total shares issuable on the basis of this authorisation while excluding pre-emptive rights may not exceed 10% of the share capital.

The amendment to the Articles of Association took effect on its entry in the commercial register on 2 June 2022.

Non-controlling interests

RECONCILIATION ITEMS FOR NON-CONTROLLING INTERESTS IN EQUITY

EUR million	30.06.2023	31.12.2022
Unrealised gains and losses on investments	–1,940	–2,161
Share of net income	561	1,196
Other equity	7,214	6,657
Total	**5,835**	**5,692**

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

(11) Subordinated liabilities

A number of Group companies have issued long-term subordinated debt instruments in the past, some of which are listed, in order to optimise the Group's capital structure and to ensure compliance with regulatory liquidity (solvency) requirements.

LONG-TERM SUBORDINATED DEBT

EUR million	Nominal amount	Coupon	Maturity	Rating[2]	Issue	30.06.2023	31.12.2022
Talanx AG	750	Fixed (2.25%)	2017/2047	(—; A–)	These subordinated bonds were issued on the European capital market in 2017. They can be called for the first time under normal conditions time in 2027.	750	750
Talanx AG	500	Fixed (1.75%), then floating rate	2021/2042	(—; A–)	These subordinated bonds were issued on the European capital market in 2021. They can be called for the first time under normal conditions in 2032.	496	496
Hannover Rück SE	750	Fixed (5.875%), then floating rate	2022/2043	(—; A)	These subordinated bonds were issued on the European capital market in 2022. They can be called for the first time under normal conditions in 2033.	746	746
Hannover Rück SE	750	Fixed (1.375%), then floating rate	2021/2042	(—; A)	These subordinated bonds were issued on the European capital market in 2021. They can be called for the first time under normal conditions in 2031.	744	744
Hannover Rück SE	500	Fixed (1.75%), then floating rate	2020/2040	(—; A)	These subordinated bonds were issued on the European capital market in 2020. They can be called for the first time under normal conditions in 2030.	496	496
Hannover Rück SE	750	Fixed (1.125%), then floating rate	2019/2039	(—; A)	These subordinated bonds were issued on the European capital market in 2019. They can be called for the first time under normal conditions in 2029.	744	742
Hannover Rück SE[1]	450	Fixed (3.375%), then floating rate	2014/no maturity	(a+; A)	These subordinated bonds were issued on the European capital market in 2014. They can be called for the first time under normal conditions in 2025.	449	448
Hannover Finance (Luxembourg) S. A.	500	Fixed (5.0%), then floating rate	2012/2043	(aa–; A)	These guaranteed subordinated bonds in the amount of EUR 500 million were issued in 2012 on the European capital market. They can be called for the first time under normal conditions after ten years.	—	500
HDI Assicurazioni S. p. A.[3]	25	Fixed (7.25%)	2020/2030	(—; —)	These subordinated bonds in the amount of EUR 25 million were issued in 2020 on the European capital market. They can be called for the first time under normal conditions after five years.	34	35
HDI Assicurazioni S. p. A.	27	Fixed (5.5%)	2016/2026	(—; —)	Subordinated loan.	27	28
HDI Assicurazioni S. p. A.	11	Fixed (5,7557%)	2020/2030	(—; —)	Two subordinated loans, callable after ten years.	11	11
HDI Global SE	13	Fixed (1.70%), then floating rate	2021/2041	(—; —)	Two subordinated loans, callable after ten years.	13	13
Total						**4,509**	**5,009**

1 In addition, Group companies (included in the consolidated financial statements) held bonds with a nominal amount of EUR 50 million as at the reporting date.
2 AM Best debt rating; S&P debt rating.
3 Subordinated loan from the merged company HDI Italia S. p. A.

The EUR 500 million subordinated bond issued by Hannover Finance (Luxembourg) S. A. In 2012 was called and repaid in the reporting period.

FAIR VALUES OF SUBORDINATED LIABILITIES MEASURED AT AMORTISED COST

EUR million	30.06.2023	31.12.2022
Amortised cost	4,509	5,009
Unrealised gains/losses	–664	–751
Fair value	**3,845**	**4,259**

(12) Insurance contract liabilities

Reconciliation of changes in the carrying amount

ANALYSIS BY REMAINING COVERAGE AND INCURRED CLAIMS

	Liability for remaining coverage		Liability for incurred claims			
				Contracts measured under the PAA		
EUR million	Excluding loss component	Loss component	Contracts not measured under the PAA	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total [1]
2023						
Carrying amount of assets as at the start of the reporting period	–2,141	–45	751	1	2	–1,432
Carrying amount of liabilities as at the start of the reporting period	59,517	786	41,690	19,695	859	122,547
Net opening balance	**57,377**	**741**	**42,441**	**19,696**	**860**	**121,115**
Changes in the basis of consolidation	–377	–2	18	–13	–1	–375
Disposal groups in accordance with IFRS 5	378	2	6	17	1	404
Other changes	2	—	—	—	—	2
Changes in the statement of income and other comprehensive income						
Insurance revenue						
Contracts measured under the modified retrospective approach	–1,683	—	—	—	—	–1,683
Contracts measured under the fair value approach	–2,765	—	—	—	—	–2,765
Contracts measured under the full retrospective approach and contracts after transition to IFRS 17	–16,414	—	—	—	—	–16,414
Total insurance revenue	**–20,862**	**—**	**—**	**—**	**—**	**–20,862**
Insurance service expenses						
Incurred claims and other insurance service expenses	—	–85	10,429	5,167	51	15,562
Amortisation of insurance acquisition cash flows	1,990	—	—	—	—	1,990
Losses and reversals of losses on onerous contracts	6	198	—	—	—	204
Adjustments to liability for incurred claims	—	—	–85	279	–53	141
Total insurance service expenses	**1,996**	**113**	**10,343**	**5,446**	**–2**	**17,896**
Investment components	–5,809	—	5,804	4	—	—
Insurance service result	**–24,675**	**113**	**16,148**	**5,450**	**–2**	**–2,966**
Net insurance financial result	2,197	9	267	195	–1	2,666
Effect of movements in exchange rates	107	–30	–566	–93	–5	–586
Other changes	110	1	–79	–32	–1	–1
Total changes in the statement of income and other comprehensive income	**–22,261**	**93**	**15,769**	**5,520**	**–9**	**–887**
Cash flows						
Premiums received	23,770	—	—	—	—	23,770
Claims and other insurance service expenses paid, including investment components	—	—	–13,184	–4,370	—	–17,554
Insurance acquisition cash flows	–1,908	—	—	—	—	–1,908
Other cash flows	–1	—	—	—	—	–1
Total cash flows	**21,861**	**—**	**–13,184**	**–4,370**	**—**	**4,307**
Net closing balance	**56,979**	**833**	**45,050**	**20,850**	**852**	**124,565**
Carrying amount of assets as at the end of the reporting period	–1,926	–89	786	–1	1	–1,230
Carrying amount of liabilities as at the end of the reporting period	58,905	923	44,265	20,851	851	125,795

[1] The insurance acquisition cash flows of EUR 14 (12) million recognised as assets in the Retail International segment are derecognised in full in the subsequent year at the latest.

ANALYSIS BY MEASUREMENT COMPONENT — CONTRACTS NOT MEASURED UNDER THE PAA

			Contractual service margin			
EUR million	Estimated present value of future cash flows	Risk adjustment for non-financial risk	Contracts measured under the modified retrospective approach	Contracts measured under the fair value approach	Contracts measured under the full retrospective approach and contracts after transition to IFRS 17	Total
2023						
Carrying amount of assets as at the start of the reporting period	–2,484	123	331	423	239	–1,369
Carrying amount of liabilities as at the start of the reporting period	85,843	4,429	4,078	2,810	2,339	99,499
Net opening balance	**83,359**	**4,552**	**4,409**	**3,233**	**2,578**	**98,131**
Changes in the basis of consolidation	–287	–11	—	1	–57	–353
Disposal groups in accordance with IFRS 5	314	13	—	—	51	378
Other changes	2	—	—	—	—	2
Changes in the statement of income and other comprehensive income						
Changes that relate to current services						
CSM recognised for services provided	—	—	–320	–241	–1,151	–1,712
Changes in risk adjustment for non-financial risk for the risk expired	—	–222	—	—	—	–222
Experience adjustments	–316	—	—	—	—	–316
Other changes	–1	—	—	—	—	–1
Total changes that relate to current services	**–317**	**–222**	**–320**	**–241**	**–1,151**	**–2,250**
Changes that relate to future services						
Contracts initially recognised in the period	–2,746	231	—	—	2,564	50
Changes in estimates that adjust the CSM	–266	–139	864	62	–518	3
Changes in estimates that relate to losses and reversals of losses on onerous contracts	113	22	—	—	—	135
Total changes that relate to future services	**–2,899**	**114**	**864**	**62**	**2,046**	**188**
Changes that relate to past services						
Adjustment to the liability for incurred claims	–32	–53	—	—	—	–85
Total changes that relate to past services	**–32**	**–53**	**—**	**—**	**—**	**–85**
Insurance service result	**–3,248**	**–161**	**545**	**–178**	**895**	**–2,148**
Insurance finance income and expenses from insurance contracts issued	2,153	189	29	25	69	2,466
Effect of movements in exchange rates	–373	–53	8	–55	–23	–495
Other changes	–1	—	—	—	—	–1
Total changes in the statement of income and other comprehensive income	**–1,468**	**–25**	**582**	**–208**	**941**	**–178**
Cash flows						
Premiums received	15,495	—	—	—	—	15,495
Claims and other insurance service expenses paid, including investment components	–13,184	—	—	—	—	–13,184
Insurance acquisition cash flows	–554	—	—	—	—	–554
Other cash flows	–1	—	—	—	—	–1
Total cash flows	**1,755**	**—**	**—**	**—**	**—**	**1,755**
Net closing balance	**83,675**	**4,529**	**4,990**	**3,026**	**3,514**	**99,734**
Carrying amount of assets as at the end of the reporting period	–2,251	120	346	397	244	–1,143
Carrying amount of liabilities as at the end of the reporting period	85,926	4,409	4,644	2,629	3,270	100,878

New business analysis – contracts not measured under the PAA

EUR million	Profitable contracts issued	Onerous contracts issued
6M 2023		
Insurance acquisition cash flows	797	5
Claims and other insurance service expenses payable	12,737	317
Estimates of present value of future cash outflows	13,534	321
Estimates of present value of future cash inflows	−16,310	−291
Risk adjustment for non-financial risk	212	19
Contractual service margin [1]	2,564	—
Losses recognised on initial recognition	**—**	**50**

[1] The CSM can be attributed to the following segments: Retail Germany – Property/Casualty EUR 44 million, Retail Germany – Life EUR 156 million, Retail International EUR 60 million (of which Life EUR 39 million), Property/Casualty Reinsurance EUR 2,271 million), Life/Health Reinsurance EUR 158 million and Corporate Operations EUR 126 million. Consolidation had an effect of EUR –250 million.

No material contracts were acquired in the course of a portfolio transfer or business combination in accordance with IFRS 3 in the reporting period.

Contractual service margin

The closing balance of the CSM from reinsurance contracts held increased by EUR 1,310 million to EUR 11,530 (10,220) million. The change in the CSM can be attributed to the segments as follows: Retail Germany – Property/Casualty EUR 22 million, Retail Germany – Life EUR 123 million, Retail International EUR 10 million, Property/Casualty Reinsurance EUR 756 million, Life/Health Reinsurance EUR 481 million and Corporate Operations EUR 89 million. Consolidation had an effect of EUR –171 million.

Significant management judgement and estimates

Fulfilment cash flows

Fulfilment cash flows comprise estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to those cash flows (to the extent that these risks are not included in the estimates of cash flows), and a risk adjustment for non-financial risk.

Future cash flows

Future cash flows are the expected value (or the probability-weighted mean) of the full range of possible outcomes. Stochastic models are used in the case of significant interdependencies between cash flows in different scenarios. The Group uses all reasonable and supportable information available without undue cost or effort at the end of the reporting period in an unbiased way when estimating future cash flows. Estimates of future cash flows reflect the Group's perspective on conditions as at the end of the reporting period; the estimates of the relevant market variables are consistent with observable market prices for those variables. Estimates of cash flows take into account current expectations of future events that might affect those cash flows. Changes in the law are taken into account as soon as they have been substantively enacted. Assumptions as to future inflation scenarios are derived from the difference between the yields on nominal government bonds and yields on inflation-linked government bonds.

The core assumptions in the life insurance business (including Life/Health Reinsurance) relate to mortality, longevity and policyholder behaviour, and vary by product type. They are developed using recognised techniques and sources. We check our experience by performing regular studies, the results of which are included in the measurement of existing contracts. To determine how changes in discretionary cash flows for these contracts are identified, the Group generally defines its commitment as the return implicit in the estimate of the fulfilment cash flows at inception of the contract. This is updated to reflect current assumptions that relate to financial risk. Fulfilment cash flows under the VFA are determined on a market-consistent basis using actuarial (stochastic) modelling, taking account of contractual options and guarantees.

In the case of investment contracts with some discretionary participation features that are measured under the general measurement model (GMM) and for which the Group, taking account of the statutory framework, has discretion over the amount or timing of payments to policyholders, changes in the discretionary cash flows are assumed to relate to future services and hence to result in an adjustment to the contractual service margin. At inception, the Group models the expected interest payable on the policyholder's account balance, based on a pool of assets after deduction of a spread. The effects of changes in the spread and the resulting impact on fulfilment cash flows lead to an adjustment to the contractual service margin. This also applies to financial risk assumptions.

In the case of the property/casualty business (including Property/Casualty Reinsurance), the Group uses recognised actuarial methods to calculate estimated claims that have been incurred but not yet reported. These are based on the assumption that the Group's historical claims development can suggest patterns in future claims development. In addition, past experience, current facts and circumstances and other assumptions regarding future developments are taken into account. In the case of reinsurance, these calculations use the information received from the cedants. In addition, individual cost estimates are calculated for certain known insurance claims. These estimates, which are based on the facts known when the relevant reserve was recognised, are determined by the Loss Adjustment department and take general principles of insurance practice, the loss situation and the agreed level of cover. The loss reserves are remeasured at regular intervals if new information becomes available that suggests this is appropriate.

Discount rates

Discount rates are used to reflect the time value of money and the financial risks related to future cash flows, to the extent that these financial risks were not included in the estimates of future cash flows. Discount rates were calculated using the bottom-up approach under which they are determined as a single illiquid risk-free yield curve per currency and applied throughout the Group. In addition to the use of the basic yield curve, individual financial risks are taken into account in connection with insurance contracts at entity level using an individual risk adjustment for financial risk. Risks and uncertainties regarding the timing or amount are taken into account once in the model, so as to avoid them being recognised multiple times or not at all.

The Group determines the risk-free rates using the observed swap yield curve for banks with "AA" ratings (adjusted for the bank's credit risk). Points on the yield curve are interpolated between the last available market data point and a final forward rate that reflects long-term real interest rates and inflation expectations. Government bond yields are used for markets for which no reliable swap yield curve is available. Although the final forward rate can be subject to change, it is likely to remain stable and to only change in the case of significant changes in long-term expectations. An illiquidity premium (ILP) is used to adjust risk-free yield curves so as to account for the liquidity features of the insurance contracts. These adjustments take the form of a supplementary ILP per currency that satisfies the following requirements and assumptions:

- The illiquidity of the underlying insurance contracts is defined using the predictability of their resulting cash flows. This is because the less predictable a cash flow is, the harder it is to cover these with illiquid investments.
- All characteristics of an insurance contract (or a group of insurance contracts) can be described and measured in full by the characteristics of their resulting cash flows.
- Uncertainties in cash flows, which may be the result of fluctuations in financial market parameters, in accordance with IFRS 17.33 a) in conjunction with IFRS 17.B86, are reflected in the estimate of future cash flows instead of implicitly by reducing the illiquidity premium through the adjustment of the risk-free, fully illiquid yield curve.
- ILPs are estimated based on observable market liquidity premiums for financial assets, which have been adjusted to reflect the illiquidity characteristics of the cash flows for the liabilities. The illiquidity premiums used here are based on risk-adjusted spreads for corporate and government bonds.
- The method used to calculate the ILP is similar to the EIOPA method for calculating the volatility adjustment under Solvency 2, except that it uses our own portfolio as opposed to EIOPA's insurance sector portfolio.

On initial recognition, a weighted average discount rate is determined for the period during which the contracts in the group of contracts are issued. This is updated for each new contract added to the group before 31 December of the financial year for which the group of contracts has been released. The discount rate determined on initial recognition is fixed for use in subsequent measurement (locked-in discount rate).

The following yield curves are used to discount estimated future cash flows.

YIELD CURVES USED

	EUR	USD	GBP	AUD	CAD	BRL
30.06.2023						
1 year	0.042035	0.057006	0.064221	0.047909	0.051217	0.113508
5 years	0.033729	0.044496	0.053880	0.043231	0.040293	0.102286
10 years	0.031889	0.047620	0.046106	0.044222	0.037039	0.107398
15 years	0.031535	0.047009	0.043876	0.045103	0.035708	0.104208
20 years	0.029947	0.046221	0.042448	0.045227	0.035043	0.097019
25 years	0.028899	0.044333	0.041034	0.045135	0.034644	0.090033
30 years	0.028962	0.043077	0.040092	0.044814	0.034378	0.084046
50 years	0.030914	0.036650	0.040376	0.042409	0.035088	0.068876
31.12.2022						
1 year	0.033967	0.053733	0.047950	0.039829	0.044182	0.131149
5 years	0.033724	0.044357	0.043974	0.041657	0.036196	0.126066
10 years	0.033977	0.047839	0.040454	0.045060	0.036268	0.127461
15 years	0.033491	0.047407	0.039538	0.045949	0.035746	0.121634
20 years	0.030931	0.046635	0.038709	0.045840	0.035485	0.111999
25 years	0.029330	0.044814	0.037631	0.045974	0.035329	0.103022
30 years	0.029261	0.042268	0.036912	0.045871	0.035224	0.095456
50 years	0.031461	0.038402	0.038718	0.043762	0.037056	0.076539

Contractual service margin

The insurance services provided in a reporting period are included in the amount of the contractual service margin recognised in profit or loss for that period. The amount is determined on the basis of the number of coverage units provided in the reporting period, based on the volume of coverage provided and the expected coverage period. IFRS 17 does not contain any requirements as to the method to be used to determine the volume of the insurance coverage. An appropriate method is selected for each group of contracts. In the case of insurance contracts that offer both insurance coverage and investment-related services, measurement of the volume of insurance services provided includes determining the relative weighting of the services provided to the policyholders by the insurance coverage. The way in which the services provided change in the course of the coverage period is determined and the individual components are then aggregated.

The Group determines the relative weighting of the insurance service provided under the insurance coverage by accounting for the service as if it had been offered independently. The ratio is then calculated based on the ratio of the respective services for the financial year in relation to the expected total services.

Risk adjustment for non-financial risk

The non-financial risk adjustment is used to compensate for uncertainty regarding the amount and timing of cash flows in connection with the non-financial risk (e.g. insurance risk, cost risk, inflation risk and, in particular, policyholder behaviour risk). The Talanx Group uses two methods to calculate the non-financial risk adjustment, reflecting its different business models. Primary Insurance applies the confidence level method with a Group-wide confidence level of 75% (exception: 65% for HDI Global Specialty SE, Hannover). The risk adjustment is determined at entity level, but risk diversification between entities is not taken into account. We apply a pricing margin approach for our Reinsurance Division and our internal reinsurance business at Talanx AG. This approach is based on the fact that the need to compensate for uncertain cash flows is already addressed during premium calculation. The surcharges determined there are applied to the cash flows and hence also form the risk adjustment under IFRS 17. This approach does not use the confidence level as an input.

(13) Notes payable and loans

NOTES PAYABLE AND LOANS

EUR million	30.06.2023	31.12.2022
Talanx AG notes payable	1,746	2,311
Hannover Rück SE	746	746
Loans from infrastructure investments	62	67
Hannover Re Real Estate Holdings, Inc. mortgage loans	230	228
HR GLL Central Europe GmbH & Co. KG mortgage loans	227	227
Real Estate Asia Select Fund Limited mortgage loans	215	231
Hannover Rück SE loans	153	198
E+S Rückversicherung AG loans	34	43
Other	21	8
Total	**3,436**	**4,058**

As at 30 June 2023, the Group had one syndicated variable-rate credit line with a nominal value of EUR 250 million. These had not been drawn down as at the end of the reporting period.

The Talanx AG bond with an interest rate of 3.125% that matured on 13 February 2023 was repaid in full in the amount of EUR 750 million. Group companies had held bonds with a nominal amount of EUR 185 million.

NOTES PAYABLE

EUR million	Nominal amount	Coupon	Maturity	Rating [1]	Issue	30.06.2023	31.12.2022
Talanx AG	750	Fixed (4.0%)	2022/2029	(—; —)	These senior unsecured bonds have a fixed term and can only be called for extraordinary reasons.	748	748
Talanx AG	500	Fixed (4.0%)	2022/2029	(—; A+)	These senior unsecured bonds have a fixed term and can only be called for extraordinary reasons.	498	498
Talanx AG	565	Fixed (3.125%)	2013/2023	(—; A+)	These senior unsecured bonds have a fixed term and can only be called for extraordinary reasons.	—	565
Talanx AG	500	Fixed (2.5%)	2014/2026	(—; A+)	These senior unsecured bonds have a fixed term and can only be called for extraordinary reasons.	500	500
Hannover Rück SE	750	Fixed (1.125%)	2018/2028	(—; AA–)	These unsubordinated unsecured bonds have a fixed term.	746	746
Total						**2,492**	**3,057**

[1] AM Best debt rating; S&P debt rating.

FAIR VALUE OF NOTES PAYABLE AND LOANS

EUR million	30.06.2023	31.12.2022
Amortised cost	3,436	4,058
Unrealised gains/losses	–114	–125
Fair value	**3,322**	**3,933**

Notes to the consolidated statement of income

(14) Insurance revenue

EUR million	Total 6M 2023	Total 6M 2022
Contracts not measured under the PAA		
Experience adjustments related to past or current services	536	1,287
CSM recognised for services provided	1,712	1,505
Changes in risk adjustment for non-financial risk for risk expired	329	290
Expected incurred claims and other insurance service expenses	10,068	9,290
Amortised insurance acquisition cash flows	682	219
Total	**13,327**	**12,591**
Contracts measured under the PAA	**7,535**	**6,567**
Total insurance revenue	**20,862**	**19,159**

(15) Net investment income

EUR million	6M 2023	6M 2022
Income from real estate	217	205
Dividends[1]	65	53
Current interest income	1,652	1,405
Current income from investmen funds	149	219
Income from investment contracts	87	138
Other income	95	77
Ordinary investment income	**2,264**	**2,097**
Realised gains on disposal of investments	44	329
Investment income from fair value changes	367	661
Investment income for own risk	**2,676**	**3,087**
Realised losses on disposal of investments	–299	–314
Investment losses from fair value changes	–353	–988
Expenses from investment contracts	–86	–134
Depreciation of/impairment losses on investment property		
Depreciation	–29	–25
Change in expected credit loss	9	–16
Amortisation of/impairment losses on other investments		
Amortisation	–16	–16
Investment management expenses	–93	–83
Other expenses	–82	–72
Investment expenses for own risk	**–950**	**–1,650**
Net investment income for own risk	**1,726**	**1,437**
Investment income for the account and risk of life insurance policyholders	827	210
Investment expenses for the account and risk of life insurance policyholders	–48	–1,813
Net investment income for the account and risk of life insurance policyholders	**779**	**–1,603**
Net investment income	**2,506**	**–166**

[1] Net income from shares in associates and joint ventures is reported under dividends.

(16) Net investment income by investment type

EUR million	6M 2023	6M 2022
Shares in affiliated companies, associates and joint ventures	23	15
Investment property	82	85
Financial instruments measured at cost	11	4
Financial instruments measured at fair value through other comprehensive income		
Debt instruments	1,254	1,314
Equity instruments	38	35
Financial instruments measured at fair value through profit or loss		
Debt instruments	42	–214
Equity instruments	9	–33
Derivatives (assets)	49	78
Derivatives (liabilities)	36	–5
Funds classified as at fair value through other comprehensive income	135	166
Short-term investments	93	16
Investments relating to investment contracts	29	–90
Liabilities relating to investment contracts	–28	94
infrastructure investments	–47	–27
Investments for own risk	**1,726**	**1,437**
Investments for the account and risk of life insurance policyholders	779	–1,603
Total	**2,506**	**–166**

(17) Net insurance financial result

The following table shows the Group's net insurance financial result, divided into items through profit or loss and items through other comprehensive income.

EUR million	Total 6M 2023	6M 2022
Net investment income		
Investment income for own risk	2,676	3,087
Investment expenses for own risk	–950	–1,650
Investment income for the account and risk of life insurance policyholders	827	210
Investment expenses for the account and risk of life insurance policyholders	–48	–1,813
Amounts recognised in other comprehensive income	1,146	–17,531
Total net investment income in the statement of income and other comprehensive income	**3,652**	**–17,697**
Net insurance financial result		
Insurance finance income or expenses from insurance contracts issued		
Changes in the fair value of underlying items of direct participating contracts	–1,866	12,162
Interest accreted	–574	–293
Effect of changes in interest rates and other financial assumptions	–344	5,315
Currency effects	278	–1,731
Total finance income or expenses from insurance contracts issued in the statement of income and other comprehensive income	**–2,506**	**15,453**
of which recognised in profit or loss	–1,532	–762
of which recognised in other comprehensive income	–974	16,215
Insurance finance income or expenses from reinsurance contracts held		
Interest accreted	49	2
Effect of changes in interest rates and other financial assumptions	34	–210
Currency effects	–46	477
Total insurance finance income or expenses from reinsurance contracts held in the statement of income and other comprehensive income	**38**	**270**
of which recognised in profit or loss	19	480
of which recognised in other comprehensive income	19	–210
Total net insurance financial result in the statement of income and other comprehensive income	**–2,469**	**15,722**
Correction for currency result from net insurance financial result	–232	1,254
Total net insurance financial result before currency effects in the statement of income and other comprehensive income	**–2,701**	**16,976**
Total net insurance financial and investment result before currency effects in the statement of income and other comprehensive income	**951**	**–721**
of which recognised in profit or loss	760	806
of which recognised in other comprehensive income	191	–1,527

(18) Other income/expenses

OTHER INCOME/EXPENSES

EUR million	6M 2023	6M 2022
Other income		
Income from services, rents and commissions	178	196
Recoveries on receivables previously written off	2	—
Income from the disposal of property, plant and equipment	3	1
Income from the reversal of other non-technical provisions	15	43
Interest income	38	63
Miscellaneous other income	11	70
Total	**247**	**373**
Other expenses		
Other interest expense	–59	–27
Depreciation, amortisation and impairment losses	–19	–12
Personnel expenses	–11	–11
Expenses for services and commissions	–89	–104
Other taxes	–36	–36
Miscellaneous other expenses	–499	–747
Total	**–713**	**–937**
Other income/expenses	**–466**	**–565**
of which monetary gains and losses according to IAS 29	26	—

The "Other income/expenses" item does not generally include personnel expenses incurred by our insurance companies that are allocated to the individual functions concerned during cost object accounting and contained in investment expenses and insurance service expenses. The same principle also applies to depreciation and amortisation of, and impairment losses on, intangible and other assets at our insurance companies.

Other disclosures

Number of employees

The Group's total workforce at the reporting date numbered 24,057 (23,669).

Related party disclosures

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

Transactions between Talanx AG and its subsidiaries (including structured entities) are eliminated in the course of consolidation and are therefore not disclosed in the Notes. In addition, HDI V. a. G. conducts primary insurance business in the form of co-insurance, with the lead insurer being HDI Global SE (HG), Hannover. In accordance with the Articles of Association of HDI V. a. G., the insurance business is split uniformly in the ratio of 0.1% (HDI V. a. G.) to 99.9% (HG).

On 16 December 2021, Talanx AG signed a master agreement with HDI V. a. G. which allows Talanx AG to offer HDI subordinated bonds with a maturity of five years and a volume of up to EUR 750 million on a revolving basis. Talanx AG is obliged to convert these bonds into registered shares with voting rights in the event of a rights issue. When the bonds are converted, HDI V. a. G. will waive the rights accruing to it under the capital increase leading to the conversion to subscribe for the number of new Talanx AG shares corresponding to the number of Talanx shares that HDI V. a. G. will receive in the course of the obligatory conversion of the bond. In other words, the waiver only applies if and to the extent that new shares resulting from the capital increase are replaced by shares resulting from the conversion.

Talanx AG issued two senior unsecured bonds with a total volume of EUR 1.25 billion on 18 October 2022. EUR 750 million of this was subscribed by HDI V. a. G.

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

Other disclosures on financial instruments

As at the end of the reporting period, in the context of a securities lending transaction, the Group recognised securities that were lent to third parties in exchange for collateral in the form of securities. The loaned securities are still reported on the balance sheet as their significant risks and opportunities remain with the Group, while the securities received as collateral were not recognised. The carrying amount as at the reporting date of financial assets belonging to the "financial instruments measured at fair value through other comprehensive income" category loaned under securities lending transactions was EUR 36 (124) million. The fair value is equivalent to the carrying amount. The components of these transactions that were recognised through profit or loss were reported under the "Net investment income" item.

As at the reporting date, the Group also recognised securities in the "financial instruments measured at fair value through other comprehensive income" category that were sold to third parties with a repurchase commitment at a fixed price (genuine repurchase transactions). This is because the material opportunities and risks in connection with the financial assets remained within the Group. As at the reporting date, the carrying amount of transferred financial assets from repo transactions was EUR 559 (244) million with that of the associated liabilities at EUR 565 (250) million. The difference between the amount received for the transfer and the amount agreed for the return of the assets is allocated for the term of the repurchase transaction and recognised in net investment income.

Litigation

We were not involved in any significant new litigation in the reporting period or at the end of the reporting period in comparison to 31 December 2022.

Earnings per share

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

EARNINGS PER SHARE

	6M 2023	6M 2022
Net income attributable to shareholders of Talanx AG used to calculate earnings per share (EUR million)	827	686
Weighted average number of ordinary shares outstanding	253,350,943	253,100,132
Basic earnings per share (EUR)	3.26	2.71
Diluted earnings per share (EUR)	3.26	2.71

Dividend per share

In the second quarter of 2023, a dividend of EUR 2.00 per share was paid for financial year 2022 (in 2022 for financial year 2021: EUR 1.60), resulting in a total distribution of EUR 507 (405) million.

Contingent liabilities and other financial commitments

There were no significant changes in contingent liabilities or other financial commitments in the reporting period compared with 31 December 2022.

Revenue

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

REVENUE CATEGORY

EUR million	6M 2023	6M 2022
Capital management services and commission [1]	94	117
Other insurance-related services [1]	85	80
Income from infrastructure investments [2]	47	49
Total revenue [3]	**225**	**246**

[1] Largely time-based revenue recognition.
[2] Time-based revenue recognition.
[3] Revenue is recognised in the statement of income under "7.a. Other income" EUR 167 (186) million and under "4.a. Investment income for own risk" EUR 58 (59) million.

Events after the end of the reporting period

There were no events of particular significance after the reporting date that would have a material impact on the assets, liabilities, financial position and financial performance of the Group.

Prepared and hence authorised for publication in Hannover on 3 August 2023.

Board of Management

Torsten Leue, Chairman

Jean-Jacques Henchoz

Dr Wilm Langenbach

Dr Edgar Puls

Caroline Schlienkamp

Jens Warkentin

Dr Jan Wicke

Review report

To Talanx AG, Hannover

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and selected explanatory notes – and the interim group management report of Talanx AG for the period from January 1 to June 30, 2023 which are part of the half-year financial report pursuant to § (Article) 115 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany (IDW)). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Hanover, August 3, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Martin Eibl	ppa. Philipp Rütter
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility statement

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

Hannover, 3 August 2023

Board of Management

Torsten Leue,
Chairman

Jean-Jacques Henchoz

Dr Wilm Langenbach

Dr Edgar Puls

Caroline Schlienkamp

Jens Warkentin

Dr Jan Wicke

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

Online Interim Report
https://talanx.com/investor-relations

Financial calendar 2023

13 November
Quarterly Statement as at 30 September