2022

Group Annual Report

talanx.

Insurance. Investments.

Financial year at a glance

PROFILE

The Talanx Group is a multi-brand provider in the insurance and financial services sector. The Group companies operate under a number of different brands. These include HDI, delivering insurance solutions to retail customers and industrial clients, Hannover Re, one of the world's leading reinsurers, the bancassurance specialists neue leben insurers, LifeStyle Protection and TARGO insurers as well as Ampega, a funds provider and asset manager. The Hannover-based Group is active in more than 175 countries.

GROSS WRITTEN PREMIUMS

EUR billion

53.4

OPERATING PROFIT (EBIT)

EUR billion

3.4

GROUP NET INCOME

EUR million

1,172

PROPOSED DIVIDEND PER SHARE

EUR

2.00

NET RETURN ON INVESTMENT

%

2.6

RETURN ON EQUITY

%

12.9

GROUP KEY FIGURES

	Unit	2022	2021	2020	2019	2018
Gross written premiums	EUR million	**53,431**	**45,507**	**41,109**	**39,494**	**34,885**
by region						
Germany	%	17	20	21	22	25
United Kingdom	%	9	9	9	8	8
Central and Eastern Europe (CEE), including Turkey	%	7	7	7	8	8
Rest of Europe	%	15	16	16	16	16
USA	%	24	21	20	20	18
Rest of North America	%	4	4	3	3	2
Latin America	%	7	6	7	8	8
Asia and Australia	%	16	15	16	14	13
Africa	%	1	2	1	2	2
Gross written premiums by type and class of insurance [1]						
Property/casualty primary insurance	EUR million	16,097	13,405	11,873	11,837	10,006
Life primary insurance	EUR million	5,811	6,353	6,039	6,573	6,206
Property/casualty reinsurance	EUR million	22,717	17,420	15,071	13,411	11,622
Life/health reinsurance	EUR million	8,889	8,396	7,892	7,673	7,051
Net premiums earned	EUR million	**44,722**	**37,863**	**34,190**	**33,054**	**29,574**
Underwriting result	EUR million	**–792**	**–2,195**	**–2,821**	**–1,833**	**–1,647**
Net investment income	EUR million	**3,700**	**4,718**	**4,240**	**4,323**	**3,767**
Net return on investment [2]	%	**2.6**	**3.4**	**3.2**	**3.5**	**3.3**
Operating profit/loss (EBIT)	EUR million	**3,372**	**2,454**	**1,645**	**2,430**	**2,032**
Net income (after financing costs and taxes)	EUR million	**2,461**	**1,730**	**1,170**	**1,671**	**1,359**
of which attributable to shareholders of Talanx AG	EUR million	1,172	1,011	648	923	703
Return on equity [3]	%	**12.9**	**9.6**	**6.3**	**9.8**	**8.0**
Earnings per share						
Basic earnings per share	EUR	4.63	4.00	2.56	3.65	2.78
Diluted earnings per share	EUR	4.63	4.00	2.56	3.65	2.78
Combined ratio in property/casualty primary insurance and property/casualty reinsurance [4]	%	**98.9**	**97.7**	**101.0**	**98.3**	**98.2**
Combined ratio of property/casualty primary insurers	%	96.9	97.1	98.9	98.3	100.6
Combined ratio of property/casualty reinsurance	%	99.9	97.7	101.6	98.2	96.6
Policyholders' surplus	EUR million	**17,601**	**22,704**	**20,572**	**20,089**	**16,999**
Equity attributable to shareholders of Talanx AG	EUR million	7,465	10,776	10,367	10,149	8,713
Non-controlling interests	EUR million	5,127	7,169	6,732	6,461	5,548
Hybrid capital	EUR million	5,009	4,759	3,473	3,479	2,738
Assets under own management	EUR million	**128,599**	**136,073**	**128,301**	**122,638**	**111,868**
Total investments	EUR million	**140,569**	**147,835**	**138,705**	**134,104**	**122,831**
Total assets	EUR million	**193,133**	**197,524**	**181,035**	**177,594**	**162,188**
Carrying amount per share at end of period	EUR	**29.46**	**42.58**	**41.01**	**40.15**	**34.47**
Share price at end of period	EUR	**44.32**	**42.54**	**31.76**	**44.18**	**29.80**
Current dividend proposal and prior years' dividends (per share)	EUR	**2.00**	**1.60**	**1.50**	**1.50**	**1.45**
Market capitalisation of Talanx AG at end of period	EUR million	**11,229**	**10,767**	**8,029**	**11,169**	**7,533**
Employees	as at the reporting date	**23,669**	**23,954**	**23,527**	**23,324**	**22,642**

[1] Excluding Corporate Operations segment and after elimination of intragroup cross-segment transactions.
[2] Ratio of net investment income excluding interest income on funds withheld and contract deposits and profit on investment contracts to average assets under own management.
[3] Ratio of net income excluding non-controlling interests to average equity excluding non-controlling interests.
[4] Combined ratio taking into account interest income on funds withheld and contract deposits, before elimination of intragroup cross-segment transactions.

»Inflation, a new geopolitical era in Europe, the COVID-19 pandemic, climate change – the market environment is extremely challenging. Despite this, we outperformed all the goals and targets from our strategy cycle ending in 2022.

In a nutshell: we have demonstrated our Group's resilience in the face of all obstacles. This is only possible #together with 24,000 highly qualified, dedicated members of staff. This means we are starting our next strategy cycle full of optimism and will pursue our ambitious goals for the period up to 2025 with confidence.«

Torsten Leue
(Chairman of the Board of Management)

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The XHTML file of this annual report to be submitted to the Federal Gazette has been optimised for screen display.

Guideline on Alternative Performance Measures – for further information on the calculation and definition of specific alternative performance measures please refer to https://www.talanx.com/en/investor_relations/reporting/key_figures/alternative_performance_measures_(apm)

Letter to our shareholders

Dear Shareholders,

Your Talanx Group has proved extremely resilient despite historically high claims expenses, the war in Ukraine, financial market volatility, and high inflation. Our strategy is paying off and we met all our ambitious goals and targets in a challenging market environment. We achieved a double-digit increase in premium income to EUR 53.4 billion, further lifting our market share as a result. At EUR 1,172 million, we generated the highest net income in our history for the second time in a row. And our return on equity is now in double figures, rising to 12.9 percent. Thanks to this excellent performance, we shall be proposing a dividend increase of 25 percent, or 40 cents, to EUR 2 to the General Meeting. This rise is as large as all the other increases made by your Talanx Group in the period since 2013 put together.

Our consistent implementation of our ambitious strategy continued to pay off last year. Including the dividend paid in May 2022, Talanx's shares generated a return of 8.6 percent in a volatile capital market environment. As such, it outperformed its peer indices – the DAX, MDAX and STOXX Europe 600 Insurance – all of which produced negative returns in financial year 2022.

These robust figures are the work of our 24,000 highly motivated and dedicated employees, who live our Purpose "Together we take care of the unexpected and foster entrepreneurship" with enthusiasm, vigour and confidence every day, producing exceptional solutions to every challenge. We are also progressing with our cultural transformation. My deepest thanks – and those of my colleagues on the Board of Management – go to our entire workforce for their outstanding efforts. I am looking forward to continuing our highly successful work together.

Both our primary insurance and our reinsurance operations contributed to our record net income with higher results in the financial year. Our highly satisfactory reinsurance results and the successful implementation of our optimisation programmes in our primary insurance divisions led to premium income growth of 53 percent across the 2018–2022 strategy cycle, and to an even larger rise in Group net income of 67 percent. The share of Group net income accounted for by our primary insurance operations rose from 31 percent in 2018 to 43 percent in 2022.

»We met all our ambitious goals and targets in a challenging market environment.«

The Industrial Lines Division made considerable progress towards its goal of being one of our Group's core mainstays. Operating profit rose by roughly 30 percent to EUR 252 million, despite substantial large losses and loss reserves due to natural disasters. At 95.7 percent, the combined ratio almost reached our strategic goal of 95 percent ahead of schedule. HDI Global Specialty, which focuses on special risks and is one of our main growth initiatives, lifted its profitable premium income yet again, with a jump of 27 percent to EUR 3.1 billion. This figure has more than doubled since the line was launched in 2019. The unit achieved a highly satisfactory combined ratio of 95.2 percent in financial year 2022, contributing more than one-third of both premium income and operating profit in the Industrial Lines Division.

Net income from our Retail Germany Division eased slightly due to high claims inflation and price sensitivity on the German market. Operating profit amounted to EUR 263 million and the combined ratio to 98.9 percent. Property/casualty insurance premiums rose by almost a double-digit amount to EUR 1.715 billion, whereas operating profit fell to EUR 70 million due to inflation-fuelled price rises for spare parts and craftspeople. By contrast, operating profit in the life insurance area rose by around 6 percent on the back of rising interest rates to EUR 193 million, while premium income fell due to lower single premiums. The further resilient level of our life insurance solvency ratio was another positive development.

Torsten Leue, Chairman of the Board of Management

The Retail International Division remained a profitable growth engine for the Group despite the challenging market environment. Premium income climbed by a double-digit 16 percent – or 22 percent after adjustment for currency effects – to more than EUR 7 billion. Operating profit also rose by 16 percent year-on-year to EUR 341 billion. The combined ratio was a robust 97.5 percent due to our successful cycle and inflation management. In addition, the division laid the strategic foundations for continuing future growth in its core markets in the past financial year: HDI boosted its position in Brazil by acquiring Sompo's retail business, while in Türkiye this was achieved by partnering with the Fiba Group.

Our Reinsurance Division continued to successfully expand its market position in a challenging environment. Property/Casualty Reinsurance lifted premium income by 26 percent to EUR 24.2 billion and its operating result by 16 percent to EUR 1,771 million, despite high levels of large losses caused by natural disasters and the conflict in Ukraine. Life/Health Reinsurance lifted its premiums by 6 percent to EUR 9 billion and its operating profit to EUR 729 million.

We update our Group's sustainability goals every year, in line with our commitment to the Paris Agreement on climate change. Our investment portfolios and our insurance business will reach net zero emissions by 2050. Key milestones here are to fully exit thermal coal by 2038 in our insurance business and to reduce the carbon intensity of our investments by 30 percent by 2025. Our operating establishments throughout the world will have achieved net zero emissions by 2030. A number of ratings bear witness to our focused sustainability strategy.

We outperformed all medium-term targets that we set in 2018 for the strategy cycle ending in 2022, in what were challenging times. This shows that our cultural transformation is bearing fruit. We have set ourselves additional ambitious targets for the next three years. These provide for a further 25 percent increase in Group net income by 2025 and a return on equity of at least 10 percent. This should also benefit you, our esteemed shareholders: we aim to increase your dividend by a further 25 percent by 2025 above and beyond the dividend increase to EUR 2.00 for 2022. In addition to our divisional strategies, we shall concentrate on strict capital management, our people management and on implementing our focused sustainability strategy.

Dear shareholders, we are facing the challenges of the future with a clear, systematic strategy based on our decentralised, entrepreneurial culture of trust, and on living our Purpose, "Together we take care of the unexpected and foster entrepreneurship".

I would like to express my sincere thanks for the confidence you have placed in us and hope very much to continue our journey together with you.

Yours sincerely,

Board of Management

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

Responsible on the Talanx Board of Management for:
- Auditing
- Best Practice Lab
- Communications
- Corporate Development
- Governance/Corporate Office
- Human Resources (until 30 June 2022)
- Investor Relations
- Legal/Compliance (until 30 June 2022)
- Sustainability/ESG

Jean-Jacques Henchoz
Hannover
Chairman of the Board of Management
Hannover Rück SE, Hannover

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

Dr Wilm Langenbach
Hannover
Chairman of the Board of Management
HDI International AG, Hannover

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

Dr Christopher Lohmann
(until 31 December 2022)
Cologne
Chairman of the Board of Management
HDI Deutschland AG, Hannover

Responsible on the Talanx Board of Management for:
- Retail Germany Division
- Brand Management
- Business Organisation
- Data Protection (until 30 April 2022)
- Diversity & Inclusion
- Information Technology

Dr Edgar Puls
Hannover
Member of the Board of Management
HDI Haftpflichtverband der
Deutschen Industrie V. a. G., Hannover
Chairman of the Board of Management
HDI Global SE, Hannover

Responsible on the Talanx Board of Management for:
- Industrial Lines Division
- Facility Management (until 30 April 2022)
- Procurement (Non-IT) (until 30 April 2022)
- Reinsurance Captive Talanx AG

Caroline Schlienkamp
(since 1 May 2022)
Gehrden
Speaker of the Board of Management
HDI AG, Hannover

Responsible on the Talanx Board of Management for:
- Data Protection
- Facility Management
- People & Culture (since 1 July 2022)
- Legal/Compliance (since 1 July 2022)
- Procurement (Non-IT)

Jens Warkentin
(since 1 January 2023)
Cologne
Chairman of the Board of Management
HDI Deutschland AG, Hannover

Responsible on the Talanx Board of Management for:
- Retail Germany Division
- Brand Management
- Business Organisation
- Information Technology

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

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

Supervisory Board

Herbert K. Haas
(since 8 May 2018)
Chairman
Burgwedel
Former Chairman of the
Board of Management,
Talanx AG

Dr Thomas Lindner
(since 27 June 2003)
Deputy Chairman
Albstadt
Chairman of the Board of Directors,
Groz-Beckert KG

Ralf Rieger *
(since 19 May 2006)
Deputy Chairman
Raesfeld
Employee,
HDI AG

Antonia Aschendorf
(since 1 September 2011)
Hamburg
Lawyer,
Member of the Board of Management,
APRAXA eG
Director,
2-Sigma GmbH

Benita Bierstedt *
(since 9 May 2019)
Hannover
Employee,
E+S Rückversicherung AG

Rainer-Karl Bock-Wehr *
(since 9 May 2019)
Cologne
Head of Competence Centre Commercial,
HDI AG

Sebastian Gascard *
(since 9 May 2019)
Isernhagen
In-house Company Lawyer
(Liability Underwriter),
HDI AG

Jutta Hammer *
(since 1 February 2011)
Bergisch Gladbach
Employee,
HDI AG

Dr Hermann Jung
(since 6 May 2013)
Heidenheim
Former Member of the Board of Directors,
Voith GmbH

Dirk Lohmann
(since 6 May 2013)
Forch, Switzerland
Chairman,
Schroders Capital ILS,
Schroder Investment Management
(Switzerland) AG

Christoph Meister *
(since 8 May 2014)
Hannover
Member of the ver.di
National Executive Board

Jutta Mück *
(since 17 June 2009)
Diemelstadt
Account Manager Sales Industrial Lines,
HDI AG

Dr Erhard Schipporeit
(since 27 June 2003)
Hannover
Self-employed Business Consultant

Prof. Dr Jens Schubert *
(since 8 May 2014)
Potsdam
Trade Union secretary
ver.di National Administration
Apl. Professor,
Leuphana Universität Lüneburg

Norbert Steiner
(since 6 May 2013)
Baunatal
Former Chairman of the Board
of Management,
K+S AG

Angela Titzrath
(since 8 May 2018)
Hamburg
Chairman of the Board of Management,
Hamburger Hafen und Logistik AG

* Staff representative

Details of memberships of statutory supervisory boards and comparable control boards at other domestic and foreign business enterprises are contained in the annual report published by Talanx AG.

Supervisory Board Committees

Composition as at 31 December 2022

The Supervisory Board has formed four committees from among its ranks. The members of these committees support the work of the full Supervisory Board.

Finance and Audit Committee
Dr Hermann Jung, Chairman
Herbert K. Haas
Jutta Hammer
Dr Thomas Lindner
Ralf Rieger
Dr Erhard Schipporeit

Personnel Committee
Herbert K. Haas, Chairman
Dr Thomas Lindner
Jutta Mück
Norbert Steiner

Standing Committee
Herbert K. Haas, Chairman
Dr Thomas Lindner
Ralf Rieger
Prof. Dr Jens Schubert

Nomination Committee
Herbert K. Haas, Chairman
Dirk Lohmann
Angela Titzrath

Tasks of the committees

You can find a detailed description of the committees' tasks in the "Supervisory Board" section of the corporate governance report.

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

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

Standing Committee
- Proposal for the appointment of a Board member if the necessary two-thirds majority is not achieved in the first ballot in accordance with section 31(3) of the German Co-determination Act (MitbestG)

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

Report of the Supervisory Board

Dear Ladies and Gentlemen,

The Supervisory Board performed the tasks and duties required of it by law, the Articles of Association and the Rules of Procedure in full in financial year 2022, as in the past. We addressed in detail the economic situation and risk position for Talanx AG and its major subsidiaries in Germany and in the most important foreign markets. We advised the Board of Management on all issues that were material to the Company, continuously monitored its management of the business and were directly involved in decisions of fundamental importance. One major focus of reporting to the Supervisory Board this year was again the large losses resulting from natural disasters, as well as current challenges presented by the war in Ukraine, the ongoing effects of the coronavirus pandemic and inflation developments and the impact these have on the global economy and our Group.

Overview

We held four ordinary and one extraordinary meeting of the Supervisory Board in the year under review. The ordinary meetings were held in person and the extraordinary meeting as a video call. Two representatives of the Federal Financial Supervisory Authority (BaFin) took part in the Supervisory Board meeting on 8 November 2022 in line with routine practice. The Supervisory Board's Finance and Audit Committee held five ordinary meetings and one extraordinary meeting. These ordinary meetings were also held in person and the extraordinary meeting as a video call. The Personnel Committee held three meetings, all of which in person. The Nomination Committee also met in person on three occasions to prepare the election of shareholders on the Supervisory Board by the Annual General Meeting in 2023. The full Supervisory Board was briefed in each case on the work of the committees. Dr. Jung was appointed Chairman of the Finance and Audit Committee by the Supervisory Board with effect from 1 April 2022, in accordance with the recommendation of the German Corporate Governance Code which states that the Chairman of the Supervisory Board should not also chair the Audit Committee.

The Supervisory Board was briefed by the Board of Management in written and verbal reports on the course of business and the position of both the Company and the Group, based on the quarterly statements and the interim report for the first half of the financial year. At no point during the reporting period did we consider it necessary to perform inspections or examinations pursuant to section 111(2) sentence 1 of the German Stock Corporation Act (AktG). The chairmen of the Supervisory Board and of the Board of Management were in regular contact regarding material developments and transactions at the Company and the Talanx Group, and discussed questions relating to strategy, planning, performance, the risk situation, opportunity and risk management, and compliance. Altogether, we satisfied ourselves of the lawfulness, appropriateness, regularity and efficiency of the work of the Board of Management, in line with our statutory responsibilities and our terms of reference under the Articles of Association.

The Board of Management provided us with regular, timely and comprehensive information on the Company's business situation and financial position, on risk management and opportunities taken, on major capital expenditure projects and on fundamental corporate policy issues. It reported in detail on the impact of natural disasters and other large losses, the status of major lawsuits, and other key developments at the Company and the Group and in the regulatory environment. At our meetings, we considered at length the reports provided by the Board of Management, made suggestions and proposed improvements. The Supervisory Board met regularly, also without the Board of Management. Topics discussed included personnel matters of the Board of Management and internal matters of the Supervisory Board.

Following examination and discussion with the Board of Management, we passed resolutions on transactions and measures requiring our approval in accordance with the law, the Articles of Association and the Rules of Procedure.

Key issues discussed by the full Supervisory Board

Reporting and discussions focused on the following issues, which were discussed in detail at our meetings: the performance of the Company and its individual divisions in the current financial year, issues relating to the strategic orientation in individual divisions, potential acquisition projects abroad and the planning for 2023. The Supervisory Board also devoted considerable time to discussing and approving the Group's strategic targets for the new strategy cycle until 2025.

At its meeting on 11 March 2022, the Supervisory Board also discussed the audited annual and consolidated financial statements along with the Board of Management's proposal for the appropriation of the distributable profit in the financial year 2021. The auditor stated that an unqualified audit opinion had been issued for both the single-entity and the consolidated financial statements. In addition, the Supervisory Board discussed a number of projects and reportable events, including acquisition projects in Brazil and Indonesia. It received the report on the result of the annual, Group-wide Organizational Health Check employee survey and discussed the findings. The Supervisory Board approved the agenda and the proposed resolutions for the Company's 2022 Annual General Meeting and discussed the appropriateness and structure of the remuneration system for the members of the Board of Management, and obtained external opinions as part of its assessment. Moreover, it specified the variable remuneration due to the members of the Board of Management for the financial year 2021.

At the Supervisory Board meeting on 6 May 2022, the Board of Management reported on the first-quarter results and gave an outlook for the current financial year. The Supervisory Board looked closely at an acquisition project in Brazil and heard reports on opportunities to enter the Asian market. Another focus area was reports on the main activities and investment process of our asset management company within the Group. We also looked at refinancing at Talanx AG and its subsidiaries and heard reports on the current status of implementation of the Group IT strategy. The results of annual self-assessments submitted by Supervisory Board members of their knowledge in a range of key areas in accordance with insurance supervision requirements were also discussed. In this context, the range of topics for the self-assessment was reviewed and ESG/sustainability, digitalization and financial statement auditing were added.

We held the meeting on 8 and 9 August 2022 at our UK branch in London. Here, the Board of Management initially reported on the half-year results and expectations regarding the 2022 financial statements for both Talanx AG and the Group. Furthermore, the Supervisory Board received the annual report on expense ratios compared with competitors and the report on related party transactions and also discussed risk reporting at length. The UK units of our Group also reported to the Supervisory Board and gave an insight into their business performance, respective market positioning and the collaboration of our subsidiaries in London.

Members of the Supervisory Board received extensive training on the new accounting standard IFRS 17/9 for the European insurance sector at a separate meeting on 1 September 2022.

At the extraordinary meeting on 17 October 2022, the Supervisory Board addressed an acquisition project in Italy, although this did not ultimately go ahead.

At the Supervisory Board meeting on 8 November 2022, the Board of Management reported on the third-quarter results and gave an outlook for the 2022 annual financial statements for Talanx AG and the Group. The Supervisory Board devoted considerable time to discussing planning for the 2023 financial year, discussed strategic planning for the financial years from 2023 to 2025 and approved these. It was also briefed on a range of projects and reportable events and received the regular risk management report (ORSA report) and the report on pending litigation and the structure of remuneration systems at Group companies. It also discussed the new strategy in People & Culture. Furthermore, the Supervisory Board advised on and resolved the declaration of compliance regarding the German Corporate Governance Code and also approved the employee share programme that was continued in 2022. At this meeting, the Supervisory Board also approved the updated competence profile in the form of a qualification matrix, which is published on page 112f. of the annual report as part of the declaration on corporate governance. In this context, the Supervisory Board also appointed Mr Haas and Dr Jung as "financial experts" in accordance with section 100(5) AktG as both men have the required expertise in the areas of accounting and auditing. To account for the rising importance of sustainability/ESG in the Supervisory Board, too, Mr Steiner and Prof Schubert were also named experts in sustainability/ESG.

Work of the committees

The Supervisory Board has established a number of committees to enable it to perform its duties efficiently. These are the Finance and Audit Committee, which has six members, the Personnel Committee and the Standing Committee, each of which has four members, and the Nomination Committee, which has three members. The committees prepare the discussions in, and the resolutions to be adopted by, the full Supervisory Board. They have also been delegated with the authority to pass resolutions themselves in specific areas. The minutes of Finance and Audit Committee meetings are also made available to those members of the Supervisory Board who do not belong to these committees. The members of the different committees are listed on page 6 of the Annual Report.

Along with preparing the discussions and resolutions by the full Supervisory Board, the Finance and Audit Committee examined in depth the Company's and the Group's annual financial statements, the report for the first six months of the year and quarterly statements, together with the individual components of the financial statements and the key performance indicators, as well as the results of the auditors' review of the interim report. Additionally, the Finance and Audit Committee discussed the findings of the annual internal and external actuarial audit of the gross and net claims reserves for the Group's non-life insurance business. The Committee dealt at length with strategic planning for the financial years from 2023 to 2025, discussed strategic decisions in individual Group divisions and advised on and resolved a number of significant investment and financing projects. Furthermore, we examined the risk reports and received an audit planning report from the auditors. The Committee listened to reports on non-audit services provided by the auditors in accordance with the "whitelist" and also looked in detail at the current implementation status of the introduction of the new IFRS 17/9 accounting standard. The Committee also received the annual reports from the four key functions (Risk Controlling, Actuarial, Auditing and Compliance), which were presented to us by the heads of these functions and explained in more detail where committee members had any questions. The Finance and Audit Committee regularly examined matters related to accounting, auditing and the internal control system. It discussed the assessment of audit risk, the audit strategy, audit planning and audit findings with the auditor. The Chairman of the Audit Committee regularly discussed the progress of the audit with the auditor and reported on this to the Committee.

As well as preparing the discussions and resolutions by the full Supervisory Board, the Personnel Committee also again closely addressed succession planning for the Company's Board of Management in 2022 and, in connection with this, also discussed internal targets for the share of women holding Board of Management positions. It also closely addressed the issue of how suitable the amount of remuneration paid to members of the Board of Management is on the basis of horizontal and vertical remuneration comparisons. Recommendations were also made to the full Supervisory Board in connection with appointing new members of the Board of Management, terminating a Board of Management member's term of office, determining variable Board of Management remuneration components and setting targets for Board of Management members for the financial year 2023.

At its three meetings in 2022, the Nomination Committee devoted considerable time to preparing the upcoming election of shareholders on the Supervisory Board in May 2023. At its meeting on 6 May 2022, it discussed which of the incumbent Supervisory Board members should be nominated for re-election and for which members successor candidates are to be nominated because they have reached the age limit or because they have been a member of the board for a long time. It also considered the competence profile for the Supervisory Board and discussed the future terms of Supervisory Board members and whether these should be staggered in the future (staggered board). At its meeting on 9 August 2022, the Nomination Committee looked at proposed candidates for the new Supervisory Board positions to be filled and discussed the long list of potential candidates drawn up for this. At the meeting on 8 November 2022, the three remaining short list candidates introduced themselves to the members of the Nomination Committee in person and were available to answer questions from Committee members. After extensive discussion and consideration, at this meeting the Nomination Committee also adopted the resolutions recommending the election of shareholder representatives to the full Supervisory Board at Talanx AG's Annual General Meeting to be held in May 2023.

The following table provides an overview of individual meeting attendance by members of the Supervisory Board and the committees in 2022.

Individualised disclosure of meeting attendance

FULL SUPERVISORY BOARD ATTENDANCE

	Attendance rate	
	Number of meetings	%
Herbert K. Haas	5/5	100
Dr Thomas Lindner	5/5	100
Ralf Rieger	5/5	100
Antonia Aschendorf	5/5	100
Benita Bierstedt	5/5	100
Rainer-Karl Bock-Wehr	5/5	100
Sebastian L. Gascard	5/5	100
Jutta Hammer	5/5	100
Dr Hermann Jung	5/5	100
Dirk Lohmann	5/5	100
Christoph Meister	5/5	100
Jutta Mück	5/5	100
Dr Erhard Schipporeit	5/5	100
Prof Dr Jens Schubert	5/5	100
Norbert Steiner	5/5	100
Angela Titzrath	5/5	100
Finance and Audit Committee attendance		
Dr. Hermann Jung	6/6	100
Dr Thomas Lindner	6/6	100
Ralf Rieger	6/6	100
Herbert K. Haas	5/6	83
Jutta Hammer	6/6	100
Dr Erhard Schipporeit	5/6	83
Personnel Committee attendance		
Herbert K. Haas	3/3	100
Dr Thomas Lindner	2/3	67
Jutta Mück	3/3	100
Norbert Steiner	3/3	100
Nomination committee attendance		
Herbert K. Haas	3/3	100
Dirk Lohmann	3/3	100
Angela Titzrath	3/3	100

Declaration of compliance and consolidated non-financial statement

The Government Commission on the German Corporate Governance Code published an updated version of the German Corporate Governance Code (the Code) from 28 April 2022 on 27 June 2022. This did not result in any new deviations from the most recent statement approved and published in March 2022. Although the Supervisory Board considers the standards for good, responsible enterprise management formulated in the German Corporate Governance Code to be extremely important, it decided at the meeting on 8 November 2022 not to comply with the recommendations issued in the Code in sections C.10 sentence 1. The reasons for the departures from the recommendations of the Code are stated in the Company's declaration of compliance in accordance with section 161 of the AktG, which is published in the consolidated annual report as part of the declaration on corporate governance. Further information on corporate governance can be found on Talanx AG's website.

In 2022, we again also examined the Board of Management's report on the consolidated non-financial statement (see page 86ff. of the Group management report). The Board of Management presented the report at the Finance and Audit Committee meeting on 10 March 2022 and the Supervisory Board meeting on 11 March 2022. Auditor representatives were present at both meetings and reported the material findings of their audit. The audit firm PricewaterhouseCoopers GmbH (PwC) conducted a limited assurance review and issued an unqualified audit opinion. No objections were raised following the Supervisory Board's own examination of the consolidated non-financial statement, and the result of the audit by PwC GmbH was noted and approved.

Audit of the annual and consolidated financial statements

The annual financial statements for Talanx AG submitted by the Board of Management, the consolidated financial statements for the Talanx Group, which were prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union, and the corresponding management reports were audited together with the bookkeeping by PricewaterhouseCoopers (PWC) GmbH, Wirtschaftsprüfungsgesellschaft, Hannover. The auditors were appointed by the company's Annual General Meeting on 5 May 2022; the Finance and Audit Committee issued the detailed audit engagement and specified that, in addition to the usual audit tasks, the audit of the financial statements should give special attention to audit support for the implementation of IFRS 17/9. The enforcement priorities set out by the German Financial Reporting Enforcement Panel (FREP) were also included in the audit activities performed by the auditors.

The audits performed by the auditors did not give rise to any grounds for objection. The auditors issued unqualified audit reports stating that the bookkeeping and the annual and consolidated financial statements give a true and fair view of the net assets, financial position and results of operations, and that the management reports are consistent with the annual and consolidated financial statements.

The financial statements documents and PWC's audit reports were circulated to all Members of the Supervisory Board well in advance. They were examined in detail at the Finance and Audit Committee meeting on 10 March 2022 and at the Supervisory Board meeting on 11 March 2022. The auditors took part in the discussions of the annual and consolidated financial statements by both the

Finance and Audit Committee and the full Supervisory Board, reported on the performance of the audits and were available to provide us with additional information. On completion of our own examination of the annual financial statements, the consolidated financial statements, the corresponding management reports including the consolidated non-financial statement and the audit reports by the external auditors, we concurred with the opinion of the auditors in each case and approved the annual and consolidated financial statements prepared by the Board of Management.

The annual financial statements have therefore been adopted. We agree with the statements made in the management reports regarding the Company's future development. After examining all relevant considerations, we concur with the Board of Management's proposal for the appropriation of the distributable profit.

The report on the Company's relationships with affiliated companies that was drawn up by the Board of Management in accordance with section 312 of the AktG was also audited by PwC GmbH and was issued with the following unqualified audit opinion:

"Following the completion of our audit, which was carried out in accordance with professional standards, we confirm that

1. The information contained in the report is correct,

2. The compensation paid by the Company with respect to the transactions listed in the report was not inappropriately high."

We examined the report on relationships with affiliated companies and reached the same conclusion as the auditors. We have no objections to the statement that is reproduced in this report.

Composition of the Board of Management and the Supervisory Board

The following changes were made to the composition of the Board of Management during the year under review.

With effect from 1 May 2022, Ms Caroline Schlienkamp was appointed as a member of the Talanx AG Board of Management. She assumed the role of Director of Labour Relations within the meaning of section 33 of the German Co-determination Act (MitbestG) and is responsible on the board for People & Culture, Legal and Compliance/Money Laundering, Purchasing (non-IT) and Facility Management. Dr Lohmann's position was terminated by mutual agreement with effect from the end of 31 December 2022. The Supervisory Board thanked Dr Lohmann for his successful work on the Company's Board of Management. Dr Lohmann was succeeded by Mr Jens Warkentin, who was appointed as a member of the Board of Management with effect from 1 January 2023. Mr Warkentin is responsible on the Talanx AG Board of Management for the Retail Germany Division and for information technology.

There were no personnel changes on the Supervisory Board. The only change was the change in the Chairman of the Finance and Audit Committee described above, with Dr Jung succeeding Mr Haas with effect from 1 April 2022 and Mr Haas remaining an ordinary member of the Finance and Audit Committee since this time.

Our thanks to the Board of Management and employees

We again generated very good Group net income for financial year 2022. This achievement is thanks to the dedication and tireless commitment shown by our employees. We would like to express our sincere thanks to them and to the Board of Management.

Hannover, 14 March 2023

On behalf of the Supervisory Board

Herbert Haas
(Chairman)

Talanx shares

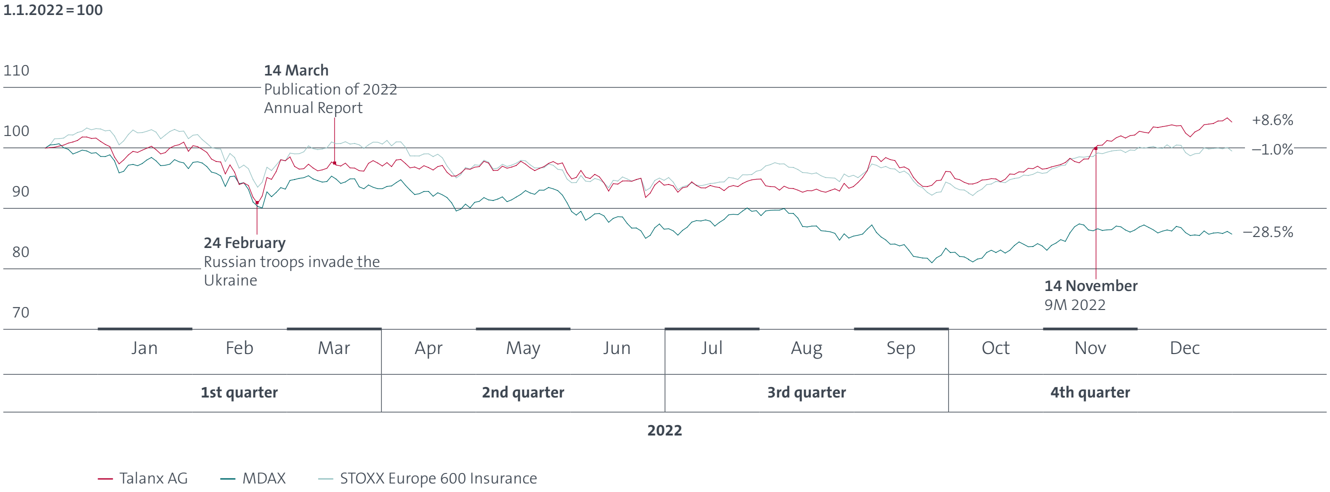
Volatile market environment

2022 was shaped by a very volatile market environment. Unfortunately, the good rebound in Talanx's share price at the end of the financial year 2021 was not maintained in 2022. More optimistic capital market sentiment came to a halt on 24 February when Russia attacked Ukraine, leading to extensive economic sanctions against Russia in Europe. As Russia and Ukraine are leading global suppliers of many raw materials, this triggered worldwide supply bottlenecks. The energy crisis caused by the war, the sharp rise in inflation and potential economic effects had a major impact on the market and, in turn, on the Talanx AG share.

After starting the financial year at EUR 42.62 (XETRA daily closing price), the Talanx share price fell to a low of EUR 34.14 at the start of July. Nevertheless, the price then recovered despite the extremely volatile market environment, climbing by 29.8 % from its low point of EUR 34.14 (5 July) to EUR 44.32 at the end of the year. If the dividend of EUR 1.60 paid in May 2022 had been reinvested on the day the dividend was paid, the rate of return for the year as a whole would have been 8.6 %. After picking up considerably in 2021, Talanx shares again outperformed the STOXX Europe 600 Insurance – the most important European sector index for insurance – and the MDAX in 2022, both of which remained lower than where they were at the start of 2022.

Last but not least, good business performance and positive messages at the Capital Markets Day in December also boosted the share price again considerably towards the end of the year. The share price closed the final trading day of the year at EUR 44.32, after reaching its annual high of EUR 44.88 the day before.

TALANX SHARE PERFORMANCE INDEX COMPARISONS



Source: Factset; data shows total shareholder return, i.e. price performance including reinvested dividends; 20-day average.

Index membership and shareholder structure

Talanx shares have been listed on the Frankfurt Stock Exchange (Prime Standard) and on the Hannover Stock Exchange since October 2012. The Talanx share was included in the MDAX as part of the German Stock Exchange index reform in September 2021 and has been traded on the MDAX again since 29 October 2021. Of the now 50 (previously: 60) stocks on the MDAX, the Talanx share came in 3rd place in terms of market capitalisation (of the free float) as at the end of December 2022. Talanx AG climbed 33 places compared to 31 December 2021 and now ranks among the top MDAX stocks.

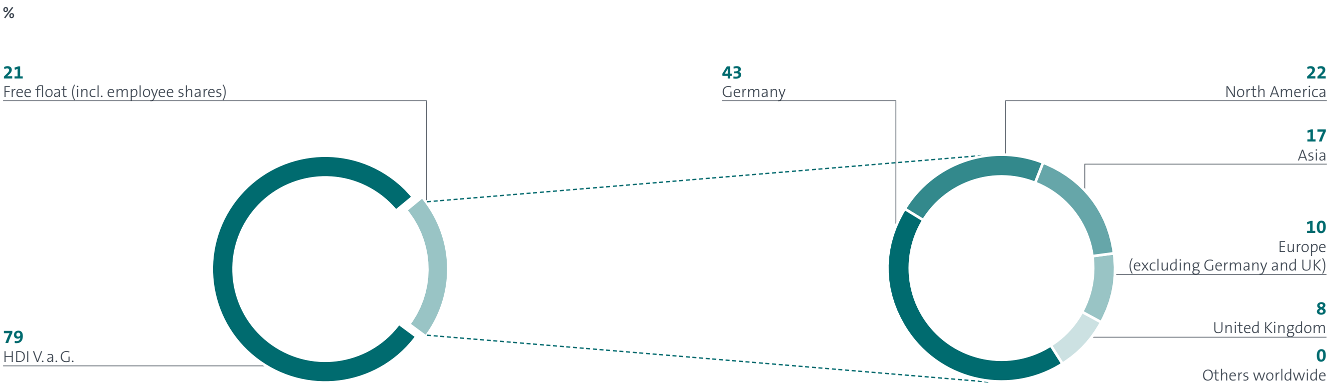
Stable shareholder base

Talanx regularly analyses the shareholder base in order to be able to address its institutional investors in a targeted manner. Using these analyses, almost 100 % of Talanx shares can be allocated. The share of the free float in Talanx AG as defined by the German Stock Exchange was 21% at the end of the year, unchanged on the prior year given that the HDI V. a. G. share remained at 79% and all other shareholders hold less than 5%. There were only minor regional shifts within the free float. The share of the free float held in Germany declined from 45% to 43%, while North American investors accounted for 22% of the free float, the same as in the prior year. The share of the free float held in the rest of Europe excluding Germany and the UK remained unchanged at 10 %, while the share held in the UK rose again from 6% to 8%. The Asian share remained constant at 17 %. In addition to the regional distribution of institutional investors, the analysis also shows the proportion of shares held by private shareholders. Private shareholders' share of the free float was constant at 29%. 41,548 shareholders were entered in the share register as at 31 December 2022, a slight increase on the number of registered shareholders in the previous year (41,386).

Employee share programme

Employees of Talanx Group's Primary Insurance Group in Germany were again able to purchase Talanx shares at a reduced price in 2022. Following on from the success of the new option model introduced in 2021, participation in the employee share programme again rose slightly from 41.7% in 2021 to 42.0%. The model allowed employees to choose from various levels of discounted share packages of up to 30, 120 and 480 shares each. The approximately 250,000 subscribed shares were created as part of a capital increase from authorised capital and must be held for at least two years. The total number of Talanx AG shares issued since is 253,350,943.

SHAREHOLDER STRUCTURE AS AT 31.12.2022



Capital market communication

Investor dialogue resumed in face-to-face meetings

The Talanx investor relations team is committed to open, ongoing dialogue with private shareholders, institutional investors and equity and credit analysts. After face-to-face events were largely cancelled in the two previous financial years on account of the Covid-19 situation, many events were again held in person in financial year 2022. The Board of Management team attended a wide range of conferences and met investors, virtually and in person, at roadshows. Talanx AG's online presence is also a vital source of information for our target groups. The following key topics were discussed in the reporting year:

- Inflation and related changes to prices and reserves
- Potential losses from the Russian invasion of Ukraine
- Large losses from natural disasters
- Introduction of new rules for accounting at insurance firms
- New 2023–2025 strategy cycle
- Dividend strategy

IFRS 17 workshop

The insurance will apply new accounting standards (IFRS 17 and 9) from 2023 onwards. This will result in many major changes to insurers' balance sheets and income statements. At a virtual workshop for investors and analysts, Chief Financial Officer Jan Wicke and experts from his team explained the most important changes and answered numerous questions from analysts and journalists. As one of the first companies in the sector, Talanx AG's efforts to explain the changes as simply and clearly as possible from its perspective were well received and attracted a great deal of interest.

Capital Markets Day

The Capital Markets Day was held in Frankfurt in December 2022 as an in-person event. Participants also had the option to watch the Board of Management members' presentations live via video link. The main focus was on the strategy for the new 2023–2025 strategy cycle, which is far more ambitious. Particular attention was directed at the new dividend policy, which includes a 25% increase in the dividend from EUR 2.00 (financial year 2021: EUR 1.60) for financial year 2022 and further total increases of 25% in the next three years, with a target dividend of EUR 2.50 for financial year 2025. This more ambitious dividend is based on the target of boosting the net income attributable to Talanx shareholders, on the basis of normal net income in 2022 of EUR 1,250 million (new accounting), by more than 25% by 2025. The Group's return on equity is to be raised from the previous target of at least 800 basis points above the risk-free interest rate to over 10%. In addition, IFRS 17 and 9 were also discussed in more detail and quantified after the IFRS 17 workshop. Following on from the Capital Markets Day, management presented these messages to our investors at roadshows in Frankfurt, London and Zurich. The Capital Markets Day and the roadshows were well received and were the high point of capital market communication for us in 2022.

Capital management

Talanx AG secured a EUR 1.25 billion financing package in October 2022. The financing package comprises two bonds with identical conditions, one senior unsecured bond with a volume of EUR 500 million and one bond issued in a private placement with a volume of EUR 750 million and subscribed by HDI V.a.G., the majority shareholder of Talanx AG.

The two bonds denominated in euros have a fixed coupon of 4.0% and mature on 25 October 2029. The cash inflows are to be used primarily to replace existing financing, for example a EUR 750 million bond that matures on 13 February 2023.

Rating

Shortly before the end of the financial year, on 15 December 2022, AM Best upgraded its financial strength rating for HDI V.a.G., Talanx AG and their rated primary insurance subsidiaries. The financial strength rating was raised from "A" (excellent) to "A+" (superior) and the issuer rating from "a+" (excellent) to "aa–" (superior). After being upgraded to a positive outlook in November 2021, the financial strength rating is now AM Best's second-best rating.

Annual General Meeting again held virtually

Back in autumn 2021, legislators announced that annual general meetings could continue to be held virtually in 2022, primarily due to uncertainties surrounding the development of the pandemic. In part as a precaution, we again made use of this option and held the Annual General Meeting on 5 May 2022 virtually from the film studio at HDI-Platz. This format was again greeted with a high level of interest among shareholders; 3,621 shareholders registered to watch the Annual General Meeting. The share capital represented rose slightly to 92.47% (91.54%). All resolutions were passed with the required majority of votes cast and share capital represented.

The next Annual General Meeting will be held on Thursday, 4 May 2023. German legislators passed a law to make virtual annual general meetings a permanent option with effect from 1 August 2022. The new law has established the basis for facilitating direct dialogue with questions and answers at a virtual Annual General Meeting, as is possible at in-person events. After carefully considering the advantages and disadvantages, as well as the technical requirements, Talanx AG therefore decided to hold a virtual Annual General Meeting in 2023, too. Dialogue and discussion with our shareholders remain extremely important to us and we are aware that personal contact, especially how participants directly and spontaneously exchange views, is different at a virtual event. Nonetheless, we firmly believe that with the right technical framework and using the processes established at in-person meetings, we can move to a more modern format for exercising shareholder rights and maintaining dialogue with the company management without any substantial impairment.

For future annual general meetings, we would like to reserve the right to be flexible about which meeting format we choose, taking account of the circumstances.

New, attractive dividend policy

Talanx AG aims to ensure sustainable, steadily increasing dividends. As announced, the Board of Management unveiled a new dividend policy when presenting the strategy for the 2023–2025 strategy cycle. Given the uncertainties associated with the new accounting standards, we believe that focusing on absolute figures is a better guide of expected results than a payout ratio. The new dividend policy aims to increase dividends by 25% to EUR 2.00 per share for financial year 2022. By 2025, dividends are to rise by an additional 25% to a target dividend of EUR 2.50. This increase is in line with the 25% upturn in net gains expected by 2025. As we intend to keep growing, we believe that the new dividend policy provides a good balance between shareholder participation and the financing needs for our growth ambitions.

Talanx AG is proposing a dividend of EUR 2.00 per share to the Annual General Meeting for financial year 2022. In May 2022 Talanx AG paid a dividend of EUR 1.60 per share for the financial year 2021, EUR 0.10 higher than in the prior year. Based on an average annual price of EUR 38.96, the dividend yield for financial year 2022 would be 5.1% (financial year 2021: 4.4%).

GENERAL INFORMATION ON TALANX SHARES

German securities identification number (WKN)	TLX100
ISIN	DE000TLX1005
Trading symbol (XETRA)	TLX
Share class	No-par value ordinary registered shares
Number of shares	253,350,943
Year-end closing price	EUR 44.32 (30 December 2022)
Annual high	EUR 44.88 (29 December 2022)
Annual low	EUR 34.14 (5 July 2022)
Stock exchanges	XETRA, Frankfurt, Hannover
Trading segment	Prime Standard of the Frankfurt Stock Exchange

Share prices based on XETRA daily closing prices.

Remunera-tion

Remuneration report

Introduction

This remuneration report presents the remuneration structure and system for Talanx AG's Board of Management and Supervisory Board, and provides detailed information on the individual remuneration and other benefits awarded and due to current and former members of Talanx AG's Board of Management and Supervisory Board for their activities in financial year 2022.

The report was prepared by the Company's Board of Management and Supervisory Board in accordance with the requirements of section 162 of the German Stock Corporation Act (AktG) and complies with the recommendations and suggestions contained in the version of the German Corporate Governance Code (the "Code") published on 28 April 2022.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft performed a formal and content audit of the remuneration report that went above and beyond the requirements set out in section 162(3) of the AktG. The remuneration report and the auditor's opinion on the audit of the remuneration report have been made available on Talanx AG's website (https://www.talanx.com/en/investor_relations/reporting/financial_reports).

Remuneration of the Board of Management

Overview of the remuneration system

The current remuneration system for the Board of Management has been in place since 1 January 2021. It meets the statutory and regulatory requirements of the Code and was approved by the Annual General Meeting of Talanx AG on 6 May 2021 with a majority of 96.5%. However, if material changes are made to the remuneration system, it is submitted to the Annual General Meeting for approval at least every four years. Given the approval of the remuneration report granted by the Annual General Meeting, in 2022 with a majority of 92.1%, there was no need to examine or amend the remuneration system, its implementation or the nature of reporting. Spurred on by comments in investor meetings, in this year's remuneration report we took the opportunity to describe in more detail the application of the remuneration system in financial year 2022 in relation to variable remuneration. In addition to pay-outs relating to multi-year variable remuneration components in 2022, we also show the current status which is to be paid from multi-year variable remuneration in the next few years.

The structure of the remuneration system as a whole is transparent and comprehensible and takes the expectations of investors and other key stakeholders into account. Remuneration comprises fixed (non-performance-related) and variable (performance-related) components. The focus here continues to be on the high degree of relevance of the variable remuneration and on strengthening the "pay for performance" principle. Variable remuneration is based on financial and non-financial performance criteria taken from the Talanx Group strategy. The Board of Management can influence these. Sustainability criteria are also taken into account when measuring performance and support the Company's sustainable, long-term development. Furthermore, the Board of Management's remuneration has been aligned closely with our investors' interests by increasing its equity-related aspects; this has been achieved using a performance share plan and by measuring Talanx's relative share price performance in comparison to our competitors. Malus and clawback rules allow the variable remuneration components paid to be reduced or reclaimed in the event of severe breaches of compliance. The main features of the remuneration system are shown below.

REMUNERATION SYSTEM STRUCTURE

Fixed remuneration	Fixed remuneration			**Maximum remuneration**
	Fringe benefits			
	Pension scheme			
Variable remuneration	Short-term incentive	40%	**Malus and clawback**	
	Long-term incentive (Talanx performance shares)	60%		

Principles governing Board of Management remuneration

The Talanx Group's strategy aims to sustainably enhance the Group's value for its stakeholders, and particularly its investors, customers and employees. In line with this, our Board of Management remuneration focuses on the principles of continuity, financial strength and profitability. Board of Management remuneration is a key means of advancing our Group strategy and the Talanx Group's long-term, sustainable development. Remuneration ensures a transparent, performance-driven incentive effect that is strongly aligned with the Company's long-term success and that is based in particular on performance criteria that are derived from the Group's strategy, as well as on Talanx AG's share price performance, including in a peer comparison. This aims to prevent excessive risk appetite.

The members of the Board of Management are remunerated in line with their performance and their areas of activity and responsibility, while taking the Company's situation into account. The regulatory framework for this is supplied by the provisions of the German Stock Corporation Act, the provisions of Article 275 of Delegated Regulation (EU) 2015/35 as amended by Delegated Regulation (EU) 2016/2283, and of the Insurance Supervision Act (VAG) in conjunction with the German Remuneration Regulation for Insurance Companies (VersVergV), plus the recommendations on the remuneration of members of the Board of Management contained in section G of the German Corporate Governance Code.

The Supervisory Board focuses on the following basic principles when establishing the remuneration for Talanx AG's Board of Management:

PRINCIPLES GOVERNING TALANX'S BOARD OF MANAGEMENT REMUNERATION

Advancement of corporate strategy	■ Performance criteria derived from corporate strategy
Long-term approach and sustainability	■ Variable remuneration predominately share-based/with a multi-year focus ■ Sustainability risks and targets (ESG) included in measurement of variable remuneration
Pay for performance	■ A majority of the target direct remuneration consists of variable remuneration components ■ Adequate, ambitious performance criteria ■ Variable remuneration can range between zero and a cap
Appropriateness of remuneration	■ Remuneration paid to members of the Board of Management appropriately reflects both the members' responsibilities and performance and the Company's situation ■ Both internal and external remuneration ratios are taken into account ■ Caps apply to both individual variable remuneration components and total remuneration
Alignment with shareholder interests	■ Harmonisation of interests of members of the Board of Management and our shareholders ■ Malus and clawback rules apply to entire variable remuneration ■ Measuring relative performance creates incentives to ensure that we outperform our competitors on the capital markets in the long term
Market practice and regulatory compliance	■ Current market practice at relevant insurers taken into account for Board of Management remuneration ■ Compliance with the key statutory and regulatory requirements applicable to Talanx is ensured
Transparency	■ Ex post publication of targets and target achievement ■ Ex post publication of individual premiums/discounts per member of the Board of Management

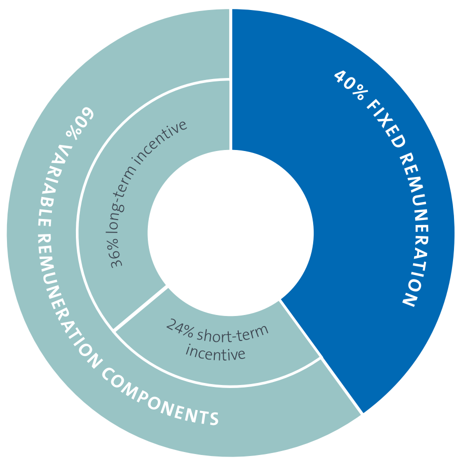
Remuneration structure

The key ideas behind Talanx's remuneration system for its Board of Management are pay for performance and a long-term approach.

The principle of pay for performance is underscored by the fact that the target direct remuneration (which comprises the total of the fixed remuneration and the target amounts for the variable remuneration components) consists of 40% fixed remuneration and 60% variable remuneration components. Variable remuneration is made up of a short-term incentive (STI) and a long-term incentive (LTI) that has a four-year performance period.

The remuneration structure is geared towards the Talanx Group's sustainable long-term development. The STI accounts for 40% of the variable remuneration components and hence for 24% of the target direct remuneration. The LTI accounts for 60% of the variable remuneration components and hence for 36% of the target direct remuneration.

STRUCTURE OF TARGET DIRECT REMUNERATION



Reviewing the appropriateness of Board of Management remuneration

The Supervisory Board determines the remuneration of the members of the Board of Management on the basis of the remuneration system, building on the recommendations made by the Personnel Committee. When establishing the remuneration, the Supervisory Board takes the individual members' responsibilities and tasks, their individual performance, the economic situation, and the Company's success and future prospects into account.

The question of whether the remuneration is customary in relation to other, comparable companies (horizontal comparison) and with respect to the amount and structure of remuneration within the Company (vertical comparison) was reviewed by the Supervisory Board at its meeting on 8 November 2022. The companies included in the MDAX as at 1 September 2022 (with the exception of Talanx AG) were used as the peer group for this horizontal comparison. As an additional indicator, the Board of Management's remuneration was also subject to a comparison with an individual peer group of relevant competitors. This peer group is also used in the multi-year variable remuneration to measure relative total shareholder return. The vertical comparison is based on the ratio between the remuneration paid to the Board of Management and the remuneration paid to Talanx's entire workforce. The process took both the status quo and the development of the remuneration ratios over time into account. To assess the appropriateness of Board of Management remuneration, the Supervisory Board took the opportunity open to it to engage an external remuneration consultant who is independent of the Board of Management and the Company.

Determining target remuneration

The contracts of service for all members of the Board of Management guarantee that they will be paid target remuneration in line with market conditions. This remuneration is based on their areas of responsibility and the skills and experience that are relevant to their work.

There is a good balance between fixed and variable remuneration components. The fixed component accounts for a sufficiently high share of target total remuneration, allowing the company to apply a flexible bonus policy, including the option of not paying any variable remuneration at all. Accordingly, there is no incentive for members of the Board of Management to take inappropriately high risks in exchange for higher bonus payments.

The following table shows the target remuneration for all members of the Board of Management for financial year 2022. The target remuneration comprises the remuneration that will be awarded for the financial year if the target achievement is 100%.

TARGET REMUNERATION

	Torsten Leue (Chairman) Chairman since 8 May 2018, member since 1 September 2010			Jean-Jacques Henchoz [6] Head of Division since 1 April 2019			Dr Wilm Langenbach Head of Division since 1 December 2020		
EUR thousand		2022	2021		2022	2021		2022	2021
Base remuneration	1,020	40%	1,020	960	28%	960	540	40%	540
Fringe benefits	6	—%	10	14	—%	15	6	—%	9
Other [2]	—	—%	—	1,000	29%	130	—	—%	
One-year variable remuneration	612	24%	612	576	17%	576	324	24%	324
Multi-year variable remuneration	918	36%	918	864	25%	864	486	36%	486
Performance share awards 2022									
Total target remuneration	**2,556**	**100%**	2,560	**3,414**	**100%**	2,545	**1,356**	**100%**	1,359
Pension expense [3]	691		753	152		215	91		135

[1] Including target remuneration for Hannover Re in the amount of EUR 3,114 thousand in 2022 and EUR 2,245 thousand in 2021.
[2] Payment made to compensate for a loss of salary under a previous contract of service. To compensate lapsed benefits at his previous employer, the Supervisory Board contracted with Jean-Jacques Henchoz to a payment in instalments. The compensation payment in 2022 is the last instalment from this agreement, which was also contingent on his reappointment as at 1 April 2022.
[3] The figure shown represents the service cost recognised in the reporting period for pensions and other post-retirement benefits.

Pay ratios

Total remuneration for the Chairman of the Board of Management in the year under review was 32 times the average target total remuneration for all employees (excluding the Board of Management). Target total remuneration for the average of all members of the Board of Management was 23 times the average target total remuneration for all employees (excluding the Board of Management). The target total remuneration of the average of all employees refers to the workforce of the Talanx Group in Germany.

Compliance with the maximum remuneration

The Supervisory Board has defined a maximum amount of remuneration for each member of the Board of Management, comprising the sum of the fixed remuneration, fringe benefits, the STI and LTI, and the pension expense ("maximum remuneration"), in accordance with section 87a(1) sentence 2 no. 1 of the AktG. The maximum remuneration sets a limit on all pay-outs resulting from awards made for a specific financial year, regardless of when they actually accrue. The maximum remuneration for the Chairman of the Board of Management is EUR 6,000,000, that for the Head of the Reinsurance Division is EUR 5,000,000 and that for all other members of the Board of Management is EUR 4,000,000.

A final report on compliance with the maximum remuneration for financial year 2022 can only be made once the tranche of the LTI granted for 2022 has been paid out in 2027. Should the LTI pay-out lead to the maximum remuneration being exceeded, the pay-out will be reduced so as to ensure compliance with the cap.

Dr Christopher Lohmann Head of Division since 1 August 2020			Dr Edgar Puls Head of Division since 9 May 2019			Caroline Schlienkamp Member of the Board of Management since 1 May 2022			Dr Jan Wicke (Chief Financial Officer) Chief Financial Officer since 1 September 2020, member since 1 May 2014		
2022		2021	**2022**		2021	**2022**		2021	**2022**		2021
640	32 %	640	512	40 %	512	267	40 %	—	646	40 %	646
7	— %	17	9	1 %	9	8	1 %	—	6	— %	6
400	20 %		—	— %		—	— %		—	— %	
384	19 %	384	307	24 %	307	160	24 %	—	388	24 %	388
576	29 %	576	461	36 %	461	240	36 %	—	581	36 %	581
2,007	**100 %**	**1,617**	**1,289**	**100 %**	1,289	**675**	**100 %**	—	**1,621**	**100 %**	1621
110		160	131		178	90		—	143		199

Application of the remuneration system in financial year 2022

The following table provides an overview of the components of Talanx's remuneration system in financial year 2022 and the associated targets:

OVERVIEW OF REMUNERATION COMPONENTS

Component		Basis of assessment/parameters	Objective
FIXED REMUNERATION COMPONENTS	**Fixed remuneration**	The fixed remuneration is paid in cash in 12 equal monthly instalments	
	Fringe benefits	Company vehicle for business and private use; appropriate levels of accident, luggage and D&O insurance	■ Recruitment and retention of the best-suited members of the Board of Management ■ Remuneration reflecting the responsibilities, skills and experience of the individual members of the Board of Management concerned
	Pension scheme	Defined contribution commitments: Annual contribution to funding of 25% of defined basis of assessment Chairman of the Board of Management: Defined benefit pension commitment: claim to pension calculated as percentage of the fixed annual pensionable salary	■ Fringe benefits granted in line with normal market conditions/retirement provision systems in order to recruit and retain the best-suited members of the Board of Management
VARIABLE REMUNERATION COMPONENTS	**Short-term incentive (STI)**	**Target bonus model** Performance criteria: ■ Talanx Group RoE ■ Individual performance criteria (financial and non-financial, including ESG goals) Cap: 200% of STI target amount	■ Incentive to achieve or surpass the annual corporate and divisional targets, and remuneration reflecting members' individual contribution to earnings and sustainability
	Long-term incentive (LTI)	**Performance share plan ("Talanx performance shares")** **Four-year performance period** LTI award amount depends on target achievement levels determined for: ■ Talanx Group's average RoE for previous financial year ■ Individual performance criteria for previous financial year Performance criteria: ■ Talanx's share price performance (plus dividends) ■ Relative total shareholder return (compared to relevant competitors) Cap: 400% of LTI target amount	■ Recognition of success achieved in previous year ■ Incentive to create long-term shareholder value ■ Motivation to outperform competitors
		For the STI and the LTI a retroactive adjustment of the targets/comparative parameters is excluded.	
OTHER ARRANGEMENTS	**Maximum remuneration**	Chairman of the Board of Management: EUR 6,000,000 Head of the Reinsurance Division: EUR 5,000,000 Other members of the Board of Management: EUR 4,000,000	■ Cap on total remuneration granted in a financial year ■ Compliance with the regulatory requirements set out in the AktG
	Malus and clawback	Ability of the Supervisory Board not to pay out ("malus") or to reclaim ("claw back") variable remuneration in whole or in part in cases of gross misconduct or errors in the consolidated financial reporting. Reduction or cancellation of variable remuneration also possible where required for regulatory reasons	■ Strengthens the Supervisory Board's position in the case of severe compliance breaches

Fixed remuneration components

Fixed remuneration

The fixed remuneration is paid in cash in 12 equal monthly instalments. It is primarily based on the range of tasks performed by, and professional experience of, the member of the Board of Management concerned.

Fringe benefits

In addition, the members of the Board of Management receive certain non-performance-related fringe benefits; these are in line with normal market conditions and are reviewed at regular intervals. The members of the Board of Management are provided with a vehicle for their business and private use for the duration of their appointment. The tax on the non-cash benefit resulting from the private use of this company vehicle shall be paid by the member of the Board of Management concerned. In addition, the Company provides members of the Board of Management with an appropriate level of insurance protection under group contracts (accident, luggage and D&O insurance).

Sign-on/recruitment bonuses are paid only in exceptional cases if a new member of the Board of Management loses out on a bonus from his/her previous employer. Compensation for remuneration components not received from the previous employer is generally paid in several instalments and is subject to conditions.

Pension scheme

With the exception of the Chairman of the Board of Management, Mr Leue, for whom a commitment to pay a final salary-based annual retirement pension has been made, the members of the Board of Management have been given defined contribution pension commitments. Additional information can be found in the section entitled "Termination benefits".

Variable remuneration components

The variable remuneration components comprise a short-term incentive (STI), which is measured on the basis of the financial year in question, and a long-term incentive (LTI) with a four-year performance period.

The performance criteria used to measure and assess target achievement are derived from Talanx's corporate strategy. The variable remuneration components are designed to promote the Talanx Group's long-term development. The following overview shows the close links between the performance criteria and other aspects of the variable remuneration on the one hand and Talanx's corporate strategy on the other, and explains how the variable remuneration promotes Talanx's long-term development.

As a general rule, the Company does not grant members of the Board of Management guaranteed variable remuneration.

VARIABLE REMUNERATION COMPONENTS

Remuneration component	Performance criterion/aspect	Alignment with strategy/promotion of long-term development
SHORT-TERM INCENTIVE (STI)	**Group RoE**	■ RoE is one of Talanx's strategic management metrics ■ Target aligned with the objective of creating sustainable value creation
	Individual premium/discount	■ Takes the contribution made by individual members of the Board of Management and the results of the divisions for which they are responsible into account ■ Consideration of sustainability risks and targets in Board of Management remuneration
LONG-TERM INCENTIVE (LTI)	**Award amount depends on STI target achievement levels**	■ Increases incentive to achieve STI target ■ Underscores idea of pay for performance
	Share price performance	■ Alignment of share price performance and Board of Management remuneration ■ Harmonisation of interests of members of the Board of Management and shareholders
	Four-year performance period	■ Focus on long-term success and ensuring Talanx's long-term development
	Relative TSR	■ Incentives to ensure that Talanx outperforms relevant competitors on the capital markets in the long term

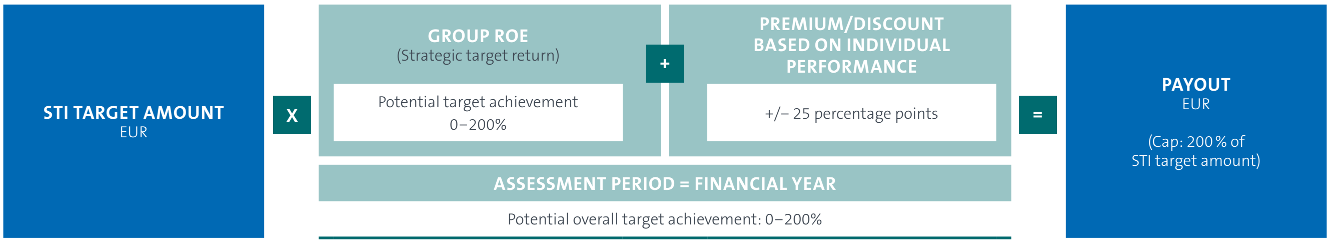
Short-term incentive (STI)

a) Basic information

The STI is geared towards Talanx AG's business performance in a particular financial year. In addition to the financial performance criterion of the Talanx Group's return on equity (RoE) as stated in Talanx's consolidated financial statements ("Group RoE"), an individual premium or discount is applied when determining the amount to be paid out. This includes both financial and non-financial performance criteria (especially sustainability targets and risks) and takes into account both the overall responsibility of the Board of Management and the divisional responsibilities of its individual members. As a result, the STI helps achieve the objective of ensuring a high, stable return on equity for the Talanx Group, promotes the implementation of strategic focus topics assigned specifically to the Board of Management or individual areas, and reflects the interests of our investors, clients, employees and other key stakeholders.

The STI pay-out is based on the contractually determined STI target amount, which assumes an overall target achievement of 100%. The overall target achievement (including individual premiums and discounts) can range between 0% and 200% of the STI target amount. As a result, the pay-out under the STI is capped at 200% of the target amount.

SHORT-TERM INCENTIVE



b) Financial performance criterion

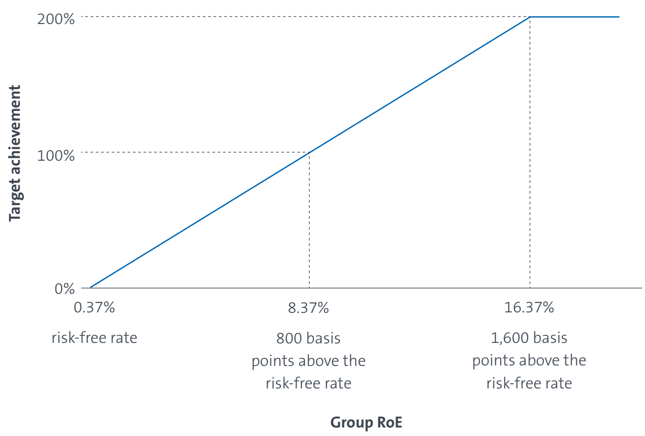
The main financial performance criterion for the STI (which has a weighting of 100%) is Group RoE as compared to a strategic target return; this is determined using the five-year average risk-free rate for 10-year German government bonds plus an ambitious spread. Group RoE is one of the key performance indicators in Talanx's management system and as such has also been implemented in the Board of Management's remuneration. Talanx aims to achieve a high return on equity. The Group is focused on a long-term increase in value. Using Group RoE as a key performance criterion for the STI offers incentives to achieve this target.

The Supervisory Board sets the target for Group RoE and the target corridor complete with a ceiling and floor in advance for the coming financial year. The target is aligned with the strategic target return for the Talanx Group that applies at the time it is established.

The target (100% target achievement) for Group RoE set by the Supervisory Board for financial year 2022 was 800 basis points above the risk-free rate. This is in line with the goal of adding long-term value by generating a return on equity of at least 800 basis points above the risk-free rate. The floor set was the risk-free rate without any additional spread, while the ceiling was defined as 1,600 basis points above the risk-free rate.

The five-year average risk-free rate for ten-year German government bonds at the end of 2022 was 0.37%. This puts target RoE for the 2022 financial year at 837 basis points. Group RoE in the 2022 financial year was 12.85% (1,285 basis points). This corresponds to a target achievement for the Group RoE performance criterion of 153.52%.

TARGET ACHIEVEMENT FOR GROUP ROE IN FINANCIAL YEAR 2022



Group RoE	12.85%
Risk-free rate	0.37%
Target RoE	8.37%
Target achievement	**153.52%**

At its meeting on 8 November 2022,the Supervisory Board raised the target for Group RoE (strategic target return) in the 2023 financial year from 800 to 900 basis points above the risk-free rate to account for the expected rise in RoE as a result of switching to the new IFRS 17 accounting standard.

c) Individual premium/discount

In addition to the Talanx Group's financial performance, the Supervisory Board can use individual premiums or discounts on the target achievement for the Group RoE performance criterion within the STI to take into account the individual contributions to earnings and to achieving sustainability targets made by members of the Board of Management and, where appropriate, the divisions for which they are responsible. The Supervisory Board establishes the size of the premium or discount, which can range between –25 percentage points and +25 percentage points, at its reasonable discretion. The Supervisory Board specifies the various criteria and indicators used to determine the individual premium/discount in advance for the coming year, and informs the members of the Board of Management of them.

The Supervisory Board had specified the following criteria and indicators for financial year 2022 for the individual members of the Board of Management and, based on this, applied the following individual premiums/discounts after the end of the financial year:

Board of Management member	Individual contribution to earnings: Performance	Individual contribution to earnings: Ability to pay dividends/ distribution	Individual contribution to earnings: Strategic goal	Sustainability: Leadership/ commitment (OHC)[1]	Sustainability: Contribution to sustainability goals	Individual premium/ discount
Torsten Leue	Covered by Group RoE performance criterion	■ Talanx AG's ability to pay dividends	■ Prepare ambitious strategic targets for the 2023 to 2025 strategy cycle	■ Change in OHC score for 2021/2022 ■ Relative improvement in OHC score in focus area	■ Enhancement and implementation of sustainability strategy ■ Catalogue of measures to position Talanx as a sustainable group in the areas of underwriting, emissions and investment by 2025	+10 ppts
Jean-Jacques Henchoz	■ Reinsurance segment RoE	■ Ability of Hannover Re to make a distribution to Talanx AG	■ Sustainable peer group outperformance by Reinsurance segment	■ Change in OHC score for 2021/2022 ■ Relative improvement in OHC score in focus area	■ Implementation of catalogue of measures to safeguard and enhance sustainability strategy in the areas of underwriting, emissions and investment by 2025	+3 ppts
Dr Wilm Langenbach	■ Retail International segment RoE	■ Ability of Retail International Division to make a distribution to Talanx AG	■ Implementation of HINexT 2025 strategy ■ Achieve or reduce gap to top 5 position in core markets through profitable organic and inorganic growth	■ Change in OHC score for 2021/2022 ■ Relative improvement in OHC score in focus area	■ Implementation of catalogue of measures to promote sustainability in the areas of emissions (carbon neutral operations by 2030) and underwriting (full exit from coal risks by 2038)	+10 ppts
Dr Christopher Lohmann	■ Retail Germany segment RoE	■ Ability of Retail Germany Division to make a distribution to Talanx AG	■ Implementation of GO 2025 strategy (inc. Life) ■ Implementation of package of measures for 2022	■ Change in OHC score for 2021/2022 ■ Relative improvement in OHC score in focus area	■ Further details on the Talanx-wide diversity concept (Diversity & Inclusion); Implementation of package of measures for 2022	+7 ppts
Dr Edgar Puls	■ Industrial Lines segment RoE	■ Ability of Industrial Lines Division to make a distribution to Talanx AG	■ Further improvement in the combined ratio in Industrial Lines ■ Further implementation of the HDI 4.0 project as per project plan	■ Change in OHC score for 2021/2022 ■ Relative improvement in OHC score in focus area	■ Implementation of catalogue of measures to promote sustainability in the areas of emissions (carbon neutral operations by 2030) and underwriting (full exit from coal risks by 2038)	+10 ppts
Caroline Schlienkamp	■ Cost and employee development as per plan	■ Talanx AG's ability to pay dividends	■ Increased sustainability compliance in terms of integrity and reputation and realignment of the data protection department ■ Development of a medium-term human resources and social partnership agenda	■ Change in OHC score for 2021/2022 ■ Relative improvement in OHC score in focus area	■ Further development and implementation of the sustainability strategy, especially CO_2 reduction in German operations ■ Contribution to promoting and improving diversity at Talanx AG	+4 ppts
Dr Jan Wicke	■ Covered by Group RoE performance criterion	■ Talanx AG's ability to pay dividends	■ Ampega Asset Management cost-income ratio III as per plan ■ Successful preparations for Talanx Group's adoption of IFRS 17	■ Change in OHC score for 2021/2022 ■ Relative improvement in OHC score in focus area	■ Definition and implementation of an ESG investment process which can be externally audited	+3 ppts

[1] The OHC score is the result of the annual employee survey of Talanx's corporate culture ("Organizational Health Check"). Talanx's OHC was conducted for the fourth time in financial year 2022.

d) Overall target achievement and payouts for the 2022 STI

The following table shows the overall target achievement and the resulting pay-outs to be made to the individual members of the Board of Management under the 2022 STI:

PAYOUTS UNDER TALANX AG'S 2022 STI

EUR thousand

Board of Management member	Target amount	Group RoE target achieved	Individual premium/ discount	Overall target achievement	Payout
Torsten Leue	612	153.5%	+10 ppts	**163.5%**	**1,001**
Jean-Jacques Henchoz	72	153.5%	+3 ppts	**156.5%**	**113**
Dr Wilm Langenbach	324	153.5%	+10 ppts	**163.5%**	**530**
Dr Christopher Lohmann	384	153.5%	+7 ppts	**160.5%**	**616**
Dr Edgar Puls	307	153.5%	+10 ppts	**163.5%**	**502**
Caroline Schlienkamp	160	153.5%	+4 ppts	**157.5%**	**252**
Dr Jan Wicke	388	153.5%	+3 ppts	**156.5%**	**607**

In addition, Jean-Jacques Henchoz receives pay-outs under the STI for the Hannover Rück SE remuneration system due, since he is Chairman of Hannover Rück SE's Board of Management. Hannover Rück SE's STI system is structured in a similar manner to Talanx's STI. Target achievement for the Group RoE performance criterion is based on the RoE achieved by Hannover Rück SE. The target (100% target achievement) for Hannover Re's Group RoE set by Hannover Re's Supervisory Board for financial year 2022 was 900 basis points above the risk-free rate. The five-year average risk-free rate for ten-year German government bonds at the end of 2022 was 0.37%. This puts Hannover Re's target RoE for the 2022 financial year at 937 basis points. Hannover Re generated Group RoE of 14.1% in the 2022 financial year (1410 basis points). This corresponds to a target achievement for the Group RoE performance criterion of 150.5%.

The individual premiums/discounts are determined by Hannover Re's Supervisory Board on the basis of predefined criteria.

The following table provides a detailed overview of the pay-outs made to Mr Henchoz under Hannover Rück SE's STI.

PAYOUTS UNDER HANNOVER RÜCK SE'S 2022 STI

EUR thousand

Board of Management member	Target amount	Group RoE target achieved	Individual premium/ discount	Overall target achievement	Payout
Jean-Jacques Henchoz	504	150.5%	— ppts	**150.5%**	**759**

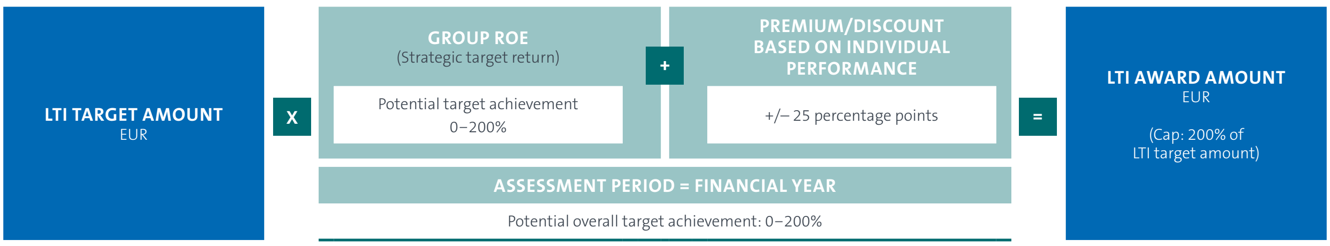
Long-term incentive (LTI)

a) Basic information

The LTI plays a key role in aligning the interests of the Board of Management with those of our shareholders. Measuring the relative performance of the Talanx shares creates incentives to ensure that we outperform our competitors on the capital markets in the long term.

The LTI takes the form of a performance share plan, offering an incentive to increase the value of Talanx's shares in the interests of our investors. The amount awarded under the LTI (LTI award amount) is based on the contractually agreed LTI target amount and depends on the target achievement for the Group RoE financial performance criterion that was established in the context of the STI for the financial year in question, plus the individual premium or discount specified by the Supervisory Board for the financial year (overall target achievement).

LONG-TERM INCENTIVE



The 2022 LTI tranche (Talanx 2022 performance shares) will be awarded in financial year 2023 on the basis of the overall target achievement for the 2022 STI. The number of Talanx performance shares awarded is determined by the LTI award amount plus Talanx's average share price in the period between the 15 exchange trading days before and the 15 exchange trading days after the Supervisory Board meeting that considers the consolidated financial statements in the year in which the award is made. The total term of the Talanx performance shares ("performance period") is four years. The 2022 LTI tranche will be paid out at the end of the four-year performance period in calendar year 2027.

The following table shows the award amounts of the 2022 LTI tranche.

AWARDS UNDER TALANX AG'S 2022 LTI TRANCHE

EUR thousand

Board of Management member	Target amount	Overall target achievement for the 2022 STI	Award amount
Torsten Leue	918	163.5 %	**1,501**
Jean-Jacques Henchoz	108	156.5 %	**169**
Dr Wilm Langenbach	486	163.5 %	**795**
Dr Christopher Lohmann	576	160.5 %	**924**
Dr Edgar Puls	461	163.5 %	**754**
Caroline Schlienkamp	240	157.5 %	**378**
Dr Jan Wicke	581	156.5 %	**909**

At the end of the four-year performance period, the basic pay-out is calculated in a first step based on the basis of Talanx's share price performance. This pay-out is the product of the number of Talanx performance shares awarded and Talanx AG's average share price in the period between the 15 trading days before and the 15 trading days after the Supervisory Board meeting that considers the consolidated financial statements in the year in which the four-year performance period ends, plus the dividends paid during the performance period. The change in performance thus reflects the total shareholder return in full.

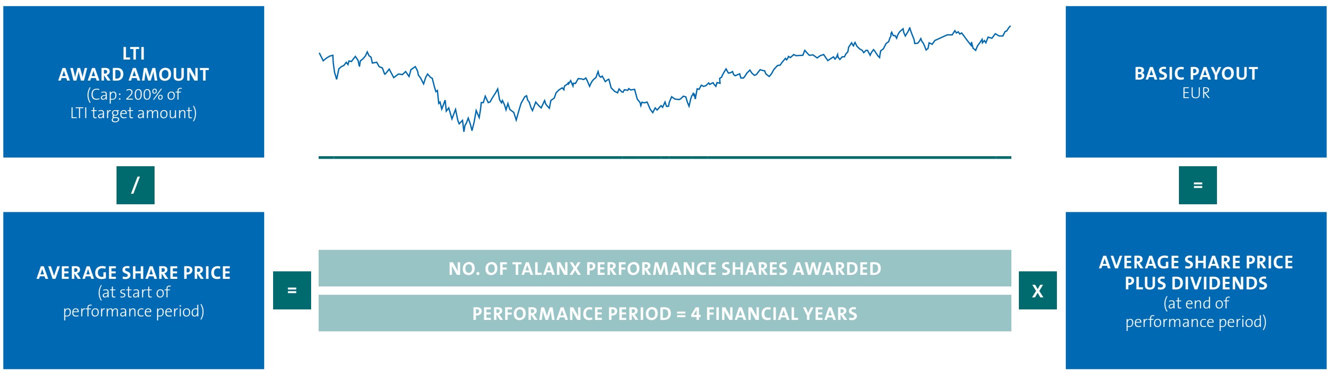
In addition, Jean-Jacques Henchoz receives pay-outs under the LTI for the Hannover Rück SE remuneration system due, since he is Chairman of Hannover Rück SE's Board of Management. Hannover Rück SE's LTI system is structured in a similar manner to Talanx's STI.

AWARDS UNDER HANNOVER RÜCK SE'S 2022 LTI TRANCHE

EUR thousand

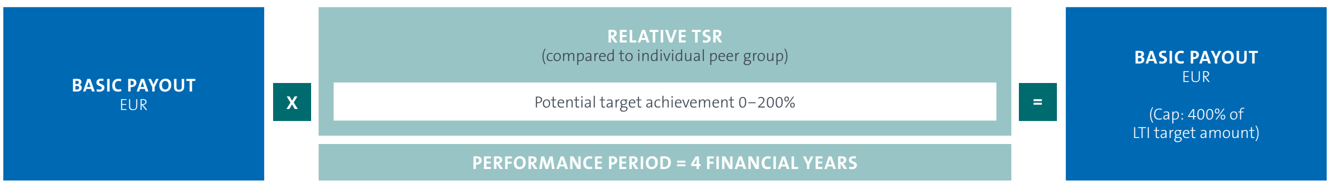
Board of Management member	Target amount	Overall target achievement for the 2022 STI	Award amount
Jean-Jacques Henchoz	756	150.5 %	**1,138**

LTI – ADJUSTMENT FOR SHARE PRICE PERFORMANCE



The final pay-out is the product of the basic pay-out and the target achievement for the relative total shareholder return ("relative TSR") compared to a peer group. The pay-out for the LTI is capped at 200% of the LTI award amount and can therefore amount to a maximum of 400% of the LTI target amount overall – provided that the sum of all remuneration components does not exceed the maximum remuneration set out in section 87a(1) sentence 2 no. 1 of the AktG.

LTI – ADJUSTMENT FOR PERFORMANCE PEER GROUP



b) Financial performance criterion

The main performance criterion for the final LTI pay-out is the relative TSR. The use of this measure incorporates an external, capital market-driven performance criterion into the variable remuneration, thus permitting relative performance measurement and the alignment of Board of Management and shareholder interests. The relative TSR represents Talanx's share price performance over the four-year performance period, including the gross dividends paid, in comparison to a peer group comprising relevant competitors in the insurance sector. As a result, the LTI creates incentives for ensuring long-term, sustainably strong market performance by Talanx's shares.

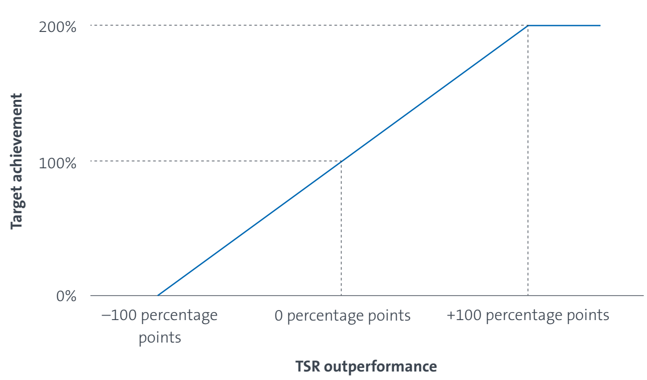
The target achievement for the relative TSR is determined by comparing the TSR for Talanx AG's shares with the shares of its peer group companies during the four-year performance period. This is done by comparing the TSR of Talanx's shares during the performance period in question with the unweighted average TSR for the peer group. The Supervisory Board reviews the peer group before the start of each performance period for a new LTI tranche. In the case of the 2022 LTI tranche it consists of the following companies:

PEER GROUP COMPANIES

Allianz SE	Münchener Rückversicherungs Gesellschaft AG
AXA S. A.	Swiss Re AG
Generali S. p. a.	Vienna Insurance Group AG
Mapfre S. A.	Zurich Insurance Group AG

If the TSR for Talanx's shares corresponds to the unweighted average TSR for the peer group, the target achievement for the relative TSR is 100%. Every percentage point by which the TSR for Talanx's shares exceeds or fails to reach the unweighted average TSR for the peer group results in a corresponding increase or decrease of the target achievement (linear scaling). If the TSR for Talanx's shares exceeds the unweighted average TSR for the peer group by 100 percentage points or more, the target achievement for the relative TSR is 200%. Any further increase in the relative TSR does not lead to a further increase in the target achievement. If the TSR for Talanx's shares is 100 percentage points or more below the unweighted average TSR for the peer group, the target achievement for the relative TSR is 0%.

TARGET ACHIEVEMENT GRAPH RELATIVE TSR



The target achievement for the 2022 LTI tranche is published in the remuneration report for the 2027 financial year after the end of the performance period.

Pay-outs relating to multi-year variable remuneration components

Pay-outs relating to multi-year variable remuneration components under the old remuneration system, which was used up to the end of financial year 2020, were made in financial year 2022. Under the old system, the variable remuneration for a financial year consisted of a Group bonus, an individual personal bonus and – in the case of Board Members responsible for a specific division – a divisional bonus. 60% of the amount determined for each member of the Board of Management was paid out after the end of the financial year concerned, while 20% was added to a bonus bank and a further 20% was awarded as virtual shares (Talanx share awards). The Talanx share awards made in financial year 2018 on the basis of the target achievements for the variable remuneration for financial year 2017 (Talanx share awards 2017) and the amount added to the bonus bank in financial year 2019 on the basis of the target achievement for the variable remuneration for financial year 2018 (bonus bank 2018) were paid out in 2022.

a) Talanx 2017 share awards

Under the previous remuneration system, the equivalent of 20% of the variable remuneration determined was awarded automatically as Talanx share awards once the variable remuneration had been determined for a financial year. The share price at the time the award was made was determined using the unweighted arithmetic mean of the XETRA closing prices in the period between the five trading days before to the five trading days after the Supervisory Board meeting considering the consolidated financial statements. After a lock-up period of four years, the value of the Talanx share awards as determined at the pay-out date is paid out. Once again, the value of the shares is determined using the unweighted arithmetic mean of the XETRA closing prices in the period between the five trading days before to the five trading days after the Supervisory Board meeting considering the consolidated financial statements. In addition, the aggregate dividends per share distributed during the lock-up period are paid out.

The lock-up period for the Talanx share awards awarded in financial year 2018 on the basis of the variable remuneration for 2017 expired in financial year 2022 and the value determined was paid out.

The following table provides an overview of the payments under the Talanx 2017 share awards:

PAYMENTS UNDER THE TALANX 2017 SHARE AWARDS

Board of Management member	Award amount (20% of 2017 variable remuneration) EUR thousand	Average share price at award EUR	No. of Talanx performance shares awarded	Average share price at end of lock-up period EUR	Total dividends per share distributed EUR	Payment amount EUR thousand
Torsten Leue	180	35.19	5,127	38.59	5.85	**228**
Dr Jan Wicke	180	35.19	5,119	38.59	5.85	**227**

b) 2018 bonus bank

Additionally, the amount added to the bonus bank in financial year 2019 on the basis of the variable remuneration for 2018 was paid out in financial year 2022.

The pay-out in each case is the positive amount that was added to the bonus bank three years before the pay-out date, provided that it does not exceed the balance available in the bonus bank after taking credits/debits into account (up to and including credits/debits for the most recent past financial year). Any upcoming pay-outs that are not covered by a positive bonus bank balance lapse.

The following table provides an overview of the payments from 2018 bonus bank:

2018 BONUS BANK PAYMENTS

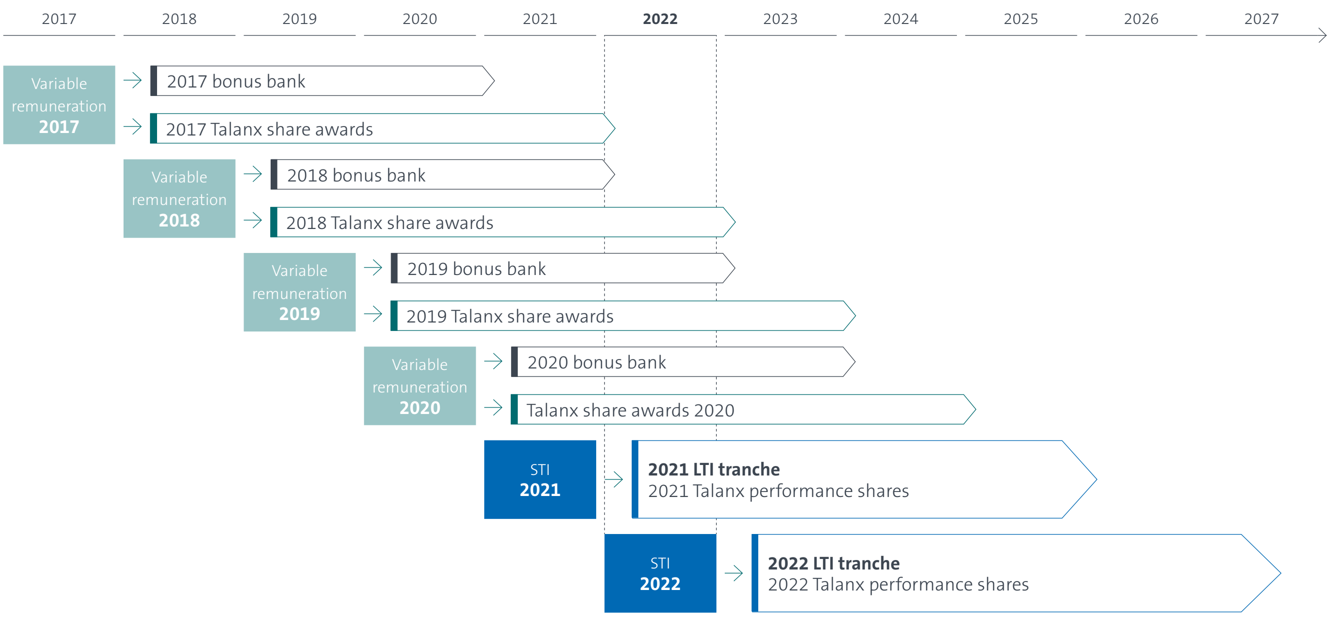
EUR thousand

Board of Management member	Amount added (20% of 2018 variable remuneration)	Payout
Torsten Leue	231	**231**
Dr Jan Wicke	183	**183**

Overview of multi-year variable remuneration components

The following table provides an overview of the multi-year variable remuneration components:

MULTI-YEAR VARIABLE REMUNERATION COMPONENTS



The following table gives an overview of what is to be paid from multi-year variable remuneration in the next few years:

TALANX SHARE AWARDS AS AT 31 DECEMBER 2022 (REMUNERATION SYSTEM UP TO 2020)

Board of Management member	No. of shares awarded for FY 2020 Average share price at award: EUR 36.38	No. of shares awarded for FY 2019 Average share price at award: EUR 29.25	No. of shares awarded for FY 2018 Average share price at award: EUR 34.14	Total
Torsten Leue	8,271	10,869	6,758	**25,898**
Jean-Jacques Henchoz	1,765	1,553	—	**3,318**
Dr Wilm Langenbach	—	—	—	**—**
Dr Christopher Lohmann	1,963	—	—	**1,963**
Dr Edgar Puls	3,066	2,369		**5,435**
Caroline Schlienkamp	—	—	—	**—**
Dr Jan Wicke	5,438	7,194	5,367	**17,999**

BONUS BANK AS AT 31 DECEMBER 2022 (REMUNERATION SYSTEM UP TO 2020)

EUR thousand

Board of Management member	Amount added for FY 2020	Amount added for FY 2019	Total
Torsten Leue	301	318	**619**
Jean-Jacques Henchoz	64	45	**109**
Dr Wilm Langenbach	—	—	**—**
Dr Christopher Lohmann	71	—	**71**
Dr Edgar Puls	112	69	**181**
Caroline Schlienkamp	—	—	**—**
Dr Jan Wicke	198	210	**408**

TALANX PERFORMANCE SHARES AS AT 31 DECEMBER 2022 (REMUNERATION SYSTEM AS FROM 2021)

	No. of shares awarded for FY 2021
Board of Management member	Average share price at award: EUR 39.31
Torsten Leue	32,835
Jean-Jacques Henchoz	3,726
Dr Wilm Langenbach	16,765
Dr Christopher Lohmann	19,870
Dr Edgar Puls	17,068
Caroline Schlienkamp	—
Dr Jan Wicke	20,056

The following table gives an overview of what is to be paid from multi-year variable remuneration of Hannover Rück SE for Mr Henchoz in the next few years:

HANNOVER RE SHARE AWARDS FOR MR HENCHOZ AS AT 31 DECEMBER 2022 (REMUNERATION SYSTEM UP TO 2020)

	No. of shares awarded for FY 2020	No. of shares awarded for FY 2019	
Board of Management member	Average share price at award: EUR 150.42	Average share price at award: EUR 139.04	Total
Jean-Jacques Henchoz	1,786	1,489	**3,275**

HANNOVER RE BONUS BANK FOR MR HENCHOZ AS AT 31 DECEMBER 2022 (REMUNERATION SYSTEM UP TO 2020)

EUR thousand

Board of Management member	Amount added for FY 2020	Amount added for FY 2019	Total
Jean-Jacques Henchoz	269	207	**476**

HANNOVER RE PERFORMANCE SHARES FOR MR HENCHOZ AS AT 31 DECEMBER 2022 (REMUNERATION SYSTEM AS FROM 2021)

	No. of shares awarded for FY 2021
Board of Management member	Average share price at award: EUR 156.31
Jean-Jacques Henchoz	6,554

Malus and clawback policy, risk adjustment

If a member of the Board of Management intentionally infringes one of their fundamental duties of care in accordance with section 93 of the AktG, a material duty under their contract of service, or other material principles of conduct set out by the Company (e.g. in the Code of Conduct or the Compliance Guidelines), the Supervisory Board can, at its reasonable discretion, reduce the as yet unpaid variable remuneration either in part or to zero (“malus”) or reclaim the gross amount of the variable remuneration that has already been paid in whole or in part (“clawback”). No clawback is possible if the infringement in question took place more than five years ago.

When reaching its discretionary decision, the Supervisory Board will take into account the severity of the infringement, the degree of culpability exhibited by the member of the Board of Management, and the pecuniary and non-pecuniary damage caused to the Company.

Furthermore, members of the Board of Management must repay variable remuneration that has already been paid if and to the extent that it transpires following the pay-out that the audited and adopted consolidated financial statements on which the calculation of the pay-out was based were incorrect and that they therefore have to be corrected in line with the relevant accounting standards and, based on the corrected audited consolidated financial statements and the applicable remuneration system, a lower or no pay-out of variable remuneration would have been due.

Furthermore, the payout of variable remuneration components can be restricted or cancelled in full if the Bundesanstalt fur Finanzdienstleistungsaufsicht (BaFin – the Federal Financial Supervisory Authority) has issued a non-appealable or immediately enforceable order prohibiting or restricting the payout (for example if the Company’s own funds are lower, or in danger of becoming lower, than the Solvency 2 capital requirement), or if this is required under Article 275(2) letter e of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014.

No clawback or reduction was made in financial year 2022; nor was the pay-out of variable remuneration components restricted or cancelled.

Termination benefits

Pension scheme

The Chair of the Board of Management, Mr Leue, has been granted a commitment to pay a life-long retirement pension, part of which can be paid out on application as one-time retirement capital when he turns 65, plus a surviving dependants' pension. The size of his post-retirement benefits are calculated using a length-of-service-based percentage of between 20% and a maximum of 50% of his pensionable income (the last monthly salary that he received). If he draws his pension before turning 65, 50% of any other income received is offset against the retirement pension. Current pension payments are adjusted annually in line with the changes in Germany's consumer price index.

The other members of the Board of Management have been granted defined contribution commitments to pay retirement, surviving dependants and occupational disability pensions. The retirement pension can be paid out as a one-time capital payment on application by the member of the Board of Management. The post-retirement benefits are granted via HDI Unterstützungskasse e. V., which takes out appropriate reinsurance policies to finance the retirement benefits. The size of the post-retirement benefits corresponds to the benefits under the reinsurance policies, based on the annual financing contributions made by the Company in the amount of 25% of the members' pensionable income (annual fixed remuneration). Current pensions are increased annually by 1% of their last (gross) amount.

The following table shows the accrued pension rights under IAS 19 for the current members of the Board of Management.

ACCRUED PENSION RIGHTS

EUR thousand

	IAS 19			
	Service cost [1]		Present value of the pension obligation	
Board of Management member	2022	2021	2022	2021
Torsten Leue	691	753	7,450	7,657
Jean-Jacques Henchoz [2]	152	215	479	509
Dr Wilm Langenbach	91	135	164	122
Dr Christopher Lohmann	110	160	156	139
Dr Edgar Puls	131	178	890	1,282
Caroline Schlienkamp	90	—	177	—
Dr Jan Wicke	143	199	997	1,333

[1] The figure shown represents the service cost recognised in the reporting period for pensions and other post-retirement benefits.
[2] This relates to the personnel expenses recognised by Hannover Rück SE.

Variable remuneration in the event of the premature termination of contracts of service

Short-term incentive (STI)
If the contract of service with a member of the Board of Management ends in the course of a financial year for a reason other than good cause as defined by section 626(1) of the German Civil Code (BGB) for which the member of the Board of Management is responsible, the plan participant is entitled to a pro rata STI for that financial year. If the contract of service ends before the end of the financial year as a result of extraordinary termination by the Company for good cause as defined by section 626(1) of the BGB for which the member of the Board of Management is responsible, the claim to the STI for that financial year shall lapse without substitution or compensation.

Long-term incentive (LTI)
If the contract of service or Board of Management appointment ends before the end of a performance period for a reason other than those stated below and prior to the end of the financial year, the plan participant is entitled to a pro rata LTI for that financial year. In this case, the variable remuneration components are determined and paid out in the normal manner as set out in the terms and conditions for the LTI plan. The premature pay-out of the LTI before the end of the performance period is not provided for in such cases.

If the contract of service or Board of Management appointment ends in the course of a financial year due to them stepping down or resigning (exception: resignation or termination by the member of the Board of Management for good cause), if the member of the Board of Management refuses to accept an extension offering at least equal contractual conditions (exception: the member of the Board of Management has turned 60 and has been a member of the Board of Management for two terms of office), if the Company extraordinarily terminates the member of the Board of Management's contract of service without notice for good cause or if the member of the Board of Management's appointment is terminated for good cause within the meaning of section 84(3) of the AktG (exception: a vote of no confidence by the General Meeting), all conditionally granted Talanx performance shares shall lapse without substitution or compensation.

Severance pay

The contracts of service for the members of the Board of Management do not provide for any claims to severance pay. Equally, the contracts of service with the members of the Board of Management do not pledge any benefits arising from the premature termination of the members of the Board of Management's activities due to a change of control.

Remuneration awarded and due in financial year 2021

Current members of the Board of Management

The following table shows the remuneration awarded and due to the individual members of the Board of Management in accordance with section 162 of the AktG. The remuneration disclosed as "remuneration awarded" is the remuneration for which the relevant work had been performed in full by the reporting date. "Remuneration due" is remuneration that is due but has not yet actually been paid. The amounts disclosed for financial year 2022 comprise the following:

- The fixed remuneration paid out in 2022
- The fringe benefits received in financial year 2022
- The STI established for financial year 2022 that is to be paid out in 2023
- The amount added to the bonus bank for financial year 2018 that was paid out in financial year 2022
- The share awards made for financial year 2017 that were paid out in financial year 2022

Furthermore, the pension expense for the pension plan commitments for financial year 2022 is disclosed in the table as part of the Board of Management remuneration.

In addition, the table shows the relative shares of the overall remuneration awarded and due that are accounted for by the individual remuneration components.

REMUNERATION AWARDED AND DUE

	Torsten Leue (Chairman of the Board of Management) Chairman since 8 May 2018, member since 1 September 2010			Jean-Jacques Henchoz [6] Head of Division since 1 April 2019			Dr Wilm Langenbach Head of Division since 1 December 2020		
in %	2022		2021	2022		2021	2022		2021
Base remuneration	1,020	41 %	1,020	960	34 %	960	540	50 %	540
Fringe benefits	6	—	10	14	<1 %	14	6	1 %	9
Other [1]	—	—	—	1,000	35 %	130	—	—	—
One-year variable remuneration (2022 STI) [2, 3]	1,001	40 %	860	871	31 %	781	530	49 %	439
Multi-year variable remuneration	459	18 %	447	—	—	—	—	—	—
2018 bonus bank (3 years) [4]	231		180	—	—	—	—	—	—
2017 share awards (4 years) [5]	228		267	—	—	—	—	—	—
Total remuneration (as defined by section 162 of the AktG)	**2,486**	**100 %**	**2,337**	**2,845**	**100 %**	**1,885**	**1,076**	**100 %**	**988**
Pension expense	691	—	753	152	—	215	91	—	135

[1] Payment made in compensation for a loss of salary under a previous contrast of service and contract termination costs. To compensate lapsed benefits at his previous employer, Hannover Rück SE contracted with Jean-Jacques Henchoz to a payment in instalments. The payment in 2022 is the last instalment from this agreement, which also was contingent on re-appointment as at 1 April 2022. Compensation payment of EUR 1,050 thousand to Dr Lohmann.
[2] Of which Supervisory Board remuneration by Group companies: Mr Leue EUR 371 (256) thousand, Dr Lohmann EUR 0 (5) thousand, Dr Wicke EUR 40 (19) thousand.
[3] The amounts disclosed for financial year 2021 comprise payments from the 2021 one-year variable remuneration.
[4] The amounts disclosed for financial year 2021 comprise payments from the 2017 bonus bank.
[5] The amounts disclosed for financial year 2021 comprise payments from the 2016 share awards.
[6] Including remuneration awarded and due from Hannover Rück SE in the amount of EUR 1,667 (1,717) thousand, of which EUR 840 thousand was base remuneration, EUR 683 thousand the STI and EUR 14 thousand fringe benefits.

			Dr Christopher Lohmann Head of Division since 1 August 2020			Dr Edgar Puls Head of Division since 9 May 2019			Caroline Schlienkamp Member of the Board of Management since 1 May 2022			Dr Jan Wicke (Chief Financial Officer) Chief Financial Officer since 1 September 2020, member since 1 May 2014
	2022		2021	**2022**		2021	**2022**		2021	**2022**		2021
	640	24 %	640	512	50 %	512	267	51 %	—	646	39 %	646
	7	<1 %	17	9	1 %	9	8	2		6	—	6
	1,450	53 %	—	—	—	—	—	—	—	—	—	—
	616	23 %	521	502	49 %	447	252	48 %	—	607	36 %	526
	—	—	—	—	—	—	—	— %	—	410	25 %	402
	—	—	—	—	—	—	—	—	—	183	—	180
	—	—	—	—	—	—	—	—	—	227	—	222
	2,713	**100 %**	**1,178**	**1,023**	**100 %**	**968**	**527**	**100 %**	**—**	**1,669**	**100 %**	**1,580**
	110	—	160	131	—	178	90	—	—	143	—	199

Former members of the Board of Management

The following table shows the remuneration awarded and due to the former members of Talanx's Board of Management in accordance with section 162 of the AktG in financial year 2022:

REMUNERATION AWARDED AND DUE

	Sven Fokkema (until 31 December 2020)			Herbert Haas (until 8 May 2018)			Dr Immo Querner (until 31 August 2020)			Ulrich Wallin (until 9 May 2019)		
in %	2022		2021	2022		2021	2022		2021	2022		2021
Base remuneration	—	—	—	—	—	—	—	—	—	—	—	—
Fringe benefits	—	—	—	—	—	—	—	—	—	—	—	—
One-year variable remuneration (2022 STI)	—	—	—	—	—	—	—	—	—	—	—	—
Multi-year variable remuneration	85	100%	—	418	44%	601	373	58%	394	725	72%	755
2018 bonus bank (3 years)	85		—	92	—	258	162	—	167	307	—	286
2017 share awards (4 years)	—		—	326	—	343	211	—	227	418	—	469
Payment made in compensation for claims under a previous contract of service	—	—	400	—	—	—	—	—	489	—	—	—
Pension payments	—	—	—	531	56%	491	265	42%	171	279	28%	258
Total remuneration (as defined by section 162 of the AktG)	**85**	**—**	**400**	**949**	**100%**	**1,092**	**638**	**100%**	**1,054**	**1,004**	**100%**	**1,013**

Total remuneration paid to former members of the Board of Management and their surviving dependants, for whom there were 10 (10) pension liabilities, came to EUR 2 (2) million in the year under review. A total of EUR 34 (47) million was set aside for pension liabilities.

Supervisory Board remuneration

Principles governing Supervisory Board remuneration

The remuneration for Supervisory Board members resolved by the Annual General Meeting is set out in Article 12 of the Company's Articles of Association. The remuneration system for the Supervisory Board was passed by a majority of 99.9% of the votes cast by the Talanx Annual General Meeting on 6 May 2021 and has been in use since 1 January 2021.

Members of the Supervisory Board receive purely fixed remuneration so as to reinforce the Supervisory Board's independence and ensure it is not subject to influence when performing its advisory and oversight functions. The fixed remuneration for all members of the Supervisory Board is EUR 100,000. In line with the recommendations set out in the German Corporate Governance Code, the Chairman of the Supervisory Board and his or her Deputies, and the chairs and members of committees, receive additional remuneration to appropriately reflect the greater time commitment involved. The Chairman of the Supervisory Board receives two-and-a-half times the base remuneration of a simple member of the Supervisory Board, while each of his or her deputies receives one-and-a-half times the base remuneration. The members of the Finance and Audit Committee and of the Personnel Committee receive additional remuneration of EUR 25,000 per annum each. The chairs of these committees receive double this amount. The attendance fee is EUR 1,000 per meeting and is paid only once where multiple meetings are held on the same day. Members are also entitled to receive the attendance fee if they participate in meetings by phone or via video conferences. All attendance fees are paid on the date of the meeting. Additionally, Supervisory Board members are included in D&O liability insurance for governing body members and certain Talanx Group employees that is taken out in an appropriate amount and paid for by the Company in the Company's interests. Furthermore, the Company reimburses all members of the Supervisory Board for any expenses incurred by them.

Remuneration awarded and due to Supervisory Board members

The following table shows the remuneration awarded and due to Supervisory Board members in financial year 2022, broken down by the individual remuneration components. In addition, the table shows the relative shares of the total remuneration accounted for by the remuneration components.

REMUNERATION AWARDED AND DUE TO THE SUPERVISORY BOARD

	Remuneration for Supervisory Board activity			Remuneration for work on committees			Attendance allowance			Supervisory Board payments by Group companies			Total remuneration	
in TEUR	2022		2021	2022		2021	2022		2021	2022		2021	2022	2021
Herbert K. Haas	250	49%	250	81	16%	100	12	3%	14	167	36%	187	510	551
Dr Thomas Lindner	150	71%	150	50	24%	50	11	5%	13	—	—%	—	211	213
Ralf Rieger	150	81%	150	25	14%	25	9	5%	8	1	1%	6	185	189
Antonia Aschendorf	100	78%	100	—	—%	—	5	4%	5	24	19%	30	129	135
Benita Bierstedt	100	69%	100	—	—%	—	5	3%	5	40	28%	40	145	145
Rainer-Karl Bock-Wehr	100	95%	100	—	—%	—	5	5%	5	—	—%	—	105	105
Sebastian L. Gascard	100	93%	100	—	—%	—	5	5%	5	2	2%	14	107	119
Jutta Hammer	100	74%	100	25	18%	25	9	7%	10	2	1%	9	136	144
Dr Hermann Jung	100	65%	100	44	29%	25	9	6%	9	—	—%	—	153	134
Dirk Lohmann	100	95%	100	—	—%	—	5	5%	5	—	—%	—	105	105
Christoph Meister	100	95%	100	—	—%	—	5	5%	5	—	—%	—	105	105
Jutta Mück	100	74%	100	25	19%	25	8	6%	9	2	1%	14	135	148
Dr Erhard Schipporeit	100	43%	100	25	11%	25	9	4%	10	96	42%	96	230	231
Prof. Jens Schubert	100	94%	100	—	—%	—	5	5%	5	1	1%	—	106	105
Norbert Steiner	100	75%	100	25	19%	25	8	6%	9	—	—%	—	133	134
Angela Titzrath	100	95%	100	—	—%	—	5	5%	5	—	—%	—	105	105

Comparison of changes in remuneration and earnings

In line with the requirements of section 162(1) sentence 2 no. 2 of the AktG, the following table compares the changes in the remuneration paid to members of the Board of Management, members of the Supervisory Board and employees, plus changes in the Company's earnings.

The remuneration shown for the Board of Management and Supervisory Board is the awarded and due remuneration in accordance with section 162 of the AktG.

The Talanx Group's workforce in Germany is used as the basis for the average employee remuneration shown. The employee remuneration shown comprises personnel expenses (not including the expenses for Board of Management remuneration) for wages and salaries, fringe benefits, employer contributions to social security funds, variable remuneration components attributable to the financial year and, in the case of share-based remuneration, the amounts paid in the financial year.

COMPARATIVE INFORMATION ON CHANGES IN THE REMUNERATION PAID TO MEMBERS OF THE BOARD OF MANAGEMENT, TO MEMBERS OF THE SUPERVISORY BOARD AND EMPLOYEES, AND IN EARNINGS

EUR thousand	2022	2021	Change 2022 v. 2021	Change 2021 v. 2020
Current members of the Board of Management				
Torsten Leue	2,486	2,337	+6.4%	+5.5%
Jean-Jacques Henchoz	2,845	1,885	+50.9%	–1.3%
Dr Wilm Langenbach	1,076	988	+8.9%	+767.0%
Dr Christopher Lohmann	2,713	1,178	+130.3%	+36.9%
Dr Edgar Puls	1,023	968	+5.7%	+37.5%
Caroline Schlienkamp (since 1 May 2022)	527	—	— %	—
Dr Jan Wicke	1,669	1,580	+5.6%	–3.9%
Former members of the Board of Management				
Sven Fokkema	85	400	–78.8%	–51.6%
Herbert Haas	949	1,092	–13.1%	+1.9%
Dr Immo Querner	638	1,054	–39.5%	–37.0%
Ulrich Wallin	1,004	1,013	–0.9%	–2.2%
Current members of the Supervisory Board				
Herbert K. Haas	510	551	–7.4%	+13.6%
Dr Thomas Lindner	211	213	–0.9%	+2.9%
Ralf Rieger	185	189	–2.1%	+3.3%
Antonia Aschendorf	129	135	–4.4%	+3.8%
Benita Bierstedt	145	145	— %	+4.3%
Rainer-Karl Bock-Wehr	105	105	— %	–2.8%
Sebastian L. Gascard	107	119	–10.1%	+5.3%
Jutta Hammer	136	144	–5.6%	+4.3%
Dr Hermann Jung	153	134	+14.2%	+3.1%
Dirk Lohmann	105	105	— %	+5.0%
Christoph Meister	105	105	— %	+5.0%
Jutta Mück	135	148	–8.8%	+4.2%
Dr Erhard Schipporeit	230	231	–0.4%	+14.4%
Prof. Jens Schubert	106	105	+1.0%	+5.0%
Norbert Steiner	133	134	–0.7%	+3.9%
Angela Titzrath	105	105	— %	+6.1%
Employees in Germany				
Average	94	89	+5.6%	+3.5%

EUR million	2022	2021	Change 2022 v. 2021	Change 2021 v. 2020
Earnings				
Talanx AG net income (HGB)	579	495	+17.0%	–10.5%
Group net income	1,172	1,011	+15.9%	+50.6%

[1] Adjusted in accordance with IAS 8, see the "Accounting policies" section of the Notes.

Auditor's Report

To Talanx AG, Hanover

We have audited the remuneration report of Talanx AG, Hannover, for the financial year from January 1, 2022 to December 31, 2022 including the related disclosures, which was prepared to comply with § 162 AktG [Aktiengesetz: German Stock Corporation Act].

Responsibilities of the Executive Directors and the Supervisory Board

The executive directors and the supervisory board of Talanx AG are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of § 162 AktG. The executive directors and the supervisory board are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts including the related disclosures stated in the remuneration report. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatement of the remuneration report including the related disclosures, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive directors and the supervisory board, as well as evaluating the overall presentation of remuneration report including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, based on the findings of our audit, the remuneration report for the financial year from January 1, 2022 to December 31, 2022, including the related disclosures, complies in all material respects with the accounting provisions of § 162 AktG.

Reference to an Other Matter – Formal Audit of the Remuneration Report according to § 162 AktG

The audit of the content of the remuneration report described in this auditor's report includes the formal audit of the remuneration report required by § 162 Abs. [paragraph] 3 AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the content of the remuneration report, this audit opinion includes that the information required by § 162 Abs. 1 and 2 AktG has been disclosed in all material respects in the remuneration report.

Restriction on use

We issue this auditor's report on the basis of the engagement agreed with Talanx AG. The audit has been performed only for purposes of the company and the auditor's report is solely intended to inform the company as to the results of the audit. Our responsibility for the audit and for our auditor's report is only towards the company in accordance with this engagement. The auditor's report is not intended for any third parties to base any (financial) decisions thereon. We do not assume any responsibility, duty of care or liability towards third parties; no third parties are included in the scope of protection of the underlying engagement. § 334 BGB [Bürgerliches Gesetzbuch: German Civil Code], according to which objections arising from a contract may also be raised against third parties, is not waived.

Hannover, March 13, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Mathias Röcker Wirtschaftsprüfer (German Public Auditor)	Janna Brüning Wirtschaftsprüferin (German Public Auditor)

Combined management report

Fundamental information about the Group

The Talanx Group's success is based on our distinct corporate culture and the strong regional diversification of our business and product mix.

The Talanx Group

Business model

The Talanx Group is a multi-brand provider in the insurance and financial services sector. It employed 23,669 people worldwide as at the 2022 year-end. The Group parent is Talanx AG, the listed financial and management holding company that is domiciled in Hannover. Talanx AG's majority shareholder (78.86%) is HDI V.a.G., a mutual insurance undertaking formed around 120 years ago. The free float including employee shares amounted to 21.14%.

Group companies write business in the classes of insurance specified in the Regulation on Reporting by Insurance Undertakings (BerVersV); in some cases the business is directly written, while in others it takes the form of reinsurance with a different geographical focus (see the graphic).

CLASSES OF INSURANCE WRITTEN BY THE GROUP

TALANX GROUP

LIFE	CASUALTY	LIABILITY	MOTOR	AVIATION [1]
LEGAL PROTECTION	FIRE	BURGLARY AND THEFT	WATER DAMAGE	PLATE GLASS
WINDSTORM	COMPREHENSIVE HOUSEHOLDERS	COMPREHENSIVE HOME-OWNERS	HAIL	LIVESTOCK
ENGINEERING	OMNIUM	MARINE	CREDIT AND SURETY [2]	EXTENDED COVERAGE [3]
BUSINESS INTERRUPTION	TRAVEL ASSISTANCE	AVIATION AND SPACE LIABILITY	OTHER PROPERTY	OTHER NON-LIFE

[1] Including space insurance.
[2] Reinsurance only.
[3] For fire and fire loss of profits insurance.

Talanx has its own companies or branch offices throughout the world and does business with primary insurance and reinsurance customers in more than 175 countries in all. Its retail business focuses firstly on Germany and, at an international level, primarily on the growth regions of Central and Eastern Europe (including Türkiye) and Latin America.

The Talanx Group's divisions operate their core processes independently. The main core processes in Industrial Lines, which has an international focus, and in the Reinsurance segments are product development, sales and underwriting, including the relevant technical supervision. The core processes in the Retail segments comprise product development, rate setting, sales, product management and product marketing. The Corporate Operations segment is responsible for asset management, corporate development, risk management, human resources, other services and intragroup reinsurance of the primary insurance segments.

Legal and regulatory environment

Insurance companies (in both primary and reinsurance), banks and asset management companies around the world are subject to comprehensive legal and financial oversight by supervisory authorities. In the Federal Republic of Germany, this task is performed by the Federal Financial Supervisory Authority (BaFin). In addition, there are extensive legal provisions governing the companies' business operations. The regulatory framework has been tightened further in recent years, a process that has led to increasing complexity. This trend continued in 2022.

The sale of insurance products is subject to extensive legal requirements. When collaborating with intermediaries, primary insurers must comply with the requirements of the Federal Financial Supervisory Authority (BaFin) circular 11/2018 on collaboration with insurance intermediaries and on risk management in sales, as well as with statutory provisions. Product monitoring and governance for insurance products are also regulated by the Commission Delegated Regulation (EU) 2017/2358. Regarding residual debt insurance, the Schwarmfinanzierungs-Begleitgesetz (German Crowdfunding Accompanying Act) enshrined a cap on commission in law that came into effect on 1 July 2022.

The BaFin circular 2/2017 (VA) on the official interpretation of the Minimum Requirements under Supervisory Law (MaGo) on the System of Governance of Insurance Undertakings explains high-level aspects of the system of governance as well as key terms such as "proportionality", "management boards" and "supervisory boards" from the supervisory authority's perspective. Although the MaGo is not directly legally binding, the Group takes the circular into consideration when designing its business organisation, especially in the areas of general governance, key functions, the risk management system, own funds requirements, the internal control system, outsourcing and emergency planning.

On the basis of the German Money Laundering Act (GwG), as the "parent company of the Group" HDI V.a.G. is responsible for ensuring that all Group companies obliged to prevent money laundering meet established minimum standards. The Group money laundering function rolls out a Group-wide risk analysis in accordance with the provisions of the GwG in all divisions on an ad hoc basis or at least yearly in the fourth quarter of each year and documents the risk-based measures of Group companies subject to money laundering prevention obligations. Quarterly Group-wide reporting also ensures that information is exchanged within the Group. The risk of the Group being abused for money laundering or terrorist financing purposes is considered low overall.

Digitalisation has become increasingly important in the last few years and the associated transition to digital, data-based business models as well as the resulting legal issues and challenges with a focus on IT security are playing an ever more significant role for HDI Group companies. In the circular dated 10/2018 relating to insurance supervisory requirements for IT (VAIT), BaFin provided information on the interpretation of the business organisation provisions in the German Insurance Supervision Act that relate to the companies' technical and organisational infrastructure. The same applies regarding the circular dated 11/2019 on supervisory requirements for IT in asset management (KAIT). These circulars are subject to ongoing modifications and additions. The Authority also published guidance on outsourcing to cloud providers. Furthermore, this year also saw regulatory initiatives introduced at EU level and in Germany for the development and use of artificial intelligence. These also affect the insurance industry and the development of these initiatives and the specific impact they have on the Talanx Group are being monitored.

The Talanx Group processes substantial volumes of personal data, for example during application and contract management and when making payments. Our data protection management system has been designed to guarantee compliance with data protection requirements such as the European Union's General Data Protection Regulation (GDPR) and the German Federal Data Protection Act (BDSG) by focusing on providing advice and monitoring observance. Employees have been made aware of the need for them to handle the data with due care (training) and are required to undertake in writing to adhere to data protection requirements. Uniform procedures must be observed in the case of data protection requirements that are not tied to specific processes, such as when outsourcing providers are commissioned. The same applies to customers', shareholders' and employees' data protection rights.

For the companies in the Talanx Group, observing the law is a precondition for doing business successfully in the long term. The Group focuses hard on ensuring that our business and products comply with statutory, supervisory and tax law requirements. The mechanisms established as part of this process ensure that future legal developments and their consequences for our business are identified and assessed sufficiently early to enable the necessary adjustments to be made.

As securities issuers, Talanx AG and other Group companies are subject to capital market supervision in Germany and Luxembourg, among other countries.

Group structure

The Group's business is divided into "Insurance" – which has six reportable segments – and a seventh segment, "Corporate Operations".

Primary insurance comprises three divisions – **Industrial Lines, Retail Germany** (which consists of the Property/Casualty Insurance and Life Insurance segments) and **Retail International**. A separate member of the Board of Management is responsible for each of the divisions.

Industrial Lines operates worldwide; it is largely independent of third companies and is capable of leading international consortia. The Retail Germany Division bundles insurance offerings for retail clients and small and medium-sized companies in Germany. The Retail International Division focuses on the strategic core markets of Latin America and Central and Eastern Europe (including Türkiye).

Our **Reinsurance** operations comprise the Property/Casualty Reinsurance and Life/Health Reinsurance segments, which are operated by Hannover Rück SE. The target markets for Property/Casualty Reinsurance are Europe, the Middle East and Africa, America as well as Asia-Pacific; in addition, the segment runs a number of global reinsurance lines and the specialty business worldwide. Life/Health Reinsurance is divided into the financial solutions and risk solutions units, which comprises longevity solutions, and mortality and morbidity insurance.

The **Corporate Operations** segment includes Talanx AG, which primarily performs strategic tasks and acts as the Group's internal reinsurer. In addition, the segment includes HDI AG as the employer company for the German Primary Insurance Group since 1 March 2022, and the reinsurance broker Talanx Reinsurance Broker GmbH, Ampega Asset Management GmbH and Ampega Investment GmbH; the Ampega companies primarily manage the Group's investments and offer financial and other services.

GROUP STRUCTURE

TALANX AG

GESCHÄFTSBEREICH INDUSTRIEVERSICHERUNG INDUSTRIAL LINES DIVISION	GESCHÄFTSBEREICH PRIVAT- UND FIRMENVERSICHERUNG DEUTSCHLAND RETAIL GERMANY DIVISION	GESCHÄFTSBEREICH PRIVAT- UND FIRMENVERSICHERUNG INTERNATIONAL RETAIL INTERNATIONAL DIVISION	GESCHÄFTSBEREICH RÜCKVERSICHERUNG REINSURANCE DIVISION	KONZERNFUNKTIONEN CORPORATE OPERATIONS
	SCHADEN/UNFALLVERSICHERUNG – PROPERTY/CASUALTY INSURANCE LEBENSVERSICHERUNG – LIFE INSURANCE		SCHADEN-RÜCKVERSICHERUNG – PROPERTY/CASUALTY REINSURANCE PERSONEN-RÜCKVERSICHERUNG – LIFE/HEALTH REINSURANCE	
HDI Global SE	HDI Deutschland AG	HDI International AG	Hannover Rück SE	HDI AG
HDI Global Specialty SE	HDI Versicherung AG	HDI Seguros S. A. (Argentina)	E+S Rückversicherung AG	Ampega Asset Management GmbH
HDI Versicherung AG (Austria)	Lifestyle Protection AG	HDI Seguros S. A. (Brazil)	Hannover ReTakaful B. S. C. (c) (Bahrain)	Ampega Investment GmbH
HDI Global Seguros S. A. (Brazil)	neue leben Unfallversicherung AG	HDI Seguros S. A. (Chile)	Hannover Re (Bermuda) Ltd.	Talanx Reinsurance Broker GmbH
HDI Global Seguros S. A. (Mexico)	LPV Versicherung AG (formerly PB Versicherung AG)	HDI Seguros S. A. (Colombia)	Hannover Africa Limited	
HDI Global Insurance Limited Liability Company (Russia)	TARGO Versicherung AG	HDI Seguros S. A. de C. V. (Mexico)	Hannover Life Re of Australasia Ltd.	
HDI Global SA Ltd. (South Africa)	HDI Lebensversicherung AG	HDI Seguros S. A. (Uruguay)	Hannover Life Reassurance Bermuda Ltd.	
HDI Global Insurance Company (USA)	HDI Pensionskasse AG	TUiR WARTA S. A. (Poland)	Hannover Re (Ireland) DAC	
HDI Global Network AG	Lifestyle Protection Lebensversicherung AG	TU na Życie WARTA S. A. (Poland)	Hannover Re South Africa Limited	
HDI Reinsurance (Ireland) SE	neue leben Lebensversicherung AG	TU na Życie Europa S. A. (Poland)	Hannover Life Reassurance Company of America	
	LPV Lebensversicherung AG (formerly PB Lebensversicherung AG)	TU Europa S. A. (Poland)		
	HDI Pensionsfonds AG (formerly PB Pensionsfonds AG)	HDI Assicurazioni S. p. A. (Italy)		
	HDI Pensionsmanagement AG	HDI Italia S. p. A.		
	TARGO Lebensversicherung AG	Magyar Posta Biztosító Zrt. (Hungary)		
		Magyar Posta Életbiztosító Zrt. (Hungary)		
		HDI Sigorta A. Ş. (Türkiye)		

Nur die wesentlichen Beteiligungen
Main participations only

Stand/As at: 31.12.2022

Strategy

The Talanx Group is active in primary insurance and reinsurance around the world in both the property/casualty and life insurance businesses. In the more than 100 years of our history, we have evolved from a pure-play liability insurer for industry into a global insurance group with a focus on industrial and retail lines and the reinsurance business. We attach particular importance to close collaboration with our industrial partners and retail clients, many of whom have worked with us for many years, in order to provide them with the best possible service. The Talanx Group optimises the relationship between insurance and reinsurance as an integral component of our business model with the aim of consistently enhancing our opportunity/risk profile and improving capital efficiency. The composition of the Group's portfolio ensures that we have sufficient independent risk capacities in all market phases to support our clients reliably and over the long term and to tap into promising markets. This diversification approach bolsters our independence, minimises our exposure to risk and enables us to sustainably grow the Group's success to the benefit of clients, investors and employees.

The Group parent is Talanx AG, a financial and management holding company. It ensures that the Group achieves its primary objective – sustainable, profitable growth and long-term value creation. This is also the guiding principle for all divisional strategies, which are based on the Group strategy. The Talanx Group's organisation centralises Group management and service functions while delegating responsibility for earnings to the divisions. This organisational structure, which offers the individual divisions a high level of entrepreneurial freedom and responsibility for earnings, is key to the Talanx Group's success as it enables the individual divisions to take maximum advantage of their growth and profit opportunities.

While the Talanx brand is oriented towards the capital market, the high level of national and international product expertise, forward-looking underwriting policy and strong distribution resources of our operational divisions are reflected in a multi-brand strategy. This enables us to align ourselves optimally to the needs of different client groups, regions and cooperation partners. It also ensures that new companies and/or business sectors can be efficiently integrated into the Group. This structure also creates a good basis for cooperation, in particular with a wide range of partners and business models.

Guided by the principle "from stabilisation to acceleration", we are resolutely maintaining our growth trajectory through the 2025 Group strategy and setting more ambitious growth and profitability targets. The Group as a whole aims for a return on equity (in accordance with IFRS) of at least 10% in order to ensure long-term value creation. Our objective is to increase Group net income by at least 25% by 2025, underpinned by focused divisional strategies and strategic growth initiatives. We want to increase the dividend per share for financial year 2022 to EUR 2.00 (+25% year on year) and steadily raise it to EUR 2.50 by 2025 (+25% on 2022). As strategic subsidiary conditions, we have also set ourself the goal of achieving limited market risk (≤ 50%) and a high regulatory solvency ratio (150%–200%).

Our strengths, and by that measure the basis of our success, include the Group's distinctive entrepreneurial corporate culture with clear local responsibilities, the focus on B2B business – the source of over 80% of our premiums – and strong regional diversification in terms of business and product mix.

Ongoing capital management optimisation is also an integral part of the 2025 strategy. The main focus here is on boosting profit and loss transfers from primary insurance in order to maximise financial flexibility within the Group, provide solid capital resources at all times and being able to pay dividends in the long term. Capital for expanding business is used only where the strategic and profitability criteria have been met. Business decisions are managed in such a way that capital and liquidity are transferred to the holding company whenever possible. For this purpose, both the Group capital structure and local capital resources of our subsidiaries are optimised on an ongoing basis. In addition, we pool the reinsurance requirements for primary insurance on an intragroup basis at the holding company in order to take advantage of capital and diversification effects throughout the Group.

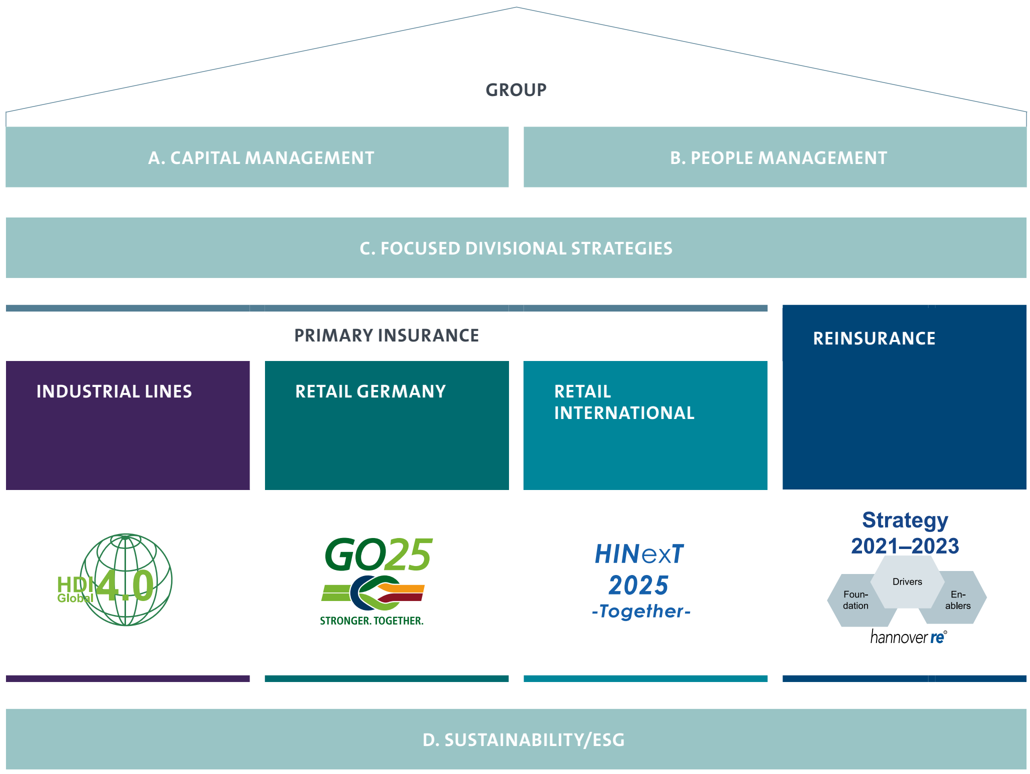
People management is another key focus of our 2025 strategy. With our people strategy, we think about recruiting holistically and in terms of target groups ("hire"). We offer our employees targeted, attractive development pathways ("develop"). We inspire our employees to actively work to develop our culture and encourage entrepreneurship ("inspire"). To do so, we provide the freedom and scope necessary and bring our culture to life ("xperience"). One particular focus area here is diversity, a way of drawing on our differences as a strength for the Group's long-term development. Additional details on our people management strategy can be found in the section "Consolidated non-financial statement", page 86.

The strategies of the individual divisions were further refined and focussed. The "HDI Global 4.0" strategy positions us as a leading partner to international insurance programmes and service provider for captives in the Industrial Lines Division. Our profitability-driven underwriting policy is combined with an efficient cost structure. Specialty insurance remains a key growth area. In industrial business, we believe there is particular growth potential in North America, Europe, Australia and selected emerging markets. The Retail Germany Division is continuing to focus on its "Go25" strategy. As well as substantial growth in business with small and medium-sized enterprises (SMEs), its main aim here is to establish additional cooperation and organic growth in the area of banking partnerships. In the Retail International Division, we aim to continue our strong growth through the "HINexT 2025" strategy while also further advancing diversification. Our goal is to position ourself as a leader in the five defined core markets in Latin America and in central and eastern Europe, i.e. to be one of the top five providers in property/casualty insurance. This is to be achieved by means of profitable organic and non-organic growth. Working with its "Strategy 2021 – 2023", the Reinsurance Division is concentrating on building further on its existing strengths, particularly with regard to competitiveness and profitability. Making consistent use of diversification benefits and continuing to expand integrated and innovative reinsurance offers plays a key role in this. In addition, as a long-term majority shareholder in Hannover Rück SE, our goal is to consolidate and selectively expand that company's position as a global player.

As an international insurance group and long-term investor, the Talanx Group has long been committed to responsible corporate governance designed to ensure sustainable value creation. Sustainability is a central pillar of the Group strategy. The sustainability approach is based on the targeted implementation of sustainability and ESG (environment social and governance) aspects in the areas of investment, underwriting and operations, and in the Group's corporate social responsibility (CSR) activities. Our goal for investment and insurance business is to achieve net zero by 2050. At our facilities, we are following our "net zero 2030" target worldwide. Our social focus is primarily on "diversity, equity and inclusion" and (employee) training. Additional information on our sustainability strategy can be found in the "Consolidated non-financial statement" section, page 86.

The risk strategy is explained in the "Risk report" section, page 116, and so is not described in more detail here.

TALANX GROUP STRATEGY



Enterprise management

The Talanx Group's strategy is geared towards long-term value creation for all Group stakeholders (and in particular investors, clients and employees). To achieve this, we focus on continuity, financial strength and profitability. At the same time, we also take the regulatory demands placed on insurance undertakings and rating agencies' expectations into account. Our system of targets is based on four pillars:

- Financial strength
- Sustainable growth
- Long-term value creation
- Optimal capital efficiency

Our end-to-end, integrated management system is designed to help us achieve these goals. It focuses primarily on four fundamental management processes that govern the interactions between Talanx AG and the divisions:

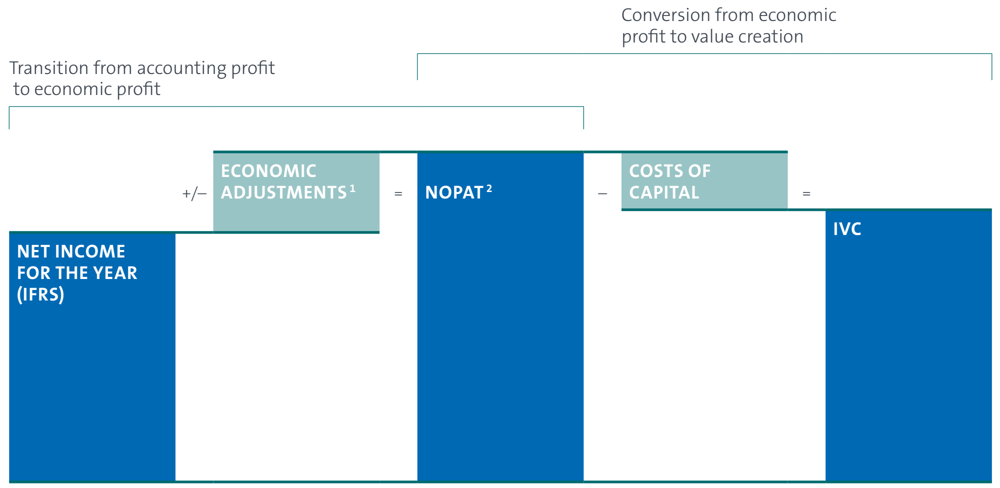
- Capital management
- Performance management
- Risk management
- Mergers & acquisitions

This interplay between Talanx AG and the divisions is underpinned by the Talanx Group's guiding organisational principle, which centralises Group management functions while delegating responsibility for earnings to the divisions.

We measure our Group's financial position using our Solvency 2 ratios and the S&P rating model.

In addition, we use Intrinsic Value Creation (IVC)[1] to manage long-term growth in value and profitability, and to improve the Group's capital efficiency. This metric enables us to compare the different business models used by our Group companies. We use a five-year average when applying it so as to ensure that our management decisions are not based on the results for one year only, which could prove to be excessively volatile. The IVC measures economic net income net of the cost of capital. In addition to net income for the financial year under the IFRSs, economic net income takes into account the change in unrealised gains and losses on assets and liabilities for both investments and underwriting (see the calculation in the graphic below). It can be broken down into the risk-free interest rate (the five-year average for ten-year German government bonds), a friction cost rate and an additional risk margin. The cost rates are based on a value at risk of 99.5%, in line with the supervisory confidence level.

RECONCILIATION OF NET INCOME FOR THE YEAR (IFRS) TO IVC



[1] Economic adjustments, e.g. change in the loss reserve discount.
[2] NOPAT: Net Operating Profit after Adjustment and Tax (economic profit).

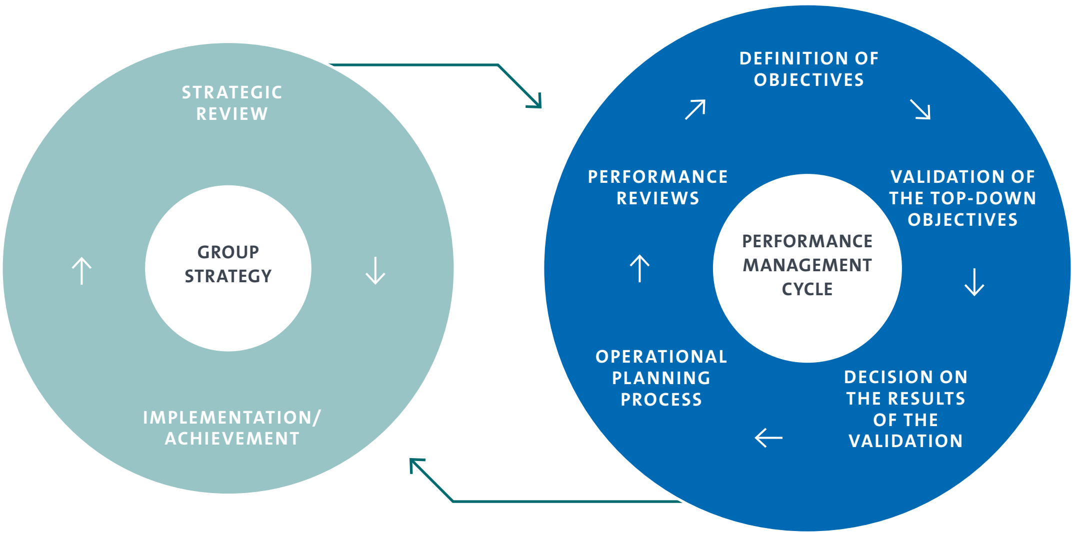
[1] On introducing IFRS 17, the IVC calculation will be revised

Performance management

Performance management is at the core of our central management system. It ensures efficient, systematic Group management and links business activities at Group and division level with our strategic goals.

The performance management cycle combines our strategic and operational planning and is closely integrated with our Group strategy. It took the following form in the reporting period:

PERFORMANCE MANAGEMENT CYCLE



At the start of the annual performance management cycle, Talanx AG's Board of Management gives the divisions indicative objectives for the strategic and operative planning modules for the planning year concerned in order to enable them to align their business activities with the strategy. These objectives are derived from the Group's strategic management metrics and initiatives. The strategic management metrics include the return on equity (RoE) and the dividend. A risk budget and a minimum capital adequacy figure are also defined, providing the accompanying framework for these management metrics. Taken together, the indicative objectives formulated by the holding company's Board of Management therefore clearly define its expectations as to profitability, the ability to pay dividends, risk appetite and the level of security for each planning year.

After the indicative objectives have been set, the objectives defined are validated by the divisions in terms of their feasibility and then set by the Talanx Board of Management as the basis for operational planning.

The Group and the divisions use the management dashboard for business management. The management dashboard bundles all key strategic and operational management metrics, thereby providing an overview of whether the objectives of the Group and the divisions can be achieved sustainably. Running through the performance management process using the management dashboard allows us to ensure end-to-end, uniform management for the entire Group. All areas of the Group are aligned with the strategic objectives and presented in a transparent and balanced manner with the help of measurable metrics. For operational management, we translate our strategic objectives into operational value drivers that are consistent with the strategy.

The operational management metrics at Group and division level shown in the following table are purely financial performance indicators.

OPERATIONAL MANAGEMENT METRICS USED IN THE GROUP[1]

INDUSTRIAL LINES DIVISION	RETAIL GERMANY DIVISION		RETAIL INTERNATIONAL DIVISION	REINSURANCE DIVISION		GROUP
	PROPERTY/ CASUALTY INSURANCE SEGMENT	LIFE INSURANCE SEGMENT		PROPERTY/ CASUALTY REINSURANCE SEGMENT	LIFE/HEALTH REINSURANCE SEGMENT	
Gross premium growth (adjusted for currency effects)	Gross premium growth	Gross premium growth	Gross premium growth (adjusted for currency effects, property/casualty insurance only)	Gross premium growth (adjusted for currency effects)	Gross premium growth (adjusted for currency effects)	Gross premium growth (adjusted for currency effects)
—	—	—	—	—	New business value	Group net income
Combined ratio (net)	Combined ratio (net)	—	Combined ratio (net, property/ casualty insurance only)	Combined ratio (net)	—	Net return on investment
—	—	—	—	—	—	Payout ratio
Return on equity	Return on equity		Return on equity	Return on equity		Return on equity

[1] With the introduction of IFRS 17, the management metrics will change in 2023 (for more details, see the report on expected developments and explanations in the notes).

Combined ratio (net, property/casualty insurance)
Total net acquisition and administrative expenses including the net amount of net interest income on funds withheld and contract deposits, and claims and claims expenses, divided by earned premiums (net).

Gross premium growth (adjusted for currency effects)
The growth in gross written premiums (GWP) is defined as nominal growth adjusted for currency effects: GWP for the current year at the prior year exchange rate minus GWP (prior year), divided by GWP (prior year).

Group net income
Consolidated net income for the period (after financing costs and taxes) not including non-controlling interests.

Net return on investment
The ratio of net investment income excluding interest income on funds withheld and contract deposits and profit on investment contracts to average assets under own management.

New business value (life insurance)
The present value of net income for future periods not including non-controlling interests that is generated from the new business portfolios in the current year. This is calculated on the basis of the same operational assumptions as those used to determine the Solvency 2 own funds at the end of the financial year.

Return on equity
The ratio of net income for the period (after financing costs and taxes) not including non-controlling interests to average equity not including non-controlling interests.

Payout ratio
Payout in the following year, divided by Group net income for the period.

Report on economic position

Our Group boosted its profitability in 2022: Group net income rose by 15.9 percent, while our return on equity is now 12.9 percent.

Markets and business climate

Macroeconomic development

With the emergence of the less dangerous omicron variant, high vaccination rates and the gradual lifting of pandemic restrictions, the groundwork seemed to be laid at the start of 2022 for a continuation of the previous year's post-Covid upturn. However, Russia's war in Ukraine and the surge in energy and foodstuff raw materials that this prompted caused the economic outlook to deteriorate significantly. Hampered by record-high inflation and restrictive monetary policy, the global economy is expected to have grown by just 3.4% year on year in 2022 after a record 2021 (up 6.2%).

In Germany, (energy-intensive) industry was hit particularly hard by this, with output still nearly 9% below pre-pandemic levels. Encouraged by extensive fiscal stimulus (including energy assistance, EUR 9 ticket) and high savings after being unable to spend during the pandemic, private households increased consumer spending by 4.6% year on year despite considerable price pressure, the highest figure since German reunification. In connection with strong domestic demand, import growth exceeded export growth despite a weaker euro. In turn, gloomier household and business sentiment and a sharp rise in interest rates resulted in investment virtually stagnating in 2022, with construction investment actually declining. In part due to greater dependency on Russian pipeline gas, the supply of which almost came to a complete halt in the summer, German gross domestic product (GDP) growth of 1.9% was lower than that of the previous year (up 2.6%) and that of the eurozone as a whole (up 3.3%) in the year under review.

In the US, GDP contracted in the first two quarters of 2022, pushing the economy into a technical recession. Nevertheless, growth in private consumer spending and investment (excluding house building) in this period and the robust labour market (plus 4.8 million new jobs) indicated that the US economy did not experience broad weakness in the previous year. However, headwind caused by high inflation and the Fed's ever-tighter monetary policy from March onwards meant that growth in 2022, at 2.1%, fell far short of the record year 2021 (up 5.9%).

In contrast to industrialised countries, growth in emerging markets in 2022 was lower than the average for recent years, although the picture here was mixed. Eastern European countries brought up the rear, led by the warring countries Russia and Ukraine, while countries that export commodities – such as those in Latin America – took the lead thanks to the global commodities price rally. Chinese growth fell to its second-lowest figure in almost 50 years (up 3.0%) on account of the country's strict zero Covid policy that remained in place until December and turbulence on the property market.

REAL GDP

% change year-on-year	2022 [1]	2021
Germany	+1.9	+2.6
Eurozone	+3.3	+5.3
USA	+2.1	+5.9
China	+3.0	+8.4

[1] Provisional figures as at 7 February 2023.

Strong demand growth in connection with the post-pandemic recovery, an only gradual easing of supply chain tensions and the commodity price shock resulted in new inflation records being set in 2022. For example, while the average European gas price was less than EUR 20/Mwh before 2020, even before the outbreak of war this rose to more than EUR 70/MWh at the end of 2021 and peaked at EUR 311/Mwh in 2022. This caused eurozone inflation to hit 10.7% at its peak, averaging 8.4% in 2022 – the highest since the currency union was formed. In the US, broad price pressure due to high demand and rising wages resulted in peak inflation of 9.1% (2022 annual average: at 8.0%, 4-decade high).

As well as numerous other central banks around the world, the Fed and the ECB also changed their monetary policy course in 2022. The Federal Reserve increased its prime rate at a speed unparalleled since the 1980s, raising it from 0.00–0.25% to 4.25–4.50%. The ECB ended its phase of negative prime rates that began in 2014 and increased the deposit rate from –0.50% to 2.00%. For the first time since 2011, commercial banks thus again received positive interest rates on their deposits at the central bank.

Capital markets

International stock markets suffered substantial price losses in February/March in response to the outbreak of war and were unable to recover the initial losses over the course of the year (DAX down 12.4%; EURO STOXX down 14.5%; S&P 500 down 19.7%). Emerging markets' performance was even worse (MSCI EM down 21.8%), although this varied by region as a result of the direct and indirect impact of the war in Ukraine and China's Covid policy (MSCI China down 22.1%; MSCI Latin America down 0.1%; MSCI Eastern Europe down 82.9%, all in USD).

Other than regional developments, this weak stock market performance primarily reflected central banks' shift away from loose monetary policy, which also brought about substantial price losses on bond markets at the same time. For example, yields on ten-year US Treasuries climbed from 1.51% to 4.24% at their peak, ending the year at 3.87%. Yields on German government bonds with the same maturity moved out of negative territory in 2022, increasing from –0.18% to 2.57%. In line with the prices of many other commodities, at its peak the price of oil (Brent) surged from USD 78 to USD 128 a barrel, although it closed the year at USD 86 a barrel, only around 10% higher than at the start of the year. The euro temporarily fell below parity with the US dollar for the first time in 20 years and declined by 5.9% over the year to USD 1.07.

German insurance industry

Property/Casualty Insurance

2022 saw higher property/casualty insurance premium growth in the German insurance industry than in the prior year. Overall performance was affected by inflation-related premium and sum adjustments. The motor vehicles business saw a rise in nominal premiums, although there were fewer new registrations and changes of registrations than in the previous year.

Claims expenses as a whole were lower than in the prior year. In terms of natural hazards, German property insurers experienced fewer extreme events in 2022 compared to the previous year and so this figure was only marginally above the long-term average. The "Ylenia", "Zeynep" and "Antonia" winter storms at the start of the year were responsible for the worst natural hazard losses.

Life Insurance

Premium income in the German life insurance industry in 2022 was lower than in the prior year, primarily a result of weak performance in single premium business. By contrast, regular premium business saw slight growth. Investment conditions on the capital market improved for life insurers in 2022, although the positive effect of higher market interest rates on investments will be seen only over time. Profitability remains under strain for the time being from the previous prolonged period of low interest rates.

International insurance markets

The Talanx Group has defined the regions of Europe and Latin America as target regions for expanding its international retail business. Talanx is further expanding its global presence in industrial insurance. The following section focuses primarily on developments in these international target regions.

Property/Casualty Insurance

International property/casualty insurance proved resilient in the face of the macroeconomic environment. Despite high global inflation, overall real premium growth was positive in 2022. Industrial business particularly benefited from continued market hardening. Growth in emerging markets was higher than in developed insurance markets.

Of the developed insurance markets, **Asia-Pacific** recorded the strongest growth. **North America** also saw positive real premium growth. In **Europe**, on the other hand, premium growth was lower than inflation. Positive real premium growth in emerging markets was driven by growth both in **China** and in **Latin America**.

Losses caused by natural disasters were lower in the year under review than in the prior year but once again higher than the ten-year average. More than a third of total losses and about half of global insured losses were the result of hurricane "Ian" in the US and Cuba at the end of September. Europe was hit by the winter storms "Ylenia", "Zeynep" and "Antonia", as well as hail storms in France and in neighbouring Spain, in 2022.

International property/casualty reinsurance also generated positive premium growth in the year under review. In light of increased macroeconomic uncertainty, the continued trend towards higher single losses from natural disasters and, in particular, developments in inflation, the trend towards price increases – which had already set in in previous years – continued during treaty renewal rounds through the year.

Life Insurance

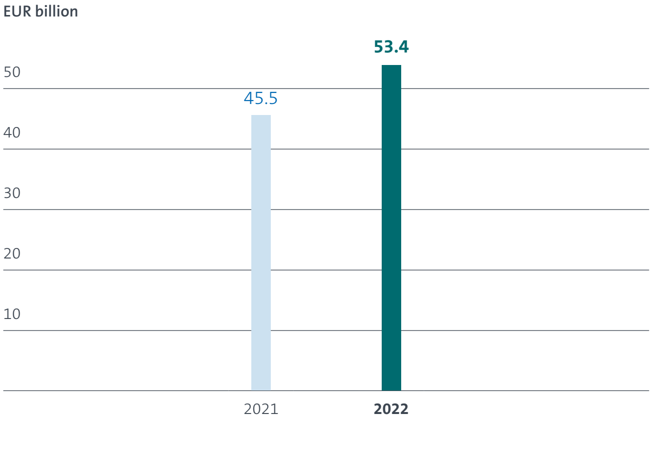
Premium income on **international life insurance markets** was down on the previous year on account of the challenging business environment. The decline in total premiums is attributable primarily to the developed insurance markets. In particular, **Europe** and **Asia-Pacific** reported lower premium income. **North America**, by contrast, saw positive growth that exceeded inflation. Premium income in emerging markets was slightly higher than inflation rates. This is true both of **China** and for other emerging markets in **Asia** and **Latin America**.

International life/health reinsurance continued to be affected by the negative effects of the Covid-19 pandemic in 2022, although less so than in the previous year. Despite the additional macroeconomic challenges, premium growth was positive.

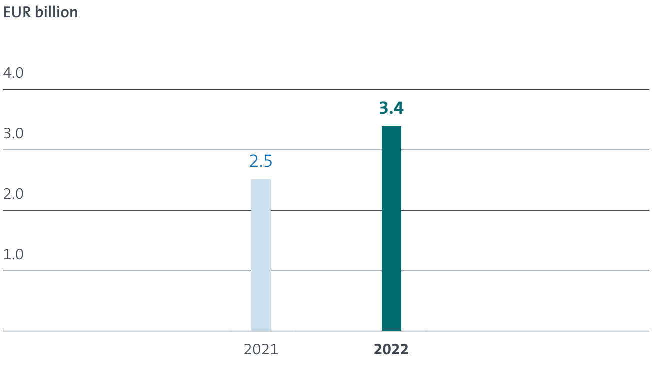
Business development

The Group continues to enhance profitability in primary insurance both in Germany and abroad. The Industrial Lines Division is focussing on systematic profitability in its business combined with an efficient cost structure, growth in international business and in the area of specialty insurance. The Retail Germany Division is continuing to focus on its strategy. It aims to generate further growth in business with small and medium-sized enterprises (SMEs) and organic growth in the area of banking partnerships. The Retail International Division looks set to see its strong growth continue and further advance diversification with the aim of being one of the top five in property/casualty insurance in our core markets. The Reinsurance Division is concentrating on building on its existing strengths by making consistent use of diversification benefits and on expanding integrated and innovative reinsurance offers, particularly with regard to competitiveness and profitability. Group net income (EUR 1,172 million) and operating profit (EUR 3,372 million) rose by 15.9% and 37.4% respectively despite challenging conditions; gross written premiums increased by 17.4% to EUR 53.4 billion.

GROSS WRITTEN PREMIUMS



OPERATING PROFIT/LOSS (EBIT)



AM Best upgrades financial strength rating

The international rating agency AM Best has upgraded the credit ratings of HDI V. a. G., Talanx AG and its rated subsidiaries as follows: The Financial Strength Rating has been upgraded to "A+" (superior) from "A" (excellent), and the Long-Term Issuer Credit Ratings to "aa–" (superior) from "a+" (excellent).

According to AM Best, the rating ugrades reflect a consistent strengthening of balance sheet fundamentals over the past few years, underpinned by a prudent risk management and strong and stable operating performance.

Talanx Group raises its sights significantly

The Talanx Group is significantly raising its sights for the next three years with its new Strategy 25: the goal is for the Group's return on equity to permanently exceed 10 %, Group net income should rise by more than 25 % to approximately EUR 1,600 million by the end of financial year 2025. The Board of Management will propose a dividend increase of 25 % to EUR 2.00 (1.60) for financial year 2022 to the 2023 General Meeting and is aiming for a further overall increase of 25 % over the next three years, bringing the target dividend for financial year 2025 to EUR 2.50. A new human resources strategy that focuses on attracting specialists and on leveraging the opportunities offered by diversity and new work is to flank these strategic Group goals.

Talanx Group finances sustainable mobility in Rostock in 2022

As a cooperation partner for municipal corporations the Talanx Group is investing over EUR 60 million in the purchase of new, passenger-friendly streetcars for local public transport in Rostock. By providing funding for the trams, the Group is demonstrating its commitment to preserving an efficient, emissions-reducing public transport system and thus promoting mobility solutions in the context of a shift towards sustainable green transport policies.

Energy security and sustainable energy infrastructure

The Talanx Group finances a large energy link project via Ampega Asset Management GmbH. In the financial closing, a consortium of 20 national and international financial institutions agreed to the joint financing. The Group is represented by Ampega as the largest commercial lender in EUR – and thus commits to sustainable energy infrastructure and energy security.

Group's course of business

- Gross written premiums rise by 17.4%
- Return on equity at 12.9%, above the 10% target
- Dividend of EUR 2.00 proposed to Annual General Meeting

GROUP KEY FIGURES

EUR million	2022	2021	+/–
Gross written premiums	53,431	45,507	+17.4%
Net premiums earned	44,722	37,863	+18.1%
Underwriting result	–792	–2,195	+63.9%
Net investment income	3,700	4,718	–21.6%
Operating profit/loss (EBIT)	3,372	2,454	+37.4%
Combined ratio (net, property/casualty only) in %	98.9	97.7	+1.2 ppts

MANAGEMENT METRICS

%	2022	2021	+/–
Gross premium growth (adjusted for currency effects)	13.2	11.8	+1.4 ppts
Group net income in EUR million	1,172	1,011	+15.9%
Net return on investment	2.6	3.4	–0.7 ppts
Return on equity	12.9	9.6	+3.3 ppts
Payout ratio 1	43.2	40.1	+3.1 ppts

[1] Based on the appropriation of distributable profits, see the "Other disclosures" section of the Notes, page 244.

Premium volume

Gross written premiums in the Group climbed by 17.4% – 13.2% adjusted for currency effects – in the year under review to EUR 53.4 (45.5) billion; net premiums earned rose by 18.1% to EUR 44.7 (37.9) billion. This growth was driven chiefly by the Industrial Lines, Retail International and Property/Casualty Reinsurance segments. Retention remained almost on par with the prior year at 87.7% (87.8%).

Underwriting result

The underwriting result improved by 63.9% to EUR –792 (–2,195) million, among others because loss expenditure for Covid-19 claims in the Life/Health Reinsurance segment declined considerably, Covid-19 reserves in the Property/Casualty Reinsurance were reversed and the addition to provisions for premium refunds from policyholder participation in net investment income in the Life segment of the Retail Germany Divison decreased significantly. Large losses came to EUR 2,176 (1,745) million, exceeding the large loss budget for the reporting period of EUR 1,810 million mainly due to the negative impact of Russia's war in Ukraine. Losses from natural disasters totalled EUR 1,529 (1,261) million, with losses from the war in Ukraine – mainly in the Property/Casualty Reinsurance segment – coming to EUR 367 million. The combined ratio rose by 1.2 percentage points year on year to 98.9% (97.7%).

Net investment income

Net investment income was EUR 3.7 (4.7) billion. Ordinary investment income rose by EUR 611 million, primarily due to higher income from inflation-linked bonds. However, this did not offset the decline in extraordinary investment income (EUR –1.6 billion, of which EUR –1.3 billion from disposals, chiefly in the Retail Germany Division/Life segment and in the Reinsurance Division). Investments in a joint venture in the private equity sector contributed to net gains. EUR 558 million of this was recognised in net investment income and EUR 518 million in other income/expenses. Net return on investment amounted to 2.6% (3.4%).

Operating profit and Group net income

Operating profit (EBIT) climbed by 37.4% to EUR 3.4 (2.5) billion in the reporting period, thanks mainly to improved profitability in the Industrial Lines and Retail International divisions, the contribution of unlisted shareholdings' portfolios to a joint venture in the Property/Casualty Reinsurance segment and lower negative Covid-19 effects in Life/Health Reinsurance.

Despite challenging conditions, due in part to the high large losses, Group net income rose to EUR 1,172 (1,011) million. The Primary Insurance Group's share of Group net income was virtually unchanged on the previous year at 43% (45%). Return on equity was 12.9% (9.6%).

Comparison of actual business development with the 2022 forecast

MANAGEMENT METRICS FOR THE GROUP

%	2022	Forecast for 2022 from the 2021 Annual Report
Gross premium growth [1] (adjusted for currency effects)	13.2	medium single-digit growth
Group net income [2] in EUR million	1,172	1.050 – 1.150
Net return on investment [3]	2.6	~ 2,4
Return on equity [4]	12.9	~ 10
Payout ratio	43.2	35 – 45

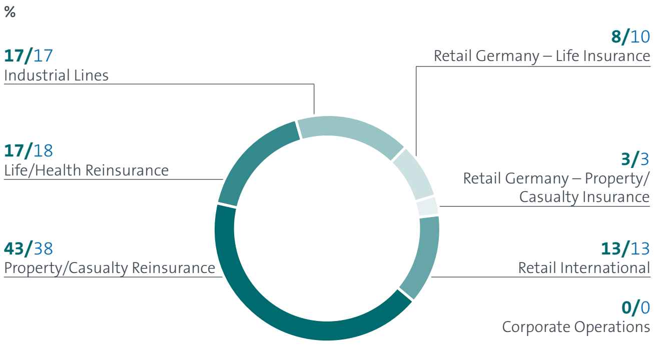
[1] The forecast was adjusted to "~ 10% (> EUR 50 billion)" during 2022.
[2] The forecast was adjusted to "at the upper end of the range between EUR 1,050 million and EUR 1,150 million" during 2022.
[3] The forecast was adjusted to "~ 2,5%" during 2022.
[4] The forecast was adjusted to "> 10%" during 2022.

Gross premiums in the year under review (adjusted for currency effects) were 13.2% higher than the guidance, which was raised to "high single-digit percentage growth" in 2022. At EUR 1,172 (1,011) million, Group net income was also slightly higher than expected for the reporting period. Net return on investment (2.6%) and return on equity (12.9%) both exceeded the forecasts of around 2.4% and 10% respectively. The Board of Management and Supervisory Board are proposing a dividend of EUR 2.00 (1.60) per share to the General Meeting. The payout ratio, which is based on IFRS earnings per share and the proposal to the General Meeting, is 43.2% (40.1%), in line with the strategic target range of 35% to 45%.

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 for details of these segments' structure and scope of business. Employees from employer companies in the German Talanx Primary Insurance Group were merged in HDI AG from 1 March 2022.

GROSS PREMIUMS BY SEGMENT [1]



2022/2021

[1] After elimination of intragroup cross-segment transactions.

Industrial Lines

- Premium growth essentially driven by specialty, third-party liability and property business
- Underwriting result improves thanks to good performance in frequency losses
- Net investment income down on previous year, as expected, after extraordinarily high income from private equity

KEY FIGURES FOR THE INDUSTRIAL LINES DIVISION

EUR million	2022	2021	+/–
Gross written premiums	8,913	7,560	+17.9%
Net premiums earned	4,402	3,428	+28.4%
Underwriting result	191	46	+316.3%
Net investment income	254	300	–15.1%
Operating profit/loss (EBIT)	252	196	+28.3%

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%	2022	2021	+/–
Gross premium growth (adjusted for currency effects)	12.9	14.0	–1.1 ppts
Combined ratio (net)	95.7	98.7	–3.0 ppts
Return on equity	9.5	6.7	+2.9 ppts

Market developments

Industrial insurance business in the 2022 financial year was dominated by macroeconomic risks and natural disasters. At the same time, prices and conditions in almost all regions and lines developed well on the market. Capital markets were affected chiefly by the conflict in Ukraine, rising inflation and the resulting monetary policy about-turn by many central banks.

Premium volume

Gross written premiums in the Industrial Lines Division amounted to EUR 8.9 (7.6) billion as at 31 December 2022, and were therefore higher than expected. They increased by EUR 1.3 billion, or 17.9% (adjusted for currency effects: 12.9%). Increases in premiums were essentially generated as a result of growth in specialty, third-party liability and property business. Growth was driven by new business and significant rate increases, further improving profitability. Net premiums earned saw a disproportionate rise in comparison to gross written premiums due to higher retention in specialty, increasing by 28.4%/EUR 1.0 billion to EUR 4.4 (3.4) billion.

Underwriting result

At EUR 191 (46) million, the net underwriting result was up considerably on the previous year. The (net) loss ratio improved 77.0% (80.9%), essentially a result of the positive claims experience in the frequency range and the continued profitability of the portfolio. This offset the higher loss expenditure across all lines due to growth and inflation, as well as the fact that the large loss budget was exceeded by EUR 52 (96) million. An inflation-related revaluation of the loss reserve was covered by existing loss reserves. Major large loss events were the flood in Australia, hurricanes “Ian” and “Fiona” as well as a provision for potential negative effects in connection with Russia’s war in Ukraine. The net cost ratio increased to 18.7% (17.7%) due to higher retention in specialty. The combined ratio was 95.7% (98.7%).

Net investment income and other income/expenses

Total net investment income in the 2022 financial year came to EUR 254 (300) million. After an excellent prior year, both ordinary income in the area of private equity and realised gains from disposals of securities declined as expected. By contrast, current interest income from fixed-income securities picked up.

At EUR –194 (–149) million, other income/expenses were down considerably on the previous year. In particular, the year under review was negatively affected by foreign exchange losses of EUR 54 (19) million) and higher prices as a result of growth.

Operating profit and Group net income

At EUR 252 (196) million, EBIT exceeded our expectations in the year under review thanks to the effects described above, essentially a result of the improved underwriting result. The Industrial Lines Division’s share of Group net income was EUR 177 (143) million, thereby making a positive contribution to Group net income.

Comparison of actual business development with the 2022 forecast

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%	2022	Forecast for 2022 from the 2021 Annual Report
Gross premium growth (adjusted for currency effects)	12.9	> 7
Combined ratio (net)	95.7	< 98
Return on equity [1]	9.5	~ 8

[1] The forecast was adjusted to "> 8%" during 2022.

Gross premium growth was up 17.9% (adjusted for currency effects: 12.9%), above our original expectations. This was driven by higher-than-average growth, primarily in specialty business and in the property and third-party liability portfolio.

Despite exceeding the large loss budget due to the negative effects of natural disaster events, the combined ratio in the Industrial Lines Division was 95.7%, higher than expected for the financial year. The excess losses were offset by a positive claims experience in frequency losses and the continued profitability of the portfolio (see Group strategy on page 44).

All in all, net investment income for the financial year outperformed expectations for 2022 despite the war in Ukraine and rising inflation, primarily due to interest rate hikes.

Other income/expenses experienced considerable foreign exchange losses.

The developments described above resulted in return on equity of 9.5%, far higher than our expected figure of around 8%.

Retail Germany

Property/Casualty Insurance

- Increase in premiums thanks to growth in all lines, especially corporate customers/liberal professions
- Underwriting result squeezed by higher average losses due to inflation
- Net investment income shaped by disposal losses and higher impairment losses

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

EUR million	2022	2021	+/–
Gross written premiums	1,715	1,574	+9.0%
Net premiums earned	1,555	1,329	+17.0%
Underwriting result	18	11	+58.9%
Net investment income	74	129	–42.9%
Operating profit/loss (EBIT)	70	104	–32.4%

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY INSURANCE SEGMENT

%	2022	2021	+/–
Gross premium growth	9.0	4.8	+4.2 ppts
Combined ratio (net)	98.9	99.2	–0.3 ppts

Premium volume

Premiums rose by a good 9.0% to EUR 1,715 (1,574) million in the Property/Casualty Insurance segment in the financial year. The corporate customers-/liberal professions and motor business saw particular gains. Following a previous year that was still hampered by pandemic restrictions, the biometric core business of bancassurance enjoyed a good upturn.

Underwriting result

The underwriting result improved on the prior year in the 2022 financial year to EUR 18 (11) million. The main cause of the increased underwriting result in the financial year was the higher run-off result, which offset the rise in losses from higher claims frequency, especially in motor, to pre-pandemic levels and greater losses from natural disasters and large losses. An inflation-related revaluation of the loss reserve was covered by existing loss reserves. The (net) combined ratio declined by 0.3 percentage points overall from 99.2% to 98.9%.

Net investment income

Net investment income declined to EUR 74 (129) million. This was due chiefly to disposal losses of EUR –17 (+27) million and higher impairment losses.

Operating profit

Operating profit fell to EUR 70 (104) million, chiefly on account of the decline in net investment income.

Comparison of actual business development with the 2022 forecast

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY INSURANCE SEGMENT

%	2022	Forecast for 2022 from the 2021 Annual Report
Gross premium growth	9.0	high single-digit percentage growth
Combined ratio (net) [1]	98.9	~ 96

[1] The forecast was adjusted to "~ 100%" during 2022.

Premium income in the Property/Casualty segment met our expectations in full, both in the corporate customers/liberal professions business and retail business. The line-specific combined ratio was higher than forecast given the increased frequency losses and natural disasters and large losses.

Life Insurance

- Good launch of a new retirement provision fund product
- Decline in single premium business
- Lower net investment income as no financing requirements for the additional interest reserve

KEY FIGURES FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

EUR million	2022	2021	+/–
Gross written premiums	4,280	4,596	–6.9%
Net premiums earned	3,010	3,494	–13.8%
Underwriting result	–655	–1,772	+63.1%
Net investment income	873	2,002	–56.4%
Operating profit/loss (EBIT)	193	183	+5.9%
New business measured in annual premium equivalent	425	428	–0.7%
Single premiums	1,209	1,486	–18.6%
Regular premiums	304	279	+8.8%
New business by product measured in annual premium equivalent	425	428	–0.7%
of which capital-efficient products	231	232	–0.2%
of which biometric products	124	118	+4.9%

MANAGEMENT METRICS FOR THE LIFE INSURANCE SEGMENT

%	2022	2021	+/–
Gross premium growth	–6.9	5.6	–12.5 ppts

Premium volume and new business

The Life Insurance segment saw premiums fall by 6.9% year on year to EUR 4.3 (4.6) billion, which includes the savings elements of premiums from unit-linked life insurance policies. This primarily reflects the EUR 285 million decline in single premiums (excluding bancassurance biometric business) and the EUR 78 million decrease in regular premiums. It was countered by the EUR 45 million rise in bancassurance biometric business.

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 decreased by 13.8% to EUR 3.0 (3.5) billion.

Measured in APE, new business in life insurance products was stable year on year at EUR 425 (428) million.

Underwriting result

The underwriting result improved to EUR –655 (–1,772) million. This was partly due to the unwinding of discounts on the technical provisions and policyholder participation in net investment income. Due to a lower level of realized gains, this figure was down considerably. An inflation-related revaluation of the loss reserve was covered by existing loss reserves. The technical expenses are offset by investment income, which is not recognised in the underwriting result.

Net investment income

Net investment income declined to EUR 873 (2.002) million, largely in connection with lower gains on disposal. Given rising interest rates on the capital market, it was not necessary to use gains on disposal to finance the additional interest reserve. In addition, impairment losses and unrealised losses due to interest-related market fluctuations for derivatives had a negative effect. By contrast, ordinary investment income was almost in line with the previous year's figure at EUR 1,304 (1,308) million.

Operating profit

Thanks to higher interest rates on the capital market, operating profit (EBIT) in the Life Insurance segment improved by EUR 11 million to EUR 193 (183) million.

Comparison of actual business development with the 2022 forecast

MANAGEMENT METRICS FOR THE LIFE INSURANCE SEGMENT

%	2022	Forecast for 2022 from the 2021 Annual Report
Gross premium growth	–6.9	low single-digit percentage decline

Premium income in the Life segment was in line with our guidance for 2022 after strong sales in the prior year.

Retail Germany Division as a whole

RETURN ON EQUITY FOR THE RETAIL GERMANY DIVISION AS A WHOLE

%	2022	2021	+/–
Return on equity	6.9	6.1	+0.9 ppts

After adjusting for taxes on income, financing costs and non-controlling interests, Group net income came to EUR 150 (161) million as a result of lower earnings in property/casualty insurance. Equity was reduced by lower valuation reserves on account of interest rates, which are recognised there in the separate item "Other comprehensive income (OCI)". This improved return on equity by 0.9 percentage points to 6.9%.

Comparison of actual business development with the 2022 forecast

RETURN ON EQUITY FOR THE RETAIL GERMANY DIVISION AS A WHOLE

%	2022	Forecast for 2022 from the 2021 Annual Report
Return on equity[1]	6.9	~6,5

[1] The forecast was adjusted to "> 6,5%" during 2022.

Despite Group net income declining to EUR 150 (161), return on equity was higher than forecast due to lower equity.

Retail International

- 15.9% growth in gross written premiums
- Cooperation with BancoEstado in Chile doing well
- The combined ratio of 97.5% which increased as a result of inflation was more than offset by higher net investment income

KEY FIGURES FOR THE RETAIL INTERNATIONAL DIVISION

EUR million	2022	2021	+/–
Gross written premiums	7,104	6,127	+15.9%
Net premiums earned	5,788	5,183	+11.7%
Underwriting result	32	46	–31.5%
Net investment income	444	374	+18.6%
Operating profit/loss (EBIT)	341	294	+16.2%

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DEVISION

	2022	2021	+/–
Gross premium growth (adjusted for currency effects, property/casualty only)	36.2	19.8	+16.4 ppts
Combined ratio (net, property/casualty only)	97.5	94.8	+2.7 ppts
Return on equity	11.0	8.4	+2.6 ppts

This division bundles the Talanx Group's international retail business activities and is active in both Europe and Latin America.

In the Latin America region, an exclusive agreement to sell property/casualty insurance products was signed between HDI Seguros S.A. (Chile) and the state-owned bank BancoEstado on 1 January 2022 that performed well throughout the year. In addition, the acquisition of the Brazilian retail business of Sompo Seguros S.A. by HDI Seguros S.A. (Brazil) in a purchase contract dated 24 May 2022 should further bolster business in the region.

In Europe, the sale of the Russian life insurance unit OOO Strakhovaya Kompaniya CiV Life to the Russian Sovcombank closed on 16 February 2022, underscoring the focus on profitable growth in core markets. The transaction in Hungary should also be seen in this context: on 22 December 2022, HDI International AG signed an agreement to sell its interest in the Hungarian companies Magyar Posta Életbiztosító Zrt. and Magyar Posta Biztosító Zrt. to the Hungarian state-owned holding company Corvinus Nemzetközi Befektetési Zrt. (Corvinus). The transaction is to be completed in the first half of 2023 and is subject to approval by the supervisory authorities responsible. By contrast, market presence and diversification are being stepped up in Türkiye. A joint venture with the Turkish Fibabanka, a digital, fast-growing bank in Türkiye, was founded on 30 December to sell digital property insurance products. As part of the strategic partnership with Fibabanka, HDI Sigorta A.Ş also acquired 60% of the company, which has now been renamed HDI Fiba Emeklilik ve Hayat A.Ş., allowing it to enter the life insurance market. The closing took place on 16 January 2023. Business in the core Polish market is also being further expanded, with the Europa Group and Bank Millennium signing an exclusive ten-year bancassurance agreement. In line with the Division's strategic goals, this should create profitable growth in biometric products and other property insurance business. The acquisition is expected to be completed by mid-2023 and is subject to approval by the supervisory authorities responsible.

Market developments

After a strong upturn in 2021, economic growth in the Latin America region was higher than expected, especially in the first half of the reporting period. This reflected higher commodities prices, with robust domestic demand and the return to normal after the pandemic also playing a role. However, this was accompanied by accelerating inflation and external headwinds, including renewed supply-side shocks, geopolitical tensions as a result of the war in Ukraine and rising interest rates in the US. Motor insurance, especially on the Brazilian market, saw market prices recalibrate. Average premiums here rose due to the higher cost of spare parts and services, as well as the increasing severity of losses and the return to normal loss frequencies. In property insurance, price adjustments are gaining momentum as inflation has driven up claims requirements and natural disaster losses are putting pressure on reinsurance capacities. Overall, the effects of high interest rates, increased bond yields and improved underwriting results in our core markets have translated into higher profitability since the third quarter of the reporting period thanks to rising average premiums.

The situation in the Europe region is similar. Economic growth of 4% is expected for Poland in the 2022 reporting period. Prompted by rising inflation, the motor insurance market saw growth of 5.9% after the third quarter of 2022, while other property insurance climbed by almost 12%. The increase in claims paid here is due to the higher number of catastrophe losses reported. In Türkiye, Turkish insurers are facing one of the most challenging business environments in the last decade. This stems primarily from high inflation combined with real interest rates that are well into negative territory, together with stiff price competition and the regulated insurance plan system in motor liability insurance for non-life insurers. While real gross domestic product picked up by 5% in the third quarter of 2022, the return to normal claims frequency and surging inflation – which is likely to exceed 80% in 2022 – drove up claims costs.

Premium volume

The division's gross written premiums (including premiums from unit-linked life and annuity insurance) increased by 15.9% compared to 2021 to EUR 7.1 (6.1) billion. Adjusted for currency effects, gross premiums (property/casualty only) rose by 36.2% on the comparison period.

The Europe region reported a 9.8% increase in gross written premiums to EUR 5.0 billion, driven primarily by higher premiums at the Turkish HDI Sigorta A.Ş. Adjusted for currency effects, the premium volume in Türkiye more than tripled on account of inflation-related price adjustments in motor insurance. Gross written premiums at the Polish TUiR WARTA S.A. also performed well. Adjusted for currency effects, WARTA boosted business in property/casualty insurance by 14.4% to EUR 1.8 (1.5) billion, mainly in other property insurance in line with the diversification strategy. However, premiums declined as a result of the reduction in Italian single premium business (in line with the strategy) and the sale of CiV Life in Russia.

In the Latin America region, gross written premiums rose by 34.4% compared to the same period of the previous year to EUR 2.1 (1.5) billion. Premium growth was generated in all core markets and particularly in Chile, with the sales partnership between HDI Chile and the state-owned bank BancoEstado in non-life business having an extremely positive impact. Brazil and Mexico also contributed to positive premium development, primarily in motor insurance thanks to high average premiums. Adjusted for currency effects, gross written premiums in the Latin America region rose by 24.3%.

Underwriting result

The combined ratio from property/casualty insurance companies rose by 2.7 percentage points year-on-year to 97.5%. Excluding the negative effects of the minimum wage increase in Türkiye, the combined ratio was 96.1%. The underwriting result decreased accordingly, with high inflation pushing up claims and claims expenses, reserves and costs. In addition, the positive effects seen in the previous year as a result of lifting Covid-19 lockdowns and, in turn, the return to normal claims frequency, no longer had an impact. These developments were largely offset by price increases, improved technical excellence and positive run-off results.

In life insurance, the underwriting result improved thanks to the strategic risk reduction at the Italian HDI Assicurazioni S.p.A. and the lack of the negative technical result at the Russian OOO Strakhovaya Kompaniya CiV Life due to the sale. In addition, the prior year was also adversely affected by a rise in mortality due to the pandemic.

Net investment income

Net investment income rose by 18.6% against 2021 to EUR 444 (374) million. This was due chiefly to higher interest rates in Poland, Italy, Türkiye and Chile, causing ordinary net investment income to rise to EUR 481 (355) million. Extraordinary investment income, on the other hand, declined on account of higher realised losses from equity securities and higher impairment losses, owing partly to the Russian invasion of Ukraine.

Operating profit and Group net income

In 2022, operating profit (EBIT) in the Retail International Division rose by 16.2%, compared with the same period of the previous year, to EUR 341 (294) million. The Europe region contributed to the operating profit of the segment with EBIT of EUR 260 (303) million, essentially due to lower EBIT at HDI Sigorta A.Ş. as a result of the negative effects of the increase in minimum wage. Operating profit (EBIT) for the Latin America region, on the other hand, climbed to EUR 54 (15) million thanks to improvements in all core markets. Group net income after minority interests increased by 13.3% to EUR 214 (189) million. The return on equity improved accordingly to 11.0% (8.4%).

Comparison of actual business development with the 2022 forecast

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

%	2022	Forecast for 2022 from the 2021 Annual Report
Gross premium growth (adjusted for currency effects, property/casualty only) [1]	36.2	high single-digit growth
Combined ratio (net, property/casualty only) [2]	97.5	< 95
Return on equity [3]	11.0	~ 8

[1] The forecast was adjusted to „low double-digit percentage growth" during 2022.
[2] The forecast was adjusted to „~ 96%" during 2022.
[3] The forecast was adjusted to „> 9%" during 2022.

Adjusted for currency effects, the Retail International Division saw gross premiums in property/casualty insurance increase by 36.2% in financial year 2022, far higher than the most recent outlook published which anticipated high single-digit growth. The combined ratio for international property/casualty insurance remained very solid at 97.5%, but remained higher than in the guidance on account of the extraordinary hike in inflation. Excluding the negative effects of the minimum wage increase in Türkiye, the combined ratio was 96.1%. At 11.0%, return on equity exceeded the expectations for 2022 of around 8%.

Additional key figures

RETAIL INTERNATIONAL DIVISION BY LINE OF BUSINESS AT A GLANCE

EUR million	2022	2021	+/–
Gross written premiums	**7,104**	**6,127**	**+15.9%**
Property/Casualty	5,512	4,298	+28.2%
Life	1,592	1,829	–12.9%
Net premiums earned	**5,788**	**5,183**	**+11.7%**
Property/Casualty	4,245	3,465	+22.5%
Life	1,543	1,719	–10.2%
Underwriting result	**32**	**46**	**–31.5%**
Property/Casualty	110	183	–40.1%
Life	–78	–136	+43.0%
Net investment income	**444**	**374**	**+18.6%**
Property/Casualty	305	181	+68.5%
Life	145	201	–27.9%
Others	–6	–8	+25.1%
New business by product measured in annual premium equivalent (life)	**167**	**182**	**–8.3%**
Single premiums	928	1,099	–15.6%
Regular premiums	74	73	+2.6%
New business by product measured in annual premium equivalent (life)	**167**	**182**	**–8.3%**
of which capital-efficient products	64	77	–16.5%
of which biometric products	73	68	+7.0%

RETAIL INTERNATIONAL DIVISION BY REGION AT A GLANCE

EUR million	2022	2021	+/–
Gross written premiums	**7,104**	**6,127**	**+15.9%**
of which Europe	5,044	4,594	+9.8%
of which Latin America	2,060	1,533	+34.4%
Net premiums earned	**5,788**	**5,183**	**+11.7%**
of which Europe	4,147	3,939	+5.3%
of which Latin America	1,641	1,244	+31.9%
Underwriting result	**32**	**46**	**–31.5%**
of which Europe	–2	52	–103.1%
of which Latin America	3	–6	+159.0%
Net investment income	**444**	**374**	**+18.6%**
of which Europe	337	326	+3.4%
of which Latin America	113	55	+103.1%
Operating profit/loss (EBIT)	**341**	**294**	**+16.2%**
of which Europe	260	303	–13.9%
of which Latin America	54	15	+249.5%

Reinsurance

Property/Casualty Reinsurance

- 26.1% growth in gross premiums
- Trend towards rate increases in treaty renewal rounds continues at rapid pace
- Large loss expenditure including provisions for potential negative effects from the war in Ukraine higher than expected
- Combined ratio rises to 99.9%

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

EUR million	2022	2021	+/–
Gross written premiums	24,242	19,224	+26.1%
Net premiums earned	21,637	16,624	+30.2%
Underwriting result	–43	332	–112.9%
Net investment income	1,497	1,352	+10.8%
Operating profit/loss (EBIT)	1,771	1,521	+16.4%

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%	2022	2021	+/–
Combined ratio (net)	99.9	97.7	+2.2 ppts

Business development

Global property/casualty reinsurance markets were presented with numerous challenges in the financial year just ended. In large loss expenditure, numerous catastrophes, the potential negative effects of the war in Ukraine and the sharp rise in inflation put the entire sector under significant strain.

In response to the many challenges, both primary and reinsurance saw an increasing trend towards improved prices and conditions. Underwriting profitability remains our top priority.

The treaty renewal rounds through the year in the Property/Casualty Reinsurance segment thus went well for us. We traditionally report price changes on a risk-adjusted basis, i.e. higher rates of inflation are already adjusted here.

The previous year's price momentum continued at the start of the year, in the main renewal season in traditional Property/Casualty Reinsurance as at 1 January 2022, and our renewed business again saw growth at significantly better prices and conditions. As at 1 January, 62% 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. On average, prices rose by 4.1% on a risk adjusted basis.

The contract renewal as at 1 April 2022, 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 us. The total premium volume for the renewal rose by 17.4%. The average, risk-adjusted price increase was 3.7%.

This positive trend continued in the treaty renewal rounds as at 1 June and 1 July. Traditional parts of the North America business, the area of natural disaster risks and parts of reinsurance coverage for risks from the credit and surety business are renewed here. This is also the main renewal season for business in Australia and New Zealand. Renewals in North America and Australia were particularly successful. We boosted premium volumes by 7.2% here. On average, prices rose by 4.0% on a risk adjusted basis.

In natural catastrophe business, we maintained our profit-driven underwriting policy. Our risk appetite for natural disaster coverage increased at a lower rate in the original currency than premium growth in the Property/Casualty Reinsurance segment.

Premium volume

Gross written premiums in the Property/Casualty Reinsurance segment increased by 26.1% to EUR 24.2 (19.2) billion. At constant exchange rates, the increase would have amounted to 17.9%. Retention increased slightly to 90.6% (90.1%). Net premiums earned climbed by 30.2% to EUR 21.6 (16.6) billion; adjusted for currency effects, growth would have stood at 22.0%.

Earnings

Large losses exceeded our expectations in the 2022 financial year for the sixth year in a row. Our net losses from large losses totalled EUR 1,706 (1,250) million in the year under review, higher than the EUR 1,400 million that we expected.

The largest single losses were hurricane "Ian", with a net loss of EUR 322 million, heavy floods in Australia at EUR 233 million and winter storm "Ylenia" in Central Europe in February at EUR 107 million. We also recognised an IBNR reserve of EUR 331 million for potential negative effects from the war in Ukraine.

There were also additional reserves for larger prior year losses due to claim notifications, including EUR 106 million for the drought in Brazil and EUR 54 million for floods in Malaysia. We classify large losses as events for which we expect to pay out over EUR 10 million in gross claims and claims expenses.

Losses due to the pandemic can now also be better quantified for the Property/Casualty Reinsurance segment. This resulted in positive run-off in the credit, surety and political risk business. On the other hand, the negative effects of the pandemic in the personal accident and health insurance business in the Asia-Pacific region were far higher than expected. Overall, the developments described above depressed earnings by EUR 269 million in the financial year.

The underwriting result in the Property/Casualty Reinsurance segment came to EUR –43 (332) million. The combined ratio increased to 99.9% (97.7%).

Operating profit and net investment income

Net investment income in the Property/Casualty Reinsurance segment rose by 10.8% to EUR 1,497 (1,352) million, with other income/expenses improving to EUR 316 (–163) million. The contribution of unlisted shareholdings' portfolios to a joint venture resulted in net deconsolidation income of EUR 1,076 million. EUR 558 million of this was recognised in net investment income and EUR 518 million in other income/expenses. Offsetting effects resulted in part from the realisation of unrealised losses in fixed-income securities (EUR 594 million).

Operating profit (EBIT) picked up by 16.4% to EUR 1,771 (1,521) million. Improved net investment income and other income/expenses easily offset the decline in the underwriting result.

Comparison of actual business development with the 2022 forecast

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%	2022	Forecast for 2022 from the 2021 Annual Report
Combined ratio (net)[1]	99.9	≤ 96

[1] The forecast was adjusted to „≤ 96 over the 2021–2023 strategy cycle" during 2022.

The combined ratio in the Property/Casualty Reinsurance segment rose to 99.9% (97.7%), above the target for the financial year of no higher than 96%.

Life/Health Reinsurance

- Gross premiums up 5.8%
- Sustained customer interest, primarily in longevity cover and financial solutions
- Considerable drop in negative effects of Covid-19 pandemic
- Operating profit more than triples to EUR 729 million

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

EUR million	2022	2021	+/–
Gross written premiums	9,033	8,538	+5.8%
Net premiums earned	8,035	7,519	+6.9%
Underwriting result	–344	–816	+57.8%
Net investment income	587	596	–1.5%
Operating profit/loss (EBIT)	729	216	+238.1%

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

EUR million	2022	2021	+/–
New business value[1]	249	164	+52.3%

[1] Excluding non-controlling interests; 2022: estimated figure, the final figure will be published in the 2023 Annual Report.

Business development

The Covid-19 pandemic continued to strain the Life/Health Reinsurance market last year, albeit to a far lesser extent than in the prior year. In many parts of the world, both the severity of illness and the number of deaths have improved considerably. This can also be seen in the considerable decline in negative effects related to the pandemic for our company.

All in all, we experienced pandemic-related negative effects of EUR 276 (582) million in financial year 2022, mostly in the US – the largest market for mortality insurance.

On the other hand, Russia's war against Ukraine did not have an impact on the Life/Health Reinsurance segment, as we did not underwrite significant business in either of these two countries.

The strain caused by the pandemic was countered by income from our extreme mortality coverage, which we have placed on the capital market in regular tranches since 2013. We generated income of EUR 87 million from this in financial year 2022, which we recognised under assets measured at fair value through profit or loss in investments in the Life/Health Reinsurance segment.

Generally, global life/health reinsurance markets continued to be marked by stiff competition in the financial year 2022. The sharp rise in interest rates seen in many countries during the year did not have a significant impact on the market in financial year 2022.

In addition to the traditionally key UK market, demand for longevity risk hedging solutions also picked up in other countries. We issued our first longevity reinsurance coverage in Germany and Australia. There was also considerable interest in this coverage in markets such as Canada and the US. Once again, one driver of this was the high capital requirements for this kind of business at primary insurers and pension funds.

We continued to expand our financial solutions business in numerous markets, including China and the US. Our coverage, in the form of a wide range of structures for capital or solvency relief and pre-financing, were sought after worldwide.

Digital insurance solutions and automation are playing an increasingly important role in almost all market areas. This is true both of joint projects with primary insurers and other cedants and of collaboration with start-ups.

Premium volume

Gross written premiums in the Life/Health Reinsurance segment increased by 5.8% to EUR 9.0 (8.5) billion; adjusted for currency effects, growth would have amounted to 1.0%. Retention amounted to 88.5% (88.2%). Net premiums earned climbed by 6.9% to EUR 8.0 (7.5) billion; adjusted for currency effects, growth would have stood at 1.7%.

Operating profit and net investment income

The underwriting result improved to EUR –344 (–816) million. This does not include large parts of earnings from financial solutions, which we recognize in other income/expenses in accordance with the deposit accounting method on account of the low risk transfer. Accordingly, we do not recognise any gross premiums for this business either. The result from equity accounting increased primarily due to extraordinary income when measuring a long-term equity investment.

Net investment income in the Life/Health Reinsurance segment declined by 1.5% to EUR 587 (596) million. This included the income from our extreme mortality coverage described above and a negative measurement effect of EUR 148 million from a derivative associated with a reinsurance treaty in the UK.

Operating profit (EBIT) more than tripled to EUR 729 (216) million.

Comparison of actual business development with the 2022 forecast

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

EUR million	2022	Forecast for 2022 from the 2021 Annual Report
New business value [1]	249	≥ 125

[1] Excluding non-controlling interests; 2022: estimated figure, the final figure will be published in the 2023 Annual Report.

At EUR 249 million, the estimated value of new business was significantly higher than the forecast of over EUR 125 million. This good development was driven by factors including business with longevity risks in the United Kingdom and the USA, the health insurance business and the Financial Solutions business.

Reinsurance Division as a whole

MANAGEMENT METRICS FOR THE REINSURANCE DIVISION AS A WHOLE

%	2022	2021	+/–
Gross premium growth (adjusted for currency effects)	12.7	12.8	–0.1 ppts
Return on equity	14.5	10.9	+3.5 ppts

Gross premium growth declined slightly by 0.1 percentage points to 12.7%. Group net income in the Reinsurance Division was EUR 707 (609) million in the year under review, resulting in a 3.5 percentage point increase in return on equity to 14.5% (10.9%).

Comparison of actual business development with the 2022 forecast

MANAGEMENT METRICS FOR THE REINSURANCE DIVISION AS A WHOLE

%	2022	Forecast for 2022 from the 2021 Annual Report
Gross premium growth (adjusted for currency effects) [1]	12.7	> 5% for Property/Casualty Reinsurance and Life/Health Reinsurance segments as a whole
Return on equity	14.5	12 – 13

[1] The forecast was adjusted to „> 7.5% for Property/Casualty Reinsurance and Life/Health Reinsurance segments as a whole" during 2022.

At 12.7%, gross premium growth in the Property/Casualty and Life/Health Reinsurance segments exceeded both the guidance in the 2021 annual report and the guidance that was revised during the year. The equity item in the Reinsurance Division remained very solid, as measured by the capital adequacy ratio which is still far higher than the thresholds. Return on equity increased to 14.5%, far higher than forecast.

Corporate Operations

- Gross written premiums from intragroup takeovers rose to EUR 1,151 million
- Positive underwriting result of EUR 9 million
- The Group's assets under own management declined to EUR 129 (136) billion due to higher interest rates

The Group's reinsurance specialists

Gross written premiums from intragroup takeovers in the Corporate Operations segment amounted to EUR 1,151 (1,119) million in 2022. They resulted from reinsurance cessions in the Industrial Lines, Retail Germany and Retail International Divisions. The underwriting result in the Corporate Operations segment was positive for the first time in 2022 at EUR 9 (–42) million. A revaluation of loss reserves due to inflation and run-off loses from the US natural disasters "Uri" and "Ida" in 2021 were covered by existing loss reserves. The underwriting result in the prior year was negatively affected by additional reserves for a liability loss in industrial business and an accumulation of unexpected single losses from international retail business.

The Group's investment specialists

In cooperation with its subsidiary Ampega Investment GmbH, Ampega Asset Management GmbH is chiefly responsible for handling the management and administration of the Group companies' investments and provides related services such as investment accounting and reporting. The Group's assets under own management decreased to EUR 129 (136) billion compared to the end of 2021 on account of higher interest rates and the resulting losses in fair value. The Ampega companies together accounted for a total of EUR 45 (67) million of the segment's operating profit in 2022. As well as lower commission income, the decline reflected the lower investment volume due to interest rates and the impairment losses on participating interests of EUR 16 million.

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. 2022 was shaped by geopolitical tension and economic challenges such as inflation and energy prices. For the first time in many years, the ECB raised interest rates in several stages, although interest rates remained lower than general inflation. Investments bore higher interest rates thanks to these rate hikes by the ECB. Stock markets were very volatile: after recovering in late summer, the end of the year again saw broad price declines, which ran into the double digits in 2022 as a whole. The fund industry as a whole reported a slight net cash outflow for the first time since 2011. Ampega performed well in this market environment. The total volume of assets managed at Ampega Investment GmbH rose by 1.0% against the figure at the beginning of the year to EUR 41.7 (41.3) billion. At EUR 12.7 (14.6) billion, slightly less than one third of the total volume is managed on behalf of Group companies using special funds and direct investment mandates. Of the remainder, EUR 20.2 (17.1) billion was attributable to institutional third-party clients and EUR 8.8 (9.6) billion to the retail business.

Operating profit

The operating profit in the Corporate Operations segment improved to EUR 37 (–27) million in 2022. The underwriting result performed particularly well. Group net income attributable to shareholders of Talanx AG for this segment amounted to EUR –95 (–105) million after financing costs in 2022 and accounts for impairment of trade tax loss carryforwards of EUR 35 million.

Net assets and financial position

Net assets

- Total assets down EUR 4.4 billion to EUR 193.1 billion
- Investments account for 73% of total assets

ASSET STRUCTURE

EUR million	2022		2021	
Intangible assets	1,918	1%	1,918	1%
Investments	140,569	73%	147,835	75%
Investments for the benefit of life insurance policyholders who bear the investment risk	11,902	6%	13,687	7%
Reinsurance recoverables on technical provisions	10,264	5%	8,929	5%
Accounts receivable on insurance business	12,961	7%	10,746	5%
Deferred acquisition costs	6,735	3%	6,020	3%
Cash at banks, cheques and cash-in-hand	3,595	2%	4,002	2%
Deferred tax assets	1,340	1%	611	0%
Other assets	3,294	2%	3,153	2%
Non-current assets and assets of disposal groups classified as held for sale	555	0%	625	0%
Total assets	**193,133**	**100%**	**197,524**	**100%**

Significant changes in the asset structure

The decrease in total assets is primarily attributable to the decline in investments, including investments for the benefit of life insurance policyholders who bear the investment risk (–EUR 9.1 billion). Accounts receivable on insurance business (up EUR 2.2 billion) and reinsurance recoverables on technical provisions (up EUR 1.3 billion) trended in the opposite direction.

Intangible assets of EUR 1.9 (1.9) billion include EUR 897 (889) million of other intangible assets (including PVFP) and capitalised goodwill of EUR 1,020 (1,028) million. Irrespective of the share of non-controlling interests, other intangible assets are recognised in full. The other intangible assets that are economically attributable to Group shareholders – excluding non-controlling interests and the policyholders' portion – are calculated as follows:

NON-CONTROLLING INTERESTS AND POLICYHOLDERS' PORTION

EUR million	31.12.2022	31.12.2021
Other intangible assets before the deduction of non-controlling interests and the policyholders' portion, including deferred taxes	**897**	**889**
of which: attributable to non-controlling interests	101	105
of which: attributable to policyholders' portion	230	225
of which: attributable to deferred taxes	64	61
Other intangible assets after the deduction of non-controlling interests and the policyholders' portion, net of deferred taxes	**502**	**498**

The "technical provisions for life insurance policies where the investment risk is borne by the policyholders" item declined by EUR 1.8 billion (previous year: increase of EUR 2.1 billion) in line with the decrease in the "investments for the benefit of life insurance policyholders who bear the investment risk" item, which comprises investments relating to unit-linked insurance products. In the case of these life insurance products, for which the policyholders themselves bear the investment risk, the technical liabilities reflect the fair values of the corresponding investments.

As at the reporting date, EUR 555 million is reported under the "Non-current assets and disposal groups classified as assets held for sale" item, which essentially includes the assets of Magyar Posta Biztosító Zrt. and Magyar Posta Életbiztosító Zrt., Budapest, Hungary, and property holdings. In the prior year, this item included assets of EUR 597 million attributable to OOO Strakhovaya Kompaniya CiV Life, Moscow (see also "Non-current assets and disposal groups held for sale" in the Notes).

Asset management and objectives

Although the pandemic eased at the start of the year, international capital markets were overshadowed by the outbreak of war in Ukraine back in February of the financial year. Sharp rises in the cost of energy and foodstuff raw materials caused inflation to skyrocket, which central banks tackled with restrictive monetary policy. The prime rate in the eurozone climbed significantly during the year, coming to 2.5% as at the reporting date.

At the end of the year, the interest rate for ten-year German government bonds was around 2.56%, up approx. 277 basis points on the figure at the beginning of the year. Two-year bonds rose to around 2.71% (–0.69%) and five-year bonds came to 2.54% (–0.47%).

In addition to these interest rate factors, changes in the US dollar exchange rate directly impacted our investments denominated in that currency. The euro fell against the US dollar, declining from USD 1.13 to USD 1.07 during the year. As at the year-end closing date, the portfolio of US dollar-denominated investments amounted to EUR 26.9 (27.5) billion and represented 21% (20%) of total assets under own management.

Risk measurement and risk control are an extremely important part of our asset management. These two functions, and a robust and highly efficient interface between them and portfolio management, enabled our asset management team to monitor the portfolios continuously and systematically and hence manage risks efficiently. The effectiveness of our risk management and its early warning tools was also made clear in the crisis experienced in the financial year just ended.

77% (76%) of the securities in the fixed-income asset class are rated A or better. A broad-based system designed to limit accumulation risk resulted in a balanced mix of investments.

Our investment activities are bounded by the Group's internal risk model and the individual companies' risk budgets. In accordance with our asset/liability management guidelines and the individual companies' risk-bearing capacity, we continued to optimise and improve the portfolios as part of individual company strategies.

The investment guidelines at Group, segment and company level provide a further framework for our activities; these are reviewed annually and amended where necessary for appropriateness in the light of regulatory and market restrictions.

Our high-quality investment process meant that our investment portfolio included almost no at-risk counterparties. Fixed-income investments continued to be the most important asset class.

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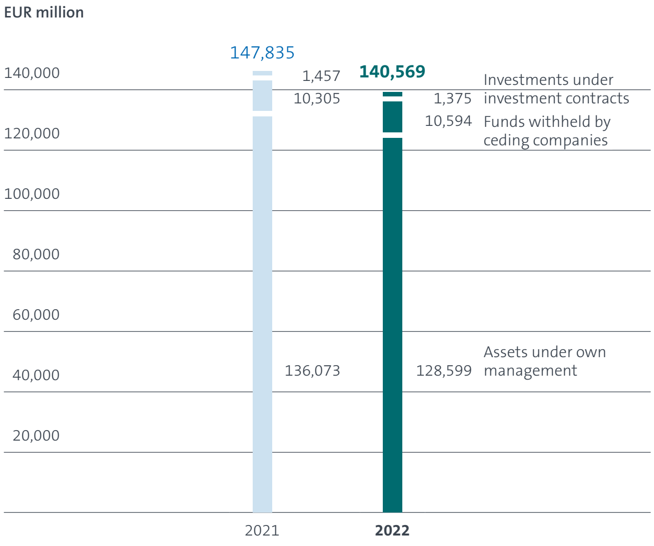
Changes in investments

INVESTMENT PORTFOLIO



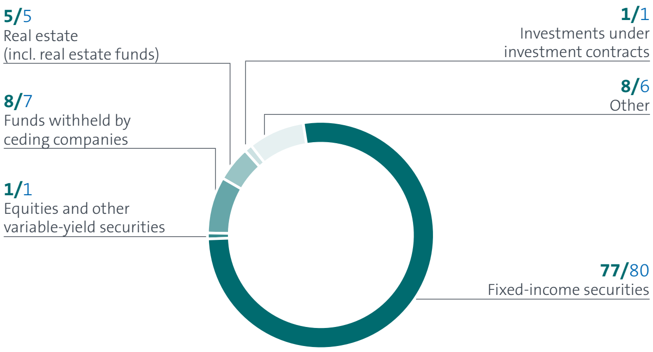
The total investment portfolio decreased to EUR 140.6 (147.8) billion as at the end of the 2022 financial year. The portfolio of assets under own management declined by 5.5% to EUR 128.6 (136.1) billion. The decline in the portfolio of assets under own management primarily reflects the fair value of fixed-income securities, as these were sensitive to the considerable interest rate rises in the financial year. Portfolio growth based on amortised cost was around 6.8%, largely due to underwriting inflows that were invested in accordance with the respective company guidelines. Cash inflows from issuing bonds also had a positive effect on the portfolio.

At EUR 1.4 billion, the portfolio of investment contracts was also lower than at the start of the year (EUR 1.5 billion). Funds withheld by ceding companies rose by about 2.8% in the year under review to EUR 10.6 billion.

Fixed-income investments remained the most significant asset class in 2022. Reinvestments were largely made in this asset class, taking the existing investment structure into account. The asset class contributed EUR 2.2 (3.5) billion to earnings, with the figure being almost totally reinvested in the reporting period.

INVESTMENT PORTFOLIO

%



2022/2021

BREAKDOWN OF ASSETS UNDER OWN MANAGEMENT BY ASSET CLASS

EUR million	2022		2021	
Investment property	5,121	4%	4,650	3%
Shares in affiliated companies and participating interests	1,042	1%	511	0%
Shares in associates and joint ventures	2,495	2%	504	0%
Loans and receivables				
Loans including mortgage loans	902	1%	687	1%
Loans and receivables due from government or quasi-governmental entities and fixed-income securities	24,160	19%	25,049	18%
Held-to-maturity financial instruments	428	0%	356	0%
Available-for-sale financial instruments				
Fixed-income securities	82,365	64%	92,634	68%
Variable-yield securities	4,106	3%	3,765	3%
Financial instruments at fair value through profit or loss				
Financial instruments classified at fair value through profit or loss				
Fixed-income securities	639	0%	541	0%
Variable-yield securities	62	0%	50	0%
Financial instruments held for trading				
Fixed-income securities	—	0%	—	0%
Variable-yield securities	128	0%	164	0%
Derivatives [1]	580	0%	341	0%
Other investments	6,572	5%	6,821	5%
Assets under own management	**128,599**	**100%**	**136,073**	**100%**

[1] Only derivatives with positive fair values.

Fixed-income securities

The portfolio of fixed-income investments (not including mortgage and policy loans) fell by a significant EUR 11.0 billion in financial year 2022 to total EUR 107.6 (118.6) billion as at the year-end. At 77% (80%) 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” accounted for 77% (78%) of the total portfolio of fixed-income securities and declined by EUR 10.3 billion to EUR 82.4 (92.6) billion. This decline is essentially the result of changes in fair value. Valuation reserves – i.e. net unrealised gains and losses – have decreased from EUR 3.8 billion to EUR –12.3 billion since the end of 2021, largely due to the even higher interest rates in our main currency areas. The volatility of “available for sale fixed-income securities” is reflected in equity.

Investments in the “Loans and receivables” category were primarily held in government securities, German covered bonds (Pfandbriefe) or similarly secure securities. Total holdings in fixed-income securities in the “Loans and receivables” category amounted to EUR 25.1 (25.7) billion as at the end of the year, or 23% (22%) of total holdings in the fixed-income asset class. Off-balance-sheet valuation reserves for “Loans and receivables” (including mortgage and policy loans) were also negative as at the reporting date at EUR –3.7 (3.1) billion.

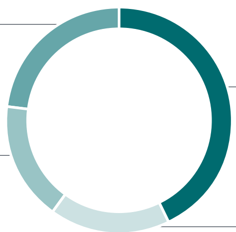
Investments made in fixed-income securities in 2022 continued to focus on highly rated government bonds or securities from issuers with a similar credit quality. Holdings of AAA-rated bonds amounted to EUR 46.8 (49.1) billion as at the reporting date.

RATING STRUCTURE FOR FIXED-INCOME SECURITIES

%

23/24
BBB or lower

17/16
A



43/41
AAA

17/19
AA

2022/2021

The Talanx Group pursues a comparatively conservative investment policy. As a result, 77% (76%) 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 5.5 (6.2) billion and therefore corresponds to a share of 4.3% (4.5%) of the assets under own management. This decrease in the portfolio stems from the sale and deconsolidation of our Russian companies; See the information provided in the Risk report on page 116ff. of the Group management report.

Equities and equity funds

During the financial year, the size of the equities portfolio reduced to around EUR 1.9 (2.0) billion. As a result, the equity allocation ratio after derivatives was 1.3% (1.4%) as at the year-end.

Net unrealised gains and losses on the Group’s equity holdings (not including “Other investments”) contracted by EUR 189 million to EUR 215 (404) million.

Real estate including shares in real estate funds

The Germany-wide transaction volume for direct real estate was just EUR 66 billion in 2022. It declined by around 41% compared to the record 2021 on account of the weakest closing quarter in the last ten years. The office investment market generated a volume of around EUR 22 billion, accounting for the largest share (33%) of the total German volume. Weighted prime rents (net) rose significantly in the big seven cities, by 90 bp from 3.03% to 3.93% for logistics properties and by 67 bp from 2.64% to 3.31% for offices. The number of debt investors, in particular, fell substantially on account of higher interest rates. Investors have now clearly shifted their focus to core real estate in prime locations or the big seven cities that complies with ESG regulations.

The office market in these cities proved stable and successful in 2022, with higher take-up and prime rents (+29% in Stuttgart and +33% in Düsseldorf). The “flight to quality” can be seen in the form of high demand for high-quality office space in prime locations and increased vacancy rates for older buildings in poorer locations and on the outskirts. Even the project development market, which was held back by materials shortages and cost increases, was again up 10% year on year. 1.76 million m² of space was completed 2022, providing the market with modern office units.

The consolidation trend on the rental market for retail properties is continuing, with some footwear retailers and department stores struggling to stay afloat in many cities. By contrast, the market in the logistics segment is still fiercely contested. High demand has long since met with a shortage of supply and so rents are continuing to climb. In terms of residential properties, the situation has changed as a result of inflation and higher interest rates but competition remains high in major cities. With demand still significant outstripping supply, for example in Berlin, many areas are landlord’s markets, with affordable and small residential properties in short supply in many major cities.

ESG is the new megatrend in the real estate sector. The rising sustainability requirements that this entails and corresponding provisions in rental agreements (green leases) regarding consumption, certification, green electricity and building materials demand considerable extra efforts.

The real estate portfolio held directly by the Talanx Group had a far lower vacancy rate (2.7%) than the Jones Lang LaSalle benchmark of 4.9% in the fourth quarter of 2022 (big 7 cities) and proved robust considering the challenges facing the market.

The investment property portfolio totalled EUR 5.1 (4.7) billion as at the reporting date. An additional EUR 2.4 (2.0) billion is held in real estate funds, which are reported as "Available-for-sale financial instruments". This rise reflects our increasing involvement in this area. We successfully expanded our real estate portfolio in 2022 by way of targeted acquisitions. Depreciation of EUR 95 (78) million was recognised on investment property in the reporting period. Impairment losses amounted to EUR 35 (21) million. Impairment losses on real estate funds stood at EUR 15 (11) million.

The Talanx Group's indirect real estate and infrastructure portfolio is designed for the long term and intended to generate future capital income and appreciate value enhancement. The portfolio comprises more than 100 properties and a double-digit number of infrastructure funds. It is globally diversified and focuses on the Europe, North America and Asia regions, covering a wide range of asset types within the real estate and infrastructure sector. Regional and sector diversification is intended to ensure that the portfolio is defensive and the risk remains moderate, while at the same time boosting performance.

Real estate values in the indirect Ampega portfolio (real estate funds) fared well; individual value adjustments can be seen from the third quarter onwards that detract from the annual growth only slightly overall. Most investments are protected against inflation and so devaluations were offset by rent increases in many cases.

Infrastructure investments

Investments in infrastructure projects are a core component of asset management. The infrastructure asset class proved highly resilient in light of market fluctuations caused by energy price volatility and inflation and remained so in 2022. Nonetheless, higher interest rates resulted in negative valuation adjustments for fixed-income instruments and equity investments, where cash flows did not benefit from being offset by higher energy price remuneration or inflation indexation. Values are stable overall essentially because the assets in question address the public's basic needs and so demand is inelastic. In addition, many projects generate income that is guaranteed by regulations (e.g. feed-in fees for renewable energy). This constitutes another stabilising element and reduces risk for investors.

At the same time, the projects are a good fit for an insurer's long-term investment horizon. Our affinity for long maturities and our expertise in this area allow us to leverage illiquidity, 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.

Talanx expanded and diversified its infrastructure portfolio in 2022, including through rail transport, fibre optic expansion, power grids and offshore wind energy projects with more than EUR 500 million in new commitments. Direct infrastructure investments are also planned for the future, with a volume per project of between EUR 20 million and EUR 100 million and an investment horizon of five to 30 years. Indirect infrastructure facilities also performed well.

Alongside the positive return expectation and the risk diversification, both infrastructure classes make a targeted contribution to the Group's sustainability targets. The positive contribution to the transition to green energy and to ESG credentials are particularly noteworthy here. As well as the investments in the production of renewable energy described above, other projects in connection with the shift to green energy (e.g. electricity storage, hydrogen technologies, ferry electrification) also contributed to ESG.

Other alternative investments

The Talanx Group has a long-term, broadly diversified private equity portfolio. In the course of acquiring shares in MR Beteiligungen 23. GmbH, Munich, large parts of the Hannover Rück SE and E+S Rückversicherung AG private equity portfolios were transferred to this company. On this matter, see our remarks in the "Consolidation" section of the notes to the consolidated financial statements.

The portfolio is dispersed worldwide over many regions, sectors and vintage years. Diversified new investments and reinvestments are made on an ongoing basis in funds that meet our strict quality requirements. Over many years, this has helped to establish a defensive portfolio that generates high levels of current income.

Nonetheless, financial year 2022 saw declining income distributions, although the portfolio continues to perform at a high level. Nevertheless, the war in Ukraine and the ongoing pandemic did take a toll on the portfolio, even though it has no direct exposure in Ukraine or Russia. At the same time, the funds increasingly called up money from their investors for new transactions. This meant that valuation adjustments for promising investments could be used for future income.

Net investment income

CHANGES IN NET INVESTMENT INCOME

EUR million	2022	2021
Ordinary investment income	4,317	3,706
of which current income from interest	3,124	2,622
of which attributable to profit/loss from shares in associates	135	43
Realised net gains on disposal of investments and expenses	23	1,318
Depreciation on and impairment losses/reversals of impairment losses on investments	−464	−265
Unrealised net gains/losses on investments	−47	25
Other investment expenses	352	323
Income from assets under own management	3,476	4,460
Net interest income from funds withheld and contract deposits	223	255
Net income from investment contracts	2	3
Total	**3,700**	**4,718**

At EUR 3,700 (4,718) million, net investment income was down significantly on the previous year as a result chiefly of lower realised gains from the disposal of investments. This resulted in an annualised net return on investment of 2.6% (3.4%).

Current income from interest picked up as a result of higher interest rates, with the average coupon in the fixed-income securities portfolio rising to 2.5% (2.3%). On the other hand, amortisation amounts on inflation-linked bonds rose by EUR 325 million year on year to EUR 549 million.

Derivative financial instruments (including forward purchases) were used to hedge reinvestment risk, particularly in the case of life insurers in our Retail Germany – Life segment. Further information on the financial effects of hedging can be found in Note 13 of the Notes under “Derivative financial instruments and hedge accounting”. The share of ordinary income from our real estate investments increased by 26% in connection with the portfolio expansion and came to EUR 457 (362) million. By contrast, income from alternative investment funds was down year on year but higher than originally expected. The substantial upturn in ordinary income from profit/loss from shares in associates to EUR 135 (43) million essentially reflects extraordinary income from measuring a long-term equity investment in the Life/Health Reinsurance segment.

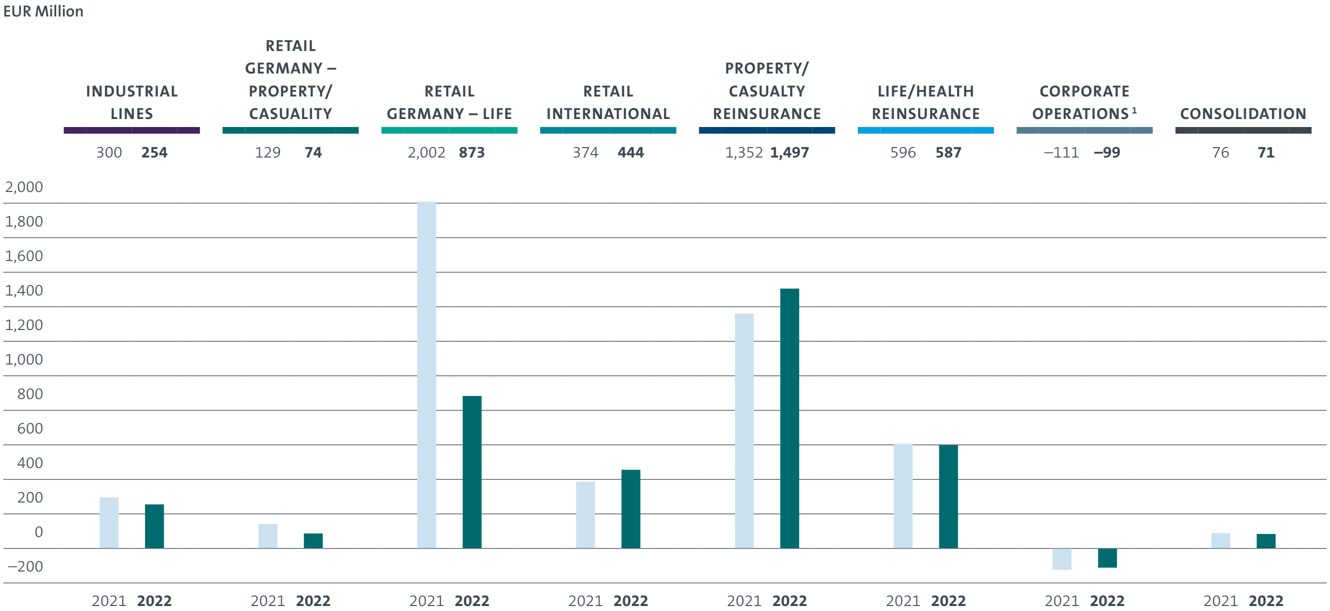
Total realised net gains on the disposal of investments in the financial year were far lower than the prior-year figure, at EUR 23 (1,318) million. Given rising interest rates on the capital market, it was not necessary to use gains on disposal to finance the additional interest reserve in the Retail Germany – Life segment, unlike in the prior year. In the area of alternative investments, Hannover Rück SE and E+S Rückversicherung AG contributed portfolios, especially in the unlisted shareholdings sector, to a joint venture with Münchener Rückversicherungs-Gesellschaft in order to give both companies broader market access and further diversification in alternative asset classes. This resulted in the disclosure of pro rata unrealised gains of EUR 558 million. Offsetting effects in the reporting period resulted mainly from the sale of fixed-income securities in connection with reallocations in the loan portfolios and from general portfolio management. The Hannover Re Group recognised unrealised gains of EUR 594 million. The Group sold some of its holdings in Russian and Ukrainian bonds in the first quarter. Overall, this improved both the liquidity position and returns on new investments and reinvestments.

Higher depreciation and amortisation of EUR 490 (267) million was required in the reporting period compared to the prior year on account of the geopolitical situation. Real estate accounted for reversals of impairment losses in the financial year of EUR 25 (2) million, i.e. the net income effect from reversals of impairment losses was attributable largely to impairment losses at a total of EUR 464 (265) million. EUR 129 (112) million of this related to depreciation on directly held real estate and infrastructure investments, reflecting our increasing involvement in this area. Impairment losses amounted to a total of EUR 361 (155) million. EUR 118 (6) million of these were attributable to equities and EUR 71 (46) million to other investments, chiefly alternative investments (EUR 60 [44] million), in connection with general interest rate developments on markets. Directly held real estate accounted for impairment losses of EUR 35 (21) million. Impairment losses for fixed-income securities totalled EUR 129 (81) million. These relate primarily to Russian and Ukrainian issuers or issuers from the Chinese property sector.

Income of EUR 87 million from extreme mortality coverage was generated in investment portfolios measured at fair value through profit or loss. This was offset by a negative measurement effect of EUR 148 million from a derivative associated with a reinsurance treaty in the United Kingdom, of which a share of EUR 26 million is included in net gains/losses from disposal. Overall, unrealised gains and losses of our assets measured at fair value through profit or loss came to EUR −47 million compared to gains of EUR 25 million in the prior year.

Further information can be found in Note 31 “Net investment income” in the Notes to the consolidated statement of income.

NET INVESTMENT INCOME BY GROUP SEGMENT



[1] It is primarily the investment expenses of Ampega companies that are recognised in the Corporate Operations segment.

Currency effects

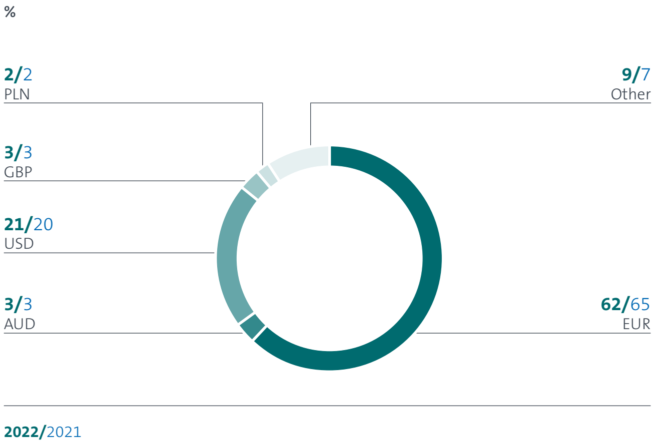
Given the international nature of the insurers in the Group, which is a result of our business model, there are currency-related interdependencies between our net assets and financial position.

As a general rule, our international insurers receive payments and pay claims in their respective national currencies. This means that assets are also held in foreign currencies (currency matching). Please see the disclosures in our risk report for further details. For the purposes of the consolidated financial statements, the exchange rates for key currencies are presented in the "Summary of significant accounting policies – Exchange differences on translating foreign operations" section of the Notes.

As far as matching currency cover is concerned, US dollar-denominated investments continue to account for the largest share of the Talanx Group's foreign currency portfolio, at 21% (20%). Sizeable exposures – amounting to an unchanged 9% (8%) of total investments – are also held in pound sterling, Polish zloty and Australian dollars. All in all, 38% (35%) of total assets under own management were denominated in foreign currencies as at the reporting date.

Our assets under own management, including investment contracts, can be broken down by currency as follows:

INVESTMENTS



Financial position

Capital structure analysis

- Equity down EUR 5.4 billion year on year at EUR 12.6 (17.9) billion
- Technical provisions up EUR 1.8 billion to EUR 140.8 billion
- Liabilities due to issuing bonds up EUR 2.7 billion at EUR 18.1 billion

CAPITAL STRUCTURE

EUR million	2022		2021	
Equity	12,592	7%	17,945	9%
Subordinated liabilities	5,009	3%	4,759	2%
Technical provisions	140,758	73%	138,951	70%
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	11,902	6%	13,687	7%
Other provisions	3,213	2%	3,722	2%
Liabilities	18,081	9%	15,335	8%
Deferred tax liabilities	1,077	1%	2,513	1%
Liabilities included in disposal groups classified as held for sale	501	0%	612	0%
Total equity and liabilities	**193,133**	**100%**	**197,524**	**100%**

Significant changes in the capital structure

The decline in equity (down EUR 5.4 billion) was essentially due to the change in unrealised gains on investments, which are recognised in other comprehensive income and had an equity-reducing effect (see “Equity” in this section).

Overall, net technical provisions (i.e. less reinsurance recoverables on these obligations) rose slightly by 0.3% or EUR 0.5 billion year-on-year to EUR 130.8 (130.3) billion. The increase was due to the loss and loss adjustment expense reserve (EUR 7.3 billion) and the unearned premium reserve (EUR 1.5 billion). The provision for premium refunds (EUR –7.0 billion) and the benefit reserve (EUR –1.5 billion) developed in the opposite direction. The increase in the loss and loss adjustment expense reserve was primarily attributable to the Property/Casualty Reinsurance and Industrial Lines segments. The substantial decrease in the provision for premium refunds, primarily in the Retail Germany – Life segment, was due mainly to fluctuations in the fair value of investments as a result of interest rates.

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 94.0% (89.0%) at the reporting date. Investments exceeded provisions by EUR 8.4 (16.0) billion.

The EUR 2.7 billion increase in liabilities was chiefly due to the “Notes payable and loans” item (see “Liquidity and financing” in this section).

As at the reporting date, EUR 501 million is reported under the”Liabilities included in disposal groups classified as held for sale”, which essentially includes the liabilities of Magyar Posta Biztosító Zrt., Magyar Posta Életbiztosító Zrt., and an insurance portfolio (see also “Non-current assets held for sale and disposal groups” in the Notes).

Off-balance-sheet transactions

Information on contingent liabilities can be found in the “Other disclosures – contingent liabilities and other financial commitments” section of the Notes.

Asset/liability management (ALM)

The structure of our technical provisions and other liabilities is at the heart of the Group’s investment strategy. The focus here is on asset/liability management: as far as possible, investment-market induced changes in the value of our investments should match the changes in our technical liabilities and should meet our liability-side requirements. This keeps our exposures stable in the face of capital market volatility.

In line with this, we mirror key features of our liabilities such as their maturity, currency structure and sensitivity to inflation, by investing where possible in assets that behave in a similar way. For further information, please also see our disclosures in the risk report on page 116.

The so called effective duration of the Group's total fixed-income securities investment portfolio was 6.8 (8.9) across all segments in the year under review. Effective duration is a measure of the interest rate sensitivity of the present value of assets/liabilities that takes the options into account. The larger the value, the greater the interest rate sensitivity is. Within the individual segments, duration is managed in line with underwriting business requirements, as described above. For example, the effective duration of the investments in the Retail Germany Division at 11.2 (13.7) years is relatively long compared with that of the Industrial Lines Division at 3.7 (4.8) years. This reflects the particular length of the capital commitment period in the case of life insurance products. The insurance providers and Ampega Asset Management GmbH liaise regularly to coordinate asset-side duration and liability-side requirements.

We also use derivative financial instruments to manage our assets as effectively as possible. For further information, please see Note 13 in the Notes to the consolidated balance sheet.

Capital management process

CAPITAL MANAGEMENT PROCESS

Talanx's capital management process builds on clear guidelines and workflows to optimise financing and allocation of funds within the Group.

Effective, efficient capital management is a core component of the Group's integrated management tools. In doing so, we differentiate between the HDI Group's regulatory perspective and the Talanx Group's economic perspective. We distinguish between the following capital concepts:

- Basic own funds
- Solvency capital required

The term "basic own funds" refers to the economic capital available in a business unit. These funds represent the surplus of assets over liabilities in the solvency balance sheet. They differ from equity under the IFRSs (adjusted for intangible assets) in that they disclose unrealised gains and losses on assets or liabilities after taxes, hybrid capital and surplus funds. For regulatory purposes, the HDI Group uses the concept of "eligible own funds". These differ from the Talanx Group's basic own funds in that they include HDI V. a. G.'s own funds and deduct the basic own funds in excess of the solvency capital required that are attributable to non-controlling interests ("haircut").

Solvency capital required is the amount of capital needed to operate the insurance business. It is calculated for supervisory purposes (Solvency 2) using a confidence level of 99.5% for a one-year period. In the case of the HDI Group, the capital required for this purpose is determined using the approved internal capital model. The Talanx Group's solvency capital required differs from that of the HDI Group in that it accounts for pension plans differently and excludes HDI V. a. G. on account of the different consolidated group.

The ratio of basic own funds to solvency capital required is an indicator of capital adequacy. The confidence level of 99.97% (3,000-year shock) applied under the Talanx Group's risk strategy exceeds the level required by supervisory law (confidence level of 99.5%, 200-year shock).

The target corridor without transitional measures defined for the HDI Group's Solvency 2 ratio for supervisory law purposes is between 150% and 200%. The Talanx Group's minimum capital adequacy target from an economic perspective is 200%.

Talanx's primary capital management objective is to protect its financial strength and enhance its capital efficiency. In line with this, the Talanx Group systematically allocates capital in accordance with risk/return considerations and its target portfolio, above and beyond meeting its statutory and, as a secondary consideration, rating agencies' capital requirements (Standard & Poor's capital model requirements for an "AA" rating). Unneeded capital or liquidity is transferred to the holding company wherever possible. For example, if individual companies are significantly overcapitalised, capital management aims to systematically reduce the free excess capital and reinvest it more efficiently elsewhere within the Group. Our stated aim is to use our capital as efficiently as possible while at the same time ensuring excellent capital adequacy levels.

By optimising the Group's capital structure, our capital management activities safeguard our capital adequacy, both from a ratings standpoint and from a solvency and economic perspective. Furthermore, they ensure that sustainable dividends are generated for shareholders, in keeping with Talanx's strategy. Going forward, our capital structure must continue to let us respond to organic and external growth opportunities at both Group and division level, and to offer the certainty that volatility on the capital markets and in the insurance business can be absorbed without undershooting our target confidence level. Talanx's efficient management of its capital resources is a strong signal to existing and potential investors that it uses the capital made available to it responsibly. All Group companies met their local minimum capital requirements in the reporting period. Talanx AG monitors its subsidiaries' capital resources with the utmost diligence as part of its Group-wide capital management activities.

Another core objective is the judicious substitution of equity surrogates such as hybrid capital for equity, which has a positive impact on the Group's capital structure.

Equity

Equity ratio and return on equity

The equity ratio, defined as the ratio of total equity to total assets, and the return on equity changed as follows:

CHANGES IN THE EQUITY RATIO

EUR million	2022	2021
Total equity	12,592	17,945
of which non-controlling interests	5,127	7,169
Total assets	193,133	197,524
Equity ratio	6.5%	9.1%

RETURN ON EQUITY

EUR million	2022	2021
Group net income [1]	1,172	1,011
Return on equity [2]	12.9%	9.6%

[1] Net income excluding non-controlling interests.
[2] Ratio of net income excluding non-controlling interests to average equity excluding non-controlling interests.

Changes in equity

Equity declined by EUR 5,353 million – down 30% – to EUR 12,592 (17,945) million in the reporting period just ended.

Group equity (equity excluding non-controlling interests) declined by EUR 3,312 million to EUR 7,465 (10,776) million against 31 December 2021. The considerable downturn is the result of accumulated other comprehensive income (other reserves), which decreased by EUR 4,142 million in the reporting period. The change in other reserves essentially reflects the negative change in unrealised gains on investments (down EUR 10,831 million) and the opposite effect from the change in policyholder participation/shadow accounting (up EUR 6,524 million). In addition, measurement gains/losses on cash flow hedges (EUR –266 million) had a negative impact. By contrast, effects from exchange differences on translating foreign operations had a positive impact (up EUR 145 million), as did changes in actuarial gains from the decline in pension provisions due to interest rates (up EUR 303 million). The shift from unrealised gains on investments is essentially due to a general rise in interest rates in our main currency areas.

The decline in other reserves was offset by a lower increase in retained earnings of EUR 821 million (9%). This is partially due to Group net income, EUR 1,172 (1,011) million of which is attributable to our shareholders and which was allocated in full to retained earnings. This was offset by the EUR 405 (379) million dividend payment to the shareholders of Talanx AG in May of the reporting period.

Non-controlling interests decreased by EUR 2,042 million (28.5%) to EUR 5,127 million. Net income attributable to non-controlling interests in the reporting period amounted to EUR 1,289 (718) million. The dividend payment to non-Group shareholders of EUR 402 (346) million mainly related to the Hannover Re Group.

EQUITY BY DIVISION[1] INCLUDING NON-CONTROLLING INTERESTS

EUR million	31.12.2022	31.12.2021
Division		
Industrial Lines	1,561	2,153
of which non-controlling interests	—	4
Retail Germany	1,813	2,660
of which non-controlling interests	54	79
Retail International	1,985	2,417
of which non-controlling interests	283	233
Reinsurance	8,709	12,712
of which non-controlling interests	4,790	6,854
Corporate Operations	−1,553	−2,055
of which non-controlling interests	—	—
Consolidation	77	58
of which non-controlling interests	—	—
Total equity	**12,592**	**17,945**
Group equity	7,465	10,776
Non-controlling interests	5,127	7,169

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

The negative figure reported by the Corporate Operations segment reflects Talanx AG's leverage. As the Group holding company, Talanx AG is responsible for Group financing in the area of primary insurance and for the Corporate Operations companies. In addition to increasing the holding company function, acquiring the reinsurance license in 2019 also expanded underwriting business, although the volume of this is not currently enough to offset the financing effects. The associated liabilities mainly relate to two subordinated bonds totalling EUR 1,246 (1,246) million, provisions for pensions of EUR 859 (1,138) million, notes payable of EUR 2,311 (1,065) million, technical provisions of EUR 297 (258) million and provisions for taxes of EUR 72 (67) million. These liabilities are matched on Talanx AG's balance sheet by liquid assets, reinsurance recoverables on technical provisions, accounts receivable on insurance business, tax refund claims and, above all, by the carrying amounts of its interests in its subsidiaries, which are eliminated against the proportionate equity for the latter in the consolidated financial statements.

Changes in unrecognised valuation reserves

The unrecognised valuation reserves shown in the following table have not been adjusted for technical liabilities. Valuation reserves amounted to EUR -3.7 (3.1) billion and primarily related to loans and receivables. Further information can be found in the Notes to the consolidated balance sheet for the following items: "Investment property", "Loans and receivables", "Held-to-maturity financial instruments", "Other investments", "Investments under investment contracts", "Other assets", "Subordinated liabilities", "Notes payable and loans" and "Other liabilities".

EQUITY AND UNRECOGNISED VALUATION RESERVES

EUR billion	2022	2021
Group equity	12.6	17.9
Unrecognised valuation reserves before taxes including shares attributable to policyholders and non-controlling interests	−1.2	4.4

Liquidity and financing

Talanx AG's cash inflows are primarily derived from dividends and profit and loss transfers from subsidiaries, as well as from equity and debt raised on the capital market. When coordinating capital requirements for the Talanx Group and the individual divisions, one of Talanx AG's core tasks is to optimise the Group's access to liquidity while minimising financing costs. Regular liquidity planning and an investment strategy aligned with liquidity requirements ensured that the Group was able to meet its payment obligations at all times. Moreover, a number of current account arrangements provide reliable access to internal Group funds, further enhancing the financial flexibility of both Talanx AG and the Talanx Group.

In addition, the Group had one syndicated variable-rate credit line as at 31 December 2022 with a volume of EUR 250 million. The credit line runs until 2023. 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. For more information see Note 26 in the "Notes to the consolidated balance sheet".

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

Talanx AG issued two senior unsecured bonds with identical conditions and a total volume of EUR 1.25 billion on 18 October 2022. EUR 500 million of this was placed with institutional investors from Germany and abroad. The remaining EUR 750 million was subscribed by HDI V.a.G. The bonds denominated in euros have a fixed coupon of 4.0% p.a. and mature on 25 October 2029.

Hannover Rück SE placed a subordinated bond of EUR 750 million on the European capital market on 14 November 2022. The bond has a maturity of 21 years. The bond cannot be called under normal conditions before 26 February 2033. The bond has a fixed coupon of 5.875% p.a. for the first ten years of the term and then has a variable interest rate of 3.75% over the three-month EURIBOR.

The EUR 500 million guaranteed subordinated bond of Talanx Finanz (Luxemburg) S.A. was called under normal conditions after ten years as at 15 June 2022 and repaid in full.

In addition to the funds resulting from the changes in equity described above and borrowing, we can also use our assets to cover provisions and liabilities. Various credit institutions have furnished us with guarantees in the form of letters of credit as surety for our technical liabilities. Further information on our liquidity management can be found in the "Liquidity risk" section of the risk report.

Debt analysis

Our subordinated bonds and other debt instruments are used to supplement our equity so as to optimise our cost of capital, and help to maintain adequate liquidity at all times. The following table provides an overview of the amortised costs of our borrowings.

CHANGES IN STRATEGIC DEBT

EUR million	2022	2021
Subordinated bonds issued by Hannover Finance (Luxembourg) S.A.	500	499
Subordinated bonds issued by Talanx AG	1,246	1,246
Subordinated bonds issued by Talanx Finanz (Luxemburg) S.A.	—	500
Subordinated bond issued by Hannover Rück SE	3,176	2,427
Subordinated bond HDI Italia S.p.A.	35	35
Subordinated loan taken out by HDI Assicurazioni S.p.A.	28	27
Subordinated loans HDI Global SE	13	13
Subordinated loans taken out by HDI Assicurazioni S.p.A.	11	11
Notes payable issued by Talanx AG	2,311	1,065
Notes payable issued by Hannover Rück SE	746	745
Mortgage loans taken out by HR GLL Central Europe GmbH & Co. KG	227	146
Loans from infrastructure investments	67	75
Mortgage loans taken out by Hannover Re Real Estate Holdings, Inc.	228	152
Mortgage loans taken out by Real Estate Asia Select Fund Limited	231	238
Hannover Rück SE loans	198	—
E+S Rückversicherung AG loans	43	—
Other	8	12
Total	**9,068**	**7,191**

Further information on borrowing and changes to it can be found in Note 18 and Note 26 of the "Notes to the consolidated balance sheet".

Analysis of the consolidated cash flow statement

The Group's cash flow is largely determined by its business model, which is typical for a primary insurance and reinsurance undertaking. We generally receive premiums in advance for risks we have taken on and only make payments later on in the event of a claim. Funds are parked in interest-bearing investments until they are needed so as to earn regular income. We therefore do not regard the cash flow statement as a substitute for liquidity planning or financial planning, and nor do we use it as a management tool.

CASH FLOW SUMMARY

EUR million	2022	2021
Cash flows from operating activities	5,966	10,049
Cash flows from investing activities	–6,997	–10,061
Cash flows from financing activities	565	428
Net change in cash and cash equivalents	–466	417

Cash flows from operating activities are characterised chiefly by changes in cash flow from the insurance business and investment income, such as interest and dividends received. The increase reflects good operating business performance.

Cash outflow from investing activities was determined primarily by the purchase of financial instruments and cash inflow from the sale and maturity of financial instruments – in accordance with the company's investment policy, with particular emphasis on matching the currencies and maturities of technical liabilities.

Cash flows from financing activities were impacted primarily by dividend payments for the last financial year, interest paid on borrowings and the balance from taking up and repaying non-current liabilities, primarily bonds.

Cash and cash equivalents, which include cash at banks, cheques and cash-in-hand, and which also represent the total cash flows from operating activities, investing activities and financing activities, declined by EUR 411 million overall year-on-year to EUR 3.6 billion.

Group ratings

The Talanx Group and its companies again received very good ratings from international rating agencies Standard & Poor' s (S&P) and AM Best in the year under review. Generally, a distinction must be made between insurer financial strength ratings and issuer or counterparty credit ratings. The former primarily assess a company's ability to meet obligations to policyholders, while the latter rate its general credit quality.

AM Best upgraded the Primary Insurance Group's credit rating at the end of the reporting period. The financial strength rating improved from A ("excellent") to A+ ("superior"). This rating decision by AM Best reflects the systematic progress made by the Group in its earnings performance and risk management culture in recent years. Following this rating decision, the outlook was again changed from "positive" back to "stable". AM Best still rates the Hannover Re subgroup A+ ("superior") with a stable outlook. The rating agency justified the continuing very high rating on the grounds of its healthy earnings situation and excellent capitalisation.

S&P ratings for the subgroups Talanx Primary Insurance Group and Hannover Re were also unchanged compared to the prior year, as was the stable outlook. The financial strength rating for the Primary Insurance Group and its core companies was confirmed at A+, with S&P attesting to the Talanx Primary Insurance Group's particularly good financial risk profile. S&P also confirmed Hannover Re's rating of AA–, an extremely strong assessment compared to competitors. The S&P financial strength ratings for the individual subsidiaries also remained stable in the reporting period, and were therefore unchanged. The Group's financial strength ratings are now as follows.

Financial strength ratings

FINANCIAL STRENGTH RATINGS FOR THE GROUP AND ITS SUBGROUPS

	Standard & Poor's		AM Best	
	Rating	Outlook	Rating	Outlook
Talanx Group[1]	—	—	A+	Stable
Talanx Primary Insurance Group[2]	A+	Stable	—	—
Hannover Re subgroup[3]	AA–	Stable	A+	Stable

[1] Definition used by AM Best: "HDI V.a.G. and its rated insurance subsidiaries".
[2] Subgroup of primary insurers including HDI V.a.G.; definition: "Talanx Primary Insurance Group". Corresponds to the Industrial Lines, Retail Germany and Retail International Divisions, including Talanx AG.
[3] Hannover Rück SE and its major core companies; corresponds to the Talanx Group's Reinsurance Division.

Issuer credit ratings

ISSUER CREDIT RATINGS

	Standard & Poor's		AM Best	
	Rating	Outlook	Rating	Outlook
Talanx AG	A+	Stable	aa–	Stable
Hannover Rück SE	AA–	Stable	aa	Stable

The rating decision made by AM Best for the Primary Insurance Group is also reflected in Talanx AG's issuer rating. Talanx AG's issuer credit rating improved from a+ to aa– at the end of the reporting period, with the outlook changed from "positive" back to "stable" at the same time. S&P's issuer credit rating for Talanx AG is unchanged at A+, outlook "stable". This means that the rating agencies consider Talanx AG's credit quality to be good (S&P) or excellent (AM Best).

In addition, there are various issuer ratings for bonds issued and/or guaranteed by Talanx AG. These ratings and all other issuer ratings for bonds and loans issued by Group companies are set out in the disclosures on the consolidated balance sheet under Note 18 "Subordinated liabilities" and Note 26 "Notes payable and loans" in the consolidated financial statements.

The financial strength ratings for our primary insurance subsidiaries can be found on Talanx AG's website, while detailed information about the ratings for Hannover Re and its subsidiaries is on Hannover Rück SE's website (www.hannover-re.com).

Talanx AG (condensed version in accordance with the HGB)

The annual financial statements and the management report for the financial year 2022, in the version in force at the reporting date, were prepared in accordance with the provisions of the German Commercial Code (HGB), the German Stock Corporation Act (AktG), the German Insurance Supervision Act (VAG) and the German Regulation on the Accounting of Insurance Undertakings (RechVersV).

Talanx AG – as a listed financial and management holding company – is responsible for managing the Group's subsidiaries. The Talanx statement of income is thus also shaped by income and expenses in connection with its affiliated companies and long-term equity investments. In addition, Talanx AG ssentially underwrites property/casualty risks from Group companies as a reinsurer.

Net income for the financial year in accordance with HGB is a key management metric for Talanx AG as the distributable dividends are measured in accordance with net income for the financial year under HGB.

Results of operations

STATEMENT OF INCOME (HGB)

EUR million	2022	2021
Technical account		
Net income before equalisation reserve	10	–27
Change in equalisation reserve and similar reserves	–29	–32
Net technical result	**–19**	**–59**
Non-technical reserve		
Income from investments	815	841
Investment expenses	8	47
Other income	31	40
Other expenses	241	274
Non-underwriting result	**597**	**560**
Result from ordinary activities	578	501
Taxes	—	5
Net income for the financial year	**579**	**495**

The underwriting result before the equalisation reserve came to EUR 10 (–27) million in the financial year. After two years of high losses caused by the pandemic in 2020 and storm "Bernd" in 2021, Talanx AG was far below budget for large losses in the year under review and saw a low level of losses in the year as a whole. However, 2022 was greatly affected by inflation. Additional loss reserves were recognised to account for the higher inflation.

Performance in lines of business

INSURANCE BUSINESS AS A WHOLE

	2022		2021	
EUR million	Gross	Net	Gross	Net
Premiums	1,151	257	1,119	280
Premiums earned	1,132	255	1,153	292
Expenses on insurance claims	863	167	1,036	212
Expenses for insurance operations	267	75	298	122
Underwriting result (net)	–36	–19	–204	–59
%				
Expense ratio	76.2	65.7	89.9	72.5
Cost ratio	23.6	29.3	25.8	41.6
Combined ratio	99.8	95.0	115.7	114.1

GROSS PREMIUMS BY LINE OF BUSINESS

	2022		2021	
	EUR million	%	EUR million	%
All risk insurance	430	37.4	453	40.5
Engineering insurance	189	16.4	132	11.8
Other insurance	156	13.5	154	13.8
Fire insurance	117	10.2	112	10.0
Liability insurance	113	9.8	111	9.9
Motor vehicle insurance	95	8.3	117	10.5
Casualty insurance	30	2.6	13	1.2
Marine and aviation insurance	21	1.8	27	2.4
Total	**1,151**	**100.0**	**1,119**	**100.0**

All risk insurance

Gross premium income for all risk insurance came to EUR 430 (453) million, representing 37.4% (40.5%) of total premiums. There was no further increase on the previous year as cedants' reinsurance structures were stable, e.g. the property ratio in the Industrial Lines and Retail Germany divisions. The gross loss ratio declined to 66.0% (115.4%) as a result of a reduced claims experience in the area of natural hazards. The gross underwriting result was EUR 47 (–192) million. The positive gross underwriting result in this line was shaped by the lack of relevant large losses in natural hazards.

Engineering insurance

16.4% (11.8%) of gross premiums (EUR 189 (132) million) can be attributed to engineering insurance. Premium increases were achieved through reorganisation measures in original business. The gross underwriting result was EUR 6 (1) million, based on a gross loss ratio of 60.9% (69.4%). In the engineering insurance line, the claims experience remained good and low.

Other insurance

Mainly the other non-life insurance and other property insurance lines are recognised under other insurance, which include the comprehensive householders, storm and legal protection classes. At EUR 156 (154) million, other insurance accounted for 13.5% (13.8%) of gross premiums. After an increase in the previous year thanks to the new underwriting of aqua/agri business in South America and property contracts in bancassurance, there was no additional new underwriting in the financial year. The gross loss ratio increased to 107.6% (33.6%); this resulted in a negative gross underwriting result of EUR –65 (21) million. This essentially reflected negative loss run-off for US losses due to negative exchange rate development against the euro.

Fire insurance

Fire insurance gross premiums came to EUR 117 (112), representing a share of 10.2% (10.0%). Here, too, gross premiums did not increase further year on year. The gross loss ratio was 128.6% (71.1%), with a gross underwriting result of EUR –54 (-9) million. US losses in the Industrial Lines Division also developed negatively in the fire insurance line, which also saw additional losses in the Retail International Division.

Liability insurance

The liability insurance line's contribution was stable, at 9.8% (9.9%) of gross premiums. Gross premium income was also stable at EUR 113 (111) million as there were no significant changes to premiums or shares in contracts. A gross loss ratio of 71.9% (81.4%) resulted in a gross underwriting result of EUR 23 (15) million. The previous year was burdened by a large loss, whereas the year 2022 passed off without any significant large losses.

Motor vehicle insurance

Gross premiums in motor insurance came to EUR 95 (117) million, representing a share of 8.3% (10.5%). The reduction was the result of restructuring contracts at the request of our cedants, especially in the Retail Germany division. The gross loss ratio was 78.0% (81.7%), with a gross underwriting result of EUR –5 (–30) million.

Non-underwriting business

The balance of income and expenses from investments increased to EUR 807 (793) million. Net income from long-term equity investments included in this, resulting from income from long-term equity investments and income and expenses from profit and loss transfers from our subsidiaries, rose to EUR 788 (653) million in the financial year. HDI Deutschland AG reported a profit transfer of EUR 140 (113) million, HDI International AG of EUR 126 (78) million and HDI Global SE of EUR 118 (108) million. This was offset by a decrease in gains on the disposal of investments to EUR 0 (146) million. The overall net return on investments in the reporting year was 2.6% (3.4%).

The balance of other income and expenses was EUR –210 (–233) million, chiefly due to lower expenses for the company as a whole of EUR 107 (129) million.

Net income for the financial year rose year-on-year to EUR 579 (495) million. After adding in the retained profit brought forward of EUR 586 (495) million, the distributable profit amounted to EUR 1,164 (991) million. The appropriation of the distributable profit can be found in the Notes to the Group Annual Report in the "Other disclosures" section under the item "Appropriation of the distributable profit".

Net assets

BALANCE SHEET STRUCTURE – ASSETS (HGB)

EUR million	31.12.2022	31.12.2021
Investments in affiliated companies and other long-term equity investments	8,632	8,622
Other investments	2,076	664
Funds withheld by ceding companies from business ceded for reinsurance	33	25
Receivables	933	973
Other assets	132	499
Total assets	**11,806**	**10,783**

As in previous years, Talanx AG's balance sheet is shaped predominantly by its role as a holding company and, on the assets side, largely by its interests in its subsidiaries, which are denominated in euros. The reinsurance business was also reflected in individual balance sheet items. Total assets rose by 9.5% to EUR 11,806 (10,783) million. Investments in affiliated companies and other long-term equity investments remained virtually unchanged at EUR 8,632 (8,622) million. Other investments increased to EUR 2,076 (664) million, reflecting both an increase in fixed-income securities and bearer bonds and a rise in short-term term deposits at banks. The funds come largely from the temporary investment of two bonds issued in October 2022 with a total volume of EUR 1,250 million. This was offset by a decrease in cash, reducing the remaining assets to EUR 1,098 (1,497) million.

BALANCE SHEET STRUCTURE – EQUITY AND LIABILITIES (HGB)

EUR million	31.12.2022	31.12.2021
Equity	5,798	5,615
Subordinated liabilities	1,250	1,750
Technical provisions	572	538
Other provisions	1,162	1,183
Other liabilities	3,024	1,698
Total equity and liabilities	**11,806**	**10,783**

Talanx AG's capital structure and the composition of its liabilities primarily reflect its role as a holding company, a role which has been expanded to include the reinsurance business assumed in 2019. Equity amounted to EUR 5,798 (5,615) million. The increase of EUR 183 million was essentially due to the distributable profit.

In line with planning, subordinated liabilities declined to EUR 1,250 (1,750) million as a result of repaying the loan to Talanx Finanz (Luxemburg) S. A. granted as part of the EUR 500 million bond issued by Talanx Finanz (Luxemburg) S. A. to Talanx AG in 2012.

Technical provisions went up in the financial year, primarily on account of an increase in the equalisation reserve, to EUR 572 (538) million. Other provisions declined slightly to EUR 1,162 (1,183) million.

The increase in other liabilities to EUR 3,024 (1,698) million was essentially the result of two bonds issued in October 2022 with a total volume of EUR 1,250 million.

Financial position

Liquidity planning – which is performed by the Accounting department at least once a month – ensures that Talanx AG can meet its payment obligations at all times. This is flanked by an investment strategy that is aligned with liquidity requirements.

Talanx AG's main inflows of funds come from profit and loss transfer agreements with affiliated companies, income from participating interests, underwriting premium income and interest income from loans. The Group Controlling & Finance and Cash Management departments liaise regularly on expected liquidity flows during liquidity planning. The Company mainly uses its funds to make interest and principal repayments on liabilities, to pay dividends and for underwriting payments. Additionally, activities associated with acquiring or selling companies can lead to short-term inflows and outflows of liquidity.

As at the reporting date, Talanx AG had agreed one available, syndicated variable-rate credit line denominated in euros with a banking group, which can be drawn down if necessary. The variable interest rate is based on EURIBOR plus a premium. The credit line had a nominal value of EUR 250 million as at the reporting date. The credit line was not used in either year. On the basis of a cooperation agreement concluded with HDI Haftpflichtverband der Deutschen Industrie V. a. G. in 2021, Talanx AG is also able to offer HDI Haftpflichtverband der Deutschen Industrie V. a. G. subordinated bonds with a maturity of five years and a volume of up to EUR 750 million on a revolving basis. No such offer has been made.

Talanx AG also secured a EUR 1,250 million financing package in the financial year. The bonds with identical conditions comprise one senior unsecured bond with a volume of EUR 500 million, rated A+ by the rating agency Standard & Poor's. It was placed broadly with institutional investors from Germany and abroad. At the same time, HDI Haftpflichtverband der Deutschen Industrie V. a. G. subscribed a EUR 750 million bond with identical conditions. The two bonds denominated in euros mature on 25 October 2029. . The cash inflows are to be used primarily to replace existing financing of EUR 858 million in the first quarter of 2023.

The Company focuses on long-term reliability and capital strength when selecting lenders. Ampega Asset Management GmbH is responsible for ongoing monitoring of lenders' capital strength.

Targets in accordance with sections 76(4) and 111(5) of the AktG

With regard to targets for the proportion of women on the Board of Management and in the next two management levels below Talanx AG's Board of Management in accordance with sections 76(4) and 111(5) AktG, please see our comments in the "Declaration on Corporate Governance" in accordance with sections 289f and 315d HGB in the section of this report entitled "Corporate Governance".

Remuneration report

The principles and structure of remuneration for the Talanx AG Board of Management and Supervisory Board are described in the remuneration report, which is part of the Talanx Group Annual Report. The remuneration report provides information about individual remuneration for members of Talanx AG's Board of Management and Supervisory Board for their work for the Talanx Group in financial year 2022. In addition to remuneration components relating to work for Talanx AG, the amounts shown also include remuneration for work performed for the companies consolidated in the Talanx Group.

Risk report

As the holding company of a Group offering primary and reinsurance and financial services, Talanx AG's business performance is subject to the same risks as that of the Talanx Group. Talanx AG's earnings, and hence its risk, are mainly determined by its income from long-term equity investments and by profit and loss transfers from the individual companies. Talanx AG shares the risk associated with its long-term equity investments and subsidiaries firstly in proportion to its long-term equity interests in them and secondly via in-ragroup reinsurance. The Group risk report sets out the risks applicable to the subsidiaries and to Talanx AG itself. As well as the ongoing impact of the coronavirus pandemic, these risks are affected primarily by adverse macroeconomic developments and the global and regional repercussions of the war in Ukraine.

At the start of 2022, the war in Ukraine put a significant damper on the global economy's recovery from the recessive developments brought about by the pandemic that had began in 2021. In addition to the human suffering, this had profound economic implications. A sharp rise in commodities prices, especially for fossil fuels, and food prices caused inflation – which was already high on account of supply chain disruption – to accelerate dramatically across the world. In response, almost all central banks made changes to their monetary policy and raised interest rates, in some cases substantially. Financial markets responded with hefty price corrections combined with high volatility. While financial markets responded with hefty price corrections in the first half of the year, they recovered well in the second half, although volatility remained high. Despite the declining impact of Covid-19 losses in the last year, there is still coverage for credit insurance, life insurance and health and personal accident insurance and so future claims will depend on how the pandemic develops moving forward and on countermeasures at national level. Accordingly, uncertainty remains.

As an intragroup reinsurer, we work in close collaboration with the Talanx Group primary insurers. This way, we closely monitor the development of further potential Covid-19 losses and the worsening macroeconomic situation – with a particular focus on rising inflation and, in turn, higher loss amounts – and ensure optimal collections from retrocessionaires. Counterparty risk is strictly monitored with regard to the selection of retrocessionaires. Existing business relations with reinsurers are also regularly assessed in terms of the counterparty risk. We are also in direct, permanent contact with our reinsurance partners and reinsurance brokers that operate on the market in order to assess the overall market situation and allow us to take action at an early stage if needed.

Talanx AG recognised a loss ratio of 65.7% (72.5%) in the financial year 2022 as a reinsurer, with the loss ratio for the financial year coming to 59.8% (51.1%). A net run-off result of EUR –15 (–63) million was recognised. The run-off ratio was 3.2% (20.0%).

As at 31 December 2022, Talanx AG reported funds withheld by ceding companies of EUR 33 (25) million, which essentially comprise the balance from a EUR 32 (24) million reinsurance treaty concluded in the previous year. As at 31 December 2022, Talanx AG also had receivables due from cedants of EUR 22 (8) million. The receivables are the sum of individual receivables from various market participants and most are less than 90 days past due. At present, we do not expect it will be necessary to write down any of these receivables.

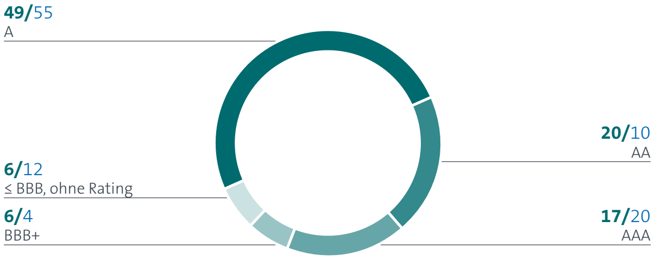
SCENARIOS FOR FAIR VALUE CHANGES IN SECURITIES

EUR million	2022	2021
Change in portfolio on a fair value basis		
Equities and other variable-yield securities		
Equity prices –20%	–1	–1
Fixed-income securities and other loans		
Increase in yield + 100 basis points	–23	–27
Decrease in yield –100 basis points	+26	+30

Talanx AG predominantly holds securities rated A or better, with only a relatively small number rated lower than A.

SECURITIES BY RATING CLASS

%



2022 / 2021

Report on expected developments and on opportunities

Talanx AG is closely intertwined with the Group companies and plays a correspondingly large role in the Group, and so the statements made in the Group forecast and report on opportunities also reflect expectations for the parent company Talanx AG. In financial year 2023 we expect to see a significant increase in net income for Talanx AG, in part due to income from long-term equity investments and a far better underwriting result.

Dependent company report

The dependent company report that has to be prepared by the Board of Management in accordance with section 312 AktG stated that Talanx AG received appropriate consideration for all transactions with affiliated companies under the circumstances known at the time the transactions were conducted. There were no measures requiring to be reported in the reporting period.

Overall assessment of the economic situation

Talanx AG's management believes that, despite the global challenges, business proved solid in the reporting period considering the overall global economic environment and the conditions prevailing in the industry. It considers this result a success of our global diversification. Group net income exceeded the EUR 1 billion mark and was higher than in the prior year, with gross written premiums seeing growth well into double digits. The Group return on equity and Group net return on investment exceeded our guidance for the reporting period, as did return on equity in all of the Group's divisions.

The Group remains financially robust and its solvency ratio continues to be well above the level required by law and on the upper end of our target range. The Board of Management is of the opinion that the Group's economic situation is sound as at the preparation date of the management report. The Group kept control of the effects of inflation in the year under review and the war in Ukraine had no material impact on its net assets, financial position and results of operations. We believe that our targets for 2023 as a whole are achievable.

Other reports and declarations

The contents of this consolidated non-financial statement have been aligned with emerging ESG regulatory requirements.

Consolidated non-financial statement [1]

Introduction

The Talanx Group's business success is influenced to a significant extent by non-financial factors. Consequently, we report on these non-financial factors for the Talanx Group and Talanx AG in this consolidated non-financial statement (hereinafter referred to as the "non-financial statement" or "NFS") as prescribed by the German CSR Directive Implementing Act (CSR-RUG), the German Commercial Code (HGB) and by Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter referred to as the "Taxonomy Regulation").

This non-financial statement covers the period from 1 January to 31 December 2022. It contains information on the management approaches used throughout the Group for a selection of non-financial topics and describes key activities undertaken and progress made in financial year 2022, plus the relevant governance structures.

[1] The consolidated non-financial statement section of the report has been specifically exempted by the legislators from the audit requirement (section 317(2) sentence 6 of the HGB). However, auditors PricewaterhouseCoopers GmbH performed a limited assurance review of this consolidated non-financial statement in accordance with ISAE 3000 (Revised).

This non-financial statement has been prepared in accordance with sections 315b to 315c in conjunction with sections 289c to 289e of the HGB and the Taxonomy Regulation; the preparation of the materiality analysis and the management approaches is based on the 2021 Global Reporting Initiative (GRI) Standards and, in the case of climate-related disclosures, on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

With one exception, all Group companies required under national legislation as a consequence of Directive 2014/95/EU as regards disclosure of non-financial and diversity information to issue their own non-financial statements exempt themselves from that requirement by referring to this non-financial statement. Hannover Rück SE has not exercised the exemption option and publishes its own combined non-financial statement in its combined management report.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft performed a voluntary limited-assurance review pursuant to ISAE 3000 (revised) on this consolidated non-financial statement (see the review opinion on page 261).

References to information not contained in the management report and the consolidated financial statements represent additional information and do not form part of the non-financial statement.

Business model and strategy

The Talanx Group is a global multi-brand provider in the insurance and financial services sector with brands that include HDI, Hannover Re, Warta, neue leben and Targo, among others. It has a total of more than 300 subsidiaries and equity interests. A detailed description of Talanx's business model and Group strategy is given in the combined management report on page 36ff.

As an international insurance group and long-term investor, the Talanx Group incorporates sustainability aspects in its corporate governance and has integrated them with its Group strategy, which has sustainability as one of its main pillars. The Group's sustainability approach is based on its targeted implementation of sustainability and ESG (environmental, social and governance) aspects in the areas of investment, underwriting and operations, and in the Group's social responsibility activities. Taking sustainability aspects into account in this way aims to align the Group's business success with its long-term environmental and social responsibility.

The Group underlines its strategic sustainability credentials by focusing on aligning itself with internationally recognised frameworks, initiatives and (reporting) standards. The Group's sustainability focus is adjusted repeatedly over time to reflect new insights, the legal framework and changed stakeholder requirements that need to be accommodated. The strategic measures that the Talanx Group announced in November 2021 have further enhanced its sustainability strategy and made sustainability an even more integral part of its business model. The 2022 Strategy Review confirmed and further boosted these priorities; for example, a uniform strategic foundation was introduced for the Group's social responsibility activities. Above and beyond its existing net zero target for global operations, which it aims to achieve by 2030 at the latest (Scope 1, 2 and 3, including offsetting), the Group has also undertaken to reach net zero emissions in its underwriting and investment activities by 2050, in line with the goals of the Paris Agreement on Climate Change.

In addition, the Talanx Group published its first Green Bond Allocation and Impact Report in the reporting period. This report relates to the green bond that was successfully placed on the market in 2021 and that has a volume of approximately EUR 500 million. The bond's objective is to finance and refinance sustainable projects focusing in particular on renewable energy generation, and on low-energy residential and commercial real estate. In other words, the Group's Green Bond Framework now also systematically ties in its sustainability strategy with its financing strategy.

Policies

Governance

The Group's corporate governance policy plays a key role in ensuring responsible corporate governance based on sustainable value creation, and the efficient implementation of the sustainability strategy required for this. In line with this, the Talanx Group's corporate governance policy and its dedicated sustainability governance structures are described in detail in the "Governance" section of this NFS. In addition, specific governance information on how non-financial reporting issues are handled can be found in the relevant chapters of this non-financial statement.

Risk management

The Talanx Group integrates both financial risks and non-financial risks in its risk management process so as to be able to take well-founded decisions. Non-financial risks include environmental, social and governance risks ("sustainability risks"). Sustainability risks do not represent a separate or new risk category; rather, they can occur in all existing risk categories. This applies to underwriting, investment, operational, strategic and reputational risks, among other things. The Talanx Group accommodates this fact by integrating sustainability aspects throughout the entire risk management process.

Sustainability risks are explicitly identified during the risk inventory and other, focused risk surveys such as the emerging risk process (see the risk report). The latter uses scenario techniques to investigate emerging risks and the potential effects of megatrends on the Talanx Group's business (e.g. water scarcity or the loss of biodiversity). The assessments take feedback effects into account and analyse risk drivers and cause and effect mechanisms along the entire value chain. In keeping with good risk management practice, risk identification and assessment is followed by the definition of appropriate risk management measures. All material functions are included in order to produce an end-to-end picture of all risks at single-entity and consolidated level, and the results are reported regularly to the decision-making bodies. In addition, the Talanx Group continuously monitors current economic, scientific and regulatory developments in order to prevent losses arising from sustainability risks. At the same time, its proactive examination of sustainability aspects allows it to react to changes and take advantages of business opportunities that arise, such as greater demand for (re)insurance products or an increased need for loss prevention consulting.

The Talanx Group is successively expanding the methods it uses to measure and model sustainability risks from both a qualitative and a quantitative perspective. One key instrument is its internal risk capital model, which has been approved by the supervisory authorities. This is used to calculate the Solvency 2 capital requirements and, for example, assesses the risk of natural disaster events occurring in the coming year for the Group as a whole. The inputs for some of the model's components can be adapted depending on sustainability risk factors. In addition, given the high level of uncertainty and the limited data available on sustainability risks, the Talanx Group addresses model and change risks using sensitivity analyses and stress tests, among other things.

The Talanx Group uses sensitivity analyses and stress tests to reflect the particular importance of climate change. These analyse the business model's exposure to, and resilience against, all potential risks associated with climate change – i.e. physical risks, transition risks and liability risks – and take potential short-, medium- and long-term impacts into account. The uncertainty surrounding the timing and extent of future developments is reflected by looking at two internally consistent scenarios. The first is a transition scenario in which the political measures taken are only taken after a delay, and in which global warming amounts to slightly less than 2°C above preindustrial levels by the end of the scenario horizon (2050). The second case analyses a business-as-usual scenario in which global warming clearly exceeds 2°C. The Talanx Group uses a narrative-qualitative approach to identifying risk factors and analysing their materiality, which allows causalities and feedback effects to be depicted. It bases its approach on current scientific findings and (scenario) data from well-known research institutions and initiatives such as the Intergovernmental Panel on Climate Change (IPCC), the Network for Greening the Financial System (NGFS) and the Bank of England. The insights obtained from the climate change scenario analysis are used to derive suitable mitigation measures, whose implementation is systematically tracked and reported to the Board of Management and that are adjusted where necessary. This process is being continued and successively expanded to incorporate new aspects for consideration.

In addition to ad hoc risk reporting to the Company's decision-making bodies, sustainability risks are reported and classified in particular in the annual Own Risk and Solvency Assessment (ORSA), which is approved by the Board of Management and made available to the supervisory authority.

Additionally, the Talanx Group bases its actions on the recommendations on reporting climate-related risks and opportunities drawn up by the Task Force on Climate-related Financial Disclosures (TCFD).

No material non-financial risks were identified in the 2022 reporting period that could have severe adverse impacts on the Talanx Group's business activities. For additional information on sustainability risks (and in particular climate change risks) and a basic overview of the Talanx Group's risk management system and risk profile, please refer to page 116ff. of the risk report in the combined management report.

GOALS AND MEASURES: RISK MANAGEMENT

Area	Goal	Key measures	Scope	Status in 2022	Status in 2021
Risk management	Enhance climate change scenario analysis	Use and enhance scenario analyses for assessing physical and transition risks	Group-wide	Ongoing	Ongoing
	Actively position the Company for future regulatory and market changes	Work in relevant bodies and participate in consultations	Group-wide	Ongoing	Ongoing
	Successively incorporate additional sustainability aspects into risk management	Increase the focus on social and governance aspects in addition to environmental aspects	Group-wide	Ongoing	Ongoing
	Implement the TCFD recommendations	Base reporting on climate-related risks and opportunities on the TCFD Framework	Group-wide	Ongoing	Ongoing

Materiality analysis

The Talanx Group uses its annual materiality process to identify, assess and review its key sustainability topics. Both external stakeholders' expectations and the relevance of the non-financial topics to the Group's business are taken into account when assessing materiality. Constant stakeholder contact plays an important role in enhancing the Talanx Group's sustainability strategy. In line with this, the Talanx Group's material aspects are determined using a materiality analysis that is closely aligned with the Group's strategy process and that includes a broad-based stakeholder survey.

As is the case with the Group's strategy cycle, this is then reviewed and updated every year as necessary until the time comes for the analysis to be performed again. In other words, it provides a materiality assessment as at a specific reporting date. The results are discussed by the Board of Management and taken into account in the sustainability strategy. A variety of processes have been put in place to ensure that both internal and external viewpoints are considered. These include the discussions that take place in the Group's sustainability network (see "ESG governance" on page 102), in which experts from the areas of asset management, underwriting and operations provide internals take on these issues. The external perspective is taken into account by performing sustainability-driven market and competitor analyses. Additional input comes from regulatory and statutory requirements and from our regular contacts with ESG rating agencies.

A new, full materiality analysis was performed in financial year 2022 in line with the regular production cycle. In addition to the legal basis for materiality analyses set out in section 289c of the HGB, the report was also based on the 2021 Global Reporting Initiative (GRI) Standards and the European Commission's proposed Corporate Sustainability Reporting Directive (CSRD, version dated March 2022). The Talanx Group engaged an external consulting firm to support it during the materiality analysis so as to ensure that forthcoming regulatory requirements were already included in the process at this stage. Use of the consulting firm also helped to ensure anonymity during the stakeholder survey. A three-stage process was used to determine the material topics:

1. Analysis of relevant stakeholder groups: After breaking them down into two core groups – "affected stakeholders" and "users" – the Talanx Group's segment-specific and overarching stakeholders were identified and their influence and interests per segment were evaluated. The groups identified for the Talanx Group are customers (retail and industrial customers), brokers, the Board of Management, employees, the Supervisory Board, investors, rating agencies, supervisory authorities, suppliers, reinsurers, policymakers, NGOs, associations, the media and the research community.

2. Identification of non-financial topics: A list of relevant, future-looking topics was drawn up on the basis of common standards, ESG ratings, peer reports, the emerging regulatory framework, megatrends and sector developments. The topics were prioritised on the basis of their strategic relevance for the Talanx Group during the stakeholder survey.

3. Implementation: The defined topics are assessed for their business relevance to the Group (financial materiality) and the Group's effect on the topics concerned (impact materiality) using interview/questionnaire guides or desk research, with the stakeholders participating awarding points to them.

The stakeholder survey revealed seven material topics that are highly relevant for the Talanx Group. The topics have been arranged on the basis of their business relevance (horizontal) and the Group's impact (vertical). The allocation to specific E, S and G clusters is indicated using colours, whereas the symbols used stand for the "asset management", "underwriting" and "operations" areas.

THE TALANX GROUP'S MATERIALITY MATRIX

The main changes compared to the last materiality analysis have been in the priorities assigned to the topics. Whereas the topic of climate change has clearly gained in importance thanks to it being broken down into three issues – "climate change mitigation in underwriting", "support for climate action in asset management" and "climate action and environmental protection in Talanx's own operations", the "compliance", "supplier management" and digital transformation" aspects are no longer classified as material due to the existing statutory framework. Nevertheless, the Talanx Group still reports on progress made in these areas. For example, in the area of supplier management information is provided on the activities of the interdisciplinary working group relating to the due diligence obligations set out in the German Supply Chain Due Diligence Act (LkSG), which were conducted in order to comply in full with future due diligence requirements (see "Supplier management", page 105).

MAPPING THE REPORT STRUCTURE TO THE MATERIAL TOPICS

	Report structure	Material topics
E (Environmental)[2]	Climate-related and environmental matters	Climate change mitigation in underwriting
		Support for climate action in asset management
		Climate action and environmental protection in Talanx's own operations
S (Social)[3]	Social matters	Responsibility to customers
		Employee matters
		Human rights and supply chain[1]
G (Governance)[4]	Governance	Governance in asset management
		Data protection and cybersecurity

[1] The Talanx Group still reports on progress made in this area even though it is a no longer a material topic following the update to the materiality analysis.
[2] "E" comprises environmental matters (in accordance with section 289c of the HGB).
[3] "S" comprises social and employee matters and respect for human rights (in accordance with section 289c of the HGB).
[4] "G" comprises anti-corruption and bribery matters (in accordance with section 289c of the HGB).

E – Climate-related and environmental matters

Climate-related and environmental matters in asset management

The Talanx Group's total assets under own management amounted to approximately EUR 129 billion as at the end of the 2022 financial year. Of this figure, 84% was invested in fixed-income securities as at 31 December 2022, while equities accounted for roughly 1.5%. Roughly 5.9% of the investment volume was invested in real estate. The remainder was attributable to asset classes such as private equity and infrastructure, and to short-term investments and other investments.

The sustainability strategy for the investment area aims to generate long-term capital growth on the basis of a broadly diversified, actively managed securities portfolio, while putting a particular focus on ESG criteria. The basic principle is that sustainable development can only be achieved if environmental, economic and social objectives can be achieved simultaneously.

A Group-wide ESG screening process has been developed and implemented to facilitate this. The Responsible Investment Committee (RIC), which is chaired by Talanx's Chief Financial Officer, defines and regularly reviews the filter criteria used for screening, and makes individual decisions on whether to retain or divest assets, while taking local decision-making responsibilities into account.

Key filter criteria specified in this area include the UN Global Compact's principles. Above and beyond the environmental criteria anchored in the Compact, the Talanx Group has also systematically expanded its filter catalogue to exclude coal. Reflecting this, the Talanx Group no longer invests proprietary funds in companies which, according to available information, generate more than 25% of their production as well as of their turnover from thermal coal. In line with the sustainability strategy resolved by the Talanx Group, which aims for the Group to exit thermal coal entirely by 2038, investments in the asset management area will also be divested by that year. Similar exclusions for oil and tar sands, which are damaging to the climate and the environment, were also added to the filter catalogue. What is more, the Talanx Group signed up to the United Nations' Principles for Responsible Investment (PRI) in 2019 and has committed itself to observing the PRI's six principles for responsible investing.

The Talanx Group's sustainability strategy is based among other things on a dialogue with companies, enabling it to influence the capital markets in favour of sustainability. Companies with which Talanx enters into an engagement dialogue are identified systematically on the basis of predefined initial indicators, with the focus being on those firms with a relatively weak ESG profile.

In parallel to its classic screening-/exclusion-based approach, the Talanx Group aims to continuously improve its sustainability approach. Work on reducing the carbon intensity of the investment portfolio continued in line with the climate strategy developed in 2021. The focus was on the carbon intensity of the Talanx Group's liquid assets under own management in the equities and fixed-income areas. In the medium term, the goal is to also expand this to measure and reduce carbon emissions for other asset classes, including illiquid ones.

The Talanx Group's short- and medium-term goal is to achieve a 30% reduction in the carbon intensity of its self-managed liquid portfolio by 2025 compared to the 2019 baseline. This corresponds to a reduction in its carbon intensity of roughly 7% per annum and represents an important contribution to developing a long-term path towards the Group's target of net zero emissions by 2050. The reduction in carbon intensity of roughly 20% compared to the 2019 baseline means that the Talanx Group was on track to hit its target in the reporting period.

In addition to reducing the carbon intensity of its investment portfolio, the Talanx Group is increasingly putting money into investments that are designed to combat climate change, and especially sustainable infrastructure projects. The Group has systematically built up expertise in this area in recent years and its specialised unit invests directly in selected projects, supplying both equity and debt.

Among other things, the infrastructure portfolio includes equity and debt investments in wind and solar farms, power grids, digital infrastructure and transport infrastructure projects in Germany and the rest of Europe. The Talanx Group has provided financing solutions for, or is an investor in or (co-)owner of, 23 wind farms, four of which are located offshore. As at the end of financial year 2022, the Group's portfolio comprised investments in infrastructure projects totalling approximately EUR 3.2 billion, with roughly EUR 1.5 billion of this figure being attributable to renewable energy generation infrastructure.

The European Commission has now also assigned the topics of climate action, environmental protection and sustainability a high priority with its Green Deal, and has resolved far-reaching measures to achieve climate neutrality by 2050. The rules for sustainable finance that are being drawn up are initially designed to align financing activities with climate and environmental policy goals, although additional sustainability goals will follow.

At the heart of the rules is the Taxonomy Regulation – an assessment scheme in which the Commission provides binding technical details of which economic activities are considered to be environmentally sustainable. In other words, the Taxonomy Regulation creates transparency as to whether a particular economic activity makes a positive contribution to defined EU sustainability goals from the European Commission's perspective. In line with this, the Taxonomy Regulation is also a key transparency sustainability criterion for the Talanx Group's investments.

The reporting discloses these sustainable investments in comparison to the investments reported in the statement of financial position. The latter figure is arrived at by deducting cash at banks, cheques and cash-in-hand plus any funds withheld by ceding companies from the figure for the Group's overall investments, and adding in investments for the benefit of life insurance policyholders who bear the investment risk. Funds withheld by ceding companies are cash deposits or securities accounts associated with technical provisions that Talanx cannot access directly.

The investments recognised in the statement of financial position also serve as the starting point for determining Taxonomy eligibility. Article 7 (1) to (3) of Commission Delegated Regulation ([EU] 2021/2178) specifies that the exclusions below must be made when calculating the key performance indicators.

Exposures to central governments, central banks and supranational issuers shall be excluded from the calculation of the numerator and denominator. Derivatives shall be excluded from the numerator. Exposures to undertakings that are not obliged to publish non-financial information pursuant to the NFRD shall be excluded from the numerator.

These exposures are therefore not included in the numerator (and in the denominator in the case of government bonds) for the KPIs (i.e. they are "out of scope"), but they are reported individually so as to permit the results to be classified.

The European Commission has clarified that only KPIs that are published as part of the non-financial reporting can be used to determine whether investments are Taxonomy-eligible. This information became available for the first time in certain cases in the 2022 reporting period.

The assessment of whether investments are Taxonomy-eligible starts by excluding all investments whose country of issue is not subject to EU law, since these investments do not fall within the scope of the NFRD reporting requirements as a matter of principle. In the case of liquid investments whose country of issue is covered by the NFRD reporting requirements, an internal screening process is performed on a substantial proportion of the liquid investments and the results are used for further clarification. The Talanx Group takes a conservative approach to minor holdings for which no data are available and reports them as Taxonomy non-eligible. Given Talanx's international investment universe, the share of investments made in issuers that are not covered by the NFRD reporting requirement is naturally high.

As a basic principle, all investments associated with the purchase and ownership of real estate are considered to be Taxonomy-eligible. This includes land and buildings held as investment property, real estate funds and residential mortgage loans. Where liquid investments in companies whose country of issue is subject to the NFRD are concerned, data from an external service provider are being used for the first time this year to assess whether they are Taxonomy-eligible. However, the results of the manual screening are used to assess investments in the case of material exposures for which the data provider does not supply any information. Direct equity interests taking the form of special purpose vehicles (SPVs) and infrastructure investments in the form of property, plant and equipment, equity interests or loans are also classified as Taxonomy-eligible investments if the internal data at our disposal identify the economic activity concerned and the Taxonomy contains assessment criteria for them. If this is not the case, such investments are reported as being Taxonomy-non-eligible. Retail and private equity funds are considered not to be subject to the NFRD requirements until they can be reliably classified, since insufficient data are available and their investment universes largely have an international focus.

Data quality and data coverage for the KPIs reported depend to a large extent on current data availability. The Talanx Group assumes that both data availability and data quality will improve over time and that this will affect the reportable Taxonomy KPIs.

Climate-related and environmental matters in underwriting

The Talanx Group's insurance services can have indirect environmental and economic impacts on sustainable development. The company is aware of this, which is why it is continuously expanding its ESG approach in its underwriting activities as well. The Group signed up to the UN Principles for Sustainable Insurance (PSI) in May 2020 and, by doing so, has voluntarily committed to continuously improving the sustainability of its insurance business in line with the initiative's four principles. In other words, it intends to work together with customers and business partners to raise awareness of sustainability, manage risks and develop appropriate solutions.

The Responsible Underwriting Committee (RUC) determines the screening criteria to be adopted and regularly reviews the underwriting policy. The RUC's voting members are the members of Talanx AG's Board of Management, who are chaired by the Group's CEO. The criteria are integrated in the underwriting guidelines at the level of the divisions and risk takers responsible for the businesses in question.

This being the case, the RUC has, among other things, introduced underwriting restrictions to combat thermal coal risks throughout the Group, mirroring the policy adopted in the investment area. Since coal can only be phased out responsibly in the medium to long term, the aim is not to have any coal-fired power stations or coal mines in the insurance portfolio as from 2038. This restrictive underwriting policy for thermal coal risks has now been expanded to cover oil and tar sands as well. Other fossil fuel sectors are being continuously monitored and the underwriting guidelines are being constantly adapted based on the risks involved. For example, greenfield Arctic drilling projects are no longer insured on an individual risk basis.

In addition, the insurance sector and the Net Zero Insurance Alliance (NZIA) are currently developing methods to determine and manage the carbon footprint of insurance portfolios in a similar manner to the approach taken with investment portfolios. The Talanx Group is tracking these developments closely.

In its role as a leading industrial insurance and reinsurance group, the Talanx Group aims to act as a partner for businesses and support them in their sustainable transition to a low-carbon economy through constructive yet critical dialogue. On the one hand, it uses the opportunities it has to exert an influence when discussing risk with the companies that it insures. On the other, the Talanx Group's engineering insurance business is constantly examining new, environmentally friendly technologies and their insurability – something that is a precondition for providing significant insurance protection for the transition to green energy that is required. The Talanx Group is already one of the most important (re-)insurers for renewable energy sources such as (onshore and offshore) wind power, photovoltaic and geothermal technology, hydroelectric power and hydrogen production, and for converting them into energy up to and including energy storage technologies. This means it is well-positioned to successfully support structural change in the energy sector by supplying suitable risk transfer products in all cases.

In addition, the Group is aiming to anchor sustainability aspects more strongly throughout the entire product offering in its German and international retail and commercial clients business, and to optimise its products' impact on sustainability.

Life insurance operations are constantly taking new sustainability aspects into account. HDI Germany's new sustainable product offerings allow customers to choose from a variety of different sustainable fund products. In addition to establishing customers' sustainability preferences, customer advisory processes are used to provide comprehensive and information on the specific funds' sustainability objectives. Both customer preferences and strict sustainability criteria are taken into account when preselecting the funds on offer.

The Taxonomy Regulation offers another key transparency criterion for the sustainability of the Talanx Group's insurance portfolio. However, the insurance activities mentioned in the Taxonomy Regulation only take property/casualty insurance and reinsurance activities into account, while the Taxonomy Regulation only refers to the environmental objective of "climate change adaptation". This means that it only includes those lines of insurance that explicitly insure climate change risks.

The Talanx Group has reported its Taxonomy-eligible premiums – i.e. its entire gross premiums for those lines of insurance that provide cover for climate change risks in addition to other risks – since financial year 2021. An overview of the relevant Taxonomy KPIs is given in the "Metrics and targets" section below. From financial year 2023 onwards, the Talanx Group will report Taxonomy-aligned gross premiums for the insurance lines, in line with the successive introduction of the Taxonomy Regulation and in tandem with the procedure adopted for the investment area. However, the Taxonomy-aligned KPI will be substantially smaller than the Taxonomy-eligible KPI since the former only covers policies that explicitly take climate change risks into account and that also meet other technical screening criteria.

Climate and environmental protection in the enterprise

Influencing, and as far as possible reducing, the impact on its own environmental footprint is an integral part of the Talanx Group's sustainability strategy.

The Talanx Group does not operate any physical production facilities but rather offers insurance and finance services. As such, its operations by definition have less of an impact on the environment or the climate than, for example, manufacturing enterprises or companies that make heavy use of raw materials. Nevertheless, the Group employs roughly 24,000 employees at its locations around the world, and they consume energy and materials, take business trips or engage in mobile working. In addition, the Group purchases products and operating materials that its employees need to do their jobs, such as office equipment, IT products and food for its canteens. Consequently, the Talanx Group is working systematically to implement its two main environmental objectives in its operations as well. These objectives are:

- To remain climate-neutral in Germany, where more than 44% of the Group's staff are employed and
- To achieve net zero emissions targets at an operational level throughout the Group by 2030 at the latest (Scope 1, 2 and 3 including compensation)

To do this, the Group is steadily reducing its carbon emissions, uses energy and other resources as efficiently as possible, procures energy from renewable sources and offsets the remaining emissions in

Germany using emission reduction certificates. In addition, it aims to use water and paper responsibly, and to reduce waste, throughout the enterprise.

The Talanx Group applies ISO 14064, the international greenhouse gas (GHG) standard. It built on this systematically in the 2022 reporting period to expand its internal framework for ensuring uniform data capture, reporting and quantification of greenhouse gas emissions throughout the Group. Scope 1 and Scope 2 greenhouse gas emissions, and Scope 3 emissions from the business travel, fuel- and energy-related activities, paper and water consumption categories, are measured and reported in line with the reporting thresholds defined in the GHG Protocol's operating approach. In the same way, the data centre and remote working categories were added to Scope 3 in Germany in the 2022 reporting period.

The reporting categories are defined as follows:

- Scope 1: Direct emissions from sources owned or controlled by the organisation (liquid or gas fossil fuels, owned and leased vehicles, and refrigerants emitted by cooling systems)
- Scope 2: Indirect emissions from purchased or acquired energy (electricity, district heating, steam and cooling water)
- Scope 3: Indirect emissions from business-related activities and supply chains (e.g. business travel or purchased goods and services)

Consequently, total emissions for the Group excluding Hannover Re amounted to 31,106 metric tons of CO_2 equivalents (Co2e) in 2022; this corresponds to a drop of 37% compared to 2019 (the basis for the 2021 reporting period changed to 30,487 tonnes as a result of the Scope 3 adaption). More specifically, 8,318 tonnes of this figure related to emissions covered by the Scope 1 and 10,074 tonnes to Scope 2. Total Scope 3 emissions amounted to 12,714 tonnes. The fact that the reduction in emissions compared to 2019 has largely been maintained points to long-term effects caused by fundamental changes in working practices. However, it is largely due to the results of continuing efforts to reduce the Talanx Group's environmental footprint.

Metrics and targets

The following table provides a summary of the key objectives, measures and (Taxonomy) KPIs for climate-related and environmental matters in asset management and underwriting, and for climate action and environmental protection in the enterprise.

In addition to the ESG KPIs presented here, the Talanx Group is currently working to develop uniform metrics and parameters for the Group, plus corresponding processes that will permit concrete management approaches for climate-neutral investment and insurance portfolios in line with the Paris Agreement's climate goals.

Key changes in the KPIs year-on-year are primarily due to the ability to include reported Taxonomy information from issuers in investments, which became possible for the first time. The Talanx Group assumes that the KPIs will continue to change in future reporting periods as more data become available, and draws attention to the lack of reliable data and the lack of uniformity in Taxonomy reporting. This means that, at present, the information available as to whether or not investments are actually Taxonomy-eligible is of highly limited significance.

Due to the unclear regulatory requirements governing how the KPIs are to be reported for financial year 2022, the information on Taxonomy eligibility relates solely to the portion of turnover that is generated with Taxonomy-eligible and Taxonomy-non-eligible issuer activities. Consequently, this information can be expected to be more meaningful than in the case of KPIs that are based on capital expenses (CapEx). In line with this, these KPIs have not been disclosed in additional for cost-benefit reasons.

GOALS AND MEASURES: CLIMATE-RELATED AND ENVIRONMENTAL MATTERS

Area	Goal	Key measures	Scope	Status in 2022	Status in 2021
Climate-related and environmental matters in asset management	Climate-related and environmental matters in asset management	Reduce carbon intensity (Scope 1 and 2) by 30% compared to 2019 baseline	Group-wide	–20%	–15%
		Expand sustainable investments to EUR 8 billion by 2025	Group-wide	EUR 7.9 billion [1]	EUR 7.2 billion
		ESG screening of investment portfolio	Group-wide	Ongoing	Ongoing
		Exit thermal coal by 2038; exclude companies generating more than 25% of their revenue and power from thermal coal and divest existing holdings in such companies by 2038	Group-wide	Ongoing	Ongoing
	Taxonomy	Share of Taxonomy-eligible investments (Taxonomy-eligible investments/(total assets for the Taxonomy KPIs – government bonds)) * 100	Group-wide	11.83%	7.80%
		Share of Taxonomy-non-eligible investments (Taxonomy-non-eligible investments/(total assets for the Taxonomy KPIs – government bonds)) * 100	Group-wide	42.57%	33.20%
		Share of derivatives (total derivatives/(total assets for the Taxonomy KPIs – government bonds)) * 100	Group-wide	0.55%	0.30%
		Share of ineligible entities pursuant to the NFRD (investments in entities not covered by NFRD reporting requirements/(total assets for the Taxonomy KPIs – government bonds)) * 100	Group-wide	45.05%	58.70%
		Share of government bonds (government bonds/total assets for the Taxonomy KPIs) * 100	Group-wide	26.31%	20.80%

GOALS AND MEASURES: CLIMATE-RELATED AND ENVIRONMENTAL MATTERS

Area	Goal	Key measures	Scope	Status in 2022	Status in 2021
Underwriting	Net zero emissions by 2050	Reduce carbon intensity	Group-wide	Ongoing	Ongoing
		Exit thermal coal and oil sands by 2038: reduce thermal coal infrastructure risks compared to 2019 baseline	Group-wide	Ongoing	Ongoing
		ESG screening of insurance portfolio	Group-wide	Ongoing	Ongoing
		Increase premium volume for renewable energies and green technologies	Group-wide	Ongoing	Ongoing
	Expand sustainable insurance solutions	Expand sustainable insurance solutions to mitigate the consequences of natural disasters	Group-wide	Ongoing	Ongoing
		Support the global transition to green energy by providing insurance for renewable energies and technologies	Group-wide	Ongoing	Ongoing
	Taxonomy	Taxonomy-eligible premiums (total Taxonomy-eligible lines in booked gross premiums/total booked gross premiums for property/casualty insurance and property/casualty reinsurance) * 100	Group-wide	63.60%	62.80%
		Taxonomy-non-eligible premiums (total not accepted and Taxonomy-non-eligible lines in booked gross premiums/total booked gross premiums for property/casualty insurance and property/casualty reinsurance) * 100	Group-wide	36.40%	37.20%
Operations	Net zero emissions by 2030	Reduce GHG emissions compared to 2019 (Scope 1, 2 and 3 emissions)	Group-wide [2]	–37%	–38%
		Optimise energy consumption	Group-wide	Ongoing	Ongoing
		Increase use of renewable energy sources	Group-wide	Ongoing	Ongoing

[1] The amount may change due to changes in interest rates and durations. The goal was initially reached in mid-December 2022.
[2] Excluding Hannover Re.

S – Social matters

Social matters in asset management and underwriting

As a listed enterprise whose roughly 24,000 employees serve customers in more than 175 countries around the world, the Talanx Group takes its social responsibilities seriously. In line with this, social aspects also play a role in the Talanx Group's investment and insurance decisions.

In the investment area, compliance with social standards and principles has been stipulated as a key filter criterion for the regular ESG screening throughout the Group. To comply with the social criteria set out in the UN Global Compact, the Talanx Group has systematically expanded its filter catalogue to include international social standards such as the conventions drawn up by the International Labour Organization (ILO), the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGPs). Investments in companies involved in controversial weapons (such as anti-personnel mines) are also excluded. The Talanx Group does not make proprietary investments in companies that breach these screening and exclusion criteria. In addition, companies already in the portfolio that breach the criteria are shed, taking the economic interests of the community of insured customers into account.

The Talanx Group has also increased the volume of its sustainable investments to EUR 8 billion, boosting its financing of public infrastructure projects (such as hospitals and educational institutions) and its investments in social bonds. This underscores the social dimension to the Group's investment policy as well.

The revision of the social focus of the Group's sustainability strategy led to the addition of the "Promoting access to infrastructure" action area as a strategic social focus. Access to infrastructure is considered to have a social dimension because of its positive impact on society. This action area comprises transport, energy, telecommunications, waste disposal, recycling, hospitals, universities and court buildings.

At a basic level, the insurance business model helps to ensure social protection. By offering insurance services, the Group provides reliable long-term financial protection against a variety of life risks for people and companies around the world. The range of products offered in primary insurance covers all existential risks for retail and commercial customers. In addition, reinsurance enables other insurance companies around the world to also offer such products.

Above and beyond this core role as a risk taker, compliance with international social standards and principles serves as a key decision-making and exclusion criterion when underwriting insurance risks.

Social aspects are also increasingly being incorporated into concrete solutions for products. For example, by offering enhanced annuity programmes to reinsurance customers, the Group is addressing the trend towards greater life expectancies in the area of longevity products. In Germany, the biometric risks product portfolio was expanded to include essential abilities cover. Both term life insurance and occupational disability insurance have had a firm place in our product portfolio for many years. The Group also helps promote social and financial inclusion by providing support for the health insurance business in markets with insufficient healthcare services, increasing insurance density in a number of emerging markets and developing countries. What is more, by providing insurance solutions such as agricultural insurance and microinsurance, it contributes to social advances in underdeveloped regions. These offerings enable people without large financial reserves to insure themselves against basic risks such as the consequences of failed harvests and sickness.

The Talanx Group also takes on social responsibility in its advisory activities, by protecting customers against financial risks and supplementing or in some cases offering alternatives to public sector social security systems. In particular, the life insurance products offered by the divisions help relieve the pressure on social security systems.

Corporate social commitment

Social commitment is a key area in which the Talanx Group can contribute directly to society and also promote employee involvement by providing publicity, and supporting volunteering and donation campaigns. This, too, helps underpin the Group's aim to support social progress.

The Talanx Group reports voluntarily on the topic of "social commitment" in order to comply transparently with its social obligations. Its activities generate positive impacts for society above and beyond its actual business operations.

In line with this, charitable projects and social initiatives are supported throughout the Group. Involvement takes many forms and is always tailored to local needs in the countries concerned. And it covers a very wide range of activities for customers, employees and social activities. The HDI Foundation, which is supported by the Group, also plays an important role here.

Following the revision of the social focus of the Group's sustainability strategy in financial year 2022, its commitment going forward will concentrate primarily on four defined focus areas: "Diversity, equity and inclusion", "Employee's journey", "Ensuring access to education" and "Promoting access to infrastructure".

Employee matters

As Germany's third-largest insurance group with business ties in more than 175 countries, the Talanx Group is an important employer and as such has an impact on society. Due to the Group's decentralised structure and resulting local differences, the statements that follow are focused on Germany, where more than 44% of the workforce is employed.

The Talanx Group's human resources activities aim to provide the best possible support for, and to value, employees in keeping with the Group's Purpose, "Together we take care of the unexpected and foster entrepreneurship". Insurance means working together, sticking together and interacting, and this applies to staff in particular. One key part of Talanx's human resources work is therefore to attract, develop and connect new employees, and to retain them for the Group.

Since 1 July 2022, Board of Management member Caroline Schlienkamp has been Labour Relations Director, and hence responsible for HR, in addition to her other responsibilities. A new human resources strategy is currently being developed in this context; it will be discussed and agreed internally in the period up to the beginning of 2023 and then announced and implemented after that. One of the first measures, which was taken during the reporting period, was to rename the Human Resources function Group People & Culture. This name change reflect the common vision of focusing on the Talanx Group's employees, and their needs and development. The objective is to support and inspire them as optimally as possible so as to maintain and enhance the Group's long-term success.

The three focal areas – recruitment, human resources support and human resources development – are aligned with each other and interlinked. They all play a major role in addressing current human resources issues, from ensuring a positive, agile culture through modern recruitment processes and staff qualification/professional development topics down to designing incentive systems and state-of-the-art working conditions.

A Group works agreement for the German business units, NewWork@HDI, was signed in 2021. This sets out rules for dealing with the new normal and facilitates models featuring both mobile working and office work. This has laid the foundations for real togetherness in the reporting period, both during the COVID-19 pandemic and beyond. The Talanx Group believes in flexible working locations and hence in principle in mobile working; at the same time, though, personal contact is essential to integrate staff with their team and the Group. For the Talanx Group, this "new normal" is embedded in a trusting corporate culture.

These developments are creating an increasingly modern, agile working environment that is designed to enhance both the Company's attractiveness on the labour market and employee satisfaction, loyalty and motivation. The Talanx Group wants to shape a consistently strong and positive culture and to continuously drive forward its positive development.

Talanx as an employer

As an employer, the Talanx Group makes achieving a work-life balance possible, providing help in the form of flexible working time models, opportunities for part-time work and a deferred compensation scheme. Additionally, mobile working enables employees to manage their day-to-day working locations more flexibly and hence, for example, to find the best balance for their family life and work.

For many years now, the Talanx Group in Germany has itself provided flexible and reliable childcare offerings, among other things, in order to enable staff to concentrate on their work during working hours. Services include finding kindergarten places at the Company's Cologne location and parent-child offices that offer emergency support to parents with short-term childcare problems. This offering was expanded in 2021 with the opening of the Company's own day-care centre in Hannover. Since 2014, parents who have returned to work following parental leave have received a tax-free Group subsidy of up to EUR 100 per month in the first year towards the cost of looking after their preschool children. In addition, a partner organisation offers staff assistance with homeschooling and (virtual and local) options for vacation and leisure time activities. Together with another partner organisation, the Talanx Group also supports employees who are juggling long-term care for relatives alongside their jobs, or who find that they themselves require care. The Group's Hannover location offered vacation childcare for employees' children for the first time during the reporting period. The pilot scheme was well-received and the offering will be expanded next year.

Employees in Germany have access to a comprehensive range of preventive measures as part of the Company's holistic health management programme, allowing them to strengthen their personal resilience. These range from exercise through nutrition down to mental health and preventing addiction. In addition, the HDI Health Year was again held in 2022. Current topics and seasonal events are addressed at two-month intervals. The objective is to motivate employees to do something for their health both by using existing offerings and by providing new inspiration. What is more, the third overarching digital Health Week was held in 2022 under the motto of "Sitting is the new smoking". Its objective was to provide employees with information about various aspects of healthy exercise, reduce stress and promote their health. In addition, employees have access to free, anonymous external counselling and a family service in the case of personal, professional or psychological issues.

The Group's remuneration system comprises a performance-driven salary that matches the responsibilities involved and that includes results-based components, plus social benefits. Salary adjustments based on internal and external remuneration analyses ensure that the remuneration paid by the Group is competitive. At the Talanx Group, individual salaries are based on the function performed and the individual employee's professional qualifications and performance. Jobs are assigned to the salary bands set out in the collective agreement for the insurance industry; in addition, salaries for management positions are based on a non-employee-specific job evaluation that is performed using the standardised Hay method.

In addition to performance-related pay, flexible working hours and mobile working opportunities, the Talanx Group offers social benefits such as occupational retirement provision, capital accumulation benefits, and holiday and Christmas bonuses. All these benefits are reflected in the Talanx Group's moderate employee turnover rate of 8% and the long average periods (15 years) that staff in Germany spend with the Company.

In 2022, Talanx Group staff in Germany (excluding Hannover Re) had the opportunity to participate in Talanx AG's fifth employee share programme. A total of 42% of employees took up this offer, matching the previous year's record participation rate. Once again, employees could choose flexibly between three different programme options, and received a subsidy of up to the maximum tax-free amount of EUR 1,440. This brought the total number of shares subscribed for in the five years in which the employee share programme has been running to 951,944.

Employee recruitment and development

The establishment by the Talanx Group (excluding Hannover Re) of a Recruiting Centre in 2022 has bundled all recruiting elements – from employer branding down to job interviews – in a single place so as to speed up the processes involved and enable a focus on particular target groups. The Group has been using its employer brand, HDI Group, since 2021. As in previous years, it took care to customise its approaches to specific target groups, giving potential applicants insights into day-to-day work at the company and its corporate culture.

For example, greater use was made of digital channels and social media such as LinkedIn and Instagram in employer communications. A TikTok account was also created so as to be able to address the Generation Z and Generation Alpha target groups. Sources of information for students include both job fairs and podcasts by former HDI Group students in Germany. In addition to expanding its communication channels, the Talanx Group optimised its job adverts: more part-time jobs were advertised and the vocational training, dual-track vocational training and degree courses, and graduate trainee programmes were expanded. The HDI Foundation and the HDI Group's Deutschlandstipendium programme offer especially talented external students financial support, thus helping them transition to the world of work. What is more, a new development programme for internal student employees and interns was designed with the aim of offering talented students who have already been recruited financial assistance from 2023 onwards, hence reinforcing their ties with the HDI Group from an early stage.

An objective selection process is used when seeking to fill vacant middle management positions, comprising aptitude testing and a variety of situation-based exercises that are monitored by multiple observers. An external management audit is performed when filling senior management positions. This ensures an objective approach is taken to recruiting management staff at all levels.

Continuously growing and developing staff is important to us. In a volatile world, knowledge and skills requirements are changing all the time. This also has an effect on how we approach learning. Learning and the pace at which this takes place are critical competencies in the transformation process. We provide employees with classic learning formats, the ability to learn from each other on an ongoing basis and direct access to online training courses. A large proportion of our employee development offerings are now available in digital form or are held virtually.

Not only do we provide a large number of offerings designed to enhance and expand employees' professional, linguistic and methodological expertise, we also focus on developing their interpersonal skills and on ensuring a corporate culture than is based on respect. Changes in the working world are accommodated using specially tailored course offerings such as those on agile transformation. A variety of needs-driven programmes, which in some cases have an international reach, are available to support individual target groups. The latter include young professionals, selected high-potential employees, experts, and middle and top-level management. The Female Empowerment Programme for talented female staff was held for the first time in 2022. Human resources development conferences are used to systematically identify and develop high-potential employees and managers throughout Germany. This will allow the Group to continue appointing internal candidates to vacant positions in the future.

The "Together Leadership Journey" is a Group-wide cultural transformation initiative. Waves of workshops at all levels of management were used to examine the Group's common leadership principles – transparency, collaboration and commitment – and to reinforce the role they play in participants' behaviour. The objective is to establish a culture of trust between managers and their teams, and to jointly create the "new normal". The Group should ensure an environment offering a high degree of psychological security, enabling people to speak their minds and provide honest feedback. 2022 saw the launch of the "Feedback Arena" format, which is designed to strengthen the Group's feedback culture. "LET'S GROW" – a participatory development model that enables participants to obtain systematic feedback from colleagues and facilitates their continuous development – was also piloted in 2022. Another instrument that aims to promote cooperation is our annual review procedure, "Let's talk". This is designed to promote both an open feedback culture and staff development.

The importance we attach to our feedback culture can also be seen from our "Organisational Health Check" (OHC), which was performed for the fourth time in a row. In it, Group employees are asked for their views on our corporate culture and the organisation, among other things. An OHC tool kit provides a wide range of tools and methods to help the teams implement the insights from the OHC and to improve how they work together.

Diversity, equity and inclusion

The Talanx Group's Board of Management signed up to Germany's Diversity Charter in 2013. A Board of Management member was made responsible for Diversity and Inclusion in September 2020, and in 2021 a new function, "D&I Management", was established and the position filled.

The Talanx Group (excluding Hannover Re) has committed itself to anchoring diversity, equity and inclusion (DE&I) at a strategic level by adopting the following statement: "Be You. Together we are traditionally different". This commitment to DE&I and the strategy that has been resolved are reflected in a series of activities and measures that have already been launched, and are now being successively rolled out, within the Group:

- The DE&I Policy with its six principles, which supplement the Code of Conduct (support for DE&I; guaranteeing equal opportunities, fairness and respect; zero tolerance for discrimination; actively promoting civic courage; knowledge as strength and transparency)
- The introduction of inclusive language (the kick-off and focus in 2022 was on the "gender and gender identity" dimension of diversity)
- A package of measures for 2022 (including workshops and round tables with Talanx's Board of Management, internal communications campaigns, awareness raising for the recruiting function, mentoring and training courses)
- Activities in BeyondGenderAgenda, an external diversity network

The Talanx Group is also aiming to increase the proportion of women in management positions. In addition to its expanded range of training offerings, mentoring programmes and the Women@Talanx network, the Group has set itself the goal of filling half of all vacant management positions with women. Ensuring the ability to balance the demands of work and family life is important to the Talanx Group. Measures in this area include part-time management positions; a pilot mentoring project for women; flexible, reliable care for children and relatives; flexible working time models and initial shared management positions. 2022 also saw the first woman appointed to Talanx AG's Board of Management.

Unconscious bias training has been held at regular intervals since the beginning of 2021. Building on this, anti-racism training courses have also been held since 2022 under the heading of "Better together: no place for racism or discrimination". Language plays a major role in promoting an inclusive workplace. Here, too, regular training courses and coaching sessions are held.

These educational and awareness-raising activities were continued in 2022. Examples included diversity focus months on topics including "gender and gender identity", "sexual orientation", and "religion and ideology".

In addition, a number of diversity workshops were held with members of the Board of Management, managers and employees.

The Women@Talanx women's network was established in 2014. In addition, the pride@hdi international LGBTIQ* network; the HDI Starters Network for vocational trainees and students; and a Safe(r) Space for and by Black People (B) and People of Colour (PoC) were formed in 2021. Three other networks were added in the 2022 reporting period: an international DE&I community, Parents@hdi and Internationals@HDI.

Responsibility to customers

Easy-to-understand information about insurance solutions, financial incentives in the remuneration system for providing fair sales advice, and rapid, transparent claims processing are all material for the Talanx Group in the "responsibility to clients" group of topics. These issues have a significant impact on customer satisfaction. Meeting customer needs is a top priority and is also reflected in the Talanx Values with their reference to "comprehensive customer orientation". Key elements in addition to high-quality advice are transparency, fairness and innovative, customer-oriented products and services.

The Regulation on Information Obligations for Insurance Contracts (VVG-InfoV) imposes extensive duties to inform customers on the insurance industry in Germany. The companies in the Retail Germany Division comply with these.

Since 10 March 2021, a binding framework for sustainability disclosure requirements in the financial sector has applied in the European Union, as prescribed by Regulation (EU) 2019/2088 of the European Parliament and of the Council. This legislation establishes obligations with respect to undertakings, products and intermediaries:

- Companies must provide information about sustainability
- Sustainability information must be included in the descriptions of certain products (insurance-based investment products – IBIPs, occupational retirement provision schemes, Riester pension products and basic pension products)
- Insurance intermediaries must provide sustainability information both in general and when providing advice on certain products

Above and beyond this, providing easy-to-understand information about insurance solutions is a key component of the Code of Conduct for Insurance Distribution produced by the German Insurance Association (GDV). The companies in the Retail Germany Division have undertaken voluntarily to comply with this Code as well.

Following the implementation of the EU's Insurance Distribution Directive (IDD) in accordance with Directive (EU) 2016/97 of the European Parliament and of the Council, manufacturers of insurance products have had to comply with more extensive supervisory and management requirements since 23 February 2018. This also introduced stricter requirements with respect to qualifications and the advice provided. The companies in the Retail Germany Division comply with these. With effect from 2 August 2022, two Commission delegated regulations were introduced, expanding the provisions of the IDD to include sustainability aspects. Sustainability factors now have to be observed during the product development and product review process and with respect to the target market. Customers' sustainability objectives must be taken account when determining whether there are any conflicts of interest during the distribution of insurance-based investment products. In addition, the suitability and appropriateness test must be expanded to include a statement requiring advisors to ask customers about their sustainability preferences and, where possible, to take these into account. The companies in the Retail Germany Division comply with all these requirements.

HDI Germany obliges its tied agents and the banks and other partners with which it works to put determining customer needs at the heart of their brokerage activities during consultations. The contracts for tied agents require these to comply with HDI's Basic Code for Insurance Agents, whereas the contracts for brokers/non-exclusive agents refer to the basic tenets underscoring the GDV Code of Conduct or an alternative, vetted broker code. In addition, consultations have to be carefully documented using standardised report forms. This is monitored by Complaints Management. Confirmation from customers that they have received a record of the advice provided or (exceptionally) that they have expressly waived such a record is an integral part of our application/contract documentation. The standardised digital sales processes used by HDI also provide for a consultation document to be drawn up and made available to customers.

Giving customers easy-to-understand information and focusing on their needs are items included in independent reviews and audits. In 2016, the Talanx Group introduced a compliance management system aimed at ensuring that the code is properly implemented at HDI Versicherung AG, HDI Lebensversicherung AG and the bancassurance companies. This is regularly recertified by independent auditors in accordance with audit standard IDW PS980.

The HDI Germany Compliance Steering Committee is the core steering and oversight body both for the compliance management systems that are used by those companies that have signed up to the GDV Code of Conduct and for the implementation of the requirements relating to material risk takers in the Retail Germany Division resulting from the transposition of the IDD into national law and the implementation of the relevant national legislation.

To ensure that intermediaries have the necessary qualifications and expertise required for advising customers, the Talanx Group companies concerned are active in the "Gut beraten – Weiterbildung der Versicherungsvermittler in Deutschland" initiative, which was set up by the GDV and the associations representing intermediaries in the German insurance industry. All tied agents are contractually required to take part. The Retail Germany Division has reviewed all existing agreements with an eye to the provisions on additional remuneration. Where necessary, the companies have drafted new sample agreements and drawn up clear rules redesigning additional remuneration.

National and international Group companies use a variety of instruments to poll customer satisfaction – from their own customer satisfaction surveys at various customer contact points through external assessment tools down to specialist conferences and the stakeholder dialogues that form part of our sustainability management activities.

For example, in light of the war in Ukraine and the resulting rise in inflation HDI Versicherung introduced a way for affected retail customers in Germany to defer premium payments. Vehicles registered in Ukraine and driven in Germany or Poland without proof of insurance (a "green card") were offered vehicle liability insurance from HDI Versicherung (in Germany) or Warta (in Poland) via a cross-border policy.

Human rights and supply chain

The Talanx Group takes its responsibilities to customers, investors, employees and business partners seriously when it comes to complying with applicable laws, conventions and regulations on human rights and on actively supporting employee rights. Among other things, the following disclosures create the transparency required pursuant to section 54(5) of the UK Modern Slavery Act 2015, to the extent that this applies.

After the Talanx Group rolled out its Code of Conduct, which had been expanded to include compliance with human rights, worldwide to all Group employees in 2021, it took additional measures to ensure respect for human rights in the past financial year. The rules in the Code of Conduct make clear that nobody in the Company may be in any way forced to work through the use of violence or intimidation. All forms of involuntary labour, child labour and human trafficking are expressly prohibited, as are other forms of employee abuse. Fairness, politeness and respect for individuals' dignity and personal rights are key principles that are enshrined in the Company's Code of Conduct and form the basis for how we interact with each other. These rules were supplemented in financial year 2022 by the inclusion in the Group's Compliance Guidelines of a new chapter on sustainability. The Compliance Guidelines are addressed to all Group employees throughout the world and contain minimum compliance standards. The supplement mainly comprises rules on compliance with human rights that are based on the obligations set out in the German Supply Chain Due Diligence Act (LkSG), which came into force on 1 January 2023.

In addition, the Group published a human rights policy statement on its corporate website in the 2022 reporting period in which it expressly commits to respecting human rights and to exercising corporate due diligence in respect of these rights.

The Talanx Group has a whistleblowing system, which is accessible both internally and externally and which enables humans rights breaches to be reported (including anonymously).

In addition to internal rules such as those set out in the Code of Conduct, the Talanx Group has drawn up a Code of Conduct for Business Partners, which is designed to oblige external partners to comply with human rights. The document was revised in the past financial year to comply with the provisions of the LkSG, which came into force on 1 January 2023.

By signing up to the UN Global Compact, the Talanx Group has undertaken to comply with international human rights. The first six of the initiative's principles cover respect for human rights and the implementation of labour standards (the ILO core labour standards). The Group's decision to become a signatory to the UNGC committed it not only to support international human rights but also to ensuring freedom of association, eliminating forced labour and child labour, and taking steps to prevent employee discrimination.

Talanx also takes human rights aspects into account in its underwriting and investment activities. The Group has established decision-making bodies, such as the Responsible Underwriting Committee (RUC) and the Responsible Investment Committee (RIC); these meet on a regular basis and include Board of Management members among their participants.

Metrics and targets

The following table provides a summary of the key objectives and measures for the Talanx Group's social aspects described above.

GOALS AND MEASURES: SOCIAL MATTERS

Area	Goal	Key measures	Scope	Status in 2022	Status in 2021
Social matters in asset management and underwriting	Enhance social responsibility in investments	ESG screening of investment portfolio	Group-wide	Ongoing	Ongoing
		Exclude issuers that do not comply with social criteria	Group-wide	Ongoing	Ongoing
		Expand sustainable investments to EUR 8 billion by 2025	Group-wide	EUR 7.9 billion [1]	EUR 7.2 billion
	Enhance social responsibility in underwriting	Include social criteria when underwriting risks	Group-wide	Ongoing	Ongoing
		Expand insurance cover for previously inadequately insured sections of the population	Hannover Re	Ongoing	Ongoing
Corporate social commitment	Strengthen the Company's social responsibility	Support charitable projects and social initiatives	Group-wide	Ongoing	Ongoing
		HDI Foundation sponsored projects	HDI Group Germany	Ongoing	Ongoing
Talanx as an employer	Improve work-family balance	Flexible working time models	HDI Group Germany	Ongoing	Ongoing
		Expand support provided for childcare	HDI Group Germany	Ongoing	Ongoing
		Expand support provided for long-term care of relatives	HDI Group Germany	Introduced	Ongoing
	Promote employee health	HDI Health Year with offerings on specific topics	HDI Group Germany	Ongoing	Ongoing
		(Medical) advice for employees and addiction prevention	HDI Group Germany	Ongoing	Ongoing
	Internationality	International programmes, shadowing opportunities and secondments abroad	Group-wide	Ongoing	Ongoing
	Performance-related pay	Assign positions to salary bands set out in collective agreement for the insurance industry	Group-wide	Ongoing	Ongoing
		Use Hay job evaluation method for management functions	Group-wide	Ongoing	Ongoing
	Cultural transformation	Implement the Organisational Health Check (OHC) global employee survey	Group-wide	Ongoing	Ongoing
Employee recruitment and development	Talent recruitment/optimum vacancy filling	Establish a recruiting centre	HDI Group Germany	Ongoing	–
		Participate in careers fairs	HDI Group Germany	Ongoing	Ongoing
		Implement assessment centres for middle management	HDI Group Germany	Performed/held/done for first time	–
	Strengthen employer brand	HR podcast, closely targeted campaigns	HDI Group Germany	Ongoing	Ongoing
	Optimise development measures for specialists and managers	"Together Leadership Journey" for enhancing leadership skills	Group-wide	Ongoing	Ongoing
		Leadership Circle	HDI Group Germany	Introduced	Done for first time
		Launch specific development programmes (e.g. Female Empowerment Programme/Induction Programme for New Managers)	HDI Germany/HDI Global	Ongoing	–
		Promote a new culture of learning	HDI Group Germany	Ongoing	Done for first time
		Introduce New Work using the New Work Campus	HDI Group Germany	Introduced	Done for first time
		Strengthen feedback culture	Group-wide	Ongoing	–

GOALS AND MEASURES: SOCIAL MATTERS

Area	Goal	Key measures	Scope	Status in 2022	Status in 2021
Diversity, equity and inclusion	Increase diversity at all levels of management, especially with respect to women	Appoint female staff and applicants to management positions; network, mentoring programme; extend seminar offerings designed to empower women	Group-wide	32.30%	31.70%
	Promote diversity and equal opportunities	Promote a non-discriminatory working environment e.g. through training to prevent unconscious bias, racism and discrimination	HDI Group Germany	Ongoing	Ongoing
Responsibility to customers	Enhance customer dialogue	Easy-to-understand information about insurance solutions	HDI Germany	Ongoing	Ongoing
Human rights and supply chain	Provide Group-wide information about LkSG due diligence obligations	Include a new "sustainability" chapter in Group-wide Compliance Policy describing the LkSG due diligence obligations	Group-wide	Done for first time	–

[1] The amount may change due to changes in interest rates and durations. The goal was initially reached in mid-December 2022.

G – Governance

Corporate governance

An effective, Group-wide corporate governance policy plays a key role in ensuring responsible corporate management based on sustainable value creation.

As a listed company based in Hannover, Talanx AG is governed by German stock corporation and capital markets law, and by the German Co-determination Act (MitbestG). In line with this, the Company's three governing bodies – the Board of Management, the Supervisory Board and the General Meeting – are the Group's top-level management/governance structures. The duties and powers of these bodies are defined by law, by Talanx AG's Articles of Association and by the Rules of Procedure for the Board of Management and the Supervisory Board.

Talanx AG has a two-tier board structure comprising the Board of Management and the Supervisory Board. The Supervisory Board appoints, oversees and advises the Board of Management. It is directly involved in decisions of fundamental importance and cooperates closely with the Board of Management in the Company's interests. However, the Supervisory Board does not perform any management functions, in line with the two-tier corporate governance system in which a deliberate distinction is made between oversight and management.

Pursuant to Germany's MitbestG, Talanx AG's Supervisory Board consists of 16 members comprising equal numbers of shareholder and employee representatives. The Supervisory Board has established four permanent committees to discuss topics of material importance. These include the effectiveness of the internal control system and of the risk management and internal audit system, plus measures relating to environmental, social and governance aspects.

Further information on corporate governance in general can be found in Talanx AG's Corporate Governance Principles and its Articles of Association, and in the corporate governance section of the Group Annual Report.

ESG governance

The Talanx Group continued to strengthen its sustainability governance in 2022 with the goal of making even more efficient progress in all four strategic target dimensions of its sustainability strategy.

Firstly, the Group enhanced its sustainability credentials by appointing two Supervisory Board members as the contacts for sustainability issues on this body.

Secondly, further support was provided for the sustainability function in the Talanx Group's strategy in the form of the successive establishment and expansion of individual sustainability departments in the operating segments.

Group Strategy & Sustainability serves as the hub for the Group's existing sustainability activities, in line with the previous sustainability management approach. It is responsible for coordinating and enhancing activities at Group level, and for launching new ones.

In addition, this Group function works with the overarching, enterprise-wide "Expert Sustainability Network" to provide support for the Group's operating units in incorporating the Group's strategic sustainability approach and guidelines into their business processes. Goals here include not only ensuring a holistic, long-term sustainability strategy but also establishing comprehensive governance and hence further facilitating internal networking on this topic. In line with this, defined core processes are used to structure information sharing with central functions, operating segments and local Group companies within the Sustainability Network. These processes serve to create transparency as to external requirements and to translate these as efficiently and effectively as possible into activities within the Company.

Above and beyond the Expert Network, information is regularly shared within the Group in a number of working groups on specific ESG topics.

At operating segment level, the sustainability function in the sustainability department concerned is responsible for overarching coordination of sustainability topics, and for implementing and reporting on them within their individual segments. The sustainability functions in the operating segments report to the Chairman of the Board of Management concerned, in the same way as the Group sustainability function does at Group level. This organisational positioning further underscores sustainability's significance and strategic importance for the Talanx Group.

In addition, two core sustainability bodies have been established in the form of the Responsible Investment Committee (RIC) and the Responsible Underwriting Committee (RUC), which are each headed by Group Board of Management members. These committees regularly monitor the integration of sustainability aspects with all core processes relating to insurance and investment decisions, as set out in the strategy. Sustainability ownership rests with the full Board of Management of Talanx AG. In line with this, the Board of Management regularly examines the current implementation status of the sustainability strategy and the strategic action areas. As part of this, they discuss both ESG-related opportunities and risks and the environmental and social impacts of Talanx's business activities.

What is more, the Talanx Group underlines its sustainability and transparency credentials through its voluntary undertakings to comply with internationally recognised guidelines, frameworks, initiatives and ESG standards.

In its core business, the Talanx Group has signed up to the United Nations' Principles for Responsible Investment (PRI) and Principles for Sustainable Insurance (PSI). These are the world's two leading standards and guidelines for integrating sustainability criteria in these areas.

In addition, the Talanx Group has joined the UN Global Compact (UNGC) – the world's largest initiative for good corporate governance. The Talanx Group is steadily driving forward implementation of the Global Compact's Ten Principles and guidelines in the areas of human rights, labour standards, the environment and anti-corruption. When it signed up to the UNGC, the Group committed to promoting the United Nations' general objectives, and in particular its 17 Sustainable Development Goals (SDGs).

With effect from financial year 2021, the Talanx Group also integrated sustainability aspects into the remuneration system for the Board of Management and tied part of the Board of Management's variable remuneration to achieving concrete sustainability goals (see the remuneration report on page 16ff.).

The Talanx Group bases its ESG reporting on the Global Reporting Initiative (GRI) requirements, which have become established as one of the main ESG reporting standards worldwide, so as to ensure a high level of transparency and data quality for the Group. This alignment with an established global standard also permits transparency on sustainability performance both within and across individual sectors.

Additionally, the Talanx Group is increasingly aligning itself with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Whereas standards such as the GRI help to understand companies' impact on climate change, the TCFD focuses on the impact that climate change is having on companies, and the resulting financial risks. As such the recommendations are primarily forward-looking and provide important insights for sustainably managing the Group.

Last but not least, the fact that the Talanx Group's non-financial reporting is voluntarily reviewed by an independent auditor underscores its importance for the Group.

Digital transformation, data protection and cybersecurity

Digital transformation

Digital transformation and the resulting potential for both innovation and disruption are changing customers' and business partners' expectations of what we do and the services we provide, and hence are a constant driver for change in the insurance sector.

The far-reaching digital transformation of the Talanx Group's business processes and structures, especially at the interfaces to its customers and business partners, proved to be a positive differentiating factor during the COVID-19 pandemic in particular. The Talanx Group is continuing to exploit this strength to the full. In this context, the Talanx Group's decentralised structure ensures that the digital transformation measures taken meet the specific needs of customers and partners in the markets concerned.

The Group holding company specifically promotes digital innovation through its use of best practice labs; activities here include international cooperation in the Group Digital Lab, scaling up innovative best practices using "agile desks" and the scouting and market intelligence partnerships entered into with both start-ups and established technology companies. In addition, regular events are organised to present innovative approaches originating in the insurtech scene to the Talanx Group's operating units and to prepare for pilot installations. Transparency about Talanx's digital assets allows rapid information sharing and the replication of best practices.

Given this dynamic development and in particular the structural changes resulting from the ongoing process of digital transformation, data protection, information security and cybersecurity have a key role to play.

Data protection and cybersecurity

In an increasingly networked and global world, information and data are exposed to a large number of risks, threats and other unpredictable challenges. A large proportion of the data needing protection at the Talanx Group are customer data. Data protection combines the technical aspects of cybersecurity and information security with organisational and process-related issues in the area of personal data processing. In this context, cybersecurity and information security also always involve ensuring data protection at a technical level, and represent a material component of the appropriate technical and organisational measures required under the General Data Protection Regulation (GDPR).

The Group's Information Security Office and Data Protection units are independent of one another but work closely together. They are united by both technical security aspects and the sensitive treatment of data and information. These values are reflected in particular in the restrictive use of data and information, which are also only processed for their intended purpose. This applies even though data are the foundation of the business, and are needed in large volumes and high quality in an era that is dominated by artificial intelligence and machine learning.

Data protection and cybersecurity are primarily considered as adding value, since new technologies, processes and handling methods will only prove successful if they comply with data protection and security requirements right from the start. The Talanx Group builds on a stable three-part foundation to ensure cybersecurity, information security and compliance with data protection. Strategy and governance are the key dimensions used to determine the Talanx Group's management approach. Data protection and cybersecurity form part of the Group-wide internal control system (ICS) in the second line of defence under the "three lines" model used by supervisors. The associated tasks and responsibilities relate to risk identification, assessment and analysis, management, supervision and reporting at the overarching enterprise level.

Security Management operates Talanx Group IT's core information security management system (ISMS), which consolidated the various information and cybersecurity processes and which has been ISO/IEC 27001-certified since 2013. Examples of these processes are identifying and capturing security risks and vulnerabilities, and deviations from and exceptions to security requirements, plus managing security incidents.

The Board of Management member or members responsible for the risk takers involved receive a quarterly security report and are informed ad hoc in critical cases. The Chief Information Security Officer reports directly to the Group's Chief Financial Officer.

The data protection management system has been implemented centrally and covers the GDPR, the German Data Protection Act (BDSG) and other statutory data protection requirements. It provides end-to-end coverage of typical data handling processes in the insurance business (contract management, claims processing, and communication with sales partners and reinsurers).

Its starting point is the Group Data Protection Guidelines. These rules, which have been adopted by all German Group companies (with the exception of the Hannover Re Group) create a binding, uniform framework. This covers material topics such as documentation requirements, responsibilities, data protection officers and dedicated data protection coordinators, data protection monitoring and transparent data processing. The Group Data Protection Guidelines also address claims for damages and actions for cease-and-desist orders in cases of data protection breaches. The Group's data protection strategy is based on compliance with the data protection legislation. Consequently, business processes are aligned with the statutory data protection requirements. The Data Protection function has implemented a reporting system that provides for annual data protection reports at a minimum, which are addressed to senior management. A direct reporting line to senior management also exists during the year for ad hoc events.

Preventive measures are designed to reduce the risk of data protection and security breaches. The Talanx Group regularly trains and raises the awareness of its employees, managers and senior management on data protection and security matters in their day-to-day work. The training courses are based on current data protection requirements and threat scenarios. The focus is currently on phishing and ransomware attacks.

The Talanx Group works continuously to improve and expand internal processes including information security, cybersecurity and data protection aspects along the entire value chain. Its activities here are based on an established legal monitoring system, and an approach that investigates the causes of all data protection and security events and uses these to define continuous improvement measures. The experts in the Information Security Office and Data Protection units are tasked with monitoring and assessing developments, both generally in the subject and within the Group, and with incorporating these in the management systems. ISO/IEC 27001 certification ensures that enhancements can be measured.

An up-front clarification process has already been established by the Business Organisation function as a precondition for introducing new applications and software at the Talanx Group; this brings together the relevant stakeholders (Information Security Office, Risk Management, Data Protection, Human Resources and the Works Council) in a single release procedure. Adequate measures are taken to guarantee the security of the data processed.

Proactive and reactive measures ensure transparency and a high level of protection for all information and data processing processes.

The Talanx Group uses individual recognition strategies and well thought-out response and contingency plans to protect its customer data and assets and to repel attackers from cyberspace. This permits any damage suffered to be minimised and countermeasures to be taken to ensure that the systems are restored rapidly and in full. The primary objective is to ensure that the systems are free from any vulnerabilities and are not exposed to potential data protection and security risks. The aim of digital innovations is to support this objective and these solutions must be developed in such a way that they do not have any adverse effects.

Compliance

For the Talanx Group, complying with the law is a vital prerequisite for its long-term global business success. Compliance plays a key role for the Talanx Group and everyone in it, from the divisions through the departments down to individual employees.

Compliance officers are responsible for the individual divisions and Group companies. A global network of compliance managers at our domestic and foreign locations allows local compliance breaches to be reported directly to the Compliance function. The compliance officers and local compliance managers develop best practice solutions together using the virtual "ComplianceXchange" format.

The Group's compliance management system (CMS) is an important component. This consists of the following compliance elements: "culture and rules", "training and communication", "organisation", "risks", "core and coordination topics", and "monitoring and improvement". The CMS builds on Talanx's Code of Conduct, its Compliance Guidelines and work instructions.

"Together for Integrity", our Group-wide Code of Conduct, was revised most recently in January 2021 and is an effective tool for making our commitment to complying with the law and with our voluntary undertakings transparent. The code serves to explain the fundamental legal and ethical requirements to employees and to provide further details of their duties in this area.

Talanx's Compliance Guidelines, which are updated on an ongoing basis, break down the Code of Conduct in greater detail. The principles set out in these guidelines are binding for Group companies in Germany and abroad.

Talanx's whistleblowing system can be used to anonymously report breaches of internal and external rules. The system can be accessed from around the world in a total of nine languages via Talanx's website. It can be used to provide information about a variety of topics such as fraud, breaches of fiduciary duty or corruption. Additionally, employees can report suspected breaches of the law or guidelines to their line manager or the compliance officer for the company in question.

Compliance implemented an external tool for monitoring legal changes at the beginning of Q3 2022. Compliance provides managers and staff with quarterly overviews of the results of its monitoring of statutory initiatives that could impact business processes in the Primary Insurance Group in Germany, hence ensuring that statutory requirements are complied with at all times.

Group training courses are one key way of preventing the rules from being breached and represent a core component of the CMS. The content of these courses is derived from the insights gained during the compliance risk analysis. They are largely held using proven virtual formats, though in some cases face-to-face seminars are used.

Preventing corruption is a material core topic for the Compliance department, and hence also an essential component of compliance management within the Talanx Group. Group employees are made aware of the need to combat corruption, and the skills required for this are nurtured, using a wide range of information and training course on the topic.

The Code of Conduct makes it clear that the Talanx Group actively combats all forms of bribery and corruption. These principles are set out in more detail in the Compliance Guidelines, which also contain rules on handling donations and sponsorships within the Group, among other things. The rules for dealing with gifts from and to business partners are contained in work instructions on the topic.

The annual compliance report informs the Board of Management and the Supervisory Board about significant compliance risks and the measures taken to ensure that compliance requirements are met. It also covers preventing corruption.

The Talanx Group is not aware of any significant fines or non-monetary sanctions that were levied for non-compliance with laws and regulations in relation to financial year 2022.

Supplier management

In addition to rolling out its internal codes of conduct on observing human rights, among other things (see the section on human rights and the supply chain on page 100), the Talanx Group expects its external business partners to demonstrate a similar level of compliance. Although Talanx considers the risk of human rights abuses and of significant negative environmental impacts in its supply chain to be minor, the Group takes care when selecting suppliers to ensure that they comply with national legislation on environmental protection and human rights, and with the Talanx Values. Talanx uses a uniform Group Code of Conduct for Business Partners to underscore its commitment and to exert a positive influence over and above the legal requirements. The document is used by both Group Procurement and IT Purchasing, and sets out binding rules on the following topics: anti-corruption and bribery matters; respect for human rights; environmental, social and other employee matters; data protection and the protection of business secrets.

The Code of Conduct was incorporated into standard operating practice at IT Procurement in 2021. It has already been implemented in the case of preferred and qualified IT services business partners. It was updated at the end of 2022 to reflect the requirements of the LkSG.

Use of the Code of Conduct is being piloted by Group Procurement in line with specific supplier criteria as part of its redesigned supplier management process concept; the rollout is scheduled to follow in 2023.

Work on establishing professional IT supplier monitoring started in 2021. The design phase was successfully completed in 2022, and Group Procurement started supplier monitoring in that year. An external platform was also selected here so as to ensure full compliance with the obligations under the LkSG, which will take effect on 1 January 2023. The application will be rolled out in 2023. Its international use within the Group has also been taken into account and has been explicitly provided for.

Metrics and targets

The following table provides a summary of the key objectives and measures for the Talanx Group's governance aspects described above.

GOALS AND MEASURES: GOVERNANCE

Area	Goal	Key measures	Scope	Status in 2022	Status in 2021
Corporate governance	Ensure good organisational governance	Introduce new Board of Management remuneration system pursuant to the ARUG II	Group-wide	Introduced	Done for first time
		Include ESG in new Board of Management remuneration system	Group-wide	Introduced	Done for first time
		Take sustainability, etc. into account in fit and proper declarations for Supervisory Board members	Group-wide	Introduced	–
ESG governance	Ensure good organisational governance	Integrate the Sustainability unit into the Group Strategy function headed by the Chairman of the Board of Management	Group-wide	Introduced	Done for first time
		Establish Group-wide Sustainability Expert Network	Group-wide	Introduced	Done for first time
Digital transformation, data protection and cybersecurity	Maintain information security management system (ISMS)	Ensure ISO 27001 certification of Talanx's information security management system (ISMS) through annual audits/recertification after three years	Group-wide (excluding Hannover Re and HDI International)	Recertification performed	Ongoing
	Enhance employee awareness	Mandatory employee training to raise awareness of current cyberattack methods	Group-wide	Introduced	–
	Enhance management approaches	Expand and optimise processes for international reporting	Group-wide (excluding Hannover Re)	Ongoing	–
	Process optimisation	Introduce technical workflow-based register of processing pursuant to the GDPR	Group-wide (excluding Hannover Re)	Ongoing	Ongoing
Compliance	Optimise compliance management	Perform annual review of corruption risks as part of compliance risk analysis and regularly monitor the related measures in the compliance planning	Group-wide	Ongoing	Ongoing
Supplier management	Give greater weight to sustainability criteria within IT Procurement	Roll out Group-wide professional supplier monitoring tool that gives greater weight to sustainability criteria	Group-wide	2023	–
	Give greater weight to sustainability criteria within Group Procurement	Establish strategic supplier management in Group Procurement including capture, measurement and monitoring of significant sustainability criteria	Group-wide	2024	–

Corporate Governance

Declaration on Corporate Governance in accordance with sections 289f, 315d of the German Commercial Code (HGB)[1]

Talanx AG hereby provides an insight into its corporate governance practices by way of the Declaration on Corporate Governance in accordance with section 289f of the HGB and section 315d of the HGB in conjunction with section 289f of the HGB for the Talanx Group.

Corporate Governance

The Board of Management and the Supervisory Board define good corporate governance as the responsible management and supervision of Talanx AG and the Talanx Group that is geared towards sustainable value creation. In particular, we aim to continue growing the trust placed in us by investors, our business partners and our employees, and by the public at large. We also attach great importance to the efficiency of the work performed by the Board of Management and the Supervisory Board, to good cooperation between these governing bodies and with the Company's staff, and to open and transparent corporate communication. Our understanding of good corporate governance is summarised in Talanx AG's Corporate Governance Principles, which are based on the German Corporate Governance Code (the "Code") (https://www.talanx.com/media/Files/talanx-gruppe/pdf/corp_gov_en.pdf). We aim to always apply the highest ethical and legal standards both to strategic considerations and in our day-to-day business, since Talanx AG's public image and that of the entire Group depend on how each and every employee behaves, acts and conducts themselves.

The German Corporate Governance Code sets out current best practices in corporate governance, and aims to make the German corporate governance system clear and transparent and promote confidence in the management and oversight of listed German companies among international and national investors, customers, employees and the general public.

Talanx AG's positive attitude towards the Code is not in any way contradicted by the fact that the Company again did not comply with one recommendation in the year under review. As stated in the foreword to the Code, well-founded departures from the recommendations can actually, as in the present case, be in the interests of good corporate governance. Talanx AG continues to comply with a large proportion of the principles, recommendations and suggestions set out in the Code, and as such continues to occupy a strong position among German MDAX companies, as confirmed by an analysis by the German Association for Financial Analysis and Asset Management (DVFA).

The Board of Management and Supervisory Board issued the following declaration of compliance with the German Corporate Governance Code in the version dated 28 April 2022 on behalf of Talanx AG before the annual financial statements were adopted:

[1] This subsection has been explicitly exempted by lawmakers from the audit of the financial statements/management report (section 317(2) sentence 6 of the German Commercial Code (HGB); unaudited information).

Declaration of Compliance with the German Corporate Governance Code by Talanx AG pursuant to section 161 of the AktG

Section 161 of the German Stock Corporation Act (AktG) requires the boards of management and supervisory boards of German listed companies to issue an annual declaration of compliance with the recommendations of the Government Commission on the German Corporate Governance Code ("the Code") published by the Federal Ministry of Justice and Consumer Protection, or alternatively to explain which recommendations were or are not being followed and why not.

Therefore, the Board of Management and Supervisory Board hereby declare pursuant to section 161 of the AktG that, with the exception of the departures stated below, Talanx AG has complied with the recommendations of the German Corporate Governance Code in the version dated 28 April 2022 (published in the Bundesanzeiger (Federal Gazette) on 27 June 2022), and that it will continue to do so in future:

Recommendation C.10 sentence 1 of the Code (Chair of the Supervisory Board, Chair of the committee that addresses Management Board remuneration; independence from the Company and the Management Board)

Prior to his appointment as a member of the Supervisory Board, Talanx AG's current Chairman of the Supervisory Board and Chairman of the Personnel Committee was a member and Chairman of the Company's Board of Management. Our goal is for his comprehensive knowledge of the primary insurance and reinsurance business, and his many years of experience in managing the Company and the Group to remain at Talanx AG's service, and for the work of the Supervisory Board and the Personnel Committee to continue benefiting from it in this key role. For example, he also has extensive experience of designing and using remuneration systems for boards of management, which were gained in particular during the many years he spent as the supervisory board chairman of Group companies. For these reasons it is in the Company's interest for him to be Talanx AG's Chairman of the Supervisory Board and Chairman of the Personnel Committee.

The Chairman of the Supervisory Board has been a member of the Supervisory Board for more than four years, since he left the Board of Management. As a result, Talanx AG believes that he must now be considered to be independent from the Company for the purposes of recommendation C. 10 sentence 1 in conjunction with recommendation C.7 paragraph 2. Nevertheless, as a highly precautionary measure, Talanx AG hereby declares a departure from recommendation C.10 sentence 1 to the above-mentioned extent.

The Company will continue to comply with all recommendations of the Code in the version dated 28 April 2022 in future, too, with the exception of the departure set out above as a highly precautionary measure.

Hannover, 8 November 2022

Board of Management Supervisory Board

The declaration of compliance and further information on corporate governance at Talanx can be found on the Company's website at https://www.talanx.com/en/talanx-group/corporate_governance/declaration_of_conformity.

Remuneration

Remuneration of the Board of Management

Talanx AG's Supervisory Board resolved the current remuneration system for the members of Talanx AG's Board of Management in 2020. The system was submitted to the Annual General Meeting on 6 May 2021, which approved it by a majority of 96.5%. It was developed by the Supervisory Board with the assistance of an independent advisor and complies with the requirements of the German Stock Corporation Act (AktG) and the recommendations of the German Corporate Governance Code (the "Code") in the current version published on 28 April 2022. The Supervisory Board regularly reviews the rules governing remuneration and the remuneration system for appropriateness. The Annual General Meeting addresses the approval of the remuneration system for members of the Board of Management at least every four years and in those cases in which proposals are made to change the remuneration rules.

The remuneration system for the Board of Management and details on current remuneration for the Talanx AG Board of Management are described at length in the 2022 remuneration report, which can be found on page 16ff. of this annual report.

Supervisory Board remuneration

The remuneration system for Supervisory Board members is also based on the statutory requirements and takes the requirements of the German Corporate Governance Code into account. It is set out in article 12 of the Company's Articles of Association. The Supervisory Board regularly reviews the rules governing Supervisory Board remuneration and the remuneration system for appropriateness. The Annual General Meeting addresses the remuneration paid to Supervisory Board members at least every four years and in those cases in which proposals are made to change the remuneration rules. This happened recently at the Annual General Meeting on 6 May 2021, when the meeting resolved the current remuneration system for the Supervisory Board.

The individual remuneration paid to Supervisory Board members for financial year 2022 is broken down on page 35f. of the Annual Report in the 2022 remuneration report.

Other corporate governance practices at Talanx AG

Code of Conduct

Talanx's code of conduct, "Together for Integrity", serves as the linchpin for the Group's internal compliance rules. It contains the key principles and rules designed to ensure that all Talanx Group employees act in a legally compliant and responsible manner, identifies areas where risks and conflicts may potentially occur and their importance to our Company, and explains them.

The Code of Conduct applies throughout the Group and is available in a number of languages. Clients, suppliers and other stakeholders can access it publicly on Talanx's website at https://www.talanx.com/media/Files/talanx-gruppe/pdf/Code_of_Conduct_Together_for_Integrity_2021_EN_WEB.pdf.

Sustainability

As an international insurance group and long-term investor, the Talanx Group has long been committed to responsible corporate governance designed to ensure sustainable value creation.

Sustainability is one of the central pillars of the Group strategy. The sustainability approach is based on the targeted implementation of sustainability and ESG (environmental, social and governance) aspects in the areas of investment, underwriting and operations, and in the Group's corporate social responsibility (CSR) activities.

The Group underlines its strategic sustainability credentials by focusing on incorporating internationally recognised frameworks, initiatives such as the Principles for Responsible Investment (PRI), Principles for Sustainable Insurance (PSI) and the UN Global Compact (UNGC), and (reporting) standards. The Group's sustainability focus is adjusted repeatedly over time to reflect new insights, legal conditions and changes in social perceptions that need to be accommodated.

Please see the consolidated non-financial statement on page 86ff. for further information on the Talanx Group's sustainability activities that were not part of the audt.

Compliance

Compliance with the law and with internal Company guidelines, and ensuring that Group companies observe these, are essential elements of management and oversight throughout the Talanx Group. This calls for a strong compliance culture underpinned by a compliance management system tailored to the Company's specific needs.

The Group has a robust, risk-based compliance management system. The Group-level process for identifying compliance risks is reviewed and refined on a regular basis. As a result, an up-to-date risk map is available at all times. The compliance function also continuously monitors regulatory and statutory developments. The insights gained from risk analysis and from monitoring the legal situation are included in the compliance plan, which is at the heart of a risk-based approach to resource allocation for our Group-wide compliance work. The results of the compliance activities are documented in the annual compliance report, which sets out the Talanx Group's structure and its wide range of activities in this area. The Board of Management submits the compliance report to the Finance and Audit Committee before the annual financial statements are adopted every year.

Working practices of the Board of Management and the Supervisory Board

Talanx AG's Board of Management and Supervisory Board work together closely and constructively to manage and oversee the Company and the Group as a whole. Both the risks and opportunities for the Company, as well as the environmental and social impact of business activities, are suitably taken into account here.

Board of Management

The Board of Management is directly responsible for managing the Company and defines its goals and strategy with the help of the Supervisory Board. Article 8(1) of the Articles of Association states that the Board of Management shall comprise at least two persons. Beyond that, the Supervisory Board determines the number of members. In accordance with the Supervisory Board's Rules of Procedure, diversity is considered when appointing Board of Management members. In addition, only persons under the age of 65 are appointed to the Board of Management. The term of office should be designed so that it expires no later than the end of the month at which the member of the Board of Management turns 65.

The current members of the Board of Management and their areas of responsibility are set out on page 4 of this Annual Report.

The activities of the Board of Management are governed by Rules of Procedure for the Board of Management of Talanx AG issued by the Supervisory Board. These define the areas of responsibility of the individual members of the Board of Management. Notwithstanding their collective responsibility, each member of the Board is individually responsible for the area(s) assigned to them, subject to the resolutions passed by the full Board of Management. However, all members of the Board of Management are obliged by the Rules of Procedure to inform the other members of major undertakings and proposals, transactions and developments in their areas of responsibility. In addition, the Rules of Procedure set out the matters reserved for the full Board of Management and the required voting majorities. The full Board of Management resolves on all cases in which a resolution by the full Board of Management is required by law, the Articles of Association or the Rules of Procedure. An appropriate internal control and risk management system was created to ensure responsible management of risks from business activities.

The Board of Management meets at least once a month. It reports regularly, promptly and comprehensively to the Supervisory Board on business developments, the Company's financial position and results of operations, planning and goal achievement, and on current opportunities and risks. The Supervisory Board has set out the Board of Management's information and reporting obligations in more detail in a binding information policy for the Supervisory Board of Talanx AG. Documents required for decisions, and particularly the single-entity financial statements, the consolidated financial statements and the auditors' reports, are forwarded to the members of the Supervisory Board without undue delay after they have been prepared. The Board of Management may only execute certain transactions of special importance or strategic significance with the approval of the Supervisory Board. Some of these approval requirements are prescribed by law, while others are set out in the Rules of Procedure for the Board of Management. For instance, the Supervisory Board's prior approval is required for the following actions and transactions, among others:

- adoption of strategic principles and targets for the Company and the Group
- adoption of the annual planning for the Company and the Group
- any decision to exit the industrial insurance business at domestic Group companies
- the signing, amendment and termination of intercompany agreements
- the acquisition and disposal of parts of undertakings in excess of a certain size

Members of the Board of Management may only perform side-line activities, and in particular may only be appointed to the supervisory boards of non-Group companies, with the consent of the Supervisory Board.

Supervisory Board

The Supervisory Board advises and oversees the Board of Management in its activities. It is also responsible in particular for the appointment and contracts of service of members of the Board of Management, and for examining and approving the single-entity and consolidated financial statements. The Chairman of the Supervisory Board is in regular contact with the Chairman of the Board of Management to discuss the Company's strategy, business developments and important transactions. The Supervisory Board has introduced Rules of Procedure for its work: among other things, these govern membership of the Supervisory Board and its internal organisation, and contain general and specific rules for the committees to be formed by the Supervisory Board in accordance with the Rules of Procedure.

The Supervisory Board consists of 16 members. Half of these are elected by the shareholders and half by the Company's staff. The composition of the Supervisory Board and its committees is set out on page 5f. of this Annual Report.

The Supervisory Board holds ordinary meetings regularly, and at least once per quarter. Extraordinary meetings are convened as required. The Finance and Audit Committee and the Personnel Committee also hold regular meetings. The Supervisory Board is quorate when all members have been invited to the meeting or called upon to vote and at least half of the total number of members of which the Supervisory Board is required to be composed take part in the resolution. All decisions are passed by a simple majority, unless another majority is prescribed by law. If a vote is tied and a further vote is held on the same subject, the Chairman shall have a casting vote in the event of a further tie.

The Supervisory Board regularly assesses the effectiveness of its work as a whole and of its committees. The most recent of the self-assessments performed every three years was carried out in 2022 and confirmed efficient, effective working practices

The Supervisory Board has formed the following committees to ensure that it performs its tasks effectively:

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

The Supervisory Board committees prepare the decisions of the Supervisory Board that lie within their respective remits and pass resolutions in lieu of the Supervisory Board to the extent that such powers have been assigned to them by the Rules of Procedure. The committee chairs report regularly to the Supervisory Board on the work of the committee for which they are responsible.

The Finance and Audit Committee (FAC) oversees the financial reporting process, including the effectiveness of the internal control system and of the risk management and internal audit systems. It discusses the quarterly reports and deals with issues relating to compliance, profitability trends at Group companies and the size of the loss reserves. Additionally, it prepares the Supervisory Board's review of the annual financial statements, the management report, the Board of Management's proposal for the appropriation of distributable profit, and the consolidated financial statements and Group management report, including the non-financial statement. In this context, the FAC familiarises itself in detail with the auditors' opinion of the net assets, financial position and results of operations, and obtains explanations of the effects of any changes in the accounting policies. The FAC is also responsible for monitoring the impartiality of the auditors, and the quality of the audit and of additional services provided by the auditors. It handles auditor selection and submits a recommendation to the Supervisory Board on the proposed resolution on the appointment of the auditors by the Annual General Meeting. The FAC engages the auditors and is responsible for defining the focal points for the audits and for agreeing the auditors' fees. It receives reports from the Board of Management and also, once a year, directly from the heads of the four key functions (compliance, risk management, actuarial and internal audit functions).

The Personnel Committee prepares resolutions by the Supervisory Board relating to members of the Board of Management and passes resolutions in lieu of the Supervisory Board on the content, signature, amendment and termination of contracts of service with them, with the exception of remuneration issues and their implementation. The committee is responsible for granting loans to the persons referred to in sections 89(1) and 115 of the AktG and to persons assigned a similar status in accordance with section 89(3) of the AktG, and for approving contracts with Supervisory Board members in accordance with section 114 of the AktG. It exercises the powers set out in section 112 of the AktG on behalf of the Supervisory Board and ensures long-term succession planning together with the Board of Management. Succession planning is systematic and considers potential candidates for leadership and Board of Management positions in the Group. It is designed with a view to diversity targets and is regularly included on the agenda for, and considered during, committee meetings.

The role of the Nomination Committee is to advise the Supervisory Board on suitable candidates for election to the Supervisory Board to be proposed by the latter to the Annual General Meeting. In this context, the Nomination Committee has drawn up a catalogue of requirements for Supervisory Board members to ensure that the Supervisory Board has the necessary expertise to cover all of the Group's business areas.

The Supervisory Board's Rules of Procedure state that the Supervisory Board may not include more than two former members of the Company's Board of Management, so as to guarantee the independence of Supervisory Board members. Additionally, Supervisory Board members may not hold office on the governing bodies of, or provide advisory services in an individual capacity to, any significant competitors of the Company, Group companies or the Talanx Group. Supervisory Board members ensure that they have sufficient time available to perform their activities and avoid potential conflicts of interest. In accordance with the Rules of Procedure for the Supervisory Board, Supervisory Board members should be less than 72 years old at the time of their election and, as a rule, they should belong to the Supervisory Board for a maximum of three consecutive periods of office. The period of office that begun in 2018 (or in 2019 in the case of the employee representatives) is the first period of office to be taken into account in this context.

The Supervisory Board should have what it considers to be an appropriate number of independent members among its shareholder representatives. Both the Company and its Board of Management and the controlling shareholder consider an appropriate number to be at least two independent members. A review of the current Supervisory Board found that five currently serving shareholder representatives are to be considered as independent as defined in this way: these are Ms Aschendorf, Mr Lohmann, Dr Jung, Mr Steiner and Ms Titzrath. Dr Schipporeit and Dr Lindner also basically meet the independence criteria set out in the Code. However, they have belonged to the Supervisory Board for more than 12 years as they were both initially appointed on 27 June 2003.

Targets in accordance with sections 76(4) and 111(5) of the AktG; statutory quota for the Board of Management in accordance with section 76(3a) AktG and for the Supervisory Board in accordance with section 96(2) of the AktG

A minimum target quota for women on Talanx AG's Supervisory Board of 30% has been defined, in line with the statutory requirements. Talanx AG's Supervisory Board comprises more than 30% women, both when taken as a whole and when broken down by employee and shareholder representatives.

The Supervisory Board resolved the goal of appointing at least one woman to the Board of Management in the period from 1 July 2017 to 30 June 2022. This goal was achieved when Ms Caroline Schlienkamp was appointed as a member of the Talanx AG Board of Management with effect from 1 May 2022. At the same time, this achieved the gender-specific minimum quota for the Board of Management in accordance with section 76(3a) AktG. The new target for the minimum proportion of women on the Board of Management has been set at 14 % (at least one of seven members) and the deadline for achieving this goal is 30 June 2027.

Until 30 June 2022, a target of 20% was set for tier 1 executives reporting directly to the Board of Management and 30% for tier 2 executives. Following an internal reorganisation, the vast majority of domestic employees, including executives, were transferred from Talanx AG to HDI AG as at 1 March 2022. One (male) tier 1 executive reporting directly to the Board of Management remained. 25% of tier 2 executives after the reorganisation were female. The targets set in 2017 were thus not achieved. The Board of Management resolved to retain the status quo as the new target for the proportion of women for the period until 30 June 2027, i.e. 0% for tier 1 executives and 25% for tier 2 executives. The new 0% target for tier 1 executives reporting directly to the Board of Management is because there is only one person in this category.

Diversity policy – targets for Board of Management and Supervisory Board composition and implementation status

Talanx AG is also guided by the principle of diversity when making appointments to its Board of Management and Supervisory Board. The broad-based skills, knowledge and relevant experience offered by the members of its Board of Management and Supervisory Board permit a nuanced assessment to be made of the opportunities and risks facing the Company in its business operations, and balanced and professional actions and decisions to be taken on that basis. Diversity is appropriately considered when appointing Board of Management and Supervisory Board members. Factors include, in particular, candidates' age, gender, education and professional experience, as well as their specialist skills and personal attributes (expertise). All new appointments to the Board of Management or Supervisory Board are assessed to determine whether they also serve to implement the diversity policy, so as to ensure that the latter is implemented consistently. At present, the Supervisory Board has five female members. The Nomination Committee, the Finance and Audit Committee and the Personnel Committee each have one woman as a member. There is one woman on the Board of Management.

Appointments to the Supervisory Board should ensure that, as a whole, its members possess the knowledge, skills and specialist experience required to duly perform their duties. The composition of the Supervisory Board should ensure that the latter can provide qualified oversight of and advice to the Board of Management of this international, highly diversified insurance group, and should preserve the Group's good reputation in the public eye. In addition to the professional expertise in the areas of investment, underwriting and accounting required by supervisory law, auditing, an international perspective and knowledge of human resources, risk management, IT/digitalisation, compliance and sustainability are taken into account. The enhanced professional requirements for Supervisory Board members introduced by the German Act Strengthening Financial Market Integrity (FISG), which entered into force on 1 July 2021, have also been met. Particular attention is paid to the integrity, personality, motivation, professionalism and independence of the individuals put forward for election. The objective is for the Supervisory Board as a whole to possess all knowledge and experience that is deemed to be material in light of the Talanx Group's activities. In view of Talanx's international focus, it is ensured that the Supervisory Board has a sufficient number of members with many years of international experience. All shareholder representatives on the Supervisory Board have many years of international experience thanks to their current or previous positions as board of management members/CEOs or similar executive roles in international companies or organisations. The Supervisory Board believes that the international dimension is sufficiently taken into consideration. The goal is to maintain the Board's current international make-up.

Based on the targets for its composition, the Talanx AG Supervisory Board has prepared the following overview of its qualifications:

QUALIFICATIONS OF THE MEMBERS OF TALANX AG'S SUPERVISORY BOARD

		Herbert Haas[1, 2]	Ralf Rieger	Dr Thomas Lindner	Antonia Aschendorf	Benita Bierstedt	Rainer-Karl Bock-Wehr	Sebastian Gascard
Length of service	Member since	2018	2006	2003	2011	2019	2019	2019
Personal suitability		✔	✔	✔	✔	✔	✔	✔
Diversity	Gender	male	male	male	female	female	male	male
	Year of birth	1954	1962	1951	1963	1963	1960	1964
	Nationality	German	German	German	German	German	German	German
	Qualifications	Business administration graduate (Dipl.-Kaufmann)	Trained insurance administrator (Versicherungs-kaufmann)	Business administration graduate (Dipl.-Kaufmann)	Graduate in law (Juristin)	Graduate in geography (Dipl.-Geographin)	Graduate in law (Jurist)	Graduate in law (Jurist)/ trained banker (Bankkauf-mann)
Expertise/ professional suitability[4]	Investment	✔	✔	✔	✔	✔	✔	✔
	Underwriting	✔	✔	✔	✔	✔	✔	✔
	Accounting/ auditing	✔	✔	✔	✔	✔	✔	✔
	Internationality	✔	✔	✔	✔	✔	✔	✔
	Compliance	✔	✔	✔	✔	✔	✔	✔
	Risk management	✔	✔	✔	✔	✔	✔	✔
	Human resources	✔	✔	✔	✔	✔	✔	✔
	IT/digital transformation	✔	✔	✔	✔	✔	✔	✔
	Sustainability/ESG	✔	✔	✔	✔	✔	✔	✔

[1] Auditing expertise within the meaning of section 100 (5) of the AktG ("Financial Expert").
[2] Accounting expertise within the meaning of section 100 (5) of the AktG ("Financial Expert").
[3] ESG (environmental, social and governance) expertise.
[4] Evaluation based on self-assessment.

Takeover-related disclosures

Structure of subscribed capital

The structure of the subscribed capital is explained in Note 17 of the "Notes to the consolidated balance sheet". This also includes disclosures on the issue of new shares in the framework of the employee share programme.

Restrictions on voting rights and on the transfer of shares

The voting rights for shares are excluded by law in the cases set out in section 136 of the AktG. Beyond that, there are no restrictions on voting rights or the transfer of shares currently in force.

Direct and indirect interests in the share capital exceeding 10% of the voting rights

HDI Haftpflichtverband der Deutschen Industrie V.a.G., HDI-Platz 1, 30659 Hannover, holds just under 79.0% of the voting rights in the Company.

Shares conveying special control rights

There are no shares conveying special control rights.

System of voting rights control where employees are shareholders

No employees are shareholders within the meaning of section 315a(1) no. 5 of the HGB.

Statutory requirements and provisions of the Articles of Association governing the appointment and dismissal of members of the Board of Management and amendments to the Articles of Association

The appointment and dismissal of members of Talanx AG's Board of Management are regulated in sections 84 and 85 of the AktG, section 31 of the German Co-determination Act (MitbestG) and section 5 of the Supervisory Board's Rules of Procedure.

The Supervisory Board initially appoints the members of the Board of Management for a maximum of three years. Members can subsequently be reappointed for a maximum of five years in each case. As the MitbestG applies to Talanx AG, members of the Board of Management must be appointed in an initial round of voting by a majority of

Jutta Hammer	Dr Hermann Jung[1,2]	Dirk Lohmann	Christoph Meister	Jutta Mück	Dr Erhard Schipporeit[1,2]	Prof. Dr Jens Schubert[3]	Norbert Steiner[3]	Angela Titzrath
2011	2013	2013	2014	2009	2003	2014	2013	2018
✔	✔	✔	✔	✔	✔	✔	✔	✔
female	male	male	male	female	male	male	male	female
1968	1955	1958	1965	1962	1949	1969	1954	1966
German	German	German/Swiss	German	German	German	German	German	German
Trained insurance administrator (Versicherungs-kauffrau)	Business engineering graduate (Dipl.-Wirtschafts-ingenieur)	Business administration graduate (Dipl.-Kaufmann)/ politics and economics graduate (Politik- und Volkswirt)	Graduate in law (Jurist)	Certified insurance specialist (Versicherungs-fachwirtin)	Business administration graduate (Dipl.-Kaufmann)	Graduate in law (Jurist)	Graduate in law (Jurist)	Graduate in economics (Dipl.-Ökonomin)
✔	✔	✔	✔	✔	✔	✔	✔	✔
✔	✔	✔	✔	✔	✔	✔	✔	✔
✔	✔	✔	✔	✔	✔	✔	✔	✔
✔	✔	✔	✔	✔	✔	✔	✔	✔
✔	✔	✔	✔	✔	✔	✔	✔	✔
✔	✔	✔	✔	✔	✔	✔	✔	✔
✔	✔	✔	✔	✔	✔	✔	✔	✔
✔	✔	✔	✔	✔	✔	✔	✔	✔
✔	✔	✔	✔	✔	✔	✔	✔	✔

two-thirds of the Supervisory Board members' votes. If such a majority is not obtained, section 31(3) of the MitbestG stipulates that appointments can be made in a second round of voting on the basis of a simple majority of the members' votes. If the necessary majority is still not obtained, a third round of voting is held. In this case, a simple majority of votes is again required, but the Chairman of the Supervisory Board has a casting vote in accordance with section 31(4) of the MitbestG.

German supervisory law requires members of the Board of Management to be reliable and professionally qualified to run an insurance company (section 24(1) sentence 1 of the German Insurance Supervision Act (VAG)). Persons who are already senior executives of two insurance companies, pension funds, insurance holding companies or special purpose entities for insurance cannot be appointed as members of the Board of Management. However, the supervisory authority can permit more offices to be held if the companies concerned belong to the same insurance group or group of companies (section 24(3) in conjunction with section 293(1) of the VAG). The Federal Financial Supervisory Authority must be notified of plans to appoint Board of Management members (section 47 no. 1 in conjunction with section 293(1) of the VAG).

The Annual General Meeting resolves amendments to the Articles of Association (section 179 of the AktG). Unless otherwise mandated by law, resolutions by the Annual General Meeting are passed by a simple majority of votes cast and, if a majority of the capital is required, by a majority of the share capital represented at the time the resolution is passed (article 16(2) of the Articles of Association). A larger majority is required by law, for example, in the case of a change to the corporate purpose (section 179(2) of the AktG). According to section 179(1) sentence 2 of the AktG in conjunction with article 11 of Talanx AG's Articles of Association, the Supervisory Board can make amendments to the Articles of Association that affect the wording only.

Powers of the Board of Management to issue or repurchase shares

The powers of the Board of Management to issue and repurchase shares are regulated by the Company's Articles of Association and by sections 71ff. of the AktG. In this context, the Company's Annual General Meeting on 5 May 2022 authorised the Board of Management in accordance with section 71(1) no. 8 of the AktG to acquire treasury shares, including by means of derivatives, for a period of five years, i.e. up to 4 May 2027, under certain conditions.

The Annual General Meeting on 5 May 2022 authorised the Board of Management, subject to the approval of the Supervisory Board, to issue registered bonds with a total nominal value of up to EUR 750 million on one or more occasions in the period up to 4 May 2027, and to impose contingent conversion obligations for no-par value shares of Talanx AG on the creditors of the bonds, without granting them rights of exchange or pre-emptive rights. The Board of Management may disapply pre-emptive rights subject to Supervisory Board approval. The share capital was increased conditionally by up to EUR 93,750,000.00 at the same Annual General Meeting (Contingent Capital I) in order to service the registered bonds. The Annual General Meeting on 5 May 2022 also authorised the Board of Management, subject to the approval of the Supervisory Board, to issue bonds (convertible bonds and bonds with warrants), participating bonds and/or profit participation rights, each of which can also be combined with conversion rights or warrants or (contingent) conversion obligations, with a total nominal value of up to EUR 500 million on one or more occasions in the period up to 4 May 2027. The Board of Management may disapply pre-emptive rights for certain specified purposes, subject to the approval of the Supervisory Board. The share capital was increased contingently by up to EUR 62,500,000.00 (Contingent Capital II) at the same Annual General Meeting in order to service the above bonds, participating bonds and/or profit participation rights. The Annual General Meeting on 5 May 2022 resolved to renew the authorised capital in accordance with article 7(1) of Talanx AG's Articles of Association and to insert a new article 7(1), which authorises the Board of Management, subject to the approval of the Supervisory Board, to increase the share capital on one or more occasions in the period up to 4 May 2027 by a maximum of EUR 157,874,068.25 by issuing new no-par value registered shares in exchange for cash or non-cash contributions. EUR 2,186,486.25 of this may be used to issue employee shares, subject to the approval of the Supervisory Board. Shareholders' pre-emptive rights may be disapplied in the case of cash capital increases for certain specified purposes, subject to the approval of the Supervisory Board. They may be disapplied in the case of noncash capital increases, also subject to the approval of the Supervisory Board, where this is in the Company's overriding interest. The amendment to the Articles of Association took effect on its entry in the commercial register on 2 June 2022.

Material agreements of Talanx AG subject to change of control clauses

Talanx AG's contracts for syndicated credit facilities specify that the lenders may terminate the credit line if, among other reasons, 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. acquires direct or indirect control over more than 50% of Talanx AG's voting rights or share capital.

The distribution agreement with Deutsche Bank AG, norisbank GmbH and Postbank sales subsidiaries dated 26 November 2020 contains a clause granting the banking partners a right of termination if one of the HDI parties experiences a change of control and the contractual obligations as an insurer were not transferred to another HDI company. At the same time, the contract grants HDI a right of termination in the event of a change of control at the banking partner. Change of control is defined as when a third company that is not affiliated with the parties directly or indirectly acquires control over one of the parties to the contract.

Compensation arrangements in the event of a takeover bid

No compensation arrangements are in place at the Company for members of the Board of Management or employees in the event of a takeover bid.

Report on post-balance sheet date events

Events that may influence our net assets, financial position and results of operations are described in the report on expected developments and opportunities, as well as under “Events after the end of the reporting period” on page 248 of the Notes.

Risk report

Risk strategy

Talanx's risk strategy is derived from, and is therefore directly intertwined with our Group strategy. The main aims of risk management are to guarantee our predefined strategic risk position while complying with the risk budget. Our strategic risk position is defined as follows:

- The Group's economic capital must be able at a minimum to withstand an aggregated theoretical 3,000-year shock ("probability of ruin"). The capital adequacy ratio has an AA rating under the Standard & Poor's (S&P) capital model
- The Group's investment risk is capped at a maximum of 50% of the total risk capital requirement.

In addition, Talanx's risk strategy takes the supervisory requirements into account. It is reviewed annually and adjusted as necessary.

Talanx Enterprise Risk Model (TERM)

TERM is an internal model for managing the risk kernel, i.e. the Talanx Group. We have expanded our model to also cover HDI V. a. G. for regulatory purposes. At Group level, modelling covers all risk categories.

The basis of consolidation used in the internal model corresponds to that in the Group Annual Report. There is one exception to this: the solvency capital requirements for our occupational pension scheme providers are still calculated in accordance with the applicable sector requirements.

The results of the model run as at 31 December 2022 are not yet available. The Group has set a target corridor of 150% to 200% for its regulatory solvency ratio before adjustment for approved transitional measures. We will publish the actual ratio in May 2023 in the Solvency and Financial Condition Report as at 31 December 2022. We expect to comply with our own limits.

Business organisation

Supervisory law requires the Group and all its insurance and reinsurance companies to have a proper, effective business organisation in place that ensures sound, prudent business management. The following four key functions have been established throughout the Group in line with this:

■

- the independent risk controlling function (risk management function)
- the compliance function
- the internal audit function
- the actuarial function

Talanx AG's Board of Management has set out policy guidelines defining the principles, tasks, processes and reporting obligations for each of these key functions. These guidelines also specify that the key functions rank equally and have equal rights. When performing their duties, function heads are subject only to the – non-technical – instructions issued by the Board of Management. They have all requisite rights to obtain information, and report directly to the Board of Management.

The heads of the key functions, like the members of the Board of Management and of the Supervisory Board, have to meet special supervisory requirements as regards their professional qualifications and personal characteristics.

Risk management system

Structure of the risk management system

The risk management system represents the sum of all measures in place for identifying, analysing, assessing, communicating, monitoring and managing risks and opportunities. The Group manages its risk management system along the lines of an enterprise risk management system. The system's design and structure draw on the ISO 31000 standard for risk management.

We use our internal model as the starting point for deriving a risk budget and a limit and threshold system that is designed to ensure our risk-bearing capacity. This system is suited to assessing risks in the Group (including risks associated with participating interests) both individually and in the aggregate.

It describes a contingent risk potential that reflects the Board of Management's risk appetite as derived from the company's goals and targets. In addition, it takes the divisions' risk-bearing capacity into account.

The Group's risk management function ensures consistent implementation of the risk management system by directly integrating the risk management units at the divisions and subsidiaries with its own risk management activities. It does this using binding Group guidelines and by participating in the relevant bodies and/or decision-making and escalation processes.

The following table provides an overview of the tasks performed by the main bodies and management staff involved in the risk management process.

RISK MANAGEMENT SYSTEM

Managers and organisational units	Key roles in the Risk Management System
Supervisory Board	■ Advises and oversees the Board of Management in its management of the Company, including with respect to risk strategy and risk management
Board of Management	■ Overall responsibility for risk management ■ Defines the risk strategy, including limits and thresholds ■ Responsible for proper functioning of risk management ■ Approves model amendments ■ Approves key Group guidelines
Executive Risk Committee (ERC)	■ Manages, coordinates and prioritises Group-wide risk issues ■ Adjusts limits within fixed materiality thresholds ■ Approves guidelines and other frameworks in line with the Group frameworks for the governance of the Group's internal model, to the extent that these do not require the approval of the full Board of Management ■ Preliminary cross-segment examination of issues that must be submitted to the full Board of Management ■ Critical monitoring and analysis of the Group's overall risk position with a particular focus on the risk budget approved by the Board of Management and on the risk strategy ■ Monitoring of measures taken within the Group to manage risks that could threaten the Group's continued existence
Chief Risk Officer (CRO)	■ Responsible for holistic monitoring across divisions (systematic identification and assessment, control/monitoring and reporting) of all risks that are material from a Group perspective ■ The CRO is involved in key Board of Management decisions
Central Group Risk Management	■ Group-wide risk monitoring function ■ Expertise in/responsible for methodological issues, including the following: ■ Development of processes/procedures for risk identification, assessment, management and analysis ■ Risk limitation and reporting ■ Overarching risk monitoring and quantification of the necessary risk capital ■ Validation of the Group model
Local Risk Management functions	■ Risk monitoring functions in the divisions ■ Ensure observance of the centrally defined guidelines, methods and procedures, limit systems and thresholds that serve as the framework for local implementation, risk identification, risk assessment, monitoring and reporting

The Group CRO (Chief Risk Officer) is a member of the Board of Management at HDI AG.

Key aspects of the Group's risk management organisation are defined in binding internal guidelines and specific regulations. We ensure that our risk management system is up to date by reviewing the guidelines each year. In accordance with the principle of "centralised strategic management and decentralised divisional responsibility", this framework is further specified in line with requirements at division and subsidiary level.

Risk management process and communication

We use key risk metrics and risk surveys to identify the risks to which our Group is exposed. We capture qualitative risks systematically using a Group-wide risk capture system. Risks spanning multiple divisions, such as compliance risks, are addressed by involving the responsible experts from the divisions concerned. Product risks are identified at an early stage as part of our new products process.

A high-level risk assessment is also performed during modelling and validation of our internal model. The latter is key to ensuring that diversification effects are presented adequately.

Solvency risk analysis and risk measurement for regulatory purposes is performed using our internal model. In addition, we use a series of additional models for the operational management of certain risk categories. The model runs performed here are generally more frequent and much more granular when it comes to modelling the underlying financial instruments.

Risk assessment includes an end-to-end appraisal of the information produced during risk analysis, so as to ensure that the Board of Management can make risk-informed decisions. In line with our risk management philosophy, we define and account for the model uncertainties that are inherent to the use of models.

Risk reporting

Risk reporting aims to provide the Board of Management and the Supervisory Board with systematic, timely information about risks and their potential effects, to strengthen the risk culture, and to ensure smooth internal communication about all material risks so as to provide a basis for effective decision-making.

The Solvency and Financial Condition Report, supervisory reporting and our Own Risk and Solvency Assessment are key items in the reporting cascade. These core reports are produced annually. In addition, we produce a range of short-term reporting formats allowing up-to-date information to be provided on the latest risk developments.

The contents and frequency of these reports are set out in guidelines. Both the documentation and the reporting process are regularly reviewed by Internal Audit and the supervisory authorities.

Material external factors that affect risk management

The external factors described below were particularly important for risk management in 2022.

The main **geopolitical** factors monitored were the ongoing war in Ukraine, China's strict Covid-19 policy for much of the year and tensions in the Taiwan Strait. There was particular focus on the war in Ukraine and the potential for further escalation between Russia and the EU/the US as a result. Further sanctions against Russia or states that cooperate with Russia could have an impact on global trade and financial markets. These are increasingly volatile on account of high levels of uncertainty. Together with other factors, the last few months saw lower economic growth, far higher inflation and rising interest rates. The sharp rise in energy prices at times pushed up inflation.

Risks for us essentially arise in connection with the war in Ukraine. The resulting economic turbulence can hurt our customers, our subsidiaries and the Group. However, we assume that the spillover effects on capital markets will continue to ease in 2023, provided the conflict does not escalate further. Unless unexpected scenarios such as gas shortages occur, we anticipate lower financial market volatility in 2023. Direct exposure in the conflict areas is relatively moderate in terms of both underwriting and investments. In particular, risks can arise as a result of unforeseeable downstream effects.

The impact on the **underwriting risk** is highly dependent on macroeconomic performance and on how business development progresses. For example, there could be declines in premiums and losses from cyber attacks or business interruption in connection with supply chain risks.

Our Group-wide risk management is based on forward-looking analysis, as part of which various scenarios are regularly assessed, including escalations in geopolitical conflicts and our potential response to these developments. This also includes analyses of the resulting **change in cyber risk**. The war in Ukraine saw a rise in cyber activities against parties involved in the conflict and their allies, as well as against key infrastructure. We monitored the impact this could have on our IT.

In relation to **claims reserves** and the underlying assumptions, uncertainties are increasing due to the discovery of additional claims in connection with the war in Ukraine, the amount and payout duration of (known and unknown) claims incurred and the costs of settling these claims. Legal uncertainties remain, particularly in connection with the remaining leased aircrafts in Russia. Provisions of EUR 367 million were recognised for potential losses related to the war in Ukraine. Losses are subject to high levels of uncertainty as they depend on how the war develops moving forward and on the outcome of court rulings in the years ahead.

Other sources of uncertainty related to the war in Ukraine, the supply of energy and raw materials and mounting protectionism, which runs counter to past developments in globalisation and trade flows, mean that **high inflation** remains a defining issue. A distinction should be drawn here between the general rise in consumer prices and the claims and cost inflation relevant for reserves. This makes it more difficult to determine the downstream effects. Internal sensitivity analyses based on macroeconomic scenarios show that the reserves recognised are currently sufficient to offset the development of inflation. We monitored drivers of inflation over the course of business and reduced these, in part by accounting for them in premium calculations, and by using index clauses and sliding-scale commission. We also hedge inflation risks partly on the basis of inflation-indexed securities.

Our **investments** performed very well overall in the reporting period despite numerous geopolitical and economic challenges. Our conservative position overall had a positive impact here.

Central bank monetary policy, the rise in inflation and increased government debt resulted in a sharp rise in general interest rates in 2022. This increase had a negative impact on valuation reserves of investments. However, this effect is to be considered from an asset-liability perspective for the Talanx Group. In addition, higher interest rates also benefited new investments and reinvestments.

Bonds from emerging markets and issuers with low credit quality saw substantial increases in risk premiums at times throughout 2022. The resulting reduction in the valuation reserves of our fixed-income securities was offset by high foreign currency shares and some stronger currencies – primarily the US dollar – against the euro.

In 2022, **natural disaster events** in various regions of the world (Europe, Australia, USA) impacted the Group. In the reporting period, key events were the heavy rain and flooding during February and March in Australia, hurricane "Ian" in the USA and the "Ylenia/Zeynep" winter storm in Central Europe.

Natural disasters must be seen together with **climate change**. The related effects represent a large challenge for risk management. We used both external and internal risk models for modelling the impact of catastrophes. Stress tests as well as scenario and sensitivity analyses are used to complete the monitoring of risks resulting from natural disasters. For further information, refer to the non-financial statement (NFS).

Risks in connection with **Covid-19** seem manageable at present. Hybrid business operations at our locations, with staff alternating between working at home and in the office in response to the Covid-19 pandemic, continues to work smoothly. Nonetheless, there is still coverage for credit insurance, life insurance and health and personal accident insurance and so future claims will depend on how the pandemic develops moving forward and on countermeasures at national level. Accordingly, uncertainty remains. We are continuing to monitor developments in our mortality business (especially in the US) and our global morbidity business, especially in view of the impact of the Covid-19 pandemic, on an ongoing basis. In the Property/Casualty Reinsurance in the pesonal accident and health insurance business, Covid-19 impacted very negatively on our Asia portfolio in financial year 2022. The impact of the Covid-19 pandemic is expected to abate on most markets in 2023. We are closely monitoring dynamic developments in China.

The Italian banking system has been troubled by a **high level of non-performing loans** for a number of years, due not least to continuing weak economic growth. A few problem banks have been resolved or taken over. As a result, receivables may have to be written down to their fair value.

Regulatory developments are also extremely dynamic. From the Group's perspective, the review of the Solvency 2 Directive by the European Commission in particular is being monitored in this context. The European insurance supervisory authority EIOPA is involved in this review. It published its statement in December 2020. In September 2021, the European Commission published legislative proposals for amendments to the Solvency 2 Directive. These include new macroprudential supervisory powers, changes to yield curves and changes to how risk margins are calculated. The EIOPA also proposed extensive changes to reporting by insurance companies. Related parliamentary consultations are currently under way and draft compromises have been presented on central issues. Negotiations on the final changes to Solvency 2 are expected to begin in the second quarter of 2023 and be implemented in 2025.

Internal control system

We consider the internal control system (ICS) an integral aspect of corporate governance. It combines all monitoring measures that are integrated in and independent of processes (internal controls and organised safeguards) that ensure that the organisation and the processes work smoothly. It is used at all levels of the Group and focuses on process risks and the controls in place to monitor these. Framework Group guidelines are the basis for an ICS that is consistent across the Group.

The compliance function carries out monitoring, early warning, risk control and advisory measures set out in the compliance plan to ensure that all relevant legal, regulatory and own rules are observed in the long term. Relevant information is exchanged through the interfaces between the compliance function and Group Auditing, technical departments responsible for expanded compliance issues, compliance officers abroad and the other three key functions.

Effectiveness of risk management and the ICS [1]

The appropriateness and effectiveness of the ICS and risk management are ensured on an ongoing basis, for example through a number of quality assurance measures and the internal audit function. The entire governance and risk management system is functional, appropriate and developed at a high level on an ongoing basis. We are therefore able to identify our risks in a timely manner, and to manage them effectively.

Accounting-related internal control system and risk management system

The key requirements regarding the consolidated financial reporting process that must be met by the internal control system (ICS) and the risk management system that have been implemented at Talanx AG can be described as follows:

- There is a clear separation of the functions involved in the financial reporting process
- The financial systems used are protected against unauthorised access at the IT level. Where possible, standard security software is used for the systems concerned.
- The processes, controls, working instructions and guidelines for the accounting-related internal control and risk management systems are recorded in the overarching ICS documentation. They are reviewed as and when required, but at least once a year, for appropriateness and to determine whether any changes are necessary.

Financial reporting must comply with International Financial Reporting Standards (IFRSs). To ensure that this is the case, controls have been implemented as part of the process of preparing the consolidated financial statements to ensure that the data in the financial statements are complete and accurate. Potential risks arising from the Group financial reporting process are identified and assessed by Group Accounting and included in the Group's risk management process.

The Group's internal IFRS accounting policies are set out in an accounting manual. The latter ensures that the International Financial Reporting Standards are applied consistently and correctly throughout the Group, and is regularly updated and amended to reflect changing legal requirements. Group Accounting ensures compliance with the requirements.

We use an IT tool featuring standardised reporting and consolidation rules to prepare the consolidated financial statements. Intragroup transactions are examined in an upstream reconciliation process and eliminated where necessary. Written instructions ensure that appropriate procedures are followed here. An approval process for manual accounting entries ensures that the principle of dual control is applied to items that exceed certain value limits.

The subsidiaries are responsible for ensuring compliance with the Group's accounting policies and for proper and timely performance and operation of their accounting-related processes and systems. A package review, which is performed and documented by Group Accounting employees, has been implemented as part of the process of preparing the consolidated financial statements.

[1] The information in this section is unaudited.

Risk profile

This report has been prepared in accordance with German Accounting Standard (GAS) 20, which serves as the basis for the following presentation and categorisation of our risks:

- Underwriting risk
- Default risk on accounts receivable on insurance business
- Investment risks
- Operational risks
- Other material risks

Risk management also specifically looks at sustainability risks. These risks are events or conditions related to the environment, society or corporate governance that could have a real or potential negative impact on the company's net assets, financial position and results of operations and reputation. Sustainability risks are not a risk category of their own and can affect all the risk categories we analyse. They can have an impact on all areas of our business activities in the form of physical risks and transitional risks in connection with changeover processes.

Underwriting risk

Underwriting risk refers to the danger of an unexpected disadvantageous change in the value of the insurance liabilities in the solvency balance sheet. Such a deviation may be due to random chance, error or a change in the assumptions underlying the calculation (e.g. biometrics, loss amounts, pay-out duration or costs of loss adjustment).

Underwriting risks in property/casualty insurance

Reserve risk

Reserve risk refers to unexpected disadvantageous changes in the value of insurance liabilities that have an effect on the amount of the loss run-off. Key reasons for these changes include the loss amount, the pay-out duration and the loss adjustment costs. Reserve risk is used to take loss events occurring before the reporting date into account.

The adequacy of the reserves for asbestos-related claims and environmental damage is usually assessed on the basis of the survival ratio as well. This expresses the number of years for which the reserves would last if payments were to continue to be made at the average amount for the last three years. At the end of the year under review, our survival ratio in the Property/Casualty Reinsurance segment was 24.3 (26.5) years.

Loss run-off triangles are another tool used within the Group to review our assumptions. These triangles show how reserves change over time as claims are settled and the reserves required to be recognised are recalculated as at each reporting date. Adequacy is monitored using actuarial methods (see "Notes to the consolidated balance sheet – Equity and liabilities", Note 21). In addition, we engage external actuarial and consulting firms every year to validate the quality of our actuarial calculations of the adequacy of the reserves.

One of the ways in which our subsidiary Hannover Rück SE partially hedges inflation risk is by including securities offering inflation-linked coupons and repayments in its portfolio. Inflation risk stems in particular from the possibility that, due to inflation, liabilities (e.g. loss reserves) may not change as assumed when the reserves were recognised. The financial instruments help protect portions of these loss reserves against inflation risk. Further information can be found in the section "Notes to the consolidated balance sheet – assets", under "Derivative financial instruments and hedge accounting".

In addition, external actuaries regularly analyse the effects of the expected future change in inflation on the Primary Insurance Group, so that the impact of an unexpected change in inflation on the Group's loss provisions can be assessed in more detail.

For the risks described above, a five percentage-point increase in the net loss ratio in property/casualty primary insurance and property/casualty reinsurance would reduce net income after taxes by EUR 1,098 (859) million.

Premium risk

The term premium risk describes unexpected disadvantageous changes in insurance liabilities. These arise from fluctuations in the occurrence, frequency and severity of insured events. In contrast to reserve risk, premium risk includes any loss events (excluding natural disasters) that occur after the reporting date. Premium risk is determined by comparing expected premium income with future loss events. This may also be affected by unexpected losses resulting from the development of the coronavirus pandemic.

The Group largely manages and reduces the various components of premium risk using claims analyses, actuarial modelling, selective underwriting, specialist audits and regular monitoring of the claims experience, as well as by appropriate reinsurance cover. Please see Note 21 of the Notes to the consolidated financial statements for details of the loss run-off triangles. The reinsurers' credit ratings are given in the "Risks arising from the default of accounts receivable on insurance business" section.

One way in which we address the premium risk that we have assumed is by taking out appropriate reinsurance cover. The retention ratio expresses the volume of reinsurance cover relative to gross written premiums and shows the proportion of underwritten risks retained by ourselves.

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PROPERTY/CASUALTY INSURANCE RETENTION RATIOS BY SEGMENT

%	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Industrial Lines	55.6	48.1	47.9	50.2	58.6	55.2	53.4	51.8	50.9	44.5
Retail Germany – Property/Casualty	89.6	85.8	88.3	95.0	94.5	94.6	95.4	95.6	95.6	94.9
Retail International	86.3	86.3	87.9	88.7	89.3	89.0	87.9	87.3	88.9	88.5
Property/Casualty Reinsurance	90.6	90.1	90.3	90.3	90.7	89.7	88.5	89.3	90.6	89.9
Corporate Operations [1]	22.3	25.0	34.6	68.3	n/a	n/a	n/a	n/a	n/a	n/a
Total property/casualty insurance	**80.6**	**77.9**	**78.9**	**81.0**	**83.9**	**82.4**	**80.7**	**80.7**	**81.0**	**79.3**

[1] Talanx AG underwrote significant business for the financial year 2020 as a result of receiving the reinsurance license in financial year 2019. No disclosures are made on account of the lack of comparability with previous periods.

NET LOSS RATIO BY SEGMENT

%	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Industrial Lines	77.0	80.9	84.4	79.9	87.3	85.7	74.9	76.5	81.2	81.8
Retail Germany – Property/Casualty	64.6	65.2	61.9	61.0	63.4	64.6	66.7	64.2	74.1	67.0
Retail International	67.7	64.5	64.7	65.8	65.8	66.2	65.4	64.9	65.3	66.3
Property/Casualty Reinsurance	72.0	69.3	72.8	69.0	67.0	71.2	66.7	69.3	68.9	70.3
Corporate Operations [1]	60.4	74.6	110.6	105.1	n/a	n/a	n/a	n/a	n/a	n/a
Total property/casualty insurance	**71.6**	**70.1**	**72.9**	**69.5**	**69.5**	**71.9**	**67.8**	**69.1**	**70.8**	**70.8**

[1] Talanx AG underwrote significant business for the financial year 2020 as a result of receiving the reinsurance license in financial year 2019. No disclosures are made on account of the lack of comparability with previous periods.

In the Industrial Lines segment, the loss ratio decreased by 3.9 percentage points to 77.0% thanks to successful portfolio measures and profitable new business. The loss ratio in the Retail Germany – Property/Casualty segment decreased by 0.6 percentage points to 64.6%. This decline is essentially the result of higher run-off results. Higher large losses have the opposite effect. The loss ratio in the Retail International segment rose by 3.2 percentage points to 67.7% compared to the prior year. This upturn is the result of increased claims and higher inflation, which premium increases could offset only in part. In the Property/Casualty Reinsurance segment the loss ratio increased by 2.7 percentage points to 72.0%. This is due chiefly to higher large losses. Hannover Re also recognised an IBNR reserve of EUR 331 million for potential negative effects from the war in Ukraine. In the Corporate Operations segment, the inflation-related revaluation of the loss reserve and run-off losses from large losses were already covered by the existing loss reserves, whereas the loss ratio in the previous year had been affected by additional reserves. As a result, the loss ratio improved by 14.2 percentage points to 60.4%.

The 1.5 percentage point deterioration in the loss ratio for property/casualty insurance to 71.6% resulted primarily from higher large losses from natural disasters and large losses in connection with the war in Ukraine. Net large losses in the financial year of EUR 2,176 (1,745) million exceeded the large loss budget by EUR 366 (235) million.

Large losses are losses that exceed a defined amount or meet criteria that make them particularly significant for property/casualty insurance. The following table shows the large losses for the financial year, broken down into natural catastrophes, other large losses and losses due to the war in Ukraine, in absolute figures and as a percentage of the Group's combined ratio:

LARGE LOSSES (NET) IN THE FINANCIAL YEAR [1]

EUR million	2022	2021
Large losses budget	1,810	1,510
Large losses (net)	2,176	1,745
of which Russian/Ukraine war	367	—
of which natural catastrophes	1,529	1,261
of which other large losses	280	484
%		
Combined ratio for property/casualty primary insurance and reinsurance	98.9	97.7
of which large losses (net)	6.8	6.9

[1] The Group's share of natural catastrophes and other large losses in excess of EUR 10 million gross.

Concentration risk

In non-life insurance, concentration risk mainly results from geographical concentrations, reinsurance and investment clusters, and insured natural catastrophe risks and man-made disasters.

Natural catastrophe risk deals with future loss events in line with premium risk. The extremely high potential impact of loss events caused by natural disasters mean that these are addressed separately. A standardised global event set has been established to analyse such natural hazard events (extreme scenarios and accumulations).

The most recent calculations for the Group regarding the impact on Group net income in the following natural hazard accumulation scenarios are as follows:

ACCUMULATION SCENARIOS INCLUDING NON-CONTROLLING INTERESTS, EFFECT ON NET INCOME [1]

EUR million	2022	2021
250-year loss Hurricane US	−1,257	−1,447
250-year loss Earthquake US West Coast	−934	−977
250-year loss Earthquake Chile	−720	−723
250-year loss Winterstorm Europe	−665	−710
250-year loss Earthquake Japan	−622	−704

[1] Actual developments in the area of natural hazards may differ from model assumptions. Information unaudited by the independent auditor.

We also regularly test other accumulation scenarios. Peak exposures from accumulation risks are covered by taking out specific reinsurance cover.

Concentration risk is capped by limiting the maximum permissible natural catastrophe risk by hazard region at Group and division level. The risk modelling and business planning processes work together closely to achieve this.

Loss expectations are modelled during business planning using the large loss budget, among other things. Net large losses in the financial year amounted to EUR 2,176 (1,745) million; in particular, this figure included losses in connection with hurricane "Ian" in the US (net loss: EUR 386 million), the war in Ukraine (net loss: EUR 367 million) and the flooding in the Sydney area, Australia (net loss: EUR 319 million).

The property insurers' loss reserves by region (after adjustment for the reinsurers' share of these reserves) can be broken down as follows:

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVE [1]

EUR million	Gross	Re	Net [2]
31.12.2022			
Germany	12,249	1,551	10,698
United Kingdom	6,234	608	5,626
Central and Eastern Europe (CEE), including Türkiye	2,928	287	2,641
Rest of Europe	11,957	2,004	9,953
USA	16,545	699	15,847
Rest of North America	2,388	2,388	—
Latin America	2,322	288	2,034
Asia and Australia	6,728	286	6,442
Africa	357	17	340
Total	**61,710**	**8,129**	**53,581**
31.12.2021			
Germany	11,500	1,369	10,131
United Kingdom	5,562	627	4,935
Central and Eastern Europe (CEE), including Türkiye	2,690	236	2,454
Rest of Europe	11,037	1,942	9,095
USA	13,616	607	13,009
Rest of North America	1,857	1,752	105
Latin America	1,995	251	1,744
Asia and Australia	5,043	300	4,743
Africa	395	15	380
Total	**53,696**	**7,099**	**46,597**

[1] After elimination of intragroup cross-segment transactions.
[2] After adjustment for the reinsurers' share of these reserves.

The breakdown of premiums in the property/casualty primary insurance area by type and class is as follows:

PREMIUMS BY TYPE AND CLASS OF INSURANCE[1]

EUR million	Gross written premiums	Net written premiums
31.12.2022		
Property/casualty primary insurance		
Motor insurance	5,077	4,701
Property insurance	5,855	2,515
Liability insurance	3,731	2,594
Casualty insurance	431	346
Marine	982	629
Other property/casualty insurance	1,214	720
Property/casualty reinsurance	24,242	21,961
Total	**41,533**	**33,466**
31.12.2021		
Property/casualty primary insurance		
Motor insurance	4,149	3,734
Property insurance	5,103	1,955
Liability insurance	3,118	1,998
Casualty insurance	370	290
Marine	866	475
Other property/casualty insurance	945	528
Property/casualty reinsurance	19,224	17,323
Total	**33,776**	**26,304**

[1] Before elimination of intragroup cross-segment transactions.

Technical risks, life

Typical life insurance risks are derived from the fact that policies include guaranteed long-term biometric and/or investment benefits. Whereas the premium for a given benefit is fixed at the inception of the policy for the entire policy period, the underlying parameters may change over time. This also applies to the legal framework underlying the contractual relationship, which is defined by the legislators and the courts. Changes that can aggravate the risk here are discussed in the "Operational risks" section.

The ratio of reinsurance cover to gross written premiums can be seen from the retention ratio, which shows the proportion of underwritten risks that we have retained ourselves.

RETENTION RATIO IN LIFE/HEALTH INSURANCE BY SEGMENT

%	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Retail Germany – Life Insurance	89.4	94.1	93.9	93.9	93.6	95.2	95.4	95.8	95.2	93.9
Retail International	99.5	99.3	99.2	98.9	98.8	98.5	98.5	97.2	98.0	95.8
Life/Health Reinsurance	88.5	88.2	89.8	89.5	90.7	91.7	90.4	84.2	83.9	87.7
Total life/health insurance	**89.9**	**91.2**	**92.1**	**92.1**	**92.6**	**93.6**	**92.9**	**89.1**	**89.6**	**90.9**

Biometric risks and lapse risks in life primary insurance

Biometric actuarial assumptions such as mortality, longevity and morbidity are established at the inception of a contract. Over time, these assumptions may prove to be no longer accurate, and additional expenditure may be needed to boost the benefit reserve. Departures from the actuarial assumptions can also be affected by global trends. Therefore, the adequacy of the underlying biometric actuarial assumptions is regularly reviewed.

Epidemics, a pandemic or a global shift in lifestyle habits may change the risk situation for contracts under which death is the insured risk. In Germany, we do not currently expect mortality to increase in the medium term due to Covid-19.

In the case of annuity insurance, the risk situation may change first and foremost as a result of steadily improving medical care and social conditions as well as unexpected medical innovations. These factors increase longevity and lead to insurees in the aggregate drawing benefits for longer than the calculated period.

Premiums and technical provisions are calculated on the basis of prudent biometric actuarial assumptions. We ensure the adequacy of the latter by regularly comparing the claims expected on the basis of the mortality and morbidity tables with the claims that have actually been incurred. Adequate safety margins are applied for error risk, random fluctuation risk and change risk.

Most life primary insurance policies are long-term contracts with a discretionary surplus participation feature. Relatively small changes in the assumptions about biometric factors, interest rates and costs that are used as the basis for calculations are absorbed by the safety margins included in the actuarial assumptions. If these safety margins are not required, we largely pass the resulting surpluses on to policyholders, in line with statutory requirements. The impact on earnings of changes in risk, cost and interest rate expectations can therefore be mitigated by adjusting policyholders' future surplus participation.

We use reinsurance contracts primarily to provide additional protection against biometric risks. We establish reserves on the basis of how biometric actuarial assumptions are forecast to develop to ensure that we can meet our commitments under these policies at all times. In addition, specially trained life actuaries establish safety margins that also make sufficient allowance for change risk.

Life insurance policies also entail lapse risk. For example, an unusual cluster of cancellations could result in the available liquid assets being insufficient to cover the benefits payable. This could lead to unplanned losses being realised when assets are sold. To mitigate this risk, the Group's life insurers maintain a sufficiently large portfolio of short-term investments and regularly analyse the situation regarding cancellations. They also regularly compare and manage the durations of their assets and liabilities.

What is more, cancellations may result in defaults in premium refunds from insurance intermediaries, which is why intermediaries are carefully selected.

Higher levels of cancellations may also increase the cost risk if new business drops off significantly and fixed costs – unlike variable costs – cannot be reduced in the short term.

We regularly review policyholders' lapse behaviour and lapse activity trends in our insurance portfolio.

We perform scenario and sensitivity analyses in our internal model in order to quantify underwriting risk. These analyses relate to our basic own funds and help indicate which areas to focus on from a risk management perspective.

UNDERWRITING RISK SENSITIVITY RANGES, LIFE PRIMARY INSURANCE

%	2022	2021
Mortality/morbidity +5% (excluding annuity business)	–3 to 0	–3 to 0
Mortality –5% (annuity business only)	–4 to 0	–4 to 0
Lapse rate +10%	–1 to +2	–2 to +2
Expenses +10%	–4 to 0	–5 to 0

The exposure of the Group's life insurers depends on the type of insurance product concerned. Annuities and death cover are not netted in the sensitivities.

Interest guarantee risk including investment risk

In endowment life insurance, a basic distinction is made between unit-linked and index-linked policies and traditional policies with guaranteed actuarial interest rates, with the latter accounting for the majority of the Group's portfolio. While with unit-linked and index-linked policies the investment risk is borne by customers, under traditional policies the insurer promises customers a guaranteed return on the savings elements of the premium. In the case of newly-developed (modern classic) products, we work with significantly curtailed guarantees in order to meet increasing solvency capital requirements.

In the case of our German life primary insurance, the most significant risk is that investments do not generate sufficient returns to meet liabilities to customers. The guaranteed returns on savings elements under traditional life insurance policies largely depend on the policies' actuarial interest rate generation. Actuarial interest rates are between 4% (4%) and 0.3% (0.3%) per annum, depending on the tariff generation concerned. Taking into account the additional interest reserve following the change to the calculation method in 2018, the average guaranteed interest rate for the Group's German life insurance companies and for HDI Pensionskasse AG as at 31 December 2022 was 1.4% (1.4%). The interest guarantee risk is also the dominating concentration risk.

In particular, due to the limited availability of long-term fixed-income securities on the capital markets, it is only possible to match the maturities for the interest liabilities to a certain extent. As a result, fixed interest rates on the assets side regularly have a shorter term than those on the liabilities side (this is known as a duration mismatch or asset-liability mismatch).

As at 31 December 2022, the (effective) duration for the Group as a whole for fixed-income securities (including interest rate derivatives) was 7.1 (8.9) years [1]. The average remaining term for the gross loss reserves including the gross benefit reserves was 8.6 (9.0) years. If we also include the expected future surplus participation for life insurance with options and guarantees, the duration (Macaulay duration) of the liabilities increases to 11.5 (12.7) years. [2]

The duration mismatch shown in these two cases means that the basic own funds are sensitive to the discounting assumptions used in the model. For terms beyond 20 years, these are not derived from the capital markets, but instead follow the industry convention used by the European supervisory authorities in the Solvency 2 regime. If standard industry assumptions about the discount rate for liabilities with a term of more than 20 years are higher than the interest rates actually obtainable in the market at that time, the valuation models used to calculate the basic own funds underestimate the liabilities to policyholders and interest rate sensitivity in life insurance. If, on the other hand, the interest rates actually obtainable are higher than the discount rates, the liabilities to policyholders and interest rate risk are overestimated. At present, the interest rates actually obtainable in the illiquid capital market segments for particularly long-term securities tend to suggest that the valuation models slightly underestimate the liabilities to policyholders and interest rate sensitivity and slightly overestimate the basic own funds.

Interest guarantee risk exposure is calculated on the basis of our investment risks. These are presented together with the relevant stress tests and sensitivities in the "Investment risks" section.

In the case of unit-linked life insurance contracts, the technical provisions are recognised in the amount of the fund volumes held for the policyholders. This means that changes in share prices have a direct impact on the amount of the technical provisions for unit-linked insurance, although this is offset by equal effects on the investments. Consequently, the basic own funds are only impacted by investments that are not held for the benefit of life insurance policyholders who bear the investment risk. Here a drop in share prices would have a negative impact, albeit a very minor one as the equity ratio is currently small.

Technical risks in life/health reinsurance

Biometric risks are especially important in life/health reinsurance. Reserves in this area are recognised on the basis of the information provided by our ceding companies and reliable biometric actuarial assumptions. We use quality assurance measures to guarantee that the provisions calculated by ceding companies in accordance with local accounting principles satisfy all requirements as to the calculation methods and assumptions to be used.

New business written by the Group in all regions complies with our global underwriting guidelines. These guidelines are revised annually to ensure that they appropriately reflect the type, quality, level and origin of the risks. Specific underwriting guidelines cater to the particular features of individual markets. Monitoring of compliance with these underwriting guidelines reduces the risk associated with cedant insolvency or a deterioration in their credit quality. Regular reviews are performed and the overall view considered in the case of new business or when international portfolios are acquired.

We have confidence in our underwriters' business skills and assign them the highest responsibilities. Our decentralised organisation manages risks where they arise, adopting a uniform approach throughout the Group to gain an overall view of the risks involved in life/health reinsurance. The global underwriting guidelines provide our underwriters with a suitable framework for this. Life/health reinsurance risks are reflected in the internal capital model.

Interest guarantee risk, which is so important in life primary insurance, is of little relevance to life/health reinsurance risk, owing to contract structures in the latter area. The risk profile in life/health reinsurance is dominated by mortality and longevity risks. This is because some of the contracts have to pay death benefits while others pay survival benefits. We take a prudent approach to calculating the diversification effect between mortality and longevity risks; contracts are usually arranged for different regions, age groups and people. Morbidity risks also play an increasingly important role here. Additionally, life/health reinsurance is exposed to lapse risks, as the payment flows resulting from the reinsurance contracts also depend on policy holders' lapse behaviour.

Hannover Re took over a large US life/health reinsurance portfolio in 2009. We adjusted rates in 2018 as part of our portfolio management. Mortality experience for this portfolio was affected by the Covid-19 pandemic to a lesser extent in 2022. We monitor how the underlying mortality develops on an ongoing basis.

[1] Effective duration is a measure of the interest rate sensitivity of the present value of assets/liabilities that takes the options into account. The higher the figure, the higher the interest rate sensitivity.

[2] The figure reported here is based on the ratio of the cash flows of the liabilities calculated using the valuation models to the certainty equivalent path; this corresponds to the most recent requirement set out by EIOPA in its insurer stress test.

Based on information available at present, we continue to assume that the US mortality business will generate a positive earnings figure overall. Should further information cause us to conclude that this is no longer the case, this would have a non-recurring negative impact on the IFRS result. We monitor further developments in the Covid-19 pandemic on an ongoing basis.

The sensitivities affecting the Reinsurance Division's basic own funds are as follows:

UNDERWRITING RISK SENSITIVITIES, REINSURANCE DIVISION

%	2022	2021
Mortality +5% (excluding annuity business)	–6 to –4	–8 to –5
Morbidity +5%	–4 to –2	–4 to –2
Mortality –5% (annuity business only)	–3 to –1	–5 to –2
Lapse rate +10%	–2 to 0	–2 to 0
Expenses +10%	–1 to 0	–1 to 0

Derivatives embedded in life insurance contracts and not recognised separately

Life primary insurance products may include the following significant options for policyholders:

- minimum return/guaranteed interest rate
- surrender and premium waiver options
- increase in the insured benefit without another medical examination
- option under deferred annuity policies to take the insurance benefit as a one-time payment (lump-sum option) instead of drawing a pension

In the case of unit-linked products, policyholders may opt to have the units transferred on termination of the contract rather than to receive payment of their equivalent value (benefit in kind). To this extent, there is no direct market risk.

In Life/Health Reinsurance, a number of contracts have features that require embedded derivatives to be separated from the underlying insurance contract and recognised separately at fair value in accordance with IAS 39 (Also see "Notes to the consolidated balance sheet – assets" under Note 13 in the Notes to the consolidated financial statements).

Default risk on accounts receivable on insurance business

Accounts receivable on insurance business are exposed to default or credit risk. This applies in particular to receivables due from reinsurers, retrocessionaires, policyholders and insurance intermediaries. Value adjustments, write-downs and write-offs of receivables would result if such risks were to materialise.

Accounts receivable from policyholders and insurance intermediaries are generally unsecured. There is no material financial risk for the Group in these cases as the amounts involved are small and the range of debtors is diverse.

Additionally, credit risk arises in the primary insurance business on accounts receivable from reinsurers and in the reinsurance business on receivables from retrocessionaires. In reinsurance ceded, we take care to ensure that the reinsurers concerned are financially highly sound, especially in the case of accounts with a long run-off period.

The Group counters the default risk on accounts receivable from reinsurers and retrocessionaires using Group-wide policies and guidelines. Reinsurance partners are carefully selected by security committees made up of experts, and their creditworthiness is continually monitored. To do so, we use information from external rating agencies.

Information on outstanding receivables more than 90 days past due at the reporting date and on the average default rate over the last three years is given in Note 14 of the Notes to the consolidated financial statements.

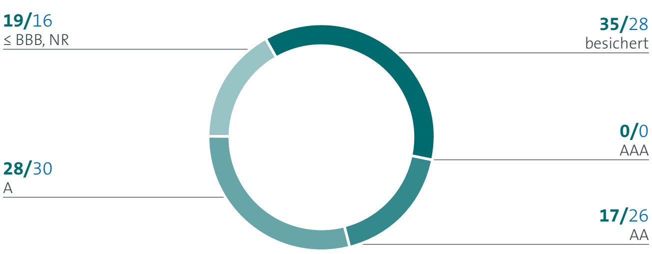
The reinsurance recoverables on technical provisions amount to EUR 10.3 (8.9) billion. This figure is partially matched firstly by guarantees and secondly by cash deposits and other offsetting items amounting to EUR 3.6 (2.5) billion, which are reported as funds withheld under reinsurance treaties.

Since we are also the active reinsurer for most of our reinsurers and retrocessionaires (particularly in the Property/Casualty Reinsurance segment), there is some potential for offsetting defaults against our own liabilities. An amount of EUR 6.7 (6.4) billion remains after deducting the items mentioned above.

The rating structure here is as follows:

REINSURANCE RECOVERABLES ON TECHNICAL PROVISIONS BY RATING CLASS

%



2022/2021

A total of 71% (78%) of our reinsurance partners/retrocessionaires in the unsecured portion have a category A rating or higher. The large proportion of reinsurers with a high rating reflects our efforts to avoid default risk in this area.

The carrying amount of financial instruments associated with insurance contracts (policy loans, accounts receivable on insurance business, reinsurance recoverables on technical provisions) – gross of any collateral or other arrangements that reduce default risk – is equivalent to the maximum default risk exposure at the reporting date.

Funds withheld by ceding companies represent the collateral (e.g. cash deposits and securities accounts) furnished by Group companies to non-Group cedants. This does not trigger payment flows and cannot be used by the cedants concerned without our companies' consent. The duration of this collateral is matched to the corresponding provisions. If a ceding company defaults on funds it has withheld, the technical provisions are reduced by the same amount, which means that credit risk is limited.

The accounting balance (income for primary insurers), defined as the reinsurers' share of earned premiums less the reinsurers' share of gross claims and claims expenses and of gross expenses for insurance operations, was EUR –1,003 (–455) million in the reporting period.

Investment risks

Market risk covers both fluctuations in the value of investments on the asset side of the balance sheet and effects on the underwriting risks caused by capital markets developments that are recognised economically on the liabilities side. Fluctuations in the value of investments are the result of changes in their market price, which if unfavourable may result in impairment losses being charged.

In line with the principle of commercial prudence, our investment policy is guided by the following goals:

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

Our portfolio of fixed-income securities is exposed to interest rate risk. Declining market yields lead to increases, and rising market yields to decreases, in the market price of the fixed-income securities portfolio. Similarly, changes in credit spreads affect the market price of fixed-income securities.

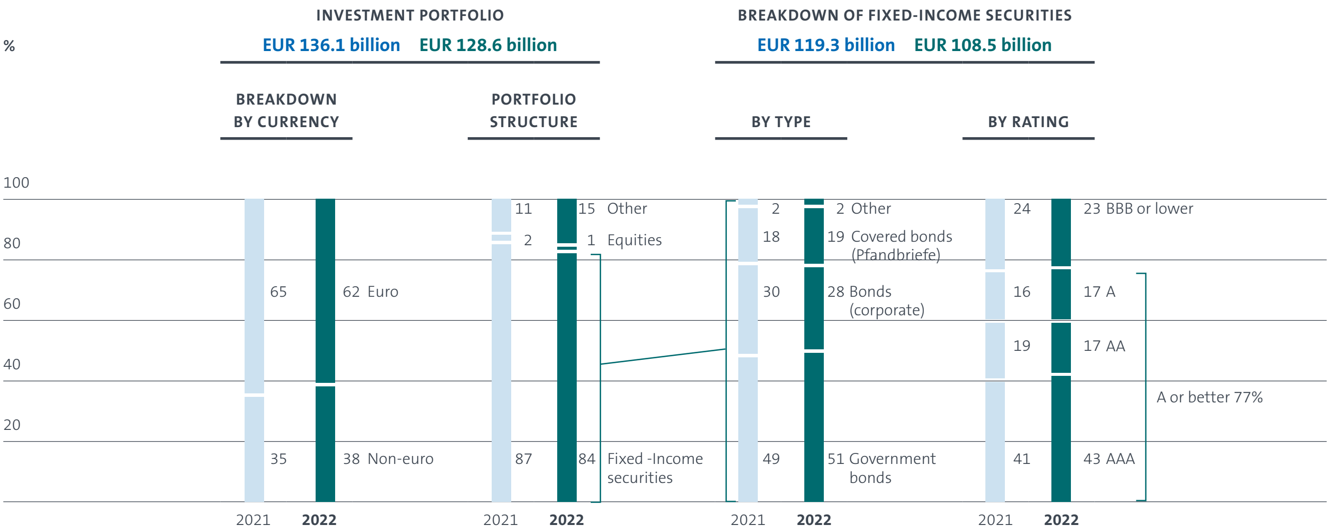
Equity price risk arises from negative changes in the value of equities, equity derivatives and equity index derivatives held in the portfolio.

Currency risk results from exchange rate fluctuations. These have a particularly pronounced impact if there is a currency imbalance between the technical liabilities and the assets.

Real estate risks may result from negative changes in value, which may occur either directly or via fund units. They can be triggered by a deterioration in the features of a particular property or by a general downturn in market prices.

Exposure to these risks is largely managed using the investment portfolio structure. The following table shows the Talanx Group's portfolio of assets under own management, including mortgage loans, broken down by currency, asset class and rating, using the valuations reported in the IFRS financial statements:

THE TALANX GROUP'S PORTFOLIO BY CURRENCY, ASSET CLASS AND RATING



The portfolio is dominated by fixed-income securities, 77% (76%) of which hold a minimum of an A rating. We add selected high-yield bonds with short maturities to our bonds with excellent credit ratings and long durations. The majority of our investments are denominated in euros, with the US dollar being the main currency outside this area.

Government bonds account for 51% (49%) of the fixed-income securities. In contrast to the standard formula, we always model these in TERM taking account of the credit spread risks, regardless of the issuers and issue currency.

Despite our relatively low-risk portfolio, the investment volume involved means that market risk is still highly significant for the Group's risk profile. We assess the market risks with TERM. The term material refers particularly to interest rate risk and credit risk.

We display the risk concentration in the model, which contains not only the effect of issuer concentration on its own but also the impact of correlations resulting from economic and geographical links between issuers.

Market risk is primarily monitored and managed using our limit and threshold system. One key aspect here involves regularly reviewing the value at risk (VaR), taking into account not only the investments themselves but also the forecast cash flows for the technical liabilities and their sensitivity to market risk factors. The ALM VaR is calculated using a confidence level of 99.5% and a holding period of ten days. In other words, there is only a 0.5% probability that this estimated potential loss will be exceeded within ten days.

As at 31 December 2022, the ALM VaR was EUR 2,047 (2,732) million, or 1.64% (1.96%) of the investments under consideration. The lower market risk compared to the prior year is attributable mainly to the significant hike in interest rates and, in turn, a decline in the duration gap between assets and liabilities.

Additionally risk early warning uses a version of the model in which shorter time periods are taken into account and the most recent market observations have a stronger impact on the risk indicators thanks to exponential weighting. This version of the ALM VaR model is much more sensitive to current changes in capital market volatility and can also provide an early warning of increases in risk.

Stress tests and scenario analyses complement the range of management tools. For interest rate-sensitive products and equities, we calculate potential changes in fair value on a daily basis using a historical worst-case scenario, which allows us to estimate the potential loss under extreme market conditions. We use scenarios to simulate changes in equity prices and exchange rates, general interest rates and spreads on bonds from issuers exposed to credit risk. Interest rate risk entails the risk of an adverse change in the value of the financial instruments held in the portfolio due to changes in market interest rates.

The following table shows scenarios for changes in the Group's (gross) assets under own management as at the reporting date. The effects shown do not take taxes or the provision for premium refunds into account. Consequently, effects resulting from policyholders' participation in life/health primary insurance surpluses are not included in the analysis. Taking these effects into account would reduce the effects on earnings and equity shown below significantly.

CHANGE SCENARIOS FOR THE GROUP'S ASSETS UNDER OWN MANAGEMENT AS AT THE REPORTING DATE

EUR million

Portfolio	Scenario		Recognised in profit or loss [1]	Recognised in other comprehensive income [1]	31.12.2022 Change in portfolio on a fair value basis [2]	31.12.2021 Change in portfolio on a fair value basis [2]
Equities [3]						
	Equity prices	+20%	124	349	473	487
	Equity prices	+10%	59	175	234	243
	Equity prices	–10%	–15	–176	–191	–201
	Equity prices	–20%	–21	–353	–373	–395
Fixed-income securities						
	Increase in yield	+200 bp	–158	–9,524	–13,387	–18,704
	Increase in yield	+100 bp	–92	–5,080	–7,157	–10,058
	Decrease in yield	–100 bp	130	5,851	8,251	11,989
	Decrease in yield	–200 bp	318	12,701	17,926	26,618
Exchange rate-sensitive investments						
	Appreciation of the EUR [4]	+10%	–4,542	–296	–4,838	–4,806
	against USD		–2,484	–201	–2,685	–2,745
	against GBP		–389	–7	–396	–422
	against PLN		–302	–1	–302	–271
	against other currencies		–1,366	–88	–1,454	–1,369
	Depreciation of the EUR [4]	–10%	4,542	296	4,838	4,806
	against USD		2,484	201	2,685	2,745
	against GBP		389	7	396	422
	against PLN		302	1	302	271
	against other currencies		1,366	88	1,454	1,369

[1] Gross (before taxes and surplus participation).
[2] Including financial instruments classified as loans and receivables and held-to-maturity financial assets.
[3] Including derivatives.
[4] Exchange rate movements against the euro of +/–10%, based on the carrying amounts.

The Group enters into derivative transactions

- to hedge existing assets, mainly against price risk or interest rate risk
- to prepare for subsequent purchases or disposals of securities or
- to generate additional earnings from existing securities.

The boards of management of the Group companies decide on the nature and scope of investments in derivative financial instruments or structured products. Very strict limits apply for the use of these and they are regulated by investment guidelines. We constantly monitor the investment guideline requirements and the statutory provisions governing the use of derivative financial instruments and structured products. Further information on the use of derivative financial instruments can be found in Note 13 of the Notes to the consolidated balance sheet – assets.

Credit risk

Credit risk or counterparty credit risk refers to a deterioration in debtors' credit quality that results in them being unable to make agreed payments in part or in full. In addition, the value of financial instruments can decline as a result of impaired issuer credit quality. Credit risks can be broken down into the following key categories:

- issuer risk (default risk, migration risk)
- counterparty risk (replacement and settlement risk)
- concentration risk

Credit risk is divided into the following sub-risks during risk modelling: spread, migration and default risk, and correlation and concentration risk. While spread, migration and default risk can be quantified at the level of individual assets, correlation and concentration effects can only be observed in specific portfolio contexts. Correlations show the interrelationships between different issuers' credit quality. In other words, correlation and concentration risks measure the concentration of investments at individual issuers, including such interrelationships in credit quality.

Counterparty credit risk is capped using Talanx's system of limits and thresholds and by its segment and company-specific investment guidelines, and is continuously monitored. Limits are set at portfolio, issuer/counterparty and in some cases also at asset class level, ensuring a broad mix and spread within the portfolio.

Issuer credit quality is a key criterion when deciding whether to invest. Creditworthiness is assessed on the basis of the Group's own credit risk analyses, which are supplemented by ratings from external agencies. Most new investments are made in investment-grade securities. An early warning system based on market information (such as credit spreads and equity prices) has been put in place to spot initial signs of deteriorating credit quality. To reduce counterparty risk, OTC transactions are entered into only with a select group of counterparties. We reduce the risk of financial default by counterparties arising from the use of OTC derivatives by clearing, netting and by entering into collateral agreements (see the information provided in Note 13 of the Notes to the consolidated financial statements). In addition, credit default swaps ensure efficient credit risk management.

We assess counterparty credit risk at individual counterparty level using the following features:

- the default probability, which is derived from the composite rating (second-best of the available agency ratings from Standard & Poor's, Moody's, Fitch and Scope)
- the loss given default (LGD), which is derived from the volume of collateral furnished and the seniority of an issue
- the exposure at default (EAD), which represents the expected amount of the receivable at the time of default

An expected loss and a credit value at risk (CVaR) are calculated for the portfolios, taking ratings/the allocated probability of default and the expected loss given default (LGD) into account. The CVaR represents the amount of the (unexpected) loss that will not be exceeded within a year for a probability of 99.5%. The stochastic simulation used to calculate the CVaR takes into consideration issue-specific features, portfolio concentrations (e.g. in sectors and countries) and correlations between the individual assets.

The risk indicators calculated in this way are aggregated at the various management levels and serve as the basis for monitoring and managing credit risk.

As at 31 December 2022, the credit VaR for the Group as a whole was EUR 5,951 (6,794) million, or 4.7% (5.0%) of the assets under consideration. In other words, the average credit risk for investments declined year-on-year. The internal risk calculations capture all investments exposed to credit risk. This also includes European government bonds, which are notionally considered to be risk-free under the Solvency 2 standard model.

The year-on-year decrease in the credit VaR is the result of lower fair value of the Group's investments due to higher interest rates and further diversification of the investment universe combined with selective risk-taking in alternative asset classes. As previously, the investments are still based on the conservative reinvestment strategy in the Group's investments.

To manage credit risk, it is essential to have an overview of the implications of certain influences at Group portfolio level and at the level of individual issuers. Three credit scenarios are shown below.

CREDIT VAR STRESS TESTS

EUR million	31.12.2022	31.12.2021
Rating downgrade by one notch	6.910 (+16 %)	8.045 (+18 %)
Rating downgrade by two notches	8.099 (+36 %)	9.555 (+41 %)
Increase of ten percentage points in LGD	6.467 (+9 %)	7.482 (+10 %)

The table shows the sensitivity of the credit VaR to certain credit scenarios. It illustrates both the effect of issuer ratings being downgraded by one or two notches and the reduction in expected recovery rates in the event of default.

As regards its assets under own management, the Group's exposure to government bonds with a rating of less than A– amounted to EUR 5.5 (6.2) billion on a fair value basis, or 4.3% (4.5%) of the total.

EXPOSURE TO BONDS WITH A RATING OF LESS THAN A–

EUR million	Rating[1]	Government bonds	Semi-government bonds	Financial bonds	Corporate bonds	Covered bonds	Other	Total
31.12.2022								
Italy	BBB	3,478	—	632	456	174	1	**4,742**
Mexico	BBB	363	—	143	270	—	—	**777**
Brazil	BB–	239	—	45	223	—	36	**543**
Hungary	BBB	393	—	12	15	5	—	**425**
South Africa	BB–	103	—	4	133	—	2	**242**
Portugal	BBB	90	—	7	49	—	—	**147**
Türkiye	B	110	—	9	11	—	—	**130**
Russia	SD[3]	25	—	1	9	—	—	**35**
Other BBB+		83	—	8	45	—	—	**136**
Other BBB		257	152	96	226	—	—	**731**
Other <BBB		353	128	80	178	—	—	**739**
31.12.2021								
Italy	BBB	3,790	—	797	560	295	6	**5,448**
Mexico	BBB	316	—	160	349	—	—	**826**
Brazil	BB–	191	—	86	214	—	13	**504**
Hungary	BBB	549	—	12	20	5	—	**586**
South Africa	BB–	130	—	1	142	—	2	**275**
Portugal	BBB	119	—	11	30	11	—	**171**
Türkiye	B+	54	—	20	9	—	—	**83**
Russia	BBB	368	8	48	242	—	—	**666**
Other BBB+		96	—	74	84	—	—	**253**
Other BBB		196	80	51	168	—	—	**494**
Other <BBB		350	68	111	271	—	—	**801**

[1] External issue ratings (Standard & Poor's, Moody's, Fitch or another rating agency appointed by Talanx [ECAI]). Where external issue ratings are available from more than one agency, the second-best rating is used
[2] Of the total bond portfolio, EUR 484 (445) million relate to OOO Strakhovaya Kompaniya CiV Life, Moscow, Russia, which has been sold meanwhile.
[3] Selective default based on Ampega internal rating.

The maximum exposure to default risk (of our investments, excluding funds withheld by ceding companies) as at the reporting date, disregarding collateral or other arrangements to reduce default risk, corresponds to the balance sheet items.

Within the Group as a whole, financial assets totalling EUR 2,056 (1,126) million serve as collateral for liabilities and contingent liabilities. Of this amount, carrying amounts of EUR 371 (117) million secure existing derivatives transactions for which own investments are held in blocked custody accounts. In addition, Hannover Re Real Estate Holdings has furnished standard collateral to various banks for liabilities relating to investments in real estate businesses and real estate transactions. This collateral amounted to EUR 1,334 (922) million as at the reporting date.

Further information on collateral pledged by the Group can be found under "Disclosures on the nature and extent of significant restrictions" in the "Consolidation" section of the Notes to the consolidated financial statements.

As regards the Group, various banks have furnished guarantees in the form of letters of credit as surety for technical liabilities totalling EUR 3.1 (2.8) billion. In addition, assets with a fair value of EUR 143 (91) million have been furnished as collateral to the Group that can be sold or transferred as collateral even if the owner is not in default on payment.

As at the reporting date, the portfolio did not contain any material past-due investments that were not impaired, since past-due securities (with the exception of mortgage loans secured by charges on property) are impaired immediately. See Note 31 for information on impairment losses charged on investments in the year under review.

The rating structure of our fixed-income securities, broken down by balance sheet item, investment contracts and short-term investments is presented in the “Notes to the consolidated balance sheet – assets” section.

Liquidity risk

We define liquidity risk as the risk of being unable to convert investments and other assets into cash in time to meet our financial obligations as they fall due. Our exposure here depends on the size of the obligations[1] involved. For example, illiquid markets might mean we could not sell holdings at all (or only after a delay) or that we could not close out open positions (or only at a discount). Risk assessment here is based heavily on qualitative analyses, among other things. We regard the entire risk as being relevant.

As a rule, the Group generates significant liquidity positions on an ongoing basis because regular premium income almost always accrues well before claims and claims expenses are paid and other benefits are rendered.

The following table shows cash inflows from premium payments, cash outflows from claims and claims expenses paid, acquisition costs, and reinsurance commissions, including administrative expenses incurred for property/casualty insurance, as at the reporting date in each case.

The cash inflows shown below for non-life insurance are all positive.

CASH FLOWS AND LIQUID FUNDS FROM THE INSURANCE BUSINESS[1]

EUR million	31.12.2022	31.12.2021
Gross written premiums	38,731	30,758
Claims and claims expenses incurred (gross)	−18,992	−14,694
Acquisition costs and reinsurance commissions paid plus administrative expenses	−9,838	−7,897
Liquid funds	**9,901**	**8,167**

[1] After elimination of intragroup cross-segment transactions.

The Group’s life insurers monitor liquidity risk by regularly comparing net claims and claims expenses paid during the financial year with existing investments (during the year, the budgeted amounts are used for the former item). Appropriate margins are established to allow for potential unforeseen increases in net claims and claims expenses paid, and the ability to liquidate investments is monitored.

Liquidity risk at Group level is mitigated through regular liquidity planning and by continuously matching the maturities of our investments to our financial obligations. A liquid asset structure ensures that the Group is able to make any necessary payments at all times. Planning for underwriting payment obligations is based, among other things, on the expected due dates, which take reserve run-off patterns into account.

Talanx AG holds a minimum liquidity buffer to be able to meet any short-term liquidity requirements within the Group. Another aspect of liquidity management is to provide a sufficiently large credit line. For further information, please see the “Liquidity and financing” subsection of the “Net assets and financial position” section of the Group management report. Above and beyond this, Talanx AG ensures the Group has access to long-term and, if necessary, also short-term sources of external finance.

In addition to the assets available to cover provisions and liabilities, the Group has agreements with banks regarding letter of credit (LoC) facilities amounting to the equivalent of EUR 4.7 (4.2) billion. Where durations have been agreed, these run until 2026 at the latest. A number of LoC facilities include standard contractual clauses that give the banks concerned the right to terminate the facilities in the event of significant changes in the ownership structure of our Group company Hannover Rück SE, or that trigger a requirement to provide collateral if certain material adverse events occur, such as a significant rating downgrade.

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.

Operational risks

Operational risks encompass the risk of loss arising from the inappropriateness or failure of internal processes, employees or systems or as a result of external events. Operational risk is an inevitable corollary of our business.

We have recorded and described the Group processes, and assigned key controls to them within the internal control system so as to identify the operational risks entailed in our workflows. Operational risks are subject to a quantitative evaluation using scenarios calculated by obtaining the advice/assessments of experts on the frequency and severity of potential loss events. Internal and external operational loss data are used both to support the assessment and as validation.

[1] For liquidity management at Talanx AG, investments in fixed and current assets are recognized within the meaning of section 341b HGB. Potential impairment losses on investments could have a direct impact both on the HGB result at Talanx AG and an indirect impact on the profit and loss transfers for subsidiaries/income from long-term equity investments.

Our most important subcategories for operational risk and the relevant mitigating measures taken are described in the following:

Another operational risk is the risk of loss arising from the potential inappropriateness or failure of **internal processes**, or from **inadequate data quality.** The use of an effective internal controlling system is a key way of reducing this risk. We have also established Group-wide process management standards, and enhance them continuously.

Legal, tax and compliance risks are other operational risks. This category also explicitly includes the risk of legal change. A number of central Group functions, and particularly the compliance function and the Legal and Tax departments, monitor the risk situation here closely and advise our subsidiaries and technical departments on these issues.

One example of this are tax law changes based on pronouncements by the Federal Ministry of Finance (BMF). In 2017 the BMF adopted a restrictive position on the fiscal treatment of various securities transactions that could result in additional tax claims for our Group. These securities transactions were previously not only common, but also generally classified as unproblematic from a tax law perspective, and were therefore also entered into by individual companies in the Group as part of their investment activities. Another statement in 2021 tightened the regulations once again, although relief is permitted for the specific securities transactions conducted. Based on external reports, it is still assumed that there is a high probability that the additional tax claim will ultimately be able to be dismissed. To limit an interest rate risk until a final decision is made, partial payments of the amounts set out in the tax assessments were voluntarily made to the tax office in 2020. This was done as a highly precautionary measure without any acknowledgement of any legal obligation. The payments made were recognised in the 2020 annual financial statements in net investment income. Legal clarification is currently being sought for this recognition regarding supervisory rules and powers.

In addition to the risk of legal change, the Group is involved in court and out-of-court proceedings as part of its normal business activities. The outcome of such proceedings is usually uncertain. Although we were exposed to proceedings in the course of our standard insurance and reinsurance business, there was no litigation materially impacting the Group's net assets, financial position and results of operations in the reporting period and at the reporting date.

The risk arising from negligent or deliberate breaches of laws, and in particular from offences against property or breaches of internal regulations by employees or third parties, is another component of operational risk. We counter this risk internally primarily through compliance training and the measures provided for under the internal control system (ICS). In cases of suspicion, special audits may also be performed by Internal Auditing, for example.

Information and IT security risk refers to risks that could potentially endanger the completeness, confidentiality or availability of information or IT systems. We have done justice to the growing importance of these risks by instituting Group-wide information security guidelines and through regular communications measures that are designed to increase security awareness. Our internal IT service provider is certified in accordance with ISO 27001 – Information Security, while external partners are obliged to comply with high standards. The Security Department that has been established at Group level is the first line of defence when it comes to combating the risk of cyberattacks; this is done primarily using technical measures and by constantly further developing and investing in our cyber security systems. Cyber risks are also mitigated by purchasing cyber insurance.

Other material risks

We have identified emerging risk, strategic risk, reputational risk and model risk as "other material risks". The common factor is that these risks cannot be analysed meaningfully with mathematical models, which means that we have to rely mainly on qualitative analyses in these cases. Risks analysed in this way are taken into account in the Own Risk and Solvency Assessment (ORSA).

We define **emerging risks** as new future risks where the risk content is not yet reliably known and for which the impact is difficult to assess. For example, increasing uncertainty about (geo)political developments around the world and in individual countries can lead to market jitters and to an increased likelihood of systemic shocks. The spread of new technologies, medicines or materials can have downstream effects that in turn lead to unforeseeable losses. We identify and evaluate these risks with a Group-wide process, involving the experts from various units. For this process, we also call on externally available expertise and material.

Strategic risks result from a potential misalignment between our corporate strategy and the constantly changing general environment. Such an imbalance might be caused, for example, by inappropriate strategic decisions, failure to consistently implement strategies once defined, the inadequate implementation of strategic projects or increased management complexity due to the need to accommodate differing attitudes towards capital, opportunities and risks. We therefore review our corporate strategy and risk strategy annually and adjust our processes and structures as required.

Reputational risks are risks that could damage the Company's reputation as a consequence of unfavourable public perception. Our well-established communication channels, professional corporate communications, tried-and-tested processes for defined crisis scenarios and established Code of Conduct help us to manage this risk.

At Group level, **model risk** receives particular attention. We define this as the risks associated with incorrect decisions resulting from uncertainty due to a potential partial or total lack of information as to the understanding or knowledge of an event, its repercussions or its likelihood. The steps we have taken to restrict model risk include implementing quality assurance measures and a rigorous model adjustment process.

Projects are generally used to address complex tasks that to this extent may also be associated with specific operational risks (project risks). In particular, **project risks** may arise in the context of major IT projects.

Sustainability risks (ESG risks) are not a risk category of their own and can instead materialise in all risk categories. This is true of underwriting, investment, operational risks and of strategic and reputational risks. For example, assets can lose value as a result of climate change and violations of social standards can result in considerable reputational damage. The Talanx Group addresses this by integrating sustainability risks into its entire enterprise risk management system. This includes risk identification, measurement, assessment, monitoring and reporting.

In conjunction with climate change, the Talanx Group believes there are opportunities and risks throughout various dimensions of its business activities. The transition to a low-carbon economy and the measures that this entails, such as higher CO_2 pricing and/or a reduction in emissions rights and the regulation of energy efficiency, could decrease the fair value of investments in high-carbon sectors and government bonds in countries whose economies are heavily dependent on the fossil fuel energy industry and carbon-intensive industry. Abrupt decarbonisation could also prompt macroeconomic turbulence and uncertainties, which could result in higher risk aversion and volatility on financial markets. An increase in the intensity and frequency of extreme weather events can result in higher risk premiums and credit rating downgrades for government and municipal bonds for highly exposed countries or regions and for other assets (such as property, infrastructure). The Talanx Group thus uses the ESG scoring model in investment in order to identify risks at an early stage and take measures to address these. These can range from exposure reduction to complete divestment of the investments in question.

In underwriting, the effects of climate change can increase the intensity and frequency of natural hazards. We can respond to this by continuously adjusting models and pricing on the basis of observed and assumed developments. At the same time, this may also lead to new types and patterns of losses elsewhere. The Talanx Group helps its customers adapt their risk management and prevention measures and believes this consulting service offers business opportunities. New liability risks could arise for customers as a result of legislative changes in connection with climate change. The Talanx Group also provides advice and support here, reviews the effects on the portfolio and makes changes to risk coverage (e.g. exclusions) where necessary.

Similarly to ESG risks, **geopolitical tension** and armed conflict such as the current war in Ukraine bring a wide range of risks. As in the case of the war in Ukraine, this can create great risks for political power structures globally. Considerable repercussions on financial and currency markets are possible.

The resulting higher energy prices can further push inflation. Rising inflation may lead to additional expenses if it means that pension adjustments have to be larger than planned. We regularly review the adequacy of the underlying actuarial assumptions in order to counter this risk.

Potential breaches of sanctions in the context of dynamic developments also pose fundamental risk potential. Appropriate risk mitigation measures were thus put into place, for example monitoring sanctions lists on an ongoing basis and passing on relevant information to operating areas such as underwriting, claims and sales.

The Group's **other risks** also implicitly include Talanx AG's participation risks; these relate in particular to the performance of subsidiaries, earnings stability in our portfolio of participating interests, and potential imbalances in the business. Talanx AG participates directly in its subsidiaries' performance and risks through profit and loss transfer agreements and dividend payments.

Summary of the overall risk position

From our perspective, no risks are discernible that could have a material adverse effect on the Group's net assets, financial position and results of operations.

The following risks – listed in order of their importance – determine the Group's overall risk profile: investment risks; premium and reserve risk in property/casualty insurance; life reinsurance underwriting risk; natural catastrophe risk; life insurance underwriting risk; operational risk; and the default risk.

Diversification is particularly important for managing our overall risk. We are broadly based both geographically and in terms of our business offering. As a result, we consider ourselves to be well positioned to handle even an accumulated materialisation of risks.

Report on expected developments and on opportunities

Economic environment

The global economy at the start of 2023 is on the verge of recession. This is driven by factors including the war in Ukraine, changes to energy supply and high inflation, which central banks in most currency areas are tackling by tightening monetary policy. The economy has already contracted significantly as a result. Although price pressure and, in turn, the pressure on central banks to take action should ease considerably over the year, industrialised countries will likely struggle to escape stagnation in 2023, although a tough winter should be followed by a gradual upturn starting in the spring/summer. We expect emerging markets to see stronger growth than in 2022 as China moves away from its zero Covid policy.

In Germany and the eurozone, a mild recession will likely be unavoidable in the winter half of the year – even without involuntary gas consumption rationing. The signs point to recovery after the winter, with private households' disposable income and thus consumer spending stabilising as inflation gradually declines thanks to base effects – in combination with government support and above-average wage increases driven by robust labour markets. Recovery in the global economy should also boost investment again in the second half of the year. Regardless of this, we assume that energy costs in Europe will remain above pre-war levels, putting sustained strain on companies and private households.

The Fed's monetary policy tightening will visibly curb economic growth in the US this year. Nevertheless, we expect the Fed to end its cycle of interest rate hikes in the first half of the year in view of successes in tackling inflation, meaning that the US economy should also begin to pick up throughout the year. Here, the US economy looks set to benefit both from extensive subsidies under the Inflation Reduction Act (IRA) passed in 2022 and from competitive advantages over European industry given that energy costs have increased less in the US than in Europe.

Regardless of this, European and US economies will be walking a fine line in 2023. In our view, one particularly major risk for a deeper recession is if the Fed and the ECB go too far in combating inflation and create negative growth momentum by raising interest rates too sharply. Potential, more dangerous virus variants or a high number of cases of serious illness in China after it abandoned its zero Covid policy and, in connection with this, renewed disruption to global supply chains, pose considerable risks to the outlook. Last but not least, the global economy could be pushed into a deeper recession if the war in Ukraine escalates further or geopolitical conflicts (particularly China/Taiwan/US) flare up (again). Structural risks such as climate change and high debt levels, especially in Europe, also remain a factor.

Capital markets

Base effects, strained supply chains and weaker aggregate demand due to the developments described will likely significantly restrain inflation over the course of the year. In light of this, many central banks might end interest rate hikes in 2023 and lower rates again towards the end of the year. We therefore expect the US prime rate to come to 4.25% at the end of 2023, 0.50 percentage points lower than its current level. We anticipate an ECB deposit rate of 2.50% (currently: 2.50%,). The ECB will also start reducing its bond portfolio in 2023.

After a tough 2022, we expect international capital markets to stabilise in 2023. Higher returns indicate stronger demand and, in turn, that returns on bond markets are consolidating at a higher level. However, we believe that the high supply of new government bonds represents a risk, as central banks are no longer available as a buyer of additional bonds following the monetary policy shift. If, as we anticipate, a deep recession is avoided, risk premiums for corporate bonds are not expected to increase. This would also be good news for stock markets, which we believe will enjoy slight upside potential in 2023.

Future state of the industry

The macroeconomic environment is still dominated by considerable risk factors. Future inflation trends will be particularly critical both for the national and the international insurance market. Our forecasts are therefore subject to higher uncertainty than usual.

German insurance industry

2022 was a challenging year for insurers, but we expect the overall situation to gradually improve in 2023. We anticipate positive premium growth slightly above inflation for the German insurance market.

We expect positive premium income growth in **property/casualty insurance** above the trend in 2023 in Germany. In particular, inflation-related sum and premium adjustments will continue in 2023.

We expect German **life insurance** to see premium income in line with the reporting period in 2023. The dynamic macroeconomic environment will likely continue to shape developments this year. The profitability of German life insurers looks set to gradually improve thanks to rising market interest rates.

International insurance markets

We expect positive real premium growth in **international property/ casualty insurance** for 2023. Both developed insurance markets and emerging markets are expected to see improved performance. This momentum looks set to be stronger in the latter.

For developed **European insurance markets,** we expect premiums to increase against the year under review in 2023, albeit remaining lower than the long-term average. Growth in **North America** is expected at a similar level. We think that this development will be driven by an increasingly tough market for commercial and industrial insurance. For **central and eastern Europe** and **Latin America,** we also expect positive performance. The strongest growth this year is likely to be seen in **Asia,** especially in **China.**

Profitability in international property/casualty insurance will likely recover slightly in 2023 after coming under pressure in 2022. We assume that both underwriting and net investment income will improve.

We believe that **international life insurance markets** in developed insurance markets will see a slight downturn, with those in emerging markets enjoying a slight upturn in real premium growth. This is likely to be driven chiefly by **Latin America** and **central and eastern Europe.** We believe **Asia** will be slightly weaker in comparison but still in positive territory. Given the global rise in market interest rates and normalisation of mortality claims in connection with the Covid-19 pandemic, we also anticipate improvements in the profitability of international life insurance.

Focus and forecasts for the Talanx Group in financial year 2023

Our expectations for the Group and its divisions for the current year are presented below. Forecasting earnings and making reliable predictions is challenging under the new IFRS 9/17 accounting standards, as changes in the capital market and interest rate environment have a direct effect on income in some cases. This is all the more true given the ongoing war in Ukraine, higher inflation and geopolitical risks.

In the Industrial Lines Division we will continue our profit-driven underwriting policy. In 2023, we will continue to leverage the attractive growth perspectives of HDI Global Specialty SE, which should also benefit from the rest of the portfolio thanks to rate increases and additional new business in Germany and international markets. In the Retail Germany Division, we are continuing the "Go25" programme which focuses on areas including profitable growth, chiefly in corporate customers/liberal professions business. In the Retail International Division, we will focus on our core markets and plan to continue our profitable growth, especially in the property/casualty business. In the Reinsurance Division, we expect to see further growth adjusted for currency effects on the basis of ongoing, sustained improvements to prices and conditions in primary insurance and reinsurance.

Applying the IFRS 9/17 standard results in changes to operational management metrics at Group/Division level in 2023. With regard to management metrics, the Group especially focusses on Group net income and return on equity.

Definition of key figures in accordance with IFRS 17

Growth of insurance revenue (adjusted for currency effects)
Growth of insurance revenue is defined as nominal growth adjusted for currency effects: insurance revenue for the current year at the prior year (PY) exchange rate less insurance revenue (PY), divided by insurance revenue (PY)

Group net income
Consolidated net income for the period (after financing costs and taxes) excluding non-controlling interests

Return on equity
The ratio of net income for the period (after financing costs and taxes) excluding non-controlling interests to average equity excluding non-controlling interests

Combined ratio (property/casualty insurance)
1 – [underwriting result (net) divided by insurance revenue (gross)]

As a consequence of the accounting transition to IFRS 17, it is our expectation that the discounting of technical liabilities, in particular, will have a clearly positive effect on the combined ratio, which will be opposed by an effect of the unwinding of discounts in the insurance finance income. The specific implications depend on the corresponding movements in interest rates.

New business value (life insurance)
Contractual service margin (CSM) for new business less loss components of new business

Anticipated financial development of the Group

We are making the following assumptions:

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

Talanx Group

MANAGEMENT METRICS

%	2023
Insurance revenue (adjusted for currency effects) in EUR billion	~ 42
Group net income in EUR billion	~ 1.4
Return on equity	> 10

We expect to see insurance revenue of around EUR 42 billion for the Talanx Group in 2023. We are expecting Group net income of around EUR 1.4 billion. This should correspond to a return on equity of over 10%, which would meet our strategic minimum goal (900 basis points above the risk-free rate). This expectation assumes that any large losses will not exceed the large loss budget and that there is no turbulence on capital markets or material currency fluctuations. In addition, expected Group net income may be subject to particular fluctuations as regards the application of the new IFRS 9 standard for measuring investments.

Industrial Lines

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%	2023
Growth of insurance revenue (adjusted for currency effects)	high single-digit percentage
Combined ratio	< 96
Return on equity	> 9

We anticipate high single-digit percentage growth in insurance revenue (adjusted for currency effects) in financial year 2023. This will likely be driven both by our specialty business and by the rest of the portfolio thanks to premium increases and additional new business in Germany and international markets. The goal of our strategy is to create a global underwriting organisation that takes advantage of profitable growth opportunities on the international industrial insurance market throughout market cycles. For 2023, we anticipate a combined ratio below 96% in Industrial Lines. The return on equity is expected to be over 9%.

Retail Germany

Property/Casualty Insurance

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

%	2023
Growth of insurance revenue	medium single-digit percentage
Combined ratio	~ 97

For the Property/Casualty Insurance segment, we anticipate growth of insurance revenue in the mid-single digit range in 2023. This should be propelled chiefly by further growth in corporate customers/liberal professions business, supported by our “G025” programme that focuses on profitable growth and improving competitiveness. We will achieve this as the best broker insurer, the best digital bank insurer and a competitive private insurer. The combined ratio is expected to be around 97%.

Life Insurance

MANAGEMENT METRICS FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

%	2023
Growth of insurance revenue	high single-digit percentage
New business value	> 300

In the Life Insurance segment, we want to make bancassurance a key player on the market. As a result, we assume high single-digit percentage growth in insurance revenue for 2023. The new business value should be over EUR 300 million. The sales partnership with TARGOBANK runs until the end of 2025.

Retail Germany as a whole

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

%	2023
Return on equity	> 9

We consider the return on equity of the Retail Germany Division on an overall basis and expect it to exceed 9% for 2023.

Retail International

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

%	2023
Growth of insurance revenue (adjusted for currency effects, property/casualty insurance)	low double-digit growth
Combined ratio (property/casualty insurance)	< 95
Growth of insurance revenue (adjusted for currency effects, life insurance)	medium single-digit percentage
Return on equity	~ 8.5

For the Retail International Division, we are aiming for low double-digit growth in insurance revenue in property/casualty insurance (adjusted for currency effects) for 2023. This should help us achieve our strategic goal of being in the top five in all core markets by 2025. According to our estimates, the combined ratio for property/casualty insurance is likely to be below 95% in 2023. Medium single-digit percentage growth is anticipated for insurance revenue in the life insurance business on the back of biometric products and health insurance business. We expect to see return on equity of around 8.5% for the division.

Reinsurance

Property/Casualty Reinsurance

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%	2023
Growth of insurance revenue (adjusted for currency effects)	moderate growth
EBIT in EUR billion	1.6

Based on the treaty renewal round as at 1 January 2023, we expect reinsurance revenue in the Property/Casualty Reinsurance segment to generate moderate growth at constant exchange rates in the current financial year. We are standing by our selective underwriting policy and so we generally underwrite business only where this meets our margin requirements.

On the basis of our good ratings and stable client relationships and our low expense ratio, we should again be in a position to generate a good result in Property/Casualty Reinsurance, provided that large losses are consistent with our expectations.

As a consequence of the accounting transition to IFRS 17, it is our expectation that the discounting of technical liabilities, in particular, will have a clearly positive effect on the combined ratio, which will be opposed by an effect of the unwinding of discounts in the insurance finance income. The specific implications depend on the corresponding movements in interest rates. For 2023, we expect Property/Casualty Reinsurance to contribute around EUR 1.6 billion to operating profit (EBIT).

Life/Health Reinsurance

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

%	2023
Growth of insurance revenue (adjusted for currency effects)	moderate growth
EBIT in EUR million	750

On the basis of constant exchange rates, we expect moderate growth in reinsurance revenue in the Life/Health Reinsurance segment in the current financial year, albeit somewhat lower compared to the Property/Casualty Reinsurance segment. The accounting transition to IFRS 17 will boost the contribution to the operating result by an amount in the mid- to high-double-digit millions. We anticipate the Life/Health Reinsurance segment to contribute around EUR 750 million to operating profit (EBIT).

Reinsurance Division as a whole

MANAGEMENT METRICS FOR THE REINSURANCE DIVISION AS A WHOLE

%	2023
Growth of insurance revenue (adjusted for currency effects)	≥ 5% for Property/Casualty Reinsurance and Life/Health Reinsurance segments as a whole
Return on equity[1]	above minimum target

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

Given that the market environment for reinsurers is still good, we expect overall growth in insurance revenue (adjusted for currency effects) of at least 5% for the Property/Casualty Reinsurance and Life/Health Reinsurance segments. The Talanx Group expects return on equity for the entire Reinsurance Division to be above the strategic target of 1,000 basis points above the five-year average for ten-year German government bonds.

Overall assessment by the Board of Management

The Talanx AG Board of Management's objectives focus on reliable continuity, a high and stable return on equity, financial strength and sustainable profitable growth and so are gearing the Talanx Group towards long-term value creation. To achieve these goals, the Talanx Group must have a strong capital basis that provides its clients with effective risk cover. By giving that assurance, we serve the interests of our shareholders, clients, employees and other stakeholders, and create the greatest possible benefit for all concerned. For this purpose, we have structured our organisation in tune with the needs of our customers in order to offer them the best service possible. Our main focus is on bolstering our own strengths and pooling forces within the Group in order to generate sustainable and profitable growth.

The Talanx Group actively addresses the challenges presented by a globalised world and has set itself the goal of success in business abroad. Strategic cooperations and acquisitions of companies with good sales positions in the defined regions of Latin America and central and eastern Europe will help the Group prosper abroad. The Industrial Lines Division offers Industrial groups and small and medium-sized enterprises industrial insurance services across the world while, at the same time, wins new customers in local markets abroad. The foreign companies incorporated under HDI International conduct local business with retail clients. Reinsurance is intrinsically an international business. Global diversification is one of the key aspects of reinsurance when it comes to ensuring that large and complex risks remain sustainable.

Opportunities management

Identifying and tapping opportunities is an integral part of our performance management process. We see the consistent exploitation of available opportunities as a key business task that is crucial to achieving our corporate objectives. The core element of our opportunities management process is the integrated management dashboard with key performance indicators. It forms the link between our strategic and operational opportunities management.

In the area of strategic opportunities management, Group management evaluates the strategic targets and specific strategic core issues and these are broken down into indicative targets for the divisions. Previously, these were identified as part of the annual performance management cycle on the basis of our umbrella strategy.

On this basis, the divisions validate the targets in accordance with indicative objectives and develop specific targets and strategic action programmes.

In the area of operational opportunities management, strategic inputs are translated into operational targets and a detailed schedule of activities, and are also implemented as mandatory goal agreements at levels below division level. Whether and to what extent opportunities and possibilities actually result in operational success is assessed and tracked using mid-year and end-of-year performance reviews. These reviews generate forward-oriented management inputs for the next opportunities management cycle.

Two key aspects of opportunities management at the Talanx Group are therefore shifting the focus from short-term performance and purely financial results onto the success factors and actions required in the long term, and monitoring the successful implementation of these value drivers as part of a regular, integrated management and assessment process.

Assessment of future opportunities and challenges

Opportunities associated with developments in the business environment

Climate change: Increasing greenhouse gas emissions are causing average temperatures on earth to rise. With this comes a surge in extreme weather, which significantly amplifies the losses from natural disasters and means that we, as insurers, can assume that the need for insurance solutions to protect against risks from natural catastrophes will also rise. This affects both primary insurance and reinsurance. We have developed and refined risk models that assess risks from natural disasters and we also have extensive expertise in the area of risk management. This puts us in a position to offer our customers tailor-made insurance solutions to hedge against existential risks. Climate change also means that it is increasingly important to meet rising energy needs with renewable energy. As institutional investors, this allows us to step up investments in alternative areas such as wind parks. We have also published a green bond framework which allows us to issue green bonds. We have already issued our first green bond on the market. Green bonds are an important element of meeting the sustainability targets we have set ourselves such as carbon neutrality and ESG conformity. In addition, we also expect green bonds to offer interest rate discounts compared to traditional bonds, ultimately increasing our company's profits.

Should the demand for insurance for these developments and the demand for green bonds rise faster than expected, this could have a positive impact on our premium growth and results of operations, and could lead to us exceeding our forecasts.

Demographic change in Germany: Demographic change is currently creating two markets offering considerable growth potential: firstly, a market for products for senior citizens, and secondly, a market for young customers needing to make additional personal provision in response to the diminishing benefits offered by social welfare systems. Senior citizens can no longer be equated with the "traditional" pensioners of the past. Not only are these customers increasingly making use of services – for which they are willing and able to pay – but, even more significantly, this customer group is increasingly active and is therefore devoting more attention than previous generations to finding the necessary financial cover for various risks.

This means that it is not enough for providers simply to add assistance benefits onto existing products; instead, they have to offer innovatively designed products to cater for these newly emerging needs. Examples include products for second homes and extensive foreign travel, for sporting activities pursued well into pensioners' advancing years, and for passing assets on to their heirs. At the same time, younger customers are also becoming increasingly aware of the issue of financial security in old age. It is possible to tap into this potential via a range of (state-subsidised) private retirement products and attractive occupational retirement provision schemes. We currently expect to see a trend in this client group towards increased demand for retirement provision products with more flexible saving and pay-out phases. Due to their comprehensive range of new products and sales positioning, the Group's life insurance companies may be able to profit from the senior citizen and young customer markets.

Should we be able to benefit more from the sales opportunities arising from demographic change than currently expected, this could have a positive impact on our premium growth and results of operations, and could lead to us exceeding our forecasts.

Change in energy policy: Germany has decided in principle that it will meet its future energy requirements primarily from renewable sources. The change in energy policy and climate protection feature strongly at the federal-government level. The policy of converting the energy system to supplying renewable energy is to be accelerated, while attention is also to be focused on moderating price increases for the end consumer. In addition to further extending the use of renewable energies within a stable regulatory framework, energy efficiency is becoming increasingly important. We see the changes to the energy system as an important chance to stimulate innovation and technological progress, thus creating an opportunity to strengthen Germany as a business location. As an insurance group, we are actively supporting this change. We offer tailor-made solutions for our industrial clients for developing, marketing and using new energy technologies. Apart from renewable energy sources, storage technologies, the expansion of the power grid and intelligent control of individual components (smart grid) will make a contribution to the success of the change in energy policy. We are supporting the change with our investments in the energy sector. Building on our existing investments in energy networks and wind farms, we are planning to further increase our investments in power distribution and renewable energies.

Should we be able to benefit from sales opportunities arising from the change in energy policy more than currently expected, this could have a positive impact on our premium growth and results of operations, and could lead to us exceeding our forecasts.

Financial market situation: After a long phase of very low inflation in the eurozone, 2022 saw it pick up rapidly. Interest rates also rose significantly as a result, following a period of very low or even negative rates. This situation is challenging for us as an insurer, but does also create opportunities. In particular, we benefit from higher interest income in connection with rising interest rates. On the other hand, we are responding to more volatile inflation by making increased use of inflation-linked financial instruments. In the German life insurance business, higher interest rates mean that we no longer have to make any further risk provisions across all companies as part of the additional interest reserve.

Should our interest income continue to improve, this could have a positive impact on our net return on investment and results of operations, and could lead to us exceeding our forecasts.

Sales opportunities

Bancassurance: The sale of insurance products via banks, known as bancassurance, has become an established practice in recent years. Bancassurance has been a great success at the Talanx Group and offers encouraging prospects for the future. The basis of this success is a special business model in which the insurance business is fully integrated into the banking partner's business structures. The insurance companies design and develop the insurance products and, in return, banks, savings institutions and post offices provide a variety of sales outlets.

This sales channel is established within the Talanx Group both in Germany and in particular in Poland, Italy and Hungary. In principle, we see the use of this model outside Germany as a means of promoting profitable growth with a focus on the European markets. The success of Talanx's bancassurance model primarily stems from three factors: firstly, we draw up exclusive long-term cooperation agreements, enabling insurance products to be sold via our partners' sales outlets. Secondly, the highest possible degree of integration is required, together with excellent products and services: cooperation is part of our partners' strategic focus. The insurance companies design exclusive, tailor-made products for the bank's client segments, and form an integral part of their market presence. Integration with our partners' IT systems also makes it easier to provide all-round advice when selling banking and insurance products. Thirdly, success depends on providing customised sales support to our partners. Bank sales staff are given individual training and exclusive guidance by sales coaches from the insurance companies, allowing them to build up product expertise and experience of sales approaches. The insurance companies also supply readily understandable and supportive sales materials.

Our companies abroad also market their established products via sales partnerships, but often use a number of different banks and are not fully integrated with their partners' market presence. In 2018, we launched a digital insurer in Brazil together with Bank Santander. The company operates under the name "Santander Auto" and provides exclusively motor insurance using Santander's sales platform.

Should we be able to expand our bancassurance activities better than currently expected, this could have a positive impact on our premium growth and results of operations, and could lead to us exceeding our forecasts.

Cyber risks: Growing digitalisation means that companies are increasingly suffering massive losses as a result of cyber-attacks. Most notably, hacking attacks demonstrate that the manufacturing industry in particular is not immune to risks from cyber-crime, despite excellent defence mechanisms. Attention is also increasingly focused on senior management responsibility. For this reason, HDI Global SE has developed Cyber+, an insurance solution that comprehensively covers the various risks. HDI's all-round protection spans all lines of business and covers both first-party losses arising as a result of cyber-crime and also third-party losses by customers, service providers or other third parties, for which companies are liable. In addition, it allows management's civil and criminal responsibilities to be taken into account.

Should we be able to exploit the sales opportunities arising from the need for additional cyber risk cover to a greater extent than currently expected, this could have a positive impact on our premium growth and results of operations, and could lead to us exceeding our forecasts.

Opportunities within the Group

Digitalisation: Hardly any other development has changed the insurance industry as profoundly as digitalisation: business processes and models are being redesigned from the ground up using IT systems. This development is particularly critical for the competitiveness of insurance companies. It has created new opportunities for communication with customers, for the processing of insurance claims, the evaluation of data and the opening up of new business fields. We are conducting numerous projects in order to shape this digital change.

Digitalisation makes processing insurance claims much faster, more cost-effective and much less complicated. We are already using IT systems to enable us to make customised offers to customers and to determine premiums automatically and in real time. Above all, however, digitalisation offers us the opportunity, as a large internationally active Group, to profit from scale effects. Digitalisation has brought about changes in terms of customer behaviour and loss adjustment expectations, in particular for younger generations of customers who expect speedy and simple solutions. To be able to help customers quickly after unusual loss events – such as heavy rains, storms or severe hail– we have developed a virtual call centre assistant. This voice bot uses artificial intelligence to ask customers for basic information. This saves time for our employees, which they can actively use for measures to be arranged individually for the customers in need.

If we are able to implement the digitalisation projects in the Group and have them accepted by customers faster than currently expected, this could have a positive impact on our premium growth and results of operations, and could lead to us exceeding our forecasts.

Knowledge management: Knowledge and innovation management are increasingly important in the insurance sector. We have set up a Best Practice Lab at the Group in order to foster the exchange of knowledge and innovation: international experts come together in "excellence teams" to discuss specific topics and develop new solutions together. These topics include pricing, sales, marketing, damage, fraud management, the customer service centre and digitalisation. The results and solutions conceived at the Best Practice Lab are made available to our companies so that they can use these to bring about lasting improvements to their processes and methods.

If our Best Practice Lab allows us to generate new solutions and ideas more quickly than currently anticipated, this could have a positive impact on our premium growth and results of operations, and could lead to us exceeding our forecasts.

Agility: In today's age of information, changes in the globalised world are unfolding faster than ever. The world is shaped by volatility, uncertainty, complexity and ambiguity (VUCA). If we as an insurance company want to be able to keep up with the pace of change, we must transform into an agile organisation. We believe that being an agile organisation means being a learning organisation that puts the needs of its customers at the heart of what it does in order to boost company profits. This is why we are committed to interdisciplinary and creative teams, open and direct communication, flat hierarchies and adopting a positive approach to mistakes. We have numerous initiatives in place to support our company's transition to an agile organisation. Our work places are designed to minimise communication channels and promote cross-divisional communication. Our agility campus provides a space for our employees to get familiar with agile methods and acquire the skills to develop new solutions on their own. Our teams hold daily stand-up meetings in order to improve teams' self-management. We are also committed to hybrid working and offer our employees the opportunity to work remotely, i.e. outside the office, up to 60% of the time. This helps provide a better work-life balance while retaining face-to-face interaction between colleagues. Other examples include our hackathons that we run as a way of pooling new ideas which we then work on in our digital lab. Agility opens up opportunities for clients, employees and investors. Clients benefit from new insurance solutions that are tailor-made to their needs. Agile work methods provide employees with more creative opportunities and allow them to grow by taking on new challenges. Last but not least, investors benefit from increasing company profits, satisfied clients and employees who are able to realise their full potential.

If we implement the transition to an agile organisation more quickly than expected, this could have a positive impact on our premium growth and results of operations, and could lead to us exceeding our forecasts.

Summary of future opportunities

Talanx AG's Board of Management considers that identifying, managing and taking advantage of opportunities is an integral part of the Talanx Group's range of management tools. Our systematic approach sets out a clear strategy for ensuring the Group' long-term viability and its implementation. This is key to efficient enterprise and Group management. We therefore constantly monitor changing external market conditions to enable us to identify opportunities at an early stage, and to respond to them via our flexible internal structure. This allows us to fully exploit future opportunities that are crucial to achieving our corporate goals.

Consolidated financial statements

Consolidated balance sheet

as at 31 December 2022

CONSOLIDATED BALANCE SHEET – ASSETS

EUR million	Notes			31.12.2022	31.12.2021
A. Intangible assets					
a. Goodwill	1			1,020	1,028
b. Other intangible assets	2			897	889
				1,918	**1,918**
B. Investments					
a. Investment property	3		5,121		4,650
b. Shares in affiliated companies and participating interests	4		1,042		511
c. Shares in associates and joint ventures	5		2,495		504
d. Loans and receivables	6/12		25,061		25,737
e. Other financial instruments					
i. Held to maturity	7/12	428			356
ii. Available for sale	8/12	86,471			96,399
iii. At fair value through profit or loss	9/12/13	1,409			1,096
f. Other investments	10/12		6,572		6,821
Assets under own management			**128,599**		**136,073**
g. Investments under investment contracts	11/12/13		1,375		1,457
h. Funds withheld by ceding companies			10,594		10,305
Investments				**140,569**	**147,835**
C. Investments for the benefit of life insurance policyholders who bear the investment risk				11,902	13,687
D. Reinsurance recoverables on technical provisions				10,264	8,929
E. Accounts receivable on insurance business	14			12,961	10,746
F. Deferred acquisition costs	15			6,735	6,020
G. Cash at banks, cheques and cash-in-hand				3,595	4,002
H. Deferred tax assets	29			1,340	611
I. Other assets	12/13/16			3,294	3,153
J. Non-current assets and assets of disposal groups classified as held for sale [1]				555	625
Total assets				**193,133**	**197,524**

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

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

EUR million	Notes			31.12.2022	31.12.2021
A. Equity	17				
a. Subscribed capital [1]		317			316
b. Reserves		7,148			10,460
Equity excluding non-controlling interests			**7,465**		**10,776**
c. Non-controlling interests in equity			5,127		7,169
Total equity				**12,592**	**17,945**
B. Subordinated liabilities	12/18/28		5,009		4,759
C. Technical provisions					
a. Unearned premium reserve	19	13,853			12,154
b. Benefit reserve	20	56,150			57,489
c. Loss and loss adjustment expense reserve	21	68,810			60,541
d. Provision for premium refunds	22	788			7,832
e. Other technical provisions		1,156			935
			140,758		**138,951**
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders			11,902		13,687
E. Other provisions					
a. Provisions for pensions and other post-employment benefits	23	1,678			2,200
b. Provisions for taxes	24	599			535
c. Miscellaneous other provisions	25	935			988
			3,213		**3,722**
F. Liabilities					
a. Notes payable and loans	12/26/28	4,058			2,432
b. Funds withheld under reinsurance treaties		4,025			4,085
c. Other liabilities	12/13/27/28	9,998			8,818
			18,081		**15,335**
G. Deferred tax liabilities	29		1,077		2,513
H. Liabilities included in disposal groups classified as held for sale [2]			501		612
Total liabilities/provisions				**180,541**	**179,579**
Total equity and liabilities				**193,133**	**197,524**

[1] The nominal amount stands at EUR 317 (316) million, the contingent capital amounts to EUR 158 (158) million.
[2] For further information, see the "Non-current assets and disposal groups held for sale" section of these Notes.

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

Consolidated statement of income

for the period from 1 January to 31 December 2022

EUR million	Notes	2022	2021
1. Gross written premiums including premiums from unit-linked life and annuity insurance		53,431	45,507
2. Savings elements of premiums from unit-linked life and annuity insurance		934	1,008
3. Ceded written premiums		6,456	5,446
4. Change in gross unearned premiums		–1,561	–1,096
5. Change in ceded unearned premiums		–242	94
Net premiums earned	**30**	**44,722**	**37,863**
6. Claims and claims expenses (gross)	32	38,624	35,050
Reinsurers' share		4,333	4,338
Claims and claims expenses (net)		**34,291**	**30,711**
7. Acquisition costs and administrative expenses (gross)	33	11,995	9,977
Reinsurers' share		878	747
Acquisition costs and administrative expenses (net)		**11,118**	**9,230**
8. Other technical income		76	52
Other technical expenses		182	170
Other technical result		**–106**	**–117**
Net technical result		**–792**	**–2,195**
9. a. Investment income	31	5,968	5,483
b. Investment expenses	31	2,492	1,022
Net income from assets under own management		**3,476**	**4,460**
Net income from investment contracts	31	2	3
Net interest income from funds withheld and contract deposits	31	223	255
Net investment income		**3,700**	**4,718**
of which share of profit or loss of equity-accounted associates and joint ventures		135	43
10. a. Other income	34	2,281	1,526
b. Other expenses	34	1,818	1,596
Other income/expenses		**464**	**–69**
Profit before goodwill impairments		**3,372**	**2,454**
11. Goodwill impairments		—	—
Operating profit/loss (EBIT)		**3,372**	**2,454**
12. Financing costs	35	181	176
13. Taxes on income	36	730	548
Net income		**2,461**	**1,730**
of which attributable to non-controlling interests		1,289	718
of which attributable to shareholders of Talanx AG		1,172	1,011
Earnings per share			
Basic earnings per share (EUR)		4.63	4.00
Diluted earnings per share (EUR)		4.63	4.00

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

Consolidated statement of comprehensive income

for the period from 1 January to 31 December 2022

EUR million	2022	2021
Net income	**2,461**	**1,730**
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	466	169
Tax income (expense)	−138	−55
	328	**114**
Changes in policyholder participation/shadow accounting		
Gains (losses) recognised in other comprehensive income for the period	−25	−6
Tax income (expense)	—	—
	−25	**−6**
Total items that will not be reclassified to profit or loss, net of tax	**302**	**109**
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	−17,156	−2,986
Reclassified to profit or loss	738	−535
Tax income (expense)	2,743	568
	−13,675	**−2,953**
Exchange differences on translating foreign operations		
Gains (losses) recognised in other comprehensive income for the period	385	812
Reclassified to profit or loss	−34	—
Tax income (expense)	−18	−94
	333	**718**
Changes in policyholder participation/shadow accounting		
Gains (losses) recognised in other comprehensive income for the period	7,114	2,151
Tax income (expense)	−133	−67
	6,981	**2,083**
Changes from cash flow hedges		
Gains (losses) recognised in other comprehensive income for the period	−221	−104
Reclassified to profit or loss	−63	−31
Tax income (expense)	9	5
	−275	**−130**
Changes from equity method measurement		
Gains (losses) recognised in other comprehensive income for the period	−19	−2
Reclassified to profit or loss	—	—
Tax income (expense)	—	—
	−19	**−2**
Changes from disposal groups in accordance with IFRS 5		
Gains (losses) recognised in other comprehensive income for the period	−6	5
Reclassified to profit or loss	—	—
Tax income (expense)	—	—
	−6	**5**
Total items that may be reclassified subsequently to profit or loss, net of tax	**−6,661**	**−279**
Other comprehensive income for the period, net of tax	**−6,358**	**−170**
Total comprehensive income for the period	**−3,898**	**1,560**
of which attributable to non-controlling interests	−925	795
of which attributable to shareholders of Talanx AG	−2,973	765

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
2022			
Balance at 31.12.2021	**316**	**1,385**	**8,709**
IAS 29 adjustments	—	—	4
Balance at 01.01.2022	**316**	**1,385**	**8,713**
Changes in ownership interest without a change in control	—	—	−8
Other changes in basis of consolidation	—	—	—
Net income	—	—	1,172
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	—	—	—
of which changes from disposal groups in accordance with IFRS 5	—	—	—
Total comprehensive income	**—**	**—**	**1,172**
Capital increases	—	9	—
Dividends to shareholders	—	—	−405
Other changes outside profit or loss [1]	—	—	57
Balance at 31.12.2022	**317**	**1,394**	**9,530**
2021			
Adjusted balance at 1.1.2021	**316**	**1,373**	**8,061**
Changes in ownership interest without a change in control	—	—	18
Other changes in basis of consolidation	—	—	—
Net income	—	—	1,011
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	—	—	—
of which changes from disposal groups in accordance with IFRS 5	—	—	—
Total comprehensive income	**—**	**—**	**1,011**
Capital increases	—	12	—
Dividends to shareholders	—	—	−379
Other changes outside profit or loss	—	—	−2
Balance at 31.12.2021	**316**	**1,385**	**8,709**

[1] As a result of reversing a provision, retained earnings rose by EUR 57 million, which had previously been recognised in connection with an equity transaction (IFRS 10.23).

			Other reserves			
Unrealised gains/losses on investments	Currency translation gains/losses	Other changes in equity	Measurement gains/losses on cash flow hedges	Equity attributable to shareholders of Talanx AG	Non-controlling interests	Total equity
3,906	**−380**	**−3,278**	**118**	**10,776**	**7,169**	**17,945**
—	—	—	—	4	—	4
3,906	**−380**	**−3,278**	**118**	**10,781**	**7,169**	**17,950**
2	2	—	—	−4	49	45
—	—	—	—	—	−765	−765
—	—	—	—	1,172	1,289	2,461
−10,833	**144**	**6,809**	**−266**	**−4,145**	**−2,213**	**−6,358**
—	**—**	**282**	**—**	**282**	**21**	**302**
—	—	303	—	303	24	328
—	—	−22	—	−22	−3	−25
−10,833	**144**	**6,527**	**−266**	**−4,427**	**−2,234**	**−6,661**
−10,833	—	—	—	−10,833	−2,842	−13,675
—	144	—	—	144	189	333
—	—	—	−266	−266	−9	−275
—	—	−12	—	−12	−7	−19
—	—	6,545	—	6,545	435	6,981
—	—	−6	—	−6	—	−6
−10,833	**144**	**6,809**	**−266**	**−2,973**	**−925**	**−3,898**
—	—	—	—	9	—	9
—	—	—	—	−405	−402	−807
—	—	—	—	57	—	57
−6,925	**−234**	**3,531**	**−148**	**7,465**	**5,127**	**12,592**
6,434	**−695**	**−5,360**	**237**	**10,367**	**6,732**	**17,099**
—	−5	—	—	13	−12	1
—	—	—	—	—	—	—
—	—	—	—	1,011	718	1,730
−2,528	**319**	**2,083**	**−120**	**−246**	**76**	**−170**
—	**—**	**101**	**—**	**101**	**8**	**109**
—	—	106	—	106	8	114
—	—	−5	—	−5	—	−6
−2,528	**319**	**1,982**	**−120**	**−347**	**69**	**−279**
−2,528	—	—	—	−2,528	−425	−2,953
—	319	—	—	319	399	718
—	—	—	−120	−120	−10	−130
—	—	−2	—	−2	—	−2
—	—	1,978	—	1,978	105	2,083
—	—	5	—	5	—	5
−2,528	**319**	**2,083**	**−120**	**765**	**795**	**1,560**
—	—	—	—	12	—	13
—	—	—	—	−379	−346	−725
—	—	—	—	−2	—	−2
3,906	**−380**	**−3,278**	**118**	**10,776**	**7,169**	**17,945**

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

Consolidated cash flow statement

for the period from 1 January to 31 December 2022

CONSOLIDATED CASH FLOW STATEMENT

EUR million	2022	2021
I. 1. Net income	2,461	1,730
I. 2. Changes in technical provisions	6,895	8,624
I. 3. Changes in deferred acquisition costs	–495	–253
I. 4. Changes in funds withheld and in accounts receivable and payable	–2,124	–1,701
I. 5. Changes in other receivables and liabilities	66	535
I. 6. Changes in investments and liabilities under investment contracts	3	10
I. 7. Changes in financial instruments held for trading	–215	–30
I. 8. Gains/losses on disposal of investments and property, plant and equipment	14	–1,344
I. 9. Changes in technical provisions for life insurance policies where the investment risk is borne by the policyholders	–1,782	2,076
I. 10. Other non-cash expenses and income (including income tax expense/income)	1,144	404
I. Cash flows from operating activities [1, 2]	**5,966**	**10,049**
II. 1. Cash inflow from the sale of consolidated companies	13	8
II. 2. Cash outflow from the purchase of consolidated companies	–63	–213
II. 3. Cash inflow from the sale of real estate	49	201
II. 4. Cash outflow from the purchase of real estate	–438	–1,495
II. 5. Cash inflow from the sale and maturity of financial instruments	31,617	35,075
II. 6. Cash outflow from the purchase of financial instruments	–37,308	–41,121
II. 7. Changes in investments for the benefit of life insurance policyholders who bear the investment risk	1,781	–2,072
II. 8. Changes in other investments	–2,516	–287
II. 9. Cash outflows from the acquisition of tangible and intangible assets	–196	–169
II. 10. Cash inflows from the sale of tangible and intangible assets	63	11
II. Cash flows from investing activities	**–6,997**	**–10,061**
III. 1. Cash inflow from capital increases	9	13
III. 2. Cash outflow from capital reductions	—	—
III. 3. Dividends paid	–807	–725
III. 4. Net changes attributable to other financing activities	1,364	1,141
III. Cash flows from financing activities [2]	**565**	**428**
Net change in cash and cash equivalents (I. + II. + III.)	**–466**	**417**
Cash and cash equivalents at the beginning of the reporting period	**4,011**	**3,477**
Effect of exchange rate changes on cash and cash equivalents	**61**	**116**
Effect of changes in the basis of consolidation on cash and cash equivalents [3]	**–7**	**1**
Cash and cash equivalents at the end of the reporting period [4]	**3,600**	**4,011**

[1] EUR 228 (144) million of "Income taxes paid", EUR 505 (623) million of "Dividends received" and EUR 3,340 (3,301) million of "Interest received" are allocated to "Cash flows from operating activities". Dividends received also include quasi-dividend profit-sharing payments from investment funds and private equity firms.
[2] EUR 177 (157) million of the "Interest paid" item is attributable to "Cash flows from financing activities" and EUR 414 (424) 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" includeitem includes changes in the portfolio of disclosed disposal groups in the amount of EUR 4 (9) million as at the reporting date.

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

Notes

General information

The consolidated financial statements include the financial statements for Talanx AG and its subsidiaries (referred to collectively as the Talanx Group). The Group, which is active either directly or via partnerships in over 175 countries worldwide, offers services in the fields of property/casualty insurance, life insurance and reinsurance, plus asset management.

Talanx AG's registered office is at HDI-Platz 1, 30659 Hannover, Germany. The Company is entered in the commercial register of the Local Court in Hannover under the number HR Hannover B 52546. Talanx AG is the financial and management holding for the Group and also acts operationally as the Group's internal reinsurer.

HDI Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit (HDI V. a. G.), the Hannover-based parent company, is the majority shareholder of Talanx AG, with 78.86% (78.94%). HDI V. a. G. is required by section 341i HGB in conjunction with section 290 of the German Commercial Code (HGB) to prepare consolidated financial statements that include the financial statements of Talanx AG and its subsidiaries. HDI V. a. G.'s consolidated financial statements are published in the Bundesanzeiger (Federal Gazette).

Basis of preparation and application of IFRSs

The Talanx Group's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and with the additional requirements of German commercial law in accordance with section 315e(1) of the HGB.

Pursuant to IFRS 4 "Insurance Contracts", insurance-specific transactions for which the IFRSs do not contain any separate guidance are accounted for in accordance with the United States Generally Accepted Accounting Principles (US GAAP) as at the date of initial application of IFRS 4 (1 January 2005).

IFRS 4 requires disclosures to be made about the nature and extent of risks associated with insurance contracts, while IFRS 7 "Financial Instruments: Disclosures" requires similar disclosures on risks associated with financial instruments. Additionally, section 315(2) no. 1 of the HGB requires insurance undertakings to disclose in the management report how they manage underwriting and financial risks. The relevant information is to be found in the risk report. Please see in particular pages 120–127 "Technical risks", for the disclosures in accordance with IFRS 4, and pages 127–132, "Risks from investments", for disclosures in accordance with IFRS 7. We have not presented identical disclosures in the Notes. Both the risk report and the disclosures in the Notes must be consulted to obtain a full overview of the risk position. To assist in comprehension, we have added cross references to the corresponding disclosures in both the risk report and the Notes.

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

Application of new and revised standards/interpretations

The Group applied the following revised IFRS regulations as at 1 January 2022 which had no material effect on the consolidated financial statements:

- Amendments to IFRS 3 "Business Combinations", IAS 16 "Property, Plant and Equipment" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"
- Amendments as part of the "Annual Improvements (2018 to 2020 Cycle)": Amendments to IFRS 1 "First-time Adoption of IFRS", IFRS 9 "Financial Instruments", IFRS 16 "Leases" and IAS 41 "Agriculture"

Standards, Interpretations and revisions to issued standards that were not yet effective in 2022 and that were not applied by the Group prior to their effective date

a) EU endorsement already granted

IFRS 9 "Financial Instruments", which was published on 24 July 2014, supersedes the existing guidance in IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 contains revised guidance for the classification and measurement of financial instruments, including a new model for impairing financial assets that provides for expected credit losses, and the new general hedge accounting requirements. In the future, the classification of financial assets will differentiate between equity and debt instruments and in the case of the latter will be based on the business models used to manage the asset and on contractual cash flows. If the cash flows are solely payments of principal and interest (SPPI test), depending on the business model debt instruments are measured either at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss. Equity instruments and derivatives are generally measured at fair value through profit or loss. The standard also takes over the existing guidance on recognising and derecognising financial instruments from IAS 39. IFRS 9 is effective for financial years beginning on or after 1 January 2018, but will not be applied by the Talanx Group until financial years from 1 January 2023 – taking into account all adjustments made to the Standard by that date – on account of the amendments to IFRS 4 "Application of IFRS 9 and IFRS 4" – which allow certain insurance companies to postpone the obligatory application of IFRS 9. The option exists for companies that are active primarily in the insurance business to apply the temporary exemption from IFRS 9. The Talanx Group fulfils the relevant necessary prerequisites (the proportion of the Group's insurance activities was 96.7% as at 31 December 2015 and there has been no change in business since) and is therefore exercising the option to postpone, in part due to the interaction between the recognition of financial instruments and insurance contracts. The deferral approach disclosures in the Notes (fair values of financial instruments currently in the portfolio, broken down by cash flow criterion, and disclosures regarding the credit risk of securities that passed the SPPI test), which are intended to provide a certain degree of comparability with companies already applying IFRS 9, are presented in the Notes in the section "other disclosures".

While the retrospective application of IFRS 17 (see below) requires comparative figures to be prepared for the 2022 financial year, this does not apply to the initial application of IFRS 9. However, the Group has decided to apply the option in IFRS 9.7.2.15 and restate the 2022 financial year in line with IFRS 17. The IASB also introduced a transition option for comparative information on financial assets by publishing the amendments to IFRS 17 "Initial application of IFRS 17 and IFRS 9 – Comparative information" in December 2021. Contrary to the original IFRS 9 regulation, this amendment to IFRS 17 allows those applying the Standard for the first time to present financial assets in the 2022 comparative period as if the classification and measurement regulations in IFRS 9 had also been applied to financial assets that were derecognised in 2022 (classification overlay). The Group will apply this approach, including the provisions of IFRS 9 on impairment, consistently to all eligible financial instruments. EU endorsement for this amendment was granted in September 2022.

Through the Group-wide IFRS 9 project planned until mid-2023, we ensure that the extensive requirements are implemented in the Group's processes and systems on time and that the impact of the Standard on Group financial data and the financial statement processes is analysed. We also tested technical implementation as part of a parallel phase for the 2022 financial year. As at the transition date of 1 January 2022, we expect the following effects from the change in financial instrument accounting:

Given the nature of the insurance business, we expect the majority of our debt instruments portfolio to be allocated to the "hold and sell" business model. Accordingly, it is expected that a significant share of these financial instruments in the Group will be measured at fair value (approx. EUR 119 billion as of 1 January 2022). These include equity instruments of just over EUR 1 billion, which the Talanx Group has opted to measure at fair value through other comprehensive income, without the option of subsequent recognition through profit or loss upon disposal. The "hold" business model will be relevant only in exceptional cases. Our analyses indicate that this will reduce holdings of financial instruments measured at amortised cost significantly to just under EUR 1 billion and so they will play an insignificant role in the overall investment portfolio in the future. The new classification regulations of IFRS 9 will mean that far more financial instruments are recognised at fair value through profit or loss (approx. EUR 16 billion as of 1 January 2022). Instruments this affects include our derivatives, complex structured products, units in retail funds, investment contracts, private equity interests and debt instruments that do not pass the SPPI test. The new impairment model is also expected to have an impact on debt instruments. IFRS 9 includes an expected loss model for recognising impairment in which – unlike under the previous incurred loss model in IAS 39 – expected losses must be anticipated before they occur and recognised as an expense. A risk provision of approximately EUR 0.1 billion was recognised for the first time in the opening statement of financial position as at 1 January 2022. Hedge accounting under IFRS 9 is more strongly geared towards a company's risk management than the previous regulations in IAS 39. We do not expect any material impact on existing hedges. The final impact of IFRS 9 can be fully determined only taking into account the interaction with the IFRS 17 accounting standard. The final audit activities were still pending at the time of publishing these consolidated financial statements (see below).

The number and size of associates and joint ventures included in the consolidated financial statements using the equity method and that are already required to apply IFRS 9 due to local regulations is insignificant. Given this, these companies are not remeasured, nor is any other information provided.

IFRS 17 "Insurance Contracts" will, for the first time, implement uniform requirements for the recognition, measurement and presentation of notes on insurance contracts, reinsurance contracts and investment contracts with discretionary surplus participation.

IFRS 17 was published by the IASB on 18 May 2017 and will replace the current IFRS 4 as at 1 January 2023. The announcement of Commission Regulation no. 2021/2036 adopted IFRS 17 into EU law, including the amendments from June 2020, and this version is effective for financial years beginning on or after 1 January 2023. However, the Regulation includes an optional exception that is valid only in the EU, which allows companies to apply an optional exemption from the annual cohort requirement for contracts with a surplus participation feature, as is typical in Germany and a number of other EU states. The Talanx Group does not utilise this option and will apply IFRS 17 in the IASB version for the financial year beginning 1 January 2023.

The most important revisions of the standard include the presentation of underwriting in the balance sheet and the statement of income, the discounting of loss reserves, increased transparency for loss-making portfolios and the introduction of the risk adjustment for non-financial risks.

IFRS 17 lists three valuation models that reflect different degrees of policyholder involvement in the investment result or in the company's success. These are the general measurement model (GMM), the variable fee approach (VFA) and the premium allocation approach (PAA). Valuation is based on groups of contracts, not on individual contracts. To form groups of contracts, an entity must first define portfolios that include contracts with similar risks that are managed together. These portfolios are divided into groups of contracts on the basis of profitability and annual cohorts.

Measurement under the **general measurement model (GMM)** is based on four elements. These are 1) expected cash flows from the contract 2) discounting, 3) non-financial risk adjustment and 4) the contractual service margin (CSM). The first step is to estimate all **expected payments** (receipts and payments) within the boundary of the insurance contracts without accounting for future non-financial risk adjustments. As well as premiums received and payments to policyholders, these cash flows include attributable costs for acquisitions, claims processing, contract management and directly attributable overheads. To account for the time value of money, the second stage involves discounting these future cash flows to the measurement date as at the reporting date. The resulting present value of the cash flows is then adjusted to take account of a non-financial risk premium. This non-financial risk premium represents the compensation calculated by an insurer for the assumption of uncertainties regarding the amount and timing of the future payments. Together, these three elements provide the settlement amount of the insurance contract. The fourth element is the CSM. If the expected present value from the cash receipts exceeds the expected present value of the payment, including risk adjustment, the settlement amount is positive and is recognised as the CSM on initial acquisition.

The **CSM** thus reflects the expected future income from a group of insurance contracts over their entire duration and is included as an equity and liabilities item in the measurement of technical provisions. Contracts that are expected to be profitable are thus still recognised through other comprehensive income. The contracts are granted a benefit in the form of an insurance service in each period. The insurance service includes payment in the event that the insured risk occurs and payments within the framework of the investment service, i.e. investment of paid insurance premiums on the capital market and subsequent participation of the contracts in the income generated on the capital market. In the subsequent measurement, an amount is deducted from the CSM as a service fee for the provision of this service and recognised through profit or loss in the statement of income as a component of insurance revenues. This service in a period is measured using coverage units. These coverage units are based on volumes that are compared between the amount at the end of the previous period and the total contract period in order to determine the service for the period. We select the coverage units for each insurance transaction so that they best reflect the respective provision of services. In primary insurance, for example in the case of contracts with surplus participation (see information on the VFA), the insurance service is generally measured using the premium sum for risk insurance, and the future expected annual income as a volume measure for the longevity risk in the case of annuity insurance. In addition, the investment service is also approximated using the capital for the contract invested on the capital market. Changes in the assumptions of future cash flows that do not relate to interest or financial risks are booked against the contractual service margin (CSM) and are distributed over the term of the insurance coverage that is still due to be provided and the investment management service.

The contractual service margin is also adjusted to account for the unwinding of discounts for which the discount rate was determined when the group of contracts was initially recognised. If the service margin becomes negative (loss component), the corresponding amount must be recognised through profit or loss.

The Talanx Group uses the general measurement model primarily in the Reinsurance Division, at Talanx AG as intragroup reinsurer in the Corporate Operations segment and in part in the Retail Germany and Retail International Divisions.

A modified form of the general assessment model is used for the life insurance business that provides for surplus participation – the **variable fee approach (VFA).** In the subsequent measurement, the VFA essentially differentiates between the contractual service margin (CSM) and the general measurement model (GMM). Future changes to assumptions essentially are booked against the CSM in the VFA and reflected in the statement of income through the reversal of the CSM. The contractual service margin is thus adjusted to account for the share of changes to the fair value of the underlying items attributable to the company. Underlying items are items that determine a portion of payments to policyholders, e.g. a local gross surplus, an individual result value or investments, provided it is ensured that this is clearly determined in the insurance contract and the payments to policyholders fluctuate with the changes in fair value of the underlying items. In the case of German life insurance business, surplus participation includes policyholder participation in net investment, risk and cost income. The underlying item is based on this surplus participation. Accordingly, the CSM represents our share in net income from the underlying items as a "variable fee" and constitutes compensation for administering and managing the underlying item. There is no explicit unwinding of discounts for the CSM, as the contractual service margin is effectively remeasured if it is adjusted to account for changes to financial risks. After adjusting the CSM, it is collected on the basis of expected future services, distributed among the coverage units (see above). The settlement amount is determined if the subject of these participating contracts, taking account of contractual options and guarantees, is within actuarial (stochastic) modelling.

The VFA can be applied only if all of the following requirements are met:

- Contractual provisions specify that the policyholder participates in an identified portfolio of underlying items,
- The insurance company expects the policyholder to receive a substantial share of the fair value returns on the underlying items; and
- The contractual cash flows that vary depending on how the underlying items are expected to develop make up a substantial share of the cash flows expected to be paid to the policyholder.

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

Accordingly, we apply the VFA for business with direct profit participation by policyholders, as well as to value unit-linked insurance contracts. At the Talanx Group, this primarily affects the two segments Retail Germany – Life and Retail International. This approach is not permitted for active and passive reinsurance.

Even more so than under the GMM, the reversal of the service margin and the risk adjustment for non-financial risks will in future be the main component of operating profit in the statement of income under the VFA.

The **premium allocation approach (PAA)** is a simplified procedure that can be used chiefly for short-term contracts (coverage period not more than 12 months) or if the measurement of the benefit reserve does not differ substantially from the measurement under the general measurement model. The premium allocation approach recognises the liability to grant insurance cover, as previously, through unearned premiums less potential acquisition costs for obtaining the insurance contract. In the case of short-term contracts, the standard includes an option not to discount this benefit reserve, which the Talanx Group will exercise. The Standard introduces compulsory discounting for the loss reserve and a risk adjustment for non-financial risks. The premium allocation approach applies in the Group chiefly in property/casualty primary insurance, provided the contracts meet the above requirements.

At the end of a reporting period, the carrying amount of a group of insurance contracts is the sum of the benefit reserve and the loss and loss adjustment expense reserve. The benefit reserve in IFRS 17 comprises the fulfilment cash flows for future services and, where applicable, the contractual service margin (GMM and VFA), while the loss and loss adjustment expense reserve comprises the fulfilment cash flows for past service.

The principles of valuation of loss and loss adjustment expense reserves are identical under all three valuation models, with the exception of the interest rates used to determine discounting established upon initial recognition.

Based on the preliminary and still uncertain estimate of expected insurance revenues for 2022, the breakdown of insurance portfolios by the valuation models would be as follows: GMM around 60%, PAA around 35%, VFA around 5%.

At each reporting date, the cash flows expected for the benefit reserves (not under the PAA, see above) and for the non-current loss and loss adjustment expense reserve are revalued at current interest rates. The same applies for the risk adjustment. We **discount** the insurance obligation using currency-specific, risk-free yield curves that are standardised throughout the Group and that are adjusted to account for the characteristics of cash flows and (Il)liquidity of the underlying insurance contracts (bottom-up approach). The illiquidity premiums used here are based on risk-adjusted spreads of corporate and government bonds. These adjustments are made in the form of a supplementary illiquidity premium (ILP) per currency, which satisfies the following requirements or assumptions:

- The illiquidity of the underlying insurance contracts is defined by the predictability of their resulting cash flows. This is because the less predictable a cash flow, the harder it is to cover these with illiquid investments.

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

The **non-financial risk adjustment** of a group of insurance contracts is the offset required to account for uncertainty regarding the amount and timing of cash flows in connection with the non-financial risk (e.g. insurance risk, cost risk and, in particular, policyholder behaviour risk). In view of the Group's different business models, Talanx uses two methods to calculate the non-financial risk adjustment:

- We apply a pricing margin approach for our Reinsurance Division and our internal reinsurance business at Talanx AG. This approach is based on the fact that the need to compensate for uncertain cash flows is already addressed in the premium calculation. The premiums determined there are applied to the cash flows and thus also form the risk adjustment in accordance with IFRS 17.
- For the rest of the Group, we apply the confidence level method with a confidence level of 75% (exception: 65% for HDI Global Specialty SE).

With regard to the disclosure requirements, Talanx currently expects to introduce an overall solution with a twofold confidence level disclosure plus a voluntary disclosure of an estimated, Group-wide confidence level assuming full diversification of non-financial risks between the Group's risk takers. In line with the calculation of the risk adjustment, we intend to recognise the disclosures in an "ultimate perspective" i.e. taking account of all payment obligations to be recognised until they are settled in full.

There is the option to report discounting effects of the non-financial risk adjustment in a line under the underwriting result, as opposed to separately in the statement of income. The Group utilises this simplification pursuant to IFRA 17.81 with the exception of Life/Health Reinsurance due to its different insurance business.

Presentation: Separately to the measurement technique, capitalised acquisition costs and receivables/liabilities (including funds withheld by ceding companies/funds withheld under reinsurance treaties) on insurance business are no longer presented separately in the balance sheet and are instead recognised as part of assets/liabilities on insurance business. This will reduce the opening balance sheet as at 1 January 2022 by a low double-digit billion figure but has little effect on equity.

In addition, the standard makes fundamental changes to the structure of the consolidated statement of income and differentiates between the underwriting result that comprises income and technical expenses and net income from reinsurance contracts held, and insurance financing earnings and expenses.

Instead of written premiums in every period, the changes arising from the discounted liability to grant insurance cover (benefit reserve) are recognised as technical income (insurance revenues), for which the insurance company receives a fee minus incoming and outgoing payments of savings components. In the future, recognising certain commission paid to cedants in insurance revenues will no longer be permitted. With business volume remaining unchanged, we expect the amount of IFRS 17 insurance revenues recognised as at 31 December 2022 to decline compared to current gross written premiums, but with no material impact on the underwriting result.

The technical expenses essentially represent the change in the loss reserve, including the loss component in the statement of income.

Net income from reinsurance contracts is to be shown separately from income or expenses from insurance contracts issued and essentially comprises premiums paid to our reinsurers and reinsurers' participation in our loss expenditures.

The insurance financing earnings and expenses item includes all changes to technical items that are the result of the time value of money or changes in the time value of money or other financial risks. Insurance financing earnings and expenses may be recognised for each portfolio either in the statement of income entirely through profit or loss or divided between the statement of income and other comprehensive income (OCI option). To reduce volatility in the statement of income, the Talanx Group will utilise the option for almost all portfolios and divide insurance financing earnings and expenses between the statement of income and other comprehensive income. When applying the VFA, net income recognised through profit or loss for equity and liabilities is mirrored in this item (insurance financing earnings and expenses) due to the special link with the assets side of the balance sheet. Positive net investment income is offset by corresponding insurance financing expenses under the insurance contracts. Any excess is recognised in other comprehensive income.

IFRS 17 is to be initially applied retrospectively as at 1 January 2023 in accordance with the full retrospective approach (FRA). If there is no sufficient data on which to base a full retrospective application of IFRS 17, there is the option to apply a modified retrospective approach (MRA) – provided sufficient appropriate and reliable data are available for this – or the fair value approach (FVA). The objective of the modified retrospective approach is to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. Certain modifications are permitted where retrospective application is not possible. Under the fair value approach, a group's contractual service margin from insurance contracts at the transition date is determined as the difference between the fair value under IFRS 13 and the fulfilment cash flows under IFRS 17.

In the Talanx Group, we will use all three procedures depending on the availability of data. In the Group, we generally apply the FRA for portfolios from 2016 onwards. Exceptions apply here for the Retail Germany – Life segment and a company in the Retail International segment. On account of the quality of life insurance data, the variable fee approach with the FRA is applied here only from 2019/2021. The MRA and FVA were the main methods used here prior to 2016, depending on the data and the modelling quality of the group of contracts. This applies for insurance contracts under assets and those under equity and liabilities. The FVA is used in the property/casualty area if retrospective application is not possible. In primary insurance, the MRA is essentially used in the life insurance valuation of direct participating insurance contracts. The following simplifications provided under the MRA were applied here:

- Contracts issued at intervals of more than one year are combined into actuarial interest rate generation groups
- Identification of direct surplus participation based on information as at 1 January 2022. Specifically, it is assumed that the VFA could have been applied to contracts with surplus participation in the past as well.
- No distinction is made between purchased insurance portfolios and direct business.
- Use of a yield curve that, for at least three years immediately before the date of transitioning to IFRS 17, approximates the estimated yield curve based on the general approach for calculating discount rates
- Adjustment of the non-financial risk adjustment only to account for expected reversals before 1 January 2022
- In accordance with IFRS 17.C17(e), existing loss components can be adjusted to nil as at 1 January 2022 and the benefit reserve increased accordingly. Parts of the participating life insurance business are affected by the simplification.
- Calculating OCI: OCI for the technical provisions in the VFA as at 1 January 2022 is calculated by taking the OCI of investments accounted for in accordance with IFRS 9 multiplied by the share of investments that are used to cover obligations from the insurance business measured using the VFA. The OCI for technical provisions in the GMM as at 1 January 2022 is the difference in technical reserves discounted at the locked-in interest rate from the year the contracts were added and the current interest rate at the reporting date. The balance of the technical OCI items and the investment OCI results in the total OCI from investments that do not cover insurance obligations.
- The CSM (or loss components) as at 1 January 2022 was calculated as follows. The fair value of the underlying items as at 1 January 2022 less the fulfilment cash flows as at 1 January 2022, adjusted for:
  - amounts charged to policyholders (including the deducted costs from the underlying items) before 1 January 2022,
  - amounts paid before 1 January 2022 and amounts not affecting the underlying items,
  - reversal of the non-financial risk adjustment before 1 January 2022,
  - insurance acquisition cash flows paid before the transition date that are allocated to the group of insurance contracts.

Current implementation status: The Talanx Group's multi-year IFRS 17 project managed by the Group, which examined the impact of the standard on the consolidated financial statements, including the interaction with IFRS 9, and took the necessary steps towards implementation, was largely concluded in the year under review. The technical accounting principles have largely been completed and the extensive requirements implemented into the Group's processes and systems. Documentation and analyses is still ongoing. A provisional opening statement of financial position and provisional quarterly financial statements in accordance with IFRS 17 were prepared in the year under review. Internal quality control and the review by the auditor were not complete as at the reporting date. As a result, the effects of on the Group's IFRS 17 opening statement of financial position and for subsequent periods could not be definitively quantified at the time of publishing these consolidated financial statements.

Based on the analyses carried out to date, we expect the following effects on equity at the date of transitioning to IFRS 17 as at 1 January 2022:

- In the Industrial Lines Division and Retail Germany segment, the mandatory discounting of the loss reserve increases equity. However, the equity-increasing effect of discounting the loss reserve is largely offset by the introduction of the risk adjustment. For this reason, we do not expect any material effects on equity for property/casualty business.
- We expect an equity-reducing effect in the Retail Germany – Life segment. Based on the measurement at current interest rates and detailed cash flows modelling, we anticipate an increase in the insurance obligation. In addition, some of the profit shares currently recognised in equity will be included in the insurance obligation, as part of the contractual service margin, following the introduction of IFRS 17. This will also have the effect of increasing the insurance obligation.
- Equity in the Retail International Division will likely increase slightly.
- In Property/Casualty Reinsurance, there is only a minor change in the amount of the technical net liability. Although the cash flow discounting reduces the net liability, this effect is moderate due to the usually short term of the contracts. The impact of discounting is offset by the use of the contractual service margin, the loss components, the risk adjustment and other measurement effects.
- As expected, there is a significant increase in technical liabilities in the Life/Health Reinsurance segment. This is essentially the result of measuring portfolios in the US and Asian market, and in the United Kingdom.
- Equity will likely decrease slightly in the Corporate Operations segment. The obligation to account for the loss components and the risk adjustment will have a negative impact. Although the cash flow discounting reduces the net liability, this effect is moderate due to the usually short run-off period and historically low interest rates.

Less the mitigating effect of deferred taxes, we expect the adoption of IFRS 9 and 17 to decrease reported equity by about EUR 2.1 billion in the transition period based on Group equity (excluding non-controlling interests). This effect is due primarily to the measurement in life insurance (Retail Germany – Life and Life/Health Reinsurance segments) and is essentially driven by prevailing interest rates as at the transition date 1 January 2022. The difference is far smaller throughout the course of 2022 as interest rates rise. As at the transition date, the lower equity has a positive impact on the "return on equity" key figure, although this effect reverses in 2022 as a result of current interest rate developments.

As the PAA is applied in property/casualty primary insurance, we expect most of the contractual service margin from the Reinsurance Division and life insurance business. The reduction in reported equity is offset by the recognition of the contractual service margin as the present value of expected future profits. At the transition date, this in the order of approximately EUR 9 billion for the Group. Equity after taxes, excluding non-controlling interests, will also likely far exceed the decline in reported equity.

The combined ratio will remain a central key indicator in the property/casualty area even after IFRS 17. We expect a decline in the combined ratio, primarily due to the discounting of the loss reserve.

Moreover, further standard amendments have been passed, but it is anticipated that they will not have any material impact on the net assets, financial position and results of operations of the Group:

APPLICATION OF NEW STANDARD AMENDMENTS

Standard	Title of the standard/interpretation/amendment	First application[1]
IAS 1 "Presentation of Financial Statements"	Disclosure of accounting policies	1.1.2023
IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"	Definition of accounting estimates	1.1.2023
IAS 12 "Income Taxes"	Deferred taxes from transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition	1.1.2023

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

b) EU endorsement is still pending

In addition, the following standard amendments have been passed, but it is anticipated that they will not have any material impact on the net assets, financial position and results of operations of the Group:

APPLICATION OF NEW STANDARD AMENDMENTS

Standard	Title of the standard/interpretation/amendment	First application[1]
IAS 1 "Presentation of Financial Statements"	Adjustment of the assessment criteria for classifying liabilities as current or non-current	1.1.2024
IFRS 16	Lease Liability in a Sale and Leaseback Transaction	1.1.2024
IAS 1	Non-current Liabilities with Covenants	1.1.2024

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

Introduction of global minimum tax

The OECD published guidance for new global minimum tax in December 2021. Just a few days later, the European Commission submitted a draft directive for implementing these regulations in the EU. After lengthy negotiations, the directive was unanimously adopted by written circulation procedure in December 2022. The EU member states must transpose the directive into national law by the end of 2023. The minimum tax regulations are to apply to financial years beginning on or after 31 December 2023.

Large multinational and domestic groups or companies with total annual revenue upwards of EUR 750 million will be subject to minimum taxation of 15% on profits.

While the general framework has already been published, it has still not been transposed into German law, nor have detailed guidelines and simplification regulations been drawn up to assess the full impact of the complex rules on the Talanx Group.

Accounting policies

The material accounting policies applied during the preparation of the consolidated financial statements are presented below. Where no indication to the contrary is given, the policies used are the same as in the previous year. Accounting standards requiring to be applied for the first time in financial year 2022 are described in the "Basis of preparation and application of IFRSs" section, while the consolidation principles are described in the "Consolidation" section, pages 151ff. and 181ff. respectively.

Significant management judgement and estimates

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

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

Risks in connection with the consequences of climate change are of significant importance to the business model of an insurance company. Estimating probability and loss amounts for climate-related storms, flooding or drought is a key element of our risk management system. It has a considerable impact on our underwriting policy in terms of risks exposed to natural hazards and requires adequate risk capital to be held. Physical risks such as extreme weather and the effects of this, as well as long-term changes in the climate and environment such as rainfall, rising sea levels and the increase in average temperatures, can also affect the value of our property holdings or the valuation of our investment portfolio.

As well as the impact of these physical risks, the valuation of our investment portfolio is also subject to transitional risks as a result of climate change. Transitional risks are defined as risks in connection with the consequences of climate change resulting from the shift to a low-carbon economy. This change is initiated and underpinned by political regulations. If, for example, these regulations have an adverse effect on issuers of shares or corporate bonds in our investment portfolio, this will also have an impact on the valuation.

Overall, the evaluation of climate risks is taken into account when testing for impairment of non-financial assets, including goodwill in accordance with IAS 36, determining useful lives and the residual value of assets in accordance with IAS 16 or IAS 38, recognizing provisions and disclosing contingent liabilities under IAS 37 and IFRS 4.

Estimation uncertainties in the reporting period also arise in connection with the war in Ukraine. We conducted probability-weighted scenario analyses for all relevant business lines, taking account of market knowledge available at present and deriving our reserves from this on the basis of our own assessments. As at the reporting date, the business lines affected essentially comprised political violence and other property coverage, political risk, marine and aviation. The Group recognised provisions of EUR 367 million as at 31 December 2022 (Property/Casualty Reinsurance: EUR 331 million, Industrial Lines: EUR 36 million). The range of potential claims scenarios remains high and may result in far higher claims expenses in the future in the event of adverse developments or unfavourable legislation, which are not currently expected. There are still legal uncertainties, especially in connection with the status of leased aircraft remaining in Russia. Nevertheless, we do not assume that this will result in any material claims expenses for the Group. In line with existing sanctions regulations, transactions with Russian cedants are not continued. We reduced the portfolio investments of Russian and Ukrainian issuers in the reporting period. Impairment losses on Russian fixed-income securities in the medium to high double-digit millions of euros area were also to be recognised pursuant to IAS 39.

The conflict in Ukraine and the repercussions of this impacted global raw material and energy prices and, in turn, the rate of inflation. Inflation is taken into account in our reserves process, based on average past inflation rates as a minimum. Furthermore, realistic inflation assumptions are made when calculating premiums, and additional provisions are created for reserves in the individual underwriting years so that changes in inflation can also be partially offset. Index clauses also protect a substantial share of business from negative inflation effects. The Group's portfolio of investments also includes inflation-linked bonds that cover some of the negative effects of inflation. A scenario analysis was carried out to ensure that inflation can be appropriately taken into account in the technical provisions. The various scenarios for future inflation were compared against historical inflation to estimate the potential effect on technical provisions. These scenarios include scenarios featuring longer-term high inflation. However, at present we expect the rate of inflation to increase for the next three years and to be slightly above the historic average in the long term.

Estimates and assumptions remain important in connection with the ongoing Covid-19 pandemic. Key areas affected by these assumptions and estimates include, for example, the impairment of contingent reinsurance obligations, the measurement of derivative financial instruments, and assets and obligations related to employee benefits. Actual amounts may differ from the estimates.

The effects of the coronavirus pandemic on the consolidated financial statements were felt primarily in the Life/Health Reinsurance and Property/Casualty Reinsurance segments. All in all, the Life/Health Reinsurance segment experienced pandemic-related negative effects of EUR 276 (582) million in financial year 2022, mostly in the US – the largest market for mortality insurance. In this segment, this was offset in the reporting period by income from a risk swap to hedge against an extreme rise in mortality rates, for example due to pandemics. The change in the value of this derivative resulted in earnings of EUR 87 (44) million over the course of the year. Losses due to the pandemic can now be better quantified for the Property/Casualty Reinsurance segment. This resulted in positive run-off in the credit, surety and political risk business, whereas the negative effects of the pandemic in the casualty and health insurance business in the Asia-Pacific region were far higher than expected. Overall, these developments had a negative impact of EUR 269 million in the segment in the year under review.

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

- **Goodwill** (see “Impairment test” section of Note 1)
- **Fair value and impairments of financial instruments** (see Note 12 – allocation of financial instruments to the various levels of the fair value hierarchy – and the disclosures on fair value measurement and on determining the need to recognise impairment losses in the “Accounting policies” section)
- **Deferred acquisition costs** (see Note 15 and the information on reviewing accounting assumptions in the “Accounting policies” section)
- **Deferred tax assets** (see Notes 29 and 36 and the information on the availability of future taxable profit against which tax loss carryforwards can be utilised in the “Accounting policies” section)
- **Leases** (see the “Summary of significant accounting policies” section under “Leases” and the “Other disclosures” section of the Notes to the consolidated financial statements)
- **Technical provisions:** Loss and loss adjustment expense reserves (see Note 21) are generally calculated by applying actuarial loss reserving methods to defined sub portfolios (analysis segments). The amount recognised is the realistically estimated future settlement amount. Run-off triangles are used to extrapolate trends until the expected end of the run-off period concerned. The actual amounts payable may prove to be higher or lower. Any resulting run-off profits or losses are recognised as income or expenses. Equally, the determination of reserves and assets in life primary insurance and in life/health reinsurance largely depends on actuarial projections for the business. Key input parameters for this are either specified up front in the insurance plan (e.g. the costs included in the calculation, the amount of the premium and the actuarial interest rate) or are estimated (e.g. mortality, morbidity and lapse rates). These assumptions depend heavily on country-specific parameters, the sales channel involved, the quality of the underwriting and the type of reinsurance involved, and are reviewed as at each reporting date by specialised life insurance actuaries. Any resulting potential corrections are included e.g. in true-up adjustments to the following line items: “Other intangible assets”, “Insurance-related intangible assets” (PVFP), “Deferred acquisition costs”, “Provision for premium refunds” (provision for deferred premium refunds) and, where applicable, the “Benefit reserve” (used to fund terminal bonuses). Further information on underwriting risks, including information on sensitivities, climate-related risks and inflation, can be found in the risk report in the Group management report, in addition to the explanations in the “Accounting policies” section.
- **Provisions for pensions and other post-employment benefits** (see the key actuarial assumptions set out in Note 23)
- **Miscellaneous other provisions and contingent liabilities** (see Note 25 and the descriptions in the “Accounting policies” and “Other disclosures” sections of these Notes to the consolidated financial statements)
- **Basis of consolidation** (see the “Consolidation principles” subsection – and in particular the inclusion of investment funds managed by the Group or third parties)
- For **missing cedant settlements** with larger premium volumes, supplementary or complete estimates may be made of the corresponding profit items, assets and obligations including the relevant retrocessions. Missing cedant settlements with low premium volumes were recognised in the subsequent year

Summary of significant accounting policies

Insurance and investment contracts

Insurance/reinsurance contracts and investment contracts with a discretionary surplus participation are accounted for in accordance with US GAAP as at the date of initial application of IFRS 4 "Insurance Contracts" (1 January 2005), unless IFRS 4 specifies anything the contrary. We use the designation valid at that time (Statement of Financial Accounting Standards [SFAS]) when citing individual US GAAP provisions. Investment contracts that do not contain provide for discretionary surplus participation are recognised as financial instruments in accordance with IAS 39.

Assets

Intangible assets

Goodwill resulting from business combinations is tested for impairment once a year, and if there are indications that impairment could be present, and is measured at initial cost less accumulated impairment losses (please see Note 1 for details of the impairment tests and sensitivity analyses performed).

Intangible insurance assets: The present value of future profits (PVFP) for acquired insurance portfolios is the present value of expected future net cash flows from existing insurance/reinsurance contracts and investment contracts as at the date of acquisition. It consists of a shareholders' portion, for which deferred taxes are recognised, and a policyholders' portion (for life insurance contracts only). Insurance portfolios are amortised in line with the realisation of the surpluses on which the calculation is based, taking the remaining duration of the acquired contracts into account. Potential impairment losses and the measurement parameters used are reviewed at least once a year, and the amortisation patterns are adjusted and impairment losses recognised where necessary (see Note 2 for details of the durations and additional information). We report the amortisation of the PVFP associated with investment contracts in "Net income from investment contracts" under "Net investment income". The amortisation and impairment of the shareholders' portion is reported in "Other technical expenses".

Purchased intangible assets with finite useful lives are recognised at cost less accumulated amortisation and impairment losses. They are amortised over their estimated useful life, generally on a straight-line basis. The estimated useful life is generally two to ten years for **software** and four to 16 years for **acquired sales networks and customer relationships.** Intangible assets with indefinite useful lives (e.g. acquired **brand names**) are tested for impairment annually plus whenever there is evidence of impairment of an asset. Amortisation, reversals of impairment losses and impairment losses that are required to be recognised in profit or loss are allocated to the insurance functions if possible and reported in "Other income/expenses" if not. Purchased **CO_2 certificates** are written down once the issuer is informed that they have been withdrawn to offset the Group's carbon footprint. There is generally a non-capitalisable service contract for a s**oftware-as-a-service agreement (SaaS)** involving a public cloud. Configuration and customising costs for a SaaS are capitalised as intangible assets only if they meet the IAS 38 recognition criteria. Otherwise, these costs are recognised as an expense.

Investments

Investment property is recognised at cost. Straight-line depreciation is charged over the expected useful life, up to a maximum of 50 years. Climate change is not expected to affect the useful life. An impairment loss is recognised if the difference between the market value (recoverable amount) determined using recognised valuation techniques and the carrying amount is more than the depreciation recognised in a calendar year. The directly held portfolio is valued by internal Group experts using the German discounted cash flow method; an external appraisal is produced every five years. An external market value appraisal is obtained for special real estate funds every 12 months – the reporting date is the date of the initial valuation.

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

Shares in affiliated companies and participating interests include investments in subsidiaries, shares in associates and joint ventures that are not consolidated or accounted for using the equity method because of their insignificance for the presentation of the Group's net assets, financial position and results of operations, and other participating interests. Investments in listed companies are reported at fair value. Other investments are measured at cost, less any impairment losses.

Shares in associates and joint ventures consist solely of those consolidated material associates and joint ventures that were measured using the equity method. Following initial recognition, the consolidated financial statements contain the Group's share of the overall profit or loss of these investments. Further information can be found in the "Consolidation principles" subsection of the "Consolidation" section.

In accordance with IAS 39, **financial instruments** are recognised/derecognised at the settlement date on acquisition or disposal. Financial assets are classified on initial recognition into one of four categories, depending on their purpose: "loans and receivables", "held-to-maturity financial instruments", "available-for-sale financial instruments" and "financial instruments at fair value through profit or loss". Financial liabilities are classified either as "financial instruments at fair value through profit or loss" or as "financial instruments at amortised cost". Depending on the designation chosen, transaction costs directly connected with the acquisition of the financial instrument may also be added or deducted.

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

Loans and receivables consist primarily of fixed-income securities in the form of promissory note loans, registered bonds and mortgage loans. They are measured at amortised cost using the effective interest rate method. Impairment losses and reversals of impairment losses are recognised in profit or loss. The upper limit of the reversal is the amortised cost that would have resulted at the measurement date if no impairment losses had been recognised.

Held-to-maturity financial instruments are financial instruments that the Group has the positive intention and ability to hold to maturity. Measurement and impairment testing of these financial instruments applies the same methods as are used for loans and receivables.

Available-for-sale financial instruments consist of fixed-income and variable-yield securities that the Group does not immediately intend to sell and that cannot be allocated to any other category. These securities are recognised at fair value. Premiums and discounts are amortised over the term of the assets using the effective interest rate method. Unrealised gains and losses from changes in fair value are recognised in other comprehensive income and reported in equity ("Other reserves") after adjustment for accrued-interest, deferred taxes and amounts payable by life insurers to policyholders on realisation (provision for deferred premium refunds).

Financial instruments at fair value through profit or loss comprise the trading portfolio and those financial instruments that were classified as at fair value through profit or loss on initial acquisition. Trading portfolios primarily comprise all derivative financial instruments with positive fair values, including derivatives embedded in hybrid financial instruments that are required to be separated and insurance derivatives, unless these qualify as hedges (hedge accounting under IAS 39). Derivatives with negative fair values are recognised in "Other liabilities". "Financial instruments classified at fair value through profit or loss" are structured products that are recognised using the fair value option. All securities at fair value through profit or loss are carried at their fair value at the reporting date. If quoted prices are not available for determining fair value, the carrying amounts of the financial instruments concerned are determined using recognised valuation techniques. All unrealised measurement gains and losses are recognised in profit or loss under "Net investment income" in the same way as for realised gains and losses.

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

Derivatives designated as **hedging instruments** (hedge accounting) are recognised at their fair value under "Other assets" or "Other liabilities". The method used to recognise gains and losses on subsequent measurement depends on the type of risk that was hedged. The Group designates certain derivatives as hedges of the fair value of certain assets (fair value hedges), others as hedges of exposures to variability in cash flows attributable to a particular risk associated with a recognised liability or asset, or a highly probable forecasted transaction (cash flow hedges) and others as hedges in a net investment in a foreign operation. Further information is provided in Note 13.

Fair value measurement: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of financial instruments are generally determined on the basis of current, publicly available, unadjusted market prices. Where prices are quoted on markets for financial instruments, the bid price/traded price is used. Financial liabilities are measured at the ask price at the reporting date. In the event that no current market price is available, they are measured using established financial models on the basis of current and observable market data. The following table shows the valuation techniques used to measure fair values. Financial assets for which publicly available prices or observable market data are not available (Level 3 financial instruments) are mainly measured with the assistance of independent professional experts using plausibility checks (e.g. audited net asset values). Please see the disclosures in Note 12 for further details.

MEASUREMENT MODELS FOR DETERMINING FAIR VALUE

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

[1] NAV: net asset value.

Impairment: We test financial assets not recognised at fair value through profit or loss for objective evidence of impairment as at every reporting date. This includes those financial assets that are accounted for using the equity method.

In the case of the equity instruments held, a significant or relatively long-lasting decline in the fair value below the acquisition cost is taken to be objective evidence of an impairment. We consider a decline of 20% to be significant and a period of nine months to be relatively long-lasting.

We apply the same principles to investments in private equity funds. In this case, we write down investments to their net asset value, which is deemed to be an approximation of their fair value. In order to account for the specific character of these funds (in this case, negative yield and liquidity curves during the initial investment period), we only make write-downs during a two-year grace period if there is evidence of significant or prolonged impairment that is not attributable to the J-curve effect.

Key indicators for determining whether fixed-income securities, loans and receivables are impaired are financial difficulties on the part of the issuer/debtor, the non-receipt or non-payment of interest or investment income, the probability that the issuer/debtor will initiate bankruptcy proceedings and the current market situation. Measurements are performed individually and focus primarily on the security rating, the issuer/borrower rating and an individual market assessment.

Impairment losses are recognised in profit or loss, with the securities being written down to their fair value (the quoted price). Impairment losses on investments are deducted directly from the relevant asset items rather than using an allowance account. Reversals of impairment losses on equity instruments are recognised in equity in other comprehensive income.

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

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

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

Other investments are primarily recognised at fair value. If these financial instruments are not quoted on public markets (e.g. investments in private equity firms), they are recognised at the most recently available net asset value, which is deemed to be an approximation of their fair value. Non-current assets resulting from infrastructure investments (primarily from consolidated wind farm project companies) are accounted for at cost. They are depreciated on a straight-line basis over a useful life of 20 years. Any provisions for restoration obligations are reported in "Miscellaneous other provisions". In addition, we test these assets for impairment as at the reporting date. Impairment losses, reversals of impairment losses, depreciation and revenue relating to these assets are recognised in "Net investment income".

Investments under investment contracts

Investment contracts that do not contain provide for discretionary surplus participation are recognised as financial instruments in accordance with IAS 39. Payments under these contracts are not disclosed as premiums, but rather as deposit liabilities in the amount of the financial instruments. Financial assets arising from investment contracts are reported as investments in the "Investments under investment contracts" line item, while financial liabilities (i.e. obligations under investment contracts) are reported as "Other liabilities" on the equity and liabilities side of the balance sheet. Our disclosures on the recognition of financial instruments also apply. The effects on earnings resulting from investment contracts (e.g. fluctuations in the value of financial assets or liabilities) and the fees collected from investment management activities, net of the relevant administrative expenses, are presented as a separate item, "Net income from investment contracts", under "Net investment income".

Funds withheld by ceding companies, funds withheld under reinsurance treaties and contracts without sufficient technical risk

Funds withheld by ceding companies are receivables from our reinsurance business with customers. Funds withheld under reinsurance treaties represent cash deposits furnished by our retrocessionaires. Funds withheld by ceding companies and funds withheld under reinsurance treaties are recognised at cost (nominal amount) after adjustment for credit risks.

Insurance contracts that comply with IFRS 4 but fail to meet the risk transfer test required by US GAAP are recognised using the deposit accounting method and eliminated from the technical account. The compensation paid to assume the risk under these contracts is recognised in profit or loss under "Other income/expenses".

Investments for the benefit of life insurance policyholders who bear the investment risk

This item consists of policyholders' investments under unit-linked life insurance contracts. The insurance benefits under these policies are linked to the unit values of investment funds or to a portfolio of separate financial instruments. They are recognised at fair value. Unrealised gains or losses are offset by changes in technical provisions. Policyholders are entitled to the profits generated and are likewise liable for any losses that are incurred.

Reinsurance recoverables on technical provisions in this item are calculated on the basis of the gross technical provisions, in line with the terms and conditions of the contracts. Appropriate allowance is made for credit risks.

Receivables

Accounts receivable on insurance business and other receivables are recognised at amortised cost. Where necessary, impairment losses are recognised on an individual basis or for groups of similar receivables. Impairment losses on accounts receivable on insurance business are recognised in allowance accounts. In all other cases, the underlying assets are written down directly. If the reasons for an impairment loss no longer apply, the latter is reversed to profit or loss directly, or by adjusting the allowance account, up to a maximum of the original amortised cost.

Deferred acquisition costs
Commissions and other variable costs that are closely connected with the signing or renewal of contracts are recognised in "Deferred acquisition costs". In the case of property/casualty primary insurance companies and property/casualty reinsurance, acquisition costs are normally amortised at a constant rate over the average contract period. Premiums for short-duration contracts are amortised as they are collected, and in line with the reversal of the unearned premiums over the duration of the contract. In life primary insurance and life/health reinsurance, deferred acquisition costs are calculated on the basis of the duration of the contract, anticipated surrenders, lapse expectations and anticipated interest income. Depending on the type of contract, amortisation is charged in proportion either to premium income or to anticipated profit margins. In the case of life/health reinsurance policies classified as universal life-type contracts, deferred acquisition costs are amortised on the basis of the anticipated profit margins for the reinsurance contracts, taking the duration of the insurance contracts into account. Deferred acquisition costs are tested regularly for impairment in accordance with IFRS 4. The actuarial bases are also subject to ongoing review and adjusted if necessary.

Deferred taxes
Deferred tax assets and liabilities from temporary differences between carrying amounts in the tax base and in the financial accounts are calculated. Deferred tax assets are also recognised for tax credits and tax loss carry-forwards. Valuation allowances are recognised for impaired deferred tax assets.

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

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

Other assets are reported at amortised cost, with the exception of hedging instruments. Items of property, plant and equipment are recognised at cost less straight-line depreciation and impairment losses. The maximum useful life for real estate held and used is 50 years. The useful life of operating and office equipment is normally between two and ten years. The statements made in connection with the presentation of investment property also apply to the measurement and impairment testing of real estate held and used. Depreciation and impairments are allocated across the technical functions or recognised in "Other income/expenses".

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

Disposal groups
Non-current assets held for sale (or groups of assets and liabilities held for sale) are classified as held for sale and disclosed separately if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The sale must be highly probable. These assets are measured at the lower of the carrying amount and fair value less costs of disposal. In the case of financial instruments, the measurement remains unchanged. Depreciation and amortisation charges are recognised as "held for sale" until the date of classification. Impairment losses are recognised in profit or loss, with any subsequent increase in value leads to the recognition of a gain up to the amount of the cumulative impairment loss.

Leases
As a lessee, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is first measured at cost equal to the initial measurement of the lease liability. In the subsequent measurement, the right-of-use asset is written down on a straight-line basis until the end of the lease term. Impairment losses are recognised where necessary. Lease liabilities in the Group are discounted at the present value of the remaining lease payments and generally measured using the lessee's incremental borrowing rate. Lease liabilities are measured at amortised cost using the effective interest rate method. The Group has decided not to recognise right-of-use assets or lease liabilities for short-term leases and leases for which the underlying asset is of low value or for intangible assets. The lease payments for these leases are distributed over the term as an expense on a straight-line basis. Relevant disclosures in the Notes and the balance sheet items for right-of-use assets can be found in the "Other disclosures" section of the Notes. Lease liabilities are recognised under other liabilities.

Equity and liabilities
Equity consists of subscribed capital, capital reserves, retained earnings and other reserves. Subscribed capital and capital reserves contain the amounts paid in for shares by shareholders of Talanx AG.

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

Other reserves: Unrealised gains and losses resulting from changes in the fair value of available-for-sale financial instruments are recognised in "Unrealised gains/losses on investments". Exchange differences on translating foreign operations for the financial statements of foreign subsidiaries and unrealised gains and losses from equity-method accounting are also recognised in "Other reserves". The same also applies to reversals of impairment losses on available-for-sale variable-yield securities as well as to the effective part of the gain or loss attributable to hedging instruments under cash flow hedges.

The share of **net income attributable to non-controlling interests** is presented below "Net income" in the consolidated statement of income. This is presented in equity as the "Non-controlling interests" item. It consists of interests held by non-Group third parties in the equity of subsidiaries.

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

Technical provisions

Technical provisions are reported gross in the balance sheet, i.e. before deduction of the reinsurers' share. Measurement of technical provisions is based on US GAAP (SFAS 60, SFAS 97 and SFAS 120).

In the case of short-duration insurance contracts, such as in the fields of property/casualty insurance and property/casualty reinsurance, the portions of premiums already collected that are attributable to future years are deferred pro rata and recognised in the **unearned premium reserves**. These unearned premiums will be earned in future periods as the insurance cover is granted. In the case of insurance contracts, this premium income is deferred to a specific date (predominantly in primary insurance). In the reinsurance business, assumptions are made if the data needed for pro rata calculation are unavailable.

The **benefit reserve** in the life insurance business is calculated using actuarial methods and covers commitments for guaranteed claims by policyholders under life primary insurance policies and by cedants in life/health reinsurance. It is calculated as the difference between the present value of future expected payments to policyholders and cedants and the present value of expected future net premiums still to be collected from policyholders and cedants. The calculation includes assumptions on mortality and morbidity, lapse rates, the return on investment and costs. The actuarial bases used in this context are estimated when the contract is entered into and include an adequate safety margin to cover the risk of change, errors and random fluctuations.

In the case of life insurance contracts that do not provide for surplus participation, the benefit reserve is calculated on a best-estimate basis using assumptions based on customer and industry data, and allows for a risk margin. In the case of life insurance contracts that provide for surplus participation, contractually guaranteed assumptions or the assumptions that are used to determine the surrender values are applied. The biometric actuarial assumptions are based on current mortality tables or, if these are not available, on industry mortality tables.

Measurement of the benefit reserve depends on the product category concerned.

- In the case of life primary insurance contracts in which profit participation (SFAS 120) occurs "naturally", the benefit reserve is composed of the net level premium reserve and a reserve for terminal bonuses. The net level premium reserve is the present value of future insurance benefits (including earned bonuses, but excluding loss adjustment expenses) less the present value of the future reserve. It is calculated by deducting the portion of the premium set aside to cover loss adjustment expenses from the net premium. The reserve for terminal bonuses is generally created from a fixed portion of the gross profit generated from the insurance portfolio in the financial year.
- In the case of life primary insurance contracts that do not provide for profit participation (SFAS 60), the benefit reserve is calculated as the difference between the present value of future benefits and the present value of the future net level premium. The net level premium corresponds to the portion of the gross premium used to fund future insurance benefits.
- In the case of life primary insurance contracts classified according to the universal life model, unit-linked life insurance contracts or similar life reinsurance contracts (SFAS 97), a separate account is maintained to which premium payments (less costs and plus interest) are credited. In the area of life insurance, we recognise benefit reserves separately in item D of the equity and liabilities side of the balance sheet in those cases in which the investment risk is borne by the policyholders.

The **loss and loss adjustment expense reserve** is established for payment obligations relating to primary insurance and reinsurance claims that have occurred but have not yet been settled. They are subdivided into reserves for claims that have been reported as at the reporting date and reserves for claims that have been incurred but not yet reported as at the reporting date (IBNR reserve).

The loss and loss adjustment expense reserve is calculated on the basis of recognised actuarial methods. These are used to estimate future loss expenditures, including expenses associated with loss adjustment, where no individual case-based estimates need to be taken into account. In accordance with long-established practice, the realistically estimated future settlement amount is recognised; in the case of reinsurance, this is calculated on the basis of the information provided by the cedants. Receivables arising from subrogation, salvage and claim-sharing agreements are taken into account. The ultimate liability for all property/casualty reinsurance lines and for primary property insurance is measured by calculating the anticipated ultimate loss ratios using actuarial techniques such as chain ladder methods. These use run-off triangles to project trends for all claims per occurrence year or underwriting year until the anticipated end of the run-off period. In addition, past experience, currently known facts and circumstances, forecasts of future events, estimates of future inflation trends and other assumptions regarding future trends (e.g. economic, social or technical factors) are taken into account. The uncertainty in actuarial projections is greater for more recent underwriting years and occurrence years, and is reduced using a wide range of additional information. In the reinsurance business in particular, a considerable period of time may elapse between the occurrence of an insured loss, notification by the primary insurer and pro rata payment of the loss by the reinsurer. Provisions for assumed insurance business are recognised on the basis of the data provided by the prior insurers (in the case of Group business) or actuarial analyses (in the case of non-Group business).

Where insufficient statistical data are available to permit the case-by-case settlement of large losses, appropriate reserves are created after analysing the portfolio exposed to these risks and, where appropriate, following individual scrutiny. These reserves represent the Group's realistic estimates. In addition, an appropriate individually determined reserve is created for a portion of the known insurance claims. The size of the reserve is estimated in line with general principles of insurance practice. It is regularly reviewed for appropriateness and adjustments are made where necessary.

With the exception of a few partial reserves, such as pension benefit reserves, the loss and loss adjustment expense reserve is not generally discounted.

The **provision for premium refunds** is recognised in life insurance for obligations relating to surplus participation by policyholders that have not yet been definitively allocated to individual insurance contracts at the reporting date. It consists of amounts allocated to policyholders in accordance with national regulations or contractual provisions and amounts resulting from temporary differences between the IFRS consolidated financial statements and the local annual financial statements (provision for deferred premium refunds) that will have a bearing on future surplus participation calculations. In the case of unrealised gains and losses on available-for-sale financial instruments, we recognise a provision for deferred premium refunds in other comprehensive income ("shadow provision for premium refunds"; other changes in this provision are recognised through profit or loss.

We test all technical provisions for **adequacy in accordance with IFRS 4** at least once a year. If the test indicates that future income at the level of the individual calculation clusters will probably not cover the anticipated expenses, the associated deferred acquisition costs and PVFP are reversed and a provision for expected losses is recognised. In the case of the unearned premium reserve and the loss reserve, the calculation is based on the current realistically estimated future settlement amount and is aligned with the business model for the line concerned. It takes into account future modifications of terms and conditions, reinsurance cover and, where appropriate, measures taken to manage the profitability of individual contractual relationships. Investment income is not included in this calculation. The adequacy of the benefit reserve is tested on the basis of current assumptions about the actuarial bases, including pro rata net investment income and (where relevant) future surplus participations.

Shadow accounting: Under IFRS 4, unrealised gains and losses from changes in the fair value of available-for-sale financial instruments can be included in the measurement of technical items. This is done to ensure that unrealised gains and losses are treated in the same way as realised gains and losses. The items potentially affected are deferred acquisition costs, PVFP, provisions for terminal bonuses for policyholders and the provision for premium refunds. Adjustments are recognised in other comprehensive income as contra items for the items concerned ("shadow adjustments"), in line with the underlying changes in value.

Technical provisions for life insurance policies where the investment risk is borne by the policyholders

In the case of life insurance products for which policyholders bear the investment risk themselves (e.g. unit-linked life insurance contracts), the benefit reserve and other technical provisions reflect the fair values of the corresponding investments. See the disclosures on the "Investments for the benefit of life insurance policyholders who bear the investment risk" asset item.

Other provisions

Provisions for pensions and other post-employment benefits: Liabilities under defined benefit pension plans are calculated separately for each plan using actuarial principles. They are valued using the projected unit credit method. Measurement reflects both known benefit entitlements and current pension payments at the reporting date and their future trends. The discount rate for pension liabilities is based on the rates for high-quality corporate bonds. The rate used is a payment-weighted average interest rate reflecting the maturities, the amount and the currency of the payments due. When extrapolating the euro yield curve, the Group also accounts for a trend in the spread of corporate bonds in order to improve the accuracy of estimates. For material plans, individual interest rates are used in accordance with spot rate methods to calculate interest expenses and income, i.e. the various cash flows are weighted with different interest rates.

Where pension liabilities are partially matched by assets of a legally independent entity (e.g. a fund or by benefit commitments funded by external assets) that may only be used to settle the pension obligations entered into and are exempt from attachment by creditors, they are recognised net of those assets. If the fair value of such assets exceeds the associated pension liabilities, the net amount is recognised in "Other accounts receivable" after adjustment for any effects arising from the application of the asset ceiling. The cost components from changes to defined benefit plans are recognised in profit or loss for the period, insofar as they relate to service costs and net interest on the net liability. Past service costs resulting from plan amendments or curtailments and gains and losses from plan settlements are recognised in profit or loss at the time they occur. All remeasurement effects are recognised in other comprehensive income and presented in equity. Remeasurements of pension liabilities consist firstly of actuarial gains or losses on gross pension liabilities and secondly of the difference between the actual return on plan assets and the actuarial interest income on plan assets. Moreover, where plans are in surplus, the remeasurement component includes the difference between the interest rate on the effect of the asset ceiling and the total changes in net assets due to the effect of the asset ceiling. Further information and sensitivity analyses are provided in Note 23.

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

Liabilities

Financial liabilities, including notes payable and loans, are recognised at amortised cost where they do not relate to liabilities from derivatives or financial liabilities under investment contracts at fair value through profit or loss. Liabilities from derivatives are measured at fair value. In the case of written put options on non-controlling interests, the Group recognises a liability in the amount of the present value of the redemption amount. This is charged to non-controlling interests in equity. Effects from subsequent measurement are recognised as income or expenses in the "Other income/expenses" item. Unwinding of the discount on these financial liabilities is reported in "Financing costs". The fair values of investment contracts are calculated using the surrender values for policyholders and account balances. In addition, the Group uses the fair value option in order to eliminate or significantly reduce an accounting mismatch in relation to the assets from investment contracts used to cover the liabilities.

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

Profit and loss recognition

Written premiums are the amount that the insurer has declared to be due, either once or on a continual basis, during the financial year in exchange for providing insurance coverage. Premiums include instalment payment surcharges, ancillary payments and cash payments for assumed portions of technical provisions (portfolio accessions). Payments received for premium receivables that were written off or lapsed in prior years and income from the reversal or reduction of impairment losses on accounts receivable from policyholders are also recognised under this item. Increases in impairment losses are deducted from the written premiums.

Premiums for insurance contracts are recognised as earned – and hence in income – over the duration of the contracts in proportion to the amount of insurance cover provided or as they fall due. **Earned premiums** do not contain the savings components of life insurance contracts (please also see the disclosures on the "Unearned premium reserve").

Claims and claims expenses comprise claims paid for losses for the financial year and prior years (including terminal bonuses in life insurance, plus changes in the loss and loss adjustment expense reserve and changes in the benefit reserve). Premium refund expenses are also recognised in this item. These consist of direct credits from the allocation to the provision for premium refunds and changes to the provision for deferred premium refunds that are recognised in profit or loss, including amortisation of the PVFP in favour of policyholders.

Acquisition costs mainly comprise commissions paid to individuals and organisations engaged to sell insurance products, reinsurance commissions paid, and changes in deferred acquisition costs and provisions for commissions. Other cost elements that are closely related to the acquisition of new insurance contracts and to the extension of existing insurance contracts, such as medical examination costs, are also recognised here. Administrative expenses primarily consist of contract management expenses, such as the cost of collecting premiums when due. Other administrative expenses include the personnel costs, depreciation, amortisation and impairment losses, and rental payments attributable to this function.

Premiums, claims and claims expenses, acquisition costs and administrative expenses are recognised both gross and **net**, after taking reinsurance items into account.

A breakdown of the **net investment income** and **other income/expenses** items is given in the relevant disclosures in the Notes to the consolidated financial statements.

In addition to its core business activities (which fall within the scope of IFRS 4), the Group provides various services relating to the insurance business, and in particular asset management services and other insurance-related services falling within the scope of IFRS 15 "Revenue from Contracts with Customers". **Revenue from contracts with customers** is recognised when control of the promised goods or services is transferred to the customer. The amount of revenue recognised corresponds to the consideration to which the Group expects to be entitled for transferring goods or services to the customer. In the case of contracts falling within the scope of IFRS 15, the Group acts as the principal as it generally has control over the goods or services before they are transferred to the customer. Contracts with customers do not usually contain significant financing components. A breakdown of this revenue is given in the "Other disclosures" section.

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

Exchange differences on translating foreign operations

The Group's reporting currency is the euro.

Transactions in foreign currencies are generally translated into the functional currency of the units of the company in question at the exchange rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies on the reporting date are translated into the functional currency using the exchange rate prevailing on the reporting date. Gains and losses from this translation are recognised in the "Other income/expenses" item. Exchange rate gains and losses from non-monetary items (e.g. equity instruments) classified as available for sale are initially recognised in other comprehensive income and subsequently reclassified to profit or loss when the instrument is settled or written down.

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

EXCHANGE RATES FOR OUR KEY FOREIGN CURRENCIES

		Balance sheet (reporting date)		Statement of income (average)	
EUR 1 corresponds to		2022	2021	2022	2021
AUD	Australia	1.5710	1.5596	1.5188	1.5800
BRL	Brazil	5.6362	6.4086	5.4833	6.3833
CAD	Canada	1.4449	1.4491	1.3763	1.4882
CNY	China	7.3650	7.2297	7.0861	7.6408
GBP	United Kingdom	0.8872	0.8393	0.8538	0.8617
MXN	Mexico	20.8805	23.2733	21.2336	24.0952
PLN	Poland	4.6843	4.5982	4.6814	4.5699
TRY	Türkiye	19.9821	14.7598	17.2707	10.6456
USD	USA	1.0675	1.1344	1.0570	1.1853
ZAR	South Africa	18.0975	18.0275	17.2599	17.6160

Türkiye has been classified as hyperinflationary for the purposes of financial reporting within the meaning of IAS 29 (Financial reporting in hyperinflationary economies) since the second quarter of 2022. Accordingly, companies that use the Turkish lira (TRY) as their functional currency must apply IAS 29 accounting standards for reporting periods ending on or after 30 June 2022. This means that financial statements are adjusted for the effects of inflation, not recognised on the basis of historical cost. The consumer index used here by the Turkish Statistical Institute (TURKSTAT) was 1,128.45 as at 31 December 2022 (31 December 2021: 686.95). The effect of applying IAS 29 recognized in retained earnings as at 1 January 2022 was EUR +4 million. Overall, a gain on the net monetary position of EUR 20 million was recognised in other income/expenses for the period from 1 January to 31 December 2022. This includes a contribution to earnings of EUR +5 million. The previous year figures were not restated in accordance with IAS 21.42 b).

Segment reporting

Identification of reportable segments

In accordance with IFRS 8 "Operating Segments", reportable segments are identified in line with the Group internal reporting and management structure, which is used by the Group Board of Management to regularly review the performance of the segments and to make decisions about the resources to be allocated to them.

The Group classifies its business activities into Insurance and Corporate Operations. Insurance activities (excluding intragroup reinsurance of Talanx AG) are further subdivided into six reportable segments, with a preliminary classification into primary insurance and reinsurance being made in view of the different product types, risks and capital allocations involved.

Insurance activities in the **primary insurance** sector are divided into four reportable segments – "Industrial Lines", "Retail Germany – Property/Casualty", "Retail Germany – Life" and "Retail International" – based on the way they are managed by customer group, geographical region (Germany or the rest of the world) and, in the case of Retail Germany, by line of business (property insurance and life insurance). This segmentation also corresponds to the responsibilities of the individual members of the Board of Management.

Reinsurance business is handled solely by the Hannover Re Group and is divided into two segments – Property/Casualty Reinsurance and Life/Health Reinsurance – in line with the Hannover Re Group's internal reporting system.

In a departure from the segmentation used in Hannover Rück SE's consolidated financial statements, we also allocate this group's holding company functions to its Property/Casualty Reinsurance segment. Intersegment loans within the Hannover Re Group are allocated to the two reinsurance segments in the Talanx Group's consolidated financial statements (they are reported in the "Consolidation" column in Hannover Rück SE's consolidated financial statements). This means that differences between the segment results for the reinsurance business as presented in Talanx AG's consolidated financial statements and in Hannover Rück SE's financial statements are unavoidable.

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

Industrial Lines: This segment reports our global industrial business. Its business operations encompass a wide selection of insurance products such as liability, motor, casualty, fire, property, legal protection, marine, financial lines, agency and specialty (including in lines such as errors & omissions liability insurance, directors' and officers' (D&O) liability insurance, sports and entertainment, aviation, offshore energy and livestock insurance) and engineering insurance for large and medium-sized enterprises in Germany and abroad. In addition, reinsurance is provided for various insurance classes.

Retail Germany – Property/Casualty: This segment manages all our property and casualty insurance services for German retail and commercial customers. The product portfolio ranges from insurance products for price- and service-conscious customers through tailor-made products for customers seeking a consulting-based approach, down to affinity business. It focuses on small and medium-sized enterprises, who we would also like to offer optimal insurance cover. Sales are made by the Group's own field organisation, independent brokers and non-exclusive agents, and via partnerships and online and direct channels.

Retail Germany – Life: This segment manages our life insurance activities including our nationwide bancassurance business (i.e. insurance products sold over the counter at partner banks). It also provides insurance services in Austria. The product portfolio ranges from unit-linked life insurance through annuity and risk insurance to long-term and occupational disability insurance. Most sales are made via banks, independent brokers and non-exclusive agents as well as own tied agents.

Retail International: This segment covers our foreign insurance business with retail and commercial customers in various lines of insurance, including our bancassurance activities. Our offering includes motor insurance, property and casualty insurance, and marine and fire insurance, as well as a considerable number of life insurance products. A large part of our international business is transacted by brokers and agents. Additionally, many companies in this segment use banks as sales channels.

Property/Casualty Reinsurance: The global activities in all lines of property and liability business are reinsured in this segment. This also includes the specialty lines of marine and aviation business, credit/surety business, agriculture business, structured reinsurance, and our facultative and nat cat business.

Life/Health Reinsurance: This segment comprises the Hannover Re Group's global activities in all lines of life, health, annuity and personal accident insurance, to the extent that these are underwritten and reinsured by life/health insurers.

Corporate Operations: In contrast to the six operating segments, this segment is responsible for Group management and other activities supporting the Group's business. The latter include asset management, the run-off and placement of portions of reinsurance cessions for the primary insurance sector including intragroup reinsurance and Group financing. Asset management activities performed by Ampega Investment GmbH, Cologne, for non-Group private and institutional investors is also reported here. This segment also includes central service companies that provide specific billable services – such as IT, collection, human resources and accounting services – mainly to the Group's primary insurers in Germany. Commission earnings from placing reinsurance cessions and the operating profit of Talanx Reinsurance Broker GmbH are allocated to the ceding segment Industrial Lines.

Performance measurement for the reportable segments

All transactions between reportable segments are measured on the basis of standard market transfer prices. Intersegment transactions within the Group are eliminated in the "Consolidation" column; income from dividend payments and profit/loss transfer agreements attributable to the Group holding company is eliminated in the segment concerned. For reasons of consistency and comparability, we have structured the statements of income for the individual divisions/reportable segments in line with the consolidated statement of income. The same applies to the consolidated balance sheet.

No taxes on income or financing costs are determined and reported to the main decision makers for the "Retail Germany – Property/Casualty" and "Retail Germany – Life" segments; as a result, these statements of income end with EBIT and no segment balance sheet can be drawn up for them. The EBIT of the Retail Germany Division can be found by adding the figures from the two reportable segments. The balance sheet for the Reinsurance Division is produced by adding together the segment balance sheets for its reportable segments, Property/Casualty Reinsurance and Life/Health Reinsurance.

A number of different management metrics and performance indicators are used to assess the financial performance of the reportable segments within the Group, depending on the nature and time frame of the business activities involved. Operating profit (EBIT) – which is determined on the basis of IFRS earnings contributions – is used as the consistent measurement base. Net income for the period before income taxes is the main indicator used to capture actual operating profitability and to enhance comparability. In addition, the figure is adjusted for interest on borrowings and from the unwinding of discounts for lease liabilities (financing costs)

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 31 DECEMBER 2022

EUR Million

Assets	Industrial Lines		Retail Germany	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
A. Intangible assets				
a. Goodwill	152	153	248	248
b. Other intangible assets	11	11	464	434
	164	**164**	**712**	**682**
B. Investments				
a. Investment property	160	163	2,520	2,540
b. Shares in affiliated companies and participating interests	24	16	161	134
c. Shares in associates and joint ventures	203	191	66	75
d. Loans and receivables	890	941	21,426	21,960
e. Other financial instruments				
i. Held-to-maturity	74	75	167	168
ii. Available-for-sale	8,755	8,563	21,066	28,842
iii. At fair value through profit or loss	61	57	499	504
f. Other investments	1,145	1,111	2,887	2,516
Assets under own management	**11,312**	**11,116**	**48,793**	**56,738**
g. Investments under investment contracts	—	—	—	—
h. Funds withheld by ceding companies	39	13	5	4
Investments	**11,350**	**11,129**	**48,798**	**56,741**
C. Investments for the benefit of life insurance policyholders who bear the investment risk	—	—	11,503	13,208
D. Reinsurance recoverables on technical provisions	8,935	8,495	1,970	1,989
E. Accounts receivable on insurance business	2,988	2,547	391	384
F. Deferred acquisition costs	202	95	1,938	1,622
G. Cash at banks, cheques and cash-in-hand	889	1,079	818	651
H. Deferred tax assets	174	83	301	123
I. Other assets	913	803	705	737
J. Non-current assets and assets of disposal groups classified as held for sale [2]	41	9	30	17
Total assets	**25,656**	**24,404**	**67,167**	**76,154**

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

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
584	591	35	36	—	—	—	—	1,020	1,028
186	189	162	168	74	88	—	—	897	889
771	**780**	**197**	**204**	**74**	**88**	**—**	**—**	**1,918**	**1,918**
122	129	2,319	1,819	—	—	—	—	5,121	4,650
38	3	813	336	6	22	—	—	1,042	511
—	—	2,226	238	—	—	—	—	2,495	504
243	322	2,401	2,444	100	70	—	—	25,061	25,737
438	366	49	49	—	—	−300	−301	428	356
9,771	11,927	45,690	46,594	1,189	473	—	—	86,471	96,399
258	192	580	330	12	13	−2	—	1,409	1,096
532	331	2,114	3,755	1,555	847	−1,662	−1,739	6,572	6,821
11,403	**13,270**	**56,192**	**55,564**	**2,863**	**1,426**	**−1,964**	**−2,040**	**128,599**	**136,073**
1,375	1,457	—	—	—	—	—	—	1,375	1,457
—	—	11,539	11,306	33	25	−1,020	−1,043	10,594	10,305
12,778	**14,726**	**67,731**	**66,871**	**2,896**	**1,451**	**−2,984**	**−3,083**	**140,569**	**147,835**
398	479	—	—	—	—	—	—	11,902	13,687
1,355	1,198	3,767	3,073	1,508	1,104	−7,271	−6,930	10,264	8,929
1,750	1,358	8,341	7,208	279	312	−787	−1,063	12,961	10,746
693	612	3,579	3,351	32	47	291	294	6,735	6,020
332	297	1,309	1,325	248	651	—	—	3,595	4,002
460	227	202	54	217	296	−14	−173	1,340	611
657	641	3,120	2,831	1,015	1,068	−3,115	−2,927	3,294	3,153
501	598	—	—	—	2	−18	−1	555	625
19,696	**20,915**	**88,244**	**84,917**	**6,268**	**5,017**	**−13,898**	**−13,882**	**193,133**	**197,524**

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 31 DECEMBER 2021

EUR million

Equity and liabilities	Industrial Lines		Retail Germany	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021
B. Subordinated liabilities	410	410	206	257
C. Technical provisions				
a. Unearned premium reserve	3,404	2,819	1,448	1,416
b. Benefit reserve	—	—	43,802	43,531
c. Loss and loss adjustment expense reserve	16,729	14,865	3,983	3,877
d. Provision for premium refunds	10	16	576	7,191
e. Other technical provisions	67	69	9	7
	20,210	**17,769**	**49,819**	**56,023**
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders	—	—	11,503	13,208
E. Other provisions				
a. Provisions for pensions and other post-employment benefits	432	588	102	136
b. Provisions for taxes	137	153	83	90
c. Miscellaneous other provisions	84	109	159	185
	653	**850**	**343**	**410**
F. Liabilities				
a. Notes payable and loans	9	10	58	65
b. Funds withheld under reinsurance treaties	34	33	1,554	1,514
c. Other liabilities	2,689	2,958	1,851	1,808
	2,733	**3,001**	**3,462**	**3,387**
G. Deferred tax liabilities	41	164	21	210
H. Liabilities included in disposal groups classified as held for sale [1]	48	56	—	—
Total liabilities/provisions	**24,095**	**22,251**	**65,354**	**73,495**

	Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
	31.12.2022	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021	**31.12.2022**	31.12.2021
	105	103	4,096	3,396	1,246	1,746	−1,054	−1,152	5,009	4,759
	3,326	2,763	6,654	6,196	242	230	−1,220	−1,269	13,853	12,154
	5,354	6,545	7,116	7,542	—	—	−122	−130	56,150	57,489
	4,463	4,161	46,864	40,778	1,792	1,418	−5,023	−4,557	68,810	60,541
	202	624	—	—	—	—	—	—	788	7,832
	13	17	1,067	842	—	—	—	—	1,156	935
	13,359	**14,110**	**61,700**	**55,357**	**2,034**	**1,648**	**−6,365**	**−5,956**	**140,758**	**138,951**
	398	479	—	—	—	—	—	—	11,902	13,687
	78	57	154	209	912	1,210	—	—	1,678	2,200
	108	125	191	92	81	74	—	—	599	535
	142	129	190	183	361	382	—	—	935	988
	328	**312**	**535**	**484**	**1,354**	**1,666**	**—**	**—**	**3,213**	**3,722**
	321	206	1,860	1,523	2,690	1,482	−880	−855	4,058	2,432
	163	175	4,076	4,219	—	—	−1,803	−1,856	4,025	4,085
	2,536	2,487	6,322	5,012	496	530	−3,896	−3,976	9,998	8,818
	3,020	**2,868**	**12,258**	**10,754**	**3,186**	**2,012**	**−6,578**	**−6,687**	**18,081**	**15,335**
	47	69	945	2,214	—	—	22	−145	1,077	2,513
	453	557	—	—	—	—	—	−1	501	612
	17,711	**18,498**	**79,535**	**72,205**	**7,821**	**7,072**	**−13,975**	**−13,941**	**180,541**	**179,579**

	31.12.2022	31.12.2021
Eigenkapital[2]	**12,592**	**17,945**
Summe der Passiva	**193,133**	**197,524**

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

CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022 [1]

	Industrial Lines		Retail Germany	
EUR million	2022	2021	2022	2021
1. Gross written premiums including premiums from unit-linked life and annuity insurance	8,913	7,560	5,994	6,170
of which attributable to other divisions/segments	41	27	61	72
of which attributable to third parties	8,872	7,534	5,933	6,098
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	887	901
3. Ceded written premiums	3,960	3,920	538	441
4. Change in gross unearned premiums	–561	–380	–32	–6
5. Change in ceded unearned premiums	–10	–168	–29	–1
Net premiums earned	**4,402**	**3,428**	**4,566**	**4,823**
6. Claims and claims expenses (gross)	5,774	5,336	4,370	5,862
Reinsurers' share	2,394	2,602	254	336
Claims and claims expenses (net)	**3,380**	**2,734**	**4,116**	**5,526**
7. Acquisition costs and administrative expenses (gross)	1,634	1,390	1,293	1,259
Reinsurers' share	811	783	206	204
Acquisition costs and administrative expenses (net)	**823**	**608**	**1,088**	**1,055**
8. Other technical income	7	5	15	14
Other technical expenses	15	46	14	17
Other technical result	**–8**	**–41**	**1**	**–3**
Net technical result	**191**	**46**	**–637**	**–1,761**
9. a. Investment income	371	396	1,881	2,452
b. Investment expenses	117	96	923	309
Net income from assets under own management	**254**	**300**	**958**	**2,143**
Net income from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	—	–11	–12
Net investment income	**254**	**300**	**947**	**2,131**
of which share of profit or loss of equity-accounted associates and joint ventures	21	19	2	6
10. a. Other income	273	191	200	247
b. Other expenses	467	340	246	331
Other income/expenses	**–194**	**–149**	**–46**	**–84**
Profit before goodwill impairments	**252**	**196**	**263**	**286**
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	**252**	**196**	**263**	**286**
12. Financing costs	10	11	6	9
13. Taxes on income	65	38	95	111
Net income	**177**	**148**	**162**	**166**
of which attributable to non-controlling interests	—	4	12	6
of which attributable to shareholders of Talanx AG	177	143	150	161

[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	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	7,104	6,127	33,276	27,762	1,151	1,119	−3,007	−3,232	53,431	45,507
	2	1	1,670	1,947	1,234	1,186	−3,007	−3,232	—	—
	7,102	6,126	31,606	25,815	−83	−67	—	—	53,431	45,507
	48	107	—	—	—	—	—	—	934	1,008
	762	601	3,320	2,905	894	839	−3,019	−3,261	6,456	5,446
	−595	−271	−300	−738	−13	18	−61	281	−1,561	−1,096
	−88	−35	−17	−24	−24	29	−74	293	−242	94
	5,788	**5,183**	**29,672**	**24,143**	**268**	**268**	**25**	**16**	**44,722**	**37,863**
	4,826	4,219	24,868	20,917	852	1,029	−2,066	−2,313	38,624	35,050
	535	351	2,525	2,598	695	816	−2,070	−2,365	4,333	4,338
	4,291	**3,868**	**22,343**	**18,319**	**157**	**212**	**4**	**52**	**34,291**	**30,711**
	1,551	1,337	8,069	6,592	283	295	−835	−897	11,995	9,977
	134	126	379	288	185	185	−836	−839	878	747
	1,417	**1,212**	**7,690**	**6,304**	**98**	**110**	**2**	**−58**	**11,118**	**9,230**
	54	33	—	—	—	16	—	−16	76	52
	101	91	26	5	5	4	20	7	182	170
	−48	**−58**	**−26**	**−5**	**−5**	**12**	**−20**	**−23**	**−106**	**−117**
	32	**46**	**−387**	**−484**	**9**	**−42**	**—**	**—**	**−792**	**−2,195**
	601	440	3,140	2,213	32	42	−58	−61	5,968	5,483
	157	67	1,293	534	131	153	−129	−137	2,492	1,022
	444	**373**	**1,848**	**1,679**	**−100**	**−111**	**71**	**76**	**3,476**	**4,460**
	2	3	—	—	—	—	—	—	2	3
	−2	−2	236	268	—	—	—	—	223	255
	444	**374**	**2,084**	**1,947**	**−99**	**−111**	**71**	**76**	**3,700**	**4,718**
	—	—	112	17	—	—	—	—	135	43
	235	188	1,437	793	1,540	1,037	−1,404	−930	2,281	1,526
	370	315	635	520	1,412	911	−1,311	−822	1,818	1,596
	−134	**−127**	**803**	**273**	**128**	**126**	**−93**	**−108**	**464**	**−69**
	341	**294**	**2,500**	**1,736**	**37**	**−27**	**−21**	**−32**	**3,372**	**2,454**
	—	—	—	—	—	—	—	—	—	—
	341	**294**	**2,500**	**1,736**	**37**	**−27**	**−21**	**−32**	**3,372**	**2,454**
	6	2	112	103	97	103	−50	−53	181	176
	71	66	454	352	35	−25	9	7	730	548
	263	**225**	**1,934**	**1,282**	**−95**	**−105**	**19**	**14**	**2,461**	**1,730**
	49	36	1,227	672	—	—	—	—	1,289	718
	214	189	707	609	−95	−105	19	14	1,172	1,011

CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE RETAIL GERMANY (PROPERTY/CASUALTY AND LIFE), PROPERTY/CASUALTY REINSURANCE AND LIFE/HEALTH REINSURANCE REPORTABLE SEGMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2022

	Retail Germany – Property/Casualty		Retail Germany – Life		Property/Casualty Reinsurance		Life/Health Reinsurance	
EUR million	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
1. Gross written premiums including premiums from unit-linked life and annuity insurance	1,715	1,574	4,280	4,596	24,242	19,224	9,033	8,538
of which attributable to other segments	—	—	61	72	1,526	1,804	144	143
of which attributable to third parties	1,715	1,574	4,218	4,525	22,717	17,420	8,889	8,396
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	887	901	—	—	—	—
3. Ceded written premiums	178	224	361	217	2,282	1,901	1,038	1,005
4. Change in gross unearned premiums	–14	–25	–18	19	–340	–723	40	–14
5. Change in ceded unearned premiums	–32	–5	3	4	–16	–24	—	—
Net premiums earned	**1,555**	**1,329**	**3,010**	**3,494**	**21,637**	**16,624**	**8,035**	**7,519**
6. Claims and claims expenses (gross)	1,039	1,083	3,331	4,779	17,160	13,218	7,708	7,699
Reinsurers' share	46	224	208	111	1,601	1,704	924	894
Claims and claims expenses (net)	**993**	**859**	**3,123**	**4,668**	**15,559**	**11,514**	**6,784**	**6,805**
7. Acquisition costs and administrative expenses (gross)	606	582	688	677	6,388	4,998	1,681	1,594
Reinsurers' share	73	132	133	73	284	223	94	65
Acquisition and administrative expenses (net)	**533**	**451**	**555**	**604**	**6,104**	**4,775**	**1,586**	**1,529**
8. Other technical income	1	2	14	13	—	—	—	—
Other technical expenses	12	10	2	7	18	3	9	1
Other technical result	**–11**	**–8**	**12**	**5**	**–18**	**–3**	**–9**	**–1**
Net technical result	**18**	**11**	**–655**	**–1,772**	**–43**	**332**	**–344**	**–816**
9. a. Investment income	130	149	1,751	2,303	2,422	1,693	718	521
b. Investment expenses	55	19	867	290	996	390	297	145
Net income from assets under own management	**74**	**130**	**883**	**2,013**	**1,426**	**1,303**	**421**	**376**
Net income from investment contracts	—	—	—	—	—	—	—	—
Net interest income from funds withheld and contract deposits	–1	–1	–10	–11	71	49	165	220
Net investment income	**74**	**129**	**873**	**2,002**	**1,497**	**1,352**	**587**	**596**
of which share of profit or loss of equity-accounted associates and joint ventures	—	—	2	6	10	4	101	13
10. a. Other income	22	55	177	192	826	238	611	554
b. Other expenses	44	92	202	240	510	401	125	119
Other income/expenses	**–22**	**–37**	**–25**	**–47**	**316**	**–163**	**487**	**435**
Profit before goodwill impairments	**70**	**104**	**193**	**183**	**1,771**	**1,521**	**729**	**216**
11. Goodwill impairments	—	—	—	—	—	—	—	—
Operating profit/loss (EBIT)	**70**	**104**	**193**	**183**	**1,771**	**1,521**	**729**	**216**

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
2022									
Included within investment income									
Current interest income unit-linked life and annuity insurance	173	66	911	454	1,197	352	28	–57	**3,124**
Interest income from funds withheld and contract deposits	—	—	—	—	71	220	—	–5	**287**
Interest expense from funds withheld and contract deposits	—	1	11	2	—	55	—	–5	**64**
Share of profit or loss of equity-accounted associates and joint ventures	21	—	2	—	10	101	—	—	**135**
Depreciation of/impairment losses on investment property									
Depreciation	3	1	40	2	49	—	—	—	**95**
Impairment losses	—	—	15	1	18	—	—	—	**35**
Depreciation of/impairment losses on infrastructure investments									
Depreciation	6	4	23	—	—	—	—	—	**34**
Income from reversal of impairment losses	—	1	5	—	19	—	—	—	**25**
Included within other income/expenses									
Other interest income	4	1	14	7	21	55	12	–3	**111**
Other interest expenses	10	1	16	7	21	8	15	–11	**68**
Depreciation of/impairment losses on fixed assets									
Depreciation	18	—	4	37	21	7	39	—	**127**
Impairment losses	—	—	—	4	—	—	—	—	**4**
2021									
Included within investment income									
Current interest income unit-linked life and annuity insurance[1]	164	73	965	347	820	274	39	–61	**2,622**
Interest income from funds withheld and contract deposits	—	—	—	—	50	413	—	–4	**459**
Interest expense from funds withheld and contract deposits	—	1	11	2	1	193	—	–5	**204**
Share of profit or loss of equity-accounted associates and joint ventures	19	—	6	—	4	13	—	—	**43**
Depreciation of/impairment losses on investment property									
Depreciation	3	1	34	2	38	—	—	—	**78**
Impairment losses	—	—	3	2	17	—	—	—	**21**
Depreciation of/impairment losses on infrastructure investments									
Depreciation	6	4	23	—	—	—	—	—	**34**
Income from reversal of impairment losses	—	—	1	—	1	—	—	—	**2**
Included within other income/expenses									
Other interest income	6	3	6	4	38	17	1	–2	**73**
Other interest expenses	4	1	18	5	14	8	5	–9	**47**
Depreciation of/impairment losses on fixed assets									
Depreciation	18	1	5	42	18	8	36	—	**129**
Impairment losses	—	—	—	1	—	—	—	—	**1**

Gross written premiums, assets under own management and non-current assets by geographical origin

ASSETS UNDER OWN MANAGEMENT BY GEOGRAPHICAL ORIGIN

EUR million	31.12.2022	31.12.2021
Germany	30,521	29,349
United Kingdom	6,668	7,458
Central and Eastern Europe (CEE), including Turkey	3,947	4,451
Rest of Europe	42,274	49,276
USA	23,880	24,777
Rest of North America	4,868	4,480
Latin America	3,970	4,119
Asia and Australia	12,160	11,814
Africa	311	351
Total	**128,599**	**136,073**

NON-CURRENT ASSETS BY GEOGRAPHICAL ORIGIN [1]

EUR million	31.12.2022	31.12.2021
Germany	5,468	5,287
United Kingdom	115	126
Rest of Europe	625	494
USA	837	689
Rest of North America	500	511
Latin America	227	224
Asia and Australia	23	29
Africa	9	9
Total	**7,803**	**7,369**

[1] Non-current assets largely consist of intangible assets (including goodwill) and real estate held and used/investment property including right-of-use assets from leasing contracts.

GROSS WRITTEN PREMIUMS BY GEOGRAPHICAL ORIGIN (BY CUSTOMER DOMICILE)

	Primary insurance		Reinsurance		Corporate Operations		Consolidation		Total	
EUR million	2022	2021	2022	2021	2,022	2021	2022	2021	2022	2021
Germany	7,676	7,837	2,108	1,998	859	909	–1,761	–1,748	8,882	8,997
United Kingdom	1,058	861	4,262	3,723	1	—	–377	–467	4,943	4,116
Central and Eastern Europe (CEE), including Turkey	3,450	2,945	526	434	36	39	–75	–73	3,937	3,345
Rest of Europe	4,121	3,869	4,124	3,854	105	121	–366	–468	7,983	7,376
USA	1,686	1,274	10,948	8,195	—	—	–38	–48	12,596	9,421
Rest of North America	377	303	1,933	1,494	—	—	–83	–118	2,227	1,680
Latin America	2,460	1,835	1,324	1,130	151	51	–181	–144	3,754	2,872
Asia and Australia	1,098	870	7,419	6,312	—	—	–126	–166	8,391	7,015
Africa	87	62	632	622	—	—	—	—	718	684
Total	**22,011**	**19,858**	**33,276**	**27,762**	**1,151**	**1,119**	**–3,007**	**–3,232**	**53,431**	**45,507**

Gross written premiums by type and class of insurance at Group level

GROSS WRITTEN PREMIUMS BY TYPE AND CLASS OF INSURANCE

EUR million	2022	2021
Property/casualty primary insurance	16,140	13,432
Life primary insurance	5,872	6,425
Property/casualty reinsurance	24,242	19,224
Life/health reinsurance	9,033	8,538
Corporate Operations	1,151	1,119
Consolidation	–3,007	–3,232
Total	**53,431**	**45,507**

There were no transactions with any single external client during the reporting period amounting to 10% or more of total gross premiums.

Consolidation

Consolidation principles

The annual financial statements included in the consolidated financial statements are subject to uniform accounting policies. For subsidiaries with differing reporting dates that are more than three months prior to the Group reporting date, interim financial statements were prepared for the purposes of the consolidated financial statements. Intragroup balances and transactions are eliminated.

Subsidiaries are all entities that are controlled by the Group. The Group controls a Group company if it directly or indirectly has decision-making powers over the latter from voting rights or other rights and is thereby exposed, or has rights, to variable returns from the Group company and has the ability to affect those returns through its decision-making powers over the investee. All of these criteria must be met. The Group holds the majority of voting rights in all of its subsidiaries. When assessing whether control exists, potential voting rights are considered where these are substantive.

A separate review of the principal-agent relationship is performed for investment funds – both where investment funds are managed by the Group and for funds managed by third parties in which the Group holds an interest. This analyses the decision-making processes to establish whether control of the material business activities lies with the fund management or the investors. Apart from the variability of the fund management fee, the focus is on substantive rights to dismiss the management or to trigger the liquidation of the fund, and on the role of the investors on the investment fund's governing and other bodies.

The Group accounts for **business combinations** using the purchase method if the set of activities and assets qualify as a business. Subsidiaries must be consolidated as from the date on which control passes to the Group and are deconsolidated as soon as control ends. Acquisition costs correspond to the fair value of the assets acquired and liabilities arising or assumed as at the transaction date. Assets, liabilities and contingent liabilities that can be identified in a business combination are measured during initial consolidation at their acquisition-date fair values. Any positive difference arising when the acquisition costs are eliminated against the fair value of the net assets is recognised as goodwill under the "Intangible assets" item. Non-controlling interests in acquired companies are generally reported based on the proportionate interest in the net assets of the acquired companies.

Companies over which the Group is able to exercise significant influence are generally accounted for as **associates** using the equity method in accordance with IAS 28, and are initially recognised at cost (including transaction costs). An individual analysis of the Group's actual ability to influence associates is performed for all material participating interests. This is based on the assumption that a significant influence exists if a company belonging to the Group directly or indirectly holds at least 20%, but no more than 50%, of the voting rights.

A **joint venture** is an arrangement over which the Group has joint control, giving it rights to the net assets of the arrangement rather than rights in relation to its assets and obligations in relation to its liabilities. These entities are accounted for using the equity method.

Equity method accounting ends when the Group ceases to have significant influence or joint control. For further information, please see our disclosures in the "Accounting policies" section.

Structured entities as defined in IFRS 12 are entities that have been designed in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity. This is the case, for example, where any voting rights relate to administrative tasks only and the relevant activities are governed by contractual arrangements.

Within the Group, the requirement to consolidate structured entities is examined by analysing both transactions in which the Group initiates a structured entity, either by itself or together with third parties, and transactions in which it enters into a contractual relationship, either by itself or with third parties, with an existing structured entity. Decisions whether or not to consolidate entities are reviewed as needed, and at least once a year.

Basis of consolidation

Subsidiaries, associates and joint ventures that are insignificant both individually and in the aggregate for the Group's net assets, financial position and results of operations are exempted from consolidation or from application of the equity method. Insignificance is determined by comparing the company's total assets and net income with the corresponding average figures for the Group as a whole for the last three years.

For this reason, 36 (35) subsidiaries whose primary business purpose is to provide services for the Group's insurance companies were not consolidated in the reporting period. A further 14 (15) associates and two (four) joint ventures were not accounted for using the equity method due to insignificance. Altogether, the total assets of these entities amount to less than 1% of average total Group assets in the last three years. Additionally, the companies' net income amounts altogether to less than 2% of the Group's average net income for the last three years. In subsequent periods, the entities not included in the basis of consolidation for reasons of insignificance are examined at each reporting date to establish whether they should be consolidated or accounted for using the equity method because the assessment of their materiality has changed.

For information on the composition of the Group, including a complete list of all shareholdings, please refer to the "List of Shareholdings" section on pages 249 ff. Information on associates and joint ventures can be found in Note 5.

BASIS OF CONSOLIDATION

	2022	2021
Number of consolidated subsidiaries		
Domestic [1]	74	79
Foreign [2]	151	145
Subtotal	**225**	**224**
Number of consolidated investment funds (subsidiaries) [3]		
Domestic	26	21
Foreign	4	5
Subtotal	**30**	**26**
Number of consolidated structured entities		
Domestic	—	—
Foreign	3	3
Subtotal	**3**	**3**
Total number of consolidated entities		
Domestic	100	100
Foreign	158	153
Subtotal	**258**	**253**
Number of equity-accounted associates and joint ventures		
Domestic [4]	5	4
Foreign [5, 6]	7	7
Total	**12**	**11**

[1] This figure comprises 72 (77) individual entities and 2 (2) entities consolidated in 1 (1) subgroup.
[2] This figure comprises 63 (65) individual entities and 88 (80) entities consolidated in 4 (4) subgroups.
[3] These investment funds do not constitute structured entities since control is exercised through voting rights or similar rights.
[4] Includes 2 (1) domestic joint venture.
[5] This figure comprises 4 (4) individual entities and 3 (3) equity-accounted investment(s) included in a subgroup.
[6] Includes 1 (1) foreign joint venture.

Disclosures on the nature and extent of significant restrictions

Statutory, contractual or regulatory restrictions, and protective rights of non-controlling interests can restrict the Group's ability to access or use the assets, to transfer them freely to or from other entities within the Group, and to settle the Group's liabilities. The following significant restrictions applied to the following subsidiaries with non-controlling interests as at the reporting date because of protective rights in favour of the shareholders concerned.

SIGNIFICANT RESTRICTIONS AT MATERIAL SUBSIDIARIES

Company	Nature and extent of significant restrictions
Towarzystwo Ubezpieczeń i Reasekuracji WARTA S. A. and Towarzystwo Ubezpieczeń na Życie WARTA S. A., both Warsaw, Poland	Under the consortium agreement with a minority shareholder, a dividend or a capital decrease may only be resolved with that shareholder's approval. In addition, the consortium agreement specifies that the shares held by the Group are subject to a restriction on disposal.
E+S Rückversicherung AG, Hannover	The sale and transfer of shares of E+S Rückversicherung AG are subject to endorsement and must be approved by the company's supervisory board. The supervisory board has the right to issue or refuse approval and is not obliged to give any reasons in the event of a refusal.

Other restrictions on transferring assets between Group companies may exist in certain countries as a result of local minimum capital and solvency requirements and, to a lesser extent, of currency restrictions. The Group has established US trust accounts and furnished other collateral for US cedants totalling EUR 8,600 (8,548) million in order to secure our technical liabilities. The securities held in the trust accounts are reported as available-for-sale investments. The amount includes the equivalent of EUR 3,323 (3,132) million provided by investors as security for possible technical liabilities arising from ILS transactions. Other blocked custody accounts and other trust accounts in favour of reinsurers and cedants, generally outside the USA, were also established in the amount of EUR 3,566 (3,756) million. In certain countries, collateral for liabilities to credit institutions of EUR 1,344 (922) million was provided in connection with property companies and real estate transactions. For further information, please refer to our disclosures in the "Risks from investments" subsection of the "Credit risks" section of the risk report in the Group management report.

Disclosures on subsidiaries with significant non-controlling interests

Non-controlling interests in the equity of subsidiaries are reported separately in equity. They amounted to EUR 5,127 (7,169) million as at the reporting date.

SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS [1]

EUR million	Hannover Rück SE subgroup [2] 2022	Hannover Rück SE subgroup [2] 2021	Towarzystwo Ubezpieczeń i Reasekuracji WARTA S. A. 2022	Towarzystwo Ubezpieczeń i Reasekuracji WARTA S. A. 2021
Domicile/country of formation	Hannover, Germany	Hannover, Germany	Warsaw, Poland	Warsaw, Poland
Non-controlling interests	49.78%	49.78%	24.26%	24.26%
Investments	68,478	67,520	2,953	2,804
Reinsurance recoverables on technical provisions	3,767	3,073	310	255
Accounts receivable on insurance business	8,341	7,208	268	258
Total assets	**86,952**	**82,902**	**3,930**	**3,707**
Subordinated liabilities	3,726	2,977	—	—
Technical provisions	61,700	55,357	2,906	2,634
Other provisions	535	483	21	22
Equity	**8,748**	**12,756**	**720**	**749**
of which non-controlling interests [3]	4,790	6,854	175	182
Total debt	**78,204**	**70,146**	**3,210**	**2,958**
Gross written premiums	33,276	27,762	1,712	1,533
Net premiums earned	29,673	24,144	1,530	1,349
Underwriting result	–361	–479	96	97
Net investment income	2,061	1,943	118	69
Operating profit/loss (EBIT)	2,087	1,735	196	155
Net income	**1,543**	**1,300**	**155**	**133**
of which non-controlling interests [3]	1,227	672	38	32
Other comprehensive income	**–4,738**	**205**	**–107**	**–131**
Total comprehensive income	**–3,195**	**1,505**	**48**	**2**
of which non-controlling interests [3]	–1,248	820	12	0
Cash flows from operating activities	5,164	4,940	348	250
Cash flows from investing activities	–5,383	–5,261	–237	–167
Cash flows from financing activities	133	278	–77	–83
Cash and cash equivalents at the end of the reporting period	**1,323**	**1,355**	**11**	**13**
Dividends paid to non-controlling interests during the year [4]	**375**	**316**	**—**	**—**

[1] All amounts relate to financial information before consolidation.
[2] Information provided by the Hannover Rück SE subgroup
[3] The non-controlling interests in equity, net income and total comprehensive income of the Hannover Rück SE subgroup are based on the proportionate indirect share.
[4] Contained in cash flows from financing activities.

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

An agreement dated 20 June 2022 ended the cooperation between HDI International AG, Hannover (HINT; Retail International segment), Meiji Yasuda Life Insurance Company, Tokyo, Japan (Meiji Yasuda) and the Getin Holding Group, Warsaw, Poland (Getin) in connection with the long-term equity investment in Towarzystwo Ubezpieczeń Europa S.A. (TU Europa), Warsaw, Poland (Retail International segment).

In the above agreement, the parties involved agreed that Meiji Yasuda would acquire a 16.54% share in TU Europa directly from Getin, reversing a written put option. This decreased the share recognised by the Group in TU Europa to 50.01%. Accordingly, equity attributable to non-controlling interests rose by EUR 53 million, with the own share declining by EUR 9 million.

In addition, a payment of PLN 73 million (EUR 16 million) from Meiji Yasuda to HINT was agreed as part of a clawback agreement.

The forward purchase agreed in 2019 of the remaining 23.5% share in Svedea AB, Stockholm, Sweden was realised by HDI Global Specialty SE, Hannover (both Industrial Lines segment) at a price of SEK 332 million (EUR 31 million) as at 30 June 2022. Accordingly, equity attributable to non-controlling interests declined by EUR 4 million, with the own share increasing by EUR 5 million.

HDI Global Insurance Limited Liability Company, Moscow, Russia, was deconsolidated with effect from 1 July 2022 on the grounds of insignificance and significant difficulties in collecting information and reported as a long-term equity investment in the consolidated financial statements. This resulted in net deconsolidation income of EUR –1 million in the Industrial Lines segment.

On 22 December 2022, Hannover Rück SE (around 41.3%) and E+S Rückversicherung AG (around 8.7%) together purchased 50% of shares in MR Beteiligungen 23. GmbH, Munich, a wholly owned subsidiary of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft, Munich. As a result of acquiring the investment, Hannover Rück SE and E+S Rückversicherung AG, together with Münchener Rückversicherungs-Gesellschaft AG, obtained joint control of the company within the meaning of IFRS 11.16. As part of the acquisition, both Hannover Rück SE and E+S Rückversicherung undertook to contribute a total of 85.5% of the shares held in full by them in the companies Hannover Re Euro PE Holdings GmbH & Co. KG, Hannover and Hannover America Private Equity Partners II GmbH & Co. KG, Hannover, (including another subsidiary) with effect from 31 December 2022. In addition, another subsidiary, HAPEP II Komplementär GmbH, Hannover, was fully contributed. The companies contributed constitute operating business. The remaining equity interests in the companies are recognised at fair value through other comprehensive income as financial instruments available for sale in accordance with IAS 39.

The purpose of the joint venture is to acquire, hold and manage long-term equity investments in private equity companies. As a result of the combination, the fair value of the private equity portfolio as at the reporting date came to around EUR 3.6 billion. This should provide better access to private equity funds, result in more fund units being allocated and create more significant co-investment opportunities. Using the other partner's network grants access to more fund managers (general partners). Together, economies of scale could be leveraged for contractual terms.

The company is classified as a joint venture as it is independent and Hannover Rück SE is entitled only to a share of its net assets. Hannover Re is not liable to third parties for the company's obligations.

The company is accounted for using the equity method. The company's equity carrying amount at the reporting date is around EUR 1.9 billion.

The contribution of company shares and the related disposal of private equity investments resulted in net deconsolidation income of EUR 1,076 million. EUR 558 million of this is recognised as income on the disposal of investments in net investment income and EUR 518 million in other income/expenses. This includes both the effect corresponding to the contribution rate and the proportion attributable to the remaining company shares. The share attributatble to non-controlling interests amounted to EUR 764 million, taking into account tax effects.

ASSETS AND LIABILITIES OF THE SUBSIDIARIES CONTRIBUTED

EUR million	2022
Shares in affiliated companies and participating interests	10
Loans and receivables	2
Other financial instruments	12
Other investments	2,165
Cash at banks, cheques and cash-in-hand	23
Other assets	15
Total assets	**2,226**
Provisions for taxes	13
Deferred tax liabilities	1
Other liabilities	2
Total liabilities	**16**
Net assets	**2,210**

In an agreement dated 30 December 2022, HDI Sigorta A.Ş., Istanbul, Türkiye, a wholly-owned Group subsidiary of HINT (Retail International segment), established Fiba Sigorta A.Ş., Istanbul, Türkiye, with 50% of shares. The aim of the company is to provide a digital platform for all insurance sales channels. An initial EUR 10 million was invested in this context. This transaction relates to the acquisition of investments in Fiba Emeklilik ve Hayat A.Ş., Istanbul, Türkiye (see also "Events after the end of the reporting period" in the "Other disclosures" section of the Notes to the consolidated financial statements).

Regarding the disposal of OOO Strakhovaya Kompaniya CiV Life, Moscow, Russia, and GERLING Pensionshaftungs- und Rentenmanagement GmbH, Cologne, please see the "Non-current assets held for sale and disposal groups" section.

In addition, there were no material changes to the basis of consolidation in comparison to the end of 2021.

Disclosures on consolidated structured entities

Kaith Re Ltd., LI RE and Kubera Insurance (SAC) Ltd. (all Hamilton, Bermuda) were consolidated as at the reporting date.

Kaith Re Ltd. is a "segregated accounts company" (SAC) whose sole purpose is to transform reinsurance risks into securitised investment products. This transfers the entire risk to the investor concerned in all cases. SACs have segregated accounts in addition to their general account that are legally entirely separate from each other and from the general account in terms of liability, and that are used to execute the above-mentioned securitisation transactions for the investors.

Kubera Insurance (SAC) Ltd. is also a SAC whose purpose is to establish segregated accounts which are then made available to non-Group companies for structured financial transactions.

In accordance with IFRS 10, we classify the general account and segregated accounts as separate entities and apply the principles of "silo accounting" to them. In line with this concept, Hannover Rück SE is required to consolidate general account of Kaith Re Ltd. and Kubera Insurance (SAC) Ltd. and is contractually obliged to pay the costs of external service providers, which must be met from the funds in the general account. Each segregated account must be examined separately by the parties involved (investors) to establish whether a consolidation requirement exists, and must be consolidated on the basis of the individual contractual arrangements.

LI RE is a segregated account of Kaith Re Ltd. whose purpose – as in the case of all of Kaith Re Ltd.'s segregated accounts – is to securitise underwriting risks. In contrast to the other segregated accounts, Leine Investment SICAV-SIF, Luxembourg, is LI RE's sole investor and risk taker.

At the reporting date, the Group had not provided any financial or other support for a consolidated structured entity. The Group does not intend to provide financial or other support to one or more of these entities where it is not contractually obliged to do so.

Disclosures on unconsolidated structured entities

The unconsolidated structured entities comprise the following types of transactions:

BREAKDOWN OF UNCONSOLIDATED STRUCTURED ENTITIES BY THE NATURE OF THE ENTITY, INCLUDING A PRESENTATION OF THE LOSS EXPOSURE

Nature and purpose of the business relationship or investment
Investments (including investments in CAT bonds ((ILS))
Investments: As part of its asset management activities, the Group is invested in various funds, which themselves transact certain types of equity and debt investments, and whose fund/corporate management has been outsourced to a fund manager. The investments consist of special funds, private equity funds, fixed income funds, collateralised debt obligations, real estate funds, index funds and other retail funds. In some cases, Talanx companies also act as fund managers (as an agent) in order to collect management fees on behalf of the investors. Material risks consist of the risk of loss of capital invested that is typical for funds. The maximum loss exposure corresponds to the carrying amounts. With regard to the fund management for non-Group investors, the loss exposure is limited to any default on the future administration fees. The volume of assets managed for non-Group investors stands at EUR 29 (26.7) billion and the generated commissions total EUR 140 (145) million.
Leine Investment SICAV-SIF: Through investments in CAT bonds, Hannover Rück SE is invested via its subsidiary Leine Investment SICAV-SIF, Luxembourg, in a number of structured entities that issue these bonds to securitise catastrophe risks. Leine Investment General Partner S. à. r. l. is the managing partner of the asset management company Leine Investment SICAV-SIF, whose purpose consists of the development, holding and management of a portfolio of insurance-linked securities (CAT bonds), including for investors outside the Group. The volume of these transactions results from the carrying amount of the relevant investments and amounted to the equivalent of EUR 126 (78) million at the reporting date. The maximum loss exposure corresponds to the carrying amounts.
Unit-linked life insurance contracts
There are unit-linked life insurance contracts at the reporting date resulting from the life insurance business of Group companies. In this form of investment, all risks and returns are attributable to the policyholder, meaning that the Group has no obligations or risk exposures. The investments and the related obligations to the policyholders are classified as a unit for which the policyholder makes the investment decision; there is therefore no requirement to consolidate them.
Collateralised fronting (ILS)
As part of its extended insurance-linked securities (ILS) activities, Hannover Rück SE has entered into collateralised fronting arrangements, under which risks assumed from ceding companies are passed on to institutional investors outside the Group using structured entities. The purpose of such transactions is to directly transfer clients' business. The volume of the transactions refers to the reinsurance layer of the underlying retrocession agreements and amounted to EUR 6,183 (4,550) million at the reporting date. A portion of the reinsurance layer is funded and collateralised by contractually defined investments in the form of cash and cash equivalents. A further portion remains uncollateralised or is collateralised by less liquid securities. The maximum loss exposure from the uncollateralised reinsurance layer as at the reporting date was EUR 1,865 (1,174) million. However, this does not correspond to the economic loss exposure measured in accordance with recognised actuarial methods. The worst-case modelled expected loss in 10,000 years is a maximum of EUR 44 (38) million.
Retrocessions and securitisation of reinsurance risks
The securitisation of reinsurance risks is largely performed using structured entities. "K Cession": Through its "K" transactions, Hannover Rück SE secured underwriting capacity for catastrophe risks on the capital market. The "K Cession", which was placed with institutional investors from North America, Europe and Asia, involves a quota share cession on its worldwide natural catastrophe business as well as aviation and marine risks. From the total volume of the "K Cession", an amount converted as at the reporting date of EUR 370 (399) million was securitised through structured entities. The transaction has an indefinite term and can be called annually by the investors. Segregated accounts of Kaith Re Ltd. are being used as a transformer in relation to part of this transaction. Hannover Rück SE also uses further segregated accounts of Kaith Re Ltd. and other structured entities outside the Group for various retrocessions both of its traditional cover and also its ILS cover that are both passed on to institutional investors in the form of securitised transactions. The volume of these transactions is measured by reference to the reinsurance layer of the underlying retrocession agreements and amounted to EUR 5,989 (4,731) million at the reporting date. The structured entities are in all cases fully funded by contractually defined investments in the form of cash and cash equivalents. As the entire reinsurance layer of the structured entities is thus fully collateralised in each case, there is no underwriting loss exposure for Hannover Rück SE in this respect.
"Unterstützungskassen" (provident funds)
"Unterstützungskassen" are provident funds with legal capacity that assume responsibility for performing a benefit commitment for an employer. The Group's relationship with these entities is based on the support it provides to establish these entities and the insurance business it concludes. As the Group cannot direct the relevant activities of the "Unterstützungskassen" and has no rights to variable returns from them, there is no requirement for the Group to consolidate these entities. These entities do not result in assets, liabilities or non-performance risk for the Group.

BUSINESS RELATIONSHIPS AND CARRYING AMOUN TS OF THE ASSETS AND LIABILITIES OF UNCONSOLIDATED STRUCTURED ENTITIES

EUR million	31.12.2022				31.12.2021			
Type of unconsolidated structured entity	General investment activity/ investments	Unit-linked life insurance contracts	Investments in CAT bonds (ILS)	Retrocession: securitisations of reinsurance risks	General investment activity/ investments	Unit-linked life insurance contracts	Investments in CAT bonds (ILS)	Retrocession: securitisations of reinsurance risks
Assets								
Loans and receivables	6	—	—	—	1	—	—	—
Other financial instruments – available-for-sale financial instruments	4,933	—	—	—	5,864	—	—	—
Other financial instruments – financial instruments at fair value through profit or loss	164	—	126	—	85	—	78	—
Investment contracts	777	—	—	—	825	—	—	—
Other investments	4,222	—	—	—	6,117	—	—	—
Funds withheld by ceding companies	—	—	—	—	—	—	—	—
Investments for the benefit of life insurance policyholders who bear the investment risk	—	11,902	—	—	—	13,687	—	—
Reinsurance recoverables on technical provisions	—	—	—	1,957	—	—	—	1,307
	—	—	—	—	—	—	—	210
Accounts receivable on insurance business	—	—	—	38	—	—	—	286
Total asset items	**10,101**	**11,902**	**126**	**1,995**	**12,892**	**13,687**	**78**	**1,803**
Equity and liabilities								
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	—	11,902	—	—	—	13,687	—	—
Other liabilities – reinsurance payables	—	—	—	1,012	—	—	—	783
Total equity and liabilities items	**—**	**11,902**	**—**	**1,012**	**—**	**13,687**	**—**	**783**

Where they result from general investment activities or investments in CAT bonds, income and expenses from business relationships with unconsolidated structured entities are reported in “Net investment income”; if they are attributable to retrocessions and securitisations, they are reported in the technical account.

Kubera Insurance (SAC) Ltd set up an additional segregated account in September 2020. This gathered investor capital via issued bonds that was provided to an Australian insurance broker in a swap agreement to finance the broker’s business. Redemption of the bonds depends on the broker’s business development. Hannover Rück SE, along with other external parties, is an investor in the bonds. The segregated account can be used flexibly for other rounds of financing. Hannover Re does not own the segregated account.

As at the reporting date, no Group company had provided any financial or other support for these unconsolidated structured entities. Equally, there are currently no intentions to provide financial or other support without a contractual obligation to do so. Commitments that we do not classify as support – such as outstanding capital commitments under existing investment exposures – are presented in the “Contingent liabilities and other financial commitments” subsection of the “Other disclosures” section.

Non-current assets held for sale and disposal groups

Magyar Posta Biztositó Zrt. and Magyar Posta Életbiztositó Zrt., Budapest, Hungary (Retail International segment)

HDI International AG signed an agreement to sell the 66.9% interest in the two subsidiaries Magyar Posta Biztositó Zrt. and Magyar Posta Életbiztositó Zrt., Budapest, Hungary, to the Hungarian state-owned holding company Corvinus Nemzetközi Befektetési Zrt. on 22 December 2022.

The disposal group of Magyar Posta Biztositó Zrt. contains the following material assets: "investments" (EUR 25 million), "reinsurance recoverables on technical provisions" (EUR 10 million), "accounts receivable on insurance business", "other assets" and "intangible assets" (EUR 2 million each). The disposal group contains the following material liabilities: "technical provisions" (EUR 48 million) and "other liabilities" (EUR 4 million). Other comprehensive income also includes cumulatively recognised unrealised losses of EUR 14 million.

The disposal group of Magyar Posta Életbiztositó Zrt. contains the following material assets: "investments" (EUR 421 million), "cash at banks, cheques and cash-in-hand" (EUR 4 million), "other assets" (4 million) and "deferred acquisition costs" (EUR 2 million). The disposal group contains the following material liabilities: "technical provisions" (EUR 394 million) and "other liabilities" (EUR 4 million). Other comprehensive income also includes cumulatively recognised unrealised losses of EUR 6 million.

The Group plans to use the sale of the two Hungarian companies to optimise its portfolio in Central and Eastern Europe. The transaction is expected to close in the first half of 2023 and will likely result in disposal gains in the low double-digit euro millions.

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

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

HDI Global SE, Hannover (Industrial Lines segment)

HDI Global SE, Hannover is planning to sell an insurance portfolio in the motor vehicle and marine insurance lines held by its branch in the Netherlands. The portfolio contains assets of EUR 32 (0) million and technical provisions of EUR 52 (61) million. The disposal relates to the strategic orientation in the Industrial Lines segment and is expected to take place in 2023. No valuation adjustments were required.

Real estate

We report property holdings as held for sale in the amount of EUR 38 (17) million as at the reporting date, which are attributable to the Retail Germany Division (EUR 30 (17) million) and Retail International Division (EUR 8 (0) million). Fair values are largely measured internally within the Group using the German discounted cash flow method plus external expert opinions in individual cases. The purchase price is used where a sale has been agreed as binding. The intentions to sell were based on individual property market and property conditions, taking into account current and future opportunity/risk profiles.

GERLING Pensionsenthaftungs- und Rentenmanagement GmbH, Cologne (Retail Germany – Life segment)

As at 30 June 2022, the Group recognised the subsidiary GERLING Pensionsenthaftungs- und Rentenmanagement GmbH, Cologne, Germany, held by HDI Lebensversicherung AG, Cologne, as a disposal group with assets of EUR 18 million and liabilities of EUR 52 million. Effective 27 October 2022, the Group sold its 100% interest with a disposal loss of EUR 7 million.

OOO Strakhovaya Kompaniya CiV Life, Moscow, Russia (Retail International segment)

As at 31 December 2021, the Group recognised the subsidiary OOO Strakhovaya Kompaniya CiV Life, Moscow, Russia, held by HDI International AG, Hannover, as a disposal group with assets of EUR 597 million and liabilities of EUR 556 million. Effective 24 February 2022, the Group sold its 100% interest with a disposal loss of EUR 23 million.

Notes to the consolidated balance sheet – assets

(1) Goodwill

GOODWILL BY SEGMENT

EUR million	Industrial Lines	Retail Germany – Property/ Casualty	Retail Germany – Life	Retail International	Property/ Casualty Reinsurance	Corporate Operations	2022	2021
Gross carrying amount as at 31.12. of the previous year	**157**	**324**	**202**	**606**	**36**	**4**	**1,329**	**1,341**
Currency translation as at 1.1. of the financial year	—	—	—	–1	–1	—	–2	–30
Gross carrying amount as at 31.12. after currency translation as at 1.1. of the financial year	157	324	202	605	35	4	1,327	1,311
Change in basis of consolidation	–1	—	—	—	—	—	–1	—
Additions due to business combinations	—	—	—	—	—	—	—	20
Disposals	—	—	—	5	—	—	5	2
Exchange rate changes	—	—	—	—	—	—	—	—
Gross carrying amount as at 31.12. of the financial year	**157**	**324**	**202**	**600**	**35**	**4**	**1,322**	**1,329**
Accumulated impairment losses as at 31.12. of the previous year	**5**	**75**	**202**	**15**	**—**	**4**	**301**	**301**
Currency translation as at 1.1. of the financial year	—	—	—	1	—	—	1	—
Accumulated impairment losses after currency translation as at 1 January of the financial year	5	75	202	16	—	4	302	301
Accumulated impairment losses as at 31.12. of the financial year	**5**	**75**	**202**	**16**	**—**	**4**	**302**	**301**
Carrying amount as at 31.12. of the previous year	153	248	—	591	36	—	1,028	1,040
Carrying amount as at 31.12. of the financial year	**152**	**248**	**—**	**584**	**35**	**—**	**1,020**	**1,028**

Impairment testing

Goodwill is allocated to cash-generating units (CGUs) or groups of CGUs in accordance with IFRS 3 in conjunction with IAS 36. The allocation is made to those CGUs or groups of CGUs that are expected to derive economic benefits in the form of cash flows from the business combination that gave rise to the goodwill. The CGUs to which goodwill is allocated represent the lowest organisational level at which goodwill is monitored for internal management purposes.

The Group has therefore allocated all goodwill to CGUs or groups of CGUs. In the case of the Industrial Lines, Retail Germany – Property/ Casualty and Property/Casualty Reinsurance segments, the CGUs correspond to the segments of the same name in accordance with IFRS 8. In the Retail International segment, each foreign market essentially represents a separate CGU; however, the lowest goodwill monitoring level corresponds to the geographical regions, which represent groups of CGUs.

CGUS TO WHICH GOODWILL IS ALLOCATED

EUR million (measured at the closing rate)	31.12.2022	31.12.2021
Industrial Lines segment	152	153
Retail Germany – Property/Casualty segment	248	248
Retail International segment		
Latin America	181	170
Europe	403	421
Property/Casualty Reinsurance segment	35	36

The Group regularly tests goodwill for impairment in the fourth quarter of each year, based on data as at 30 September of that year. Since there was no evidence of impairment for any of the CGUs or groups of CGUs as at the reporting date, it was not necessary to perform an unscheduled impairment test.

Potential indications of impairment are identified by comparing the carrying amount of the CGU or the group of CGUs, including the allocated goodwill, with its recoverable amount. If the carrying amounts exceed the recoverable amount, a goodwill impairment is recognised in the statement of income. Recoverable amount is the higher of fair value less costs of disposal and value in use. With the exception of the reinsurance segments, it is measured for all CGUs or groups of CGUs on the basis of value in use. The latter is calculated using a recognised valuation technique, normally the discounted cash flow method. If CGUs or groups of CGUs comprise more than one Group company, a sum-of-the-parts approach is used. Recoverable amount in the Reinsurance segment is measured on the basis of fair value less costs of disposal (Level 1 of the fair value hierarchy).

Key assumptions used in determining recoverable amount (value in use)
When the property/casualty insurers and the life insurers are measured using the German discounted cash flow method, the present value of future cash flows is calculated based on the projected income statements approved by the management of the companies concerned. The projections are prepared on a standalone basis, based on the going concern assumption and on the premise that the entity will continue to operate a generally unchanged concept. As a rule, they project after-tax net income for the next five years and then extrapolate to perpetuity starting in the sixth year. The constant growth rates shown below – which are based on conservative assumptions – are used to extrapolate the cash flows beyond the detailed planning period.

Climate factors are taken into account in the actuarial function. These also include the risks of climate change and risks from changes to the macroeconomic environment, such as the repercussions of the war in Ukraine. The underwriting result as part of the cash flow extrapolation is incorporated when preparing projections and thus affects the recoverable amount.

The bancassurance property insurers are measured at the present value of their future cash flows; only future earnings up to the end of the relevant cooperation period are factored into the calculation. After this, a linear decrease in earnings over three years and notional liquidation proceeds after that are assumed.

Macroeconomic assumptions as to economic growth, inflation, interest rate trends and the market environment were made when forecasting future company-specific cash flows for individual CGUs or groups of CGUs. These assumptions correspond to the economic forecasts for the countries in which the units to be measured are located and are in line with market expectations and sector forecasts.

The combined ratio is an indicator of business performance in the area of property/casualty insurance, and is derived from the projections for premium trends and expenses. When forecasting premiums and expenses, key estimates include the growth opportunities in the market environment concerned and claims and cost trends in the context of measures planned at company level. Investment income is projected on the basis of the individual asset portfolios, including their relevant term structure and currency distribution, with the projection being based on the assumptions regarding interest rate trends. The net return on investment therefore varies widely by CGU or group of CGUs, depending on the level of interest rates in the currency area in question. The main planning assumption made in life insurance relates to interest rate trends.

The key assumptions shown above are produced by aggregating the business plans for the individual companies in a CGU or a group of CGUs. The values assigned to the key parameters are arrived at from past experience and future expectations. The values for the assumptions regarding interest rate trends in individual countries are defined uniformly throughout the Group and are derived from publicly available information sources. Any present values calculated in local currency are translated at the exchange rate as at the reporting date.

The German discounted cash flow method is normally used to measure the life insurance companies (this is relevant only for the “Europe” and “Latin America” groups of CGUs). For the Italian life insurance company in the “Europe” group of GBUs, valuation is made on the basis of market consistent embedded value (MCEV).

The discount factor (capitalisation rate) for the Group companies is calculated on the basis of the capital asset pricing model. The assumptions underlying the calculation of the capitalisation rate, including the risk-free base interest rate, the market risk premium and the beta factor, are determined on the basis of publicly available information and/or capital market data. The constant long-term growth rates used are arrived at using past experience and future expectations. The long-term average growth rates for the markets in which the companies operate are exceeded only in individual cases in countries in which very high nominal inflation rates are observed so as to avoid an inappropriate, real contraction scenario.

CAPITALISATION RATES AND LONG-TERM GROWTH RATES

	Capitalisation rate		Long-term growth rate	
%	2022 [1]	2021 [1]	2022 [1]	2021 [1]
Industrial Lines				
Eurozone	8.90 – 9.65	6.40 – 7.70	1.00	1.00
Other countries	9.90 – 18.65	8.30 – 19.05	1.00 – 4.00	1.00 – 4.00
Retail Germany – Property/Casualty	7.90 – 8.15	6.30 – 6.40	0.00 – 1.00	0.00 – 1.00
Retail International				
Europe				
Poland	12.65	8..05 – 10.15	2.00	2.00
Italy	10.65	8.05	1.00	1.00
Other countries	8..90 – 20.15	6.40 – 22.55	1.00 – 8.00	1.00 – 6.00
Latin America				
Brazil	18.65	16.05	4.00	4.00
Chile	13.40	11.05	3.00	3.00
Mexico	15.40	14.30	3.00	3.00
Other countries	15.15 – 64.15	13.05 – 52.05	3.00 – 8.00	3.00 – 8.00

[1] The figures relate to the reference date for the regular impairment test (30 September of each financial year).

Impairment losses in the reporting period

As in the prior year, there was no need to recognise goodwill impairment losses in the financial year.

Sensitivity analyses

The Group performed sensitivity analyses on the key parameters when calculating the recoverable amounts for all CGUs or groups of CGUs to which goodwill is allocated.

A number of conceivable scenarios plus the relevant changes in inputs were defined and studied in detail in order to ensure that key risks were covered when calculating value in use. These risks include underwriting risk (combined ratio), interest rate inputs (interest rate risk), currency inputs (foreign exchange risk) and equity inputs (equity risk). In each scenario, one input was modified when calculating value in use, whereas the other assumptions were left unchanged in the medium-term planning and in the extrapolation, and the resulting change in fair value was then calculated. The calculations are based on the value in use determined during impairment testing.

The calculations of conceivable input changes have not led to any potential impairment.

(2) Other intangible assets

CHANGES IN OTHER INTANGIBLE ASSETS

					Finite useful life	Indefinite useful life		
		Software						
EUR million	Insurance-related intangible assets	Purchased	Developed	Acquired distribution networks and customer relationships	Other	Acquired brand names	2022	2021
Gross carrying amount as at 31.12. of the previous year	**2,344**	**715**	**49**	**157**	**210**	**35**	**3,510**	**3,381**
Change in basis of consolidation	—	—	—	—	25	—	25	29
Additions	—	27	5	—	99	—	131	117
Disposals	—	13	—	—	54	—	67	16
Reclassifications	—	34	—	—	–34	—	—	—
Disposal groups in accordance with IFRS 5	—	–12	—	—	—	—	–12	–2
Exchange rate changes	3	3	2	–3	–13	—	–8	1
Gross carrying amount as at 31.12. of the financial year	**2,347**	**754**	**55**	**155**	**233**	**35**	**3,579**	**3,510**
Accumulated amortisation and impairment losses as at 31.12. of the previous year	**1,910**	**510**	**39**	**129**	**29**	**4**	**2,621**	**2,542**
Change in basis of consolidation	—	—	—	—	17	—	17	—
Disposals	—	13	—	—	1	—	14	10
Reversals of impairment losses	19	—	—	—	—	—	19	—
Amortisation/impairment losses								
Amortisation	9	63	3	6	7	1	88	91
Impairment losses	—	1	—	—	—	—	1	1
Disposal groups in accordance with IFRS 5	—	–9	—	—	—	—	–9	–1
Exchange rate changes	2	1	1	–2	–5	—	–4	–2
Accumulated amortisation and impairment losses as at 31.12. of the financial year	**1,901**	**554**	**43**	**133**	**46**	**5**	**2,682**	**2,621**
Carrying amount as at 31.12. of the previous year	435	204	10	28	182	31	889	839
Carrying amount as at 31.12. of the financial year	**446**	**200**	**12**	**22**	**187**	**30**	**897**	**889**

Insurance-related intangible assets (i.e. PVFP) consist of a shareholders' portion and a policyholders' portion. Only amortisation of the shareholders' portion reduces future earnings. Life insurance companies that are required to enable their policyholders to participate in all results recognise the policyholders' portion of the PVFP by establishing a provision for deferred premium refunds.

Amortisation of the PVFP totalled EUR 9 (19) million. EUR 9 (1) million of this amount is attributable to the shareholders' portion and EUR 0 (18) million to the policyholders' portion. These relate to Life/Health Reinsurance (EUR 3 [2] million) and Retail International (EUR 6 [7] million). In the previous year, EUR 9 million related to the Retail Germany – Life segment.

PVFP FOR PRIMARY LIFE INSURANCE COMPANIES

EUR million	31.12.2022	31.12.2021
Shareholders' portion	192	184
Policyholders' portion	230	225
Carrying amount	**422**	**409**

Reversals of impairment losses (EUR 19 [0] million) resulted entirely from the Retail Germany – Life segment on account of changes to actuarial bases, EUR 14 million of which was attributable to the shareholders' portion and EUR 5 million to the policyholders' portion.

PVFP BY TERM

EUR million	Up to 10 years	Up to 20 years	Up to 30 years	Over 30 years	Total
				Term	
Shareholders' portion	62	56	57	41	**217**
of which investment contracts	2	—	—	—	2
Policyholders' portion	42	72	63	52	**230**
Carrying amount as at 31.12.2022	**104**	**128**	**120**	**93**	**446**

The acquired brand names worth EUR 30 (31) million (essentially "WARTA" [EUR 28 million]) are indefinite-lived intangible assets since, based on an analysis of all relevant factors (including anticipated use, control, dependence on other assets), there is no foreseeable limitation on the period during which the asset can be expected to generate net cash flows.

(3) Investment property

INVESTMENT PROPERTY

EUR million	2022	2021
Gross carrying amount as at 31.12. of the previous year	**5,212**	**3,701**
Change in basis of consolidation (additions)		
Business combinations	153	43
Mergers	2	—
Additions	436	1,482
Disposals	9	123
Disposal groups in accordance with IFRS 5	−49	—
Reclassifications	—	35
Exchange rate changes	36	73
Gross carrying amount as at 31.12. of the financial year	**5,781**	**5,212**
Accumulated depreciation and impairment losses as at 31.12. of the previous year	**562**	**451**
Disposals	3	10
Reversal of impairment	20	2
Depreciation and impairment losses		
Depreciation	95	78
Impairment losses	35	21
Reclassification	—	12
Disposal groups in accordance with IFRS 5	−19	—
Exchange rate changes	10	12
Accumulated depreciation and impairment losses as at 31.12. of the financial year	**660**	**562**
Carrying amount as at 31.12. of the previous year	4,650	3,250
Carrying amount as at 31.12. of the financial year	**5,121**	**4,650**

Additions in the reporting period were mainly attributable to the Retail Germany – Life (EUR 58 million) and Property/Casualty (EUR 375 million) segments.

The fair value of investment property amounted to EUR 6,638 (6,027) million as at the reporting date. EUR 135 (143) million of this amount is attributable to Level 2 of the fair value hierarchy and EUR 6,503 (5,883) million to Level 3. Fair values are largely measured internally within the Group using the German discounted cash flow method plus external expert opinions in individual cases. Directly attributable operating expenses for properties rented out (including repairs and maintenance) totalled EUR 114 (91) million. Operating expenses of EUR 7 (13) million were incurred for properties with which no rental income is generated.

Restrictions on disposal and guarantee assets relating to investment property amounted to EUR 1,445 (994) million as at 31 December 2022. Contractual obligations to purchase, construct or develop investment property and for repairs, maintenance and enhancements amounted to EUR 448 (415) million as at the reporting date.

(4) Shares in affiliated companies and participating interests

SHARES IN AFFILIATED COMPANIES AND PARTICIPATING INTERESTS

EUR million	2022	2021
Affiliated companies	115	96
Participating interests	927	415
Carrying amount as at 31.12. of the financial year	**1,042**	**511**

(5) Shares in associates and joint ventures

This balance sheet item comprises the equity-accounted shares in associates and joint ventures that are measured on the basis of the share of the equity attributable to the Group. Financial information on associates and joint arrangements is disclosed in aggregated form in each case, as, with the exception of MR Beteiligungen 23. GmbH (MRB23) and Monument Insurance Group Limited, Hamilton, Bermuda (MIGL), none of these entities is individually material to the Group within the meaning of IFRS 12.21.

The Group holds 20% of ordinary shares in MIGL. The equity interest is identical to the share of voting rights held and, with one seat on the Board of Directors, constitutes significant influence over MIGL. In addition, a subsidiary of MIGL also issued non-voting, non-callable preference shares in which the Group holds a 24.4% share. MIGL is a life insurance group that acquires and winds up primarily European run-off life insurance portfolios/companies. At-equity measurement is based on consolidated financial statements prepared by the company as at 30 September in accordance with UK GAAP, adjusted for any significant transactions or other events.

MIGL – CONDENSED BALANCE SHEET

EUR million	2022	2021
Current assets	1,370	578
Non-current assets	10,991	7,764
Current liabilities	1,222	183
Non-current liabilities	10,302	7,412
Equity 30.09	838	746
Updated equity 31.12.	1,259	792
of which attributable to non-controlling interests	59	–

MIGL – RECONCILIATION TO CARRYING AMOUNTS

EUR million	2022	2021
Updated equity as at 01.01.	792	699
Capital increase	–	300
Capital reduction	–	188
Net income	516	47
Other comprehensive income	–62	4
Change in basis of consolidation	45	–
Dividends paid	32	71
Updated equity as at 31.12.	1,259	792
of which attributable to non-controlling interests	59	–
Group interest in capital	21.10 %	21.70 %
Group interest in equity	253	172
Goodwill	–	–
Carrying amount of the Group's share	253	172

The Group acquired 50% of shares in MRB23, a wholly owned subsidiary of Münchener Rückversicherungs-Gesellschaft AG, on 22 December 2022. As a result of acquiring the investment, the Group, together with Münchener Rückversicherungs-Gesellschaft AG, obtained joint control of the company within the meaning of IFRS 11.16. The equity interests correspond to the distribution of voting rights. The purpose of the joint venture is to acquire, hold and manage long-term equity investments in private equity companies. After contributing shares in subsidiaries to the joint venture as at 31 December 2022, the equity carrying amount at the reporting date is around EUR 1.9 billion. There are not yet any consolidated business figures available for the joint venture. (See the section "Significant additions and disposals of consolidated subsidiaries and other changes under company law").

SHARES IN ASSOCIATES AND JOINT VENTURES [1]

EUR million	2022	2021
Carrying amount as at 31.12. of the previous year	**504**	**438**
Additions	1,907	78
Disposals	—	–8
Disposal groups in accordance with IFRS 5	—	–7
Impairment losses	—	—
Result from investments in associated companies and joint ventures	135	43
Dividend payments	–33	–33
Adjustment recognised outside profit or loss	–24	–24
Exchange rate changes	5	18
Carrying amount as at 31.12. of the financial year	**2,495**	**504**

[1] Of this, MIGL accounts for earnings of EUR 101 (13) million, additions of EUR 0 (19) million, dividend payments of EUR –8 ([–19] million, adjustments recognised outside profit or loss of EUR –12 (1) million and a carrying amount as at the end of the reporting date of EUR 253 (172) million.

The goodwill of all equity-accounted companies amounted to EUR 101 (109) million at the year-end. Shares of losses incurred by associates in the amount of EUR 5 (0) million were not recognised in the financial year.

For further information on the Group's share in the capital of associates and joint ventures please refer to the "List of shareholdings" section on pages 249ff.

There were no obligations resulting from contingent liabilities of associates and joint ventures as at the reporting date.

AGGREGATED FINANCIAL INFORMATION ON SHARES IN ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD [1]

EUR million	2022	2021
Profit from continuing operations	583	133
Profit after tax from discontinued operations	—	—
Other comprehensive income	–131	–40
Total comprehensive income	**452**	**93**

[1] Of this, MIGL accounts for profit from continuing operations of EUR 507 (67) million and other comprehensive income of EUR –62 (4) million.

(6) Loans and receivables

LOANS AND RECEIVABLES

	Amortised cost		Unrealised gains/losses		Fair value	
EUR million	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Mortgage loans	804	586	−192	196	612	783
Loans and prepayments on insurance policies	97	101	—	—	97	101
Loans and receivables due from government or quasi-governmental entities[1]	10,081	10,586	−2,327	1,064	7,755	11,649
Corporate bonds	4,896	4,873	−374	235	4,522	5,108
Covered bonds/asset-backed securities	9,177	9,584	−838	1,633	8,339	11,217
	5	7	—	—	5	7
Total	**25,061**	**25,737**	**−3,731**	**3,128**	**21,330**	**28,865**

[1] Loans and receivables due from government or quasi-governmental entities include securities of EUR 2,070 (2,294) 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 9,177 (9,583) million; this corresponds to 100% (99%) of the total amount.

CONTRACTUAL MATURITIES

	Amortised cost		Fair value	
EUR million	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Due within 1 year	1,837	1,380	1,648	1,610
More than 1 year and up to 2 years	898	1,006	891	1,032
More than 2 years and up to 3 years	757	817	739	850
More than 3 years and up to 4 years	1,126	648	1,101	692
More than 4 years and up to 5 years	1,470	1,163	1,407	1,285
More than 5 years and up to 10 years	4,699	5,360	4,551	6,294
More than 10 years	14,275	15,362	10,993	17,102
Total	**25,061**	**25,737**	**21,330**	**28,865**

RATING STRUCTURE FOR LOANS AND RECEIVABLES

	Amortised cost	
EUR million	31.12.2022	31.12.2021
AAA	15,860	16,459
AA	3,446	3,736
A	2,302	2,562
BBB or lower	2,265	2,088
Not rated	1,189	893
Total	**25,061**	**25,737**

The rating categories are based on the classifications used by the leading international rating agencies. Unrated loans and receivables primarily consist of mortgage loans and policy loans.

(7) Held-to-maturity financial instruments

HELD-TO-MATURITY FINANCIAL INSTRUMENTS

EUR million	Amortised cost		Unrealised gains/losses		Fair value	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Government debt securities issued by EU member states	82	117	–2	5	79	122
Other foreign government debt securities	35	19	–1	—	34	19
Debt securities issued by quasi-governmental entities [1]	293	209	–61	–33	232	176
Corporate bonds	19	11	–3	–1	16	9
Total	**428**	**356**	**–67**	**–30**	**362**	**326**

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

CONTRACTUAL MATURITIES

EUR million	Amortised cost		Fair value	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Due within 1 year	62	48	63	49
More than 1 year and up to 2 years	62	53	62	56
More than 2 years and up to 3 years	43	13	40	13
More than 3 years and up to 4 years	1	22	1	20
More than 4 years and up to 5 years	5	—	4	—
More than 5 years and up to 10 years	215	202	159	172
More than 10 years	40	19	31	17
Total	**428**	**356**	**362**	**326**

RATING STRUCTURE FOR HELD-TO-MATURITY FINANCIAL INSTRUMENTS

EUR million	Amortised cost	
	31.12.2022	31.12.2021
AAA	47	—
AA	—	—
A	328	325
BBB or lower	49	30
Not rated	4	—
Total	**428**	**356**

The rating categories are based on the classifications used by the leading international rating agencies.

(8) Available-for-sale financial instruments

AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS

	Amortised cost		Unrealised gains/losses		Fair value	
EUR million	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Fixed-income securities						
Government debt securities issued by EU member states	15,707	14,623	−2,170	1,141	13,537	15,764
US treasury notes	12,350	9,422	−798	367	11,552	9,789
Other foreign government debt securities	5,479	4,808	−273	57	5,205	4,865
Debt securities issued by quasi-governmental entities [1]	18,294	16,710	−3,541	851	14,753	17,561
Corporate bonds	28,795	29,771	−3,493	673	25,302	30,444
Investment funds	2,086	2,330	−263	109	1,823	2,439
Covered bonds/asset-backed securities	11,939	11,157	−1,747	614	10,191	11,771
Profit participation certificates	—	1	—	—	—	1
Total fixed-income securities	**94,650**	**88,822**	**−12,284**	**3,812**	**82,365**	**92,634**
Variable-yield securities						
Equities	1,126	870	157	180	1,284	1,050
Investment funds	2,427	2,215	318	418	2,745	2,633
Profit participation certificates	76	77	2	6	77	82
Total variable-yield securities	**3,629**	**3,162**	**477**	**604**	**4,106**	**3,765**
Total securities	**98,279**	**91,984**	**−11,808**	**4,416**	**86,471**	**96,399**

[1] Debt securities issued by quasi-governmental entities include securities of EUR 3.725 (4,046) 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 7,264 (8,943) million; this corresponds to 71% (76%) of the total amount.

CONTRACTUAL MATURITIES OF FIXED-INCOME SECURITIES

	Fair value		Amortised cost	
EUR million	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Due within 1 year	11,009	5,550	11,048	5,522
More than 1 year and up to 2 years	5,531	5,677	5,703	5,599
More than 2 years and up to 3 years	5,959	5,731	6,287	5,637
More than 3 years and up to 4 years	7,993	6,108	8,541	5,994
More than 4 years and up to 5 years	5,188	8,641	5,696	8,337
More than 5 years and up to 10 years	22,376	27,457	25,689	26,697
More than 10 years	24,309	33,472	31,686	31,036
Total	**82,365**	**92,634**	**94,650**	**88,822**

RATING STRUCTURE FOR FIXED-INCOME SECURITIES

	Fair value	
EUR million	31.12.2022	31.12.2021
AAA	30,871	32,658
AA	14,825	18,535
A	15,215	15,941
BBB or lower	19,592	23,330
Not rated	1,863	2,171
Total	**82,365**	**92,634**

The rating categories are based on the classifications used by the leading international rating agencies.

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

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR million	Fair value 31.12.2022	01.01.2021
Fixed-income securities		
Government debt securities issued by EU member states	1	2
Other foreign government debt securities	20	37
Debt securities issued by quasi-governmental entities	17	17
Corporate bonds	393	375
Investment funds	166	90
Covered bonds/asset-backed securities	4	4
Profit participation certificates	37	15
Other	—	1
Total fixed-income securities	**639**	**541**
Investment funds (variable-yield securities)	26	28
Other variable-yield securities	36	23
Total financial instruments classified at fair value through profit or loss	**701**	**592**
Investment funds (variable-yield securities)	128	164
Derivatives	580	341
Total financial instruments held for trading	**708**	**504**
Total	**1,409**	**1,096**

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.

CONTRACTUAL MATURITIES OF FIXED-INCOME SECURITIES

EUR million	Fair value 31.12.2022	31.12.2021
Due within 1 year	82	159
More than 1 year and up to 2 years	63	34
More than 2 years and up to 3 years	154	56
More than 3 years and up to 4 years	106	134
More than 4 years and up to 5 years	46	—
More than 5 years and up to 10 years	20	64
More than 10 years	168	94
Total	**639**	**541**

RATING STRUCTURE FOR FIXED-INCOME SECURITIES

EUR million	Fair value 31.12.2022	31.12.2021
AAA	—	—
AA	1	—
A	120	165
BBB or lower	179	188
Not rated	339	188
Total	**639**	**541**

The rating categories are based on the classifications used by the leading international rating agencies.

Financial instruments classified at fair value through profit or loss (not held for trading) include structured products for which the fair value option under IAS 39 was exercised. The carrying amount of these financial instruments represents the maximum credit exposure, in contrast to a purely economic perspective. The amount relating to the change in fair value that is attributable to changes in the credit risk of the financial assets amounted to EUR –3 (0) million in the reporting period and EUR –3 (–2) million on an accumulated basis. There are no credit derivatives or similar hedging instruments for these securities.

(10) Other investments

CLASSIFICATION OF OTHER INVESTMENTS

EUR million	Carrying amount 31.12.2022	31.12.2021
Loans and receivables	759	619
Available-for-sale financial instruments	5,405	5,765
Financial instruments at fair value through profit or loss	13	14
Non-current assets from infrastructure investments	394	423
Total	**6,572**	**6,821**

The fair value of loans and receivables corresponds largely to their carrying amount.

AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS

	Amortised cost		Unrealised gains/losses		Fair value	
EUR million	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Investments in partnerships	2,694	3,399	586	1,149	3,281	4,548
Other participating interests	250	192	85	75	335	267
Other short-term investments	1,789	951	1	—	1,790	951
Total	**4,734**	**4,542**	**672**	**1,224**	**5,405**	**5,765**

Short-term investments consist predominantly of overnight money and time deposits with a maturity of up to one year. The fair value of these deposits therefore corresponds largely to their carrying amount.

RATING STRUCTURE FOR OTHER SHORT-TERM INVESTMENTS

	Fair value	
EUR million	31.12.2022	31.12.2021
AAA	—	—
AA	360	74
A	817	395
BBB or lower	488	366
Not rated	125	116
Total	**1,790**	**951**

Financial instruments at fair value through profit or loss primarily relate to purchased life insurance policies.

Non-current assets from infrastructure investments relate to investments in wind farms. There are no restrictions on the disposal of the assets, and they have not been pledged as collateral.

INFRASTRUCTURE INVESTMENTS

EUR million	2022	2021
Gross carrying amount as at 31.12. of the previous year	**659**	**659**
Additions	—	—
Disposals	—	—
Exchange rate changes	—	—
Gross carrying amount as at 31.12. of the financial year	**659**	**659**
Accumulated depreciation and impairment losses as at 31.12. of the previous year	**236**	**202**
Reversal of impairments	–4	—
Depreciation and impairment losses		
Depreciation	34	34
Impairment losses	—	—
Exchange rate changes	—	—
Accumulated depreciation and impairment losses as at 31.12. of the financial year	**265**	**236**
Carrying amount as at 31.12. of the previous year	423	517
Carrying amount as at 31.12. of the financial year	**394**	**423**

Non-current assets from infrastructure investments do not include any assets under construction.

(11) Investments under investment contracts

CLASSIFICATION OF INVESTMENTS UNDER INVESTMENT CONTRACTS

	Carrying amount	
EUR million	31.12.2022	31.12.2021
Loans and receivables	3	3
Financial instruments classified at fair value through profit or loss	1,372	1,454
Total	**1,375**	**1,457**

Loans and receivables

CLASSIFICATION OF INVESTMENTS UNDER INVESTMENT CONTRACTS

	Amortised cost		Fair value	
EUR million	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Due within 1 year	3	3	3	3
More than 1 year and up to 2 years	—	—	—	—
More than 2 years and up to 3 years	—	—	—	—
More than 3 years and up to 4 years	—	—	—	—
More than 4 years and up to 5 years	—	—	—	—
More than 5 years and up to 10 years	—	—	—	—
Total	**3**	**3**	**3**	**3**

RATING STRUCTURE

	Amortised cost	
EUR million	31.12.2022	31.12.2021
AAA	—	—
AA	—	—
A	2	2
BBB or lower	1	1
Not rated	—	—
Total	**3**	**3**

RATING STRUCTURE

	Fair value	
EUR million	31.12.2022	31.12.2021
AAA	44	20
AA	7	19
A	107	106
BBB or lower	1,052	1,111
Not rated	163	198
Total	**1,373**	**1,454**

Financial instruments classified at fair value through profit or loss

CONTRACTUAL MATURITIES

	Fair value	
EUR million	31.12.2022	31.12.2021
Due within 1 year	66	55
More than 1 year and up to 2 years	52	31
More than 2 years and up to 3 years	53	64
More than 3 years and up to 4 years	149	123
More than 4 years and up to 5 years	30	66
More than 5 years and up to 10 years	46	85
More than 10 years	975	1,029
Total	**1,373**	**1,454**

The carrying amount of the financial instruments classified at fair value through profit or loss represents the maximum credit exposure, in contrast to a purely economic perspective. The amount relating to the change in fair value that is attributable to the change in the credit risk is insignificant. There are no credit derivatives or similar hedging instruments for these securities.

(12) Fair value hierarchy for financial instruments

Fair value hierarchy

For the purposes of the disclosures required by IFRS 13, both financial instruments that are accounted for at fair value and those assets and liabilities that are recognised at amortised cost but for which fair value must be disclosed in the annual report (financial instruments not measured at fair value) must be assigned to a three-level fair value hierarchy.

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

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

If inputs from different levels are used to measure a financial instrument, the lowest input level is used to measure the financial instrument.

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

Breakdown of financial instruments measured at fair value

As at the reporting date, we allocate around 5% (5%) of the financial instruments at fair value at Level 1 of the fair value hierarchy, 88% (89%) at Level 2 and 7% (7%) at Level 3.

There were no transfers between Level 1 and Level 2 in the financial year (investment funds of EUR 4 million were transferred from Level 2 to Level 1 in 2021).

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

FAIR VALUE HIERARCHY – FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

EUR million

Carrying amounts of financial instruments measured at fair value by class	Level 1	Level 2	Level 3 [1]	Carrying amount
31.12.2022				
Financial assets measured at fair value				
Available-for-sale financial instruments				
Fixed-income securities	39	82,216	110	82,365
Variable-yield securities	1,537	116	2,453	4,106
Financial instruments at fair value through profit or loss				
Financial instruments classified at fair value through profit or loss	15	434	252	701
Derivatives held for trading	—	364	215	580
Other financial instruments held for trading	128	—	—	128
Other investments	1,780	638	3,001	5,419
Other assets, derivative financial instruments (hedging instruments)	—	26	—	26
Investment contracts				
Financial instruments classified at fair value through profit or loss	1,251	—	121	1,372
Total financial assets measured at fair value	**4,751**	**83,794**	**6,152**	**94,697**
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	—	218	14	233
Negative fair values from hedging instruments	—	290	—	290
Other liabilities (investment contracts)				
Financial instruments classified at fair value through profit or loss	360	892	121	1,373
Total financial liabilities measured at fair value	**360**	**1,401**	**135**	**1,896**
31.12.2021				
Financial assets measured at fair value				
Available-for-sale financial instruments				
Fixed-income securities	127	92,400	108	92,634
Variable-yield securities	1,668	80	2,017	3,765
Financial instruments at fair value through profit or loss				
Financial instruments classified at fair value through profit or loss	22	357	213	592
Derivatives held for trading	11	169	161	341
Other financial instruments held for trading	164	—	—	164
Other investments	952	500	4,328	5,779
Other assets, derivative financial instruments	—	11	—	11
Investment contracts				
Financial instruments classified at fair value through profit or loss	1,307	—	146	1,454
Total financial assets measured at fair value	**4,250**	**93,517**	**6,973**	**104,740**
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	—	99	108	207
Negative fair values from hedging instruments	—	58	—	58
Other liabilities (investment contracts)				
Financial instruments classified at fair value through profit or loss	597	711	146	1,454
Total financial liabilities measured at fair value	**597**	**868**	**254**	**1,719**

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

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

RECONCILIATION OF FINANCIAL INSTRUMENTS[1] (FINANCIAL ASSETS) CLASSIFIED AS LEVEL 3 AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 31 DECEMBER 2022

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	Total financial assets measured at fair value
2022							
Opening balance at 1.1.2022	**108**	**2,017**	**213**	**161**	**4,328**	**146**	**6,973**
Income and expenses							
recognised in the statement of income	—	–15	19	38	–46	–15	–17
recognised in other comprehensive income	–1	62	—	—	–31	—	30
Transfers into Level 3	—	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—	—
Additions							
Purchases	3	653	50	59	925	9	1,698
Disposals							
Sales	1	300	30	40	2,316	17	2,705
Repayments/redemptions	—	—	1	—	—	—	1
Exchange rate changes	1	36	—	–3	141	–3	173
Closing balance at 31.12.2022	**110**	**2,453**	**252**	**215**	**3,001**	**121**	**6,152**
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	–11	–2	32	–33	–12	–28
recognised in other comprehensive income	–1	90	—	—	497	—	586
Transfers into Level 3[2]	—	2	14	—	—	—	16
Transfers out of Level 3	—	—	—	—	—	—	—
Additions							
Purchases	107	692	113	—	867	10	1,790
Disposals							
Sales	—	194	50	38	675	30	987
Repayments/redemptions	—	—	22	—	—	—	22
Exchange rate changes	—	38	–1	12	155	–3	202
Closing balance at 31.12.2021	**108**	**2,017**	**213**	**161**	**4,328**	**146**	**6,973**

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

RECONCILIATION OF FINANCIAL INSTRUMENTS[1] (FINANCIAL LIABILITIES) CLASSIFIED AS LEVEL 3 AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 31 DECEMBER 2022

EUR million	Other liabilities/ negative fair values from derivatives	Investment contracts/FI classified at fair value through profit or loss	Total financial liabilities measured at fair value
2022			
Opening balance at 1.1.2022	**108**	**146**	**254**
Income and expenses			
recognised in the statement of income	9	15	23
recognised in other comprehensive income	—	—	—
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Additions			
Purchases	—	9	9
Disposals			
Sales	83	17	100
Exchange rate changes	−2	−3	−4
Closing balance at 31.12.2022	**14**	**121**	**135**
2021			
Opening balance at 1.1.2021	**122**	**181**	**303**
Income and expenses			
recognised in the statement of income	16	12	29
recognised in other comprehensive income	—	—	—
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Additions			
Purchases	1	10	12
Disposals			
Sales	—	30	30
Exchange rate changes	1	−3	−2
Closing balance at 31.12.2021	**108**	**146**	**254**

[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 INSTRUMENTS [1] (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	Total financial assets measured at fair value
2022							
Gains and losses in financial year 2022							
Investment income	1	—	25	43	—	9	78
Investment expenses	—	–15	–5	–5	–46	–24	–95
of which attributable to financial instruments included in the portfolio as at 31.12.2022							
Investment income [2]	—	—	22	43	—	9	74
Investment expenses [3]	—	–15	–5	–5	–28	–24	–77
2021							
Gains and losses in financial year 2021							
Investment income	—	—	8	32	—	8	49
Investment expenses	–2	–11	–10	—	–33	–20	–77
of which attributable to financial instruments included in the portfolio as at 31.12.2021							
Investment income [2]	—	—	8	32	—	8	48
Investment expenses [3]	–2	–11	–8	—	–31	–20	–70

[1] The term “financial instruments” is abbreviated to “FI” in the following.
[2] Of which EUR 74 (48) million attribute to unrealised gains.
[3] Of which EUR 35 (28) million attribute to unrealised losses.

EFFECT ON PROFIT OR LOSS OF LEVEL 3 FINANCIAL INSTRUMENTS[1] (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	Total financial liabilities measured at fair value
2022			
Gains and losses in financial year 2022			
Investment income	—	24	24
Investment expenses	—	–9	–9
Financing costs	8	—	8
of which attributable to financial instruments included in the portfolio as at 31.12.2022			
Investment income[2]	—	24	24
Investment expenses[3]	—	–9	–9
Financing costs[4]	8	—	8
2021			
Gains and losses in financial year 2021			
Investment income	8	20	28
Investment expenses	—	–8	–8
Financing costs	9	—	9
of which attributable to financial instruments included in the portfolio as at 31.12.2021			
Investment income[2]	8	20	28
Investment expenses[3]	—	–8	–8
Financing costs[4]	9	—	9

[1] The term “financial instruments” is abbreviated to FI in the following.
[2] Of which EUR 24 (28) million attributable to unrealised gains.
[3] Of which EUR 9 (8) million attributable to unrealised losses.
[4] Of which EUR 8 (9) million attributable to unrealised gains.

ADDITIONAL INFORMATION ABOUT THE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS

EUR million	Fair value 31.12.2022	Fair value 31.12.2021	Measurement technique	Unobservable inputs	Fluctuation (weighted average)
CDOs/CLOs [1]	20	9	Present value method	Prepayment speed, risk premiums, default rates, recovery rates, redemptions	n. a. [4]
Unlisted equities funds, real estate funds and bond funds [2]	3.716	3.077	NAV method [3]	n. a.	n. a.
Private equity funds/private equity real estate funds [2]	1.625	3.182	NAV method [3]	n. a.	n. a.
Written put options for non-controlling interests [2]	—	88	Discounted NAV [3]	n. a.	— (0%–3.945%)
Unlisted bond funds [2]	181	122	NAV method [3]	n. a.	n. a.
Insurance related contracts [1]	363	274	Present value method	Fair values of CAT bonds, credit spread	n. a. [4]
Investment contracts	242	292	—	—	—
Unlisted bonds	140	182	Present value method	Remeasurement rate, credit spread	2.1 % (2.2 %) n. a.

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

If Level 3 financial instruments are measured using models in which the use of reasonable alternative inputs leads to a material change in fair value, IFRS 7 requires disclosure of the effects of these alternative assumptions. Level 3 financial instruments had fair values totalling EUR 6.3 (7.2) billion as at the reporting date. Of this figure, the Group generally measures EUR 5.5 (6.5) billion using the net asset value method, under which alternative inputs within the meaning of the standard cannot reasonably be established. In addition, assets under investment contracts totalling EUR 121 (146) million are offset by liabilities from investment contracts in the same amount. We have not provided a scenario analysis since the assets and liabilities completely offset each other and their values perform similarly. Insurance-related contracts in the amount of EUR 363 (274) million are recognised in Level 3. The changes in value of these contracts depend on the changes in the risk characteristics of an underlying group of primary insurance contracts with statutory reserve requirements. The use of alternative inputs and assumptions has no material effect on the consolidated financial statements. The effects of alternative inputs and assumptions on the remaining Level 3 financial instruments of EUR 160 (191) million (3% (3%) of all Level 3 financial instruments) are immaterial.

Measurement process

The measurement process aims to use either publicly available prices in active markets or measurements with economically established models that are based on observable inputs to ascertain the fair value of financial investments (Level 1 and Level 2 assets). In the case of assets for which publicly available prices or observable market data are not available (Level 3 assets), measurements are primarily made on the basis of documented valuations prepared by independent professional experts (e.g. audited net asset values) that have previously been subjected to systematic plausibility checks. The organisational unit entrusted with measuring investments is independent of the organisational units that take on the exposure to the investment risk, thus ensuring the separation of functions and responsibilities. The measurement processes and methods are documented in full. Decisions on measurement issues are taken by the Talanx Valuation Committee, which meets every month.

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

Financial instruments not measured at fair value whose fair values are disclosed in the Notes

FAIR VALUE HIERARCHY – FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

EUR Million

Fair values of financial instruments not recognised at fair value, by balance sheet item	Level 1	Level 2	Level 3 [1]	Fair value
31.12.2022				
Financial assets not measured at fair value				
Loans and receivables	26	18,865	2,439	21,330
Held-to-maturity financial instruments	—	362	—	362
Other investments	99	53	606	759
Investment contracts – loans and receivables	1	2	—	3
Total financial assets not measured at fair value	**125**	**19,282**	**3,046**	**22,453**
Financial liabilities not measured at fair value				
Subordinated liabilities	1,008	3,251	—	4,259
Notes payable	6	3,848	67	3,921
Other commitments under investment contracts	—	14	—	14
Total financial liabilities not measured at fair value	**1,014**	**7,113**	**67**	**8,194**
31.12.2021				
Financial assets not measured at fair value				
Loans and receivables	29	26,016	2,820	28,865
Held-to-maturity financial instruments	—	326	—	326
Other investments	22	41	556	619
Investment contracts – loans and receivables	1	2	—	3
Total financial assets not measured at fair value	**52**	**26,385**	**3,376**	**29,812**
Financial liabilities not measured at fair value				
Subordinated liabilities	1,299	3,607	1	4,907
Notes payable	16	2,241	306	2,562
Other commitments under investment contracts	—	17	—	17
Total financial liabilities not measured at fair value	**1,315**	**5,865**	**307**	**7,486**

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

(13) Derivative financial instruments and hedge accounting

Derivatives

We use derivative financial instruments to hedge against interest rate, currency and other market risks and, to a limited extent, also to optimise income and realise intentions to buy and sell. The relevant regulatory requirements and the rules set out in the Group's internal investment guidelines are strictly observed, and prime-rated counterparties are always selected.

In addition, embedded derivatives in structured products and insurance contracts are separated from the underlying host contracts and recognised separately at fair value where this is required by IAS 39 or IFRS 4.

Derivative financial instruments are initially measured at the fair value attributable to them at the transaction date. Thereafter, they are measured at the fair value applicable at each reporting date. For information on the measurement techniques used, see the "Fair value measurement" subsection of the "Accounting policies" sections on page 162 ff.

The method adopted for recognising gains and losses depends on whether the derivative financial instrument was used as a hedging instrument under IAS 39 and, if it was, on the nature of the hedged item/risk. In the case of derivatives that do not qualify as hedging instruments, changes in value are recognised in profit or loss under "Net investment income". This approach also applies to separated embedded derivatives associated with structured financial instruments and insurance contracts. In the case of hedging instruments, the Group classifies the derivatives as fair value hedges, cash flow hedges or hedges in a net investment in a foreign operation, depending on their purpose. The latter are accounted for in the same way as cash flow hedges.

DERIVATIVE FINANCIAL INSTRUMENTS, BY BALANCE SHEET ITEM

EUR million	Hedging instrument under IAS 39	31.12.2022	31.12.2021
Balance sheet item (positive fair values)			
Financial instruments at fair value through profit or loss, financial instruments held for trading (derivatives)	No	580	341
Other assets, derivative financial instruments (hedging instruments)	Yes	26	11
Balance sheet item (negative fair values)			
Other liabilities:			
Liabilities from derivatives	No	–233	–207
Liabilities from derivatives (hedging instruments)	Yes	–290	–58
Total		**83**	**88**

Derivative financial instruments – not including hedging instruments – generated an unrealised loss of EUR 46 (gain of 29) million in the financial year. The gain realised on positions closed out in 2022 amounted to EUR –39 (11) million.

The fair values of our open derivative positions at the reporting date, including their associated notional amounts, are disclosed in the table "Maturities of derivative financial instruments", classified by risk type and maturity. Positive and negative fair values are offset in the table. This shows that open positions from derivatives amounted to EUR 83 (88) million at the reporting date, corresponding to 0.0% (0.0%) of total assets.

Disclosures on offsetting financial assets and liabilities

The Group enters into derivatives transactions on the basis of standardised master agreements that contain master netting arrangements. The netting arrangements described in table "Netting arrangements" do not generally meet the criteria for offsetting in the balance sheet because the Group has no enforceable right of set-off relating to the recognised amounts at the present time. The right of set-off is generally enforceable only when certain defined future events occur. Depending on the counterparty, collateral pledged or received is taken into account up to the amount of the related net liability or net asset.

Hedge accounting

The Group uses hedge accounting to compensate for changes in an underlying transaction's fair value or cash flows that are caused by changes in market prices by entering into a hedging instrument (derivative) whose changes in fair value or cash flows approximately offset those of the hedged item. Hedging is performed at the level of individual transactions (micro hedges). When a hedge is entered into, we document the hedging relationship between the hedged item and the hedging instrument, the risk management objective and the underlying hedging strategy. In addition, at the inception of the hedging relationship we document our assessment of the extent to which the hedging instruments will be highly effective in offsetting the changes in the fair value or cash flows of the hedged items. There is documented evidence of the effectiveness of the hedges.

MATURITIES OF DERIVATIVE FINANCIAL INSTRUMENTS

	31.12.2022						31.12.2021
EUR million	Due within 1 year	More than 1 year and up to 5 years	More than 5 years and up to 10 years	More than 10 years	Other	Total	
Interest rate hedges							
Fair value	–118	–155	–12	44	—	–241	–43
Notional amount	321	420	204	130	—	1,076	1,329
Currency hedges							
Fair value	83	–30	–27	—	—	27	–64
Notional amount	3,220	1,128	312	—	—	4,661	4,485
Equity and index hedges							
Fair value	21	—	—	—	—	21	–35
Notional amount	646	—	—	—	—	646	401
	—	1	1	—	—	2	—
	48	130	88	—	—	267	1
Derivatives associated with insurance contracts [1]							
Fair value	81	95	6	–88	146	240	209
Credit risk							
Fair value	1	10	22	—	—	33	52
Notional amount	2	73	87	—	—	162	558
Other risks							
Fair value	—	—	1	—	—	1	–31
Notional amount	—	—	2	—	—	2	–31
Total hedges							
Fair value	**69**	**–79**	**–9**	**–44**	**146**	**83**	**88**
Notional amount	**4,238**	**1,752**	**694**	**130**	**—**	**6,814**	**6,742**

[1] Financial instruments relate to embedded derivatives in the reinsurance business in particular. These are required by IFRS 4 to be separated from the underlying insurance contract and recognised separately. Due to the characteristics of these derivatives, it is not reasonably possible to disclose the notional amounts, and this information has therefore not been provided. These derivatives are recognised at fair value.

NETTING ARRANGEMENTS

EUR million	Fair value	Netting arrangement	Cash collateral received/ provided	Other collateral received/ provided	Net amount
31.12.2022					
Derivatives (positive fair values)	237	43	99	2	93
Derivatives (negative fair values)	305	43	34	78	151
31.12.2021					
Derivatives (positive fair values)	102	29	46	—	28
Derivatives (negative fair values)	113	19	40	34	20

Fair value hedges

The Group has designated forward sales as hedging derivatives in order to partially hedge changes in the fair value resulting from interest rate risk and spread risk in fixed-income securities. Due to the comparable risks involved in the designated underlying transactions and the hedging derivatives, the latter qualify for recognition as fair value hedges in the balance sheet. Any changes in the fair value of the hedging derivatives are recognised in profit or loss under "Net investment income" together with the changes in the fair value of the underlying transactions (forward prices) that can be allocated to the hedged risk.

With regard to the fair value hedges, gains of EUR 3 (20) million from the hedge derivatives were recognised in the reporting period, along with losses of EUR 10 (19) million from the underlying transactions. The opposite changes in fair value for these hedges ranged between 80% and 125% in line with the requirements under IAS 39.

Cash flow hedges

The Group has hedged interest rate risk exposures in highly probable **future transactions**. This is done by recognising hedges comprising forward securities transactions (forward purchases) and planned securities purchases. These forward purchases are used to hedge the risk that scheduled reinvestments may generate low returns in future due to falling interest rates. The underlying transaction for the hedging instruments is the future investment at the returns/prices applicable at the time. In accordance with IAS 39, hedges of forecast transactions are accounted for as cash flow hedges. A foreign exchange risk was also hedged in the year under review by way of a currency forward together with a business combination.

To reduce the inflation risk of payments of a morbidity loss reserve portfolio, we began concluding **inflation swaps in the form of cash flow hedges** in financial year 2022. The primary purpose of these is to hedge against fluctuations in reinsurance payments due. They are structured in such a way that separate inflation swaps are concluded for the claims and claim expenses incurred in each year. These financial instruments result in the recognition of other financial instruments at fair value in income in the amount of EUR 2 (0) million. Equity from hedges rose by EUR 2 (0) million through other comprehensive income as a result of the hedge. If the hedged items are not financial instruments, the ineffective portion is recognised in "Other income/expenses".

Hannover Rück SE has been purchasing hedging instruments in the form of equity swaps (cash flow hedges) since 2014 in order to **hedge against price risks** associated with the stock appreciation rights granted under its share award plan.

As at the reporting date, the Group held derivative financial instruments (currency forwards) in the area of primary insurance and reinsurance that were entered into as **hedges of currency risks relating to long-term investments in foreign businesses**.

The effective portion of hedging instruments measured at fair value is recognised in equity in the reserve for cash flow hedges, net of deferred taxes and any policyholder participation. By contrast, the ineffective portion of such changes in fair value is recognised directly in "Net investment income" in the statement of income in those cases in which the hedged items are financial instruments (hedges of forecast transactions). If the hedged items are not financial instruments, the ineffective portion is recognised in "Other income/expenses" (hedges of price risks in connection with stock appreciation rights granted). If hedged transactions result in the recognition of financial assets, the amounts recognised in equity are amortised over the life of the acquired asset.

The following table presents the changes in the reserve for cash flow hedges (before taxes and policyholder participation):

CHANGES IN THE RESERVE FOR CASH FLOW HEDGES

EUR million	2022	2021
Carrying amount as at 31.12. of the previous year (before taxes)	118	253
Additions (hedges of forecast transactions)	–253	–105
Additions (hedges of price risks)	2	1
Additions (hedges of currency risks relating to long-term investments)	28	—
Additions (hedges of inflation risks)	2	—
Reversals to the statement of income (hedges of forecast transactions)	–63	–31
Carrying amount as at 31.12. of the financial year (before taxes)	**–165**	**118**

The reserve for cash flow hedges changed by EUR –284 (–135) million before taxes and by EUR –275 (–130) million net of taxes in the reporting period. A total of EUR 20 (21) million was amortised in the statement of income in 2022 in connection with forward purchases falling due and EUR 43 (10) million was amortised in connection with forward purchases terminated early, resulting in gains being realised in “Net investment income”.

As in the previous financial year, no material ineffectiveness of cash flow hedges was recognised in income in the reporting period.

The expected cash flows from cash flow hedges were as follows:

CASH FLOWS OF HEDGED FORECAST TRANSACTIONS

EUR million	31.12.2022	31.12.2021
Cash flows of hedged items	**710**	**525**
Due within 1 year	251	42
More than 1 year and up to 5 years	392	484
More than 5 years and up to 10 years	67	—

There were no forecast transactions in 2022 that had previously been included in hedging relationships that are no longer likely to occur in the future.

Fair values of hedging instruments

At the reporting date, the fair values of derivative financial instruments designated in connection with hedge accounting were as follows:

HEDGING INSTRUMENTS

EUR million	31.12.2022	31.12.2021
Fair value hedges		
Forward sales	—	8
Cash flow hedges		
Forward securities transactions	–290	–56
Equity swaps	8	2
Inflation Swaps	2	—
	–280	**–54**
Hedges of currency risks relating to long-term investments		
Currency forwards	17	—
Total	**–264**	**–46**

Net gains or losses on hedging derivatives recognised in the statement of income in the reporting period amounted to EUR 66 (50) million. They related to the amortisation of equity amounts (EUR 63 (31) million), changes in fair value recognised in income as a result of ineffectiveness (EUR 0 [0] million) and changes in fair value from fair value hedges (EUR 3 [20] million).

Derivatives associated with insurance contracts

A number of contracts in the Life/Health Reinsurance segment have characteristics that require the IFRS 4 requirements for embedded derivatives to be applied. According to these requirements, certain derivatives embedded in reinsurance contracts must be separated from the host insurance contract and recognised separately in accordance with IAS 39 in “Net investment income”. Fluctuations in the fair value of the derivative components in following periods must be recognised in income.

In connection with the accounting treatment of reinsurance contracts involving modified coinsurance and coinsurance – funds – withheld (“modco”), in which securities accounts are held by cedants and payments are made on the basis of the income from certain securities held by them, the interest rate risk components are clearly and closely related to the underlying reinsurance contracts. Consequently, the only embedded derivatives are due to the credit risk for the underlying securities portfolio. Hannover Re uses market information available at the measurement date to measure the fair values of derivatives embedded in modco contracts. It does this on the basis of a credit spread method, under which the derivative has a value of zero on the date of the contract and then fluctuates over time, depending on the changes in the credit spreads for the securities concerned. As at the reporting date, the derivative had a positive fair value of EUR 2 (1) million and is reported in other financial instruments at fair value in income. An external cession resulted in the recognition of other liabilities at a low amount. Over the course of the year, the changes in the derivative’s fair value resulted in total income of EUR 1 million before taxes (expenses of EUR 15 million).

In previous years, a derivative financial instrument was also unbundled from another, similarly structured transaction. This resulted in the recognition of other financial instruments at fair value in income in the amount of EUR 94 (26) million. The changes in the value of this derivative in the financial year depressed earnings by EUR 123 million (EUR 35 million).

A number of transactions underwritten in previous years for the Life/Health Reinsurance segment involved Hannover Re companies offering their contract partners cover for risks associated with possible future payment obligations under hedging instruments. These transactions are also required to be classified as derivative financial instruments. The payment obligations result from contractually defined events and relate to changes in an underlying group of primary insurance contracts with statutory reserving requirements. Under IAS 39, the contracts must be classified and recognised as free-standing credit derivatives. These derivative financial instruments were initially recognised outside profit or loss because receivables were required to be recognised in the same amount. The fair value of these instruments at the reporting date amounted to EUR 21 (25) million and was reported in other financial instruments at fair value in income. Changes in fair value in subsequent periods depend on risk trends and lifted earnings by EUR 42 (35) million in the financial year.

The portfolio contains hedges against an extreme rise in mortality, because the Reinsurance Division hedges against a rise in mortality rates, for example due to pandemics, natural disasters or terror attacks. The risk swap is indexed to a weighted, combined population mortality in the US, the UK and Australia. Coverage pays out between 110% and 120% of the mortality index. As at the reporting date, the derivative had a positive fair value of EUR 126 (39) million and was recognised as income in other financial instruments at fair value. The change in the value of the derivative resulted in earnings of EUR 87 (44) million over the course of the year.

The Life/Health Reinsurance segment also previously entered into a reinsurance contract including a financing component under which the amount and timing of returns are dependent on cancellation rates in an underlying primary insurance portfolio. This contract and a corresponding retrocession agreement, which were required to be classified as financial instruments under IAS 39, resulted in the recognition of other liabilities of EUR 14 (22) million and of other financial instruments at fair value through profit or loss of EUR 124 (136) million. Overall, these contracts reduced earnings by EUR 4 million in the financial year (lifted earnings by EUR 2 million).

Index-based coverage of longevity risks was taken out at the end of the financial year 2017. The resulting derivative was recognised as at the reporting date at a positive fair value of EUR 6 (5) million in other financial instruments at fair value through profit or loss. The change in the value of the derivative resulted in earnings of EUR 4 (10) million over the course of the year.

Coverage of biometric risks containing a financing component was taken out in the Life/Health Reinsurance segment in financial year 2022. In accordance with IAS 39, a derivative financial instrument must be unbundled from this. In the year under review, the derivative resulted in the recognition of other financial instruments at fair value in income in the amount of EUR 70 (0) million. No significant earnings were generated in the financial year as a result of the change in the value of this derivative.

Overall, application of the accounting requirements for insurance derivatives led to the recognition as at the reporting date of assets totalling EUR 349 (232) million and of liabilities associated with insurance derivatives of EUR 108 (23) million. Increases in earnings of EUR 134 (91) million and decreases in earnings of EUR 127 (50) million were recorded in the reporting period from all insurance derivatives required to be measured separately.

Financial guarantee contracts

Structured transactions were entered into in the Life/Health Reinsurance segment in order to finance statutory reserves ("Triple X" or "AXXX" reserves) for US cedants. These structures required the use of a special purpose entity in each case. The special purpose entities bear extreme mortality risks above a contractually defined retention ratio that have been securitised by the cedants and transfer them via a fixed/variable-rate swap to a company belonging to the Hannover Rück SE Group. The total contractually agreed transaction capacity is the equivalent of EUR 1,291 (2,652) million; the equivalent of EUR 1,096 (1,988) million had been underwritten at the reporting date. The variable payments to the special purpose entities guaranteed by Hannover Rück SE companies cover the formers' payment obligations. For some transactions, payments resulting from the swaps in the event of claims are reimbursed by the cedants' parent companies under compensation agreements. In this case, the reimbursement claims under the compensation agreements must be capitalised separately from, and up to the amount of, the provision.

Under IAS 39, these transactions must be recognised at fair value as financial guarantee contracts. Hannover Rück SE uses the net method for this, under which the present value of the agreed fixed swap premiums is netted against the present value of the guarantee commitment. The fair value on initial recognition therefore amounted to zero. The higher of adjusted historical cost and the amount required to be reported as a provision in accordance with IAS 37 is recognised when utilisation is considered probable. This was not the case as at the reporting date.

(14) Accounts receivable on insurance business

ACCOUNTS RECEIVABLE ON INSURANCE BUSINESS

EUR million	2022	2021
Accounts receivable on direct insurance business	4,400	3,549
of which		
from policyholders	2,163	1,707
from insurance intermediaries	2,237	1,842
Accounts receivable from reinsurance business	8,561	7,197
Carrying amount as at 31.12. of the financial year	**12,961**	**10,746**

ACCOUNTS RECEIVABLE ON INSURANCE BUSINESS THAT WERE PAST DUE BUT NOT IMPAIRED AT THE REPORTING DATE

EUR million	> 3 months < 1 year	> 1 year
31.12.2022		
Accounts receivable from policyholders	261	215
Accounts receivable from insurance intermediaries	91	54
Accounts receivable from reinsurance business	1,014	481
Total	**1,365**	**751**
31.12.2021		
Accounts receivable from policyholders	298	66
Accounts receivable from insurance intermediaries	91	32
Accounts receivable from reinsurance business	591	476
Total	**979**	**574**

Past due accounts receivable on insurance business are receivables that had not been paid by their due date and that were still outstanding as at the reporting date.

In the case of the primary insurance companies, accounts receivable on insurance business from policyholders and insurance intermediaries that were more than 90 days past due totalled EUR 621 (487) million on the reporting date; of this figure, EUR 269 (98) million was more than one year past due. Consequently, accounts receivable that were more than one year past due accounted for 6.1% (2.8%) of total accounts receivable. The combined average default rate in the past three years was 0.4% (0.5%). The default rate in 2022 was 0.3% (0.4%).

Accounts receivable from the reinsurance business that were more than 90 days past due totalled EUR 1,495 (1,066) million, of which EUR 481 (476) million was more than one year past due. The latter category therefore accounted for 5.6% (6.6%) of total accounts receivable. The average default rate on reinsurance business in the past three years was 0.2% (0.2%).

Impaired accounts receivable relate to the following items:

INDIVIDUALLY IMPAIRED ASSETS RESULTING FROM INSURANCE CONTRACTS

EUR million	Risk provision	of which attributable to 2022/2021	Carrying amount after risk provision
31.12.2022			
Accounts receivable from policyholders	72	1	2,163
Accounts receivable from insurance intermediaries	16	—	2,238
Accounts receivable from reinsurance business	57	12	8,561
Total	**146**	**13**	**12,961**
31.12.2021			
Accounts receivable from policyholders	71	–1	1,707
Accounts receivable from insurance intermediaries	16	1	1,842
Accounts receivable from reinsurance business	45	3	7,197
Total	**133**	**3**	**10,746**

The following changes in impairment losses on accounts receivable on insurance business that are recognised in separate allowance accounts were recorded in the reporting period:

IMPAIRMENTS OF ACCOUNTS RECEIVABLE ON INSURANCE BUSINESS

EUR million	2022	2021
Accumulated impairments as at 31.12. of the previous year	133	130
Change in basis of consolidation	—	9
Impairments in financial year	47	23
Reversals of impairment losses	36	27
Exchange rate changes	3	–2
Accumulated impairments as at 31.12. of the financial year	**146**	**133**

The credit risk associated with accounts receivable on insurance business was measured as a general principle on the basis of individual analyses. Impairments were not recognised to the extent that the credit risk exposure of the assets concerned was reduced by collateral (e.g. letters of credit, cash deposits, securities accounts). Impaired accounts receivable accounted for 1.1% (1.2%) of total accounts receivable.

Accounts receivable from passive reinsurance business in the primary insurance companies including Corporate Operations amounted to EUR 625 (638) million (after deduction of impairments). 57% (68%) of these accounts receivable had a category A rating or better as at the reporting date. Expressed in relation to our total accounts receivable of EUR 8.6 (7.2) billion, 48% (44%) had a category A rating or better.

IMPAIRMENT RATES

%	31.12.2022	31.12.2021
Accounts receivable from policyholders	3.2	4.0
Accounts receivable from insurance intermediaries	0.7	0.9
Accounts receivable from reinsurance business	0.7	0.6

ANNUAL DEFAULT RATES

%	31.12.2022	31.12.2021
Accounts receivable from policyholders	0.6	0.8
Accounts receivable from insurance intermediaries	—	—
Accounts receivable from reinsurance business	0.1	0.2

(15) Deferred acquisition costs

DEFERRED ACQUISITION COSTS

			2022			2021
EUR million	Gross business	Reinsurers' share	Net business	Gross business	Reinsurers' share	Net business
Carrying amount as at 31.12. of the previous year	**6,425**	**405**	**6,020**	**5,894**	**366**	**5,528**
Change in basis of consolidation	—	–1	—	—	—	—
Portfolio entries/withdrawals	—	—	—	—	—	—
Additions	2,471	173	2,298	1,871	173	1,698
Amortised acquisition costs	1,797	166	1,630	1,499	141	1,359
Currency adjustments	49	–1	50	167	8	160
Disposal groups in accordance with IFRS 5	–3	—	–3	–7	—	–7
Carrying amount as at 31.12. of the financial year	**7,146**	**411**	**6,735**	**6,425**	**405**	**6,020**

(16) Other assets

OTHER ASSETS

EUR million	2022	2021
Real estate held and used	800	835
Tax assets	624	669
Operating and office equipment	158	146
Interest and rent due	26	22
Derivative financial instruments – hedging instruments, hedge accounting	26	11
Miscellaneous assets	1,660	1,469
Carrying amount as at 31.12. of the financial year	**3,294**	**3,153**

The fair value of real estate held and used amounted to EUR 1,010 (1,043) million as at the reporting date. EUR 156 (173) million of this amount is attributable to Level 2 of the fair value hierarchy and EUR 854 (870) million to Level 3. The fair values were generally calculated using the discounted cash flow method.

Restrictions on disposal and guarantee assets relating to real estate held and used amounted to EUR 488 (315) million as at 31 December 2022. Capitalised expenditures for property, plant and equipment under construction totalled EUR 2 (5) million as at the reporting date.

CHANGES IN REAL ESTATE HELD AND USED

EUR million	2022	2021
Gross carrying amount as at 31.12. of the previous year	**1,199**	**1,153**
Change in basis of consolidation (addition)		
Business combinations	–1	39
Additions	2	12
Disposals	42	30
Reclassifications	—	–35
Other changes	56	60
Exchange rate changes	7	1
Gross carrying amount as at 31.12. of the financial year	**1,221**	**1,199**
Accumulated depreciation and impairment losses as at 31.12. of the previous year	**364**	**324**
Disposals	27	1
Depreciation and impairment losses		
Depreciation	75	80
Impairment losses	6	1
Reversal of impairment	—	2
Reclassifications	—	–12
Other changes	—	–26
Exchange rate changes	2	—
Accumulated depreciation and impairment losses as at 31.12. of the financial year	**421**	**364**
Carrying amount as at 31.12. of the previous year	835	829
Carrying amount as at 31.12. of the financial year	**800**	**835**

CHANGES IN OPERATING AND OFFICE EQUIPMENT

EUR million	2022	2021
Gross carrying amount as at 31.12. of the previous year	**472**	**476**
Change in basis of consolidation (additions)		
Business combinations	16	1
Additions	59	37
Disposals	31	51
Reclassifications	6	8
Other changes	—	2
Exchange rate changes	–3	—
Gross carrying amount as at 31.12. of the financial year	**519**	**472**
Accumulated depreciation and impairment losses as at 31.12. of the previous year	**326**	**325**
Business combinations	11	—
Disposals	27	49
Depreciation and impairment losses		
Depreciation	51	49
Exchange rate changes	–1	1
Accumulated depreciation and impairment losses as at 31.12. of the financial year	**361**	**326**
Carrying amount as at 31.12. of the previous year	146	151
Carrying amount as at 31.12. of the financial year	**158**	**146**

MISCELLANEOUS ASSETS

EUR million	2022	2021
Trade accounts receivable	153	139
Receivables relating to investments	124	82
Receivables from non-Group-led business	572	482
Other tangible assets	21	25
Claims under pension liability insurance/ surrender values	109	120
Prepaid insurance benefits	89	103
Deferred income	112	100
Other miscellaneous assets	480	418
Total	**1,660**	**1,469**

Notes to the consolidated balance sheet – equity and liabilities

(17) Equity

Changes in equity and non-controlling interests

COMPOSITION OF EQUITY

EUR million	31.12.2022	31.12.2021
Subscribed capital	317	316
Capital reserves	1,394	1,385
Retained earnings	8,358	7,698
Other reserves	–3,776	366
Group net income	1,172	1,011
Non-controlling interests in equity	5,127	7,169
Total	**12,592**	**17,945**

The EUR 9 (12) million rise in capital reserves was a result of the capital increase carried out for the employee share programme.

Retained earnings include equalisation reserves of EUR 2,747 (2,295) million (after deferred taxes).

Other reserves include gains and losses from currency translation of EUR –234 (–380) million.

UNREALISED GAINS AND LOSSES INCLUDED IN OTHER RESERVES

EUR million	31.12.2022	31.12.2021
From available-for-sale investments	–8,308	4,340
From cash flow hedges	–154	121
From the measurement of associates using the equity method	–26	–14
Other changes	–713	–1,139
less/plus		
Policyholder participation/shadow accounting [1]	4,126	–2,529
Deferred taxes recognised directly in equity	1,534	–33
Non-controlling interests in equity	–1,470	1,076
Total	**–5,012**	**1,823**

[1] Includes provisions for deferred premium refunds that were recognised directly in equity.

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

RECONCILIATION ITEMS FOR NON-CONTROLLING INTERESTS IN EQUITY

EUR million	31.12.2022	31.12.2021
Unrealised gains and losses on investments	–1,956	1,174
Share of net income	1,289	718
Other equity	5,795	5,276
Total	**5,127**	**7,169**

Subscribed capital

The share capital was EUR 317 (316) million and is composed of 253,350,943 (253,100,132) 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".

Contingent capital

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

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

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

Authorised capital

On 5 May 2022, the Annual General Meeting resolved to renew the authorised capital in accordance with article 7(1) of Talanx AG's Articles of Association and to insert a new article 7(1) authorising the Board of Management, subject to the approval of the Supervisory Board, to increase the share capital on one or more occasions in the period up to 4 May 2027 by a maximum of EUR 158 million by issuing new no-par value registered shares in exchange for cash or non-cash contributions (Authorised Capital 2022/I). Subject to the approval of the Supervisory Board, EUR 2.2 million of this may be used to issue employee shares. Shareholders' pre-emptive rights may be disapplied in the case of cash capital increases for certain specified purposes, subject to the approval of the Supervisory Board. They may be disapplied in the case of noncash capital increases, also subject to the approval of the Supervisory Board, where this is in the Company's overriding interest. The total shares issuable on the basis of this authorisation while excluding pre-emptive rights may not exceed 10% of the share capital. The amendment to the Articles of Association took effect on its entry in the commercial register on 2 June 2022.

Capital management

The primary objective of the Talanx Group's capital management activities is to safeguard the Group's financial strength and enhance its capital efficiency. For detailed information on the capital management we refer to the disclosures to the capital management process in the "Financial position" subsection in the "Net assets and financial position" section in the management report.

Treasury shares

An employee share programme was launched for 2022, under which adult trainees/employees at German companies (excluding Hannover Rück SE) could acquire up to 480 discounted Talanx shares. For this year's employee share programme, 250,811 (302,498) new shares were created by way of a capital increase using authorised capital, increasing the number of no-par-value shares to 253,350,943. Subscribed capital rose by EUR 313,513.75 in connection with this capital increase. The exercise price was based on the lowest daily rate on the Frankfurt and Hannover stock exchanges on 30 September 2022 and came to EUR 35.88, less the discount of EUR 3 to EUR 15 per share. The transaction resulted in personnel expenses of EUR 2.2 (2.5) million. The employee shares are subject to a lock-up period, which expires on 1 December 2024.

(18) Subordinated liabilities

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

Hannover Rück SE placed a subordinated bond of EUR 750 million on the European capital market on 14 November 2022. The bond has a maturity of 21 years. The bond cannot be called under normal conditions before 26 February 2033. The bond has a fixed coupon of 5.875% p.a. for the first ten years of the term and then has a variable interest rate of 3.75% over the three-month EURIBOR.

The EUR 500 million guaranteed subordinated bond of Talanx Finanz (Luxemburg) S.A. was called under normal conditions after ten years as at 15 June 2022 and repaid in full.

LONG-TERM SUBORDINATED DEBT

EUR million	Nominal amount	Coupon	Maturity	Rating [2]	Issue	31.12.2022	31.12.2021
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
Talanx AG	500	Fixed (1.75%), then floating rate	2021/2042	(—; A–)	These guaranteed subordinated bonds were issued in 2021 on the European capital market. They can be called under normal conditions for the first time in 2032.	496	496
Hannover Rück SE	750	Fixed (5,875 %), then floating rate	2022/2043	(—; A)	These guaranteed subordinated bonds were issued on the European capital market in 2022. They can be called for the first time under normal conditions in 2033.	746	—
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	743
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.	496	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.	742	742
Hannover Rück SE [1]	450	Fixed (3.375%), then floating rate	2014/no maturity	(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.	448	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.	500	499
Talanx Finanz (Luxemburg) 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 and they were repaid in 2022.	—	500
HDI Italia 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	35
HDI Assicurazioni S. p. A.	27	Fixed (5.5%)	2016/2026	(—; —)	Subordinated loan	28	27
HDI Assicurazioni S. p. A.	11	Fixed (5,755%)	2020/2030	(—; —)	Two subordinated loans, callable after ten years.	11	11
HDI Global SE	13	Fixed (1.70%), then floating rate	2021/2041	(—; —)	Two subordinated loans, callable after ten years.	13	13
Magyar Posta Életbiztosító Zrt. [3]	1	Fixed (7.57%)	2015/2045	(—; —)	Subordinated loan, callable for the first time after ten years.	—	1
Total						**5,009**	**4,759**

[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.
[3] Disclosure as non-current assets and assets of disposal groups classified as held for sale.

FAIR VALUES OF SUBORDINATED LIABILITIES MEASURED AT AMORTISED COST

EUR million	31.12.2022	31.12.2021
Amortised cost	5,009	4,759
Unrealised gains/losses	–751	148
Fair value	4,259	4,907

The fair values of the issued liabilities are generally based on quoted prices in active markets. Where such price information was not available, fair value was measured on the basis of the recognised effective interest rate method or was estimated, e.g. using other financial instruments with similar ratings, durations or yield characteristics. The effective interest rate method is always based on current market interest rates in the relevant fixed rate maturity ranges.

The net expenses of EUR –125 (–131) million from subordinated liabilities in the reporting period consisted of interest expenses in the amount of EUR 122 (129) million and amortisation expenses (EUR 2 [2] million).

SUBORDINATED LIABILITIES: MATURITIES

EUR million	31.12.2022	31.12.2021
Due within 1 year	—	—
More than 1 year and up to 5 years	28	27
More than 5 years and up to 10 years	46	45
More than 10 years and up to 20 years	2,491	1,250
More than 20 years	1,995	2,989
No fixed maturity	448	448
Total	**5,009**	**4,759**

(19) Unearned premium reserve

UNEARNED PREMIUM RESERVE

EUR million	2022 Gross	2022 Re	2022 Net	2021 Gross	2021 Re	2021 Net
Balance at 31.12. of the previous year	**12,154**	**883**	**11,271**	**10,538**	**908**	**9,630**
Change in basis of consolidation	–4	–4	—	161	46	115
Portfolio entries/withdrawals	1	—	1	–1	—	–1
Additions	5,086	902	4,184	4,448	656	3,792
Reversals	3,565	669	2,896	3,352	750	2,602
Disposal groups in accordance with IFRS 5	–9	—	–9	–2	—	–1
Exchange rate changes	190	1	190	362	24	338
Balance at 31.12. of the financial year	**13,853**	**1,112**	**12,741**	**12,154**	**883**	**11,271**

We do not provide information about maturities since the unearned premium reserve essentially does not involve future cash flows that affect liquidity.

(20) Benefit reserve

BENEFIT RESERVE

EUR million	2022 Gross	2022 Re	2022 Net	2021 Gross	2021 Re	2021 Net
Balance at 31.12. of the previous year	**57,489**	**422**	**57,067**	**56,932**	**440**	**56,492**
	35	—	35	—	—	—
Portfolio entries/withdrawals	138	–12	150	90	–1	91
Additions	3,232	147	3,085	4,812	5	4,807
Reversals	4,208	24	4,184	4,322	37	4,284
Reclassifications	–1	—	–1	3	—	3
Disposal groups in accordance with IFRS 5	–450	—	–450	–491	—	–491
Exchange rate changes	–85	7	–92	464	15	449
Balance at 31.12. of the financial year	**56,150**	**539**	**55,611**	**57,489**	**422**	**57,067**

In the following maturity analysis, we directly deducted the deposits furnished to hedge the benefit reserve, since the cash inflows and outflows from these deposits are directly attributable to the cedants.

BENEFIT RESERVE

EUR million	2022 Gross	2022 Re	2022 Net	2021 Gross	2021 Re	2021 Net
Due within 1 year	3,049	26	3,023	3,260	13	3,247
More than 1 year and up to 5 years	10,489	77	10,412	10,638	50	10,588
More than 5 years and up to 10 years	13,944	129	13,815	14,710	76	14,635
More than 10 years and up to 20 years	13,391	83	13,308	13,698	66	13,632
More than 20 years	12,307	72	12,235	11,904	61	11,843
Deposits	2,970	152	2,818	3,278	156	3,122
Total	**56,150**	**539**	**55,611**	**57,489**	**422**	**57,067**

(21) Loss and loss adjustment expense reserve

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVE

	2022			2021		
EUR million	Gross	Re	Net	Gross	Re	Net
Balance at 31.12. of the previous year	**60,541**	**7,287**	**53,254**	**51,214**	**5,850**	**45,364**
Change in basis of consolidation	−2	−3	1	403	218	185
Portfolio entries/withdrawals	−8	−3	−5	—	—	—
plus						
Claims and claims expenses incurred (net); financial year	31,991	3,097	28,894	26,388	3,774	22,614
Claims and claims expenses incurred (net); previous year	4,389	1,034	3,354	4,108	528	3,581
Total claims and claims expenses incurred	36,380	4,131	32,248	30,496	4,302	26,195
minus						
Claims and claims expenses incurred (net); financial year	11,093	821	10,273	8,976	1,298	7,678
Claims and claims expenses incurred (net); previous year	17,893	2,371	15,521	14,435	1,920	12,515
Total claims and claims expenses incurred	28,986	3,192	25,794	23,411	3,218	20,193
Other changes	−31	−12	−19	−104	−5	−100
Exchange rate changes	916	98	818	1,943	140	1,803
Balance at 31.12. of the financial year	**68,810**	**8,307**	**60,503**	**60,541**	**7,287**	**53,254**

Run-off of the net loss reserve

Loss reserves are inevitably based to some degree on estimates that involve residual uncertainty. The difference between last year's and the current estimate for the reserve is expressed in the net run-off result. In addition, in the case of reinsurance contracts whose terms do not correspond to a calendar year or that are entered into on an underwriting-year basis it is often impossible to allocate claims expenses precisely to the financial year or the prior year.

The loss run-off triangles supplied by the reporting units were presented net of currency effects resulting from translation of the transaction currency concerned into the local reporting currency. The foreign currency run-off triangles supplied by the reporting units are translated into euros at the closing rate for the reporting period in order to allow run-off results to be presented on a currency-adjusted basis. In cases where the original loss estimate corresponds to the actual final loss in the original currency, we also ensure that the runoff result recognised after the figure is translated into the Group reporting currency (the euro) is not purely currency-related.

The following tables present the net loss reserves for insurance claims that have not yet been run off for the years 2012 to 2022, broken down by our main property/casualty insurance companies in the primary insurance segments (including Corporate Operations), and the Group's Property/Casualty Reinsurance segment ("loss runoff triangles"). The charts show the run-off of the net loss reserves as at each reporting date, comprising the reserves for the current year in question and the preceding occurrence years. The run-off of the reserve that is recognised annually as at the reporting date in the balance sheet is presented, rather than the run-off of the reserve for individual occurrence years.

The net loss reserve and its run-off are presented separately for the primary insurance segments (including Corporate Operations) and the Property/Casualty Reinsurance segment, after adjustment in each case for consolidation effects but before elimination of intragroup relationships between primary insurance segments (including Corporate Operations) and reinsurance. The figures reported for the 2012 financial year also include the figures for previous years that are no longer shown separately in the run-off triangle. The published run-off results reflect the changes in the final losses for the individual run-off years that crystallised in financial year 2022.

Total net loss reserves for the Group amount to EUR 60.5 (53.3) billion. EUR 19.3 (17.4) billion of this figure is attributable to our property/casualty insurance companies in the primary insurance area (including Corporate Operations) and EUR 34.3 (29.2) billion to the Property/Casualty Reinsurance segment. The remaining EUR 6.9 (6.7) billion is attributable to the Life/Health Reinsurance segment (EUR 5.7 [5.5] billion) and the life primary insurance business (EUR 1.2 [1.2] billion).

Net loss reserve and its run-off in the primary insurance segments, including Corporate Operations

NET LOSS RESERVE[1] AND ITS RUN-OFF IN THE PRIMARY INSURANCE SEGMENTS, INCLUDING CORPORATE OPERATIONS

EUR million	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Loss and loss adjustment expense reserve	**7,106**	**7,877**	**8,469**	**8,761**	**9,039**	**9,523**	**10,469**	**11,126**	**12,327**	**14,083**	**15,790**
Cumulative payments for the year in question and previous years											
One year later	1,108	1,655	1,751	1,885	1,921	2,045	2,359	2,220	2,030	2,813	
Two years later	1,881	2,386	2,597	2,821	2,807	3,105	3,360	3,259	3,351		
Three years later	2,368	2,932	3,204	3,399	3,434	3,747	4,032	4,137			
Four years later	2,797	3,367	3,611	3,861	3,884	4,210	4,697				
Five years later	3,127	3,692	3,969	4,191	4,221	4,640					
Six years later	3,390	3,982	4,218	4,440	4,524						
Seven years later	3,624	4,149	4,427	4,685							
Eight years later	3,758	4,325	4,626								
Nine years later	3,900	4,487									
Ten years later	4,049										
Loss and loss adjustment expense reserve (net) for the year in question and previous years, plus payments to date into the original reserve											
At the end of the year	7,106	7,877	8,469	8,761	9,039	9,523	10,469	11,126	12,327	14,083	15,790
One year later	6,770	7,599	7,988	8,445	8,731	9,421	10,374	11,088	11,978	13,640	
Two years later	6,666	7,164	7,717	8,166	8,649	9,163	10,350	10,963	11,676		
Three years later	6,394	7,066	7,473	8,165	8,470	9,206	10,278	10,728			
Four years later	6,318	6,842	7,499	8,021	8,500	9,122	10,112				
Five years later	6,063	6,911	7,374	8,049	8,398	8,950					
Six years later	6,159	6,793	7,367	7,936	8,291						
Seven years later	6,065	6,820	7,371	7,859							
Eight years later	6,098	6,828	7,345								
Nine years later	6,164	6,804									
Ten years later	6,149										
Change year-on-year											
in the final loss reserve[2] = run-off result	**15**	**10**	**1**	**51**	**31**	**65**	**–6**	**69**	**67**	**142**	
%	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1**	

[1] The figures are presented net since this provides more meaningful information as to the final impact on Group net income.
[2] Example: The difference for 2012 (EUR 6,164 million minus EUR 6,149 million = EUR 15 million) is calculated. This figure is recorded and then updated in each subsequent period, e.g. in 2013 by the change e.g. from 2012 to 2013. Therefore, in 2013 the first step involves calculating the difference between the two amounts for 2013 and then subtracting the result from the value for 2012 (calculation for 2013: EUR 6,828 million less EUR 6,804 million = EUR 25 million; subtracting EUR 15 million from EUR 25 million results in a figure of EUR 10 million for 2013). This process must then be repeated for each subsequent year.

The Group reported a positive run-off result of EUR 443 (353) million in its primary insurance segments (including Corporate Operations) in the reporting period; this figure represents the aggregate run-off results for the individual financial years.

Net loss reserve and its run-off in the Property/Casualty Reinsurance segment

NET LOSS RESERVE[1] AND ITS RUN-OFF IN THE PROPERTY/CASUALTY REINSURANCE SEGMENT

EUR million	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Loss and loss adjustment expense reserve	**17,315**	**17,884**	**19,801**	**21,820**	**22,763**	**22,930**	**24,376**	**26,602**	**28,027**	**32,688**	**37,828**
Cumulative payments for the year in question and previous years											
One year later	2,946	3,231	3,556	3,311	3,785	4,831	4,907	5,624	5,492	7,470	
Two years later	4,587	5,048	5,313	5,232	6,040	6,895	7,608	7,927	8,661		
Three years later	5,795	6,175	6,589	6,707	7,291	8,561	9,035	9,957			
Four years later	6,653	7,177	7,671	7,694	8,395	9,479	10,374				
Five years later	7,451	8,086	8,509	8,599	9,007	10,361					
Six years later	8,142	8,669	9,259	9,042	9,622						
Seven years later	8,614	9,253	9,591	9,496							
Eight years later	9,125	9,509	9,928								
Nine years later	9,328	9,772									
Ten years later	9,521										
Loss and loss adjustment expense reserve (net) for the year in question and previous years, plus payments to date into the original reserve											
At the end of the year	17,315	17,884	19,801	21,820	22,763	22,930	24,376	26,602	28,027	32,688	37,828
One year later	16,831	17,705	19,294	20,941	21,585	22,190	23,506	25,982	27,162	31,957	
Two years later	16,479	17,056	18,157	19,495	20,589	20,856	22,593	24,830	25,642		
Three years later	15,962	16,002	17,201	18,496	19,499	20,096	21,735	24,026			
Four years later	15,250	15,144	16,313	17,506	18,741	19,427	21,082				
Five years later	14,547	14,379	15,466	16,832	18,125	18,631					
Six years later	13,859	13,565	14,819	16,287	17,433						
Seven years later	13,245	13,031	14,372	15,757							
Eight years later	12,829	12,659	13,979								
Nine years later	12,468	12,372									
Ten years later	12,261										
Change year-on-year											
in the final loss reserve[2] = run-off result	**206**	**81**	**106**	**137**	**162**	**104**	**–144**	**152**	**715**	**–787**	
%	**1**	**1**	**1**	**1**	**1**	**1**	**–1**	**1**	**3**	**–2**	

[1] The figures are presented net since this provides more meaningful information regarding the final impact on Group net income.
[2] Example: The difference for 2012 (EUR 12.468 million minus EUR 12.261 million = EUR 206 million) is calculated. This figure is recorded and then updated in each subsequent period, e.g. in 2013 by the change e.g. from 2012 to 2013. Therefore, in 2013 the first step involves calculating the difference between the two amounts for 2013 and then subtracting the result from the value for 2012 (calculation for 2013: EUR 12,659 million less EUR 12,372 million = EUR 287 million; subtracting EUR 206 million from EUR 287 million results in a figure of EUR 81 million for 2013). This process must then be repeated for each subsequent year.

Property/Casualty Reinsurance recorded a positive run-off result of EUR 732 (848) million in financial year 2022; this figure represents the aggregate run-off results for the individual financial years.

The carrying amount of the reinsurers' share of the loss reserves (EUR 8.3 (7.3) billion) includes cumulative specific valuation allowances of EUR 31 (56) million.

FRS 4 requires disclosures that help explain the amount and timing of future cash flows from insurance contracts. The following table shows the loss reserve classified by expected maturities. When analysing the maturities, we directly deducted the deposits furnished to hedge the reserve, since the cash inflows and outflows from these deposits are directly attributable to the cedants.

RESERVE DURATIONS

EUR million	31.12.2022 Gross	Re	Net	31.12.2021 Gross	Re	Net
Due within 1 year	21,783	2,569	19,214	18,139	2,073	16,066
More than 1 year and up to 5 years	25,961	3,565	22,396	23,198	3,188	20,010
More than 5 years and up to 10 years	9,374	1,167	8,208	8,923	1,082	7,841
More than 10 years and up to 20 years	5,414	645	4,769	5,298	596	4,702
More than 20 years	2,803	307	2,496	2,714	294	2,421
Deposits	3,475	54	3,421	2,268	54	2,214
Total	**68,810**	**8,307**	**60,503**	**60,541**	**7,287**	**53,254**

(22) Provision for premium refunds

PROVISION FOR PREMIUM REFUNDS

EUR million	2020 Gross	Re	Net	2019 Gross	Re	Net
Balance at 31.12. of the previous year	**7,832**	**5**	**7,827**	**9,114**	**1**	**9,112**
Additions/reversals (—)	113	—	113	851	4	847
Changes attributable to other comprehensive income from investments	−6,636	—	−6,636	−1,890	—	−1,890
Disposals						
Life insurance policies	566	—	566	237	—	237
Liability/casualty policies with premium refunds	8	4	4	4	—	4
Other changes	54	—	54	—	—	—
Exchange rate changes	—	—	—	−1	—	−1
Balance at 31.12. of the financial year	**788**	**1**	**787**	**7,832**	**5**	**7,827**

We have not provided information about maturities since it is not generally possible to allocate amounts clearly to individual insurance contracts and remaining maturities.

EUR 2,299 (2,128) million of the gross provision for premium refunds is attributable to obligations associated with surplus participations and EUR –1,511 (5,704) million to deferred premium refunds, including the shadow provision for premium refunds. The deferred premium refund is essentially the result of the policyholder share of the temporary negative measurement differences of the held-to-maturity fixed-income securities in OCI.

(23) Provisions for pensions and other post-employment benefits

In general, Group companies have made defined contribution or defined benefit pension commitments to their employees. The type of pension commitment depends on the pension plan concerned. The majority of pension commitments, measured in terms of the amount involved, are based on defined benefit pension plans.

These are primarily **final salary plans** that depend on length of service, that are fully employer-financed and provide retirement, disability and survivor benefits in the form of a monthly pension, normally without a lump-sum option. Qualifying events (e.g. retirement age, disability, death) are closely aligned with the eligibility requirements for statutory pension insurance. The benefit amount is based on a percentage of the final salary, with the calculation taking into account firstly the number of service years completed at the time the qualifying event occurs and secondly the salary at that time (where appropriate averaged over several years). In some cases, relevant income components below the contribution assessment ceiling for statutory pension insurance are weighted differently to those above the ceiling.

These pension plans are closed to new employees. Some existing commitments have been frozen at the levels already reached plus salary trends. A large majority of the plans are not funded by plan assets.

Plans based on annual pension units are fully employer-funded retirement, disability and survivor benefit commitments that take the form of a monthly pension without a lump-sum option. Qualifying events (e.g. retirement age, disability, death) are closely aligned with the eligibility requirements for statutory pension insurance. The benefit amount is based on the sum of annual pension units, which are derived from a transformation table. The number of hours worked by the employee, the size of their salary and, in some cases, the performance of the employer company making the commitment are taken into account. The key income components below the contribution assessment ceiling for statutory pension insurance are weighted differently to those above the ceiling.

The most significant pension plan of this type, measured in terms of the amount involved, is closed to new employees and is not funded by plan assets. However, pension liability insurance has been taken out for a large sub-portfolio.

Contribution-based plans with guarantees comprise deferred compensation commitments or fully employer-funded retirement, disability and survivor benefit commitments taking the form of a monthly pension from an "Unterstützungskasse" (provident fund). Instead of a retirement pension, employees can opt for a lump-sum capital payment. These are defined contribution benefit commitments within the meaning of German labour law that are classified economically as defined benefit plans. The pension amount paid by the employer to the provident fund is used by the latter to taking out pension liability insurance that mirrors the range of benefits for which a commitment has been made (matching pension liability insurance). The benefit commitments are as given in the schedule of benefits for the pension liability insurance policy. The provident fund's associated assets are reported as plan assets.

In addition, there are pension commitments resulting from onetime deferrals of compensation by employees that provide a lumpsum benefit in the event of their death or survival to retirement age. In this case, the amount deferred is used as a one-time premium for a pension liability insurance policy whose benefits match the commitments given. There is no annuity option. No plan assets have been allocated to these commitments.

Employees can also opt to take part in insurance-style deferred compensation schemes. In economic terms, these are defined contribution plans for which no pension provisions are recognised.

The risks arising from future changes in pension liabilities consist of general actuarial risks such as interest rate risk, inflation risk and biometric risks.

Measures in place to reduce these risks include matching pension liability insurance with plan assets (defined contribution plans with new business), increased biometric actuarial assumptions and the construction of an asset portfolio structure that is as suitable as possible for presenting expected future cash flows from the commitments (asset management). The assumptions regarding the pension trend and the expected rate of salary increase are reviewed on a regular basis and, where necessary, adjusted to account for current expectations in relation to inflation developments.

No unusual risks or material risk clusters can be discerned.

FUNDED STATUS OF PENSION PLANS

EUR million

Type of Plan	2022	2021
Final salary plans that depend on length of service		
Plan assets	–19	–26
Present value of defined benefit obligation	1,548	1,993
Effect of the asset ceiling	—	—
Surplus (net asset)	1	1
Shortfall (net liability)	1,530	1,968
Plan based on pension modules		
Plan assets	—	—
Present value of defined benefit obligation	94	124
Effect of the asset ceiling	—	—
Surplus (net asset)	—	—
Shortfall (net liability)	94	124
Contribution-based plans with guarantees		
Plan assets	–306	–335
Present value of defined benefit obligation	333	442
Effect of the asset ceiling	28	1
Surplus (net asset)	—	—
Shortfall (net liability)	55	108
Balance at 31.12. of the financial year (net asset)	**1**	**1**
Balance at 31.12. of the financial year (net liability)	**1,679**	**2,200**

The change in the net pension obligation and net pension assets for the Group's various defined benefit pension plans is shown in the following table. In addition to the main components – the Defined Benefit Obligation (DBO) and plan assets – the change in the asset adjustment from the calculation of the asset ceiling for any asset resulting from a plan surplus must be reported. The recoverability of the economic benefit associated with any plan surplus is reviewed at the level of the individual pension plan; this resulted in a reduction in the carrying amount for the net asset both as at 31 December 2022 and as at 31 December 2021.

CHANGE IN NET PENSION OBLIGATIONS AND NET PENSION ASSETS FOR THE VARIOUS DEFINED BENEFIT PENSION PLANS

	Defined benefit obligation		Fair value of plan assets		Asset adjustment			
EUR million	2022	2021	2022	2021	2022	2021	2022	2021
Balance at 1.1. of the financial year	**2,560**	**2,786**	**–361**	**–342**	**1**	**1**	**2,200**	**2,445**
Changes recognised in net income								
Current service cost	29	38	—	—	—	—	29	38
Past service cost and plan curtailments	2	–1	—	—	—	—	2	–1
Net interest component	27	13	–4	–2	—	—	23	11
Gain or loss from settlements	—	1	—	—	—	—	—	1
	58	**51**	**–4**	**–2**	**—**	**—**	**54**	**49**
Other comprehensive income								
Remeasurements								
Actuarial gains (–)/losses (+) from changes in biometric assumptions	1	–1	—	—	—	—	1	–1
Actuarial gains (–)/losses (+) from changes in financial assumptions	–570	–177	—	—	—	—	–570	–177
Experience adjustments	34	–3	—	—	—	—	34	–3
Return on plan assets (excluding interest income)	—	—	49	17	—	—	49	17
Change from asset adjustment	—	—	—	—	27	—	27	—
Exchange rate changes	–7	–4	—	—	—	—	–7	–3
	–542	**–185**	**49**	**17**	**27**	**—**	**–466**	**–167**
Other changes								
Employer contributions	—	—	–20	–35	—	—	–20	–35
Employee contributions and deferred compensation	—	1	—	—	—	—	—	1
Benefits paid during the year	–92	–85	7	4	—	—	–85	–81
Business combinations and disposals	—	—	—	—	—	—	—	—
Effect of plan settlements	—	—	—	—	—	—	—	—
Exchange rate changes	–10	–9	5	–3	—	—	–5	–12
	–102	**–93**	**–7**	**–34**	**—**	**—**	**–110**	**–127**
Balance at 31.12. of the financial year	**1,974**	**2,560**	**–324**	**–361**	**28**	**1**	**1,678**	**2,200**

The structure of the investment portfolio underlying the plan assets was as follows:

PLAN ASSET PORTFOLIO STRUCTURE

%	2022	2021
Cash and cash equivalents	1	3
Equity instruments	1	3
Fixed-income securities	6	6
Real estate	1	2
Securities funds	15	13
Qualifying insurance contracts	76	71
Other	—	2
Total	**100**	**100**

Since all equity instruments, fixed-income securities and securities funds are listed in an active market, market prices are available for them.

The fair value of plan assets does not include any amounts for own financial instruments.

The actual expense on plan assets in the reporting period was EUR 44 (15) million.

Defined benefit obligations were measured on the basis of the following weighted assumptions:

DEFINED BENEFIT OBLIGATION ASSUMPTIONS

Weighted inputs/assumptions, %	2022	2021
Discount rate DBO	3.6	1.4
Net interest element discount factor [1]	0.9	0.3
Discount factor for current service cost [1]	1.3	0.6
Expected rate of salary increase [1]	3.5	2.9
Pension trend [1]	2.3	1.9

[1] Where the portfolio in Germany accounts for more than 90% of the total, the amount disclosed is determined in accordance with the inputs specified for valuing domestic portfolios.

As the spot rate approach – which is used to determine the valuation rate as per IAS 19.83 for the euro currency by discounting projected benefits with the entire yield curve – is also applied to interest expenses and income, defined benefit obligation assumptions also include a separate discount factor for calculating net interest elements. The discount factors for the net interest elements and current service costs are determined at the beginning of the financial year.

As in the prior year, the 2018 G Heubeck Mortality Tables were used without change as the biometric basis for calculating the German pension commitments, and were reinforced to reflect the risk trends observed in the portfolio.

The defined benefit obligation has a duration of 13 (15) years.

Sensitivity analyses

Increases or decreases in key actuarial assumptions would have the following effects on the present value of the defined benefit obligation as at 31 December 2022:

EFFECT OF CHANGES IN ACTUARIAL ASSUMPTIONS

	Effect on defined benefit obligation			
	Parameter increase		Parameter decrease	
EUR million	2022	2021	2022	2021
Discount rate (+/– 0.5%)	–118	–188	131	196
Salary increase rate (+/– 0.25%)	5	8	–6	–8
Pension adjustment rate (+/– 0.25%)	44	68	–43	–72

A change in the underlying mortality rates and longevities is also possible. Longevity risk was calculated by lowering the mortalities in the underlying mortality tables by 10%. This extension in longevities would have resulted in the pension obligation being EUR 62 (95) million higher as at the end of the financial year.

Sensitivities are calculated as the difference between the pension obligations under changed actuarial assumptions and those under unchanged actuarial assumptions. The calculations for the key inputs were performed separately.

For financial year 2023, the Group anticipates employer contributions of EUR 23 (22) million, which will be paid into the defined benefit plans shown here.

Defined contribution commitments are funded through external pension funds or similar institutions. In this case, fixed contributions (e.g. based on the relevant income) are paid to these institutions, and the beneficiary's claim is against those institutions. In effect, the employer has no further obligation beyond payment of the contributions. An expense of EUR 82 (79) million was recognised for these commitments in the financial year, of which EUR 1 (1) million was attributable to commitments to employees in key positions. The defined contribution commitments mainly relate to state pension schemes.

(24) Provisions for taxes

PROVISIONS FOR TAXES

EUR million	31.12.2022	31.12.2021
Provisions for income tax	367	299
Other tax provisions	232	236
Total	**599**	**535**

(25) Miscellaneous other provisions

MISCELLANEOUS OTHER PROVISIONS (LIKELY SETTLEMENT AMOUNT)

EUR million	Restructuring	Assumption of third-party pension obligations against payment	Bonuses and incentives	Anniversary bonuses	Early retirement/partial retirement	Other personnel expenses	Outstanding invoices	Other	Total
Carrying amount as at 31.12.2021	**112**	**47**	**199**	**17**	**51**	**100**	**130**	**333**	**988**
2022									
Change in basis of consolidation	—	–47	—	—	—	—	—	—	**–47**
Additions	—	—	151	1	9	103	1,315	210	**1,789**
Unwinding of discounts	—	—	—	—	—	—	–4	–5	**–8**
Utilisation	12	—	111	5	25	95	1,281	124	**1,652**
Reversals	2	—	10	—	—	4	20	103	**139**
Change in fair value of plan assets	—	—	—	—	9	—	—	—	**9**
Other changes	–5	—	—	—	5	—	—	–4	**–3**
Exchange rate changes	—	—	1	—	—	–1	1	–3	**–1**
Carrying amount as at 31.12.2022	**92**	**—**	**231**	**13**	**49**	**104**	**141**	**305**	**935**

The provisions for restructuring disclosed in the financial statements relate primarily to restructuring measures for realigning the Retail Germany Division. This provision amounted to EUR 92 (111) million at the reporting date. The main occurrences in the reporting period were utilisations of EUR 12 million and reversals of EUR 2 million. There were no additions in the year under review. EUR 5 million was also transferred from the restructuring provision to the provision for partial retirement. No significant unwinding of discounts took place in the reporting period.

Other provisions (EUR 305 [333] million) cover a large number of widely differing items that cannot be assigned to the categories above. In particular, these relate to provisions for commissions of EUR 82 (67) million and provisions for interest on tax back payments of EUR 61 (60) million. In addition, this item includes provisions for administrative expenses, land recultivation, outstanding contributions to the “Unterstützungskasse” (provident fund) and the “Schwerbehindertenabgabe” (disabled persons levy). A provision recognised in prior years for litigation expenses to cover the risk of the award proceedings initiated to review the appropriateness of the cash settlement in connection with the squeeze-out at Gerling-Konzern Allgemeine Versicherungs-AG, Cologne, was reversed in the amount of EUR 57 million in a decision made by the Düsseldorf Higher Regional Court (see the “Litigation” section).

DURATIONS OF MISCELLANEOUS OTHER PROVISIONS

EUR million	Due within 1 year	Due between 1 and 5 years	Due after more than 5 years	Total
31.12.2022				
Restructuring	13	79	—	**92**
Assumption of third-party pension obligations in return for payment [1]	—	—	—	**—**
Bonuses and incentives	164	66	1	**231**
Anniversary bonuses [1]	—	—	13	**13**
Early retirement/partial retirement [1]	—	49	—	**49**
Other personnel expenses	93	10	1	**104**
Outstanding invoices	141	—	—	**141**
Other	222	71	12	**305**
Total	**633**	**275**	**27**	**935**
Total, previous year	**643**	**269**	**77**	**988**

[1] Weighted average.

(26) Notes payable and loans

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

NOTES PAYABLE AND LOANS

EUR million	31.12.2022	31.12.2021
Talanx AG notes payable	2,311	1,065
Hannover Rück SE	746	745
Loans from infrastructure investments	67	75
Hannover Re Real Estate Holdings, Inc. mortgage loans	228	152
HR GLL Central Europe GmbH & Co. KG mortgage loans	227	146
Real Estate Asia Select Fund Limited mortgage loans	231	238
Hannover Rück SE loans	198	—
E+S Rückversicherung AG loans	43	—
Others	8	11
Total	**4,058**	**2,432**

Talanx AG issued two senior unsecured bonds with identical conditions and a total volume of EUR 1.25 billion on 18 October 2022. EUR 500 million of this was placed with institutional investors from Germany and abroad. The remaining EUR 750 million was subscribed by HDI V. a. G. The bonds denominated in euros have a fixed coupon of 4.0% p.a. and mature on 25 October 2029.

As at 31 December 2022, the Group had one syndicated variable-rate credit line with a nominal value of EUR 250 million. It had not been drawn down as at the reporting date.

Net expenses on notes payable and loans totalled EUR 75 (57) million and consisted essentially of interest expenses on bonds issued by Talanx AG (EUR 39 [30] million) and Hannover Rück SE (EUR 8 [8] million), net expenses from mortgage loans (EUR 19 [10] million), loans on infrastructure investments (EUR 2 [3] million) and amortisation (EUR 5 [5] million).

NOTES PAYABLE

EUR million	Nominal amount	Coupon	Maturity	Rating [1]	Issue	31.12.2022	31.12.2021
Talanx AG	750	Fixex (4.0%)	2022/2029	(—; —)	These senior unsecured bonds have a fixed term and can only be called for extraordinary reasons.	748	—
Talanx AG	500	Fixex (4.0%)	2022/2029	(—; A+)	These senior unsecured bonds have a fixed term and can only be called for extraordinary reasons.	498	—
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.	746	745
Total						**3,057**	**1,810**

[1] AM 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.

FAIR VALUE OF NOTES PAYABLE AND LOANS

EUR million	31.12.2022	31.12.2021
Amortised cost	4,058	2,432
Unrealised gains/losses	–137	130
Fair value	**3,921**	**2,562**

NOTES PAYABLE AND LOANS: MATURITIES

EUR million	31.12.2022	31.12.2021
Due within 1 year	837	34
More than 1 year and up to 5 years	953	1,440
More than 5 years and up to 10 years	2,243	928
More than 10 years and up to 20 years	27	30
More than 20 years	—	—
Total	**4,058**	**2,432**

(27) Other liabilities

OTHER LIABILITIES

EUR million	2022	2021
Liabilities under direct insurance business	1,803	1,843
of which to policyholders	979	1,062
of which to insurance intermediaries	823	780
Reinsurance payables	4,004	3,332
Lease liabilities	466	462
Trade accounts payable	284	205
Liabilities relating to investments	424	240
Liabilities relating to non-Group lead business	492	416
Liabilities from derivatives	523	264
of which negative fair values from derivative hedging instruments	290	58
Deferred income	89	58
Interest	79	87
Liabilities to social insurance institutions	20	19
Miscellaneous other liabilities	427	420
Total other liabilities (not including liabilities relating to investment contracts)	**8,611**	**7,347**
Other liabilities relating to investment contracts		
Other obligations measured at amortised cost	14	17
Financial instruments classified at fair value through profit or loss	1,373	1,454
Total other liabilities relating to investment contracts	**1,387**	**1,471**
Carrying amount as at 31.12. of the financial year	**9,998**	**8,818**

Other liabilities (excluding liabilities relating to investment contracts)

Liabilities relating to investments include interim distributions of EUR 10 (28) million relating to units in private equity funds that could not yet be recognised in income as at the reporting date.

Liabilities from derivatives (EUR 523 [264] million) mainly consist of instruments used to hedge interest rate, currency and equity risk, along with embedded derivatives separated from the underlying host insurance contract and accounted for at fair value. Please refer to our disclosures in Note 13, "Derivative financial instruments and hedge accounting".

The following table shows the remaining maturities of the other liabilities. The figures do not include liabilities under the direct insurance business or reinsurance payables, since these two liability types are directly linked to the insurance contracts concerned and therefore cannot be considered separately.

OTHER LIABILITIES (NOT INCLUDING LIABILITIES RELATING TO INVESTMENT CONTRACTS)[1]: MATURITIES

EUR million	31.12.2022	31.12.2021
Due within 1 year	2,016	1,486
More than 1 year and up to 5 years	427	378
More than 5 years and up to 10 years	200	228
More than 10 years and up to 20 years	26	38
More than 20 years	134	40
No fixed maturity	—	—
Total	**2,804**	**2,172**

[1] Undiscounted cash flows for liabilities from derivatives are not presented for reasons of materiality. Instead, the fair values (negative fair values) of the derivative financial instruments are used (maturity of up to 1 year: EUR 150 [39] million; 1–5 years: EUR 218 [136] million; 5–10 years: EUR 51 [75] million; 10–20 years: EUR 9 [11] million; more than 20 years: EUR 95 [2] million).

Liabilities relating to investment contracts

Other liabilities relating to investment contracts are recognised on addition at amortised cost or at the policyholder's account balance, less acquisition costs resulting directly from the contract transaction. They are measured in subsequent periods at amortised cost.

OTHER LIABILITIES MEASURED AT AMORTISED COST: MATURITIES

	Amortised cost		Fair value	
EUR million	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Due within 1 year	14	16	14	16
More than 1 year and up to 5 years	—	—	—	—
More than 5 years and up to 10 years	—	—	—	—
More than 10 years and up to 20 years	—	—	—	—
Without fixed maturity	—	—	—	—
Total	**14**	**17**	**14**	**17**

The fair value of investment contracts is mainly calculated using the policyholders' surrender values and account balances. See our remarks in the "Accounting policies" section.

FINANCIAL INSTRUMENTS CLASSIFIED AT FAIR VALUE THROUGH PROFIT OR LOSS: MATURITIES

EUR million	31.12.2021	31.12.2020
Due within 1 year	7	8
More than 1 year, up to 5 years	163	183
More than 5 years, up to 10 years	71	79
More than 10 years, up to 20 years	99	102
More than 20 years	139	143
No fixed maturity	893	939
Total	**1,373**	**1,454**

The change in fair value attributable to changes in the credit risk of financial liabilities classified at fair value through profit or loss was insignificant.

(28) Liabilities from financing activities

RECONCILIATION OF DEBT FROM FINANCING ACTIVITIES AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 31 DECEMBER

			Non-cash items			
EUR million	1.1.	Cash flows from financing activities	Acquisition/ disposal of subsidiaries	Exchange rate changes	Other changes (mainly amortisation)	31.12.
2022						
Subordinated liabilities	4,759	249	—	—	2	5,009
Notes payable and loans	2,432	1,360	241	24	2	4,058
Lease liabilities	462	–68	–2	3	71	466
Total debt from financing activities	**7,653**	**1,541**	**238**	**27**	**75**	**9,533**
Interest paid from financing activities		–177				
Total cash flows from other financing activities		**1,364**				
2021						
Subordinated liabilities	3,473	1,248	35	—	2	4,759
Notes payable and loans	2,279	128	—	24	1	2,432
Lease liabilities	437	–79	1	4	98	462
Total debt from financing activities	**6,189**	**1,297**	**37**	**28**	**101**	**7,653**
Interest paid from financing activities		–157				
Total cash flows from other financing activities		**1,141**				

(29) Deferred taxes

CHANGE IN RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES DURING THE YEAR

	31.12.2022			31.12.2021		
EUR million	Deferred tax assets	Deferred tax liabilities	Net balance	Deferred tax assets	Deferred tax liabilities	Net balance
Deferred tax assets and liabilities						
Other intangible assets (PVFP)	—	–61	–61	—	–54	–54
Investments	2,214	–412	1,802	502	–954	–452
Funds withheld by ceding companies/funds withheld under reinsurance treaties	173	–69	104	98	–2	96
Accounts receivable on insurance business	89	–183	–94	106	–160	–54
Deferred acquisition costs[1]	63	–510	–447	59	–469	–410
Equalisation reserves	—	–2,256	–2,256	—	–1,879	–1,879
Loss reserves	1,131	–57	1,074	981	–61	920
Other technical provisions	266	–1,633	–1,367	249	–1,668	–1,419
Other provisions	259	–28	231	414	–18	396
Consolidation of intercompany balances	—	–33	–33	—	–26	–26
Other	1,479	–602	877	1,032	–551	481
Loss carryforwards	704	—	704	737	—	737
Impairments	–271	—	–271	–238	—	–238
Tax assets (liabilities) before offsetting	**6,107**	**–5,844**	**263**	**3,940**	**–5,842**	**–1,902**
Recognised amounts offset	**–4,767**	**4,767**	**—**	**–3,329**	**3,329**	**—**
Tax assets (liabilities) after offsetting	**1,340**	**–1,077**	**263**	**611**	**–2,513**	**–1,902**

[1] The deferred taxes on deferred acquisition costs relate to the net amount, i.e. after adjustment for the reinsurers' shares.

The (net) change amounted to EUR 2,165 (272) million. EUR 2,415 (331) million was recognised in other comprehensive income, thereby increasing (decreasing) equity, while EUR –249 (–115) million was expensed in the statement of income. The other changes resulted from changes in the basis of consolidation and exchange differences on translating foreign operations.

Notes to the consolidated statement of income

(30) Net premiums earned

NET PREMIUMS EARNED

EUR million	2022	2021[1]
Gross written premiums, including premiums from unit-linked life and annuity insurance	53,431	45,507
Savings elements of premiums from unit-linked life and annuity insurance	934	1,008
Ceded written premiums	6,456	5,446
Change in gross unearned premiums	−1,561	−1,096
Change in ceded unearned premiums	−242	94
Net premiums earned	**44,722**	**37,863**

(31) Net investment income

NET INVESTMENT INCOME

EUR million	2022	2021
Income from real estate	457	362
Dividends[1]	203	85
Current interest income	3,124	2,622
Other income	533	637
Ordinary investment income	**4,317**	**3,706**
Income from reversal of impairment losses	25	2
Realised gains on disposal of investments	1,323	1,619
Unrealised gains on investments	303	155
Investment income	**5,968**	**5,483**
Realised losses on disposal of investments and expenses	1,300	302
Unrealised losses on investments	350	131
Total	**1,650**	**432**
Depreciation of/impairment losses on investment property		
Depreciation	95	78
Impairment losses	35	21
Impairment losses on equity securities	118	6
Impairment losses on fixed-income securities	129	81
Impairment losses on participating interests	8	1
Amortisation of/impairment losses on other investments		
Amortisation	34	34
Impairment losses	71	46
Investment management expenses	190	181
Other expenses	162	142
Other investment expenses/impairment losses	**842**	**590**
Investment expenses	**2,492**	**1,022**
Net income from assets under own management	**3,476**	**4,460**
Net income from investment contracts	**2**	**3**
Interest income from funds withheld and contract deposits	287	459
Interest expense from funds withheld and contract deposits	64	204
Net interest income from funds withheld and contract deposits	**223**	**255**
Net investment income	**3,700**	**4,718**

[1] Income from shares in associates and joint ventures is reported under “Dividends”.

Net gains and losses on investments

Including investment management expenses (EUR 190 [181] million) and other expenses for assets under own management (EUR 162 [142] million), total net investment income as at the reporting date amounted to EUR 3,700 (4,718) million.

NET GAINS AND LOSSES FROM INVESTMENTS – REPORTING PERIOD

EUR million	Ordinary investment income	Amortisation	Gains on disposal	Losses on disposal and expenses	Writedowns	Reversals of impairment losses	Unrealised gains	Unrealised losses	Total[1]
2022									
Shares in affiliated companies and participating interests	16	—	607	3	19	—	—	—	**601**
Loans and receivables	619	–9	109	17	1	—	—	—	**700**
Held-to-maturity financial instruments	12	12	—	—	—	—	—	—	**24**
Available-for-sale financial instruments									
Fixed-income securities	1,913	476	316	1,108	129	—	—	—	**1,468**
Variable-yield securities	171	—	141	11	133	—	—	—	**167**
Financial instruments at fair value through profit or loss									
Financial instruments classified at fair value through profit or loss									
Fixed-income securities	23	—	9	1	—	—	15	23	**22**
Variable-yield securities	—	—	1	1	—	—	22	6	**16**
Financial instruments held for trading									
Variable-yield securities	—	—	5	9	—	—	—	—	**–4**
Derivatives	17	—	56	68	—	—	253	159	**99**
Other investments (financial instruments)	409	4	20	1	60	6	—	1	**377**
Other[2]	657	—	59	82	150	20	12	161	**356**
Assets under own management	**3,835**	**482**	**1,323**	**1,300**	**490**	**25**	**303**	**350**	**3,828**
Financial instruments classified at fair value through profit or loss (assets)	13	—	3	4	—	—	18	132	**–103**
Financial instruments classified at fair value through profit or loss (liabilities)	—	—	—	40	—	—	62	–82	**104**
Other[3]	2	–1	—	—	—	—	—	—	**1**
Net income from investment contracts	**15**	**–1**	**3**	**44**	**—**	**—**	**80**	**50**	**2**
Funds withheld by ceding companies/funds withheld under reinsurance treaties	223	—	—	—	—	—	—	—	**223**
Total	**4,073**	**481**	**1,326**	**1,344**	**490**	**25**	**383**	**400**	**4,053**

[1] Excluding investment management expenses and other expenses.
[2] The "Other" item is used for reconciliation to the consolidated statement of income and combines gains on investment property, and income from infrastructure investments, associates and derivative financial instruments with negative fair values. Derivatives held for hedging purposes included in hedge accounting (see Note 13) are not included in the table if they do not relate to hedges of investments.
[3] The "Other" item contains income (EUR 16 million) and expenses (EUR 14 million) from the management of investment contracts. Amortisation of PVFP totalled EUR 1 million.

NET GAINS AND LOSSES FROM INVESTMENTS – PREVIOUS PERIOD

EUR million	Ordinary investment income	Amortisation	Gains on disposal	Losses on disposal and expenses	Writedowns	Reversals of impairment losses	Unrealised gains	Unrealised losses	Total[1]
2021									
Shares in affiliated companies and participating interests	15	—	41	—	3	—	—	—	**53**
Loans and receivables	656	–6	429	3	—	—	—	—	**1,076**
Held-to-maturity financial instruments	13	3	—	—	—	—	—	—	**16**
Available-for-sale financial instruments									
Fixed-income securities	1,793	72	794	249	81	—	—	—	**2,329**
Variable-yield securities	110	—	112	3	17	—	—	—	**202**
Financial instruments at fair value through profit or loss									
Financial instruments classified at fair value through profit or loss									
Fixed-income securities	21	—	8	—	—	—	11	17	**23**
Variable-yield securities	—	—	1	—	—	—	3	—	**5**
Financial instruments held for trading									
Variable-yield securities	—	—	6	5	—	—	—	—	**2**
Derivatives	14	—	37	24	—	—	108	82	**53**
Other investments (financial instruments)	689	4	117	6	66	—	—	3	**734**
Other[2]	322	—	74	12	100	2	32	29	**290**
Assets under own management	**3,634**	**73**	**1,619**	**302**	**267**	**2**	**155**	**131**	**4,783**
Financial instruments classified at fair value through profit or loss (assets)	3	—	6	3	—	—	90	34	**62**
Other obligations measured at amortised cost (liabilities)	1	—	—	—	—	—	—	—	**1**
Financial instruments classified at fair value through profit or loss (liabilities)	—	—	22	—	—	—	20	97	**–56**
Other[3]	–2	–2	—	—	—	—	—	—	**–4**
Net income from investment contracts	**2**	**–2**	**28**	**3**	**—**	**—**	**110**	**131**	**3**
Funds withheld by ceding companies/funds withheld under reinsurance treaties	255	—	—	—	—	—	—	—	**255**
Total	**3,891**	**71**	**1,647**	**305**	**267**	**2**	**265**	**262**	**5,041**

[1] Excluding investment management expenses and other expenses.
[2] The "Other" item is used for reconciliation to the consolidated statement of income and combines gains on investment property, and income from infrastructure investments, associates and derivative financial instruments with negative fair values. Derivatives held for hedging purposes included in hedge accounting (see Note 13) are not included in the table if they do not relate to hedges of investments.
[3] The "Other" item contains income (EUR 15 million) and expenses (EUR 18 million) from the management of investment contracts. Amortisation of PVFP totalled EUR 2 million.

INTEREST INCOME FROM INVESTMENTS

EUR million	2022	2021
Loans and receivables	609	650
Held-to-maturity financial instruments	24	16
Available-for-sale financial instruments	2,389	1,865
Financial assets at fair value through profit or loss		
Financial instruments classified at fair value through profit or loss	23	21
Other	80	67
Financial instruments classified at fair value through profit or loss – investment contracts	13	4
Total	**3,138**	**2,624**

(32) Claims and claims expenses

CLAIMS AND CLAIMS EXPENSES

EUR million	2022	2021
Gross		
Claims and claims expenses paid	32,083	26,460
Change in loss and loss adjustment expense reserve	7,428	7,086
Change in benefit reserve	–908	504
Expenses for premium refunds	21	1,000
Total	**38,624**	**35,050**
Reinsurers' share		
Claims and claims expenses paid	3,259	3,283
Change in loss and loss adjustment expense reserve	951	1,084
Change in benefit reserve	123	–32
Expenses for premium refunds	—	4
Total	**4,333**	**4,338**
Net		
Claims and claims expenses paid	28,823	23,176
Change in loss and loss adjustment expense reserve	6,477	6,002
Change in benefit reserve	–1,030	537
Expenses for premium refunds	21	996
Total	**34,291**	**30,711**

(33) Acquisition costs and administrative expenses

ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES

EUR million	2022	2021
Gross		
Acquisition costs and reinsurance commissions	11,046	8,934
Changes in deferred acquisition costs and in provisions for commissions	–509	–286
Total acquisition costs	**10,537**	**8,648**
Administrative expenses	1,459	1,329
Total acquisition costs and administrative expenses	**11,995**	**9,977**
Reinsurers' share		
Acquisition costs and reinsurance commissions	887	779
Changes in deferred acquisition costs and in provisions for commissions	–10	–32
Total acquisition costs	**878**	**747**
Net		
Acquisition costs and reinsurance commissions	10,158	8,155
Changes in deferred acquisition costs and in provisions for commissions	–499	–253
Total acquisition costs	**9,659**	**7,901**
Administrative expenses	1,459	1,329
Total acquisition costs and administrative expenses	**11,118**	**9,230**

(34) Other income/expenses

OTHER INCOME/EXPENSES

EUR million	2022	2021
Other income		
Foreign exchange gains	527	373
Income from services, rents and commissions	426	417
Recoveries on receivables previously written off	55	44
Income from contracts recognised in accordance with the deposit accounting method	465	413
Income from the sale of property, plant and equipment	6	3
Income from the reversal of other non-technical provisions	63	35
Interest income	111	73
Income from disposal of consolidated companies	487	—
Net monetary gain according to IAS 29	20	—
Miscellaneous other income	123	170
Total	**2,281**	**1,526**
Other expenses		
Foreign exchange losses	654	427
Other interest expenses	68	47
Depreciation, amortisation and impairment losses	122	95
Expenses for the company as a whole	430	378
Personnel expenses	28	28
Expenses for services and commissions	223	205
Expenses from contracts recognised in accordance with the deposit accounting method	7	25
Other taxes	80	115
Expenses for restructuring provisions	—	63
Miscellaneous other expenses	205	212
Total	**1,818**	**1,596**
Other income/expenses	**464**	**–69**

The “Other income/expenses” item does not generally include personnel expenses incurred by our insurance companies that are attributed to the functions during cost object accounting and allocated to investment expenses, claims and claims expenses, and acquisition costs and administrative expenses. The same principle also applies to depreciation and amortisation of, and impairment losses on, intangible and other assets at our insurance companies.

(35) Financing costs

The financing costs of EUR 181 (176) million consist of interest expenses on borrowings that are not directly related to the operational insurance business. A large proportion (EUR 125 (131) million) of these interest expenses is attributable to our subordinated liabilities, while EUR 39 (30) million relates to bonds issued by Talanx AG. The item also includes EUR 12 (11) million in interest expenses from leasing.

(36) Taxes on income

This item includes both domestic income taxes and comparable taxes on income generated by foreign subsidiaries. Measuring taxes on income also involves calculating deferred taxes. Deferred taxes are recognised in respect of retained earnings at significant affiliated companies in those cases in which a distribution is specifically planned.

TAXES ON INCOME – CURRENT AND DEFERRED

EUR million	2022	2021
Current taxes for the reporting period	555	489
Current taxes for prior periods	–74	–55
Deferred taxes in respect of temporary differences	160	103
Deferred taxes in respect of loss carryforwards	91	–8
Change in deferred taxes arising from changes in tax rates	–2	19
Reported tax expense	**730**	**548**

Current and deferred taxes totalling EUR 2,463 (356) million were recognised in other comprehensive income and directly in equity in the financial year as a result of items charged or credited to other comprehensive income.

The following table presents a reconciliation of the expected income tax expenditure that would be incurred by applying the German income tax rate, based on pre-tax profit, to the actual tax expenditure:

RECONCILIATION OF EXPECTED TO REPORTED TAX EXPENSE

EUR million	2022	2021
Profit before income taxes	3,191	2,278
Expected tax rate	32.20%	32.20%
Expected tax expense	1,027	733
Change in deferred tax rates	–2	20
Effects of different tax rates	–241	–209
Non-deductible expenses	267	238
Tax-exempt income	–303	–222
Valuation allowances on deferred tax assets	28	–42
Prior-period tax expense	–56	20
Other	10	10
Reported tax expense	**730**	**548**

The expected tax expenditure is calculated on the basis of the German income tax rate of 32.2% (32.2%). This tax rate is made up of corporate income tax, including the solidarity surcharge, and a composite trade tax rate.

The tax ratio, i.e. the ratio of reported tax expenditure to pre-tax profit, was 22.9% (24.1%) in the reporting period. The tax rate is the average income tax levied on all Group companies.

No deferred tax liabilities were recognised in respect of taxable temporary differences of EUR 364 (289) million in connection with shares of Group companies, as the Group is able to control their reversal and they will not reverse in the foreseeable future.

Unimpaired deferred tax assets on loss carryforwards totalled EUR 450 (506) million; EUR 88 (55) million of this is expected to be realised within one year and EUR 362 (451) million after one year.

Current income taxes declined by EUR 2 (1) million in the reporting period because loss carryforwards were utilised for which no deferred tax assets had been recognised.

Impairment losses on deferred tax assets recognised in previous years led to a deferred tax expenditure of EUR 0 (2) million in the financial year. Conversely, the reversal of previous impairment losses resulted in deferred tax income of EUR 30 (51) million.

Where losses were incurred in the reporting period or in the prior year, a surplus of deferred tax assets over deferred tax liabilities was only recognised where there is compelling evidence that it is probable that the company in question will generate sufficient taxable profits in the future. Evidence of this was provided for deferred tax assets amounting to EUR 277 (170) million.

Period in which unrecognised loss carryforwards may be utilised

An impairment loss was recognised on deferred tax assets in respect of gross loss carryforwards of EUR 1,360 (1,199) million and gross deductible temporary differences of EUR 76 (28) million because their realisation is not sufficiently certain. Total deferred tax assets for these items after recognition of the impairment loss amounted to EUR 271 (238) million.

AVAILABILITY OF IMPAIRED LOSS CARRYFORWARDS AND TEMPORARY DIFFERENCES

	2022					2021				
EUR million	Between 1 and 5 years	Between 6 and 10 years	More than 10 years	Indefinitely	Total	Between 1 and 5 years	Between 6 and 10 years	More than 10 years	Indefinitely	Total
Loss carryforwards	149	—	—	1,211	1,360	89	3	14	1,093	1,199
Temporary differences	—	—	—	76	76	—	—	—	28	28
Total	**149**	**—**	**—**	**1,287**	**1,436**	**89**	**3**	**14**	**1,121**	**1,227**

Other disclosures

Number of employees and personnel expenses

Number of employees

AVERAGE ANNUAL NUMBER OF EMPLOYEES

	2022	2021
Industrial Lines	2,589	3,990
Retail Germany	1,068	3,800
Retail International	8,860	8,717
Reinsurance companies	3,433	3,298
Corporate Operations	7,300	3,013
Total excluding vocational trainees	**23,250**	**22,818**
Vocational trainees	485	498
Total	**23,735**	**23,316**

Employees from individual employer service companies in the German Talanx Primary Insurance Group were merged in HDI AG, Hannover, (Corporate Operations segment) as at 1 March 2022. This resulted in a substantial decrease in the number of employees in the Industrial Lines and Retail Germany divisions and a rise in the Corporate Operations segment in the year under review.

The Group's total workforce at the reporting date numbered 23,669 (23,954).

Personnel expenses

The personnel expenses set out in the following mainly comprise expenses for insurance operations, claims management (loss adjustment) and investment management.

PERSONNEL EXPENSES

EUR million	2022	2021
Wages and salaries	**1,527**	**1,423**
Social security contributions and other employee benefit costs		
Social security contributions	221	208
Post-employment benefit costs	69	78
Other employee benefit costs	27	21
	317	**307**
Total	**1,844**	**1,730**

Related party disclosures

IAS 24 "Related Party Disclosures" defines related parties as including parents and subsidiaries, subsidiaries of a common parent, associates, legal entities under the influence of management and the management of the company itself.

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.

A person or a close member of that person's family is related to the reporting entity if that person has control or joint control of the reporting entity, has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. Key management personnel are the members of the Board of Management and the Supervisory Board of Talanx AG and HDI V.a.G.

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

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

Talanx AG issued two senior unsecured bonds with a total volume of EUR 1.25 billion on 18 October 2022. EUR 750 million of this was subscribed by HDI V.a.G. For further information, see Note 26 "Notes payable and loans" in the Notes.

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

Share-based payments

The Group had a cash-settled share-based payment plan in financial year 2022 (share award plan, valid since 2011).

Share award plan

Effective as from financial year 2011, a share award plan was introduced for Talanx AG and significant Group companies, including Hannover Rück SE. This was initially for the members of the boards of management and subsequently also for certain executives, and grants stock appreciation rights in the form of virtual shares, known as "share awards". The share award plan comes in two versions, which vary in certain areas:

- Talanx share awards (for members of the Board of Management of Talanx AG and of significant Group companies and, with effect from the 2012 and 2015 financial years, for certain executives, not including Hannover Rück SE)
- Hannover Re share awards (for members of the Board of Management of Hannover Rück SE and, with effect from financial year 2012, also for certain executives of Hannover Rück SE. This share award plan replaces Hannover Rück SE's terminated stock appreciation rights plan.

The share awards do not entitle participants to demand delivery of actual shares, but only to be paid a cash amount subject to the conditions set out below.

The share award plan is open to all persons contractually entitled to share awards and to board of management members whose contract of service is still in force when the share awards are allocated and will not end due to termination by either party or by mutual agreement that takes effect before the lock-up period expires.

Share awards have been issued separately as from financial year 2011 for board of management members and as from financial years 2012 or 2015 also for certain executives, and thereafter for each subsequent financial year (allocation year). The first payment of share awards issued to eligible board of management members in financial year 2011 took place in financial year 2016. The first payment to certain eligible executives was made in the 2017 financial year.

The total number of share awards granted depends on the value per share. This is calculated as the unweighted arithmetic mean of the XETRA closing prices. The terms and conditions for beneficiaries stipulate a calculation period ranging from five trading days before to five trading days after the Supervisory Board meeting that approves the consolidated financial statements for the previous financial year. A different period is stipulated for executives (excluding Hannover Rück SE): this is 15 trading days before and 15 trading days after the Supervisory Board meeting that approves the consolidated financial statements for the previous financial year. For Hannover Rück SE executives, a period was agreed of 20 trading days before until 10 trading days after the Supervisory Board meeting that approves the consolidated financial statements. The Talanx share awards are based on the value per Talanx AG share, while the Hannover Re share awards are based on the value per Hannover Rück SE share. The prices calculated in this way also determine the pay-out value of the share awards as they fall due. The total number of share awards allocated is arrived at by dividing the amount available for allocating share awards to each beneficiary by the value per share, rounded up to the next full share. In the case of Talanx Group executives (excluding Hannover Rück SE), an additional virtual share is allocated for every four full shares. For members of the Board of Management of Talanx AG, significant Group companies and Hannover Rück SE, 20% of the individual's defined variable remuneration is allocated in share awards, while for Group executives (including Hannover Rück SE) the figure is 30% to 40%, depending on their management level.

The share awards are allocated automatically without the need for a declaration by either party. For each share award, the value of the share determined on the pay-out date using the definitions above is paid out after a lock-up period of four years. The value per share is calculated using the procedure described in the previous paragraph. This amount is paid by bank transfer in the month following the end of the period designated for calculating the value per share as described in the previous paragraphs. For Talanx Group executives who have participated in the allocation of share awards since 2015, the pay-out will take place until further notice in July, following the expiry of the lock-up period.

If dividends were distributed to shareholders, an amount equalling the dividends is also paid when the value of the share awards is transferred. The dividend amount to be paid is the sum of all dividends distributed per share during the term of the share awards, multiplied by the number of share awards paid out to each beneficiary at the pay-out date. If the share awards are paid out ahead of time, only the value of the dividends for the period up to the occurrence of the trigger event will be paid. Undistributed dividends will not be taken into account pro rata. In the case of executives, payments are made in line with the provisions of their contracts or pro rata if they leave the company in the course of a year.

If a Board of Management member's term of office or contract of service ends, the beneficiary remains entitled to payment of the value of any share awards already granted once the relevant lock-up period has expired, unless such termination is due to the beneficiary's resignation or termination/dismissal for cause. In the event that a beneficiary dies, any entitlement to share awards already allocated or still to be allocated passes to his or her heirs. In the case of the executives (excluding Hannover Rück SE), claims that have already vested are non-forfeitable.

In principle, no share awards may be allocated to members of the Board of Management after the beneficiary has left the company. An exception to this is made in cases in which the beneficiary has left the company due to non-reappointment, retirement or death in respect of entitlements to variable remuneration earned by the beneficiary in the last year – or part-year – of his or her work.

Malus and clawback provisions have also been in place for members of the Group's Board of Management since 1 January 2021. In the event of an intentional breach of due diligence obligations, material contractual obligations or the Company's material principles, the Supervisory Board can reduce variable remuneration, at its reasonable discretion, that has not yet been paid out, in part or in full, and demand the full or partial repayment of variable remuneration that has already been paid out with retroactive effect of up to five years.

The share award plan is accounted for in the Group as a cash-settled share-based payment transaction as defined by IFRS 2. Since different calculation bases are used for the Talanx share awards and the Hannover Re share awards, the two versions of the share aware plan are presented separately in more detail in the following:

Talanx share awards

TALANX SHARE AWARDS

	2022		2021
	Anticipated allocation in 2023 for 2022	Final allocation in 2022 for 2021	Anticipated allocation in 2022 for 2021
Measurement date for Board of Management	30.12.2022	11.03.2022	30.12.2021
Value per share award (EUR)	44.32	39.31	42.54
Measurement date for Executives	30.12.2022	11.03.2022	30.12.2021
Value per share award (EUR)	44.32	38.59	42.54
Number allocated in year	363,570	399,000	335,065
of which: Talanx AG Board of Management	109,503	111,823	94,363
of which: Other boards of management	150,270	184,655	146,774
of which: Executives [1]	103,797	102,522	93,928

[1] Executives also include a further group of persons (risk takers) who have been receiving share awards since the 2013 financial year. Slightly modified allocation plans exist for these risk takers, which have not been explained in detail for reasons of materiality.

CHANGES IN PROVISIONS FOR TALANX SHARE AWARDS

							Allocation year	
EUR thousand	2022	2021	2020	2019	2018	2017	2016	Total
Provision as at 31.12.2020	**—**	**—**	**5,068**	**6,050**	**5,849**	**6,225**	**6,925**	**30,117**
Addition in 2021	—	7,895	2,646	3,202	2,587	2,429	920	19,679
Utilisation 2021	—	—	—	—	—	—	7,845	7,845
Reversal in 2021	—	—	954	—	—	—	—	954
Provision as at 31.12.2021	**—**	**7,895**	**6,760**	**9,252**	**8,436**	**8,654**	**—**	**40,997**
Addition in 2022	9,932	5,974	1,137	1,154	844	–665	—	18,376
Utilisation 2022	—	—	—	—	—	7,787	—	7,787
Reversal in 2022	—	—	—	—	—	202	—	202
Provision as at 31.12.2022	**9,932**	**13,869**	**7,897**	**10,406**	**9,280**	**—**	**—**	**51,384**

The personnel expenses for share awards to Board of Management members are distributed over the relevant term of the share awards or the term of the service contracts, if shorter, while those for share awards to executives are distributed over the term of the share award.

The addition made during the financial year and recognised in personnel expenses amounted to EUR 18.4 (19.7) million. It comprised expenses for the share awards for 2022 financial year, plus the dividend claim and the additional vested portion of share awards granted in previous financial years. Additionally, the value of share awards is affected by changes in the share price. Dividends included in personnel expenses for previous financial years totalled EUR 1.6 (1.2) million. This item covers distributed dividends, but not expected dividend claims. Dividends are recognised at their discounted amount. The 175,235 definitively allocated share awards dating from 2017, each of which was worth EUR 38.59 plus the dividend entitlement of EUR 5.85 per share, were paid out to the eligible Board of Management members and executives in the reporting period.

Hannover Re share awards

HANNOVER RE SHARE AWARDS

	2022	2021	
	Anticipated allocation in 2023 for 2022	Final allocation in 2022 for 2021	Anticipated allocation in 2022 for 2021
Measurement date for Board of Management	30.12.2022	15.03.2022	30.12.2021
Value per share award (EUR)	185.50	148.86	167.15
Measurement date for Executives	30.12.2022	22.03.2022	30.12.2021
Value per share award (EUR)	185.50	159.54	167.15
Number allocated in year	72,225	68,931	69,607
of which: Board of Management	27,658	27,977	25,130
of which: Executives [1]	44,567	40,954	44,477

[1] At the Talanx Group, executives from HDI Global Specialty receive Hannover Re share awards, which are not included in the table. The amount ultimately allocated in 2022 for 2021 is 1.880 share awards. The total amount of share awards is 4.582.

CHANGES IN PROVISIONS FOR HANNOVER RE SHARE AWARDS

EUR thousand	Allocation year							
	2022	2021	2020	2019	2018	2017	2016	Total
Provision as at 31.12.2020	**—**	**—**	**1,902**	**3,293**	**5,951**	**7,608**	**12,095**	**30,849**
Addition in 2021	—	2,638	1,863	2,688	3,500	3,595	1,227	15,511
Utilisation in 2021	—	—	—	—	—	—	13,322	13,322
Reversal in 2021	—	—	—	655	710	608	—	1,973
Provision as at 31.12.2021	**—**	**2,638**	**3,765**	**5,326**	**8,741**	**10,595**	**—**	**31,065**
Addition in 2022	2,982	3,098	2,569	2,622	3,377	132	—	14,780
Utilisation 2022	—	—	—	—	—	10,602	—	10,602
Reversal in 2022	—	131	107	139	41	125	—	543
Provision as at 31.12.2022	**2,982**	**5,605**	**6,227**	**7,809**	**12,077**	**—**	**—**	**34,700**

The personnel expenses for share awards to Board of Management members are distributed over the relevant term of the share awards or the term of the service contracts, if shorter, while those for share awards to executives are distributed over the term of the share award.

The addition made during the financial year and recognised in personnel expenses amounted to EUR 14.8 (15.5) million. It comprised expenses for the share awards for 2021 financial year, plus the dividend claim and the additional vested portion of share awards granted in previous financial years. Additionally, the value of share awards is affected by changes in the share price. Dividends included in personnel expenses for previous financial years totalled EUR 1.3 (1.0) million. This item covers distributed dividends, but not expected dividend claims. Dividends are recognised at their discounted amount.

The 8,257 definitively allocated share awards for the Board of Management from 2017, each of which was worth EUR 148.86 plus the dividend entitlement of EUR 20.25 each, were paid out to the eligible members of the Board of Management in the reporting period. 51,165 share awards made to executives for the 2017 financial year were paid out in 2022; the value was EUR 159.54 each plus a dividend entitlement of EUR 20.25 per share.

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 124 (186) 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 244 (94) million, with the associated liabilities at EUR 250 (94) 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.

Information on temporary exemption from IFRS 9

The table below shows the financial instruments (assets) that must be recognised in future in accordance with IFRS 9, broken down into a group that meets the cash flow characteristics test and other financial instruments. The latter include, in addition to financial instruments and investment contracts currently measured at fair value in profit or loss, equity instruments held and units in investment funds, derivatives and complex structured products that, due to their nature, do not meet the cash flow characteristics test set out in IFRS 9. The cash flow characteristics test is met if the contractual terms for the financial instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test).

FAIR VALUES OF FINANCIAL INSTRUMENTS WITHIN THE SCOPE OF IFRS 9

EUR million	Fair value 31.12.2022	Fair value 31.12.2021	Change in fair value during the reporting period
Financial instruments that meet the SPPI test[1]			
Loans and receivables	21,126	28,530	–6,227
Held-to-maturity financial instruments	362	326	–23
Available-for-sale financial instruments			
Fixed income securities	79,896	88,922	–14,773
Variable-yield securities	—	—	—
Financial instruments classified at fair value through profit or loss	16	7	—
Other investments	846	665	6
Other assets	1,275	934	—
Non-current assets and assets of disposal groups classified as held for sale	—	9	—
Total	**103,521**	**119,393**	**–21,017**
All other financial instruments			
Loans and receivables	191	306	–27
Held-to-maturity financial instruments	—	—	—
Available-for-sale financial instruments			
Fixed income securities	2,470	3,712	–416
Variable-yield securities	4,106	3,765	–33
Financial instruments at fair value through profit or loss			
Financial instruments classified at fair value through profit or loss	685	593	16
Derivatives held for trading	580	341	13
Other financial instruments held for trading	128	164	–38
Other investments	5,331	5,733	–30
Other assets			
Derivative financial instruments (hedge accounting)	26	11	4
Remaining other assets	66	79	6
Investment contracts			
Loans and receivables	3	3	—
Financial instruments at fair value through profit or loss	1,372	1,454	–33
Investments for the benefit of life insurance policyholders who bear the investment risk[2]	11,902	13,687	–1,469
Cash at banks and cash-in-hand	3,595	4,002	4
Total	**30,455**	**33,850**	**–2,003**

[1] Not including trading portfolios and not including financial instruments managed at fair value.
[2] The changes in fair value are offset in full by the changes in the "Technical provisions for life insurance policies where the investment risk is borne by the policyholders" item.

DISCLOSURES ON DEFAULT RISKS FOR FINANCIAL INSTRUMENTS WITHIN THE SCOPE OF IFRS 9

EUR million	Carrying amount before impairment 31.12.2022	Carrying amount before impairment 31.12.2021
Financial instruments that meet the cash flow test [1]		
AAA	46,680	49,030
AA	17,178	20,842
A	17,729	18,569
BBB	18,322	20,727
BB or lower (greater than low default risk)	2,952	3,482
Unrated		
Low default risk	2,672	2,325
Greater than low default risk	1,547	1,473
Total	**107,080**	**116,448**

[1] Not including trading portfolios and not including financial instruments managed at fair value.

The fair value for financial instruments that meet the cash flow test and have more than a low default risk was EUR 4,604 (4,916) million.

Litigation

Group companies may become involved in court, regulatory and arbitration proceedings as part of their normal business activities. Depending on the probability of any resulting outflow of resources, and in line with the extent to which the amount of such an outflow can be reliably estimated, either a provision is recognised or a contingent liability is disclosed (in the Notes). The matters generally at issue are technical provisions within the scope of IFRS 4 or, in exceptional cases, miscellaneous other provisions. Litigation costs (such as lawyers' fees, court costs and other ancillary costs) are only recognised as liabilities once an action is known to be well-founded. A contingent liability is recognised for litigation where utilisation is unlikely.

The Group uses a number of assessment criteria to estimate the amount and probability of any outflow of resources. These include the type of dispute concerned, the status of the proceedings, assessments by legal advisors, decisions by the courts or by arbitrators, expert opinions, the Group's experiences of similar cases and lessons learned from other companies, to the extent that these are known.

The Düsseldorf Higher Regional Court ruled in favour of the Group in the Gerling award proceedings and rejected the applications for higher settlement as part of the squeeze-out (transfer of minority shareholders' shares to the majority shareholder in return for a cash settlement) at Gerling-Konzern Allgemeine Versicherungs-AG, Cologne.

Although we were exposed to proceedings in the course of our standard insurance and reinsurance business, there was no litigation materially impacting the Group's net assets, financial position and results of operations in the reporting period and at the reporting date. This statement also applies to the cases listed in the following.

Arbitration proceedings are pending with multiple cedants in connection with the rate increase requested by Hannover Re for a portfolio of US life reinsurance contracts. If these arbitration proceedings rule in favour of Hannover Re, this would result in income in the medium double-digit millions at the time of the ruling. However, there would be no negative impact on earnings if the outcome of the proceedings ruled against Hannover Re.

In our view, the provisions recognised for litigation risk in individual cases and the contingent liabilities disclosed for litigation are sufficient to cover the expected expenses.

Earnings per share

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

EARNINGS PER SHARE

	2022	2021
Net income attributable to shareholders of Talanx AG used to calculate earnings per share (EUR million)	1,172	1,011
Weighted average number of ordinary shares outstanding	253,100,747	252,822,497
Basic earnings per share (EUR)	4.63	4.00
Diluted earnings per share (EUR)	4.63	4.00

Dividend per share and appropriation of distributable profits

A dividend for financial year 2021 amounting to EUR 1.60 per share was paid in the reporting year, resulting in total distribution of EUR 405 million. A proposal will be made to the General Meeting to be held on 4 May 2023 to distribute a dividend of EUR 2.00 per share for financial year 2022, resulting in a total distribution of EUR 507 million. The remainder of Talanx AG´s distributable profit (EUR 657 million) will be transferred to retained profits brought forward.

Contingent liabilities and other financial commitments

Outstanding capital commitments for investments amounted to EUR 3,977 (3,247) million as at the reporting date. These primarily related to outstanding funding commitments resulting from agreements to invest in private equity funds and venture capital firms.

A number of Group companies are proportionately liable for any underfunding at the Gerling Versorgungskasse pension fund and HDI

Unterstützungskasse in their capacity as sponsors of Gerling Versorgungskasse VVaG and HDI Unterstützungskasse e. V.

Several Group companies are members of the pharmaceutical risk reinsurance pool, the German nuclear reactor insurance pool and the "Verkehrsopferhilfe e. V." traffic accident pool. In the event that one of the other pool members fails to meet its liabilities, the companies are obliged to assume that other member´s share in proportion to their own share of the pool.

In addition, several Group companies belong to the Guarantee Fund for Life Insurance Undertakings in accordance with sections 221ff. of the Insurance Supervision Act (VAG); related funding commitments and contributions amount to EUR 547 (615) million.

Our subsidiary Hannover Rück SE enters into contingent commitments as part of its regular business activities. A number of reinsurance contracts between Group companies and external third parties contain letters of comfort, guarantees or novation agreements under which, if certain circumstances occur, Hannover Rück SE will guarantee the liabilities of the relevant subsidiary or assume its rights and obligations under the contracts.

The application of tax laws and regulations may be unresolved at the time when the tax items are recognised. We adopted what we believe to be the most probable utilisation when calculating tax refund claims and tax liabilities. However, the tax authorities may come to different conclusions and this could give rise to additional tax liabilities in the future. The Group´s contingent liabilities from taxes amount to EUR 73 (64) million. These are offset by contingent assets from taxes of EUR 29 (25) million.

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	2022	2021
Capital management services and commission [1]	266	275
Other insurance-related services [1]	157	138
Income from infrastructure investments [2]	85	60
Total revenue [3]	**508**	**473**

[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 407 (398) million, under "9.a. Investment income" EUR 85 (60) million and under "Net income from investment contracts" EUR 16 (15) million.

Revenue from **capital management services** provided (fund management) including related commissions of EUR 249 (254) million is recognised in the reporting period in which the services are provided. Transaction prices are measured using the underlying percentage rates plus the fair value of the managed funds at the end of the month in question and essentially do not include variable consideration. Revenue is recognised over time after the end of the period concerned in line with performance, since the customer simultaneously receives and consumes the benefit. Contracts with customers do not have significant financing components. Other commissions of EUR 17 (21) million include brokers´ fees, performance fees and similar consideration, and are recognised predominantly at a point in time.

Other insurance-related services primarily relate to services performed over time (EUR 95 (84) million), and in particular to management services (EUR 48 (44) million). Transaction prices here are generally measured using the underlying framework agreement rates and a percentage of the gross premiums. Income from the management services described here is primarily earned over a period of three to four years, in line with the durations of the contracts, and is predominantly recognised on a pro rata basis. In addition, other administrative activities are carried out for non-Group entities and a number of additional services are provided, to an insignificant extent in all cases.

EUR 62 (55) million was generated in the financial year from other insurance-related services recognised at a point in time and, to a limited extent, from the sale of goods. The services primarily comprise commissions for acting as a lead manager in the amount of EUR 41 (32) million.

Income from infrastructure investments includes electricity revenue generated by wind parks. The transaction price for the volumes of electricity fed into the grid in the reporting period is determined using the contractual feed-in fees, including the relevant minimum fees under the German Renewable Energy Act. Revenue is recognised on the basis of the volume of energy fed in during the reporting period. Contracts with customers do not have significant financing components.

Rents and leases

Leases under which Group companies are the lessees

The Group leases office space, technical equipment and office equipment at many locations. There is also a long-term ground lease as part of investment property.

The following rights-of-use assets were recognised in the balance sheet as at 31 December 2022 in connection with leases.

CHANGES IN RIGHT-OF-USE ASSETS

EUR million	Real estate held and used	Infrastructure investments	Investment property	Operating and office equipment	Other right-of-use assets	Total
2022						
Carrying amount as at 1.1.2022	**377**	**22**	**34**	**1**	**3**	**437**
Impairments	63	7	1	—	2	72
Additions	57	—	—	—	2	59
Disposals	—	—	—	—	—	1
Change in basis of consolidation	–1	—	—	—	—	–1
Exchange rate changes	2	—	2	—	—	3
Carrying amount as at 31.12.2022	**371**	**16**	**35**	**1**	**3**	**426**
2021						
Carrying amount as at 1.1.2021	**319**	**27**	**71**	**1**	**3**	**421**
Impairments	68	5	1	1	2	76
Additions	87	—	—	1	2	90
Disposals	1	—	—	—	—	1
Reclassification	40	—	–40	—	—	—
Change in basis of consolidation	1	—	—	—	—	1
Disposal groups in accordance with IFRS 5	–1	—	—	—	—	–1
Exchange rate changes	—	—	3	—	—	2
Carrying amount as at 31.12.2021	**377**	**22**	**34**	**1**	**3**	**437**

CHANGES IN THE LEASE LIABILITY (OTHER LEASE LIABILITIES LINE ITEM)

EUR million	2022	2021
Balance at 1.1. of the financial year	**462**	**437**
Unwinding of discounts	12	11
Additions/Disposals	58	89
Disposals	1	1
Amortisation	67	79
Exchange rate changes	3	4
Balance at 31.12. of the financial year	**466**	**462**

MATURITY OF THE LEASE LIABILITIES

EUR million	31.12.2022	31.12.2021
less than 1 year	79	75
1 year and longer	53	51
2 years and longer	46	45
3 years and longer	51	40
4 years and longer	40	38
5 years and longer	196	213
Total	**466**	**462**

ADDITIONAL EXPENSES FROM LEASING CONTRACTS

EUR million	2022	2021
Expenses from short-term leases	2	1
Expenses from leases of low-value assets	30	24
Expenses for variable-lease payments	—	—

There was no material income from subleases or material gains or losses from sale and leaseback transactions in the financial year.

Total payments for leases came to EUR 67 (79) million and essentially relate to payments for leasing real estate held and used in the amount of EUR 58 (72) million. In the financial year, there were no future minimum lease payments, which cannot be terminated, in connection with leases that have been concluded but that have not yet begun.

Leases under which Group companies are the lessors

The total amount of income due under non-cancellable leases in subsequent years is EUR 1,438 (1,268) million.

FUTURE LEASING INCOME

EUR million	2022	2023	2024	2025	2026	Subsequent years
Income	278	268	227	196	165	304

Future leasing income primarily results from property companies in the Property/Casualty Reinsurance segment leasing out properties and from primary insurance companies (mainly in the Retail Germany – Life segment) leasing out properties in Germany. These are operating leases. Rental income in the financial year came to EUR 356 (298) million. This included EUR 5 (3) million in income from variable lease payments that do not depend on an index or interest rate.

Remuneration of the parent company's governing bodies

The Board of Management comprised 7 (6) active members as at the reporting date.

The total remuneration paid to the Board of Management amounted to EUR 15,808 (9,162) thousand. It is made up of fixed and variable remuneration. Fixed remuneration is granted in three elements – the fixed remuneration, the fringe benefits and the retirement provision. Fixed remuneration paid to the Board of Management amounted to EUR 5,985 (4,448) thousand in financial year 2022. In addition, each member of the Board of Management received certain non-performance-related fringe benefits in line with common market practice, including a company car and insurance cover, which are reviewed at regular intervals. In 2022, fringe benefits for the Board of Management totalled EUR 53 (65) thousand. The Board of Management's retirement provision is primarily on a defined contribution basis. There is a pension commitment on a final salary basis only for one member of the Board of Management. In the financial year 2022, expenses for the Board of Management's pension provisions amounted to EUR 1,408 (1,640) thousand. Variable remuneration of the Board of Management totalled EUR 9,770 (4,649) thousand.

In line with the share-based payment system introduced in 2011, the Board of Management has claims for the reporting period under the Talanx Share Award plan to virtual shares with a fair value of EUR 4,337 (746) thousand (corresponding to 110,319 (20,503) shares) and claims for the reporting period under the Hannover Re Share Award plan to virtual shares with a fair value of EUR 1,024 (269) thousand (corresponding to 6,554 (1,786) shares).

Former members of the Board of Management and their surviving dependants received total remuneration of EUR 3,969 (3,522) thousand. Termination benefits accounted for 1,050 (438) thousand of this. Provisions of EUR 34,255 (46,715) thousand were recognised for projected benefit obligations due to former members of the Board of Management and their surviving dependants.

The total remuneration paid to the Supervisory Board amounted to EUR 2,600 (2,628) thousand. From 1 January 2021, the members of the Supervisory Board receive solely fixed remuneration.

In the reporting period, members of governing bodies received no advances or loans. In the year under review, as defined by IAS 24 there were no further material matters and contractual relationships between companies of the Talanx Group and the members of governing bodies and related parties. Beyond the remuneration paid as Supervisory Board members at Group companies, the members of the Supervisory Board were not granted any remuneration or advantages for any personal performance.

A new remuneration system has been in place for all members of the Board or Management since 1 January 2021. The remuneration of the Board of Management still comprises fixed and variable components.

With a target achievement of 100%, the remuneration of the Board of Management comprises 40% fixed remuneration and 60% variable. Each member of the Board of Management has a target remuneration in line with common market practice, aligned to the respective area of responsibility and the knowledge and experience relevant for the activity. Since 1 January 2021, the variable part of the Board of Management remuneration is made up of a 40% share from a short-term incentive ("STI") and a 60% share from a long-term incentive ("LTI") granted in the form of Talanx performance shares or Hannover Re performance shares.

The short-term incentive is aligned to the business performance of Talanx in the respective financial year. The basis for the payment from the STI is the contractually stipulated STI target amount based on a target achievement level of 100%. Overall target achievement (including an individual upward or downward adjustment) can be in a range between 0% and 200%. The STI payment amount is capped at 200% of the STI target amount. The key financial criterion for the STI is the Group's return on equity ("Group RoE"). For the STI there is also an individual upward or downward adjustment. This comprises both financial as well as non-financial criteria, in particular also sustainability targets. The individual upward or downward adjustment is determined by the Supervisory Board after a due assessment of the circumstances. It can be in a range between –25 percentage points and +25 percentage points. The criteria for determining the individual upward or downward adjustment is determined for the future financial year by Supervisory Board in advance, with the Board of Management members being informed of the same.

For a detailed explanation of the long-term incentive, see the "Share-based payments" section. The long-term incentive is paid out at the end of the four-year performance period in 2027.

IAS 24 requires the remuneration components of key management personnel of the reporting entity to be presented separately. This group of persons encompasses the members of the Board of Management and Supervisory Board of Talanx AG. The remuneration of this group of persons can be broken down as follows.

MANAGEMENT REMUNERATION IN ACCORDANCE WITH IAS 24

EUR Thousand	2022	2021
Salaries and other short-term remunerations	12,633	10,414
Other long-term benefits [1]	—	361
Awards of shares and other equity-based remunerations [2]	5,361	1,014
Termination benfits	1,050	438
Cost of retirement provisions [3]	1,408	1,640
	20,452	**13,867**

[1] The figure shown represents the value of the portion of performance-related remuneration for Members of the Board of Management required to be allocated to the bonus bank for the year under review.
[2] The figure shown represents the value of the share awards to be granted to Members of the Board of Management for the year under review.
[3] The figure shown represents the service cost (and/or annual funding contribution) recognised in the year under review for pensions and other post-retirement benefits).

There are provisions in particular in connection with post-employment benefits and remuneration in respect to the LTI and STI. As at 31 December 2022, pension provisions for related parties total EUR 10,313 (11,042) thousand. There are also provisions for share-based payment of EUR 8,260 (4,654) thousand, provisions for the bonus bank of EUR 1,864 (2,370) thousand and provisions for variable cash remuneration of EUR 3,995 (3,273) thousand. In connection with the Supervisory Board remuneration, there were provisions of EUR 2,485 (2,488) thousand as at 31 December 2022.

Auditor's fee

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC GmbH) was appointed as Group auditor within the meaning of section 318 HGB by the Annual General Meeting on 5 May 2022. It was engaged by the Supervisory Board on 7 July 2022. The fees paid to PwC GmbH and firms belonging to the global PwC network that were recognised as expenses in the reporting period can be broken down as follows:

PWC FEES

	PwC network worldwide		of which PwC GmbH	
EUR million	2022	2021	2022	2021
Financial statement audit services	35.2	20.4	19.5	9.3
Other assurance services	0.9	0.4	0.8	0.3
Tax advisory services	—	—	—	—
Other services	0.6	1.1	0.4	0.9
Total	**36.7**	**21.9**	**20.7**	**10.5**

PwC GmbH's fee for financial statement audit services primarily comprises the fees for auditing the consolidated financial statements (including statutory supplements to the engagement), the audit of the remuneration report, the review of the interim report, and audits of the annual financial statements and solvency overviews of the subsidiaries included in the consolidated financial statements. In 2022, these services also included audit support for the introduction of IFRS 17. The fees for other consulting services comprise assurance engagements on the basis of the International Standard on Assurance Engagements 3000 (ISAE 3000) and assurance procedures on the basis of the International Standard on Assurance Engagements 4400 (ISAE 4400).

The lead auditor responsible for performing the audit within the meaning of section 38(2) of the Professional Code of Conduct for German Public Auditors and Sworn Auditors in the version dated 21 June 2016 is Mr Mathias Röcker. He was first responsible for the audit of the annual and consolidated financial statements as at 31 December 2022.

Declaration of compliance in accordance with section 161 of the German Stock Corporation Act (AktG)

The declaration of compliance with the German Corporate Governance Code in accordance with section 161 of the German Stock Corporation Act (AktG) has been issued and made permanently available to shareholders on Talanx AG's website (https://www.talanx.com/en/talanx-group/corporate_governance/declaration_of_conformity), as described in the Board of Management's Declaration on Corporate Governance in the Group management report ("Corporate Governance" section).

On 2 November 2022, the Board of Management and Supervisory Board of our listed subsidiary Hannover Rück SE issued the declaration of compliance with the recommendations of the Government Commission on the German Corporate Governance Code required by section 161 of the AktG and made this declaration available to shareholders by publishing it in its annual report. The current and all previous declarations of conformity for Hannover Rück SE are published on the latter's website (https://www.hannover-re.com/200801/declaration-of-conformity).

Events after the end of the reporting period

By way of purchase agreement dated 16 November 2022, HDI Sigorta A. Ş., Istanbul, Türkiye, a wholly owned Group subsidiary of HDI International AG, Hannover, Germany (Retail International segment), acquired 60% of the shares in Fiba Emeklilik ve Hayat A.Ş, Istanbul, Türkiye (renamed HDI Fiba Emeklilik ve Hayat A.Ş, Istanbul, Türkiye, in January 2023). Based on the agreements reached, the Group will account for the acquisition as at 16 January 2023 (date of initial consolidation). The purchase price (EUR 56 million) was settled entirely in cash. Due to the short period of time between the acquisition and the preparation of this annual report, it is not possible to state the amount of assets and liabilities acquired, the amount of goodwill or the amount to be recognised for non-controlling interests.

In the first few weeks of 2023, there have already been some large loss events. In particular, these include an earthquake that caused significant destruction across large parts of Türkiye and Syria, as well as severe flooding due to extreme rainfall in the Auckland region of New Zealand. A cyclone also caused damage in parts of New Zealand. The level of the insured losses and the Group's participation cannot yet be reliably estimated. Nevertheless, the Group currently assumes that the losses from these events will be within our pro rata large loss budget for the first quarter of 2023.

List of shareholdings

The following information is disclosed in the consolidated financial statements of Talanx AG in accordance with section 313(2) of the German Commercial Code (HGB) and IFRS 12.10 (a) (i).

1. AFFILIATED COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

	Equity interest [1] in %
Domestic	
Ampega Asset Management GmbH, Cologne [3, 13]	100.00
Ampega Investment GmbH, Cologne [13]	100.00
Ampega-nl-Euro-DIM-Fonds, Cologne [16]	100.00
Ampega-nl-Global-Fonds, Cologne [16]	100.00
Ampega-nl-Rent-Fonds, Cologne [16]	100.00
Ampega-Vienna-Bonds-Master-Fonds-Deutschland, Cologne [16]	100.00
cor F. 25. GmbH & Co. KG, Berlin [4]	100.00
E+S Rückversicherung AG, Hannover	64.79
EURO-Rent 3 Master, Cologne [16]	100.00
FUNIS GmbH & Co. KG, Hannover	100.00
Gerling Immo Spezial 1, Cologne [16]	100.00
GKL SPEZIAL RENTEN, Cologne [16]	100.00
Hannover Beteiligungsgesellschaft mbH, Hannover	100.00
Hannover RE AA PE Partners III GmbH & Co. KG, Hannover	100.00
Hannover Re Euro RE Holdings GmbH, Hannover	100.00
Hannover Re Global Alternatives GmbH & Co. KG, Hannover	100.00
Hannover Re Global Holding GmbH, Hannover	100.00
Hannover Rück Beteiligung Verwaltungs-GmbH, Hannover	100.00
Hannover Rück SE, Hannover	50.22
HD Real Assets GmbH & Co. KG, Cologne [4]	100.00
HDI AG, Hannover (formerly: HDI Service AG, Hannover) [3, 13]	100.00
HDI AI EUR Beteiligungs-GmbH, Cologne [3, 13]	100.00
HDI AI USD Beteiligungs-GmbH, Cologne [3, 13]	100.00
HDI Deutschland AG, Hannover [3, 13]	100.00
HDI Deutschland Bancassurance Communication Center GmbH, Hilden [3, 13]	100.00
HDI Deutschland Bancassurance GmbH, Hilden [3, 13]	100.00
HDI Deutschland Bancassurance Kundenmanagement GmbH & Co. KG, Hilden [4]	100.00
HDI Global Network AG, Hannover [13]	100.00
HDI Global SE Absolute Return, Cologne [16]	100.00
HDI Global SE, Hannover [13]	100.00
HDI Global Specialty Holding GmbH, Hannover [13]	100.00
HDI Global Specialty SE, Hannover	100.00
HDI Globale Equities, Cologne [16]	100.00
HDI International AG, Hannover [3, 13]	100.00
HDI Lebensversicherung AG, Cologne	100.00
HDI next GmbH, Rostock [3,13]	100.00
HDI Pensionsfonds AG, Hilden (formerly PB Pensionsfonds AG, Hilden) [13]	100.00
HDI Pensionskasse AG, Cologne	100.00
HDI Pensionsmanagement AG, Cologne [3, 13]	100.00
HDI Risk Consulting GmbH, Hannover [3, 13]	100.00
HDI Versicherung AG, Hannover [13]	100.00
HDI-Gerling Sach Industrials Master, Cologne [16]	100.00
HGLV-Financial, Cologne [16]	100.00
HINT Europa Beteiligungs AG & Co. KG, Hannover [4]	100.00
HLV Aktien, Cologne [16]	100.00
HLV Alternative Investment Beteiligungen (HLV AIF)/279, Cologne [16]	100.00
HLV Municipal Fonds, Cologne [16]	100.00
HLV Real Assets GmbH & Co. KG, Cologne [4]	100.00
HNG Hannover National Grundstücksverwaltung GmbH & Co. KG, Hannover [4]	100.00
HPK Alternative Investment Beteiligungen/283, Cologne [16]	100.00
HPK Corporate, Cologne [16]	100.00
HPK Köln offene Investment GmbH & Co. KG, Cologne	100.00
HR AI Komplementär GmbH, Hannover	100.00
HR GLL Central Europe GmbH & Co. KG, Munich [5]	99.99
HR GLL Central Europe Holding GmbH, Munich [9]	100.00
HV Aktien, Cologne [16]	100.00
Infrastruktur Ludwigsau GmbH & Co. KG, Cologne	100.00
Leben Köln offene Investment GmbH & Co. KG 1, Cologne	100.00
Leben Köln offene Investment GmbH & Co. KG 3, Cologne	100.00
Leben Köln offene Investment GmbH & Co. KG 5, Cologne	100.00
Lifestyle Protection AG, Hilden [13]	100.00
Lifestyle Protection Lebensversicherung AG, Hilden [13]	100.00
LPV Lebensversicherung AG, Hilden (formerly PB Lebensversicherung AG, Hilden) [13]	100.00
LPV Versicherung AG, Hilden (formerly PB Versicherung AG, Hilden) [13]	100.00
neue leben Holding AG, Hamburg	67.50
neue leben Lebensversicherung AG, Hamburg [13]	100.00
neue leben Unfallversicherung AG, Hamburg [13]	100.00
NL Leben offene Investment GmbH & Co. KG, Cologne	100.00
nl LV Alternative Investment Beteiligungen (NLL AIF)/281, Cologne [16]	100.00
nl LV Municipal Fonds, Cologne [16]	100.00
NL Master, Cologne [16]	100.00
PB Leben offene Investment GmbH & Co. KG 2, Cologne	100.00
PB Leben offene Investment GmbH & Co. KG 3, Cologne	100.00
PBL Alternative Investment Beteiligungen/282, Cologne [16]	100.00
Qualität & Sicherheit, Cologne [16]	100.00
Riethorst Grundstücksgesellschaft AG & Co. KG, Hannover [4]	100.00
TAL Aktien, Cologne [16]	100.00
TAL Alternative Investment Beteiligungen (TAL AIF)/280, Cologne [16]	100.00
Talanx AG, Hannover	100.00
Talanx Deutschland Real Estate Value, Cologne [16]	100.00
Talanx Infrastructure France 1 GmbH, Cologne	100.00

1. AFFILIATED COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

	Equity interest[1] in %
Talanx Infrastructure France 2 GmbH, Cologne	100.00
Talanx Infrastructure Portugal 2 GmbH, Cologne	100.00
Talanx Reinsurance Broker GmbH, Hannover[3, 13]	100.00
TAL-Corp, Cologne[16]	100.00
TARGO Leben offene Investment GmbH & Co. KG, Cologne	100.00
TARGO Lebensversicherung AG, Hilden[13]	100.00
TARGO Versicherung AG, Hilden[13]	100.00
TD Real Assets GmbH & Co. KG, Cologne	100.00
TD-BA Private Equity GmbH & Co. KG, Cologne[4]	100.00
TD-BA Private Equity Sub GmbH, Cologne	100.00
TD-Sach Private Equity GmbH & Co. KG, Cologne[4]	100.00
Windfarm Bellheim GmbH & Co. KG, Cologne	100.00
Windpark Mittleres Mecklenburg GmbH & Co. KG, Cologne	100.00
Windpark Parchim GmbH & Co. KG, Cologne	100.00
Windpark Rehain GmbH & Co. KG, Cologne	100.00
Windpark Sandstruth GmbH & Co. KG, Cologne	100.00
Windpark Vier Fichten GmbH & Co. KG, Cologne	100.00
WP Berngerode GmbH & Co. KG, Cologne	100.00
WP Mörsdorf Nord GmbH & Co. KG, Cologne	100.00
Foreign	
101BOS LLC, Wilmington, USA[6]	100.00
111ORD, LLC, Wilmington, USA[6]	100.00
140EWR, LLC, Wilmington, USA[6]	100.00
193 BCN, S. L., Madrid, Spain[9]	100.00
590ATL LLC, Wilmington, USA[6]	100.00
1600FLL LLC, Wilmington, USA[6]	100.00
2530AUS LLC, Wilmington, USA[6]	100.00
320AUS LLC, Wilmington, USA[6]	100.00
3290ATL LLC, Wilmington, USA[6]	100.00
3541 PRG s. r. o., Prague, Czech Republic[9]	100.00
402 Santa Monica Blvd, LLC, Wilmington, USA[6]	100.00
7550BWI LLC, Wilmington, USA[6]	100.00
7550IAD LLC, Wilmington, USA[6]	100.00
7653BWI LLC, Wilmington, USA[6]	100.00
7659BWI LLC, Wilmington, USA[6]	100.00
92601 BTS s. r. o., Bratislava, Slovakia[9]	100.00
975 Carroll Square, LLC, Wilmington, USA[6]	100.00
Akvamarin Beta, s. r. o., Prague, Czech Republic[9]	100.00
Annuity Reinsurance Cell A1 (ARCA1), Hamilton, Bermuda	100.00
APCL Corporate Director No. 1 Limited, London, United Kingdom[8]	100.00
APCL Corporate Director No. 2 Limited, London, United Kingdom[8]	100.00
Apoquindo 5400 Chile Holding S. A., Santiago, Chile[6]	100.00
Apoquindo CL SpA, Santiago, Chile[6]	100.00
Argenta Continuity Limited, London, United Kingdom[8]	100.00
Argenta General Partner II LLP, Edinburgh, United Kingdom[8]	100.00
Argenta General Partner Limited, Edinburgh, United Kingdom[8]	100.00
Argenta Holdings Limited, London, United Kingdom[5]	100.00
Argenta LLP Services Limited, London, United Kingdom[8]	100.00
Argenta Private Capital Limited, London, United Kingdom[8]	100.00
Argenta Secretariat Limited, London, United Kingdom[8]	100.00
Argenta SLP Continuity Limited, Edinburgh, United Kingdom[8]	100.00
Argenta Syndicate Management Limited, United Kingdom[8]	100.00
Argenta Tax & Corporate Services Limited, London, United Kingdom[8]	100.00
Argenta Underwriting Asia Pte. Ltd., Singapore, Singapore[8]	100.00
Argenta Underwriting (Europe) Limited, Dublin, Ireland[8]	100.00
Argenta Underwriting No. 1 Limited, London, United Kingdom[8]	100.00
Argenta Underwriting No. 2 Limited, London, United Kingdom[8]	100.00
Argenta Underwriting No. 3 Limited, London, United Kingdom[8]	100.00
Argenta Underwriting No. 4 Limited, London, United Kingdom[8]	100.00
Argenta Underwriting No. 7 Limited, London, United Kingdom[8]	100.00
Argenta Underwriting No. 9 Limited, London, United Kingdom[8]	100.00
Argenta Underwriting No. 10 Limited, London, United Kingdom[8]	100.00
Argenta Underwriting No. 11 Limited, London, United Kingdom[8]	100.00
ASF Spectrum Limited, George Town, Cayman Islands[10]	100.00
Broadway 101, LLC, Wilmington, USA[6]	100.00
Callisto, Milan, Italy[9, 16]	100.00
CC Aeolus Pte. Ltd., Singapore, Singapore[10]	100.00
Commercial & Industrial Acceptances (Pty) Ltd., Johannesburg, South Africa[7]	85.00
Compass Insurance Company Ltd., Johannesburg, South Africa[7]	100.00
Ferme Eolienne des Mignaudieres SNC, Toulouse, France	100.00
Ferme Eolienne du Confolentais SNC, Toulouse, France	100.00
Fiba Sigorta A. Ş., Istanbul, Türkiye	50.00
Film & Entertainment Underwriters SA (Pty) Ltd., Johannesburg, South Africa[7]	100.00
Firedart Engineering Underwriting Managers (Pty) Ltd., Johannesburg, South Africa[7]	100.00
Fountain Continuity Limited, Edinburgh, United Kingdom[8]	100.00
FRACOM FCP, Paris, France[16]	100.00
Funderburk Lighthouse Limited, Grand Cayman, Cayman Islands	100.00
Garagesure Consultants and Acceptances (Pty) Ltd., Johannesburg, South Africa[7]	90.00
Gente Compañia de Soluciones Profesionales de México, S. A. de C. V., León, Mexico	100.00
Glencar Insurance Company, Orlando, USA	100.00
Glencar Underwriting Managers, Inc., Chicago, USA	100.00
GLL HRE CORE Properties, L. P., Wilmington, USA[6]	99.90
Hannover Finance, Inc., Wilmington, USA	100.00
Hannover Finance (Luxembourg) S. A., Leudelange, Luxembourg	100.00
Hannover Finance (UK) Ltd., London, United Kingdom	100.00
Hannover Life Reassurance Company of America (Bermuda) Ltd., Hamilton, Bermuda	100.00
Hannover Life Reassurance Company of America, Orlando, USA	100.00
Hannover Life Re of Australasia Ltd., Sydney, Australia	100.00
Hannover Re (Bermuda) Ltd., Hamilton, Bermuda	100.00
Hannover Re Holdings (UK) Ltd., London, United Kingdom	100.00

1. AFFILIATED COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

	Equity interest[1] in %
Hannover Re (Ireland) Designated Activity Company, Dublin, Ireland	100.00
Hannover Re Real Estate Holdings, Inc., Orlando, USA[5]	100.00
Hannover Re South Africa Limited, Johannesburg, South Africa[7]	100.00
Hannover Africa Limited, Johannesburg, South Africa[7, 15]	100.00
Hannover Reinsurance Group Africa (Pty) Ltd., Johannesburg, South Africa[5]	100.00
Hannover ReTakaful B. S. C. (c), Manama, Bahrain	100.00
Hannover Services (UK) Ltd., London, United Kingdom	100.00
HDI Assicurazioni S. p. A., Rome, Italy	100.00
HDI Global Insurance Company, Chicago, USA	100.00
HDI Global SA Ltd., Johannesburg, South Africa	100.00
HDI Global Seguros S. A., Mexico City, Mexico	100.00
HDI Global Seguros S. A., São Paulo, Brazil	100.00
HDI Immobiliare S. r. l., Rome, Italy	100.00
HDI Italia, S. p. A., Milan, Italy	100.00
HDI Katılım Sigorta A. Ş., Istanbul, Türkiye	100.00
HDI Reinsurance (Ireland) SE, Dublin, Ireland	100.00
HDI Seguros de Garantía y Crédito S. A., Las Condes, Chile	99.85
HDI Seguros S. A., Bogotá, Colombia	99.06
HDI Seguros S. A., Buenos Aires, Argentina	100.00
HDI Seguros S. A. de C. V., León, Mexico	99.76
HDI Seguros S. A., Las Condes, Chile	99.95
HDI Seguros S. A., Montevideo, Uruguay	100.00
HDI Seguros S. A., São Paulo, Brazil	100.00
HDI Sigorta A. Ş., Istanbul, Türkiye	100.00
HDI Specialty Insurance Company, Illinois, USA	100.00
HDI Versicherung AG (Austria), Vienna, Austria	100.00
Highgate sp. z o. o., Warsaw, Poland[9]	100.00
Hospitality Industrial and Commercial Underwriting Managers (Pty) Ltd., Johannesburg, South Africa[7]	85.00
HR GLL CDG Plaza S. r. l., Bucharest, Romania[9]	100.00
HR GLL Europe Holding S. à r. l., Luxembourg, Luxembourg[9]	100.00
HR GLL Griffin House SPÓLKA Z OGRANICZONA ODPOWIEDZIALNÓSCIA, Warsaw, Poland[9]	100.00
HR GLL Liberty Corner SPÓLKA Z OGRANICZONA ODPOWIEDZIALNÓSCIA, Warsaw, Poland[9]	100.00
HR GLL Roosevelt Kft, Budapest, Hungary[9]	100.00
HR US Infra Debt LP, George Town, Cayman Islands	99.99
HR US Infra Equity LP, Wilmington, USA[6]	99.99
HRE Core Properties Chile Holding SpA, Santiago, Chile[6]	100.00
ICAV Amissima Multi Credit Assets, Milan, Italy[16]	100.00
INCHIARO LIFE Designated Activity Company, Dublin, Ireland	100.00
Infrastorm Co-Invest 1 SCA, Luxembourg, Luxembourg	100.00
InLinea S. p. A., Rome, Italy	100.00
Integra Insurance Solutions Limited, Bradford, United Kingdom	100.00
Inter Hannover (No. 1) Limited, London, United Kingdom	100.00
Inversiones HDI Limitada, Santiago, Chile	100.00
KBC ALFA Specjalistyczny Fundusz Inwestycyjny Otwarty, Warsaw, Poland[16]	100.00
Landmark Underwriting Agency (Pty) Ltd., Bloemfontein, South Africa[7]	65.50
Le Chemin de La Milaine S. N. C, Lille, France	100.00
Leine Investment General Partner S. à r. l., Luxembourg, Luxembourg	100.00
Leine Investment SICAV-SIF, Luxembourg, Luxembourg	100.00
Le Louveng S. A. S., Lille, France	100.00
Le Souffle des Pellicornes S. N. C, Lille, France	100.00
Les Vents de Malet S. N. C, Lille, France	100.00
Lireas Holdings (Pty) Ltd., Johannesburg, South Africa[7]	70.00
M8 Property Trust, Sydney, Australia[10]	100.00
Magdalena CL SpA, Santiago, Chile[6]	100.00
Magdalena Chile Holding S. A., Santiago, Chile[6]	100.00
Magyar Posta Biztosító Zrt., Budapest, Hungary	66.93
Magyar Posta Életbiztosító Zrt., Budapest, Hungary	66.93
Markham Real Estate Partners (KSW) Pty Limited, Sydney NSW, Australia[10]	100.00
Morea Limited Liability Company, Tokyo, Japan[10]	99.00
MUA Insurance Acceptances (Pty) Ltd., Cape Town, South Africa[7]	85.00
Names Taxation Service Limited, London, United Kingdom[8]	100.00
Nashville West, LLC, Wilmington, USA[6]	100.00
Ombú CL SpA, Santiago, Chile[6]	100.00
Ombú Chile Holding S. A., Santiago, Chile[6]	100.00
PAG Real Estate Asia Select Fund Limited, George Town, Cayman Islands[5]	100.00
Peace G. K., Tokyo, Japan[10]	99.00
Perola Negra FIP Multiestratégia IE, São Paulo, Brazil[16]	100.00
Protecciones Esenciales S. A., Buenos Aires, Argentina	100.00
Real Assist (Pty) Ltd., Pretoria, South Africa[7]	51.00
Residual Services Corporate Director Limited, London, United Kingdom[8]	100.00
Residual Services Limited, London, United Kingdom[8]	100.00
River Terrace Parking, LLC, Wilmington, USA[6]	100.00
Rocky G. K., Tokyo, Japan[10]	99.00
Saint Honoré Iberia S. L., Madrid, Spain	100.00
Sand Lake Re, Inc., Burlington, USA	100.00
Santander Auto S. A., São Paulo – Vila Olimpia, Brazil	50.00
Star Grafton One S. à r. l., Luxemburg, Luxemburg	100.00
SUM Holdings (Pty) Ltd., Johannesburg, South Africa[7, 15]	100.00
Svedea AB, Stockholm, Sweden	100.00
Towarzystwo Ubezpieczeń Europa S. A., Wrocław, Poland	50.00
Towarzystwo Ubezpieczeń i Reasekuracji WARTA S. A., Warsaw, Poland	75.74
Towarzystwo Ubezpieczeń na Życie Europa S. A., Wrocław, Poland	100.00
Towarzystwo Ubezpieczeń na Życie “WARTA” S. A., Warsaw, Poland	100.00
Transit Underwriting Managers (Pty) Ltd., Durban, South Africa[7]	90.00
Ubitech Hub Pte. Ltd., Singapore, Singapore[10]	100.00

2. AFFILIATED COMPANIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRSS DUE TO INSIGNIFICANCE

	Equity interest[1] in %
Domestic	
Ampega BasisPlus Rentenfonds I, Cologne[16]	33.33
Fair Claims GmbH, Hannover[13]	100.00
FVB Gesellschaft für Finanz- und Versorgungsberatung mbH, Osnabrück[13]	100.00
HDI Deutschland Bancassurance Kundenmanagement Komplementär GmbH, Hilden	100.00
HDI Global Specialty Schadenregulierung GmbH, Hannover[13]	100.00
HEPEP IV Komplementär GmbH, Cologne	100.00
HILSP Komplementär GmbH, Hannover	100.00
HINT Beteiligungen GmbH, Hannover	100.00
Infrastruktur Windpark Vier Fichten GbR, Bremen	83.34
IVEC Institutional Venture and Equity Capital GmbH, Cologne	100.00
mantel + schölzel AG, Kassel[13]	100.00
mertus 313. GmbH, Frankfurt am Main	100.00
Talanx Direct Infrastructure 1 GmbH, Cologne	100.00
Talanx Infrastructure Portugal GmbH, Cologne	100.00
TAM AI Komplementär GmbH, Cologne	100.00
SSV Schadenschutzverband GmbH, Hannover[13]	100.00
Foreign	
Bristol Re Ltd., Hamilton, Bermuda	100.00
Danae, Inc., Wilmington, USA	100.00
Desarrollo de Consultores Profesionales en Seguros S. A. de C. V., León, Guanajuato, Mexico	100.00
Dynastic Underwriting Limited, London, Great Britain	100.00
Hannover Mining Engineering Services LLC, Itasca, USA	100.00
Hannover Re Consulting Services India Private Limited, Mumbai, India	100.00
Hannover Re Risk Management Services India Private Limited, New Delhi, India	100.00
Hannover Re Services Italy S. r. l., Milan, Italy	100.00
Hannover Re Services Japan, Tokyo, Japan	100.00
Hannover Re Services USA, Inc., Itasca, USA	100.00
Hannover Risk Consultants B. V., Rotterdam, The Netherlands	100.00
Hannover Rück SE Escritório de Representação no Brasil Ltda., Rio de Janeiro, Brazil	100.00
Hannover Services (México) S. A. de C. V., Mexico City, Mexico	100.00
HDI Global Insurance Limited Liability Company, Moscow, Russia	100.00
HDI Global Network AG Escritório de Representação no Brasil Ltda, São Paulo, Brazil	100.00
HDI GLOBAL SE – UK SERVICES LIMITED, London, United Kingdom	100.00
Heuberg S. L. U., Barcelona, Spain	100.00
H. J. Roelofs Assuradeuren B. V. , Rotterdam, The Netherlands	100.00
HR Hannover Re, Correduría de Reaseguros, S. A., Madrid, Spain	100.00
Svedea Skadeservice AB, Stockholm, Schweden	100.00

3. STRUCTURED ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS 10

	Equity interest[1] in %
Kaith Re Ltd., Hamilton, Bermuda	90.40
Kubera Insurance (SAC) Ltd., Hamilton, Bermuda	100.00
LI RE, Hamilton, Bermuda	100.00

4. ASSOCIATES VALUED USING EQUITY METHOD IN THE CONSOLIDATED FINANCIAL STATEMENTS

	Equity interest[1] in %
Domestic	
HANNOVER Finanz GmbH, Hannover	27.78
neue leben Pensionskasse AG, Hamburg	49.00
WeHaCo Unternehmensbeteiligungs-GmbH, Hannover	40.00
Foreign	
Clarendon Transport Underwriting Managers (Pty) Ltd., Johannesburg, South Africa[7]	32.67
IBERIA TERMOSOLAR 1, S. L., Badajoz, Spain	71.06
Inqaku FC (Pty) Ltd., Johannesburg, South Africa[7]	21.03
Investsure Technologies Proprietary Limited, Johannesburg, South Africa[7]	32.26
Monument Insurance Group Limited, Hamilton, Bermuda	20.00
PVI Holdings Joint Stock Corporation, Cau Giay, Vietnam	51.01

5. ASSOCIATES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS USING THE EQUITY METHOD DUE TO INSIGNIFICANCE

	Equity interest[1] in %
Domestic	
AMANIKI GmbH, Frankfurt/Main	49.90
HMG Amerigo-Vespucci-Platz 2 GmbH & Co. geschlossene Investment KG, Hamburg	50.00
HMG Frankfurter Straße 100 GmbH & Co. geschlossene Investment KG, Hamburg	50.00
HMG Gasstraße 25 GmbH & Co. geschlossene Investment KG, Hamburg	40.24
VOV GmbH, Cologne	35.25
Foreign	
Assi 90 S. r. l., Milan, Italy[15]	39.75
Bond I. T. Ltd., Herzliya, Israel	21.94
Escala Braga – Sociedade Gestora de Edifício, S. A., Braga, Portugal	49.00
Escala Parque – Gestão de Estacionamento, S. A., Linhó, Portugal	49.00
Escala Vila Franca – Sociedade Gestora de Edifício, S. A., Linhó, Portugal	49.00
Falcon Risk Holdings LLC, Dallas, USA	40.00
PNH Parque – Do Novo Hospital, S. A., Linhó, Portugal	49.00
Reaseguradora del Ecuador S. A., Guayaquil, Ecuador	30.00
Trinity Underwriting Managers Limited, Toronto, Canada	20.37

6. JOINT VENTURES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS USING THE EQUITY METHOD

	Equity interest[1] in %
Domestic	
DDBR1, Cologne	50.00
MR Beteiligungen 23. GmbH, Munich	50.00
Foreign	
Magma HDI General Insurance Company Ltd., Kolkata, India	15.18

7. JOINT VENTURES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS DUE TO INSIGNIFICANCE

	Equity interest[1] in %
Domestic	
Finance-Gate Software GmbH, Berlin	40.00
Foreign	
C-QUADRAT Ampega Asset Management Armenia LLC, Yerevan, Armenia	25.10

8. PARTICIPATING INTERESTS

	Equity interest[1] in %		Equity[2] in thousand	Earnings before profit transfer[2] in thousand
Domestic				
Hannover America Private Equity Partners II GmbH & Co. KG, Hannover[12]	14.45	EUR	1,028,260	92,183
Hannover Re Euro PE Holdings GmbH & Co. KG, Hannover[12]	14.45	EUR	586,402	52,812
IGEPA Gewerbepark GmbH & Co. Vermietungs KG, Fürstenfeldbruck	37.50	EUR	–17,264	3,094
Neue SEBA Beteiligungsgesellschaft mbH, Nuremberg[17]	18.63	—	—	—
Foreign				
Credit Suisse (Lux) Gas TransitSwitzerland SCS, Luxemburg, Luxemburg	60.15	EUR	154,835	18,788
Different Technology (Pty) Ltd., Johannesburg, South Africa[12]	12.30	ZAR	27,046	–878
FLS Group AG, Baar, Switzerland[11]	19.73	—	—	—
Ignite Thailand Holdings Ltd., Hong Kong, China[11]	15.11	—	—	—
Kopano Ventures (Pty) Ltd., Johannesburg, South Africa[7, 14]	29.05	—	—	—
Meribel Mottaret Limited, St. Helier, Jersey[17]	18.96	—	—	—
Mosaic Insurance Holdings Limited, Hamilton, Bermuda	15.00	USD	120,312	36,535
Pineapple Tech (Pty) Ltd., Johannesburg, South Africa[7, 12]	14.68	ZAR	57,000	–30,131
Sureify Labs, Inc., Wilmington, USA	10.01	USD	7,112	4,974
SWISS INSUREVOLUTION PARTNERS Holding (FL) AG, Triesen, Liechtenstein[15]	15.00	—	—	—
YOUPLUS Holding AG, Zurich, Switzerland (formerly SWISS INSUREVOLUTION PARTNERS Holding (CH) AG, Zurich, Switzerland)[17]	15.00	—	—	—

9. INVESTMENTS IN LARGE CORPORATIONS EXCEEDING 5% OF THE VOTING RIGHTS

	Equity interest[1] in %
Domestic	
Extremus Versicherungs-AG, Cologne	13.00
M 31 Beteiligungsgesellschaft mbH & Co. Energie KG, Düsseldorf	8.90
Foreign	
Acte Vie S. A. Schiltigheim, France	9.38

[1] The equity interests are calculated by adding together all directly and indirectly held interests in accordance with section 16(2) and section 16(4) of the German Stock Corporation Act (AktG).
[2] The figures correspond to the local GAAP or IFRS annual financial statements of the companies concerned; currencies other than the euro are indicated.
[3] The exemptions permitted under section 264(3) of the German Commercial Code (HGB) were applied.
[4] The exemption permitted under section 264b of the HGB was applied.
[5] The company prepares its own subgroup financial statements.
[6] Included in the subgroup financial statements for Hannover Re Real Estate Holdings, Inc.
[7] Included in the subgroup financial statements for Hannover Reinsurance Group Africa (Pty) Ltd.
[8] Included in the subgroup financial statements for Argenta Holdings Limited.
[9] Included in the subgroup financial statements for HR GLL Central Europe GmbH & Co. KG.
[10] Included in the subgroup financial statements for PAG Real Estate Asia Select Fund Limited.
[11] No annual report/annual financial statements are available yet because the company was formed in the reporting period.
[12] Provisional/unaudited figures as at the 2022 financial year-end.
[13] A profit/loss transfer agreement is in force.
[14] The company is inactive.
[15] The company is in liquidation.
[16] Investment funds.
[17] No disclosures are made on equity and earnings in accordance with section 313 (3) HGB.

Significant branches of the Group

We define the branch of a Group company as a part of the business without legal capacity, separated from the Group company in terms of space and organisation, which operates under instructions internally and acts autonomously in the market.

The companies in the Talanx Group listed in the following table maintain branches which we consider significant for understanding the Group's situation.

SIGNIFICANT BRANCHES OF THE GROUP

		Gross written premiums[1] in thousand
Hannover Rück SE		
Hannover Re UK Life Branch, London, United Kingdom	EUR	366,363
Hannover Rück SE India Branch, Mumbai, India	EUR	262,601
Hannover Rück SE Canadian Branch, Toronto, Canada	EUR	706,476
Hannover Rück SE Korea Branch, Seoul, South Korea	EUR	46,195
Hannover Rück SE Shanghai Branch, Shanghai, China	EUR	2,099,557
Hannover Rück SE Succursale Française, Paris, France	EUR	907,594
Hannover Rück SE Hong Kong Branch, Wanchai, Hong Kong	EUR	312,902
Hannover Rück SE Tyskland Filial, Stockholm, Sweden	EUR	383,375
Hannover Rueck SE Australian Branch, Sydney, Australia	EUR	754,282
Hannover Rueck SE Bahrain Branch, Manama, Bahrain	EUR	166,244
Hannover Rueck SE Malaysian Branch, Kuala Lumpur, Malaysia	EUR	1,245,137
HDI Global SE		
HDI Global SE – Australian Branch, Sydney, Australia	EUR	198,839
HDI Global SE – Branch for Belgium, Brussels, Belgium	EUR	220,719
HDI Global SE – Direction pour la France, Paris, France	EUR	507,358
HDI Global SE – the Netherlands, Amsterdam, The Netherlands	EUR	285,125
HDI Global SE – UK, London, United Kingdom	EUR	380,240
HDI Lebensversicherung AG		
HDI Lebensversicherung AG – Austria Branch, Vienna, Austria[2]	EUR	84,133
HDI Versicherung AG (Austria)		
HDI Versicherung AG (Austria) – Czech Republic Branch	EUR	22,640
HDI Global Specialty SE		
HDI Global Specialty SE, Australian Branch, Sydney, Australia	EUR	323,521
HDI Global Specialty SE, Canadian Branch, Toronto, Canada	EUR	213,043
HDI Global Specialty SE, Scandinavian Branch, Stockholm, Sweden	EUR	525,028
HDI Global Specialty SE, UK Branch, London, United Kingdom	EUR	884,985

[1] Figures prior to consolidation.
[2] Provisional/unaudited figures as at the 2022 financial year-end.

Furthermore, other companies in the Talanx Group maintain additional branches, which must be classified as insignificant individually and in total for the Group.

Prepared and hence authorised for publication on 28 February 2023 in Hannover.

Board of Management

Torsten Leue, Chairman

Jean-Jacques Henchoz

Dr Wilm Langenbach

Dr Edgar Puls

Caroline Schlienkamp

Jens Warkentin

Dr Jan Wicke

Independent Auditor's report[1]

To Talanx AG, Hannover

Report on the audit of the consolidated financial statements and of the Group management report

Audit Opinions

We have audited the consolidated financial statements of Talanx AG, Hanover, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Talanx AG, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1 Fair value measurement of certain financial instruments

2 Measurement of loss and loss adjustment expense reserves

3 Measurement of the benefit reserve

Our presentation of these key audit matters has been structured in each case as follows:

1 Matter and issue

2 Audit approach and findings

3 Reference to further information

Hereinafter we present the key audit matters:

1 Fair value measurement of certain financial instruments

1 Financial instruments of € 132,559 million (68,6% of total equity and liabilities) are reported in the consolidated financial statements. Of these financial instruments, financial assets amounting to € 94,697 million are measured at fair value. Of those financial instruments in turn, the fair value of € 89,946 million is calculated using valuation models or based third-party value indicators. The measurement of financial instruments whose fair value must be determined based on valuation models and third-party value indicators is subject to uncertainty, because the most recent market data or comparable figures are not always available and therefore estimated values and parameters that cannot be currently observed on the market are also used. This particularly concerns over-the-counter securities, other loans and derivatives.

[1] Translation of the auditor's report issued in German language of the consolidated financial statements and management report prepared in German language by the management of Talanx AG.

In this context, financial instruments measured using models are subject to an increased measurement risk due to their lower objectivity and the underlying judgments as well as estimates and assumptions of the executive directors. Since the estimates and assumptions, in particular with regard to interest rates and cash flows, and the valuation methods applied could materially affect the measurement of these financial instruments and the assets, liabilities and financial performance of the Group and also extensive disclosures in the note to the consolidated financial statements on measurement methods and scope of judgments are necessary, this matter was of particular significance in the context of our audit.

2 During our audit, we analyzed the financial instruments based on valuation models and third-party value indicators, with the focus on measurement uncertainties. Thereby, we assessed the appropriateness and effectiveness of the relevant controls for the measurement of these financial instruments and the model validation. Therewith, we evaluated, among other things, the integrity of the underlying data and the process for the determination of the assumptions and estimates used in the valuation.

With the support of our internal financial mathematics specialists, we also assessed the appropriateness of the methods applied by the executive directors to test the assets for impairment and the inputs used for that purpose. We have compared the methods and assumptions used to calculate valuation adjustments in the financial year with recognized practices and industry standards and assessed to what extent these are suitable for determining an appropriate accounting treatment.

Based on our audit procedures performed, we were able to satisfy ourselves that the methods and assumptions used by the executive directors to measure certain financial instruments (valued based on models and third-party value indicators) are suitable overall and that the disclosures contained in the notes to the consolidated financial statements are appropriate.

3 The Company's disclosures on the measurement of the financial instruments are contained in the sections "Accounting policies" and "Investments" of the notes to the consolidated financial statements.

2 Measurement of loss and loss adjustment expense reserves

1 Technical provisions ("loss reserves") of € 68,810 million (35.6% of total equity and liabilities) are reported in the Company's consolidated financial statements under the balance sheet item "loss and loss adjustment expense reserve".

The loss and loss adjustment expense reserve in property/casualty insurance represents the company's expectations for future known and unknown claims payments and associated expenses. The company applies actuarial and statistical methods to estimate this obligation. Valuing these reserves also requires the company's executive directors to exercise a significant degree of judgement regarding assumptions made such as the impact of increased inflation rates, the pattern of claims processing and regulatory changes. There is a particularly high degree of uncertainty when estimating product lines with low loss frequencies, high single losses or long claims processing periods in particular.

On account of these reserves' significance in terms of amount for the Group's assets, lianilities and financial performance, the considerable degree of judgment of the executive directors and the associated uncertainty with regard to estimates, the measurement of the technical provisions in property/casualty insurance was of particular significance in the context of our audit.

2 During our audit of the loss and loss adjustment expense reserve, we examined and assessed the adequacy of the selection of actuarial methods at the company as well as the procedures including controls established to determine assumptions and use of estimates to measure certain technical provisions in property/casualty insurance.

With the support of our internal valuation experts in the area of property/casualty insurance, we compared the actuarial methods and key assumptions used with general recognised actuarial practices and industry standards and evaluated to what extent these are suitable for the purposes of valuation. Our audit also included the evaluation of the plausibility and integrity of data and assumptions used for valuation including the executive directors' assessment of the impact of the increased inflation rates on the lines affected and the assessment of the pattern of claims processing. In addition, we recalculated reserves for selected product lines, in particular product lines with large business volume or increased estimation uncertainty. For these product lines, we then compared these recalculated reserves with the reserves determined by the company and evaluated any discrepancies. In addition, we examined whether any adjustments made to estimates in loss reserves at a Group level had been suitably documented and justified.

Based on our audit procedures performed, we were able to satisfy ourselves that the estimates and assumptions used by the executive directors to measure technical provisions in property/casualty insurance are suitable overall.

3 The Company's disclosures on the measurement of the loss and loss adjustment expense reserve for property/casualty insurance are contained in the sections "Accounting policies" and "Technical provisions" of the notes to the consolidated financial statements.

3 Measurement of the benefit reserve

1 Technical provisions of € 56,150 million (29.1% of total equity and liabilities) are reported in the Company's consolidated financial statements under the balance sheet item "benefit reserve".

The benefit reserve contains technical provisions for future commitments arising from guaranteed claims of policyholders in life insurance. The benefit reserve is measured using complex actuarial methods and models on the basis of a wider-ranging process aimed at calculating assumptions about future developments relating to the insurance portfolios to be valued. The methods applied and the actuarial assumptions determined in connection with interest, investment income, biometric variables and cost assumptions, as well as future actions of policyholders, can have a material effect on the valuation of this technical provision.

Due to the significance in terms of amount for the Group's assets, liabilities and financial performance and the complex nature of determining the underlying assumptions by the executive directors, the valuation of this technical provision was of particular significance in the context of our audit.

2 As part of our audit, we assessed the adequacy of selected actuarial methods as well as the procedures including controls in place for determining assumptions and making estimates for measuring certain technical provisions.

With the support of our internal valuation experts, we compared the actuarial methods and key assumptions used with general recognised actuarial practices and industry standards and evaluated to what extent these are suitable for the purposes of valuation. One focal point of our audit was assessing to what extent the liability adequacy test had been properly executed. As part of our audit, we also assess the plausibility and integrity of data and assumptions used by the executive directors for the valuation.

Based on our audit procedures performed, we were able to satisfy ourselves that the methods and assumptions used by the executive directors to measure the benefit reserve are suitable overall.

3 The Company's disclosures on the valuation of the benefit reserve are contained in the sections "Accounting policies" and "Technical provisions" of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in section "Corporate Governance" of the group management report
- the non-financial group statement to comply with §§ 315b to 315c HGB included in section "Consolidated non-financial Statement# of the group management report
- the section "Effectiveness of risk management and the ICS" of the group management report

The other information comprises further

- the remuneration report pursuant to § 162 AktG [Aktiengesetz: German Stock Corporation Act], for which the supervisory board is also responsible
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file Talanx_AG_KA+KLB_ESEF-2022-12-31_de.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 5 May 2022. We were engaged by the supervisory board on 7 July 2022. We have been the group auditor of the Talanx AG, Hanover, without interruption since the financial year 2018.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to an other matter– use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Mathias Röcker.

Hannover, March 13, 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Mathias Röcker	Janna Brüning
Wirtschaftsprüfer	Wirtschaftsprüferin
[German public auditor]	[German public auditor]

Independent Practitioner's Report

on a Limited Assurance Engagement on Non-financial Reporting [2]

To Talanx Aktiengesellschaft, Hannover

We have performed a limited assurance engagement on the non-financial group statement of Talanx AG, Hannover, (hereinafter the "Company") for the period from 1 January to 31 December 2022 (hereinafter the "Non-financial Group Statement") included in section "Non-financial Group Statement" of the combined management report.

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Non-financial Group Statement.

Responsibility of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Group Statement in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "Climate-related and environmental matters" of the Non-financial Group Statement.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as the executive directors consider necessary to enable the preparation of a Non-financial Group Statement that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "Climate-related and environmental matters" of the Non-financial Group Statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

[2] PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the non-financial group statement and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with limited assurance on the Non-financial Group Statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Non-financial Group Statement, other than the external sources of documentation or expert opinions mentioned in the Non-financial Group Statement, are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "Climate-related and environmental matters" of the Non-financial Group Statement.

In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Non-financial Group Statement about the preparation process, about the internal control system relating to this process and about disclosures in the Non-financial Group Statement
- Identification of likely risks of material misstatement in the Non-financial Group Statement
- Analytical procedures on selected disclosures in the Non-financial Group Statement
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and combined management report
- Evaluation of the presentation of the Non-financial Group Statement
- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the Non-financial Group Statement
- Evaluation of CO_2 compensation certificates exclusively with regard to their existence, but not with regard to their impact

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Non-financial Group Statement of the Company for the period from 1 January to 31 December 2022 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "Climate-related and environmental matters" of the Non-financial Group Statement.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Non-financial Group Statement.

Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Frankfurt am Main, 13 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke	ppa. Christopher Hintze
Wirtschaftsprüferin	Wirtschaftsprüfer
[German public auditor]	[German public auditor]

Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group management report, which is combined with the management report of Talanx AG, 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.

Hannover, 28 February 2023

Board of Management

Torsten Leue, Chairman	Jean-Jacques Henchoz	Dr Wilm Langenbach	Dr Edgar Puls
Caroline Schlienkamp	Jens Warkentin	Dr Jan Wicke	

Further information

Glossary and definitions of key figures

Accumulation risk
The underwriting risk that a single trigger event (e.g. an earthquake or hurricane) can lead to a cluster of claims within a > portfolio.

Acquisition costs, deferred
The costs/expenses incurred by an insurance company when insurance policies are taken out or renewed (e.g. new business commission, costs of proposal assessment or underwriting). Capitalising acquisition costs spreads them over the policy period.

Administrative expenses
The costs of ongoing administration connected with the production of insurance coverage.

Annual premium equivalent – ape
The industry standard for measuring new business income in life insurance.

Asset management
The administration and management of investments based on risk and return criteria.

Assets under own management
Investments that do not originate from either investment contracts or funds withheld by ceding companies in the insurance business. They are generally acquired or sold independently by Group companies at their own risk and are managed either by the company or by an investment company on the company's behalf.

Associate
A company that is not consolidated (or proportionately consolidated), but is normally included in the consolidated financial statements using the > equity method. A company that is included in the consolidated financial statements exercises significant influence over the associate's operating or financial policies.

B2B
The exchange of goods, services and information between companies.

Bancassurance
A partnership between a bank/postal service partner and an insurance company for the purpose of selling insurance products through the banking/postal service partner's branches. The linkage between insurer and bank often takes the form of a capital investment or a long-term strategic cooperation between the two partners.

Basic own funds
Excess of assets over liabilities less the amount recognised for own shares in the solvency balance sheet plus subordinated liabilities, as defined in section 89(3) of the German Insurance Supervision Act (VAG).

Benefit reserve
A value for future liabilities arrived at using mathematical methods (present value of future liabilities less value of future premiums received), especially in life and health insurance.

Biometric products
Insurance products that do not have a savings portion, for which events associated with fundamental changes in biologically determined living conditions (death, occurrence of the need for care, occupational disability or invalidity) trigger the benefit obligation.

Capital-efficient products
The premiums paid in are guaranteed as a maximum upon expiry of the insurance policy, irrespective of the capital market. During the term, surpluses increase the assets. The maturity of the premium guarantee reduces the risk capital that the life insurer must back.

Carrying amount per share
This key figure indicates the amount of equity per share attributable to shareholders.

Catastrophe bond
(also: cat bond). An instrument used to transfer catastrophe risks held by an insurer or reinsurer to the capital markets.

Cedant (also: ceding company)
A primary insurer or reinsurer that passes on (cedes) portions of its insured risks to a reinsurer in exchange for a premium.

Cessionary
The reinsurer of a primary insurer.

Chain ladder method
A standard actuarial method used to estimate the provisions required for future claims expenditures. It assumes that the claims amount increases by the same factor in all occurrence years. With this method, the expected total claims are determined exclusively on the basis of historical data on the settlement of losses in the insurer's portfolio.

Coinsurance funds withheld treaty
A type of reinsurance contract under which the ceding company retains a portion of the original premium that is at least equal to the ceded reserves.

Combined ratio
The sum of the > loss ratio and the > expense ratio (net), after allowance for interest income on funds withheld and contract deposits, as a proportion of net premiums earned. To calculate the combined ratio, claims and claims expenses including interest income on funds withheld and contract deposits are taken into account. This ratio is used by both property/casualty insurers and property/casualty reinsurers.

Commission
The remuneration paid by a primary insurer to agents, brokers and other professional intermediaries.

Decision-making powers
The Group is exposed, or has rights, to variable returns from an involvement and has the ability to affect the amount of the returns (e.g. the relevant activities) due to substantive rights.

Deposit accounting
A US GAAP accounting method for recognising short-term and long-term insurance and reinsurance contracts that do not transfer any significant underwriting risk.

Derivative (derivative financial instrument)
Financial products that are derived from underlying primary instruments such as equities, fixed-income securities and foreign exchange instruments. The fair value of derivatives is measured by reference to the underlying security or reference asset, among other factors. Derivatives include > swaps, options and futures.

Direct insurer
> primary insurer

Duration
A ratio in mathematical finance that represents the average capital commitment period of an investment in bonds or their interest rate sensitivity. The “Macaulay duration” is the capital-weighted mean number of years over which a bond will generate payments. The “effective duration” is a measure of the interest rate sensitivity of the present value of assets and liabilities that takes embedded options into account. The larger the value, the greater the interest rate sensitivity is.

Earned premiums
Proportion of written premiums attributable to insurance cover in the financial year.

Earnings per share, diluted
A ratio calculated by dividing Group net income attributable to the shareholders of Talanx AG by the average weighted number of shares outstanding. Diluted earnings per share reflect exercised or as yet unexercised pre-emptive rights when calculating the number of shares.

EBIT
Earnings before interest and taxes; at the Talanx Group, this is identical to > operating profit/loss.

Equalisation reserve
A reserve that is recognised in order to offset significant fluctuations in the loss experience of individual lines over a number of years. Under IFRSs, it is reported as a component of equity.

Equity method
An accounting method used to measure equity investments (> associate) in the consolidated financial statements under which the carrying amount of the investment in the consolidated balance sheet is adjusted to reflect changes in the investor’s share of the investee’s equity.

Expenditures on insurance business (acquisition costs and administrative expenses)
Total commissions, selling expenses, personnel expenses, non-personnel operating expenses and ongoing administrative expenses.

Expense ratio
The ratio of acquisition costs and administrative expenses (net) to net premiums earned.

Exposure
The level of danger inherent in a risk or portfolio of risks.

Extraordinary investment income
Income from realised and unrealised gains and losses, including impairment losses/write-downs and their reversal.

Facultative reinsurance
Participation by the reinsurer in a separate individual risk assumed by the primary insurer. Contrast with: > obligatory reinsurance.

Fair value
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

For own account (also: net)
In insurance: after deduction of > passive reinsurance.

Funds held by ceding companies/funds held under reinsurance treaties
Collateral provided to cover insurance liabilities that an insurer retains from the cash funds it has to pay to a reinsurer under a reinsurance treaty. In this case, the insurer reports funds held under a reinsurance treaty, while the reinsurer reports funds held by a ceding company. Interest is payable/receivable on these funds.

Goodwill
The amount that a purchaser is prepared to pay – in light of future profit expectations – above and beyond the value of all tangible and intangible assets after deducting liabilities.

Gross
In insurance: before deduction of > passive reinsurance.

Hard market
A market phase during which premium levels are typically high. Contrast with: > soft market.

Hybrid capital
A bond structure that has equity-like characteristics due to the fact that it is subordinated.

Impairment
A write-down (impairment loss) that is recognised if the present value of the estimated future cash flows of an asset falls below its carrying amount.

Incurred but not reported – IBNR
A reserve for losses that have already occurred but have not yet been reported.

Insurance-linked securities – ILS
Securitised insurance risks such as cat bonds, derivatives or collateralised reinsurance.

International Financial Reporting Standards – IFRSs
Internationally recognised accounting standards, previously known as IASs (International Accounting Standards); these accounting standards have been applied at Talanx since 2004.

Investment grade
A rating of BBB or better awarded to an issuer on account of its low credit risk.

Investments under investment contracts
Investment contracts with no discretionary surplus participation that do not involve any significant underwriting risk and are recognised in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”.

Lapse rate for life insurance products
The ratio of the sum of cancelled policies and other premature withdrawals to the average business in force (index published by the German Insurance Association/GDV).

Large loss (also: major loss)
A claim that is of exceptional size compared with the average claim for the risk group in question and that exceeds a defined loss amount. Since 2012, the Talanx Group has defined large losses as natural catastrophes and other large losses for which the portion held by the Talanx Group exceeds EUR 10 million (gross).

Letter of credit – LoC
A form of bank guarantee. In the USA, for example, it is a common method of furnishing collateral in the reinsurance business.

Life insurance
Collective term covering those types of insurance that are concerned in the broader sense with the risks associated with the uncertainties of life expectancy and life planning. These include insurance relating to death, disability and retirement provision, as well as marriage and education.

Life/health insurance (also: personal lines)
Lines of business concerned with the insurance of persons, specifically life, annuity, health and personal accident insurance.

Loss ratio
The net loss ratio based on amounts reported in the financial statements: the ratio of claims and claims expenses (net), one element of which is the net other technical result, including amortisation of the shareholders' portion of the PVFP – to net premiums earned. > PVFP

Loss ratio for property/casualty insurance products
a) Gross: the ratio of the sum of claims expenditures (gross) and the gross other technical result to gross premiums earned.
b) Net: the ratio of the sum of claims expenditures (net) and the net other technical result to net premiums earned.

Matching currency cover(age)
Cover for technical liabilities denominated in foreign currencies by means of corresponding investments in the same currency in order to avoid exchange rate risk.

Modified coinsurance (modco) treaty
A type of reinsurance treaty under which the ceding company retains the assets that secure the reinsured reserves in a separate account, thereby creating an obligation to make payments to the reinsurer at a later date. The payments include a proportionate share of the gross premiums and the income from the securities.

Morbidity
A measure of the incidence of disease relative to a given population group.

Mortality
A measure of the incidence of death within a given time interval relative to the total population.

Net
In insurance: after deduction of > passive reinsurance.

Net expenditure on insurance claims
The total amount of claims paid and provisions for loss events that have occurred during the financial year, plus net income or expenses from adjusting provisions for loss events from previous years, in each case after deduction of own reinsurance amounts.

Net income
EBIT less financing costs and taxes on income.

Net return on investments
The ratio of net investment income, not including interest income on funds withheld and contract deposits, or income from > investments under investment contracts, to average assets under own management.

Net technical expenses
Claims and claims expenses, acquisition costs and administrative expenses and other technical expenses, in each case net of reinsurance recoverables.

Non-proportional reinsurance
A reinsurance treaty under which the reinsurer assumes the loss expenditure or sum insured in excess of a defined amount. Contrast with: > proportional reinsurance.

Obligatory reinsurance
A reinsurance treaty under which the reinsurer participates in an aggregate, precisely defined insurance portfolio of a > cedant. Contrast with: > facultative reinsurance.

Operating profit/loss (EBIT)
Sum of net investment income, underwriting result and other income and expenses including goodwill impairments before interest for other debt borrowed for financing purposes (financing costs) and before taxes (taxes on income).

OTC
Over the counter. In the case of securities: not traded on an exchange.

Passive reinsurance
Existing reinsurance programmes of > primary insurers that protect them against underwriting risks.

Personal lines
> Life/health insurance

Policyholders' surplus
The total amount of
a) equity excluding non-controlling interests, comprising share capital, capital reserves, retained earnings and other comprehensive income,
b) non-controlling interests and
c) hybrid capital that combines characteristics of both debt and equity and comprises subordinated liabilities.

Portfolio
a) All risks assumed by a > primary insurer or > reinsurer in their entirety or in a defined sub-segment.
b) A group of investments classified according to specific criteria.

Premium
The remuneration agreed for the risks accepted by the insurer.

Present value of future profits – PVFP
An intangible asset that primarily arises from the acquisition of life and health insurance companies or individual portfolios. The present value of expected future profits from the acquired portfolio is capitalised and is normally then amortised. Impairment losses are recognised on the basis of annual impairment tests.

Primary (also: direct) insurer
A company that accepts risks in exchange for an insurance premium and that has a direct contractual relationship with the policyholder (private individual, company, organisation).

Property/casualty insurance
All insurance classes with the exception of life insurance and health insurance: all lines in which the insured event does not trigger payment of an agreed fixed amount. Instead, the incurred loss is compensated.

Proportional reinsurance
Reinsurance treaties under which shares of a risk or portfolio are reinsured at the same terms as the original insurance. Premiums and losses are shared proportionately, i.e. on a pro rata basis. Contrast with: > non-proportional reinsurance.

Quota share reinsurance
A form of reinsurance under which the percentage share of the written risk and the premium are contractually agreed.

Rate
The percentage (normally applied to the subject premium) of a reinsured portfolio that is payable to the reinsurer under a > non-proportional reinsurance treaty as the reinsurance premium.

Reinsurer
A company that accepts risks or portfolio segments from a > primary insurer or another reinsurer in exchange for an agreed premium.

Renewal
In the case of contractual relationships with insurers that are maintained over long periods of time, the contract terms and conditions are normally modified annually in the course of renewal negotiations, following which the contracts are renewed.

Retail business
a) In general: business with private (retail) customers.
b) Ampega: business involving investment funds that are designed essentially for private, non-institutional investors, but are also open to investments by Group companies.

Retention
That portion of the accepted risks that an insurer/a reinsurer does not reinsure, i.e. that it carries > net. The ratio of net written premiums to gross written premiums (excluding savings elements of premiums under unit-linked life and annuity insurance policies).

Retrocession
Ceding by a reinsurer of its risks or portions of them to other reinsurers.

Silo
A part of the business that is separate from other assets and liabilities (e.g. an investment fund), and for which all rights and obligations accrue exclusively to the investors in this part of this business.

Soft market
A market phase referring to an oversupply of insurance, resulting in premiums that do not reflect the risk. Contrast with: > hard market.

Solvency
The amount of free uncommitted own funds needed to ensure that liabilities under insurance policies can be met at all times.

Solvency 2
A European Union Directive for insurance companies that fundamentally reformed European insurance supervision law. The focus is on expanded publication obligations and more sophisticated solvency regulations governing the level of own funds to be maintained by insurance companies. The Directive has been in force since January 2016 and was incorporated into the German Insurance Supervision Act (VAG).

Specialty lines
Specialty insurance for niche business such as non-standard motor covers, fine arts insurance, etc.

Stress test
A form of scenario analysis that enables quantitative assessments to be made about the loss potential of > portfolios in the event of extreme market volatility.

Structured enterprise
An enterprise that is organised in such a way that voting or similar rights are not the dominant factor in deciding who controls the enterprise. This is the case, for example, when voting rights relate to administrative tasks only and contractual agreements are used to determine the direction of the relevant activities (e.g. certain investment funds).

Surplus participation
Legally required participation (recalculated each year) by policyholders in the surpluses generated by life insurers.

Survival ratio
This reflects the ratio of loss reserves to claims paid under a policy or several policies in a financial year.

Technical result
> Underwriting result

Underwriting
The process of examining and assessing (re) insurance risks in order to determine an appropriate premium for the risk in question. The purpose of underwriting is to diversify the underwriting risk in such a way that it is fair and equitable for the (re)insured and at the same time profitable for the (re)insurer.

Underwriting result (also: technical result)
The balance of income and expenses allocated to the insurance business: the balance of > net premiums earned and claims and claims expenses (net), acquisition costs and administrative expenses (net), and the net other technical result, including amortisation of the shareholders' portion of the > PVFP

Unearned premium reserve
Premiums written in a financial year that will be allocated to the following period in accordance with the matching principle.

Unit-linked life insurance
Life insurance under which the level of benefits depends on the performance of an investment fund allocated to the policy in question.

Value at risk
A risk measure for determining potential losses that will not be exceeded for a certain probability in a given period.

Value of new business (life)
The present value of future net income excluding non-controlling interests, generated from the new business portfolios for the current year. It is calculated on the basis of the same operational assumptions as are used to determine the Solvency 2 own funds as at the end of the financial year.

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Published on 15 March 2023

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

Online Annual Report
https://www.talanx.com/en/investor_relations/reporting/financial_reports

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Financial calendar 2023

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Annual General Meeting

15 May
Quarterly Statement as at 31 March

14 August
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13 November
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