

**Talanx Group
Interim Report
as at 30 June
2021**

GROUP KEY FIGURES

	Unit	Q1 2021 ¹	Q2 2021	6M 2021	Q1 2020	Q2 2020	6M 2020	+/- 6M 2021 vs 6M 2020
Gross written premiums	EUR million	13,649	10,426	24,075	12,467	9,539	22,006	+9.4 %
by region								
Germany	%	26	12	20	26	16	22	-1.8 ppts
United Kingdom	%	7	10	9	7	9	8	+0.5 ppts
Central and Eastern Europe (CEE), including Turkey	%	6	8	7	6	8	7	- ppts
Rest of Europe	%	18	16	17	17	14	16	+1.4 ppts
USA	%	20	21	21	20	22	21	-0.6 ppts
Rest of North America	%	3	4	4	3	3	3	+0.6 ppts
Latin America	%	5	8	6	6	7	6	-0.3 ppts
Asia and Australia	%	13	18	15	13	18	15	+0.0 ppts
Africa	%	1	2	1	1	1	1	+0.1 ppts
Gross written premiums by type and class of insurance²								
Property/casualty primary insurance	EUR million	4,440	2,756	7,196	4,326	2,354	6,680	+7.7 %
Life primary insurance	EUR million	1,594	1,621	3,215	1,567	1,432	2,999	+7.2 %
Property/casualty reinsurance	EUR million	5,082	4,193	9,275	4,523	3,820	8,343	+11.2 %
Life/health reinsurance	EUR million	2,081	2,046	4,128	1,956	1,951	3,906	+5.7 %
Net premiums earned	EUR million	9,015	9,256	18,272	8,354	8,392	16,746	+9.1 %
Underwriting result	EUR million	-600	-382	-982	-425	-704	-1,129	-13.0 %
Net investment income	EUR million	1,253	1,096	2,350	903	882	1,785	+31.6 %
Net return on investment³	%	3.5	-	3.3	2.7	-	2.7	+0.7 ppts
Operating profit/loss (EBIT)	EUR million	625	707	1,333	559	186	745	+78.8 %
Net income (after financing costs and taxes)	EUR million	455	481	936	393	156	549	+70.4 %
of which attributable to shareholders of Talanx AG	EUR million	277	269	546	223	103	325	+67.9 %
Return on equity^{4,5}	%	10.7	10.3	10.5	9.0	4.1	6.4	+4.1 ppts
Earnings per share								
Basic earnings per share	EUR	1.10	1.06	2.16	0.88	0.41	1.29	+67.4 %
Diluted earnings per share	EUR	1.10	1.06	2.16	0.88	0.41	1.29	+67.4 %
Combined ratio in property/casualty primary insurance and property/casualty reinsurance⁶	%	96.1	95.7	95.9	99.8	102.7	101.3	-5.4 ppts
Combined ratio of property/casualty primary insurers ²	%	94.1	95.7	94.9	99.8	97.7	98.8	-3.8 ppts
Combined ratio of property/casualty reinsurance	%	96.2	95.8	96.0	99.8	104.8	102.3	-6.3 ppts
EBIT margin primary insurance and reinsurance								
EBIT margin primary insurance ²	%	8.4	4.5	6.4	4.3	4.3	4.3	+2.2 ppts
EBIT margin property/casualty reinsurance	%	8.2	11.8	10.1	9.1	-0.1	4.4	+5.7 ppts
EBIT margin life/health reinsurance	%	4.9	4.6	4.8	7.0	5.0	6.0	-1.2 ppts
				30.6.2021			31.12.2020	+/-
Policyholders' surplus	EUR million			21,437			20,598	+4.1 %
Equity attributable to shareholders of Talanx AG	EUR million			10,442			10,392	+0.5 %
Non-controlling interests	EUR million			6,741			6,732	+0.1 %
Hybrid capital	EUR million			4,254			3,473	+22.5 %
Assets under own management	EUR million			132,650			128,301	+3.4 %
Total investments	EUR million			143,717			138,705	+3.6 %
Total assets	EUR million			191,825			181,035	+6.0 %
Carrying amount per share at end of period	EUR			41.31			41.11	+0.5 %
Share price at end of period	EUR			34.48			31.76	+8.6 %
Market capitalisation of Talanx AG at end of period	EUR million			8,716			8,029	+8.6 %
Employees	as at the reporting date			23,762			23,527	+1.0 %

¹ Adjusted in accordance with IAS 8, see the "Basis of preparation and application of IFRSs" section, subsection "Changes to accounting policies" of the Notes.

² Excluding figures from the Corporate Operations segment.

³ Ratio of annualised net investment income excluding interest income on funds withheld and contract deposits and profit on investment contracts to average assets under own management (30.6.2021 and 31.12.2021).

⁴ Ratio of annualised net income for the period excluding non-controlling interests to average equity excluding non-controlling interests.

⁵ Ratio of annualised net income for the quarter excluding non-controlling interests to average equity excluding non-controlling interests at the beginning and the end of the quarter.

⁶ Combined ratio taking into account interest income on funds withheld and contract deposits, before elimination of intragroup cross-segment transactions.

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Interim Group Management Report

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Report on economic position

Markets, business climate and the industry environment

Propelled by a historically unprecedented vaccination campaign and sustained monetary and fiscal policy stimulus, the global economy continued its recovery from the coronavirus pandemic in the first half of 2021. Nevertheless, this ran into headwind in the form of supply bottlenecks due to supply chain disruptions, the spread of virus variants and vaccine fatigue that set in in many industrialised countries at the start of the summer.

The eurozone slipped into recession again in the winter half of 2020/2021 as governments responded to a renewed rise in cases with fresh lockdowns. National fiscal packages and an increase in monetary policy support by the ECB helped only to mitigate the economic strain. Following a 0.3% decline in the first quarter in GDP compared to the previous period, progress with vaccinations and the partial lifting of restrictions from May onwards helped momentum pick up again. GDP rose by 2.0% in the second quarter.

By contrast, extensive fiscal support and a quick vaccination campaign in the US meant that its economy continued to grow in the spring. However, supply bottlenecks due to supply chain disruptions and ongoing labour shortages after the pandemic indicate that US economic growth peaked for the time being in the second quarter, with GDP growth at 6.5% (annualised) compared to the previous quarter.

Performance in emerging markets was more mixed. China, the first country to be hit by the pandemic, has come out the other side of the high point in recovery from the crisis. Given the politically driven decline in lending in relation to GDP, the country saw growth of 1.3% in the second quarter, a return to pre-crisis levels. By contrast, sluggish vaccination rates, rising case numbers and limited scope for monetary and fiscal support on account of high inflation and debt all put a noticeable damper on recovery in many emerging markets.

Despite the somewhat bleak macroeconomic environment, capital markets fared well in the first half of 2021, although the rally did lose momentum in the second quarter. Equities in the eurozone (EURO STOXX: up 13.7%), the US (S&P 500: up 14.4%) and industrialised countries as a whole (MSCI World: up 12.2%) soared, while risk premiums on corporate bonds consolidated at a low level. Asian stock

markets (MSCI Asia ex Japan: up 5.5%) lagged behind on account of weak performance in China (MSCI China: up 2.0%). A greater risk appetite and, in particular, worries about higher inflation, on the other hand, prompted considerable price losses for government bonds. Yields on ten-year US Treasuries rose from 0.92% to 1.47% despite monetary policy support, with yields on German government bonds with the same maturity increasing from -0.57% to -0.21%.

The insurance industry was still shaped by the impact and challenges of the coronavirus crisis at the start of 2021. Restrictions in insurance sales due to lockdown measures took a particular toll on new business. Nevertheless, progress made in German and international vaccination campaigns throughout the year improved the situation, reducing the negative effects of the pandemic for the insurance industry as a whole. As well as the economy gradually returning to normal, positive catch-up effects are also aiding insurance contributions. Investments also improved thanks to higher interest rates on the bond market and good stock market performance.

Exchange differences on translating foreign operations

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

EXCHANGE RATES FOR OUR KEY FOREIGN CURRENCIES

EUR 1 corresponds to	Balance sheet (reporting date)		Statement of income (average)	
	30.6.2021	31.12.2020	6M 2021	6M 2020
AUD Australia	1.5846	1.6030	1.5725	1.6709
BRL Brazil	5.8928	6.3706	6.4562	5.3855
CAD Canada	1.4728	1.5704	1.5092	1.5045
CLP Chile	866.0300	875.0100	870.3671	896.8200
CNY China	7.6805	8.0199	7.8006	7.7768
GBP United Kingdom	0.8578	0.9041	0.8708	0.8737
JPY Japan	131.4500	126.6900	129.8814	119.5171
MXN Mexico	23.5966	24.4152	24.3613	23.7445
PLN Poland	4.5181	4.5224	4.5420	4.4092
USD USA	1.1894	1.2291	1.2064	1.1054
ZAR South Africa	17.0025	18.0114	17.5632	18.2181

Business development

Group's course of business

- Gross premiums up 13.0% adjusted for currency effects
- Lower effects of coronavirus pandemic
- Large losses well within large loss budget

GROUP KEY FIGURES

EUR million	6M 2021	6M 2020	+/-
Gross written premiums	24,075	22,006	+9.4 %
Net premiums earned	18,272	16,746	+9.1 %
Underwriting result	-982	-1,129	+13.0 %
Net investment income	2,350	1,785	+31.6 %
Operating profit/loss (EBIT)	1,333	745	+78.8 %
Combined ratio (net, property/casualty only) in % ¹	95.9	101.3	-5.4 ppts

¹ Taking into account interest income on funds withheld.

MANAGEMENT METRICS

%	6M 2021	6M 2020	+/-
Gross premium growth (adjusted for currency effects)	13.0	6.3	+6.7 ppts
Group net income in EUR million	546	325	+67.9 %
Net return on investment ¹	3.3	2.7	+0.7 ppts
Return on equity ²	10.5	6.4	+4.1 ppts

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

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

Premium volume

In the first half of 2021, the Talanx Group boosted its gross written premiums by 9.4% to EUR 24.1 (22.0) billion (by 13.0% adjusted for currency effects). All divisions contributed to the premium growth, primarily the Industrial Lines with 8.7%, Retail International with 10.7% and Property/Casualty Reinsurance with 11.9%. Net premiums earned were 9.1% higher at EUR 18.3 (16.7) billion. The consolidated retention ratio fell by 0.7% to 87.5% (88.2%).

Underwriting result

The underwriting result improved by 13.0% to EUR -982 (-1,129) million, with the decline in the life business stemming from the pandemic being more than offset by property/casualty insurance. In the first half of 2021, total large losses came to EUR 526 (1,018) million. EUR 326 million was attributable to the Reinsurance division, EUR 176 million to Industrial Lines. In contrast to the previous-year period (EUR 761 million), in the first half of 2021 there were no coronavirus-related large losses. In the previous-year period, due to the coronavirus pandemic, these were largely incurred in the business interruption, event cancellations and credit insurance lines; in the first six months overall large losses remained below the pro rata budget for the period of approximately EUR 681 (594) million. The combined ratio (without the negative impact of the pandemic) declined to 95.9%; 5.4 percentage points below that of the previous year period (101.3%). Excluding the effects of the coronavirus, the combined ratio would have been 96.5% (97.4%).

Net investment income

Net investment income increased by 31.6% to EUR 2.4 (1.8) billion. Extraordinary investment income amounted to EUR 555 million. Contrary to the situation in the previous year, there were no coronavirus-related impairments taken on shares in the first six months of 2021. For ordinary investment income there was a considerable increase of EUR 165 million, largely from alternative investments. In the first six months of 2021, the Group net return on investment rose by 0.7 percentage points to 3.3% (2.7%).

Operating profit and Group net income

After the coronavirus-related slump in the previous-year period, operating profit (EBIT) rose by 78.8% to EUR 1,333 (745) million. In the first half of 2021, Group net income increased by over two thirds to EUR 546 (325) million, with the negative impact from the coronavirus amounting to EUR 72 million. The return on equity was 4.1 percentage points higher (10.5%) than the previous year which was impacted by the coronavirus pandemic (6.4%).

Performance of the Group's Divisions

At a strategic level, Talanx divides its business into seven reportable segments: Industrial Lines, Retail Germany (divided into Property/Casualty and Life Insurance), Retail International, Property/Casualty Reinsurance, Life/Health Reinsurance and Corporate Operations. Please refer to the "Segment reporting" section of the Notes to the consolidated financial statements of the Talanx Group's 2020 annual report for details of these segments' structure and scope of business. Employees from employer companies in the German Talanx Primary Insurance Group will be merged in the new HDI AG from spring 2022.

Industrial Lines

- Premium growth, driven in part by specialty business
- Underwriting result still far higher than in previous year, which was shaped by the pandemic, despite large losses in the first half-year
- Net investment income in line with expectations

KEY FIGURES FOR THE INDUSTRIAL LINES DIVISION

EUR million	6M 2021	6M 2020	+/-
Gross written premiums	4,185	3,852	+8.7 %
Net premiums earned	1,654	1,460	+13.3 %
Underwriting result	27	-67	+140.7 %
Net investment income	141	107	+31.8 %
Operating profit/loss (EBIT)	97	18	+444.1 %

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%	6M 2021	6M 2020	+/-
Gross premium growth (adjusted for currency effects)	11.0	10.9	+0.1 ppts
Combined ratio (net) ¹	98.4	104.7	-6.3 ppts
Return on equity ²	6.1	0.6	+5.5 ppts

¹ Taking into account interest income on funds withheld.

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

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

Premium volume

Gross written premiums for the division amounted to EUR 4.2 (3.9) billion as at 30 June 2021, a substantial increase of around 8.7% (11.0% after adjustment for currency effects). The premium growth was the result of growth in specialty business, third-party liability and property business. At 13.3%, the rise in net premiums earned was greater than that of gross written premiums, due to higher retention in the specialty business.

Underwriting result

At EUR 27 (-67) million, the net underwriting result in the division was up on the previous year, which was considerably affected by the pandemic. Effects of the coronavirus pandemic were of little significance in the year under review. The (net) loss ratio improved to 81.4% (84.0%) despite above-average large losses from natural disasters (chiefly a winter storm in Texas) and man-made losses, highlighting the effectiveness of the profitability measures. The net cost ratio improved to 17.0% (20.6%) thanks to premium growth combined with high cost discipline. The combined ratio in the Industrial Lines Division was 98.4% (104.7%).

Net investment income

Net investment income rose to EUR 141 (107) million, benefiting from higher income from private equity funds. Other income/expenses included a foreign exchange loss of EUR 15 million (prior year: foreign exchange gain of EUR 9 million).

Operating profit and Group net income

Thanks to the much improved underwriting result and net investment income in the first half of 2021, the division's operating profit was up EUR 97 (18) million year on year. Group net income amounted to EUR 68 (7) million.

Retail Germany

Property/Casualty Insurance

- Increase in premiums thanks to growth in the corporate customers/freelance professions lines
- Substantial improvement in underwriting result, prior year weighed down by losses caused by business shutdowns during the pandemic
- Higher net investment income due to lack of coronavirus-related impairment losses

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

EUR million	6M 2021	6M 2020	+/-
Gross written premiums	1,031	1,005	+2.6 %
Net premiums earned	666	697	-4.3 %
Underwriting result	56	22	+155.4 %
Net investment income	53	40	+33.9 %
Operating profit/loss (EBIT)	102	55	+85.3 %

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY INSURANCE SEGMENT

%	6M 2021	6M 2020	+/-
Gross premium growth	2.6	-3.6	+6.2 ppts
Combined ratio (net) ¹	91.7	96.9	-5.3 ppts

¹ Taking into account interest income on funds withheld.

Premium volume and new business

Premiums rose by 2.6% to EUR 1,031 (1,005) million in the Property/Casualty Insurance segment in the first half of the year. Growth in corporate customers/freelance professions business comfortably offset declines in motor insurance.

The coronavirus pandemic caused an estimated EUR 22 million drop in premium income in the prior year, especially in motor insurance and the biometric core business of bancassurance.

Underwriting result

The underwriting result more than doubled on the prior year in the current financial year to EUR 56 (22) million. Motor insurance reported a EUR 24 million decline in loss expenditure in the first half of 2021, chiefly due to fewer miles being driven. Losses caused by business closures after reinsurance relief depressed the prior year by around EUR 13 million. The (net) combined ratio improved by 5.3 percentage points overall from 96.9% to 91.7%.

Net investment income

Net investment income increased to EUR 53 (40) million. This was almost exclusively due to higher gains on disposal and lower depreciation and amortisation (prior year strained by pandemic). While there were no negative effects attributable to the coronavirus pandemic in the first half of 2021, these came to approx. EUR 5 million in the prior year.

Operating profit

Operating profit improved to EUR 102 (55) million thanks to the strong upturn in the underwriting result and the rise in net investment income.

Life Insurance

- Rise in premium income in connection with reduced impact of pandemic
- Net investment income up substantially due to gains on disposal
- Earnings upturn attributable to update to actuarial assumptions and fewer negative effects related to the coronavirus pandemic

KEY FIGURES FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

EUR million	6M 2021	6M 2020	+/-
Gross written premiums	2,202	2,142	+2.8 %
Net premiums earned	1,685	1,628	+3.5 %
Underwriting result	-1,040	-634	-64.0 %
Net investment income	1,114	685	+62.6 %
Operating profit/loss (EBIT)	56	40	+40.8 %
New business measured in annual premium equivalent	183	178	+2.9 %
Single premiums	714	635	+12.5 %
Regular premiums	111	114	-2.5 %
New business by product measured in annual premium equivalent	183	178	+2.9 %
of which capital-efficient products	95	79	+20.2 %
of which biometric products	51	55	-8.1 %

MANAGEMENT METRICS FOR THE LIFE INSURANCE SEGMENT

%	6M 2021	6M 2020	+/-
Gross premium growth	2.8	-6.3	+9.1 ppts

Premium volume and new business

In the first half of the year, the Life Insurance segment saw premiums increase by 2.8% to EUR 2.2 (2.1) billion, which includes the savings elements of premiums from unit-linked life insurance policies. This primarily reflects the EUR 98 million increase in single premiums, which more than made up for the EUR 35 million decline in regular premiums (excluding bancassurance biometric business) and the EUR 3 million decrease in premiums from bancassurance biometric business.

The coronavirus pandemic is estimated to be responsible for a EUR 99 million decrease in premiums in the prior year period.

Allowing for the savings elements of premiums from our unit-linked products and the change in the unearned premium reserve, net premiums earned in the Life Insurance segment rose by 3.5% to EUR 1.7 (1.6) billion.

Measured in APE, new business in life insurance products also improved by 2.9% from EUR 178 million to EUR 183 million.

Underwriting result

The actuarial assumptions had to be updated in the current financial year. The underwriting result fell to EUR –1,040 (–634) million. This was partly due to the unwinding of discounts on the technical provisions and policyholder participation in net investment income. These expenses are offset by investment income, which is not recognised in the underwriting result.

Net investment income

Net investment income improved by 62.6% to EUR 1,114 (685) million, a result mainly of higher disposal gains, which rose by EUR 402 million to EUR 531 (129) million. The prior year also saw coronavirus-related write-downs on equities of EUR 15 million.

Operating profit

Operating profit (EBIT) in the Life Insurance segment picked up year-on-year to EUR 56 (40) million, chiefly on account of updating the actuarial assumptions and fewer negative effects related to the coronavirus pandemic.

Retail Germany Division as a whole

RETURN ON EQUITY FOR THE RETAIL GERMANY DIVISION AS A WHOLE

%	6M 2021	6M 2020	+/-
Return on equity ¹	7.2	5.0	+2.2 ppts

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

After adjusting for taxes on income, financing costs and non-controlling interests, Group net income climbed to EUR 97 (63) million as a result of improved earnings in Property/Casualty and Life Insurance. This increased the return on equity by 2.2 percentage points to 7.2%.

Retail International

- Gross written premiums in property/casualty insurance up 7.6%, in particular in other property insurance
- Initial recognition of Amissima Assicurazioni with a premium volume of EUR 71 million for three months
- Combined ratio of 92.8% benefits from less frequent motor vehicle claims as a temporary effect of coronavirus pandemic

KEY FIGURES FOR THE RETAIL INTERNATIONAL DIVISION

EUR million	6M 2021	6M 2020	+/-
Gross written premiums	3,052	2,758	+10.7 %
Net premiums earned	2,630	2,508	+4.9 %
Underwriting result	47	44	+5.3 %
Net investment income	194	167	+16.7 %
Operating profit/loss (EBIT)	173	156	+10.6 %

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

	6M 2021	6M 2020	+/-
Gross premium growth (adjusted for currency effects)	16.5	–6.8	+23.4 ppts
Combined ratio (net, property/casualty only) ¹	92.8	94.3	–1.5 ppts
Return on equity ²	8.9	8.7	+0.2 ppts

¹ Taking into account interest income on funds withheld.

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

This division bundles the Talanx Group's international retail business activities and is active in both Europe and Latin America. Despite rising claims inflation and stiffer price competition, the combined ratio improved as there were still less frequent motor vehicle claims due to the pandemic, pushing up the underwriting result in the Retail International segment by EUR 58 million (combined ratio up by 3.5 percentage points).

In the Europe region, the Italian HDI Assicurazioni S. p. A. acquired the Italian Amissima Assicurazioni S. p. A. on 1 April 2021 to further expand its market presence in property insurance. The division also streamlined its portfolio in the second quarter by selling its 100% interest in HDI Seguros de Vida S. A. (Chile).

Premium volume

The division's gross written premiums (including premiums from unit-linked life and annuity insurance) increased by 10.7% compared to the first half of 2020 to EUR 3.1 (2.8) billion. Adjusted for currency effects, gross premiums rose by 16.5% on the comparison period.

The Europe region reported a 14.5% increase in gross written premiums to EUR 2.4 billion, driven primarily by the 19.1% upturn in single premiums to EUR 663 million in the life insurance line at the Italian HDI Assicurazioni S. p. A, and by including Amissima Assicurazioni S. p. A. in property insurance for the first time. The Polish TUIR WARTA S. A. boosted its premium volume by 10.2% adjusted for currency effects, a result primarily of premiums in other property insurance, which saw a rise of 20.1%. Gross written premiums in Turkey also performed well. Adjusted for currency effects, premiums at the Turkish HDI Sigorta A. Ş. rose by 36.9%, driven by both motor and homeowners insurance.

In the Latin America region, gross written premiums remained stable compared to the same period of the previous year (-0.5%) at EUR 696 (699) million. Premium growth was generated chiefly in Chile and Mexico, while gross written premiums in Brazil declined on account of the depreciation of the Brazilian real. Adjusted for currency effects, gross written premiums in the Latin America region rose by 9.7%.

Underwriting result

The combined ratio from property insurance companies decreased by 1.5 percentage points year-on-year to 92.8%. The loss ratio accounts for 1.9 percentage points of this improvement. Adjusted for coronavirus-related relief, the combined ratio came to 96.3%. Fewer vehicles on the roads as a result of lockdowns to contain the coronavirus pandemic resulted in less frequent motor vehicle claims in the first half of 2021, too, with loss ratios declining as a consequence. Higher vehicle claims inflation was comfortably offset. The expense ratio for the division was 0.5 percentage points higher than the previous year (29.5%), at 30.0%. While the acquisition cost ratio remained constant, the administrative expense ratio increased, especially at the Brazilian HDI Seguros.

Life insurance reported a rise in mortality due to the pandemic, which reduced the underwriting result by EUR 11 million.

Net investment income

Net investment income rose by 16.7% against the first half of 2020 to EUR 194 (167) million. Greater volumes and higher interest rates in Brazil and Turkey caused net investment income to increase to EUR 172 (162) million. Extraordinary investment income also improved, as the previous year had been adversely affected by write-downs of equity securities due to the coronavirus pandemic.

Operating profit and Group net income

In the first half of 2021, operating profit (EBIT) in the Retail International Division rose by 10.6%, compared with the same period of the previous year, to EUR 173 (156) million. The Europe region contributed to the operating profit of the segment with EBIT of EUR 159 (156) million, whereby this growth was primarily due to the earnings contribution by the Polish TUIR WARTA S. A. and the Italian HDI Assicurazioni S. p. A. Operating profit (EBIT) for the Latin America region declined to EUR 25 (27) million on account of lower earnings at the Brazilian HDI Seguros. Group net income after minority interests increased by 17.0% to EUR 104 (89) million. The return on equity improved to 8.9% (8.7%).

Additional key figures

RETAIL INTERNATIONAL DIVISION BY LINE OF BUSINESS AT A GLANCE

EUR million	6M 2021	6M 2020	+/-
Gross written premiums	3,052	2,758	+10.7 %
Property/Casualty	2,005	1,863	+7.6 %
Life	1,047	894	+17.1 %
Net premiums earned	2,630	2,508	+4.9 %
Property/Casualty	1,668	1,651	+1.0 %
Life	962	857	+12.3 %
Underwriting result	47	44	+5.3 %
Property/Casualty	121	96	+26.6 %
Life	-74	-51	-45.0 %
Net investment income	194	167	+16.7 %
Property/Casualty	94	84	+12.7 %
Life	104	86	+20.3 %
Others	-4	-4	+8.7 %
New business by product measured in annual premium equivalent (life)	103	108	-4.1 %
Single premiums	650	741	-12.4 %
Regular premiums	38	33	+14.3 %
New business by product measured in annual premium equivalent (life)	103	108	-4.1 %
of which capital-efficient products	48	60	-20.6 %
of which biometric products	37	32	+13.7 %

RETAIL INTERNATIONAL DIVISION BY REGION AT A GLANCE

EUR million	6M 2021	6M 2020	+/-
Gross written premiums	3,052	2,758	+10.7 %
of which Europe	2,356	2,058	+14.5 %
of which Latin America	696	699	-0.5 %
Net premiums earned	2,630	2,508	+4.9 %
of which Europe	2,024	1,849	+9.5 %
of which Latin America	606	659	-8.1 %
Underwriting result	47	44	+5.3 %
of which Europe	32	30	+6.4 %
of which Latin America	14	34	-57.9 %
Net investment income	194	167	+16.7 %
of which Europe	173	148	+16.8 %
of which Latin America	25	22	+16.0 %
Operating profit/loss (EBIT)	173	156	+10.6 %
of which Europe	159	156	+1.5 %
of which Latin America	25	27	-6.2 %

Reinsurance

Property/Casualty Reinsurance

- Gross premiums picked up by 17.2% adjusted for currency effects
- No further net losses from the pandemic in first half of the year
- Combined ratio improves substantially to 96.0%
- Operating profit for the first half of the year improves substantially on prior year

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

EUR million	6M 2021	6M 2020	+/-
Gross written premiums	10,267	9,174	+11.9 %
Net premiums earned	7,847	6,869	+14.2 %
Underwriting result	299	-186	+260.3 %
Net investment income	596	468	+27.3 %
Operating profit/loss (EBIT)	789	300	+163.3 %

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%	6M 2021	6M 2020	+/-
Gross premium growth (adjusted for currency effects)	17.2	16.3	+0.9 ppts
Combined ratio (net) ¹	96.0	102.3	-6.3 ppts

¹ Taking into account interest income on funds withheld.

Business development

There were no further net losses for coronavirus claims in the Property/Casualty Reinsurance segment in the first half of the year. At the end of the 2020 financial year, we increased our reserves for claims that had been incurred but not reported to reduce the risk of additional reserves in Property/Casualty Reinsurance.

Given the still strained risk situation worldwide, the main renewal season in traditional Property/Casualty Reinsurance on 1 January 2021 was very satisfactory overall. The prior year's price dynamic continued and our renewed business again saw good growth at significantly better prices and conditions. As at 1 January, 67% of traditional Property/Casualty Reinsurance (excluding facultative reinsurance, business in the securitisation of reinsurance risks and structured reinsurance) was up for renewal. We boosted premium volumes by 8.3% here. Prices rose by an average of 5.5% and we continued to improve prices and conditions across all lines and regions to varying degrees.

The contract renewal as at 1 April 2021, where we traditionally renew our business in Japan and, to a lesser extent, in Australia, New Zealand, other Asian markets and North America, also went well for the Property/Casualty Reinsurance segment. The total premium volume for the renewal rose by 7.4%. Prices increased by 5.0%.

Premium development

Gross written premiums in the Property/Casualty Reinsurance segment increased by 11.9% to EUR 10.3 (9.2) billion in the first half of the year. At constant exchange rates, the increase would have amounted to 17.2%. Net premiums earned grew by 14.2% to EUR 7.8 (6.9) billion. Adjusted for currency effects, growth would have come to 19.2%.

Underwriting result

Net large losses in the first half of the year were down considerably year-on-year at EUR 326 (737) million, falling short of the EUR 476 million we expected. The largest single losses were the extreme winter in the US state of Texas (net loss of EUR 136 million in first half of the year), an industrial loss in Germany (EUR 35 million) and a credit loss (EUR 21 million). We classify large losses as claims for which we expect to pay out over EUR 10 million in gross claims and claims expenses.

The underwriting result for the Property/Casualty Reinsurance segment was posted as a gain of EUR 299 (-186) million. The combined ratio improved considerably to 96.0% (102.3%), in line with our expectations of no higher than 96%.

Net investment income

Income from assets under own management for Property/Casualty Reinsurance rose by 31.3% to EUR 582 (443) million, with net investment income coming to a total of EUR 596 (468) million.

Operating profit

Operating profit (EBIT) for the Property/Casualty Reinsurance segment improved substantially to EUR 789 (300) million.

Life/Health Reinsurance

- Growth of 7.3% in written premiums adjusted for currency effects
- Sustained customer interest in tailored financial solutions and longevity cover
- Negative impact of the pandemic totals EUR 263 million in first six months
- Operating profit down 16.4% year-on-year

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

EUR million	6M 2021	6M 2020	+/-
Gross written premiums	4,198	3,972	+5.7 %
Net premiums earned	3,669	3,509	+4.5 %
Underwriting result	-349	-284	-22.8 %
Net investment income	280	331	-15.5 %
Operating profit/loss (EBIT)	175	210	-16.4 %

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

%	6M 2021	6M 2020	+/-
Gross premium growth (adjusted for currency effects)	7.3	3.6	+3.6 ppts

Business development

The repercussions of the pandemic remained the dominant issue in Life/Health Reinsurance, especially in terms of mortality coverage. Negative effects in the Life/Health Reinsurance segment attributable to Covid-19 came to EUR 263 million in the first half of the year.

At EUR 167 million, most of the pandemic losses in the first six months occurred in the US – the largest market for mortality coverage. About EUR 60 million of this was in the second quarter. Customers in Latin America and South Africa were also heavily affected by coronavirus claims. While further loss expenditures are expected in the Life/Health Reinsurance segment, we assume that the increasing progress made with vaccinations will reduce these.

As a safeguard against extreme mortality, for example that which may result from pandemics such as the coronavirus pandemic, we successfully placed another tranche of our extreme mortality coverage on the capital market. Since 2013, we have regularly placed tranches of this extreme mortality coverage on the capital market.

The strain caused by the pandemic in the first quarter was countered by good non-recurring income of EUR 129 million from a restructuring in the US mortality business.

At the same time, we are benefiting from sustained, strong global demand for longevity risk hedging solutions and financial solutions. While most new business in financial solutions still comes from the US and China, customer interest has since emerged in other markets too and we are confident that we can generate new business in these countries. The situation is similar in the case of longevity, where the market has so far been concentrated primarily on the UK. We also sealed deals here in the Netherlands and France in the first half of the year. All in all, conditions in the Life/Health Reinsurance segment were satisfactory in the first half of the year.

Premium development

The gross premium volume in the Life/Health Reinsurance segment rose by 5.7% to EUR 4.2 (4.0) billion as at 30 June 2021. At constant exchange rates, the growth would have amounted to 7.3%. Net premiums earned grew by 4.5% to EUR 3.7 (3.5) billion. Adjusted for currency effects, growth would have come to 6.4%.

Net investment income

Net investment income from assets under own management in the Life/Health Reinsurance segment declined by 44.4% to EUR 122 (220) million. The underwriting result for the Life/Health Reinsurance segment saw a loss of EUR 349 (-284) million.

Operating profit

Operating profit (EBIT) declined by 16.4% to EUR 175 (210) million.

Reinsurance Division as a whole

RETURN ON EQUITY FOR THE REINSURANCE DIVISION AS A WHOLE

%	6M 2021	6M 2020	+/-
Return on equity ¹	12.7	7.9	+4.8 ppts

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

Group net income in the Reinsurance Division came to EUR 336 (200) million in the first half of 2021, with a return on equity of 12.7% compared to 7.9% in the prior year.

Corporate Operations

- Written premiums from intragroup takeovers rose to EUR 1,025 million
- Group's assets under own management climb to EUR 133 (128) billion

The Group's reinsurance specialists

Gross written premiums from intragroup takeovers in the Corporate Operations segment amounted to EUR 1,025 (370) million in the first half of 2021. They resulted from reinsurance cessions in the Industrial Lines, Retail Germany and Retail International Divisions. The underwriting result in the Corporate Operations segment in the first half of 2021 was EUR -22 (-23) million and includes a EUR 24 million liability loss from the Industrial Lines Division. The prior year included EUR 10 million in loss expenditure attributable to the coronavirus for losses caused by shutdowns and two additional large losses in the Retail Germany Division of EUR 10 million and EUR 5 million respectively.

The Group's investment specialists

In cooperation with its subsidiary Ampega Investment GmbH, Ampega Asset Management GmbH is chiefly responsible for handling the management and administration of the Group companies' investments and provides related services such as investment accounting and reporting. Ampega Real Estate GmbH was merged with Ampega Asset Management GmbH with retroactive effect from 1 January 2021. The Group's assets under own management climbed to EUR 133 (128) billion compared to the end of 2020. The Ampega companies together accounted for a total of EUR 32 (33) million of the segment's operating profit in the first half of 2021.

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. In the investment sector, the first half of 2021 was shaped by substantial cash inflows, both in retail business in the form of retail funds and in institutional business in the form of special funds. This development was supported by stock market advances and little affected by temporary price declines on the bond market. Also worthy of note is the sustained growth in ETFs, which is reflected chiefly in equity funds and borne mainly by institutional investors. Retail business is increasingly dominated by managed portfolio solutions by various banks and asset managers as opposed to a single fund selection by private investors. It is striking that these product solutions, which are highly digitalised in terms of initiation and portfolio management, are tapping into a new generation of private investors. ETFs also play a key role in these portfolio solutions for cost reasons.

The total volume of assets managed rose by 1.7% against the figure at the beginning of the year to EUR 30.0 (29.5) billion. At EUR 14.2 (14.1) billion, half the total volume is managed on behalf of Group companies using special funds and direct investment mandates. Of the remainder, EUR 7.4 (7.7) billion was attributable to institutional third-party clients and EUR 8.5 (7.7) billion to the retail business. The latter is offered not only through the Group's own distribution channels and products such as unit-linked life insurance, but also via external asset managers and banks.

Operating profit

The operating profit in the Corporate Operations segment decreased to EUR -33 (-10) million in the first six months of 2021. This is partly a result of higher impairment losses on investments. Group net income attributable to shareholders of Talanx AG for this segment amounted to EUR -60 (-37) million after financing costs in the first half of 2021.

Net assets and financial position

Net assets

- Total assets up EUR 10.8 billion to EUR 191.8 billion
- Investments account for 75% of total assets

Significant changes in the asset structure

The EUR 10.8 billion increase in our total assets to EUR 191.8 billion is primarily attributable to the growth in investments (up EUR 5.0 billion), the increase in accounts receivable on insurance business (up EUR 2.1 billion), the rise in investments for the benefit of life insurance policyholders who bear the investment risk (up EUR 1.3 billion) and the increase in reinsurance recoverables on technical provisions (up EUR 1.0 billion).

Changes in investments

As the Covid-19 vaccination rate is rising and people are rediscovering their freedoms, the consumer spending backlog is starting to flow. However, there are still fears of further setbacks due to the Covid-19 Delta variant.

The total investment portfolio increased by 3.6% over the course of the first half of 2021 and amounted to EUR 143.7 (138.7) billion. The portfolio of assets under own management climbed by 3.4% to EUR 132.7 (128.3) billion. Growth in the portfolio of assets under own management was largely due to cash inflows from underwriting business, which were reinvested in accordance with the respective company guidelines. The increase was caused by cash inflows from issuing a subordinated bond and the acquisition of Amissima Assicurazioni S. p. A., Milan, Italy (up EUR 0.5 billion). The portfolio of investment contracts climbed by 8.7% to EUR 1.4 (1.3) billion. Funds withheld by ceding companies expanded by 6.0% to EUR 9.7 (9.1) billion. This increase is due to a one-time reclassification of underwriting holdings to investments in conjunction with restructuring in US mortality business.

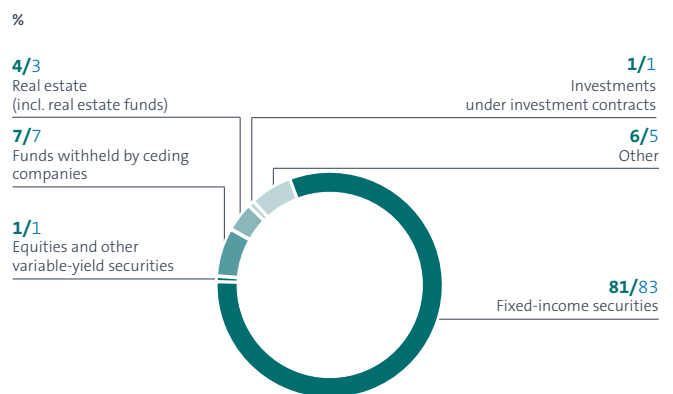
The Talanx Group monitors the liquidity risk of its investments by allocating these to liquidity classes. The LO-L3 cash equivalents and investments are the most liquid. After the decline at the start of the pandemic, these holdings are currently showing a clear recovery.

Fixed-income investments were again the most significant asset class in the first half of 2021. Reinvestments were mostly made in this asset class, taking the existing investment structure into account. The asset class contributed EUR 1.8 (1.6) billion to earnings, with the figure being almost totally reinvested in the reporting period.

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 19% (18%). Sizeable exposures – amounting to 8% (8%) of total investments – are also held in pound sterling, Polish zloty and Australian dollars. The total share of assets under own management in foreign currencies was 34% (32%) as at 30 June 2021.

The equity allocation ratio after derivatives (equity ratio of listed securities) was 1.1% (0.5%) at the end of the six-month period.

INVESTMENT PORTFOLIO



30.6.2021/31.12.2020

BREAKDOWN OF ASSETS UNDER OWN MANAGEMENT BY ASSET CLASS

EUR million	2021		2020 ²	
Investment property	3,823	3%	3,250	3%
Shares in affiliated companies and participating interests	604	0%	572	0%
Shares in associates and joint ventures	519	0%	438	0%
Loans and receivables				
Loans including mortgage loans	528	0%	459	0%
Loans and receivables due from government or quasi-governmental entities and fixed-income securities	26,160	20%	26,726	21%
Held-to-maturity financial instruments	433	0%	474	0%
Available-for-sale financial instruments				
Fixed-income securities	89,763	68%	86,742	68%
Variable-yield securities	3,101	2%	2,725	2%
Financial instruments at fair value through profit or loss				
Financial instruments classified at fair value through profit or loss				
Fixed-income securities	595	0%	585	0%
Variable-yield securities	50	0%	40	0%
Financial instruments held for trading				
Fixed-income securities	—	0%	—	0%
Variable-yield securities	142	0%	135	0%
Derivatives ¹	283	0%	307	0%
Other investments	6,651	5%	5,849	5%
Assets under own management	132,650	100%	128,301	100%

¹ Only derivatives with positive fair values.

² Adjusted in accordance with IAS 8, see the "Basis of preparation and application of IFRSs" section, subsection "Changes to accounting policies" of the Notes.

Fixed-income securities

The portfolio of fixed-income investments (excluding mortgage and policy loans) was up by EUR 2.4 billion in the first half of 2021 to total EUR 117.0 (114.5) billion at the end of the six-month period. At 81% (83%) of total investments, this asset class continues to represent the most significant share of our investments by volume. Fixed-income investments were primarily divided into the "Loans and receivables" and "Available-for-sale financial instruments" categories.

"Available for sale fixed-income securities", whose volatility impacts equity and which total EUR 89.8 (86.7) billion, or 77% (76%) of total investments in the fixed-income portfolio, account for the largest share and increased by approximately EUR 3.0 billion in the first half of the year. Valuation reserves, i.e. the balance of unrealised gains and losses, have fallen from EUR 8.0 billion to EUR 5.1 billion since the end of 2020 owing to the rise in interest rates as at the end of June. As described in the information on capital markets under "Outlook", we consider strong interest rate increases to be unlikely at this time.

Investments in the "Loans and receivables" category are primarily held in government securities or similarly secure securities and German covered bonds (Pfandbriefe). Total holdings in fixed-income securities in the "Loans and receivables" category amounted to EUR 26.7 (27.1) billion as at the end of the half-year, or 23% (24%) of total holdings in the fixed-income asset class. Off-balance-sheet valuation reserves for "Loans and receivables" (including mortgage and policy loans) declined from EUR 5.2 billion to EUR 3.7 billion.

Investments made in fixed-income securities in the current financial year continued to focus on highly rated government bonds or securities from issuers with a similar credit quality. Holdings of AAA-rated bonds amounted to EUR 47.9 (48.5) billion as at the reporting date.

RATING STRUCTURE OF FIXED-INCOME SECURITIES

%



30.6.2021/31.12.2020

The Talanx Group pursues a conservative investment policy. As a result, 75% (77%) of securities in the fixed-income asset class 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 6.0 (5.6) billion and therefore corresponds to a share of 4.5% (4.4%) of the assets under own management.

Equities and equity funds

Net unrealised gains and losses on the Group's equity holdings (not including "Other investments") rose to EUR 333 (261) million.

Real estate including shares in real estate funds

The investment property portfolio totalled EUR 3.8 (3.3) billion as at the reporting date. An additional EUR 1.6 (1.3) billion is held in real estate funds, which are reported as "Available-for-sale financial instruments".

Depreciation of EUR 37 (33) million was recognised on investment property in the reporting period. There were no significant impairment losses. Impairment losses on real estate funds stood at EUR 8 (15) million. These depreciations were not offset by any reversals of impairment losses. To date, rent deferrals or defaulted rent receivables have had no notable effect on profit/loss in the area of self-managed real estate.

Infrastructure investments

The Talanx Group currently has a total of around EUR 3.7 (2.9) billion invested in infrastructure projects, both directly and indirectly. The Group continued to expand and diversify its infrastructure portfolio in the first half of 2021, including by adding infrastructure real estate projects. Direct infrastructure investments are also planned for the future, with a volume per project of between EUR 50 million and EUR 150 million (equity) and between EUR 50 million and EUR 200 million (debt), and an investment horizon of five to 30 years.

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

Private equity

The Talanx Group has a long-term, broadly diversified private equity portfolio with investments in over 100 funds worldwide. The portfolio is dispersed over many sectors, with target companies from the large, highly resilient computer and software segment and from medical health accounting for a significant share. The portfolio is both defensive and high-performance and valuation volatility is low in comparison to fluctuations on public markets. The latter has been confirmed again during the pandemic, at the same time levels have been rising steadily since then with significant, risk-reducing realisations.

Net investment income

CHANGES IN NET INVESTMENT INCOME

EUR million	6M 2021	6M 2020
Ordinary investment income	1,778	1,613
of which current income from interest	1,280	1,305
of which attributable to profit/loss from shares in associates	28	10
Realised net gains on disposal of investments and expenses	728	325
Depreciation on and impairment losses/reversals of impairment losses on investments	-135	-183
Unrealised net gains/losses on investments	-39	36
Other investment expenses	150	133
Income from assets under own management	2,183	1,657
Net interest income from funds withheld and contract deposits	165	127
Net income from investment contracts	2	—
Total	2,350	1,785

The net investment income amounted to EUR 2,350 (1,785) million in the first half of the year, and was thus significantly higher than the level in prior years. The annualised net return on investment for the assets under own management rose to 3.3% (2.7%).

Ordinary investment income at the end of the six-month period was EUR 1,778 (1,613) million. The current interest income included in the investment income amounts to EUR 1.3 (1.3) billion. Persistently low interest rates on the capital markets led to an average coupon in the fixed-income securities portfolio of 2.4% (2.7%). With largely stable income from fixed-income securities, the rise in ordinary income of around 10% as against the prior year was due firstly to higher real estate results and secondly to significantly higher income from alternative investments.

Total realised net gains on the disposal of investments were well above the prior-year figure at EUR 728 (325) million. The positive net gains resulted from regular portfolio turnover in all segments, and mainly from the requirement to realise unrealised gains in order to finance the additional interest reserve required by the HGB for life insurance and occupational pension plans (Retail Germany – Life segment). We also took advantage of market opportunities in the first quarter and sold some of our equity holdings.

Compared to the prior year, the first half of which was dominated by the pandemic, depreciation and amortisation have fallen significantly to EUR 135 (183) million. In addition to depreciation on directly held property and infrastructure investments of EUR 54 (50) million, there were also impairment losses on fixed-income securities of EUR 55 (16) million and on other investments of EUR 25 (70) million, essentially in the area of alternative investments. We no longer expect the economic repercussions of the pandemic to have any notable impact on our investments.

Unrealised net gains/losses were negative and deteriorated on balance by EUR 75 million to EUR –39 million. We recognise a derivative for the credit risk of special life reinsurance contracts (ModCo), under which cedants' securities accounts are held in our name. In the reporting period, the performance of this derivative resulted in unrealised losses through profit or loss of EUR 14 (–10) million. We are assuming a neutral economic development in this position, hence the volatility that can occur in individual quarters is not indicative of actual business performance. There were also negative effects from the development of another underwriting derivative.

Net interest income from funds withheld and contract deposits picked up to EUR 165 (127) million.

NET INVESTMENT INCOME BY GROUP SEGMENT

EUR million	6M 2021	6M 2020
Industrial Lines	141	107
Retail Germany – Property/Casualty	53	40
Retail Germany – Life	1,114	685
Retail International	194	167
Property/Casualty Reinsurance	596	468
Life/Health Reinsurance	280	331
Corporate Operations	–61	–45
Consolidation	32	32
Total	2,350	1,785

Financial position

Capital structure analysis

- Equity was in line with the previous year at EUR 17.2 billion
- Technical provisions climbed EUR 7.2 billion to EUR 135.7 billion

Significant changes in the capital structure

Overall, net technical provisions rose by 5.2% or EUR 6.3 billion year-on-year to EUR 127.6 (121.3) billion. This increase essentially related to the unearned premium reserve (up EUR 2.7 billion), the loss and loss adjustment expense reserve (up EUR 3.8 billion) and the benefit reserve (up EUR 0.7 billion).

The ratio of net provisions in the insurance business to total investments, including funds withheld by ceding companies but excluding investments under investment contracts, was 89.7% (88.3%) at the reporting date. Investments exceeded the provision by EUR 14.7 (16.1) billion.

Equity

Changes in equity

Group equity rose by EUR 50 million (0.5%) against 31 December 2020. The increase is partially due to net income, EUR 546 (325) million of which is attributable to our shareholders and which was allocated in full to retained earnings. This was offset by the EUR 379 (379) million dividend payment to the shareholders of Talanx AG in May of the reporting period.

Accumulated other comprehensive income (other reserves) decreased by EUR 117 million to EUR 499 million in comparison to 31 December 2020. The change in other reserves reflects the negative change in unrealised gains on investments (down EUR 1,833 million) and the negative measurement gains/losses on cash flow hedges (down EUR 125 million), which were partially offset by the change in policyholder participation/shadow accounting (up EUR 1,546 million) and positive effects from exchange differences on translating foreign operations (up EUR 181 million). The reduction in unrealised gains on investments is essentially due to a rise in interest in the first quarter. The positive exchange rate effects essentially resulted from the US dollar and pound sterling.

CHANGE IN EQUITY

	30.6.2021	31.12.2020	Change	+/- %
Subscribed capital	316	316	—	—
Capital reserves	1,373	1,373	—	—
Retained earnings	8,254	8,087	167	2.1
Accumulated other comprehensive income and other reserves	499	617	-117	-19.0
Group equity	10,442	10,392	50	0.5
Non-controlling interests in equity	6,741	6,732	9	0.1
Total	17,183	17,125	59	0.3

EQUITY BY DIVISION¹ INCLUDING NON-CONTROLLING INTERESTS

EUR million	30.6.2021	31.12.2020
Division		
Industrial Lines	2,382	2,214
of which non-controlling interests	68	66
Retail Germany	2,735	2,814
of which non-controlling interests	85	97
Retail International	2,621	2,588
of which non-controlling interests	261	273
Reinsurance	11,691	11,650
of which non-controlling interests	7,038	6,986
Corporate Operations	-2,291	-2,186
of which non-controlling interests	—	—
Consolidation	46	44
of which non-controlling interests	-711	-690
Total equity	17,183	17,125
Group equity	10,442	10,392
Non-controlling interests	6,741	6,732

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

Debt analysis

Subordinated liabilities amount to EUR 4.3 billion as at the reporting date. Hannover Rück SE placed a subordinated bond of EUR 750 million on the European capital market on 22 March 2021. The bond has a maturity of 21 years.

Further information can be found in the Notes, Note 8 “Subordinated liabilities”.

A credit line with a nominal amount of EUR 250 million from 2016 expired as at 16 June 2021. The option to extend it was not exercised.

As at 30 June 2020, 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 existing syndicated credit line can be terminated by the lenders if there is a change of control, i.e. if a person or a group of persons acting in concert other than HDI Haftpflichtverband der Deutschen Industrie V. a. G. gains direct or indirect control over more than 50% of the voting rights or share capital of Talanx AG.

Further information can be found in the Notes, Note 10 “Notes payable and loans”.

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

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

Other reports and declarations

Risk report

Our 2020 Annual Report describes our risk profile and the various types of risk in accordance with German Accounting Standard GAS 20. A detailed description of the various types of risks is not provided here; these are disclosed in the 2020 Annual Report on page 108ff. Risk reporting in this half-yearly financial report focuses on relevant changes to the risk position that have occurred since Talanx's 2020 Group Annual Report was prepared.

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

The 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; life insurance underwriting risk; natural catastrophe risk; operational risk and reinsurance default risk. Similarly, diversification is becoming increasingly important with regard to assessing the overall risk. This results from our geographical diversity and the diversity of our business. As a result, the Group is well positioned, even if an accumulated materialisation of risks occurs.

The coronavirus pandemic has a detrimental impact on the global economy, which also negatively affects some of our individual companies or the Group. There were significant economic slumps, although some countries are now beginning to see the first signs of a rebound. Asymmetrical effects of the recession could also make existing and mounting social tensions and political conflicts worse.

Regardless of this, financial markets remain optimistic. Stock markets achieved new record highs in some cases. Long-term interest rates in the eurozone have risen only slightly and are still low. Spreads, by contrast, have narrowed slightly. Overall, there is no noticeable change to market risk.

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

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

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

At present, there are no material changes to the estimates for operational risk.

The pandemic is expected to result indirectly in economic and social adjustment processes/the acceleration of these (e.g. more extensive digitalisation). This creates strategic opportunities and risks for the Group and its subsidiaries in terms of new products and business fields and potential opportunities. Remote working became the standard at the HDI Group throughout the year. Based on the experiences of the past year, this does not seem to increase risk.

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

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

Likewise, political and macroeconomic uncertainty, on both existing core markets and our target and future markets, pose risks to our net assets, financial position and results of operations.

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. Overall, however, these risks are very limited.

Outlook

Economic environment

Fears mounted at the start of first half-year of 2021 that the increased spread of Sars-CoV-2 variants would result in a need for fresh restrictions, slowing the recovery from last year's pandemic-induced slump or even bringing it to a complete standstill.

Nonetheless, we expect economic recovery to continue despite these obstacles and for industrialised countries to return to pre-crisis levels of economic output this year or next year at the latest. Factors that support this assumption include the recovery of the service sector with an upturn in travel and leisure activities, continued (in the US) and pending (in Europe) fiscal support (funds from the "Next Generation" EU programme approved last year are not to be released until the second half of 2021) and sufficient vaccination availability. We believe that increasing indications of higher inflation present a risk. Especially in the US, this will require the central bank to take countermeasures and could therefore act as an additional brake on growth.

Emerging market economies should also continue to recover. This will, however, depend primarily on whether there are sufficient supplies of high-quality vaccines available to contain the pandemic and avoid renewed restrictions being imposed on economic activity. The Chinese economy, by contrast, is likely to continue its pre-crisis growth trajectory.

Capital markets

On bond markets, worries about the economy and the pandemic temporarily replaced inflation fears at the start of the second half of the year. If, however, the economy picks up again as we expect it to, these will likely return. Nevertheless, we think that interest rates are unlikely to rise above the levels seen last year as long as the ECB and, in particular, the Fed do not reverse their ultra-expansive monetary policy. This environment also continues to favour risky assets such as equities, although most of the positive expectations may already be priced in here and further potential for upward movement limited.

Anticipated financial development of the Group

We are making the following assumptions:

- moderate global economic growth
- steady inflation rates
- further very low interest rates in the eurozone to continue
- no sudden upheavals on the capital markets
- no exchange rate shocks
- no significant fiscal or regulatory changes
- large losses in line with expectations
- coronavirus pandemic is contained this year

At the half-year point, we issue forecasts to the Talanx Group and its divisions for the key figures the Group uses to manage its business. This outlook provides more precise figures for the 2021 outlook published in the 2020 Group annual report regarding the Talanx Group and its divisions. Following a strong first half-year, Talanx is projecting Group net income of EUR 900–950 million in financial year 2021. These expectations already include the substantial effects of the flood losses in Germany and parts of Europe, which suggest a weaker third quarter in particular.

The Group is also expecting gross premiums to rise by an encouraging high single-digit percentage figure in the current financial year after adjustment for currency effects. A net return on investment under the IFRSs of 2.7% is forecast. The return on equity should be between 8.5% and 9.0%, in excess of the strategic minimum target.

As usual, the forecasts for financial year 2021 are subject to the proviso that large losses develop in line with expectations and that no significant turbulences will occur on the currency and capital markets. Talanx continues to target the distribution of 35% to 45% of Group net income as dividends for the 2021 financial year, as in the past, and ensuring that the dividend payment remains at least stable year-on-year.

In the period up to 2022, the goal is for earnings per share (EPS) to rise by an average of at least 5% per year, starting from the original outlook of EUR 850 million for Group net income in 2018.

Talanx Group

MANAGEMENT METRICS

	Outlook for 2021 on the basis of 6M 2021	Outlook for 2021 on the basis of Q1 2021	Forecast for 2021 from the 2020 Annual Report
%			
Gross premium growth (adjusted for currency effects)	High single digit	~ 5	~ 5
Net return on investment	~ 2,7	~ 2.5	~ 2.5
Group net income in EUR million	900–950	at the upper end of the EUR 800–900 million range	800–900
Return on equity	8.5–9.0	above 8.0	7.5–8.5
Payout ratio	35–45	35–45	35–45

Industrial Lines

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

	Outlook for 2021 on the basis of 6M 2021	Forecast for 2021 from the 2020 Annual Report
%		
Gross premium growth (adjusted for currency effects)	solid growth	solid growth
Combined ratio (net)	< 99	< 99
Return on equity	~ 5	~ 5

Retail Germany

In our outlook for 2021 in the 2020 Annual Report, we had expected a combined ratio of less than 95% in the Property/Casualty Insurance segment in the Retail Germany Division. Given the good claims experience in the first half of the year, we are now anticipating a combined ratio of less than 94% in 2021 as a whole.

Property/Casualty Insurance

MANAGEMENT METRICS FOR THE RETAIL GERMANY DIVISION – PROPERTY/CASUALTY INSURANCE SEGMENT

	Outlook for 2021 on the basis of 6M 2021	Forecast for 2021 from the 2020 Annual Report
%		
Gross premium growth	stable	stable
Combined ratio (net)	< 94	< 95

Life insurance

MANAGEMENT METRICS FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

	Outlook for 2021 on the basis of 6M 2021	Forecast for 2021 from the 2020 Annual Report
%		
Gross premium growth	stable	stable

Retail Germany as a whole

In our outlook for 2021 in the 2020 Annual Report, we had anticipated a return on equity of between 5% and 6% in the Retail Germany Division. The return on equity should now be between 5.5% and 6.5%.

RETURN ON EQUITY MANAGEMENT METRIC FOR THE RETAIL GERMANY DIVISION AS A WHOLE

	Outlook for 2021 on the basis of 6M 2021	Forecast for 2021 from the 2020 Annual Report
%		
Return on equity	5.5–6.5	5–6

Retail International

Our outlook for 2021 in the 2020 Annual Report anticipated a slight decline in gross premiums (adjusted for currency effects) in the Retail International Division. Based on current business developments we anticipate a slight rise in gross premiums (adjusted for currency effects) in 2021 as a whole. Given the good claims experience in the first half of the year, we are still anticipating a combined ratio of no higher than 94%. The return on equity should now be between 6% and 7%.

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

	Outlook for 2021 on the basis of 6M 2021	Forecast for 2021 from the 2020 Annual Report
%		
Gross premium growth (adjusted for currency effects)	slight increase	slight decrease
Combined ratio (net, property/casualty insurance)	≤ 94	≤ 95
Return on equity	6–7	5–6

Reinsurance

Property/Casualty Reinsurance

In our outlook for 2021 in the 2020 Annual Report, we had expected gross premiums to rise by at least 5% in the Property/Casualty Reinsurance segment on the basis of constant currency rates. Given the successes in treaty renewals and new business, all in all we anticipate high single digit growth in gross premiums (adjusted for currency effects) in the Property/Casualty Reinsurance and Life/Health Reinsurance segments.

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%	Outlook for 2021 on the basis of 6M 2021	Forecast for 2021 from the 2020 Annual Report
	high single digit growth for Property/Casualty Reinsurance and Life/Health Reinsurance segments as a whole	≥ 5
Gross premium growth (adjusted for currency effects)	≥ 5	≥ 5
Combined ratio (net)	≤ 96	≤ 96

Life/Health Reinsurance

In our outlook for 2021 in the 2020 Annual Report, we had expected gross premiums to rise by at least 3% in the Life/Health Reinsurance segment on the basis of constant currency rates. Given the successes in treaty renewals and new business, all in all we anticipate high single digit growth in gross premiums (adjusted for currency effects) in the Property/Casualty Reinsurance and Life/Health Reinsurance segments.

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

%	Outlook for 2021 on the basis of 6M 2021	Forecast for 2021 from the 2020 Annual Report
	high single digit growth for Property/Casualty Reinsurance and Life/Health Reinsurance segments as a whole	≥ 3
Gross premium growth (adjusted for currency effects)	≥ 3	≥ 3
Value of new business ¹ in EUR million	≥ 125	≥ 125

¹ Excluding non-controlling interests.

Reinsurance Division as a whole

RETURN ON EQUITY MANAGEMENT METRIC FOR THE REINSURANCE DIVISION AS A WHOLE

%	Outlook for 2021 on the basis of 6M 2021	Forecast for 2021 from the 2020 Annual Report
Return on equity	10–12	10–12

Assessment of future opportunities and challenges

Opportunities have not changed significantly compared with the 2020 reporting period. For further information, please refer to Talanx's 2020 Group Annual Report.

Interim consolidated financial statements

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Consolidated balance sheet

as at 30 June 2021

CONSOLIDATED BALANCE SHEET – ASSETS

EUR million	Notes	30.6.2021	31.12.2020 ¹
A. Intangible assets	1		
a. Goodwill		1,058	1,040
b. Other intangible assets		873	839
		1,931	1,879
B. Investments			
a. Investment property		3,823	3,250
b. Shares in affiliated companies and participating interests		604	572
c. Shares in associates and joint ventures		519	438
d. Loans and receivables	2	26,688	27,184
e. Other financial instruments			
i. Held to maturity	3	433	474
ii. Available for sale	4/6	92,864	89,467
iii. At fair value through profit or loss	5/6	1,069	1,067
f. Other investments	6	6,651	5,849
Assets under own management		132,650	128,301
g. Investments under investment contracts	6	1,374	1,265
h. Funds withheld by ceding companies		9,692	9,140
Investments		143,717	138,705
C. Investments for the benefit of life insurance policyholders who bear the investment risk		12,918	11,619
D. Reinsurance recoverables on technical provisions		8,426	7,473
E. Accounts receivable on insurance business		11,054	8,964
F. Deferred acquisition costs		6,144	5,528
G. Cash at banks, cheques and cash-in-hand		3,760	3,477
H. Deferred tax assets		452	323
I. Other assets	6	3,416	3,036
J. Non-current assets and assets of disposal groups classified as held for sale ²		8	31
Total assets		191,825	181,035

¹ Adjusted in accordance with IAS 8, see the "Basis of preparation and application of IFRSs" section, subsection "Changes to accounting policies" of the Notes.

² For further information see "Non-current assets held for sale and disposal groups" in the Notes.

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

EUR million	Notes	30.6.2021		31.12.2020 ¹
A. Equity	7			
a. Subscribed capital		316		316
Nominal amount: 316 (previous year: 316)				
Contingent capital: 158 (previous year: 158)				
b. Reserves		10,126		10,076
Equity excluding non-controlling interests			10,442	10,392
c. Non-controlling interests in equity			6,741	6,732
Total equity			17,183	17,125
B. Subordinated liabilities	8		4,254	3,473
C. Technical provisions	9			
a. Unearned premium reserve		13,791		10,538
b. Benefit reserve		57,592		56,932
c. Loss and loss adjustment expense reserve		55,358		51,189
d. Provision for premium refunds		8,177		9,114
e. Other technical provisions		825		770
			135,744	128,541
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders			12,918	11,619
E. Other provisions				
a. Provisions for pensions and other post-employment benefits		2,251		2,445
b. Provisions for taxes		616		537
c. Miscellaneous other provisions		827		934
			3,694	3,916
F. Liabilities				
a. Notes payable and loans	10	2,273		2,279
b. Funds withheld under reinsurance treaties		4,099		3,709
c. Other liabilities	6	9,170		7,868
			15,542	13,856
G. Deferred tax liabilities			2,491	2,497
H. Liabilities included in disposal groups classified as held for sale ²			—	9
Total liabilities/provisions			174,641	163,910
Total equity and liabilities			191,825	181,035

¹ Adjusted in accordance with IAS 8, see the “Basis of preparation and application of IFRSs” section, subsection “Changes to accounting policies” of the Notes.

² For further information see “Non-current assets held for sale and disposal groups” in the Notes.

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

Consolidated statement of income

for the period from 1 January to 30 June 2021

CONSOLIDATED STATEMENT OF INCOME

EUR million	Notes	6M 2021	6M 2020	Q2 2021	Q2 2020
Gross written premiums including premiums from unit-linked life and annuity insurance		24,075	22,006	10,426	9,539
1. Savings elements of premiums from unit-linked life and annuity insurance		509	446	267	226
3. Ceded written premiums		2,937	2,545	1,111	997
4. Change in gross unearned premiums		-2,864	-2,652	407	142
5. Change in ceded unearned premiums		-507	-383	198	65
Net premiums earned	11	18,272	16,746	9,256	8,392
6. Claims and claims expenses (gross)		16,210	14,335	8,087	7,090
Reinsurers' share		1,436	937	713	309
Claims and claims expenses (net)	14	14,775	13,398	7,375	6,781
7. Acquisition costs and administrative expenses (gross)		4,770	4,800	2,405	2,431
Reinsurers' share		372	349	183	132
Acquisition costs and administrative expenses (net)	15	4,398	4,451	2,222	2,298
8. Other technical income		26	32	10	14
Other technical expenses		106	58	52	30
Other technical result		-81	-27	-42	-17
Net technical result		-982	-1,129	-382	-704
9. a. Investment income		2,677	2,262	1,294	987
b. Investment expenses		495	605	237	152
Net income from assets under own management		2,183	1,657	1,057	836
Net income from investment contracts		2	—	—	—
Net interest income from funds withheld and contract deposits		165	127	38	46
Net investment income	12/13	2,350	1,785	1,096	882
of which share of profit or loss of equity-accounted associates and joint ventures		28	10	11	—
10. a. Other income		822	753	254	148
b. Other expenses		856	664	260	140
Other income/expenses	16	-35	89	-6	8
Profit before goodwill impairments		1,333	745	707	186
11. Goodwill impairments		—	—	—	—
Operating profit/loss (EBIT)		1,333	745	707	186
12. Financing costs		88	103	46	52
13. Taxes on income		309	93	180	-22
Net income		936	549	481	156
of which attributable to non-controlling interests		389	224	212	54
of which attributable to shareholders of Talanx AG		546	325	269	103
Earnings per share					
Basic earnings per share (EUR)		2.16	1.29	1.06	0.41
Diluted earnings per share (EUR)		2.16	1.29	1.06	0.41

Consolidated statement of comprehensive income

for the period from 1 January to 30 June 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	6M 2021	6M 2020	Q2 2021	Q2 2020
Net income	936	549	481	156
Items that will not be reclassified to profit or loss				
Actuarial gains (losses) on pension provisions				
Gains (losses) recognised in other comprehensive income for the period	164	33	4	-162
Tax income (expense)	-55	-11	-2	48
	110	22	3	-114
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised in other comprehensive income for the period	-7	-2	1	8
Tax income (expense)	-	-	-	-
	-7	-2	1	8
Total items that will not be reclassified to profit or loss, net of tax	103	20	4	-105
Items that may be reclassified subsequently to profit or loss				
Unrealised gains and losses on investments				
Gains (losses) recognised in other comprehensive income for the period	-2,019	1,320	325	2,885
Reclassified to profit or loss	-430	-200	-164	-102
Tax income (expense)	311	-106	-45	-543
	-2,138	1,014	116	2,240
Exchange differences on translating foreign operations				
Gains (losses) recognised in other comprehensive income for the period	403	-329	-70	-119
Reclassified to profit or loss	-	-	-	-
Tax income (expense)	-47	21	12	8
	356	-308	-58	-111
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised in other comprehensive income for the period	1,679	-481	214	-974
Tax income (expense)	-34	-29	-13	62
	1,645	-510	201	-912
Changes from cash flow hedges				
Gains (losses) recognised in other comprehensive income for the period	-124	20	-29	16
Reclassified to profit or loss	-21	-14	-16	-7
Tax income (expense)	6	2	3	-1
	-138	7	-41	6
Changes from equity method measurement				
Gains (losses) recognised in other comprehensive income for the period	12	-2	-1	-1
Reclassified to profit or loss	-	-	-	-
Tax income (expense)	-	-	-	-
	12	-2	-1	-1
Total items that may be reclassified subsequently to profit or loss, net of tax	-263	201	218	1,221
Other comprehensive income for the period, net of tax	-160	220	222	1,115
Total comprehensive income for the period	775	769	702	1,271
of which attributable to non-controlling interests	347	433	307	502
of which attributable to shareholders of Talanx AG	429	336	396	770

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

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Subscribed capital	Capital reserves	Retained earnings
2021			
Balance at 31.12.2020	316	1,373	8,087
Changes in ownership interest without a change in control	—	—	—
Other changes in basis of consolidation	—	—	—
Net income	—	—	546
Other comprehensive income	—	—	—
of which not eligible for reclassification	—	—	—
of which actuarial gains or losses on pension provisions	—	—	—
of which changes in policyholder participation/shadow accounting	—	—	—
of which eligible for reclassification	—	—	—
of which unrealised gains and losses on investments	—	—	—
of which currency translation	—	—	—
of which change from cash flow hedges	—	—	—
of which change from equity method measurement	—	—	—
of which changes in policyholder participation/shadow accounting	—	—	—
Total comprehensive income	—	—	546
Capital increases	—	—	—
Dividends to shareholders	—	—	-379
Other changes outside profit or loss	—	—	—
Balance at 30.06.2021	316	1,373	8,254
2020			
Balance at 31.12.2019	316	1,373	7,795
Changes in ownership interest without a change in control	—	—	—
Other changes in basis of consolidation	—	—	—
Net income	—	—	325
Other comprehensive income	—	—	—
of which not eligible for reclassification	—	—	—
of which actuarial gains or losses on pension provisions	—	—	—
of which changes in policyholder participation/shadow accounting	—	—	—
of which eligible for reclassification	—	—	—
of which unrealised gains and losses on investments	—	—	—
of which currency translation	—	—	—
of which change from cash flow hedges	—	—	—
of which change from equity method measurement	—	—	—
of which changes in policyholder participation/shadow accounting	—	—	—
Total comprehensive income	—	—	325
Capital increases	—	—	—
Dividends to shareholders	—	—	-379
Other changes outside profit or loss	—	—	—
Balance at 30.6.2020	316	1,373	7,741

	Unrealised gains/losses on investments	Currency translation gains/losses	Other changes in equity	Other reserves		Equity attributable to shareholders of Talanx AG	Non-controlling interests	Total equity
				Measurement gains/losses on cash flow hedges				
	6,434	-695	-5,360	237		10,392	6,732	17,125
	—	—	—	—		—	—	1
	—	—	—	—		546	389	936
	-1,833	181	1,660	-125		-117	-43	-160
	—	—	96	—		96	7	103
	—	—	102	—		102	8	110
	—	—	-6	—		-6	-1	-7
	-1,833	181	1,564	-125		-213	-50	-263
	-1,833	—	—	—		-1,833	-305	-2,138
	—	181	—	—		181	176	356
	—	—	—	-125		-125	-13	-138
	—	—	12	—		12	—	12
	—	—	1,552	—		1,552	92	1,644
	-1,833	181	1,660	-125		429	347	775
	—	—	—	—		—	—	—
	—	—	—	—		-379	-338	-717
	—	—	—	—		—	—	—
	4,602	-514	-3,700	112		10,442	6,741	17,183
	4,636	-93	-4,130	252		10,149	6,461	16,610
	—	—	—	—		—	—	—
	—	—	—	—		—	—	—
	—	—	—	—		325	224	549
	710	-241	-466	9		11	209	220
	—	—	18	—		18	2	20
	—	—	20	—		20	2	22
	—	—	-2	—		-2	—	-2
	710	-241	-484	9		-7	208	201
	710	—	—	—		710	305	1,014
	—	-241	—	—		-241	-67	-308
	—	—	—	9		9	-2	7
	—	—	-2	—		-2	—	-2
	—	—	-482	—		-482	-28	-510
	710	-241	-466	9		336	433	769
	—	—	—	—		—	1	1
	—	—	—	—		-379	-378	-757
	—	—	—	—		—	—	—
	5,346	-334	-4,596	261		10,106	6,518	16,624

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

Consolidated cash flow statement

for the period from 1 January to 30 June 2021

CONSOLIDATED CASH FLOW STATEMENT

EUR million	6M 2021	6M 2020
I. 1. Net income	936	549
I. 2. Changes in technical provisions	6,166	5,287
I. 3. Changes in deferred acquisition costs	-461	-22
I. 4. Changes in funds withheld and in accounts receivable and payable	-1,582	-1,595
I. 5. Changes in other receivables and liabilities	742	252
I. 6. Changes in investments and liabilities under investment contracts	7	4
I. 7. Changes in financial instruments held for trading	-6	17
I. 8. Gains/losses on disposal of investments and property, plant and equipment	-734	-327
I. 9. Changes in technical provisions for life insurance policies where the investment risk is borne by the policyholders	1,302	-1,119
I. 10. Other non-cash expenses and income (including income tax expense/income)	207	-12
I. Cash flows from operating activities^{1,2}	6,578	3,032
II. 1. Cash inflow from the sale of consolidated companies	8	—
II. 2. Cash outflow from the purchase of consolidated companies	-213	—
II. 3. Cash inflow from the sale of real estate	13	70
II. 4. Cash outflow from the purchase of real estate	-533	-80
II. 5. Cash inflow from the sale and maturity of financial instruments	16,421	14,132
II. 6. Cash outflow from the purchase of financial instruments	-20,083	-16,517
II. 7. Changes in investments for the benefit of life insurance policyholders who bear the investment risk	-1,299	1,119
II. 8. Changes in other investments	-425	-645
II. 9. Cash outflows from the acquisition of tangible and intangible assets	-179	-72
II. 10. Cash inflows from the sale of tangible and intangible assets	99	5
II. Cash flows from investing activities	-6,189	-1,988
III. 1. Cash inflow from capital increases	—	1
III. 2. Cash outflow from capital reductions	—	—
III. 3. Dividends paid	-717	-757
III. 4. Net changes attributable to other financing activities	570	-140
III. Cash flows from financing activities²	-147	-895
Net change in cash and cash equivalents (I. + II. + III.)	242	148
Cash and cash equivalents at the beginning of the reporting period	3,477	3,519
Effect of exchange rate changes on cash and cash equivalents	40	-27
Effect of changes in the basis of consolidation on cash and cash equivalents³	1	-10
Cash and cash equivalents at the end of the reporting period⁴	3,760	3,629

¹ EUR 42 (127) million of "Income taxes paid", EUR 285 (117) million of "Dividends received" and EUR 1,835 (1,889) million of "Interest received" are allocated to "Cash flows from operating activities". Dividends received also include quasi-dividend profit-sharing payments from investment funds and private equity firms.

² Of the "Interest paid" item of EUR 354 (235) million, EUR 122 (112) million is attributable to "Cash flows from financing activities" and EUR 233 (123) million to "Cash flows from operating activities".

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

⁴ The "Cash and cash equivalents at the end of the reporting period" item includes changes in the portfolio of disclosed disposal groups in the amount of EUR 0 (5) million as at the reporting date.

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

Notes to the interim consolidated financial statements

Basis of preparation and application of IFRSs

Basis of preparation

The consolidated half-yearly financial report as at 30 June 2021 was prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union. The condensed consolidated financial statements, consisting of the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and selected explanatory notes, also comply with the requirements of IAS 34 "Interim Financial Reporting".

The accounting policies applied are the same as in the previous annual report and the associated interim reporting period, except for the first-time application of new and amended standards, as explained below. See also our disclosures in the "Changes to accounting policies" section.

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

The negative impact of the coronavirus pandemic on the result was far lower than in the previous year. The effects of the pandemic on Talanx's consolidated financial statements were felt primarily in the Life/Health Reinsurance segment, where loss expenditures increased to EUR 263 million in the first half of the year. Impairment losses on investments as a result of the pandemic came to EUR 23 million and are attributable in full to alternative investments.

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

Application of new and revised standards/interpretations

The Group applied the following revised IFRS regulations as at 1 January 2021:

As part of phase 2 of the Interest Rate Benchmark Reform project, the IASB published the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Reform of benchmark rates" in August 2020. The revisions to these standards were adopted by the EU in January 2021 and are effective for financial years beginning on or after 1 January 2021. The amendments serve to address specific issues related to the replacement of an existing benchmark rate by an alternative rate at the time of the replacement. A separate implementation project was launched to assess the impact of the IBOR reform on the Group and to ensure a smooth transition to alternative benchmark rates. The assessment was carried out for individual contracts. Implications on the measurement of financial instruments and the changes in IT systems that this requires are still taken into account. In addition to a status analysis, the impact on accounting and financial reporting was analysed as at 31 December 2020 and our investment strategy was adapted to reflect this and observed on an ongoing basis. This

was also communicated across the Group and to counterparties and issuers. The transition to the new benchmark rates has been underway since the start of 2021. As the new term rates are not expected to be published until the third quarter of 2021, no benchmark rates were exchanged in the first half of 2021 that serve directly as references for their respective assets. Accordingly, there were no measurement effects. It should be noted that there can still be measurement effects for certain assets in our portfolio even where the contractual terms do not refer directly to the reformed benchmark rates if these benchmark rates are used to determine their fair value. This did not result in any significant effects on earnings, nor are any such effects expected in the future.

The amendment to IFRS 16 “Leases” Covid-19-related amendments was extended by one year and now applies to lease payments due until 30 June 2022. The extension has not yet been endorsed. The Group decided last year not to make use of the exemption.

The Group makes use of the temporary exemption from applying IFRS 9 for the first time (amendments to IFRS 4 “Application of IFRS 9 and IFRS 4”) for companies that are active primarily in the insurance business (as it still meets the eligibility criteria). This allows the Group to apply IFRS 17 “Insurance Contracts” (subject to endorsement) in conjunction with IFRS 9 “Financial Instruments”, in part due to the interaction between the recognition of financial instruments and insurance contracts, for financial years from 1 January 2023 onwards.

The IFRS 9 implementation project is running in parallel and in close coordination with the implementation project for IFRS 17. Additional development and testing activities, including an analysis of the impact the standard has on Group financial data, are planned for the second half of 2021. Regarding IFRS 9, work began on technical implementation at selected pilot companies.

Please see the previous year’s consolidated annual financial report for further information on the effects on the consolidated financial statements of applying IFRS 9 and IFRS 17. This still cannot be quantified at present.

Changes to accounting policies

In the Life/Health Reinsurance segment, components of a structured life reinsurance transaction were presented separately under investments and technical items in the 2020 consolidated financial statements. However, after further closer analysis of the contractual details of the transaction, we believe that, from the perspective of the Group as a single accounting entity, it is more suitable to consider the components of the transaction as a whole within the technical balance sheet items in order to provide reliable and relevant information regarding the financial impact of the transaction.

The table below shows the impact this change has on the individual items of the consolidated balance sheet. It did not affect Group net income.

EFFECTS ON THE CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

EUR million	31.12.2020 as reported	Changes from IAS 8 adjustments	31.12.2020
Assets			
B.d. Loans and receivables	27,404	-219	27,184
F. Deferred acquisition costs	5,312	216	5,528
I. Other assets	3,035	1	3,036
Equity and liabilities			
F.c. Other liabilities	7,871	-2	7,868

Segment reporting

The description of the business activities, the divisions and the reportable segments of the Talanx Group in the 2020 Annual Report, as well as the products and services with which these earnings are generated, is still accurate as at the end of the reporting period. The general specifications about segment reporting given there and the statements about the measurement basis for the performance of the reportable segments are still applicable.

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 30 JUNE 2021

EUR million

Assets	Industrial Lines		Retail Germany	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020
A. Intangible Assets	164	163	662	660
B. Investments	10,884	9,785	56,707	57,805
C. Investments for the benefit of life insurance policyholders who bear the investment risk	—	—	12,424	11,185
D. Reinsurance recoverables on technical provisions	8,105	7,355	1,924	1,688
E. Accounts receivable on insurance business	2,634	2,307	328	313
F. Deferred acquisition costs	96	78	1,605	1,503
G. Cash at banks, cheques and cash-in-hand	748	717	660	481
H. Deferred tax assets	40	47	104	69
I. Other assets	1,025	707	751	773
J. Non-current assets and assets of disposal groups classified as held for sale	6	6	2	10
Total assets	23,702	21,166	75,167	74,488

¹ Adjusted in accordance with IAS 8, see the "Basis of preparation and application of IFRSs" section, subsection "Changes to accounting policies" of the Notes.

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 30 JUNE 2021

EUR million

Equity and liabilities	Industrial Lines		Retail Germany	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020
B. Subordinated liabilities	313	279	257	257
C. Technical provisions	16,959	15,143	55,923	56,303
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders	—	—	12,424	11,185
E. Other provisions	855	893	558	609
F. Liabilities	3,004	2,438	3,063	3,061
G. Deferred tax liabilities	190	200	207	258
H. Liabilities included in disposal groups classified as held for sale	—	—	—	—
Total liabilities/provisions	21,321	18,953	72,432	71,673

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
30.6.2021	31.12.2020	30.6.2021	31.12.2020 ¹	30.6.2021	31.12.2020	30.6.2021	31.12.2020 ¹	30.6.2021	31.12.2020 ¹
812	767	198	192	96	97	—	—	1,931	1,879
15,384	14,493	62,647	58,137	1,100	1,195	-3,006	-2,710	143,717	138,705
493	434	—	—	—	—	—	—	12,918	11,619
1,261	871	2,330	2,242	1,056	456	-6,252	-5,140	8,426	7,473
1,296	1,213	7,198	5,606	835	287	-1,238	-761	11,054	8,964
591	589	3,506	3,073	66	21	280	264	6,144	5,528
392	342	1,417	1,278	543	660	—	—	3,760	3,477
203	103	19	11	295	328	-208	-235	452	323
584	751	3,045	2,466	574	707	-2,563	-2,368	3,416	3,036
—	14	—	—	—	—	—	—	8	31
21,017	19,576	80,361	73,005	4,564	3,750	-12,986	-10,950	191,825	181,035

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
30.6.2021	31.12.2020	30.6.2021	31.12.2020 ²	30.6.2021	31.12.2020	30.6.2021	31.12.2020 ²	30.6.2021	31.12.2020 ²
103	68	3,377	2,590	1,250	1,280	-1,046	-1,001	4,254	3,473
14,735	13,673	51,742	46,919	1,697	834	-5,312	-4,330	135,744	128,541
493	434	—	—	—	—	—	—	12,918	11,619
282	284	528	538	1,471	1,592	—	—	3,694	3,916
2,685	2,415	10,841	9,163	2,436	2,228	-6,488	-5,449	15,542	13,856
97	105	2,182	2,145	1	2	-186	-214	2,491	2,497
—	9	—	—	—	—	—	—	—	9
18,396	16,988	68,670	61,355	6,855	5,936	-13,032	-10,994	174,641	163,910

Equity¹ **17,183** **17,125**

Total liabilities **191,825** **181,035**

¹ Equity attributable to Group shareholders and non-controlling interests.

² Adjusted in accordance with IAS 8, see the "Basis of preparation and application of IFRSs" section, subsection "Changes to accounting policies" of the Notes.

CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT FOR THE PERIOD FROM 1 JANUARY TO 30 JUNI 2021¹

EUR million	Industrial Lines		Retail Germany	
	6M 2021	6M 2020	6M 2021	6M 2020
1. Gross written premiums including premiums from unit-linked life and annuity insurance	4,185	3,852	3,233	3,147
of which attributable to other divisions/segments	25	40	35	38
of which attributable to third parties	4,160	3,812	3,199	3,109
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	425	414
3. Ceded written premiums	2,090	1,936	251	176
4. Change in gross unearned premiums	–840	–866	–259	–239
5. Change in ceded unearned premiums	–398	–410	–54	–8
Net premiums earned	1,654	1,460	2,352	2,325
6. Claims and claims expenses (gross)	2,443	1,955	2,896	2,289
Reinsurers' share	1,117	730	67	136
Claims and claims expenses (net)	1,326	1,225	2,829	2,153
7. Acquisition costs and administrative expenses (gross)	659	658	561	838
Reinsurers' share	378	357	88	50
Acquisition costs and administrative expenses (net)	280	301	473	788
8. Other technical income	2	2	9	13
Other technical expenses	22	3	42	10
Other technical result	–20	–1	–33	3
Net technical result	27	–67	–984	–612
9. a. Investment income	196	249	1,319	949
b. Investment expenses	55	142	146	217
Net income from assets under own management	141	107	1,173	731
Net income from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	–1	–6	–7
Net investment income	141	107	1,167	725
of which share of profit or loss of equity-accounted associates and joint ventures	9	8	5	—
10. a. Other income	176	141	109	107
b. Other expenses	247	162	134	125
Other income/expenses	–71	–22	–25	–18
Profit before goodwill impairments	97	18	158	95
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	97	18	158	95
12. Financing costs	6	6	5	5
13. Taxes on income	20	2	52	25
Net income	70	10	101	65
of which attributable to non-controlling interests	2	3	4	1
of which attributable to shareholders of Talanx AG	68	7	97	63

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 2021	6M 2020	6M 2021	6M 2020	6M 2021	6M 2020	6M 2021	6M 2020	6M 2021	6M 2020
3,052	2,758	14,465	13,146	1,025	370	-1,885	-1,266	24,075	22,006
1	—	1,062	897	763	292	-1,885	-1,266	—	—
3,051	2,757	13,403	12,249	262	78	—	—	24,075	22,006
84	32	—	—	—	—	—	—	509	446
303	250	1,385	1,214	794	244	-1,886	-1,275	2,937	2,545
-73	9	-1,662	-1,629	-509	-182	479	255	-2,864	-2,652
-38	-23	-98	-75	-399	-124	479	256	-507	-383
2,630	2,508	11,515	10,378	121	68	—	8	18,272	16,746
2,125	2,052	9,254	8,620	341	222	-850	-803	16,210	14,335
150	188	737	568	246	144	-881	-830	1,436	937
1,975	1,864	8,517	8,053	95	77	31	26	14,775	13,398
641	626	3,165	2,920	135	32	-391	-274	4,770	4,800
60	49	119	129	97	18	-370	-254	372	349
581	576	3,046	2,792	38	14	-21	-20	4,398	4,451
15	17	—	—	—	—	—	—	26	32
42	40	2	4	9	—	-10	2	106	58
-27	-23	-1	-4	-9	—	10	-2	-81	-27
47	44	-50	-470	-22	-23	—	—	-982	-1,129
222	211	945	876	27	9	-31	-32	2,677	2,262
28	43	241	212	87	54	-63	-63	495	605
194	168	704	663	-61	-45	32	32	2,183	1,657
2	—	—	—	—	—	—	—	2	—
-1	-2	172	136	—	—	—	—	165	127
194	167	876	800	-61	-45	32	32	2,350	1,785
—	—	15	2	—	—	—	—	28	10
68	88	406	412	409	382	-346	-377	822	753
136	143	268	232	359	324	-289	-323	856	664
-68	-55	138	180	50	58	-57	-54	-35	89
173	156	964	509	-33	-10	-25	-23	1,333	745
—	—	—	—	—	—	—	—	—	—
173	156	964	509	-33	-10	-25	-23	1,333	745
4	10	50	57	51	52	-27	-27	88	103
48	39	212	51	-24	-25	1	1	309	93
121	107	702	401	-60	-37	1	3	936	549
17	19	366	201	—	—	—	—	389	224
104	89	336	200	-60	-37	1	3	546	325

CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT FOR THE PERIOD FROM 1 APRIL TO 30 JUNE 2021¹

EUR million	Industrial Lines		Retail Germany	
	Q2 2021	Q2 2020	Q2 2021	Q2 2020
1. Gross written premiums including premiums from unit-linked life and annuity insurance	1,474	1,277	1,401	1,298
of which attributable to other divisions/segments	8	12	22	21
of which attributable to third parties	1,466	1,265	1,378	1,277
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	227	218
3. Ceded written premiums	800	728	128	79
4. Change in gross unearned premiums	292	213	138	171
5. Change in ceded unearned premiums	107	28	–15	7
Net premiums earned	858	734	1,199	1,165
6. Claims and claims expenses (gross)	1,293	926	1,516	1,163
Reinsurers' share	598	315	42	102
Claims and claims expenses (net)	694	611	1,474	1,062
7. Acquisition costs and administrative expenses (gross)	327	315	232	464
Reinsurers' share	181	145	44	24
Acquisition costs and administrative expenses (net)	146	171	188	440
8. Other technical income	1	1	1	5
Other technical expenses	2	9	33	–4
Other technical result	–1	–8	–32	8
Net technical result	17	–56	–495	–329
9. a. Investment income	93	117	607	460
b. Investment expenses	29	44	75	51
Net income from assets under own management	64	73	532	410
Net income from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	–3	–3
Net investment income	64	73	529	406
of which share of profit or loss of equity-accounted associates and joint ventures	3	—	5	—
10. a. Other income	34	24	42	46
b. Other expenses	68	53	56	61
Other income/expenses	–34	–29	–14	–15
Profit before goodwill impairments	46	–12	20	62
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	46	–12	20	62
12. Financing costs	3	3	2	2
13. Taxes on income	12	–5	5	16
Net income	31	–10	14	44
of which attributable to non-controlling interests	2	—	1	—
of which attributable to shareholders of Talanx AG	29	–10	13	44

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	
Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020
1,532	1,244	6,655	6,171	71	48	-707	-499	10,426	9,539
—	—	415	400	261	65	-707	-499	—	—
1,532	1,244	6,240	5,770	-191	-17	—	—	10,426	9,539
40	8	—	—	—	—	—	—	267	226
137	97	722	590	26	19	-702	-516	1,111	997
-27	39	-155	-291	189	43	-30	-33	407	142
7	11	-44	3	173	41	-30	-26	198	65
1,321	1,167	5,822	5,287	61	31	-5	9	9,256	8,392
1,052	919	4,545	4,417	112	141	-430	-477	8,087	7,090
82	85	361	205	96	97	-467	-494	713	309
970	834	4,184	4,213	15	44	37	17	7,375	6,781
333	303	1,654	1,471	76	15	-216	-138	2,405	2,431
31	25	72	60	47	7	-191	-129	183	132
302	279	1,582	1,411	29	8	-25	-9	2,222	2,298
8	8	—	—	—	—	—	—	10	14
23	22	2	3	9	—	-17	1	52	30
-15	-14	-2	-3	-9	—	17	-1	-42	-17
33	41	55	-339	8	-21	—	—	-382	-704
113	68	486	353	11	4	-15	-16	1,294	987
16	-9	98	77	50	23	-31	-33	237	152
97	77	387	277	-39	-19	16	17	1,057	836
—	—	—	—	—	—	—	—	—	—
—	-1	42	51	—	—	—	—	38	46
97	76	429	327	-39	-19	16	18	1,096	882
—	—	2	—	—	—	—	—	11	—
-12	-28	139	116	214	188	-164	-197	254	148
33	8	68	23	173	161	-137	-166	260	140
-45	-37	72	93	41	27	-27	-31	-6	8
86	81	556	82	10	-13	-11	-14	707	186
—	—	—	—	—	—	—	—	—	—
86	81	556	82	10	-13	-11	-14	707	186
2	6	26	29	25	26	-14	-14	46	52
24	21	146	-43	-8	-11	1	—	180	-22
60	54	383	96	-8	-28	2	—	481	156
9	8	201	45	—	—	—	—	212	54
50	46	183	51	-8	-28	2	—	269	103

**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 2021 AND 1 APRIL TO 30 JUNE 2021**

EUR million	Retail Germany – Property/Casualty			
	6M 2021	6M 2020	Q2 2021	Q2 2020
1. Gross written premiums including premiums from unit-linked life and annuity insurance	1,031	1,005	251	231
of which attributable to other segments	—	—	—	—
of which attributable to third parties	1,031	1,005	251	231
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	—	—
3. Ceded written premiums	142	66	74	24
4. Change in gross unearned premiums	-278	-251	127	148
5. Change in ceded unearned premiums	-55	-9	-16	6
Net premiums earned	666	697	321	348
6. Claims and claims expenses (gross)	412	499	237	264
Reinsurers' share	15	78	8	73
Claims and claims expenses (net)	397	422	229	191
7. Acquisition costs and administrative expenses (gross)	263	266	131	130
Reinsurers' share	54	17	42	8
Acquisition costs and administrative expenses (net)	209	250	89	122
8. Other technical income	1	1	—	—
Other technical expenses	6	4	2	1
Other technical result	-5	-3	-1	-1
Net technical result	56	22	1	35
9. a. Investment income	62	60	28	30
b. Investment expenses	8	20	4	5
Net income from assets under own management	53	40	24	25
Gains or losses from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	—	—
Net investment income	53	40	24	25
of which share of profit or loss of equity-accounted associates and joint ventures	—	—	—	—
10. a. Other income	29	27	12	14
b. Other expenses	36	34	16	16
Other income/expenses	-7	-7	-4	-2
Profit before goodwill impairments	102	55	21	58
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	102	55	21	58

	Retail Germany – Life				Property/Casualty Reinsurance				Life/Health Reinsurance			
	6M 2021	6M 2020	Q2 2021	Q2 2020	6M 2021	6M 2020	Q2 2021	Q2 2020	6M 2021	6M 2020	Q2 2021	Q2 2020
	2,202	2,142	1,150	1,067	10,267	9,174	4,574	4,188	4,198	3,972	2,082	1,983
	35	38	22	21	991	831	380	368	70	66	35	32
	2,167	2,104	1,128	1,046	9,275	8,343	4,193	3,820	4,128	3,906	2,046	1,951
	425	414	227	218	—	—	—	—	—	—	—	—
	109	110	54	54	891	791	468	379	494	423	254	211
	19	12	11	23	-1,627	-1,590	-165	-275	-36	-39	10	-16
	2	2	1	1	-98	-76	-44	3	—	1	—	—
	1,685	1,628	879	817	7,847	6,869	3,984	3,531	3,669	3,509	1,839	1,756
	2,485	1,789	1,279	900	5,554	5,175	2,755	2,673	3,701	3,445	1,790	1,745
	52	58	34	29	281	165	125	4	456	402	236	200
	2,432	1,731	1,245	871	5,272	5,010	2,630	2,668	3,245	3,043	1,554	1,544
	299	572	101	335	2,378	2,142	1,251	1,094	787	779	402	377
	34	33	3	16	106	96	56	48	12	33	16	12
	264	538	99	318	2,272	2,046	1,195	1,046	774	746	387	365
	8	12	1	4	—	—	—	—	—	—	—	—
	36	5	31	-5	3	—	3	1	-2	4	-1	1
	-28	6	-30	9	-3	—	-3	-1	2	-4	1	-1
	-1,040	-634	-496	-364	299	-186	155	-184	-349	-284	-100	-155
	1,257	889	579	430	724	607	387	250	221	268	99	103
	138	198	71	46	142	165	77	95	98	48	21	-19
	1,120	691	508	384	582	443	310	155	122	220	78	122
	—	—	—	—	—	—	—	—	—	—	—	—
	-6	-6	-3	-3	15	26	11	15	157	111	30	36
	1,114	685	505	381	596	468	321	170	280	331	108	157
	5	—	5	—	1	2	1	—	14	—	2	1
	80	80	31	31	116	184	47	21	289	228	92	95
	98	92	41	45	223	167	53	12	46	65	15	10
	-18	-11	-10	-13	-106	18	-6	9	244	162	78	84
	56	40	—	4	789	300	471	-5	175	210	85	87
	—	—	—	—	—	—	—	—	—	—	—	—
	56	40	—	4	789	300	471	-5	175	210	85	87

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 2021									
included within investment income									
Current interest income unit-linked life and annuity insurance	90	37	508	169	351	129	26	–31	1,280
Interest income from funds withheld and contract deposits	–	–	–	–	15	275	–	–2	288
Interest expense from funds withheld and contract deposits	–	–	6	1	–	118	–	–2	123
Depreciation of/impairment losses on investment property									
Depreciation	2	–	16	1	18	–	–	–	37
Impairment losses	–	–	–	–	–	–	–	–	–
Depreciation of/impairment losses on infrastructure investments									
Depreciation	3	2	11	–	–	–	–	–	17
included within other income/expenses									
Other interest income	–	–	1	1	16	8	1	–2	25
Other interest expenses	3	1	7	3	6	4	3	–5	21
Depreciation of/impairment losses on fixed assets									
Depreciation	1	–	–	2	1	–	–	–	4
Impairment losses	–	–	–	1	–	–	–	–	1
6M 2020									
included within investment income									
Current interest income unit-linked life and annuity insurance	73	39	575	159	347	138	5	–32	1,305
Interest income from funds withheld and contract deposits	–	–	–	–	26	148	–	–3	171
Interest expense from funds withheld and contract deposits	1	–	6	2	–	38	–	–3	44
Depreciation of/impairment losses on investment property									
Depreciation	2	–	11	1	19	–	–	–	33
Impairment losses	–	–	–	–	–	–	–	–	–
Depreciation of/impairment losses on infrastructure investments									
Depreciation	3	2	11	–	–	–	–	–	17
Impairment losses	9	–	5	–	55	–	–	–	70
included within other income/expenses									
Other interest income	1	–	1	2	3	14	2	–3	20
Other interest expenses	6	–	3	4	6	5	7	–6	25
Depreciation of/impairment losses on fixed assets									
Depreciation	1	–	–	2	1	–	–	–	4
Impairment losses	–	–	–	1	–	–	–	–	1

Consolidation

Basis of consolidation

As at the reporting date, 140 (146) individual companies, 25 (23) investment funds, three (three) structured entities and five subgroups (including four foreign subgroups) were consolidated as a group (including associates) in Talanx's consolidated financial statements, and eight (seven) companies were included using the equity method.

Significant changes in the basis of consolidation compared with year-end 2020 are presented in the following.

Significant additions and disposals of consolidated subsidiaries

By way of purchase agreement dated 21 October 2020, HDI Assicurazioni S. p. A., Rome, Italy, a wholly owned Group subsidiary of HDI International AG, Hannover, Germany (Retail International segment), acquired 100% of the shares in the property insurer Amissima Assicurazioni S. p. A., Milan, Italy. Based on the agreements reached, the Group accounts for the acquisition as at 1 April 2021 (date of initial consolidation). The purchase price (EUR 223 million) was settled entirely in cash. It is planned to merge Amissima Assicurazioni S. p. A. with HDI Assicurazioni S. p. A., Rome, Italy, in 2022.

The acquisition resulted in goodwill of EUR 20 million. This is chiefly for expected synergies from plans to adapt the company's organisation to reflect the structures of our existing unit. This transaction does not result in any tax deductible goodwill in the tax accounts (share deal).

Acquisition-related costs of the transaction (EUR 3 million) are included in "other income/expenses".

FAIR VALUES OF ACQUIRED ASSETS AND ASSUMED LIABILITIES OF AMISSIMA ASSICURAZIONI S.P.A. AS AT 1. APRIL 2021

EUR million	Amissima Assicurazioni S.p.A.
Intangible assets	29
Investments	493
Reinsurance recoverables on technical provisions	339
Accounts receivable on insurance business ¹	73
Cash at banks, cheques and cash-in-hand	10
Deferred tax assets	92
Other assets	100
Total assets	1,136
Technical provisions	659
Other provisions	23
Subordinated loans	35
Other liabilities	215
of which tax liabilities	—
of which insurance-related	197
Total liabilities	933
Acquired net assets (before consolidation)	203

¹ The gross amount of the accounts receivable is EUR 82 million.

The amount of the receivables recognised corresponds to their fair value. No further cash shortfalls are expected. The intangible assets acquired essentially include the present values of future profits from recognising insurance contracts. No contingent liabilities were identified in connection with the company acquisition that are to be recognised in accordance with IFRS 3.23 or that must not be recognised because their fair value cannot be reliably measured. Contingent consideration, assets for compensation and separate transactions within the meaning of IFRS 3 were not recognised.

The companies' gross premiums of EUR 71 million and net income of EUR -234 thousand were included in the financial statements. If the company had already been acquired by 1 January 2021, gross premiums to be included would have come to EUR 141 million and net income to EUR -1.1 million.

In addition, there were no material changes to the basis of consolidation in comparison to the end of 2020.

Non-current assets held for sale and disposal groups

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

As at 31 December 2020, the Group recognised the subsidiary HDI Seguros de Vida S. A., Santiago, Chile, held by HDI International AG, Hannover, as a disposal group with assets of EUR 14 million and liabilities of EUR 9 million. The Group sold its 100% interest to the buyer for a price in the single-digit million euro range with effect from 1 June 2021.

Real estate

We report property holdings as held for sale in the amount of EUR 8 (17) million as at the reporting date. These are attributable entirely to the Retail Germany Division (previous year: Retail Germany Division: EUR 10 million; Industrial Lines segment: EUR 6 million).

Notes to individual items of the consolidated balance sheet

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

(1) Intangible assets

INTANGIBLE ASSETS

EUR million	30.6.2021	31.12.2020
a. Goodwill	1,058	1,040
b. Other intangible assets	873	839
of which		
insurance-related intangible assets	425	435
Software	229	220
Other		
Acquired distribution networks and customer relationships	31	26
Acquired brand names	32	32
Other	156	125
Total	1,931	1,879

(2) Loans and receivables

LOANS AND RECEIVABLES

EUR million	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2021	31.12.2020 ²	30.6.2021	31.12.2020	30.6.2021	31.12.2020 ²
Mortgage loans	425	351	121	89	545	440
Loans and prepayments on insurance policies	103	107	—	—	103	107
Loans and receivables due from government or quasi-governmental entities ¹	10,943	10,834	1,260	1,962	12,203	12,795
Corporate bonds	4,763	4,838	268	429	5,031	5,268
Covered bonds/asset-backed securities	10,454	11,054	2,034	2,678	12,488	13,731
Total	26,688	27,184	3,682	5,158	30,370	32,342

¹ Loans and receivables due from government or quasi-governmental entities include securities of EUR 2,460 (2,657) million that are guaranteed by the Federal Republic of Germany, other EU member states or German federal states.

² Adjusted in accordance with IAS 8, see the "Basis of preparation and application of IFRSs" section, subsection "Changes to accounting policies" of the Notes.

The "Covered bonds/asset-backed securities" item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 10,453 (11,053) million; this corresponds to 99% (99%) of the total amount.

(3) Held-to-maturity financial instruments

HELD-TO-MATURITY FINANCIAL INSTRUMENTS

EUR million	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Government debt securities issued by EU member states	120	116	13	16	132	132
Other foreign government debt securities	19	17	—	—	20	17
Debt securities issued by quasi-governmental entities ¹	223	227	-5	1	218	228
Corporate bonds	11	—	—	—	11	—
Covered bonds/asset-backed securities	60	114	—	2	60	116
Total	433	474	9	19	441	494

¹ Debt securities issued by quasi-governmental entities include securities of EUR 208 (204) million that are guaranteed by the Federal Republic of Germany, other EU member states or German federal states.

The "Covered bonds/asset-backed securities" item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 59 (113) million; this corresponds to 98% (99%) of the total amount.

(4) Available for sale financial instruments

AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS

EUR million	Amortised cost		Unrealised gains/losses		Fair value	
	30.6.2021	31.12.2020	30.6.2021	31.12.2020	30.6.2021	31.12.2020
Fixed-income securities						
Government debt securities issued by EU member states	12,862	12,584	1,370	1,969	14,232	14,554
US treasury notes	8,129	7,354	349	499	8,478	7,853
Other foreign government debt securities	4,896	4,497	110	192	5,005	4,689
Debt securities issued by quasi-governmental entities ¹	16,114	14,893	1,111	2,204	17,225	17,098
Corporate bonds	29,405	26,520	1,213	1,782	30,618	28,302
Investment funds	2,312	2,310	141	156	2,453	2,466
Covered bonds/asset-backed securities	10,952	10,533	793	1,245	11,745	11,778
Profit participation certificates	2	1	—	—	2	1
Other	4	2	—	—	4	2
Total fixed-income securities	84,675	78,694	5,088	8,048	89,763	86,742
Variable-yield securities						
Equities	657	436	136	84	793	520
Investment funds	1,894	1,847	332	280	2,226	2,127
Profit participation certificates	78	75	4	3	82	78
Total variable-yield securities	2,629	2,358	472	367	3,101	2,725
Total securities	87,304	81,052	5,560	8,415	92,864	89,467

¹ Debt securities issued by quasi-governmental entities include securities of EUR 4,140 (4,167) million that are guaranteed by the Federal Republic of Germany, other EU member states or German federal states.

The "Covered bonds/asset-backed securities" item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 9,168 (9,523) million; this corresponds to 78% (81%) of the total amount.

(5) Financial instruments at fair value through profit or loss

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR million	Fair values	
	30.6.2021	31.12.2020
Fixed-income securities		
Government debt securities issued by EU member states	4	15
Other foreign government debt securities	23	15
Debt securities issued by quasi-governmental entities	16	16
Corporate bonds	370	364
Investment funds	117	123
Covered bonds/asset-backed securities	4	4
Profit participation certificates	40	30
Other	20	18
Total fixed-income securities	595	585
Investment funds (variable-yield securities)	28	22
Other variable-yield securities	22	18
Total financial instruments classified at fair value through profit or loss	645	625
Investment funds (variable-yield securities)	142	135
Derivatives	283	307
Total financial instruments held for trading	424	442
Total	1,069	1,067

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

(6) Fair value hierarchy for financial instruments

Fair value hierarchy

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

The guideline for the allocation to the individual levels of the valuation hierarchy and of the valuation process, the valuation models for measuring fair value, the essential input factors, the essential level 3 portfolios and the statements on the sensitivity analysis have not materially changed compared to the description in the 2020 Annual Report. Level 3 financial instruments had fair values totalling EUR 6.6 (5.7) billion as at the reporting date. Of this figure, the Group generally measures EUR 5.8 (5.0) billion using the net asset value method, under which alternative inputs within the meaning of the standard cannot reasonably be established. The fair value of level 3 financial instruments at which the use of reasonable alternative inputs leads to a material change in fair value is EUR 185 (37) million and, at 2.8% (1.4%) of the carrying amount of financial instruments assigned to level 3, is immaterial.

As at the reporting date, we allocate around 4% (4%) of the investments at fair value at level 1 of the fair value hierarchy, 89% (90%) at level 2 and 6% (6%) at level 3.

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

There are no liabilities (31 December 2020: none) issued with an inseparable third-party credit enhancement within the meaning of IFRS 13.98 as at the reporting date.

FAIR VALUE HIERARCHY – FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

EUR million

Carrying amounts of financial instruments measured at fair value by class	Level 1	Level 2	Level 3 ¹	Carrying amount
30.6.2021				
Financial assets measured at fair value				
Available-for-sale financial instruments				
Fixed-income securities	123	89,532	108	89,763
Variable-yield securities	1,421	85	1,594	3,101
Financial instruments at fair value through profit or loss				
Financial instruments classified at fair value through profit or loss	37	365	244	645
Derivatives held for trading	14	110	159	283
Other financial instruments held for trading	140	1	—	142
Other investments	1,129	383	4,091	5,604
Other assets, derivative financial instruments (hedging instruments)	—	—	—	—
Investment contracts				
Financial instruments classified at fair value through profit or loss	1,186	—	163	1,350
Derivatives	—	—	—	—
Total financial assets measured at fair value	4,051	90,477	6,359	100,887
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	—	105	119	224
Negative fair values from hedging instruments	—	83	—	83
Other liabilities (investment contracts)				
Financial instruments classified at fair value through profit or loss	476	711	163	1,350
Derivatives	—	—	—	—
Total financial liabilities measured at fair value	476	900	282	1,658
31.12.2020				
Financial assets measured at fair value				
Available-for-sale financial instruments				
Fixed-income securities	64	86,676	2	86,742
Variable-yield securities	1,233	91	1,401	2,725
Financial instruments at fair value through profit or loss				
Financial instruments classified at fair value through profit or loss	30	434	160	625
Derivatives held for trading	10	142	155	307
Other financial instruments held for trading	135	—	—	135
Other investments	924	242	3,517	4,684
Other assets, derivative financial instruments	—	35	—	35
Investment contracts				
Financial instruments classified at fair value through profit or loss	1,042	—	181	1,223
Derivatives	—	—	—	—
Total financial assets measured at fair value	3,440	87,621	5,415	96,476
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	—	94	122	216
Negative fair values from hedging instruments	—	13	—	13
Other liabilities (investment contracts)				
Financial instruments classified at fair value through profit or loss	332	711	181	1,224
Derivatives	—	—	—	—
Total financial liabilities measured at fair value	332	818	303	1,453

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

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

RECONCILIATION OF FINANCIAL INSTRUMENTS¹ (FINANCIAL ASSETS) CLASSIFIED AS LEVEL 3 AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 30 JUNE 2021

EUR million	Available for sale FI/ fixed-income securities	Available for sale FI/ variable-yield securities	FI classified at fair value through profit or loss	Derivatives held for trading	Other investments	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/derivatives	Total financial assets measured at fair value
2021								
Opening balance at 1.1.2021	2	1,401	160	155	3,517	181	—	5,415
Income and expenses								
recognised in the statement of income	2	-8	—	11	-18	-2	—	-14
recognised in other comprehensive income	-1	32	—	—	432	—	—	463
Transfer into Level 3 ²	—	2	14	—	—	—	—	16
Transfers out of Level 3	—	—	—	—	—	—	—	—
Additions								
Purchases	105	214	88	19	358	8	—	793
Disposals								
Sales	—	60	21	34	259	24	—	399
Repayments/redemptions	—	—	—	—	—	—	—	—
Exchange rate changes	—	14	1	8	61	—	—	85
Closing balance at 30.6.2021	108	1,594	244	159	4,091	163	—	6,359

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

² No trading in an active market.

RECONCILIATION OF FINANCIAL INSTRUMENTS¹ (FINANCIAL LIABILITIES) CLASSIFIED AS LEVEL 3 AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 30 JUNE 2021

EUR million	Other liabilities/ negative fair values from derivatives	Investment contracts/FI classified at fair value through profit or loss	Investment contracts/derivatives	Total financial liabilities measured at fair value
2021				
Opening balance at 1.1.2021	122	181	—	303
Income and expenses				
recognised in the statement of income	6	2	—	7
recognised in other comprehensive income	—	—	—	—
Transfers into Level 3	—	—	—	—
Transfers out of Level 3	—	—	—	—
Additions				
Purchases	1	8	—	9
Disposals				
Sales	—	24	—	25
Repayments/redemptions	—	—	—	—
Exchange rate changes	1	—	—	2
Closing balance at 30.6.2021	119	163	—	282

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

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

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

EUR million	Available-for-sale FI/ fixed income securities	Available-for-sale FI/ variable-yield securities	FI classified at fair value through profit or loss	Derivatives held for trading	Other investments	Investment contracts/ FI classified at fair value through profit or loss	Investment contracts/ derivatives	Total financial assets measured at fair value
2021								
Gains and losses in financial year 2021 until 30.6.2021								
Investment income	2	—	8	14	—	5	—	28
Investment expenses	—	-8	-8	-3	-18	-6	—	-43
of which attributable to financial instruments included in the portfolio as at 30.6.2021								
Investment income ²	—	—	7	14	—	5	—	26
Investment expenses ³	—	-8	-8	-3	-18	-6	—	-42

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

² Of which EUR 26 million attribute to unrealised gains.

³ Of which EUR 17 million attribute to unrealised losses.

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

EUR million	Other liabilities/ negative fair values from derivatives	Investment contracts/ FI classified at fair value through profit or loss	Investment contracts/ derivatives	Total financial liabilities measured at fair value
2021				
Gains and losses in financial year 2021 until 30.6.2021				
Investment income	4	6	—	10
Investment expenses	—	-5	—	-5
Financing income	2	—	—	2
of which attributable to financial instruments included in the portfolio as at 30.6.2021				
Investment income ²	4	6	—	10
Investment expenses ³	—	-5	—	-5
Financing income ⁴	2	—	—	2

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

² Of which EUR 10 million attributable to unrealised gains.

³ Of which EUR 5 million attributable to unrealised losses.

⁴ Of which EUR 2 million attributable to unrealised gains.

(7) Equity

Subscribed capital

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

There were no changes in the composition of contingent and authorised capital in the reporting period. Please also see the comments in the 2020 consolidated financial statements (page 199).

(8) Subordinated liabilities

LONG-TERM SUBORDINATED DEBT

EUR million	Nominal amount	Coupon	Maturity	Rating ²	Issue	30.6.2021	31.12.2020
Talanx AG	750	Fixed (2.25%)	2017/2047	(–; A–)	These guaranteed subordinated bonds were issued in 2017 on the European capital market. They can be called under normal conditions for the first time in 2027.	750	750
Hannover Rück SE	750	Fixed (1.375%), then floating rate	2021/2042	(–; A)	These guaranteed 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	–
Hannover Rück SE	500	Fixed (1.75%), then floating rate	2020/2040	(–; A)	These guaranteed subordinated bonds were issued on the European capital market in 2020. They can be called for the first time under normal conditions in 2030.	495	495
Hannover Rück SE	750	Fixed (1.125%), then floating rate	2019/2039	(–; A)	These guaranteed subordinated bonds were issued on the European capital market in 2019. They can be called for the first time under normal conditions in 2029.	741	741
Hannover Rück SE ¹	450	Fixed (3.375%), then floating rate	2014/ohne Endfälligkeit	(a+; A)	These guaranteed subordinated bonds were issued on the European capital market in 2014. They can be called for the first time under normal conditions in 2025.	447	447
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.	499	499
Talanx Finanz (Luxembourg) S. A.	500	Fixed (8.37%), then floating rate	2012/2042	(a; A–)	These guaranteed subordinated bonds in the amount of EUR 500 million were issued in 2012 on the European capital market. They can be called for the first time under normal conditions after ten years.	500	500
Amissima Assicurazioni S.p.A.	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.	35	–
HDI Assicurazioni S. p. A.	27	Fixed (5.5%)	2016/2026	(–; –)	Subordinated loan	27	27
HDI Assicurazioni S. p. A.	11	Fixed (5.7557%)	2020/2030	(–; –)	Two subordinated loans, callable after ten years.	11	11
HDI Global SE	3	Fixed (4.25%), then floating rate	No final maturity	(–; –)	Subordinated loan. The loan can be terminated annually, starting on 12 August 2021.	3	3
Magyar Posta Életbiztosító Zrt.	1	Fixed (7.57%)	2015/2045	(–; –)	Subordinated loan, callable for the first time after ten years.	1	1
Total						4,254	3,473

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

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

Attributable to non-controlling interests

RECONCILIATION ITEMS FOR NON-CONTROLLING INTERESTS IN EQUITY

EUR million	30.6.2021	31.12.2020
Unrealised gains and losses on investments	1,294	1,599
Share of net income	389	522
Other equity	5,058	4,610
Total	6,741	6,732

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

Hannover Rück SE placed a subordinated bond of EUR 750 million on the European capital market on 22 March 2021. The bond has a maturity of 21 years. The bond cannot be called under normal conditions

before 30 December 2031. The bond has a fixed coupon of 1.375% p.a. for the first ten years of the term and then has a variable interest rate of 2.33% over the three-month EURIBOR.

For additional information on the features of the bonds, please refer to the published 2020 Annual Report, page 200f.

The fair value of the subordinated liabilities amounted to EUR 4,510 (3,785) million at the reporting date.

(9) Technical provisions

TECHNICAL PROVISIONS

EUR million	30.6.2021			31.12.2020		
	Gross	Re	Net	Gross	Re	Net
a. Unearned premium reserve	13,791	1,489	12,303	10,538	908	9,630
b. Benefit reserve	57,592	436	57,156	56,932	440	56,492
c. Loss and loss adjustment expense reserve	55,358	6,182	49,176	51,189	5,850	45,339
d. Provision for premium redunds	8,177	2	8,175	9,114	1	9,112
e. Other technical provisions	825	15	811	770	15	754
Total	135,744	8,123	127,620	128,541	7,215	121,327

Technical provisions where the investment risk is borne by the policyholders amounted to EUR 12,918 (11,619) million; the reinsurers' share of this total amounts to EUR 302 (258) million.

(10) Notes payable and loans

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

NOTES PAYABLE AND LOANS

EUR million	30.6.2021	31.12.2020
Talanx AG notes payable	1,065	1,065
Hannover Rück SE	745	744
Loans from infrastructure investments	80	84
Hannover Re Real Estate Holdings, Inc. mortgage loans	120	117
HR GLL Central Europe GmbH & Co. KG mortgage loans	146	145
Real Estate Asia Select Fund Limited mortgage loans	107	110
Others	10	13
Total	2,273	2,279

The credit line for EUR 250 million from 2016 expired on 16 June 2021. The option to extend it was not exercised. As at 30 June 2021, the Group had one syndicated variable-rate credit line with a nominal value of EUR 250 million. They had not been drawn down as at the reporting date.

The fair value of notes payable and loans amounted to EUR 2,435 (2,485) million at the reporting date.

NOTES PAYABLE

EUR million	Nominal amount		Maturity	Rating ¹	Issue	30.6.2021	31.12.2020
	amount	Coupon					
Talanx AG ²	565	Fixed (3.125%)	2013/2023	(-; A+)	These senior unsecured bonds have a fixed term and can only be called for extraordinary reasons.	565	565
Talanx AG	500	Fixed (2.5%)	2014/2026	(-; A+)	These senior unsecured bonds have a fixed term and can only be called for extraordinary reasons.	500	500
Hannover Rück SE	750	Fixed (1.125%)	2018/2028	(-; AA-)	These unsubordinated unsecured bonds have a fixed term.	745	744
Total						1,810	1,810

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

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

Notes to individual items of the consolidated statement of income

(11) Net premiums earned

NET PREMIUMS EARNED

EUR million	6M 2021	6M 2020
Gross written premiums, including premiums from unit-linked life and annuity insurance	24,075	22,006
Savings elements of premiums from unit-linked life and annuity insurance	509	446
Ceded written premiums	2,937	2,545
Change in gross unearned premiums	-2,864	-2,652
Change in ceded unearned premiums	-507	-383
Net premiums earned	18,272	16,746

(12) Net investment income

NET INVESTMENT INCOME IN THE REPORTING PERIOD

EUR million	6M 2021	6M 2020
Income from real estate	156	145
Dividends	53	29
Current interest income	1,280	1,305
Other income	289	135
Ordinary investment income	1,778	1,613
Income from reversal of impairment losses	—	—
Realised gains on disposal of investments	828	525
Unrealised gains on investments	71	124
Investment income	2,677	2,262
Realised losses on disposal of investments and expenses	100	200
Unrealised losses on investments	110	88
Total	210	289
Depreciation of/impairment losses on investment property		
Depreciation	37	33
Impairment losses	—	—
Impairment losses on equity securities	1	48
Impairment losses on fixed-income securities	55	16
Amortisation of/impairment losses on other investments		
Amortisation	17	17
Impairment losses	26	70
Investment management expenses	90	78
Other expenses	60	55
Other investment expenses/impairment losses	285	316
Investment expenses	495	605
Net income from assets under own management	2,183	1,657
Net income from investment contracts	2	—
Interest income from funds withheld and contract deposits	288	171
Interest expense from funds withheld and contract deposits	123	44
Net interest income from funds withheld and contract deposits	165	127
Net investment income	2,350	1,785

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

EUR million	6M 2021	6M 2020
Shares in affiliated companies and participating interests	4	1
Loans and receivables	539	415
Held-to-maturity financial instruments	8	7
Available-for-sale financial instruments		
Fixed-income securities	1,262	1,152
Variable-yield securities	114	-6
Financial instruments at fair value through profit or loss		
Financial instruments classified at fair value through profit or loss		
Fixed-income securities	12	3
Variable-yield securities	2	-14
Financial instruments held for trading		
Variable-yield securities	2	-4
Derivatives	-29	29
Other investments (financial instruments)	285	86
Other ¹	137	122
Total assets under own management	2,333	1,790
Investment contracts: investments/liabilities ²	2	—
Funds withheld by ceding companies/funds withheld under reinsurance treaties	165	127
Total	2,500	1,917

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

² Includes income and expenses (net) from the management of investment contracts amounting to EUR 0 (0) million. Financial instruments (assets/liabilities) measured at fair value through profit or loss account for income of EUR 86 (64) million and expenses of EUR -83 (-62) million, while loans and receivables and other liabilities account for income of EUR 0 (0) million and expenses of EUR 0 (-1) million. In addition, expenses include amortisation of PVFP amounting to EUR -1 (-1) million.

Including investment management expenses (EUR 90 [78] million) and other expenses for assets under own management (EUR 60 [55] million), total net investment income as at the reporting date amounted to EUR 2,350 (1,785) million.

(14) Claims and claims expenses**CLAIMS AND CLAIMS EXPENSES – REPORTING PERIOD**

EUR million	6M 2021	6M 2020
Gross		
Claims and claims expenses paid	12,261	12,444
Change in loss and loss adjustment expense reserve	2,828	1,750
Change in benefit reserve	355	674
Expenses for premium refunds	766	-532
Total	16,210	14,335
Reinsurers' share		
Claims and claims expenses paid	1,406	1,865
Change in loss and loss adjustment expense reserve	40	-544
Change in benefit reserve	-11	-383
Expenses for premium refunds	—	—
Total	1,435	937
Net		
Claims and claims expenses paid	10,855	10,579
Change in loss and loss adjustment expense reserve	2,788	2,294
Change in benefit reserve	366	1,057
Expenses for premium refunds	766	-532
Total	14,775	13,398

(15) Acquisition costs and administrative expenses**ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES**

EUR million	6M 2021	6M 2020
Gross		
Acquisition costs and reinsurance commissions	4,709	4,188
Changes in deferred acquisition costs and in provisions for commissions	-578	-28
Total acquisition costs	4,131	4,160
Administrative expenses	639	640
Total acquisition costs and administrative expenses	4,770	4,800
Reinsurers' share		
Acquisition costs and reinsurance commissions	489	355
Changes in deferred acquisition costs and in provisions for commissions	-117	-6
Total acquisition costs	372	349
Net		
Acquisition costs and reinsurance commissions	4,220	3,833
Changes in deferred acquisition costs and in provisions for commissions	-461	-22
Total acquisition costs	3,760	3,811
Administrative expenses	639	640
Total acquisition costs and administrative expenses	4,398	4,451

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

EUR million	6M 2021	6M 2020
Other income		
Foreign exchange gains	213	276
Income from services, rents and commissions	225	175
Recoveries on receivables previously written off	5	9
Income from contracts recognised in accordance with the deposit accounting method	199	186
Income from the sale of property, plant and equipment	1	1
Income from the reversal of other non-technical provisions	6	12
Interest income	25	20
Miscellaneous other income	147	74
Total	822	753
Other expenses		
Foreign exchange losses	288	218
Other interest expenses	21	25
Depreciation, amortisation and impairment losses	28	21
Expenses for the company as a whole	188	155
Personnel expenses	11	9
Expenses for services and commissions	120	83
Expenses from contracts recognised in accordance with the deposit accounting method	14	9
Other taxes	41	37
Miscellaneous other expenses	146	107
Total	856	664
Other income/expenses	-35	89

Other disclosures

Number of employees

The Group's total workforce at the reporting date numbered 23,762 (23,527).

Related party disclosures

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

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

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

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

Other disclosures on financial instruments

As at the end of the reporting period, in the context of a securities lending transaction, the Group recognised securities that were lent to third parties in exchange for collateral in the form of securities. The loaned securities are still reported on the balance sheet as their significant risks and opportunities remain with the Group, while the securities received as collateral have not been recognised. The carrying amount as at the reporting date of financial assets belonging to the "available-for-sale financial instruments" category loaned under securities lending transactions was EUR 388 (408) million. The fair value is equivalent to the carrying amount. The components of these transactions that were recognised as income were reported under the "Net investment income" item.

As at the end of the reporting period, the Group also recognised securities in the "available-for-sale financial instruments" category that were sold to third parties with a repurchase commitment at a fixed price (genuine repurchase transactions), as the principal risks and opportunities associated with the financial assets remained within the Group. As at the reporting date, the carrying amount of transferred financial assets from repo transactions was EUR 413 (49) million, with the associated liabilities at EUR 411 (48) million. The difference between the amount received for the transfer and the amount agreed for the return is allocated for the term of the repurchase transaction and recognised in net investment income.

Litigation

We were not involved in any significant new litigation in the reporting period or at the end of the reporting period in comparison to 31 December 2020.

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 previous year. In the future, earnings per share may be potentially diluted as a result of share or rights issues from contingent or authorised capital.

EARNINGS PER SHARE

	6M 2021	6M 2020	Q2 2021	Q2 2020
Net income attributable to shareholders of Talanx AG used to calculate earnings per share (EUR million)	546	325	269	103
Weighted average number of ordinary shares outstanding	252,797,634	252,797,634	252,797,634	252,797,634
Basic earnings per share (EUR)	2.16	1.29	1.06	0.41
Diluted earnings per share (EUR)	2.16	1.29	1.06	0.41

Dividend per share

In the second quarter of 2021, a dividend of EUR 1.50 per share was paid for financial year 2020 (in 2020 for financial year 2019: EUR 1.50), resulting in a total distribution of EUR 379 (379) 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 2020.

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 2021	6M 2020
Capital management services and commission ¹	142	116
Other insurance-related services ¹	71	50
Income from infrastructure investments ²	29	38
Total revenue³	241	204

¹ Largely time-based revenue recognition.

² Time-based revenue recognition.

³ Revenue is recognised in the statement of income under "10.a. Other income" EUR 204 (160) million, under "9.a. Investment income" EUR 29 (38) million and under "Net income from investment contracts" EUR 8 (7) million.

Events after the end of the reporting period

Heavy rain resulted in a severe flooding disaster in parts of Germany, Belgium, Austria and Switzerland in July. There were also riots and looting in South Africa after the end of the second quarter.

It is not yet possible to provide a definitive estimate of the extent of insured losses at Group companies, but we anticipate large losses from these events in the low to medium triple digit millions, which is unlikely to exceed our expectation for such events in the third quarter.

Prepared and hence authorised for publication in Hannover on 2 August 2021.

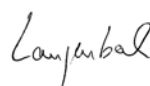
Board of Management



Torsten Leue,
Chairman



Jean-Jacques Henchoz



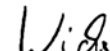
Dr Wilm Langenbach



Dr Christopher Lohmann



Dr Edgar Puls



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 Januar 1 to June 30, 2021 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 2, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Florian Möller	Christoph Czupalla
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 net assets, financial position and results of operations of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Hannover, 2 August 2021

Board of Management



Torsten Leue,
Chairman



Jean-Jacques Henchoz



Dr. Wilm Langenbach



Dr. Christopher Lohmann



Dr. Edgar Puls



Dr. Jan Wicke

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

Interim Report online

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

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Financial calendar 2021

15 November

Quarterly Statement as at 30 September 2021

