Talanx Group Annual Report 2021

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, PB insurers and TARGO insurers as well as Ampega, a funds provider and asset manager. The Hannover-based Group is active in more than 150 countries.

GROSS WRITTEN PREMIUMS

EUR billion

45.5

OPERATING PROFIT (EBIT)

EUR billion

2.5

GROUP NET INCOME

EUR million

1,011

PROPOSED DIVIDEND PER SHARE

EUR

1.60

NET RETURN ON INVESTMENT

%

3.4

RETURN ON EQUITY

%

9.6

GROUP KEY FIGURES

	Unit	2021	2020[1]	2019	2018	2017
Gross written premiums	EUR million	**45,507**	**41,109**	**39,494**	**34,885**	**33,060**
by region						
Germany	%	20	21	22	25	26
United Kingdom	%	9	9	8	8	8
Central and Eastern Europe (CEE), including Turkey	%	7	7	8	8	9
Rest of Europe	%	16	16	16	16	15
USA	%	21	20	20	18	18
Rest of North America	%	4	3	3	2	2
Latin America	%	6	7	8	8	8
Asia and Australia	%	15	16	14	13	12
Africa	%	2	1	2	2	2
Gross written premiums by type and class of insurance[2]						
Property/casualty primary insurance	EUR million	13,405	11,873	11,837	10,006	9,625
Life primary insurance	EUR million	6,353	6,039	6,573	6,206	6,275
Property/casualty reinsurance	EUR million	17,420	15,071	13,411	11,622	10,229
Life/health reinsurance	EUR million	8,396	7,892	7,673	7,051	6,931
Net premiums earned	EUR million	**37,863**	**34,190**	**33,054**	**29,574**	**27,418**
Underwriting result	EUR million	**–2,195**	**–2,821**	**–1,833**	**–1,647**	**–2,546**
Net investment income	EUR million	**4,718**	**4,240**	**4,323**	**3,767**	**4,478**
Net return on investment[3]	%	**3.4**	**3.2**	**3.5**	**3.3**	**4.0**
Operating profit/loss (EBIT)	EUR million	**2,454**	**1,645**	**2,430**	**2,032**	**1,805**
Net income (after financing costs and taxes)	EUR million	**1,730**	**1,170**	**1,671**	**1,359**	**1,269**
of which attributable to shareholders of Talanx AG	EUR million	1,011	648	923	703	671
Return on equity[4]	%	**9.6**	**6.3**	**9.8**	**8.0**	**7.5**
Earnings per share						
Basic earnings per share	EUR	4.00	2.56	3.65	2.78	2.65
Diluted earnings per share	EUR	4.00	2.56	3.65	2.78	2.65
Combined ratio in property/casualty primary insurance and property/casualty reinsurance[5]	%	**97.7**	**101.0**	**98.3**	**98.2**	**100.4**
Combined ratio of property/casualty primary insurers	%	97.1	98.9	98.3	100.6	101.2
Combined ratio of property/casualty reinsurance	%	97.7	101.6	98.2	96.6	99.8
Policyholders' surplus	EUR million	**22,704**	**20,572**	**20,089**	**16,999**	**16,961**
Equity attributable to shareholders of Talanx AG	EUR million	10,776	10,367	10,149	8,713	8,813
Non-controlling interests	EUR million	7,169	6,732	6,461	5,548	5,411
Hybrid capital	EUR million	4,759	3,473	3,479	2,738	2,737
Assets under own management	EUR million	**136,073**	**128,301**	**122,638**	**111,868**	**107,881**
Total investments	EUR million	**147,835**	**138,705**	**134,104**	**122,831**	**118,673**
Total assets	EUR million	**197,524**	**181,035**	**177,594**	**162,188**	**158,397**
Carrying amount per share at end of period	EUR	**42.58**	**41.01**	**40.15**	**34.47**	**34.86**
Share price at end of period	EUR	**42.54**	**31.76**	**44.18**	**29.80**	**34.07**
Current dividend proposal and prior years' dividends (per share)	EUR	**1.60**	**1.50**	**1.50**	**1.45**	**1.40**
Market capitalisation of Talanx AG at end of period	EUR million	**10,767**	**8,029**	**11,169**	**7,533**	**8,613**
Employees	as at the reporting date	**23,954**	**23,527**	**23,324**	**22,642**	**22,059**

[1] Adjusted in accordance with IAS 8, see the "Accounting policies" section of the Notes.
[2] Excluding Corporate Operations segment and after elimination of intragroup cross-segment transactions.
[3] 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.
[4] Ratio of net income excluding non-controlling interests to average equity excluding non-controlling interests.
[5] Combined ratio taking into account interest income on funds withheld and contract deposits, before elimination of intragroup cross-segment transactions.

»Our extremely encouraging earnings figures are due to our 24,000 or so dedicated and highly motivated employees. I am delighted to see the energy and confidence with which they live our Talanx Purpose, ‘Together we take care of the unexpected and foster entrepreneurship’, every day. We are engaged in a systematic and transparent cultural transformation to the new worlds of work and accelerating the digitalisation of our business models. This ensures we will continue to deliver innovative high performance for our clients going forward.«

Torsten Leue
(Chairman of the Board
of Management)

Contents

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,
ladies and gentlemen,

Your Talanx Group has proved extremely resilient in the face of extremely high claims expenses resulting from natural disasters and the ongoing global coronavirus pandemic. Despite a challenging market environment, we saw a double-digit increase in premium income to EUR 45.5 billion and gained market share in many regions as a result. For the first time in the 120 or so years of our history, we broke the one billion euro barrier to record Group net income of EUR 1.01 billion – a year earlier than had been announced in our medium-term targets in 2018. At 9.6 percent, our return on equity climbed to almost double figures, despite the low interest rate environment. In light of these encouraging developments, we shall be proposing another dividend increase – of 10 cents to EUR 1.60 – to the General Meeting.

These extremely encouraging earnings figures are due to our 24,000 or so dedicated and highly motivated employees. I am delighted to see the energy and confidence with which they live our Talanx Purpose, "Together we take care of the unexpected and foster entrepreneurship", every day. We are engaged in a systematic and transparent cultural transformation to the new worlds of work and accelerating the digitalisation of our business models. This ensures we will continue to deliver innovative high performance for our clients going forward. My deepest thanks – and those of my colleagues on the Board of Management – are therefore due to the entire workforce for their outstanding efforts.

The consistent implementation of our ambitious strategy again paid off last year, as can be seen from the improvement in our results and, last but not least, in Talanx's share price performance as well. Your shares rose by more than 35 percent in 2021, twice as much as the STOXX Europe 600 Insurance, Talanx's peer group index.

I am delighted to report that all divisions contributed to this excellent performance. In particular, the successful implementation of our optimisation programmes in the Industrial Lines and Retail Germany divisions lifted the share of Group net income attributable to primary insurance from 31 percent in 2018 to approximately 45 percent in 2021, even though Hannover Re also increased its earnings.

»The consistent implementation of our ambitious strategy again paid off last year.«

The Industrial Lines Division recorded profitable growth, coming closer to its goal of being one of our Group's core mainstays. Operating profit increased by more than 300 percent year-on-year to EUR 196 million, despite considerable large losses. The combined ratio recorded another year-on-year improvement to 98.7 percent, on track to reach our medium-term target of 95 percent. Premium income at HDI Global Specialty, which focuses on special risks and is one of our main growth initiatives, rose by 23 percent to just under EUR 2.5 billion. This allowed us to reach our strategic goal of premium income of EUR 2.1 billion one year earlier than planned and to set ourselves a new, ambitious target for gross premiums of EUR 3.7 billion by 2025.

The Retail Germany Division more than met the goals of our “KuRS” strategic optimisation programme last year, generating an operating profit of EUR 283 million that was in excess of its target. Our new “Go25” strategy aims to achieve focused, profitable growth especially in the SME business, as a partner for banks, and in selected product areas in the retail and life/health insurance business.

The Retail International Division again proved a profitable growth engine for the Group, despite extremely volatile markets. Premium income continued to rise, climbing by a double-digit 11 percent year-on-year to more than EUR 6 billion. Two particularly encouraging facts were that operating profit was up considerably year-on-year at EUR 294 million, despite high claims inflation in the emerging markets, while the combined ratio was stable at 94.8 percent. We maintained our regional business focus on five core markets: Brazil, Mexico, Chile, Poland and Turkey. In Chile, for example, we signed another long-term exclusive partnership, this time with leading bank BancoEstado , which has more than 15 million customers.

Our Reinsurance Division saw another double-digit increase in premium income, profitably expanding its market share. The combined ratio for the Property/Casualty Reinsurance segment even declined year-on-year to 97.7 percent despite substantial large losses from natural disasters. As expected, operating profit rose year-on-year by 80 percent to EUR 1.5 billion. Life/Health Reinsurance saw more than 6 percent growth in gross premiums to EUR 8.5 billion. The business was badly hit by the coronavirus pandemic, and in particular by excess mortality in the USA and in South Africa. Despite this, our diversified portfolio enabled this segment to contribute EUR 216 million to operating profit.

Torsten Leue, Chairman of the Board of Management

Our commitment to the Paris Agreement on climate change raised the bar for our sustainability goals still further in the past financial year. Our own German operations are already carbon neutral and we are now aiming to achieve this target worldwide by 2030. As regards our investments, we will reduce our portfolio’s carbon footprint by 30 percent in the period up to 2025 as a step on the way to carbon neutrality by 2050. At the same time, we want to increase the proportion of alternative investments, including in renewable energy sources, to EUR 8 billion.

Dear shareholders and readers, we will continue to meet future challenges by systematically implementing our strategy, based on our Company’s decentralised, entrepreneurial structures and culture of trust, and on living our Purpose.

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
- Investor Relations
- Legal
- 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
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
- Diversity & Inclusion
- Information Technology

Dr Edgar Puls
Isernhagen
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
- Procurement (Non-IT)
- Reinsurance Captive Talanx AG

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 Vertriebs 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 Kundenservice AG

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

Jutta Hammer *
(since 1 February 2011)
Bergisch Gladbach
Employee,
HDI Kundenservice 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,
Schroder 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 Global SE

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

Prof. Dr Jens Schubert *
(since 8 May 2014)
Potsdam
AWO Bundesverband e. V.
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 2021

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
Herbert K. Haas, Chairman
Jutta Hammer
Dr Hermann Jung
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 2021, 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 and the impact of the coronavirus pandemic on our Group.

Overview

We held four ordinary and one extraordinary meeting of the Supervisory Board in the year under review. Representatives of the Federal Financial Supervisory Authority (BaFin) took part in the Supervisory Board meeting on 9 November 2021 in line with routine practice. The Supervisory Board's Finance and Audit Committee held five meetings and the Personnel Committee held four meetings. The Nomination Committee and the Standing Committee formed in accordance with the requirements of the German Codetermination Act (MitbestG) were not required to meet in 2021. The full Supervisory Board was briefed in each case on the work of the committees. In addition, we were 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 – including the impact of the pandemic –, 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. We were also kept informed of transactions that, although not requiring Supervisory Board approval, are required to be reported to us under the Rules of Procedure, as well as of 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, including the impact of the pandemic, issues relating to the strategic orientation in individual divisions, potential acquisition projects abroad and the planning for 2022. As part of the reporting, we were informed of, and developed an understanding of, the reasons for any differences between the planning approved and the actual course of business.

The Supervisory Board discussed an acquisition project in Italy and passed a resolution on this at the start of the year at an extraordinary meeting on 5 February 2021.

At its meeting on 12 March 2021, the Supervisory Board also discussed in detail 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 2020. The auditor stated that an unqualified audit opinion had been issued for both the single-entity and the consolidated financial statements. The Supervisory Board discussed a number of projects, initiatives and reportable events, passed resolutions regarding the strategy for the Retail Germany Division, received the 100-day report from the member of the Board of Management responsible for the Retail International Division and heard the reasons why the acquisition project in Italy did not materialise. It also received the report on the result of the annual, Group-wide Organizational Health Check employee survey and addressed Talanx AG's share performance since the IPO. The Supervisory Board approved the agenda and the proposed resolutions for the Company's 2021 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 2020.

At the Supervisory Board meeting on 7 May 2021, the Board of Management reported on the first-quarter results and gave an outlook for the current financial year. The Supervisory Board 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 updated corporate governance principles were also adopted and an amendment approved to an existing control and profit/loss transfer agreement between Ampega Investment GmbH and Ampega Asset Management GmbH. Training programmes for the full Supervisory Board on the basis of its self-assessment were also discussed.

At the meeting on 10 August 2021, the Board of Management initially reported on the half-year results and expectations regarding the 2021 financial statements for both Talanx AG and the Group. It then focused on strategic areas in life insurance and on the insurance business with speciality risks that is pooled at HDI Global Specialty SE. The Supervisory Board also received the annual report on expense ratios compared with competitors and was briefed on current projects, initiatives and reportable events. Furthermore, the Supervisory Board noted the annual report on related party transactions and discussed risk reporting at length.

At the Supervisory Board meeting on 9 November 2021, the Board of Management reported on the third-quarter results and gave an outlook for the 2021 annual financial statements for Talanx AG and the Group. The Supervisory Board devoted considerable time to discussing planning for the 2022 financial year and approved this. It was briefed on a range of projects and reportable events and received the regular risk management report (ORSA report) on pending litigation and the structure of remuneration systems at Group companies. It also considered the strategy in the Retail International Division and discussed the sustainability strategy. It approved both of these. Furthermore, the Supervisory Board advised on and resolved the declaration of compliance regarding the German Corporate Governance Code and also approved the new employee share programme.

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 and Personnel 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 this 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 interim 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 external actuarial audit of the gross and net claims reserves for the Talanx Group's non-life insurance business and the results of a performance analysis of the Group companies acquired in the last five years. Other topics addressed by the Committee included key strategic decisions in individual Group divisions and a number of significant investment and financing projects. Furthermore, we examined the risk reports and received an audit planning report from the auditors detailing the key audit matters. The Committee listened to reports on non-audit services provided by the auditors in accordance with the "whitelist" and, at multiple meetings, discussed the new requirements for members of audit committees under the German Financial Market Integrity Strengthening Act (FISG), which the Company meets in full, and the again broader remit of the Finance and Audit Committee that this entails. 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.

As well as preparing the discussions and resolutions by the full Supervisory Board, the Personnel Committee also closely addressed succession planning for the Company's Board of Management in 2021 and, in connection with this, also discussed internal targets for the share of women holding Board of Management and management positions. The committee 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 renewing Board of Management contracts, determining variable Board of Management remuneration components and setting targets for Board of Management members for the financial year 2022.

The following table provides an overview of individual meeting attendance by members of the Supervisory Board and the committees in 2021.

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	4/5	80
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		
Herbert K. Haas	5/5	100
Dr Thomas Lindner	5/5	100
Ralf Rieger	4/5	80
Jutta Hammer	5/5	100
Dr Hermann Jung	4/5	80
Dr Erhard Schipporeit	5/5	100
Personnel Committee attendance		
Herbert K. Haas	4/4	100
Dr Thomas Lindner	3/4	75
Jutta Mück	4/4	100
Norbert Steiner	4/4	100

Corporate governance and declaration of compliance

The Government Commission on the German Corporate Governance Code did not make any changes to the German Corporate Governance Code in 2021.

Regardless of this, corporate governance remained a key priority for us. We also examined the Board of Management's report on the consolidated non-financial statement (see page 78 of the Group management report). The audit firm PricewaterhouseCoopers GmbH (PwC) conducted a limited assurance review and issued an unqualified audit opinion. The Board of Management presented the report at the Finance and Audit Committee meeting on 11 March 2021 and the Supervisory Board meeting on 12 March 2021. Auditor representatives were present at both meetings and reported the material findings of their audit. 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.

In addition, the members of the Supervisory Board submitted annual self-assessments of their knowledge in a range of key areas in accordance with insurance supervision requirements. Members of the Supervisory Board received extensive training on the new accounting standard IFRS 17/9 for the European insurance sector at the Supervisory Board meeting in May 2021.

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 9 November 2021 not to comply with the following recommendations issued in the Code in the version dated 16 December 2019: the recommendations in sections C.10 sentence 1 and D.4 sentence 2 on the chairmanship of the Audit Committee. 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.

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 Supervisory Board; 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. 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

There were no changes to the composition of the Board of Management, the Supervisory Board or its committees during the year under review.

Our thanks to the Board of Management and employees

Group net income for the 2021 financial year exceeded EUR 1 billion for the first time in the Company's history. This achievement is thanks to the dedication and tireless commitment shown by our employees. We would like to express our sincere thanks and gratitude to them and to the Board of Management.

Hannover, 11 March 2022

On behalf of the Supervisory Board

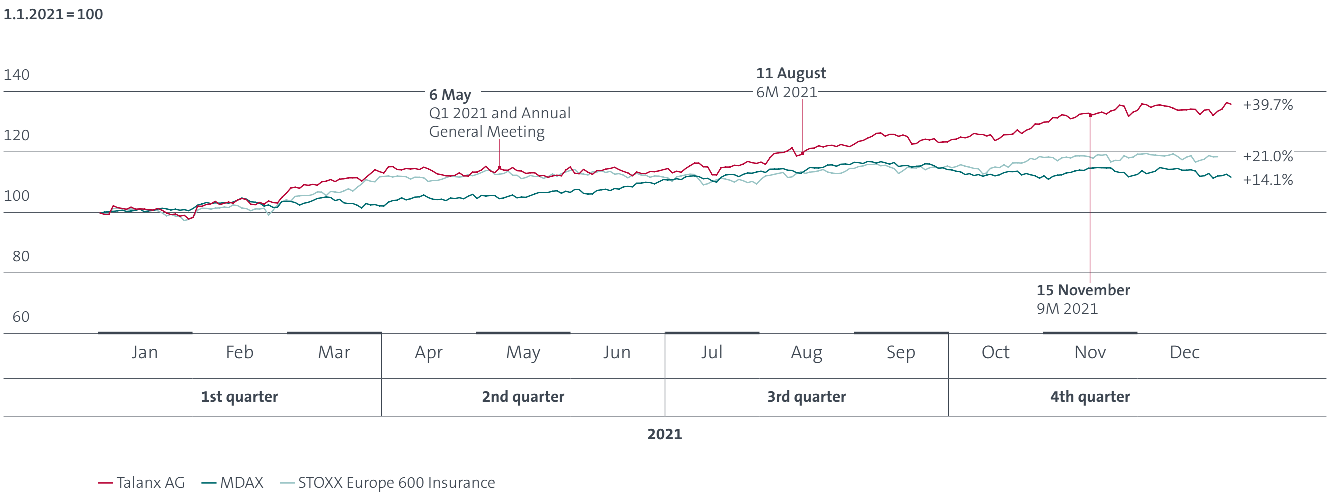
Herbert Haas
(Chairman)

Talanx shares

Rebound

After the painful 28.1% share price decline in 2020 in response to the outbreak of the coronavirus pandemic, the Talanx share experienced an encouraging upturn in 2021. The share price increased by 33.9% over the course of the year from EUR 31.76 to EUR 42.54 (XETRA daily closing price). If the dividend of EUR 1.50 paid in May 2021 had been reinvested on the day the dividend was paid, the rate of return for the year as a whole would have been as much as 39.7%. This rise was almost twice as high as the most important European sector index for insurance – the STOXX Europe 600 Insurance, which improved by only 21.0% in 2021 with reinvested dividends. The share price rose steadily until the end of February, achieving an interim high of approximately EUR 36, before this level became a stubborn line of resistance in the months to follow that was not exceeded until the end of July. Share price performance was largely positive until the end of the year and closed at EUR 42.54, also the annual high for the Talanx share.

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

Return to MDAX and delisting from Warsaw Stock Exchange

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 stocks on the MDAX, the Talanx share came in 36th place for market capitalisation (of the free float) as at 31 December 2021.

As stated in the 2020 annual report, the Talanx share was delisted from the Warsaw Stock Exchange (June 2021) in order to concentrate share trading on the central XETRA/Frankfurt trading platform while also reducing the costs of the listing. A public offer to acquire shares was submitted at the start of 2021 to Talanx AG shareholders at the time who held their shares via the Central Securities Depository of Poland (approx. 77,000 shares). The 199 shares acquired by Haftpflichtverband der Deutschen Industrie Versicherungsverein auf Gegenseitigkeit (HDI V. a. G.) were then sold on the market.

Higher level of shareholders in Germany

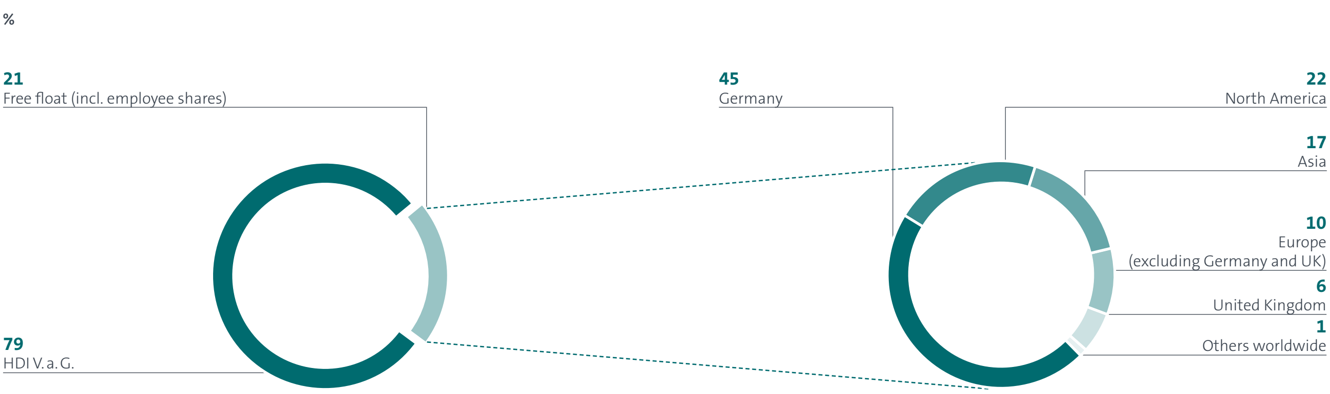
The share of the free float in Talanx AG as defined by the German Stock Exchange was 21% at the end of the year, unchanged on the prior year given that the HDI V. a. G. share remained at 79% and all other shareholders hold less than 5%. There were only minor regional shifts within the free float. The share of the free float held in Germany declined from 48% to 45%, while North American investors accounted for 22% of the free float compared to 17% in the prior year. At the same time, the share of the free float held in the rest of Europe excluding Germany rose slightly during 2021 from 9% to 10%, with the share in the United Kingdom declining from 7% to 6% and the Asian share remaining unchanged at 17%. Private shareholders increased their share of the free float from 27% to 29%. 41,386 shareholders were entered in the share register as at 31 December 2021, far more than the 35,358 registered in the previous year.

Employee share programme and new remuneration structure for Board of Management

As in previous years, employees of Talnx Group's Primary Insurance Group in Germany were able to purchase Talanx shares at a reduced price in 2021. Under a new model featuring three different options, they could purchase up to 288 shares per person. More than 3,800 employees (41.7% of those eligible, prior year: 36.5%) took advantage of this offer this autumn to acquire or increase their investment in their company – more than ever before. The approximately 300,000 subscribed shares – also a new record – were created as part of a capital increase from authorised capital and must be held for at least two years.

The new structure for Board of Management remuneration approved by the Annual General Meeting on 6 May 2021 now even more closely aligns the interests of the Board of Management with those of shareholders by linking variable remuneration more strongly to Talanx AG's share price performance, as well as other changes. For more information, see the remuneration report on page 16ff. of this annual report.

SHAREHOLDER STRUCTURE AS AT 31.12.2021



Capital market communication

Talanx maintains close dialogue with investors despite pandemic

On account of the global pandemic, most communication with our investors has been done virtually since March 2020, i.e. by phone or video call. One special event and exception to this was the Capital Markets Day in November 2021, which was held in person in Frankfurt with other participants tuning in via video call and rounded off by a one-day roadshow in Frankfurt and London. The Capital Markets Day focused on continuing to implement the current strategy cycle that expires in 2022. The event was well received and was the high point of capital market communication for us in 2021.

Talanx AG published a framework for green bond issues in mid-November 2021. The rating company Sustainalytics confirmed that this framework complies with the ICMA Green Bond Principles 2021 and the new EU taxonomy. On the basis of this framework, a few weeks later Talanx AG issued its first green bond, a highly sought-after, EUR 500 million subordinated bond matched by a portfolio of sustainable assets of the same amount.

Talanx AG expects to hold the next Capital Markets Day on 6 December 2022 and will use this as an opportunity to present the key points of the new strategy for 2023–2025 that will have been adopted by then. We will also discuss the impact of the new IFRS 17 and IFRS 9 accounting standards, which insurance companies must use in their reporting for business periods starting on or after 1 January 2023.

Annual General Meeting held virtual a second time

Unfortunately, the global coronavirus pandemic again prevented us from holding the Annual General Meeting as an in-person event in 2021. After German legislators extended the option to hold entirely virtual annual general meetings, the meeting on 6 May 2021 again took place online. For the first time, this was done from the new film studio at HDI-Platz. Participation reached a record high with almost 5,000 shareholders attending virtually, demonstrating the high level of interest in our company. The share capital represented declined slightly to 91.5% (93.2%).

The Annual General Meeting will be held on Thursday, 5 May 2022. Although the positive response to the virtual Annual General Meeting in 2021 reinforces our intention to modernise dialogue with our shareholders with the assistance of technology, we firmly believe that personal contact – especially direct and spontaneous discussions – will remain indispensable. Our aim for the future, therefore, is to strike a good balance between in-person and virtual communication with our shareholders. Nevertheless, we will continue to take account of the uncertainties associated with the pandemic situation in 2022 and will therefore again hold the Annual General Meeting virtually for reasons of prudence.

Dividends

Plan to review dividend policy as part of the 2023–2025 strategy change

Talanx AG aims to ensure sustainable dividends. While our objective of a payout ratio of 35% to 45% of Group net income in accordance with International Financial Reporting Standards (IFRS) after taxes and minority interests (dividend per share never any lower than in the prior year) remains in place until further notice, we intend to build up a buffer that allows us to consider increasing the payout ratio. We have defined this buffer so that the retained profit brought forward in accordance with German accounting standards (HGB), which is calculated after deducting the newly proposed dividend, should be equal to 1.5 to 2 times the newly proposed dividend. The factor for the financial year 2021 remains around 1.3. A review of the dividend policy will be part of the business strategy review for the 2023–2025 cycle and will be published after this has been approved.

Despite the considerable negative impact of the pandemic on earnings, in May 2021 Talanx AG paid a dividend of EUR 1.50 per share for the financial year 2020, unchanged on the prior year. This represents a payout ratio of 56% based on consolidated earnings per share in accordance with IFRS (financial year 2019: 41%).

Dividend proposal for 2021: Resume growth trajectory

The financial year just ended confirms that Talanx AG's business model is extremely resilient. Accordingly, after the lack of a dividend increase for the financial year 2020 as a precautionary measure, the Board of Management considers it appropriate and reasonable to allow shareholders a greater share in the exceptionally good results of the financial year 2021 by granting a larger dividend increase than in the past. In view of this, the Board of Management and Supervisory Board are proposing to the Talanx AG Annual General Meeting that the dividend be raised by 10 cents per share this year – as opposed to the standard 5 cents per share in the past – to EUR 1.60. This makes up for 2021, when the dividend was not increased. Based on the annual average price of EUR 36.67, this results in a dividend yield of 4.4% (4.5%). The payout ratio, based on IFRS earnings, is 40%.

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	253,100,132
Year-end closing price	EUR 42.54 (30.12.2021)
Annual high	EUR 42.54 (30.12.2021)
Annual low	EUR 30.80 (29.01.2021)
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 principles and the structures governing the remuneration systems for Talanx AG's Board of Management and Supervisory Board, and provides 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 2021.

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 16 December 2019.

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).

Overview of the remuneration systems for the Board of Management and the Supervisory Board

As a result of the entry into force of the Act Implementing the Second Shareholder Rights Directive (ARUG II) as at 1 January 2020, the remuneration report for financial year 2021 had to be prepared for the first time on the basis of the new regulatory requirements set out in section 162 of the AktG. This being the case, the remuneration report for 2021 was jointly prepared by the Board of Management and the Supervisory Board for the first time.

Remuneration system for the Board of Management

Talanx AG's Supervisory Board used the opportunity offered by the changes in the regulatory requirements relating to the remuneration system for the Board of Management resulting from the entry into force of the ARUG II and the new version of the German Corporate Governance Code to review and comprehensively revise the remuneration system for the members of the Board of Management. In the process, the Supervisory Board also took the expectations of investors and other key stakeholders into account.

The new remuneration system for the Board of Management was resolved by the Supervisory Board in its meeting on 11 August 2020 and submitted to Talanx AG's Annual General Meeting for approval on 6 May 2021. The Annual General Meeting approved the new remuneration system for the Board of Management by a majority of 96.5%.

The new remuneration system has been in use since 1 January 2021 for all members of the Board of Management. It complies with the amended statutory and regulatory requirements and the recommendations set out in the German Corporate Governance Code.

The reduction in the number of criteria for the variable remuneration components and the focus on a small number of key financial and non-financial performance criteria derived from our Group strategy has enhanced the remuneration system's overall transparency and comprehensibility. The focus continues to be on the high degree of relevance of the variable remuneration and on strengthening the "pay for performance" principle. Sustainability criteria are also taken into account when measuring performance. Furthermore, the Board of Management's remuneration has been aligned even more 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. In addition, the introduction of malus and clawback rules allows the variable remuneration paid to be reduced or reclaimed in the event of severe breaches of compliance.

The following table gives a brief overview of the changes in the remuneration system for the Board of Management:

CHANGES IN THE REMUNERATION SYSTEM FOR THE BOARD OF MANAGEMENT

REMUNERATION SYSTEM IN FORCE UP TO AND INCLUDING FINANCIAL YEAR 2020

Fixed remuneration	Fixed remuneration	
	Fringe benefits	
	Pension scheme	
Variable remuneration	Paid out immediately	60%
	Bonus bank	20%
	Talanx share awards	20%

NEW REMUNERATION SYSTEM AS FROM FINANCIAL YEAR 2021

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

Remuneration system for the Supervisory Board

In addition, the changes to the German Stock Corporation Act meant that the 2021 Annual General Meeting had to resolve on the remuneration system for the Supervisory Board. The previous remuneration system for the Supervisory Board was based on a resolution by the 2010 Annual General Meeting and had not been changed since then.

In light of this, the remuneration system for the Supervisory Board was updated and the Supervisory Board's variable remuneration was abolished. The new remuneration system grants Supervisory Board members fixed remuneration in line with market conditions, reinforcing the Supervisory Board's independence and ensuring that its members perform their role as overseers and advisors objectively. In addition, Supervisory Board members continue to receive remuneration for serving on committees, reflecting the higher workload involved, plus an attendance allowance for participating in meetings.

The following table offers an overview of the changes in the remuneration system for the Supervisory Board:

CHANGES IN THE REMUNERATION SYSTEM FOR THE SUPERVISORY BOARD

REMUNERATION SYSTEM IN FORCE UP TO AND INCLUDING FINANCIAL YEAR 2020		NEW REMUNERATION SYSTEM AS FROM FINANCIAL YEAR 2021
Cap	**Fixed remuneration**	**Fixed remuneration**
	Variable remuneration	
	Remuneration for work on committees	**Remuneration for work on committees**
	Attendance allowance	**Attendance allowance**

Remuneration of the Board of Management

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 goals (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

Process for establishing the remuneration system

The Supervisory Board's Personnel Committee helped the full Board to develop the current remuneration system; in particular, it made recommendations on the system's design in light of the basic principles defined. The Supervisory Board took the opportunity open to it when developing and establishing the remuneration system to engage an external remuneration consultant who is independent of the Board of Management and the Company.

Where no material changes are made to the remuneration system, the latter will be submitted to the Annual General Meeting for approval at least every four years. If material changes are made to the remuneration system, the amended version will also be submitted to the Annual General Meeting for approval.

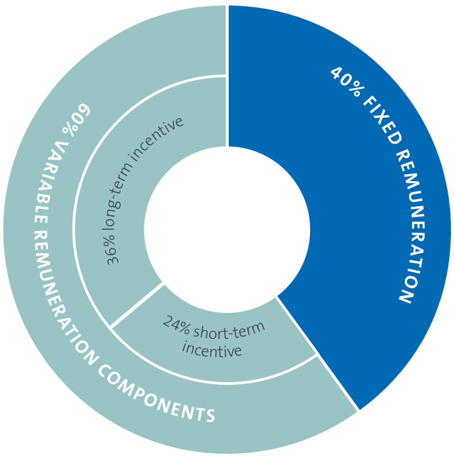
Remuneration structure

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 when the remuneration system was revised in 2020. The companies included in the MDAX as at 1 May 2020 (with the exception of Hannover Rück SE) were used as the peer group for this horizontal comparison. 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. In addition, the remuneration ratios between the Board of Management and the entire workforce were compared with the remuneration ratios for selected peer companies, which were drawn from the insurance sector where available.

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.

In the course of its revision of the remuneration system, the Company's Supervisory Board also adjusted the target remuneration for the members of the Board of Management effective as of 1 January 2021, i.e. at the same time as the new remuneration system came into force. The adjustment was made using remuneration trends at the key competitors that were used as a basis for comparison, and on the Company's business performance. The main adjustment made related to the LTI – the long-term, multi-year remuneration component – in keeping with the principle of pay for performance and the long-term focus of the Board of Management's remuneration. Following the adjustment, the target remuneration for members of the Board of Management is in line with normal market conditions for companies of Talanx's size.

The following table shows the target remuneration for all members of the Board of Management for financial year 2021. The target remuneration comprises the remuneration that will be awarded for the financial year if the target achievement is 100%.

TARGET REMUNERATION

EUR thousand

	Torsten Leue (Chairman of the Board of Management) Chairman since 8 May 2018, member since 1 September 2010		Jean-Jacques Henchoz[1] (Head of Division) since 1 April 2019		Dr Wilm Langenbach (Head of Division) since 1 December 2020		Dr Christopher Lohmann (Head of Division) since 1 August 2020		Dr Edgar Puls (Head of Division) since 9 May 2019		Dr Jan Wicke (Chief Financial Officer) Chief Financial Officer since 1 September 2020, member since 1 May 2014	
2021												
Base remuneration	1,020	40%	960	38%	540	40%	640	40%	512	40%	646	40%
Fringe benefits	10	—	14	1%	9	1%	17	1%	9	1%	6	—
Other[2]	—	—	130	5%	—	—	—	—	—	—	—	—
One-year variable remuneration	612	24%	576	23%	324	24%	384	24%	307	24%	388	24%
Multi-year variable remuneration	918	36%	864	34%	486	36%	576	36%	461	36%	581	36%
2021 performance share awards												
Total target remuneration	**2,560**	**100%**	**2,544**	**100%**	**1,359**	**100%**	**1,617**	**100%**	**1,289**	**100%**	**1,621**	**100%**
Pension expense[3]	753		215		135		160		178		199	

1 Including target remuneration for Hannover Re in the amount of EUR 2,244 thousand.
2 Payment made to compensate for a loss of salary under a previous contract of service.
3 The figure shown represents the service cost recognised in the reporting period for pensions and other post-retirement benefits.

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 payouts 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 2021 can only be made once the tranche of the LTI granted for 2021 has been paid out in 2026. Should the LTI payout lead to the maximum remuneration being exceeded, the payout will be reduced so as to ensure compliance with the cap.

Application of the remuneration system in financial year 2021

The following table provides an overview of the components of Talanx's remuneration system in financial year 2021 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: Continuation of a defined benefit pension commitment (legacy 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
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).

Pension scheme

With the exception of Torsten 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.

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 ■ Implements sustainability goals within 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

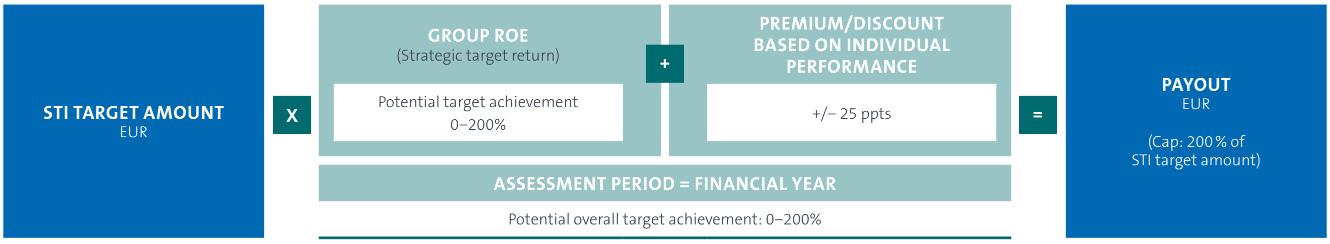
Short-term incentive (STI)

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 goals and targets) 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 payout 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 payout under the STI is capped at 200% of the target amount.

SHORT-TERM INCENTIVE



b) Financial performance criterion

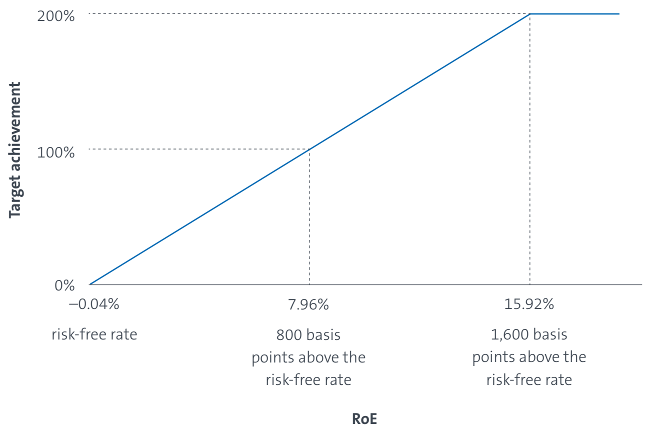
The main financial performance criterion for the STI (which has a weighting of 100%) is Group RoE as compared to a strategic target return; this is determined using the five-year average risk-free rate for 10-year German government bonds plus an ambitious spread. Group RoE is one of the key performance 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 2021 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.

Group RoE in financial year 2021 was 9.6%, while the five-year average risk-free rate for 10-year German government bonds was –0.04%. As a result, the target is 796 basis points above the risk-free rate. This corresponds to a target achievement for the Group RoE performance criterion of 120.6%.

TARGET ACHIEVEMENT FOR GROUP ROE IN FINANCIAL YEAR 2021



Group RoE	9.6%
Risk-free rate	–0.04%
Target RoE	7.96%
Target achievement	**120.6%**

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 2021 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	■ Implementation of strategic focus issues	■ Change in OHC score for 2020/2021 ■ Relative improvement in OHC score in focus area	■ Enhancement of sustainability strategy ■ Optimisation of Talanx's positioning as a sustainable group in the areas of underwriting, emissions and investment	**+20 ppts**
Jean-Jacques Henchoz	■ Reinsurance segment RoE	■ Ability of division in question to make a distribution to Talanx AG	■ Sustainable peer group outperformance by Reinsurance segment	■ Change in OHC score for 2020/2021 ■ Relative improvement in OHC score in focus area	■ Safeguarding and enhancement of sustainability strategy in the areas of underwriting, emissions and investment	**+15 ppts**
Dr Wilm Langenbach	■ Retail International segment RoE	■ Ability of division in question to make a distribution to Talanx AG	■ Strengthening the segment's position in its core markets through organic and acquisition-based growth	■ Change in OHC score for 2020/2021 ■ Relative improvement in OHC score in focus area	■ Promotion of sustainability in the areas of emissions and underwriting	**+15 ppts**
Dr Christopher Lohmann	■ Retail Germany segment RoE	■ Ability of division in question to make a distribution to Talanx AG	■ Development, adoption and communication of strategy for HDI Germany ■ Implementation of initial measures derived from the strategy	■ Change in OHC score for 2020/2021 ■ Relative improvement in OHC score in focus area	■ Development and adoption of new Talanx-wide diversity promotion policy	**+15 ppts**
Dr Edgar Puls	■ Industrial Lines segment RoE	■ Ability of division in question to make a distribution to Talanx AG	■ Strengthening of combined ratio in Industrial Lines Division ■ Growth in gross premiums in Industrial Lines Division	■ Change in OHC score for 2020/2021 ■ Relative improvement in OHC score in focus area	■ Promotion of sustainability in the areas of emissions and underwriting	**+25 ppts**
Dr Jan Wicke	Covered by Group RoE performance criterion	■ Talanx AG's ability to pay dividends	■ Investment policy measured using net return on investment for assets under own management ■ Successful preparations for Talanx Group's adoption of IFRS 17	■ Change in OHC score for 2020/2021 ■ Relative improvement in OHC score in focus area	■ Optimisation of Talanx's positioning as a sustainable enterprise in the areas of investment and corporate finance	**+15 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 third time in financial year 2021.

d) Overall target achievement and payouts for the 2021 STI

The following table shows the overall target achievement and the resulting payouts to be made to the individual members of the Board of Management under the 2021 STI:

PAYOUTS UNDER TALANX AG'S 2021 STI

EUR thousand

Board of Management member	Target amount	Group RoE target achieved	Individual premium/ discount	Overall target achieve-ment	Payout
Torsten Leue	612	120.6%	+20 ppts	**140.6%**	**860**
Jean-Jacques Henchoz	72	120.6%	+15 ppts	**135.6%**	**98**
Dr Wilm Langenbach	324	120.6%	+15 ppts	**135.6%**	**439**
Dr Christopher Lohmann	384	120.6%	+15 ppts	**135.6%**	**521**
Dr Edgar Puls	307	120.6%	+25 ppts	**145.6%**	**447**
Dr Jan Wicke	388	120.6%	+15 ppts	**135.6%**	**526**

In addition, Jean-Jacques Henchoz receives payouts 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 2021 was 900 basis points above the risk-free rate. Hannover Re's Group RoE in financial year 2021 was 10.8%, while the five-year average risk-free rate for 10-year German government bonds was –0.04%. This means that Hannover Re's Group RoE target is 896 basis points above the risk-free rate. This corresponds to a target achievement for the Group RoE performance criterion of 120.5%.

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 payouts made to Mr Henchoz under Hannover Rück SE's STI.

PAYOUTS UNDER HANNOVER RÜCK SE'S 2021 STI

EUR thousand

Board of Management member	Target amount	Group RoE target achieved	Individual premium/ discount	Overall target achieve-ment	Payout
Jean-Jacques Henchoz	504	120.5%	+15 ppts	**135.5%**	**683**

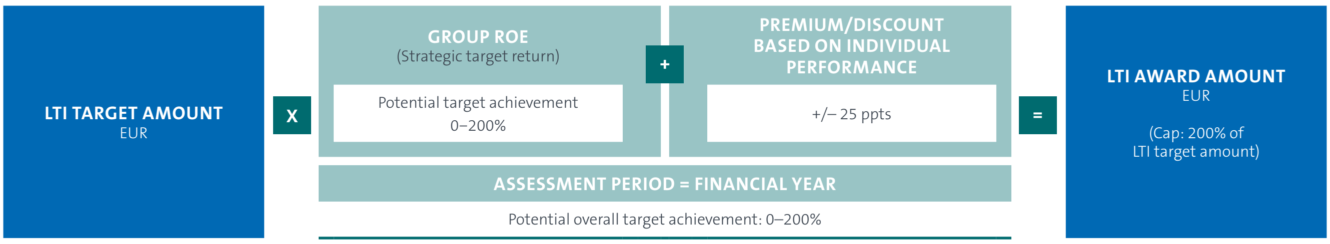
Long-term incentive (LTI)

a) Basic information

The multi-year variable remuneration for the new remuneration system consists of a long-term incentive (LTI). 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 2021 LTI tranche (Talanx 2021 performance shares) will be awarded in financial year 2022 on the basis of the overall target achievement for the 2021 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 2021 LTI tranche will be paid out at the end of the four-year performance period in calendar year 2026.

The following table shows the key aspects relating to the grant of the 2021 LTI tranche.

AWARDS UNDER TALANX AG'S 2021 LTI TRANCHE

EUR thousand

Board of Management member	Target amount	Overall target achievement for the 2021 STI	Award amount
Torsten Leue	918	140.6%	**1,291**
Jean-Jacques Henchoz	108	135.6%	**146**
Dr Wilm Langenbach	486	135.6%	**659**
Dr Christopher Lohmann	576	135.6%	**781**
Dr Edgar Puls	461	145.6%	**671**
Dr Jan Wicke	581	135.6%	**788**

In addition, Jean-Jacques Henchoz receives payouts under the LTI for the Hannover Rück SE remuneration system, 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 LTI.

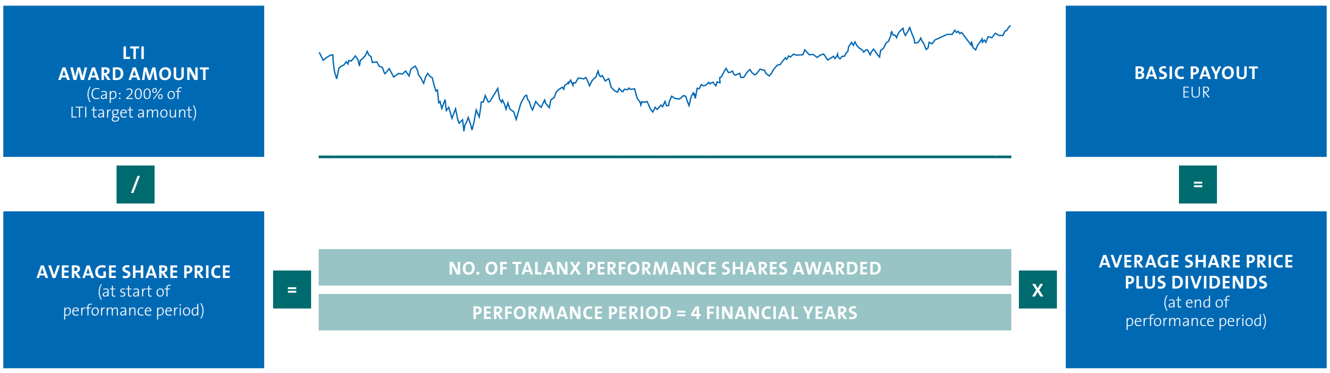
AWARDS UNDER HANNOVER RÜCK SE'S 2021 LTI TRANCHE

EUR thousand

Board of Management member	Target amount	Overall target achievement for the 2021 STI	Award amount
Jean-Jacques Henchoz	756	135.5%	**1,024**

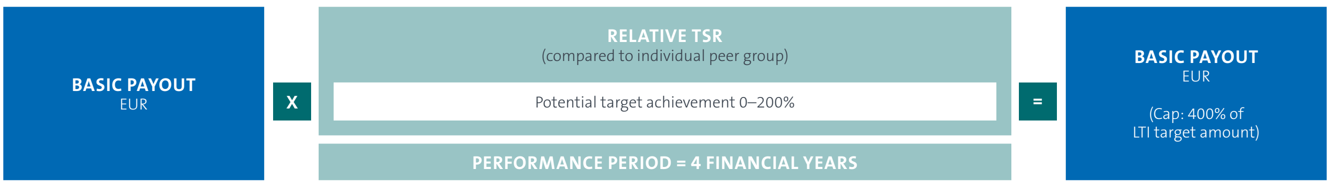
At the end of the four-year performance period, the basic payout is calculated in a first step based on the basis of Talanx's share price performance. This payout is the product of the number of Talanx performance shares awarded and Talanx AG's average share price in the period between the 15 trading 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.

LTI – ADJUSTMENT FOR SHARE PRICE PERFORMANCE



The final payout is the product of the basic payout and the target achievement for the relative total shareholder return ("relative TSR") compared to a peer group. The payout 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 payout 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.

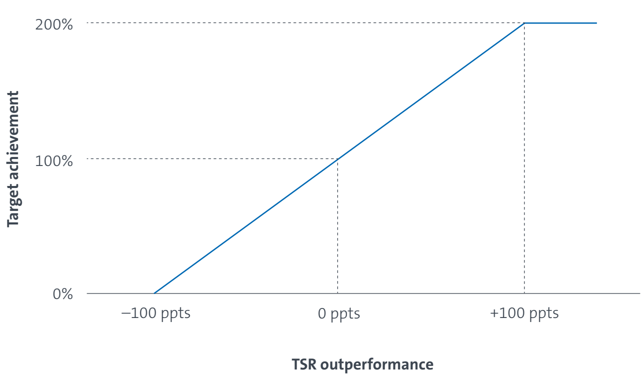
The target achievement for the relative TSR is determined by comparing the TSR for Talanx AG's shares with the shares of its peer group companies during the four-year performance period. This is done by comparing the TSR of Talanx's shares during the performance period in question with the unweighted 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 2021 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 2021 LTI tranche is published in the remuneration report after the end of the performance period.

Payouts relating to multi-year variable remuneration components

Payouts 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 2021. 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 für 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 2017 on the basis of the target achievements for the variable remuneration for financial year 2016 (Talanx share awards 2016) and the amount added to the bonus bank in financial year 2018 on the basis of the target achievement for the variable remuneration for financial year 2017 (bonus bank 2017) were paid out in 2021.

a) Talanx 2016 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 payout 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 2017 on the basis of the variable remuneration for 2016 expired in financial year 2021 and the value determined was paid out.

The following table provides an overview of the Talanx 2016 share awards:

PAYMENTS UNDER THE TALANX 2016 SHARE AWARDS

Board of Management member	Award amount (20% of 2016 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	210	33.20	6,334	36.38	5.70	**267**
Dr Jan Wicke	175	33.20	5,275	36.38	5.70	**222**

b) 2017 bonus bank

Additionally, the amount added to the bonus bank in financial year 2018 on the basis of the variable remuneration for 2017 was paid out in financial year 2021.

The payout in each case is the positive amount that was added to the bonus bank three years before the payout 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 payouts that are not covered by a positive bonus bank balance lapse.

The following table provides an overview of the 2017 bonus bank:

2017 BONUS BANK PAYMENTS

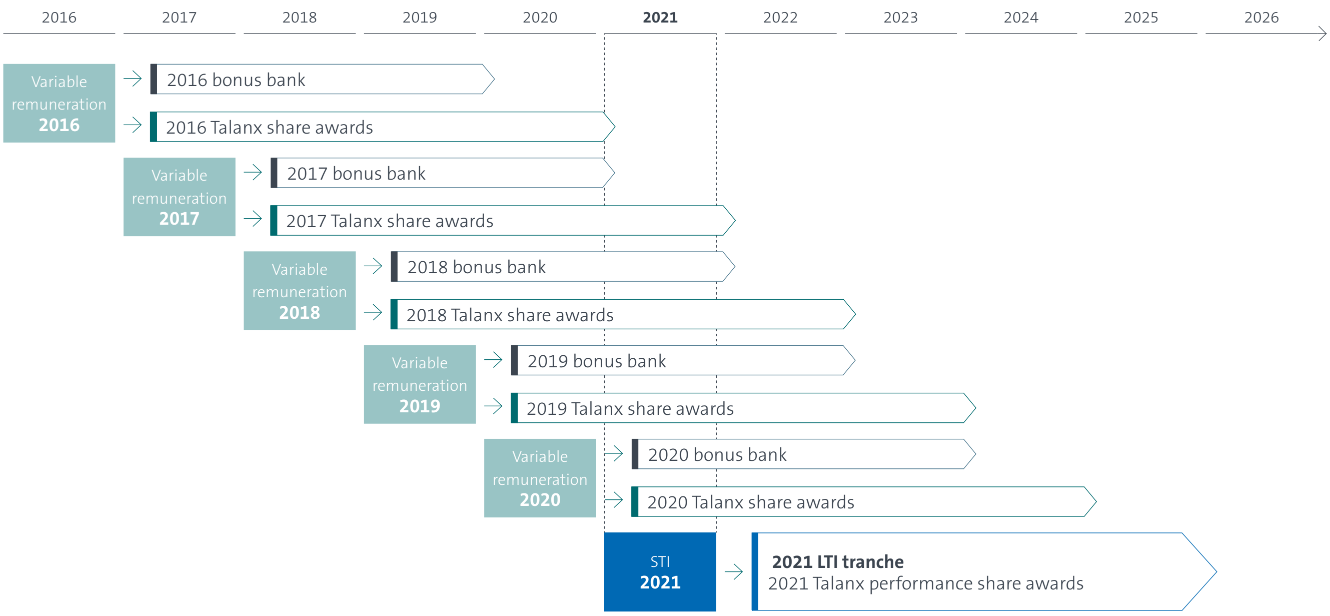
EUR thousand

Board of Management member	Amount added (20% of 2017 variable remuneration)	Payout
Torsten Leue	180	**180**
Dr Jan Wicke	180	**180**

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



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 payout that the audited and adopted consolidated financial statements on which the calculation of the payout 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 payout of variable remuneration would have been due.

Furthermore, the payout of variable remuneration components can be restricted or cancelled in full if the Bundesanstalt für 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 2021; nor was the payout of variable remuneration components restricted or cancelled.

Termination benefits

Pension scheme

Torsten 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	**2021**	2020	**2021**	2020
Torsten Leue	753	652	7,657	7,696
Jean-Jacques Henchoz[2]	215	128	509	371
Dr Wilm Langenbach	135	—	122	—
Dr Christopher Lohmann	160	—	139	—
Dr Edgar Puls	178	82	1,282	1,255
Dr Jan Wicke	199	137	1,333	1,412

[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 payout 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 2021 comprise the following:

- The fixed remuneration paid out in 2021
- The fringe benefits received in financial year 2021
- The STI established for financial year 2021 that is to be paid out in 2022
- The amount added to the bonus bank for financial year 2017 that was paid out in financial year 2021
- The share awards made for financial year 2016 that were paid out in financial year 2021

Furthermore, the pension expense for the pension plan commitments for financial year 2021 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

in %	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		
	2021		2020	2021		2020
Base remuneration	1,020	44%	850	960	51%	750
Fringe benefits	10	—	12	14	1%	31
Other[1]	—	—	—	130	7%	130
One-year variable remuneration (2021 STI)[2, 3]	860	37%	903	781	41%	998
Multi-year variable remuneration	447	19%	451	—	—	—
2017 bonus bank (3 years)[4]	180		210	—	—	—
2016 share awards (4 years)[5]	267		241	—	—	—
Total remuneration (as defined by section 162 of the AktG)	**2,337**	**100%**	**2,216**	**1,885**	**100%**	**1,909**
Pension expense	753	—	652	215	—	128

[1] Payment made in compensation for a loss of salary under a previous contrast of service.
[2] Of which Supervisory Board remuneration by Group companies: Mr Leue EUR 256 (240) thousand, Dr Lohmann EUR 5 (0) thousand, Dr Wicke EUR 19 (14) thousand.
[3] The amounts disclosed for financial year 2020 comprise payments from the 2020 one-year variable remuneration.
[4] The amounts disclosed for financial year 2020 comprise payments from the 2016 bonus bank.
[5] The amounts disclosed for financial year 2020 comprise payments from the 2015 share awards.
[6] Including remuneration awarded and due from Hannover Rück SE in the amount of EUR 1,667 (2020: 1,717) thousand, of which EUR 840 thousand was base remuneration, EUR 683 thousand the STI and EUR 14 thousand fringe benefits.

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 2021:

REMUNERATION AWARDED AND DUE

in %	Sven Fokkema (until 31 December 2020)		
	2021		2020
Base remuneration	—	—	450
Fringe benefits	—	—	18
One-year variable remuneration (2021 STI)	—	—	358
Multi-year variable remuneration	—	—	—
2017 bonus bank (3 years)	—		—
2016 share awards (4 years)	—		—
Payment made in compensation for claims under a previous contract of service	400	100%	—
Pension payments	—	—	—
Total remuneration (as defined by section 162 of the AktG)	**400**	**100%**	**826**

Dr Wilm Langenbach (Head of Division) since 1 December 2020			Dr Christopher Lohmann (Head of Division) since 1 August 2020			Dr Edgar Puls (Head of Division) since 9 May 2019			Dr Jan Wicke (Chief Financial Officer) Chief Financial Officer since 1 September 2020, member since 1 May 2014		
2021		2020	2021		2020	2021		2020	2021		2020
540	55%	45	640	54%	229	512	53%	360	646	41%	679
9	1%	1	17	1%	17	9	1%	9	6	—	2
—	—	—	—	—	400	—	—	—	—	—	—
439	44%	68	521	44%	214	447	46%	335	526	33%	593
—	—	—	—	—	—	—	—	—	402	25%	370
—	—	—	—	—	—	—	—	—	180	—	175
—	—	—	—	—	—	—	—	—	222	—	195
988	**100%**	**114**	**1,178**	**100%**	**860**	**968**	**100%**	**704**	**1,580**	**100%**	**1,644**
135	—	—	160	—	—	178	—	82	199	—	137

Herbert Haas (until 8 May 2018)			Dr Christian Hinsch (until 9 May 2019)			Dr Immo Querner (until 31 August 2020)			Ulrich Wallin (until 9 May 2019)		
2021		2020	2021		2020	2021		2020	2021		2020
—	—	—	—	—	—	—	—	425	—	—	—
—	—	—	—	—	—	—	—	12	—	—	—
—	—	—	—	—	566	—	—	351	—	—	—
601	55%	577	409	81%	404	394	37%	383	755	75%	777
258	—	271	164	—	193	167	—	179	286	—	307
343	—	306	245	—	211	227	—	204	469	—	470
—	—	—	—	—	963	489	46%	501	—	—	—
491	45%	495	98	19%	108	171	16%	—	258	25%	259
1,092	**100%**	**1,072**	**507**	**100%**	**2,041**	**1,054**	**100%**	**1,672**	**1,013**	**100%**	**1,036**

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. A new remuneration system for the Supervisory Board was submitted to the Annual General Meeting on 6 May 2021 for resolution. The new remuneration system was passed by a majority of 99.9% of the votes cast by the Annual General Meeting and has been in use since 1 January 2021.

Under the new remuneration system, the 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 videoconferences. 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 and for the value added tax to be paid on their remuneration.

Remuneration awarded and due to Supervisory Board members

The following table shows the remuneration awarded and due to Supervisory Board members in financial year 2021, 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[1]		Remuneration for work on committees		Attendance allowance		Supervisory Board payments by Group companies		Total remuneration	
EUR thousand	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Herbert K. Haas	250	229	100	100	14	14	187	142	551	485
Dr Thomas Lindner	150	143	50	50	13	14	—	—	213	207
Ralf Rieger	150	137	25	25	8	9	6	12	189	183
Antonia Aschendorf	100	91	—	—	5	5	30	34	135	130
Benita Bierstedt	100	95	—	—	5	4	—	—	105	99
Rainer-Karl Bock-Wehr	100	91	—	—	5	5	—	12	105	108
Sebastian L. Gascard	100	91	—	—	5	5	14	17	119	113
Jutta Hammer	100	91	25	25	10	10	9	12	144	138
Dr Hermann Jung	100	95	25	25	9	10	—	—	134	130
Dirk Lohmann	100	95	—	—	5	5	—	—	105	100
Christoph Meister	100	95	—	—	5	5	—	—	105	100
Jutta Mück	100	91	25	25	9	9	14	17	148	142
Dr Erhard Schipporeit	100	91	25	25	10	10	96	76	231	202
Prof. Jens Schubert	100	95	—	—	5	5	—	—	105	100
Norbert Steiner	100	95	25	25	9	9	—	—	134	129
Angela Titzrath	100	95	—	—	5	4	—	—	105	99

[1] With effect from financial year 2021 onwards, the Supervisory Board remuneration comprises fixed remuneration.
The Supervisory Board remuneration paid in financial year 2020 comprise fixed remuneration and variable remuneration.

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 AND EMPLOYEES, AND IN EARNINGS

EUR thousand	2021	2020	Change 2021 v. 2020
Current members of the Board of Management			
Torsten Leue	2,337	2,216	+5.5%
Jean-Jacques Henchoz	1,885	1,909	–1.3%
Dr Wilm Langenbach (since 1 December 2020)	988	114	+767.0%
Dr Christopher Lohmann (since 1 August 2020)	1,178	860	+36.9%
Dr Edgar Puls	968	704	+37.5%
Dr Jan Wicke	1,580	1,644	–3.9%
Former members of the Board of Management			
Sven Fokkema (until 31 December 2020)	400	826	–51.6%
Herbert Haas (until 8 May 2018)	1,092	1,072	+1.9%
Dr Christian Hinsch (until 9 May 2019)	507	2,041	–75.2%
Dr Immo Querner (until 31 August 2020)	1,054	1,672	–37.0%
Ulrich Wallin (until 9 May 2019)	1,013	1,036	–2.2%
Current members of the Supervisory Board			
Herbert K. Haas	551	485	+13.6%
Dr Thomas Lindner	213	207	+2.9%
Ralf Rieger	189	183	+3.3%
Antonia Aschendorf	135	130	+3.8%
Benita Bierstedt	105	99	+6.1%
Rainer-Karl Bock-Wehr	105	108	–2.8%
Sebastian L. Gascard	119	113	+5.3%
Jutta Hammer	144	138	+4.3%
Dr Hermann Jung	134	130	+3.1%
Dirk Lohmann	105	100	+5.0%
Christoph Meister	105	100	+5.0%
Jutta Mück	148	142	+4.2%
Dr Erhard Schipporeit	231	202	+14.4%
Prof. Jens Schubert	105	100	+5.0%
Norbert Steiner	134	129	+3.9%
Angela Titzrath	105	99	+6.1%
Employees in Germany			
Average remuneration	89	86	+3.5%

EUR million	2021	2020 [1]	Change 2021 v. 2020
Earnings			
Talanx AG net income (HGB)	495	553	–10.5%
Group net income	1,011	648	+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, Hanover, for the financial year from 1 January to 31 December 2021 including the related disclosures, which was prepared to comply with § [Article] 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 1 January to 31 December 2021, 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.

Hanover, March 10, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Florian Möller	Janna Brüning
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Combined management report

Fundamental information about the Group

Our Group's business builds on our diversified structure. This is how we safeguard our independence and minimise our exposure to risk.

The Talanx Group

Business model

The Talanx Group is a multi-brand provider in the insurance and financial services sector. It employed 23.954 people worldwide as at the 2021 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 (78.94%) is HDI V.a.G., a mutual insurance undertaking formed around 120 years ago. The free float including employee shares amounted to 21.06%.

Group companies write business in the classes of insurance specified in the Regulation on Reporting by Insurance Undertakings (BerVersV); in some cases this business is directly written, while in others it takes the form of reinsurance (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 150 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 Turkey) 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 2021.

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 payment protection insurance, the Schwarmfinanzierungs-Begleitgesetz (German Crowdfunding Accompanying Act) enshrined a cap on commission in law on 3 June 2021. This comes into effect on 1 July 2022.

The BaFin circular 2/2017 (VA) on the official interpretation of the Minimum Requirements under Supervisory Law 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. has been responsible since 2020 for ensuring that all Group companies obliged to prevent money laundering meet established minimum standards. The Group money laundering function introduced a Group-wide risk analysis in accordance with the provisions of the GwG in all divisions in the fourth quarter of 2020 and documented the risk-based measures of Group companies subject to money laundering prevention obligations. Quarterly Group-wide reporting was also implemented in the second quarter of 2021 to ensure 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 Talanx Group companies. In the circular dated 10/2018 relating to insurance supervisory requirements for IT, 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. Effective 31 December 2021, HDI Global SE purchased Hannover Rück SE's 49.8% interest in the specialty insurer HDI Global Specialty SE and now holds 100% of the shares. HDI Global Specialty SE offers tailor-made insurance solutions for industrial enterprises, groups, and small and medium-sized companies. HDI Reinsurance (Ireland) SE was assigned to the Industrial Lines Division as a result of the intragroup disposal of Talanx AG to HDI Global SE, before being reported in the Corporate Operations segment. 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 Turkey).

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 Continental Europe and North America; 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. Since January 2019 the Company has had a reinsurance license and is also active at an operational level. In addition, the segment includes the in-house service companies and the reinsurance broker Talanx Reinsurance Broker GmbH. Ampega Real Estate GmbH was integrated into Ampega Asset Management GmbH in 2021; Ampega Asset Management GmbH and Ampega Investment GmbH primarily manage the Group's investments and offer financial and other services.

GROUP STRUCTURE

TALANX AG

GESCHÄFTSBEREICH INDUSTRIEVERSICHERUNG
INDUSTRIAL LINES DIVISION

- HDI Global SE
- HDI Global Specialty SE
- HDI Versicherung AG (Austria)
- HDI Global Seguros S. A. (Brazil)
- HDI Global Seguros S. A. (Mexico)
- HDI Global Insurance Limited Liability Company (Russia)
- HDI Global SA Ltd. (South Africa)
- HDI Global Insurance Company (USA)
- HDI Global Network AG
- HDI Reinsurance (Ireland) SE

GESCHÄFTSBEREICH PRIVAT- UND FIRMENVERSICHERUNG DEUTSCHLAND
RETAIL GERMANY DIVISION

SCHADEN/UNFALLVERSICHERUNG – PROPERTY/CASUALTY INSURANCE | LEBENSVERSICHERUNG – LIFE INSURANCE

- HDI Deutschland AG
- HDI Versicherung AG
- Lifestyle Protection AG
- neue leben Unfallversicherung AG
- PB Versicherung AG
- TARGO Versicherung AG
- HDI Lebensversicherung AG
- HDI Pensionskasse AG
- Lifestyle Protection Lebensversicherung AG
- neue leben Lebensversicherung AG
- PB Lebensversicherung AG
- PB Pensionsfonds AG
- HDI Pensionsmanagement AG
- TARGO Lebensversicherung AG

GESCHÄFTSBEREICH PRIVAT- UND FIRMENVERSICHERUNG INTERNATIONAL
RETAIL INTERNATIONAL DIVISION

- HDI International AG
- HDI Seguros S. A. (Argentina)
- HDI Seguros S. A. (Brazil)
- HDI Seguros S. A. (Chile)
- HDI Seguros S. A. (Colombia)
- HDI Seguros de Vida S. A. (Colombia)
- HDI Seguros S. A. de C. V. (Mexico)
- HDI Seguros S. A. (Uruguay)
- TUiR WARTA S. A. (Poland)
- TU na Życie WARTA S. A. (Poland)
- TU na Życie Europa S. A. (Poland)
- TU Europa S. A. (Poland)
- OOO Strakhovaya Kompaniya „CiV Life“ (Russia)
- HDI Assicurazioni S. p. A. (Italy)
- Magyar Posta Biztosító Zrt. (Hungary)
- Magyar Posta Életbiztosító Zrt. (Hungary)
- HDI Sigorta A. Ş. (Turkey)

GESCHÄFTSBEREICH RÜCKVERSICHERUNG
REINSURANCE DIVISION

SCHADEN-RÜCKVERSICHERUNG – PROPERTY/CASUALTY REINSURANCE | PERSONEN-RÜCKVERSICHERUNG – LIFE/HEALTH REINSURANCE

- Hannover Rück SE
- E+S Rückversicherung AG
- Hannover ReTakaful B. S. C. (c) (Bahrain)
- Hannover Re (Bermuda) Ltd.
- Hannover Africa Limited
- Hannover Life Re of Australasia Ltd.
- Hannover Life Reassurance Bermuda Ltd.
- Hannover Re (Ireland) DAC
- Hannover Re South Africa Limited
- Hannover Life Reassurance Company of America

KONZERNFUNKTIONEN
CORPORATE OPERATIONS

- Ampega Asset Management GmbH
- Ampega Investment GmbH
- HDI Service AG
- HDI Systeme AG
- Talanx Reinsurance Broker GmbH

Nur die wesentlichen Beteiligungen
Main participations only

Stand/As at: 31.12.2021

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 between us and 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.

The Group's strategy is geared towards achieving our ambitious and clearly defined growth and profitability targets by systematically expanding our strengths ("strengthen") and adopting a focused approach to our development areas ("develop"). The Group as a whole aims for a return on equity (in accordance with IFRS) of at least 800 basis points above the risk-free interest rate in order to ensure long-term value creation. Our objective is to increase earnings per share (EPS) by an average of at least 5% a year by 2022, underpinned by focused divisional strategies and a host of strategic growth initiatives. We also intend to continue to distribute no less than 35% to 45% of our consolidated earnings under IFRS to our shareholders, with future dividends remaining at least at the prior year's level in absolute terms. 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 the mix of business and products. In the medium term, we intend to further boost the share of business generated abroad so that this accounts for up to two thirds of total primary insurance premiums. These strengths already make our Group "traditionally different"!

Areas that we are continuing to develop include optimising capital management in order to maximise financial flexibility within the Group, providing solid capital resources at all times and ensuring dividend stability in the long run. Capital for expanding business is used only where the strategic and profitability criteria have been met and 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.

Another strategic focus of development is digital transformation, one of the key tasks for the next few years, which is explicitly driven by individual divisions in the Group. In doing so, we adopt the "traditionally different" approach while simultaneously taking account of varying local regulations and digital customer behaviour patterns. One focus of the digital transformation is on upgrading our IT and systems environment to provide a basis for automation and for digitalising processes ("get ready"). The other two focus areas are content-related: data analytics, which addresses the issues of artificial intelligence and behavioural economics ("get skills"), and ecosystems/partnerships ("get bundled"). These focal topics are directly supported by the holding company due to their Group-wide relevance.

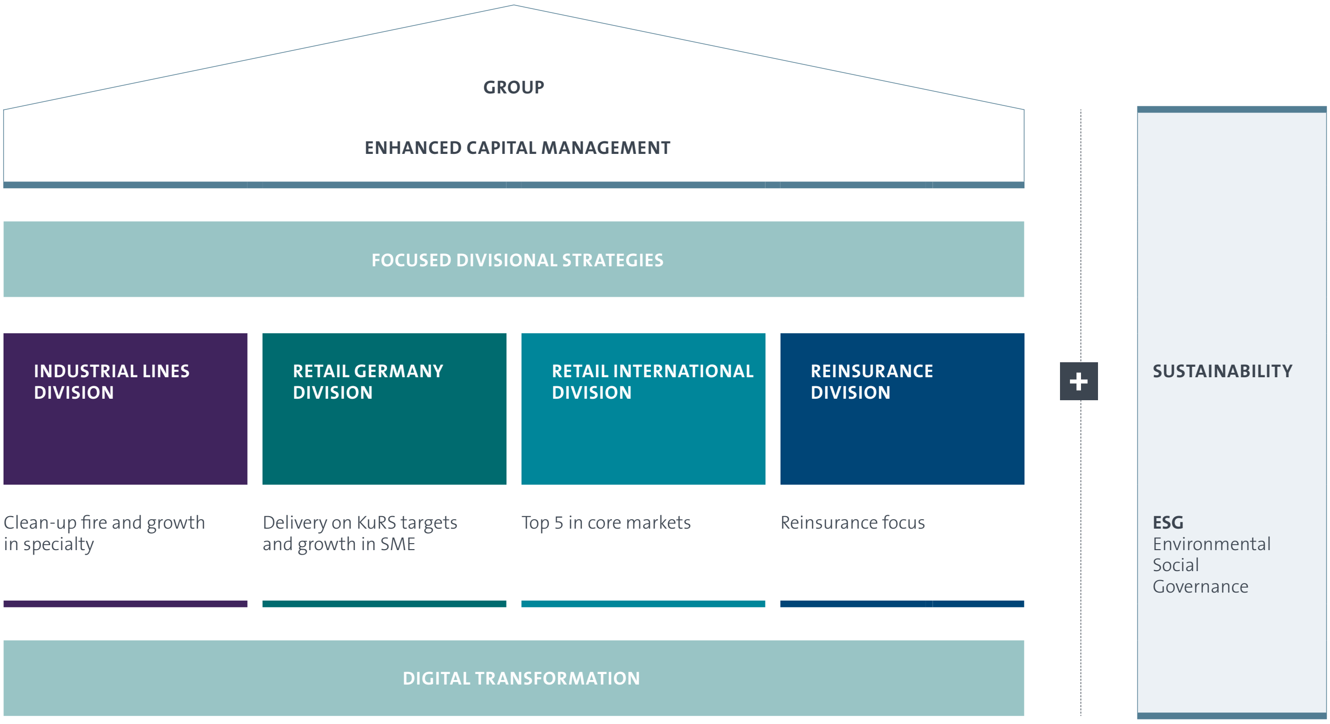
The strategies of the individual divisions were further refined and focussed. The Industrial Lines Division is focussing on systematic profitability in its business, international growth and the field of specialty insurance. We see particular growth potential for industrial business in international markets, in particular in North America, Europe and selected emerging markets. To continue scaling on a global level, for example, the remaining 49.8% of shares in HDI Global Specialty SE were acquired to simplify the ownership structure in specialty business.

After successfully implementing the “KuRS” optimisation programme, the Retail Germany Division developed “Go25”, an effective growth strategy, as a follow-up programme. 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 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. This is to be achieved by means of profitable organic and non-organic growth. 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.

The Group’s strategy is underpinned by our focussed sustainability approach. This is based on systematically implementing ESG-specific aspects into investment, underwriting, our operations and our social commitments.

Our sustainability strategy and our human resources strategy are described in the “consolidated non-financial statement” section on pages 78ff. and our risk management approach is described in the risk report on pages 102ff., and so these aspects are not gone into in more detail here.

THE TALANX GROUP’S 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:

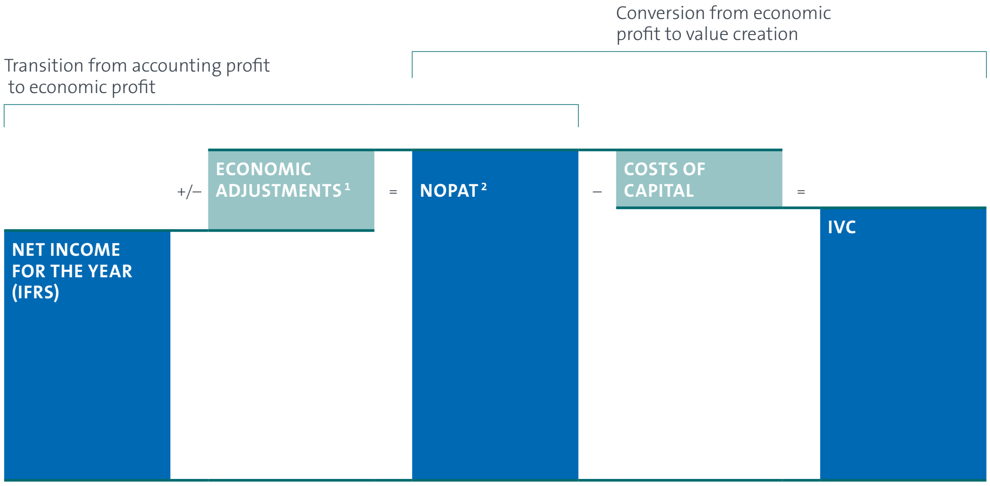
- Capital management
- Performance management
- Risk management
- Mergers & acquisitions

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) 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 of 2% and an additional risk margin of 4%. 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



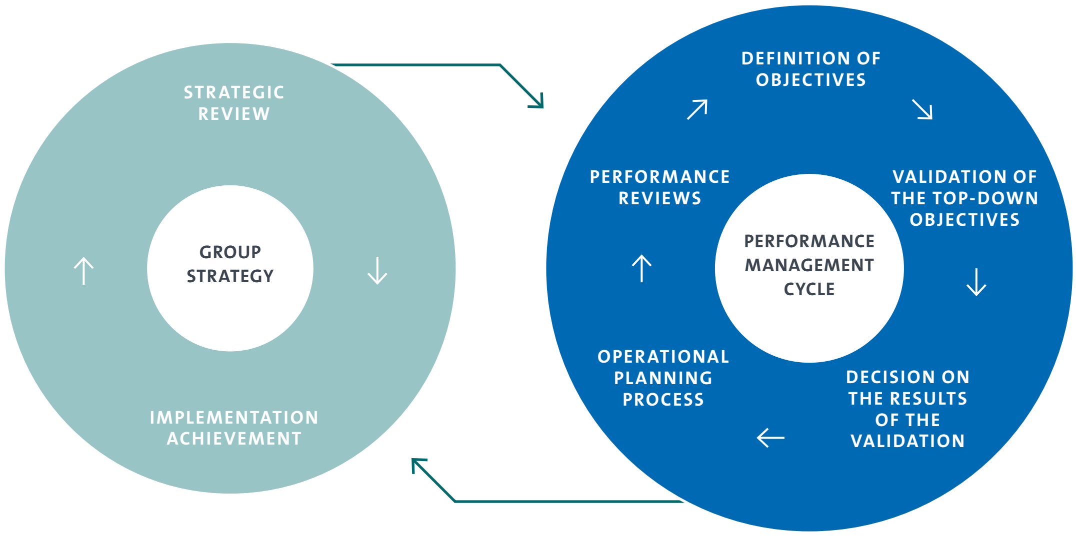
[1] Economic adjustments, e.g. change in the loss reserve discount.
[2] NOPAT: Net Operating Profit after Adjustment and Tax (economic profit).

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

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) [1]	Gross premium growth (adjusted for currency effects) [2]	Gross premium growth (adjusted for currency effects) [2]	Gross premium growth (adjusted for currency effects)
—	—	—	—	—	Value of new business	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] Effective 2022, gross premium growth of property/casualty insurance (adjusted for currency effects) will be considered an operating management metric.
[2] Effective 2022, gross premium growth (adjusted for currency effects) of the Reinsurance Division as a whole will be considered an operating management metric.

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.

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.

Value of new business (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 II own funds at the end of the financial year.

Report on economic position

Group net income amounted to EUR 1.01 billion in a low-income environment, while the return on equity was 9.6 percent.

Markets and business climate

Macroeconomic development

The global economy began 2021 still feeling the effects of fresh coronavirus waves and the restrictions on public life that this entailed. Not until the vaccination campaign started to make progress did the economic recovery pick up again in the spring. After seeing only the second-ever downturn in the last 40 years in 2020, global economic output increased by 5.9% compared to the prior year in 2021, the sharpest rise in this period.

In Germany, this development was reflected in sharp growth in exports, offsetting their fall in the prior year. While governments again stepped up spending to support recovery, private households were more restrained on account of considerable price increases caused by more expensive raw materials and supply chain disruption. The latter also posed problems for industry, with their production volumes in November still about 3% below pre-pandemic levels. All in all, German economic output grew by 2.8% against the previous year, lagging far behind the eurozone (expected growth of 5.2%). The major eurozone countries France (expected growth of 6.8%) and Italy (expected growth of 6.3%) outperformed this considerably, although the two countries had suffered more substantial losses in the prior year. Strong growth in the eurozone was shored up by extensive fiscal measures and the ECB's unchanged expansive monetary policy.

In the US, the new administration under President Biden supported the post-pandemic recovery with additional fiscal packages, although the total volume of these was far lower than in the prior year at USD 1,844 (prior year: USD 3,703) billion. In combination with unemployment benefits in place until autumn and high savings levels, this revived private consumption, the most important driver of growth in the US economy. With demand improving and interest rates remaining low, investment also picked up considerably. US gross domestic product grew by 5.7% (decline of 3.4%) year on year in 2021, exceeding pre-crisis levels again.

The pace of growth in industrialised countries was outstripped by that of emerging markets, which set a 10-year growth record in 2021. Yet the picture here was more nuanced. Asia lagged behind Latin America after its economy slumped by about twice as much in the first year of the pandemic. China, one of the few major economies that grew in 2020, saw its GDP rise by 8.1% year on year in 2021, the strongest rate of growth since 2011.

REAL GDP

% change year-on-year	2021	2020
Germany	+2.8[1]	−4.6
Eurozone	+5.2[1]	−6.4
USA	+5.7[1]	−3.4
China	+8.1	+2.2

[1] As at 16 February 2022 (provisional figures).

While the slump in demand created by the coronavirus caused prices to fall sharply around the world in 2020, inflation soared last year. Inflation peaked at 7.0% in the US (the highest since 1982) and 5.0% in the eurozone (the highest since the currency union was formed). On average, rates rose from 1.2% to 4.7% and from 0.3% to 2.6% over the year. As economies recovered from the coronavirus pandemic, inflation was driven chiefly by the rising prices of many commodities and disruptions to global supply chains.

Under these circumstances, numerous central banks around the world moved towards more restrictive monetary policy again. While the US Federal Reserve did not increase its prime rate in 2021, which it had lowered to 0.00%–0.25% during the pandemic, it began to reduce its monthly bond purchases in the autumn. The ECB also left its deposit rate unchanged at −0.50%. In contrast to the Fed, however, the ECB has so far only announced that it will slow the pace of its bond purchases but has not actually done so.

Capital markets

International financial markets in 2021 were caught between economic hope on the one hand and worries about rampant inflation and central banks' responses on the other. In this context, the S&P 500 recorded multiple record highs throughout the year and rose by a total of 26.9%. The European benchmark indices also reached new record levels. Nevertheless, the DAX (+15.8%) and EURO STOXX (+20.4%) underperformed their US counterpart (S&P 500). Stock markets in emerging markets fared far worse (MSCI EM: −4.6%), with China (MSCI CHINA: −22.4%) performing particularly poorly here on account of various regulatory actions by the government and volatility in the real estate sector.

Expectations of rising prime rates and lower support in future from central bank bond purchases resulted in price losses on bond markets in the US and Europe in 2021. Yields on ten-year US Treasuries peaked at 1.74% and came to 1.51% at the end of the year, 0.6 percentage points higher than at the start. German government bonds with the same maturity rose by just under 0.4 percentage points. These increases also extended to risk premiums on southern European government bonds, although good economic performance and ongoing support by central banks prevented greater rises. In line with the prices of many commodities, the price of oil climbed sharply in 2021 from USD 52 to USD 78 (Brent), whereas the price of gold fell by 3.6% to USD 1,829 per fine ounce and the euro lost 6.9% against the US dollar, falling to USD 1.137.

German insurance industry

Property/Casualty Insurance

2021 saw slightly lower property/casualty insurance premium growth in the German insurance industry than in the prior year. In connection with the pandemic, premium income was lower in motor and property insurance. Even with pandemic restrictions being eased, the motor vehicles business was unable to match the rise in premiums prior to Covid-19.

Claims expenses as a whole were significantly higher than in the prior year. 2021 was squeezed primarily by the flooding catastrophe caused by the low-pressure system “Bernd” that brought heavy rainfall, as well as other storms with high losses due to natural hazards. Insured storm losses were more than triple the long-term average.

Life Insurance

Premium income in the German life insurance industry in 2021 was slightly lower than in the prior year, primarily a result of the sharp decline in single premium business. By contrast, regular premium business saw slight growth. Investment conditions on the capital market remained challenging for life insurers in 2021. Profitability is still under strain from sustained 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 coronavirus pandemic. All in all, premium growth was positive in 2021. Industrial business particularly benefited from above-average growth. As expected, growth in emerging markets was higher than in developed insurance markets.

Of the developed insurance markets, **Asia-Pacific** recorded the strongest growth. However, **Europe** and **North America** also enjoyed stable premium growth. Good premium performance in emerging markets was driven both by growth in China and by other emerging markets. **Latin America** also saw positive real premium growth in 2021.

Losses caused by natural disasters were higher in the year under review than in the prior year and, in turn, again higher than the ten-year average – both in terms of total and insured losses. The second-highest losses resulted from hurricane "Ida" at the end of August and winter storm "Uri" and other secondary natural catastrophes in February in the US. Europe – primarily Germany, Belgium, the Netherlands, the Czech Republic and Switzerland – were affected by the flooding catastrophe in July, which resulted in high losses due to natural hazards.

In **international property/casualty reinsurance,** the main factor influencing developments was the impact of the coronavirus pandemic, which drove up large losses. In light of increased uncertainty, the trend towards price increases – which had already set in in 2020 – continued during treaty renewal rounds through the year.

Life Insurance

Although the business environment remains challenging, shaped by sustained low interest rates and the impact of the coronavirus pandemic, premiums in **international life insurance** markets performed well. Premium income on developed insurance markets outperformed the long-term trend. Growth was particularly pronounced in Europe, especially in France, reflecting the strong upturn in unit-linked business.

Market performance in emerging markets again fell short of expectations and generated only slightly year-on-year growth. This stemmed from negative premium performance in **China.** By contrast, other emerging markets in **Asia, Latin America** and **middle and eastern Europe,** reported premium growth.

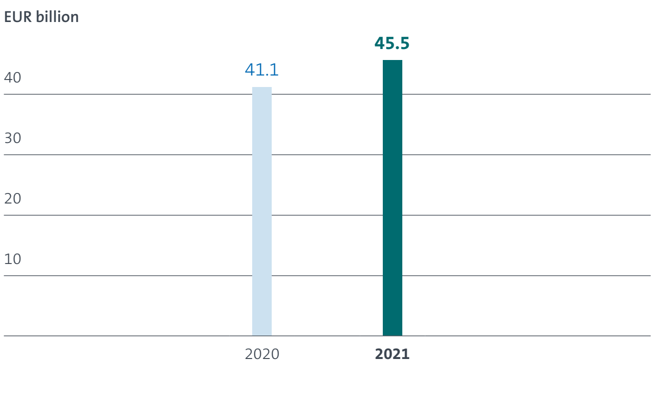
International life/health reinsurance markets continued to be affected by the negative effects of the coronavirus pandemic in 2021, although they were able to absorb most of these. Progress made with vaccination, in particular, reduced the risk of excess death claims in life reinsurance and so performance overall is positive.

.

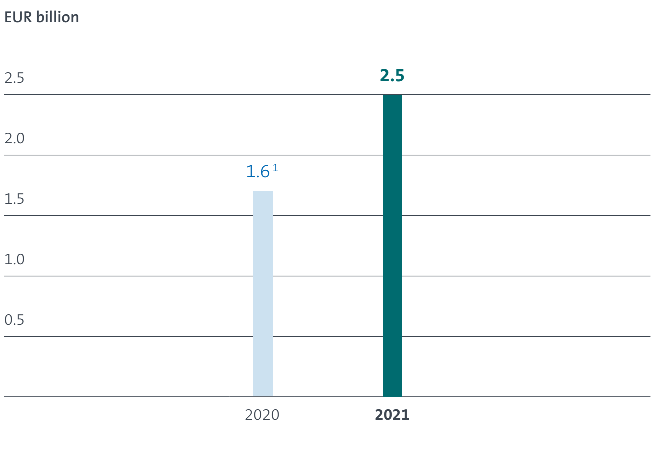
Business development

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, growth in international business and in the area of specialty insurance. The Retail Germany Division developed "G025", an effective growth strategy, as a follow-up programme to the completed "KuRS" optimisation programme. It also 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 we aim to be one of the top five in our core markets here. The Reinsurance Division is concentrating on building further on its existing strengths, particularly with regard to competitiveness and profitability. Group net income (EUR 1,011 million) and operating profit (EUR 2,454 million) rose by 56.2% and 49.2% respectively following the pandemic-related slump in the prior year; gross written premiums increased by 10.7% to EUR 45.5 billion.

GROSS WRITTEN PREMIUMS



OPERATING PROFIT/LOSS (EBIT)



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

Talanx places its first Green Bond

Talanx has issued its first Green Bond as a subordinated bond with a volume of EUR 500 million, primarily to institutional investors from Germany and abroad. The bond denominated in euros has a fixed coupon of 1.75% and the first date for repayment is 1 June 2032. Talanx had already published a Green Bond Framework at the beginning of November 2021, which creates the framework conditions for the financing and refinancing of sustainable projects – most importantly in the area of renewable energy generation, and in residential and commercial properties with low energy consumption and reduced CO_2 emissions.

Ambitions for primary insurance operations raised

The Talanx Group is significantly increasing its ambitions for its three primary insurance divisions: The Industrial Lines, Retail Germany and Retail International Divisions are aiming for a return on equity of more than 10% each by 2025. This will put them on the same high level as the Reinsurance Division. At the Group's Capital Markets Day, the Board of Management held out the prospect of proposing an increased dividend of EUR 1.60 (1.50) for financial year 2021 to the 2022 Annual General Meeting. It also lifted the outlook for Group net income in financial year 2022 to within the EUR 1,050–1,150 million range.

HDI Group simplifies operational structures

The HDI Group under the Talanx umbrella is simplifying its operational structures in Germany. The streamlining is intended to significantly accelerate decisions on major issues for the future such as digitalisation or collaboration within the Group.

Talanx appoints Diversity & Inclusion Manager

The Talanx Group is adding a Diversity & Inclusion Manager to its ranks with the appointment of Raha Anssari. By taking this step the Group is raising the profile of its sustainability strategy, which highlights not only environmental but also social criteria. Raha Anssari will develop a diversity strategy for the Group and reinforce the relevance of diversity considerations in everyday company life. The 36-year-old will report directly in her new role to Talanx Board of Management member Christopher Lohmann, whose scope of responsibility encompasses the Retail Germany division, IT and Diversity & Inclusion.

Group's course of business

- Double-digit growth in gross written premiums
- Group net income climbs to more than EUR 1 billion despite high large losses
- Dividend of EUR 1.60 proposed to Annual General Meeting

GROUP KEY FIGURES

EUR million	2021	2020[1]	+/–
Gross written premiums	45,507	41,109	+10.7%
Net premiums earned	37,863	34,190	+10.7%
Underwriting result	–2,195	–2,821	+22.2%
Net investment income	4,718	4,240	+11.%
Operating profit/loss (EBIT)	2,454	1,645	+49.2%
Combined ratio (net, property/casualty only) in %	97.7	101.0	–3.3 ppts

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

MANAGEMENT METRICS

%	2021	2020[1]	+/–
Gross premium growth (adjusted for currency effects)	11.8	6.9	+4.9 ppts
Group net income in EUR million	1,011	648	+56.2%
Net return on investment	3.4	3.2	+0.2 ppts
Return on equity	9.6	6.3	+3.3 ppts
Payout ratio[2]	40.1	58.6	–18.5 ppts

[1] Adjusted in accordance with IAS 8, see "Accounting policies" section.
[2] Based on the appropriation of distributable profits, see the "Other disclosures" section of the Notes, page 226.

Premium volume

Both gross written premiums and net premiums earned saw double-digit growth in the Group in the year under review, with gross premiums up 10.7% (up 11.8% adjusted for currency effects) at EUR 45.5 (41.1) billion and net premiums up 10.7% at EUR 37.9 (34.2) billion. The Industrial Lines, Retail International and Property/Casualty Reinsurance segments were particularly instrumental in this good growth. Retention declined further to 87.8% (88.0%).

Underwriting result

The underwriting result recovered following the coronavirus pandemic and rose by 22.2% to EUR –2.2 (–2.8) billion. With a large loss budget of EUR 1,510 million, large losses came to EUR 1,745 (2,148) million. Unlike in the prior year, losses in connection with the coronavirus pandemic did not affect the large loss budget, whereas the share of total large losses attributable to natural disasters totalled EUR 1,261 (658) million. Overall, the pandemic depressed the underwriting result by EUR 439 million. At EUR 582 million, almost all effects attributable to the coronavirus pandemic in financial year 2021 were in Life/Health Reinsurance. The opposite occurred in the Industrial

Lines, Retail Germany and Retail International divisions, with lower losses due to coronavirus lockdowns. Nevertheless, the claims frequency increasingly returned to normal over the reporting period. The combined ratio declined by 3.3 percentage points year on year to 97.7% in financial year 2021 (101.0%), virtually in line with the prior year figure adjusted for the impact of the pandemic. Adjusted for the pandemic, the combined ratio in 2020 was 97.6%, but this increased to 101.0% taking account of the effects of the pandemic.

Net investment income

Net investment income saw a double-digit increase of 11.3% to EUR 4.7 (4.2) billion. Ordinary investment income improved largely thanks to higher income from our alternative investments and for our inflation-linked bonds and extraordinary investment income saw an upturn, chiefly as a result of income in the Life segment of the Retail Germany Division. As part of extreme mortality coverage, which has been placed on the capital market in regular tranches since 2013, income of EUR 44 million had an impact in the 2021 financial year under the assets measured at fair value through profit or loss in investments in Life/Health Reinsurance. Net return on investment amounted to 3.4% (3.2%).

Operating profit and Group net income

Operating profit/loss (EBIT) recovered to EUR 2.5 (1.6) billion in the year under review; the pandemic depressed EBIT by a total of EUR 403 million in the reporting period. At EUR 1,011 (648) million, Group net income exceeded the billion euro mark for the first time. The prior year's figure had been hit hard by the pandemic. The Primary Insurance Group's share of Group net income is continuing to rise and came to 44.7% (42.5%). The return on equity increased to 9.6% (6.3%).

Comparison of actual business development with the 2021 forecast

MANAGEMENT METRICS FOR THE GROUP

%	2021	Forecast for 2021 from the 2020 Annual Report
Gross premium growth [1] (adjusted for currency effects)	11.8	~ 5
Group net income [2] in EUR million	1,011	800 – 900
Net return on investment [3]	3.4	~ 2,5
Return on equity [4]	9.6	7,5 – 8,5
Payout ratio [5]	40.1	35 – 45

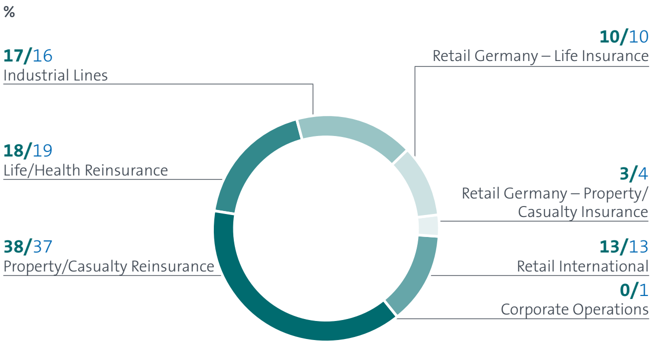
[1] The forecast was adjusted to "a high single-digit percentage" during 2021.
[2] The forecast was adjusted to "at upper end of the EUR 900 – 950 million range" during 2021.
[3] The forecast was adjusted to "~ 2.7%" during 2021.
[4] The forecast was adjusted to "approximately 9.0%" during 2021.
[5] Based on the appropriation of distributable profits, see the "Other disclosures" section of the Notes, page 226.

Gross premium growth (adjusted for currency effects) in the reporting period picked up by 11.8%, putting it above the guidance for 2021 ("high single-digit growth"), which had been raised during the year. Group net income topped EUR 1 billion for the first time in the year under review and, at EUR 1,011 (648) million, also outperformed the forecast that had been revised during the year ("at the upper end of the range of EUR 900 million to EUR 950 million"). Net return on investment of 3.4% (3.2%) and a return on equity of 9.6% (6.3%) both exceeded the forecasts of around 2.7% and 9.0% respectively, which were also raised during the year. The Board of Management and Supervisory Board are proposing a dividend of EUR 1.60 (1.50) 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 40.1% (56.3%), in line with the 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 will be merged in the new HDI AG from 1 March 2022.

GROSS PREMIUMS BY SEGMENT



2021/2020

Industrial Lines

- Premium growth driven by specialty, third-party liability and property business
- Underwriting significantly higher than in the previous year, which was shaped by the pandemic, despite large losses
- Net investment income exceeds expectations

KEY FIGURES FOR THE INDUSTRIAL LINES DIVISION

EUR million	2021	2020	+/–
Gross written premiums	7,560	6,658	+13.6%
Net premiums earned	3,428	3,008	+14.0%
Underwriting result	46	–139	+133.0%
Net investment income	300	254	+18.0%
Operating profit/loss (EBIT)	196	48	+307.2%

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%	2021	2020	+/–
Gross premium growth (adjusted for currency effects)	14.0	9.0	+5.0 ppts
Combined ratio (net)	98.7	104.6	–5.9 ppts
Return on equity	6.7	2.1	+4.6 ppts

Market developments

Industrial insurance business in the 2021 financial year was dominated by natural disasters. At the same time, prices and conditions in various countries and lines developed well on the market as prices continued to rise. Capital markets were still shaped by the ongoing coronavirus pandemic and by rising inflation expectations in 2021.

Work continued on implementing the "HDI Global 4.0" programme in the financial year. A new management model was put in place to continue progress made in the direction of continual profitability and de-risking business. We are continuing to focus on our goal of establishing ourselves as an underwriting champion on the challenging industrial insurance market. To achieve this, the underwriting expertise of the 11 locations in Germany was pooled in four regions in financial year.

As before, there is still a focus on selective growth, digitalisation and a change in culture in the Industrial Lines Division, with "HDI Global 4.0" expected to improve profitability in the long run and reduce volatility overall. We are supported by the positive market phase.

Premium volume

Gross written premiums in the Industrial Lines Division amounted to EUR 7.6 (6.7) billion as at 31 December 2021, and were therefore higher than expected. They increased by EUR 0.9 billion, or 13.6% (adjusted for currency effects: 14.0%). Increases in premiums were essentially generated as a result of growth in specialty, third-party liability and property business. We were able here to make use of the current hard market phase to grow our portfolio, improve profitability and reduce earnings volatility by improving conditions. The provisions recognised in the prior year for decreases in premiums for revenue-based policies in connection with the coronavirus pandemic were not needed to the extent expected and helped boost premiums in the financial year. Net premiums earned performed in line with gross written premiums, increasing by 14.0%/EUR 0.4 billion to EUR 3.4 (3.0) billion.

Underwriting result

At EUR 46 (–139) million, the net underwriting result was up considerably on the previous year, which was impacted by the coronavirus pandemic. The (net) loss ratio improved to 80.9% (84.4%) despite higher large losses from natural disasters. Storm "Bernd" in Europe, winter storm "Uri" and hurricane "Ida" in the US were major reasons the large loss budget was exceeded by EUR 96 million. These excesses losses were essentially offset by income of approximately EUR 80 million resulting from a positive claims experience in the frequency range due to the pandemic, a premium reserve not being required as described above and successful restructuring. The net cost ratio improved to 17.7% (20.2%) thanks to premium growth combined with high cost discipline. The combined ratio was 98.7% (104.6%).

Net investment income and other income/expenses

Total net investment income in the 2021 financial year came to EUR 300 (254) million. Ordinary investment income improved substantially compared to the prior year thanks to higher income in private equity and real estate.

Extraordinary investment income was slightly lower than in the prior year, a result of high gains from disposals of securities in the previous year.

At EUR –149 (–66) million, other income/expenses was far below both the previous year and expectations for the year under review. In particular, the year under review was negatively affected by foreign exchange losses of EUR 19 million (prior year: foreign exchange gain of EUR 35 million) and higher prices as a result of growth.

Operating profit and Group net income

At EUR 196 (48) million, EBIT exceeded our expectations in the year under review thanks to the effects described above, essentially a result of the improved underwriting result and the fact that investment income was well into positive territory. The Industrial Lines Division generated Group net income of EUR 143 (47) million, thereby making a positive contribution to Talanx's net income.

Comparison of actual business development with the 2021 forecast

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%	2021	Forecast for 2021 from the 2020 Annual Report
Gross premium growth (adjusted for currency effects)	14.0	solid growth
Combined ratio (net)	98.7	< 99
Return on equity	6.7	~ 5

Gross premium growth was up 13.6% (adjusted for currency effects: 14.0%), above our original expectations. This was driven by higher-than-average growth in specialty business and in the property/casualty portfolio.

Despite the unusually high losses from natural disasters and the fact that the large loss budget was exceeded, the combined ratio in the Industrial Lines Division was 98.7%, in line with expectations. These excesses losses were essentially offset by a positive claims experience due to the pandemic, the premium reserve not being required and profitability successes (see page 40 of the Group strategy).

The developments described above and higher net investment income meant that the return on equity remained at 6.7%, above our expected figure of around 5%.

Retail Germany

Property/Casualty Insurance

- Increase in premiums thanks to growth in the corporate customers/freelance professions business
- Underwriting strained by storm "Bernd"
- Improved net investment income thanks to positive capital market development

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

EUR million	2021	2020	+/–
Gross written premiums	1,574	1,502	+4.8%
Net premiums earned	1,329	1,334	–0.3%
Underwriting result	11	62	–81.9%
Net investment income	129	88	+46.1%
Operating profit/loss (EBIT)	104	134	–22.4%

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY INSURANCE SEGMENT

%	2021	2020	+/–
Gross premium growth	4.8	–5.4	+10.2 ppts
Combined ratio (net)	99.2	95.4	+3.8 ppts

Premium volume

There was a 4.8% increase in written premium income to EUR 1,574 (1,502) million in the Property/Casualty Insurance segment in the 2021 financial year. This was driven chiefly by growth in the corporate customers/freelance professions business, retail business and the biometric core business of bancassurance.

Underwriting result

The underwriting result was EUR 11 (62) million in the year under review, down considerably on the previous year. Storm "Bernd" weighed particularly heavily on the financial year. Together with a slight rise in basic losses for real estate and small accumulations (chiefly hail), this increased the combined ratio (net) by 3.8 percentage points to 99.2% (95.4%).

Net investment income

Net investment income improved to EUR 129 (88) million. Factors behind this included ordinary investment income from private equity interests, the lack of pandemic-related impairment losses (prior year: EUR –5 million) and higher gains on disposal.

Operating profit

EBIT was down on the prior year at EUR 104 (134) million on account of poorer underwriting and investment in our "Go25" programme.

Comparison of actual business development with the 2021 forecast

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY INSURANCE SEGMENT

%	2021	Forecast for 2021 from the 2020 Annual Report
Gross premium growth	4.8	stable
Combined ratio (net)[1]	99.2	< 95

[1] The forecast was adjusted to "< 94%" during 2021.

Premium income in the Property/Casualty segment far exceeded our expectations, thanks primarily to growth in corporate customers/ freelance professions business and retail business. The line-specific combined ratio was higher than forecast given the negative impact of storm "Bernd".

Life Insurance

- Premium growth attributable to higher single premium business
- Net investment income shaped by higher realisation

KEY FIGURES FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

EUR million	2021	2020	+/–
Gross written premiums	4,596	4,351	+5.6%
Net premiums earned	3,494	3,352	+4.2%
Underwriting result	–1,772	–1,792	+1.1%
Net investment income	2,002	1,903	+5.2%
Operating profit/loss (EBIT)	183	70	+162.7%
New business measured in annual premium equivalent	428	385	+11.0%
Single premiums	1,486	1,244	+19.5%
Regular premiums	279	261	+7.0%
New business by product measured in annual premium equivalent	428	385	+11.0%
of which capital-efficient products	232	178	+29.8%
of which biometric products	118	121	–2.4%

MANAGEMENT METRICS FOR THE LIFE INSURANCE SEGMENT

%	2021	2020	+/–
Gross premium growth	5.6	–5.7	+11.3 ppts

Premium volume and new business

In the financial year, the Life Insurance segment saw premiums increase by 5.6% to EUR 4.6 (4.4) billion, which includes the savings elements of premiums from unit-linked life insurance policies.

Growth stemmed almost entirely from single premium business (EUR +242 million, excluding bancassurance biometric business). The excellent launch of the fund-based product CleverInvest also contributed to this. Allowing for the savings elements of premiums from our unit-linked products and the change in the unearned premium reserve, net premiums earned in the Life Insurance segment rose by 4.2% to EUR 3.5 (3.4) billion.

Measured in APE, new business in life insurance products rose from EUR 385 million to EUR 428 million.

Underwriting result

The underwriting result was almost unchanged in the year under review at EUR –1.8 (–1.8) billion. This was partly due to the unwinding of discounts on the technical provisions and policyholder participation in net investment income. These expenses are offset by investment income, which is not recognised in the underwriting result.

Net investment income

Net investment income improved by 5.2% to EUR 2.0 (1.9) billion. This growth was driven predominantly by higher disposal gains, which easily offset lower ordinary investment income due to interest rates.

Operating profit

The rise in operating profit (EBIT) in the Life Insurance segment in the Retail Germany Division resulted chiefly from an improved underwriting result, which in turn reflected positive developments in new business and on the capital market. EBIT thus rose by 162.7% year on year to EUR 183 (70) million.

Comparison of actual business development with the 2021 forecast

MANAGEMENT METRICS FOR THE LIFE INSURANCE SEGMENT

%	2021	Forecast for 2021 from the 2020 Annual Report
Gross premium growth	5.6	stable

Premium income in the Life segment was higher than the guidance for 2021 thanks to strong sales performance.

Retail Germany Division as a whole

RETURN ON EQUITY FOR THE RETAIL GERMANY DIVISION AS A WHOLE

%	2021	2020	+/–
Return on equity	6.1	4.6	+1.5 ppts

After adjusting for taxes on income, financing costs and non-controlling interests, Group net income rose to EUR 161 (119) million as a result of improved earnings in Life Insurance. This increased the return on equity by 1.5 percentage points to 6.1%.

Comparison of actual business development with the 2021 forecast

RETURN ON EQUITY FOR THE RETAIL GERMANY DIVISION AS A WHOLE

%	2021	Forecast for 2021 from the 2020 Annual Report
Return on equity [1]	6.1	5–6

[1] The forecast was adjusted to "5.5–6.5%" during 2021.

Since Group net income was above the previous year's level at EUR 161 (119) million, the forecast return on equity was slightly exceeded.

Retail International

- Gross written premiums in property/casualty insurance +10.9% mainly in other property insurance
- Initial recognition of HDI Italia (formerly Amissima Assicurazioni) with a premium volume of EUR 203 million for nine months
- Despite higher claims inflation and a return to normal claims frequency, the combined ratio declined to 94.8 %

KEY FIGURES FOR THE RETAIL INTERNATIONAL DIVISION

EUR million	2021	2020	+/–
Gross written premiums	6,127	5,527	+10.9%
Net premiums earned	5,183	4,950	+4.7%
Underwriting result	46	41	+14.5%
Net investment income	374	326	+14.6%
Operating profit/loss (EBIT)	294	266	+10.3%

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DEVISION

	2021	2020	+/–
Gross premium growth (adjusted for currency effects)	15.3	–1.6	+16.8 ppts
Combined ratio (net, property/casualty only)	94.8	95.2	–0.4 ppts
Return on equity	8.4	7.3	+1.1 ppts

This division bundles the Talanx Group's international retail business activities and is active in both Europe and Latin America. Despite rising claims inflation, stiff price competition and a return to historic claims frequency, the combined ratio in the Retail International segment improved to 94.8%.

In the Europe region, the Italian HDI Assicurazioni S. p. A. acquired the Italian HDI Italia S. p. A. (formerly Amissima Assicurazioni S. p. A.) on 1 April 2021 to further expand its market presence in property insurance. The division also streamlined its portfolio in the second quarter by selling its 100% interest in HDI Seguros de Vida S. A. (Chile). On 23 December 2021, HDI International AG signed a contract to sell the Russian life insurance unit OOO Strakhovaya Kompaniya CiV Life to the Russian Sovcombank, underscoring its focus on profitable growth in its core markets. The sale closed on 16 February 2022.

Market developments

The economy in the Latin American region recovered in the year under review after suffering a downturn in the prior year as a result of the coronavirus pandemic. Gross domestic product is expected to grow in all three core markets in 2021, albeit accompanied by rising inflation. Primarily in Brazil, the rise in claims inflation in connection with higher prices for foreign spare parts and the year-on-year increase in the claims frequency to normal levels negatively affected earnings in the motor insurance market. The average loss ratio in the Brazilian market climbed by about 10 percentage points in the third quarter of 2021 compared to previous quarters.

The situation is similar in the Europe region. Following the downturn in 2020, Poland's economy is expected to close 2021 up 5.7%. The motor insurance market saw a growth rate of 5.4% after the third quarter of 2021 in connection with rising inflation and the expectation that loss frequency would return to normal after periods of lower mobility and indicates a cautious market response to pricing. In Turkey, by contrast, a mixed picture emerged. While real gross domestic product climbed by 12% year on year in the third quarter of 2021, the insurance market experienced premium erosion in real terms on account of higher inflation, which came to 36% in Turkey in December 2021.

Premium volume

The division's gross written premiums (including premiums from unit-linked life and annuity insurance) increased by 10.9% compared to 2020 to EUR 6.1 (5.5) billion. Adjusted for currency effects, gross premiums rose by 15.3% on the comparison period.

The Europe region reported a 12.1% increase in gross written premiums to EUR 4.6 billion, driven primarily by higher premiums at the Polish TUiR WARTA S. A. Adjusted for currency effects, WARTA boosted business in property/casualty insurance by 12.9% to EUR 1.6 (1.4) billion, with premiums in other property insurance soaring by a considerable 19.3%. In addition, the initial recognition of HDI Italia S. p. A. (Formerly Amissima Assicurazioni S. p. A.) contributed about EUR 0.2 billion for nine months. Gross written premiums in Turkey also performed well. Adjusted for currency effects, premiums at the Turkish HDI Sigorta A. Ş. rose by 40.9%, driven primarily by motor and property insurance.

In the Latin America region, gross written premiums rose by 7.4% compared to the same period of the previous year to EUR 1.5 (1.4) billion. Premium growth was generated chiefly in Chile and Mexico, while gross written premiums in Brazil declined on account of the depreciation of the Brazilian real. Adjusted for currency effects, gross written premiums in the Latin America region rose by 12.6%.

Underwriting result

The combined ratio from property insurance companies decreased by 0.4 percentage points year-on-year to 94.8%. The loss ratio accounts for 0.2 percentage points of this improvement. Adjusted for coronavirus-related relief, the combined ratio came to 96.8% (97.4%). Fewer vehicles on the roads as a result of lockdowns to contain the coronavirus pandemic and fewer motor vehicle claims as a result returned to normal levels in 2021. Motor claims inflation also picked up. The improvement is thus because no provisions were made this time for coronavirus effects, which had impacted the combined ratio by 1.1 percentage points in the prior year. The expense ratio for the division was 30.2%, lower than in the previous year (30.5%), largely in view of the administrative expense ratio.

Life insurance reported a rise in mortality due to the pandemic, which reduced the underwriting result by EUR 14 million.

Net investment income

Net investment income rose by 14.6% against 2020 to EUR 374 (326) million. Greater investment volumes and higher interest rates, chiefly in Brazil and Turkey, caused net investment income to increase to EUR 355 (318) million. In addition, extraordinary investment income improved thanks to higher realised gains from equity securities.

Operating profit and Group net income

In 2021, operating profit (EBIT) in the Retail International Division rose by 10.3%, compared with the same period of the previous year, to EUR 294 (266) million. The Europe region contributed to the operating profit of the segment with EBIT of EUR 303 (273) million, whereby this growth was primarily due to the higher earnings contribution by the Polish TUiR WARTA S. A. and the Italian HDI Assicurazioni S. p. A. Operating profit (EBIT) for the Latin America region declined to EUR 15 (44) million on account of lower earnings at the Brazilian HDI Seguros due to market conditions. Group net income after minority interests increased by 18.0% to EUR 189 (160) million. The return on equity improved to 8.4% (7.3%).

Comparison of actual business development with the 2021 forecast

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

%	2021	Forecast for 2021 from the 2020 Annual Report
Gross premium growth (adjusted for currency effects) [1]	15.3	slight decrease
Combined ratio (net, property/casualty only) [2]	94.8	≤ 95
Return on equity [3]	8.4	5–6

[1] The forecast was adjusted to "slight increase" during 2021.
[2] The forecast was adjusted to "≤ 94%" during 2021.
[3] The forecast was adjusted to "6–7%" during 2021.

Adjusted for currency effects, the Retail International Division saw gross premiums increase by 15.3% in financial year 2021, higher than the most recent outlook published which anticipated a slight decline. The combined ratio for international property insurance companies remained lower than expected at 94.8%. At 8.4%, return on equity exceeded the expectations for 2021 of between 5% and 6%.

Additional key figures

RETAIL INTERNATIONAL DIVISION BY LINE OF BUSINESS AT A GLANCE

EUR million	2021	2020	+/–
Gross written premiums	**6,127**	**5,527**	**+10.9%**
Property/Casualty	4,298	3,776	+13.8%
Life	1,829	1,750	+4.5%
Net premiums earned	**5,183**	**4,950**	**+4.7%**
Property/Casualty	3,465	3,275	+5.8%
Life	1,719	1,675	+2.6%
Underwriting result	**46**	**41**	**+14.5%**
Property/Casualty	183	160	+14.3%
Life	–136	–119	–14.2%
Net investment income	**374**	**326**	**+14.6%**
Property/Casualty	181	159	+13.9%
Life	201	175	+14.9%
Others	–8	–7	–7.4%
New business by product measured in annual premium equivalent (life)	**182**	**168**	**+8.4%**
Single premiums	1,099	971	+13.2%
Regular premiums	73	71	+1.8%
New business by product measured in annual premium equivalent (life)	**182**	**168**	**+8.4%**
of which capital-efficient products	77	71	+8.1%
of which biometric products	68	66	+2.8%

RETAIL INTERNATIONAL DIVISION BY REGION AT A GLANCE

EUR million	2021	2020	+/–
Gross written premiums	**6,127**	**5,527**	**+10.9%**
of which Europe	4,594	4,100	+12.1%
of which Latin America	1,533	1,427	+7.4%
Net premiums earned	**5,183**	**4,950**	**+4.7%**
of which Europe	3,939	3,695	+6.6%
of which Latin America	1,244	1,255	–0.9%
Underwriting result	**46**	**41**	**+14.5%**
of which Europe	52	37	+41.7%
of which Latin America	–6	39	–115.2%
Net investment income	**374**	**326**	**+14.6%**
of which Europe	326	290	+12.6%
of which Latin America	55	43	+28.3%
Operating profit/loss (EBIT)	**294**	**266**	**+10.3%**
of which Europe	303	273	+11.0%
of which Latin America	15	44	–65.1%

Reinsurance

Property/Casualty Reinsurance

- Gross premiums up 16.3% adjusted for currency effects
- Sustained improvement in prices and conditions
- Large losses over budget following flooding disaster in Europe and Hurricane "Ida"
- Net reserves for coronavirus pandemic stable overall

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

EUR million	2021	2020[1]	+/–
Gross written premiums	19,224	16,744	+14.8%
Net premiums earned	16,624	14,205	+17.0%
Underwriting result	332	–274	+220.9%
Net investment income	1,352	1,005	+34.5%
Operating profit/loss (EBIT)	1,521	845	+79.9%

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

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%	2021	2020	+/–
Gross premium growth (adjusted for currency effects)	16.3	15.8	+0.5 ppts
Combined ratio (net)	97.7	101.6	–3.9 ppts

Business development

Global Property/Casualty Reinsurance markets were presented with various challenges in the financial year just ended. The pandemic continued to adversely affect the social and economic environment. Overall, however, pandemic losses in Property/Casualty Reinsurance segment in the financial year 2021 did not exceed those in 2020. By contrast, natural disasters had far more of an impact on large loss expenditure, especially flood losses in Europe and storm losses in the US. This was particularly true in the third quarter. With interest rates remaining low, inflation also climbed significantly in some places over the year.

Accordingly, ensuring that the underwriting result is profitable remains our top priority. Meanwhile, prices and conditions continued to improve in many regions and lines, as well as in primary insurance and in reinsurance. Additional changes were needed to safeguard the sector's risk-bearing capacity in the long term. Primary insurers are also increasingly seeking high-quality reinsurance cover and tailor-made solvency relief solutions.

The treaty renewal rounds through the year in the Property/Casualty Reinsurance segment thus went well for Hannover Re.

In the main renewal season in traditional Property/Casualty Reinsurance as at 1 January 2021, the prior year's price dynamic continued and we again generated good growth at significantly better prices and conditions. As at 1 January 2021, 67% of traditional Property/Casualty Reinsurance (excluding facultative reinsurance, business in the securitisation of reinsurance risks and structured reinsurance) was up for renewal. We boosted premium volumes by 8.5% here. On average, prices rose by 5.5%.

In the treaty renewals as at 1 April 2021, we traditionally renew our business in Japan and, to a lessor extent, in Australia, New Zealand, other Asian markets and North America. We increased premium volumes by 7.4% and prices by 5.0% here.

This positive trend continued in the treaty renewal rounds as at 1 June and 1 July. 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 were renewed here. This was also the main renewal season for business in Australia and New Zealand. We boosted premium volumes by 14.7%, with an average price increase of 3.2%. In general, prices skyrocketed, in particular for programmes or regions that have been affected by losses,

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

Premium development

Gross written premiums in the Property/Casualty Reinsurance segment increased by 14.8% to EUR 19.2 (16.7) billion. At constant exchange rates, the increase would have amounted to 16.3%. Retention declined slightly to 90.1% (90.3%). Net premiums earned climbed by 17.0% to EUR 16.6 (14.2) billion; adjusted for currency effects, growth would have stood at 18.4%.

Earnings

Large losses exceeded our expectations in the 2021 financial year for the fifth year in a row. In terms of large loss expenditure, the third quarter in particular saw high losses from flooding in Europe, storm losses in the US and unrest in South Africa. Our net losses from large losses totalled EUR 1,250 (1,595) million in the year under review, higher than the EUR 1,100 million that we expected.

The largest net single losses were Hurricane "Ida" (EUR 305 million), storm losses in connection with the low pressure area "Bernd" (EUR 208 million), the extreme cold spell in the US in February (net loss of EUR 156 million) and unrest in South Africa (EUR 100 million). We classify large losses as events for which we expect to pay out over EUR 10 million in gross claims and claims expenses.

The underwriting result in the Property/Casualty Reinsurance segment came to EUR 332 (–274) million. The combined ratio improved to 97.7% (101.6%).

Operating profit and net investment income

Net investment income in the Property/Casualty Reinsurance segment increased by 34.5% to EUR 1,352 (1,005) million. Operating profit (EBIT) picked up by 79.9% to EUR 1,521 (845) million.

Comparison of actual business development with the 2021 forecast

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%	2021	Forecast for 2020 from the 2019 Annual Report
Gross premium growth[1] (adjusted for currency effects)	16.3	≥ 5
Combined ratio (net)	97.7	≤ 96

[1] The forecast was adjusted to „high single digit growth for Property/Casualty Reinsurance and Life/Health Reinsurance segments as a whole" during 2021.

Adjusted for currency effects, gross premiums in the Property/Casualty Reinsurance segment rose by 16.3%, significantly outperforming our forecast of about 5%. While the combined ratio improved to 97.7% (101.6%), this was still somewhat higher than the target for the financial year of no higher than 96%.

Life/Health Reinsurance

- Gross premiums up 5.5% adjusted for currency effects
- Sustained customer interest, in particular in financial solutions and longevity cover
- Negative impact of the pandemic totals EUR 582 million
- Positive non-recurring effects in US mortality business and in longevity

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

EUR million	2021	2020[1]	+/–
Gross written premiums	8,538	8,026	+6.4%
Net premiums earned	7,519	7,155	+5.1%
Underwriting result	–816	–643	–26.9%
Net investment income	596	693	–14.0%
Operating profit/loss (EBIT)	216	385	–44.0%

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

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

%	2021	2020	+/–
Gross premium growth (adjusted for currency effects)	5.5	4.7	+0.8 ppts
Value of new business[1] in EUR million	164	391	–58.2 %

[1] Excluding non-controlling interests; 2021: estimated figure, the final figure will be published in the 2022 Annual Report.

Business development

Covid-19 again dominated the life/health reinsurance market. Unfortunately, the pandemic continues to claim many lives and remains a challenge for both the medical community and society alike in connection with the spread of new virus variants. We make the agreed payments for our cedants for deaths and cases of illness, especially in terms of mortality coverage. All in all, we experienced pandemic-related negative effects of EUR 582 (261) million in financial year 2021, mostly in the US and South Africa.

The strain caused by the pandemic was countered by good non-recurring income of EUR 132 million from a restructuring in the US mortality business. In connection with this, collateral structures were partially wound up or funds withheld by ceding companies were transferred to our assets under own management. There was also a EUR 122 million positive one-time effect in business with longevity cover resulting from the revaluation of holdings.

Excluding losses attributable to the pandemic and positive non-recurring effects put business performance in line with our expectations.

Generally, global life/health reinsurance markets continued to be marked by stiff competition and sustained low interest rates in many regions in the financial year 2021. This had a negative impact on net investment income at primary insurance and reinsurance undertakings. At the same time, however, this also created additional business opportunities for financially sound reinsurers such as Hannover Re, for example in the area of financial solutions.

In addition to the traditionally key UK market, demand for longevity risk hedging solutions also picked up in other countries. One driver of this was the high capital requirements for this kind of business at primary insurers and pension funds.

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

Premium development

Gross written premiums in the Life/Health Reinsurance segment increased by 6.4% to EUR 8.5 (8.0) billion; adjusted for currency effects, growth would have amounted to 5.5%. Retention amounted to 88.2% (89.8%). Net premiums earned climbed by 5.1% to EUR 7.5 (7.2) billion; adjusted for currency effects, growth would have stood at 4.4%.

Operating profit and net investment income

The pandemic-related negative effects discussed severely strained earnings in the Life/Health Reinsurance segment. The underwriting result declined accordingly to EUR –816 (–643) 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.

Net investment income in the Life/Health Reinsurance segment declined by 14% to EUR 596 (693) million. From our extreme mortality coverage, from which we have placed regular tranches on the capital market since 2013, we recognised income of EUR 44 million in the year under review under the assets measured at fair value through profit or loss in investments in Life/Health Reinsurance.

Operating profit (EBIT) fell by 44% to EUR 216 (385) million.

Comparison of actual business development with the 2021 forecast

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

%	2021	Forecast for 2021 from the 2020 Annual Report
Gross premium growth (adjusted for currency effects)[1]	5.5	≥ 3
Value of new business[2] in EUR million	164	≥ 125

[1] The forecast was adjusted to „high single digit growth for Property/Casualty Reinsurance and Life/Health Reinsurance segments as a whole" during 2021.
[2] Excluding non-controlling interests; 2021: estimated figure, the final figure will be published in the 2022 Annual Report.

We increased gross premiums somewhat more than we had anticipated (growth of 5.5% adjusted for currency effects compared to at least 3%). Nevertheless, the impact of the pandemic strained earnings in the financial year just ended. At EUR 164 million, the estimated value of new business was significantly higher than the forecast of over EUR 125 million.

Reinsurance Division as a whole

RETURN ON EQUITY FOR THE REINSURANCE DIVISION AS A WHOLE

%	2021	2020	+/–
Return on equity	10.9	8.5	+2.4 ppts

Group net income in the Reinsurance Division rose to EUR 609 (442) million in the year under review, resulting in a 2.4 percentage point increase in return on equity to 10.9%.

Comparison of actual business development with the 2021 forecast

RETURN ON EQUITY FOR THE REINSURANCE DIVISION AS A WHOLE

%	2021	Forecast for 2021 from the 2020 Annual Report
Return on equity	10.9	10–12

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. The return on equity increased to 10.9% (8.5%).

Corporate Operations

- Written premiums from intragroup takeovers rose to EUR 1,119 million
- Group's assets under own management climb to EUR 136 (128) billion

The Group's reinsurance specialists

Gross written premiums from intragroup takeovers in the Corporate Operations segment amounted to EUR 1,119 (738) million in 2021. They resulted from reinsurance cessions in the Industrial Lines, Retail Germany and Retail International Divisions. The underwriting result in the Corporate Operations segment came to EUR –42 (–75) million in 2021 and was a result chiefly of additional reserves for a liability loss in industrial business of EUR 23 million, which was underwritten as part of a loss portfolio transfer in 2020, and an accumulation of unexpected single losses from international retail business in the amount of EUR 12 million. The prior year included a pandemic-related loss expenditure for losses caused by business shutdowns of EUR 10 million, three other large losses in the property insurance line totalling EUR 13 million, a EUR 24 million entry loss due to a loss portfolio transfer in the third-party liability line and expenses as part of the planned replacement of a quota share reinsurance contract in the amount of EUR 26 million.

The Group's investment specialists

In cooperation with its subsidiary Ampega Investment GmbH, Ampega Asset Management GmbH is chiefly responsible for handling the management and administration of the Group companies' investments and provides related services such as investment accounting and reporting. Ampega Real Estate GmbH was merged with Ampega Asset Management GmbH with retroactive effect from 1 January 2021. The Group's assets under own management climbed to EUR 136 (128) billion compared to the end of 2020. The Ampega companies together accounted for a total of EUR 67 (61) million of the segment's operating profit in 2021.

As an investment company, Ampega Investment GmbH manages retail and special funds and provides financial portfolio management services for institutional clients. It focuses on portfolio management and investment administration. The investment sector also performed very well in 2021 after the extremely successful 2020. While the latest wave of coronavirus cases starting in the autumn and the new Omicron variant created turbulence for a short time, this was quickly offset in a robust and optimistic market environment. States and major central banks also signalled that there would essentially be no changes to the policy of deficit spending and extremely low interest rates. In light of market developments, many investors – both private and institutional – reviewed their positions and increasingly invested in growing stock markets. Retail funds in all categories, chiefly equity and equity-heavy balanced funds, generated record high cash inflows. Many markets closed 2021 close to their all-time highs, with volumes of special AIFs and retail funds also breaking new records at the end of the year. The total volume of assets managed at Ampega Investment GmbH rose by 39.8% against the figure at the beginning of the year to EUR 41.3 (29.5) billion. At EUR 14.6 (14.1) billion, about one third of the total volume is managed on behalf of Group companies using special funds and direct investment mandates. Of the remainder, EUR 17.1 (7.7) billion was attributable to institutional third-party clients and EUR 9.6 (7.7) billion to the retail business. The latter is offered not only through the Group's own distribution channels and products such as unit-linked life insurance, but also via external asset managers and banks.

Operating profit

The operating profit in the Corporate Operations segment improved to EUR –27 (–44) million in 2021. The underwriting result performed particularly well. Group net income attributable to shareholders of Talanx AG for this segment amounted to EUR –105 (–117) million after financing costs in 2021.

Net assets and financial position

Net assets

- Total assets up EUR 16.5 billion to EUR 197.5 billion
- Investments account for 75% of total assets

ASSET STRUCTURE

EUR million	2021		2020[1]	
Intangible assets	1,918	1%	1,879	1%
Investments	147,835	75%	138,705	77%
Investments for the benefit of life insurance policyholders who bear the investment risk	13,687	7%	11,619	6%
Reinsurance recoverables on technical provisions	8,929	5%	7,473	4%
Accounts receivable on insurance business	10,746	5%	8,964	5%
Deferred acquisition costs	6,020	3%	5,528	3%
Cash at banks, cheques and cash-in-hand	4,002	2%	3,477	2%
Deferred tax assets	611	0%	323	0%
Other assets	3,153	2%	3,036	2%
Non-current assets and assets of disposal groups classified as held for sale	625	0%	31	0%
Total assets	**197,524**	**100%**	**181,035**	**100%**

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

Significant changes in the asset structure

The increase in total assets is primarily due to the increase in investments (up EUR 11.2 billion) and accounts receivable on insurance business (up EUR 1.8 billion)

Intangible assets of EUR 1.9 (1.9) billion include EUR 889 (839) million of other intangible assets (including PVFP) and capitalised goodwill of EUR 1,028 (1,040) million. The 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	31.12.2021	31.12.2020
Other intangible assets before the deduction of non-controlling interests and the policyholders' portion, including deferred taxes	**889**	**839**
of which: attributable to non-controlling interests	105	101
of which: attributable to policyholders' portion	225	242
of which: attributable to deferred taxes	61	56
Other intangible assets after the deduction of non-controlling interests and the policyholders' portion, net of deferred taxes	**498**	**440**

The "technical provisions for life insurance policies where the investment risk is borne by the policyholders" item rose by EUR 2.1 billion (previous year: decrease of EUR 0.2 billion) in line with the increase 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, the "Non-current assets and disposal groups classified as assets held for sale" item essentially includes assets of EUR 597 million attributable to OOO Strakhovaya Kompaniya CiV Life, Moscow, Russia, and property holdings of EUR 17 (17) million. In the prior year, this item included assets of EUR 14 million attributable to HDI Seguros de Vida S.A., Santiago, Chile (see also "Non-current assets and disposal groups held for sale" in the Notes).

Asset management and objectives

While the global economy began the year still feeling the effects of fresh coronavirus waves, it began to recover again as the global vaccination campaign made progress, especially in developed economies. Growth was shored up by expansive monetary policy, which was not limited to the eurozone. 2021 was therefore also shaped by exceptionally low interest rates. The key interest rate in the eurozone was unchanged at 0.0% as at the reporting date. Nevertheless, inflation increased significantly in the financial year, reaching new record levels in some cases. Under these circumstances, central banks around the world moved towards more restrictive monetary policy.

At the end of the year, the interest rate for ten-year German government bonds was around –0.21%, up approx. 35 basis points on the figure at the beginning of the year. Two-year bonds declined to around –0.69% (–0.71%) and five-year bonds came to –0.47% (–0.73%).

In addition to these interest rate factors, changes in the US dollar exchange rate directly impacted our investments denominated in that currency. The euro lost most of the gains it had made against the US dollar in the previous year, declining from USD 1.23 to USD 1.13 during the year. As at the year-end closing date, the portfolio of US dollar-denominated investments amounted to EUR 27.5 (22.5) billion and represented 20% (18%) 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.

76% (77%) 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.

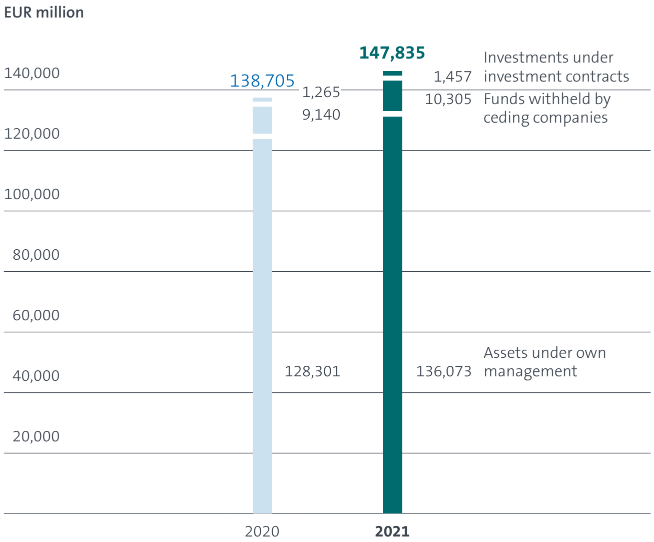
The investment guidelines at Group, segment and company level provide a further framework for our activities; these are reviewed annually and amended where necessary for appropriateness in the light of regulatory and market restrictions.

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.

.

Changes in investments

INVESTMENT PORTFOLIO [1]



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

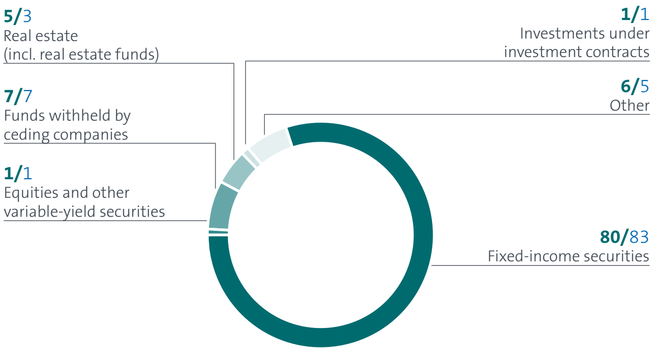
The total investment portfolio climbed significantly to EUR 147.8 (138.7) billion as at the end of the 2021 financial year. The portfolio of assets under own management climbed by 6.1% to EUR 136.1 (128.3) billion. Growth in the portfolio of assets under own management was largely due to cash inflows from underwriting business, which were reinvested in accordance with the respective company guidelines. With risk premiums falling only slightly overall, the rise in interest rates resulted in lower fair values of our fixed-income securities, which were only partially offset by positive currency effects, particularly from the US dollar and pound sterling. Cash inflows from issuing two bonds also had a positive effect on the portfolio. In addition, the acquisition of Amissima Assicurazioni S. p. A., Milan, Italy (renamed HDI Italia S. p. A., Milan, Italy in February 2022) increased investments by EUR 0.5 billion.

At EUR 1.5 billion, the portfolio of investment contracts was also higher than at the start of the year (EUR 1.3 billion). Funds withheld by ceding companies rose by about 12.7% in the year under review to EUR 10.3 billion. This increase is due to a one-time reclassification of underwriting holdings to investments in conjunction with restructuring in US mortality business.

Fixed-income investments remained the most significant asset class in 2021. Reinvestments were largely made in this asset class, taking the existing investment structure into account. The asset class contributed EUR 3.5 (3.7) billion to earnings, with the figure being almost totally reinvested in the reporting period.

INVESTMENT PORTFOLIO

%



2021/2020

BREAKDOWN OF ASSETS UNDER OWN MANAGEMENT BY ASSET CLASS

EUR million	2021		2020[2]	
Investment property	4,650	3%	3,250	3%
Shares in affiliated companies and participating interests	511	0%	572	0%
Shares in associates and joint ventures	504	0%	438	0%
Loans and receivables				
Loans including mortgage loans	687	1%	459	0%
Loans and receivables due from government or quasi-governmental entities and fixed-income securities	25,049	18%	26,726	21%
Held-to-maturity financial instruments	356	0%	474	0%
Available-for-sale financial instruments				
Fixed-income securities	92,634	68%	86,742	68%
Variable-yield securities	3,765	3%	2,725	2%
Financial instruments at fair value through profit or loss				
Financial instruments classified at fair value through profit or loss				
Fixed-income securities	541	0%	585	0%
Variable-yield securities	50	0%	40	0%
Financial instruments held for trading				
Fixed-income securities	—	0%	—	0%
Variable-yield securities	164	0%	135	0%
Derivatives[1]	341	0%	307	0%
Other investments	6,821	5%	5,849	5%
Assets under own management	**136,073**	**100%**	**128,301**	**100%**

[1] Only derivatives with positive fair values.
[2] Adjusted in accordance with IAS 8, see "Accounting policies" section of the Notes.

Fixed-income securities

The portfolio of fixed-income investments (not including mortgage and policy loans) rose by EUR 4.0 billion in financial year 2021 to total EUR 118.6 (114.5) billion as at the year-end. At 80% (83%) of total investments, this asset class continues to represent the most significant share of our investments by volume. Fixed-income investments were primarily divided into the "Loans and receivables" and "Available-for-sale financial instruments" categories.

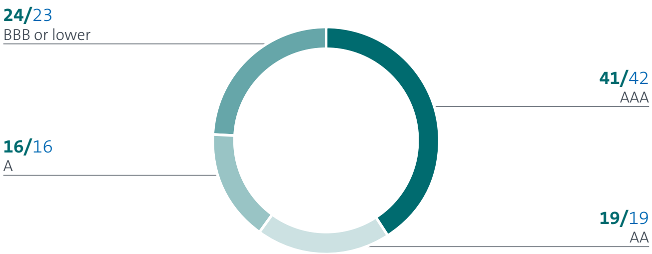
"Available for sale fixed-income securities" accounted for 78% (76%) of the total portfolio of fixed-income securities and rose by EUR 5.9 billion to EUR 92.6 (86.7) billion. Corporate bonds and government bonds accounted for the majority of these investments. Valuation reserves – i.e. net unrealised gains and losses – have decreased from EUR 8.0 billion to EUR 3.8 billion since the end of 2020, largely due to the 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 25.7 (27.2) billion as at the end of the year, or 22% (24%) of total holdings in the fixed-income asset class. Off-balance-sheet valuation reserves for "Loans and receivables" (including mortgage and policy loans) also decreased substantially to EUR 3.1 (5.2) billion.

Investments made in fixed-income securities in 2021 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 49.1 (48.5) billion as at the reporting date.

RATING STRUCTURE FOR FIXED-INCOME SECURITIES [1]

%



2021/2020

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

The Talanx Group pursues a comparatively conservative investment policy. As a result, 76% (77%) of securities in the fixed-income asset class are rated A or higher.

The Group has only a small portfolio of investments in government bonds from countries with a rating lower than A–. On a fair value basis, this portfolio amounts to EUR 6.2 (5.6) billion and therefore corresponds to a share of 4.5% (4.4%) of the assets under own management. This increase in the portfolio stems from growth in operating activities outside Europe and the acquisition of HDI Italia S.p.A., Milan, Italy; See the information provided in the "Risk report" on page 102ff. of the Group management report.

Equities and equity funds

During the financial year, the size of the equities portfolio grew to around EUR 2.0 (1.5) billion. As a result, the equity allocation ratio after derivatives was 1.4% (1.2%) as at the year-end.

Net unrealised gains and losses on the Group's equity holdings (not including "Other investments") rose by EUR 143 million to EUR 404 (261) million.

Real estate including shares in real estate funds

There was no sign of prime rents easing in 2021 either. The focus in Germany is on the big 7 cities. Investors here prioritised stable assets (residential, logistics, core offices and retail properties with food shops). The transaction volume in the third quarter of the past financial year was higher than average (EUR 26.7 billion) compared to the same quarter of the prior year (EUR 15.7 billion). With transaction volumes increasing, the construction industry faced further price hikes. Sustainability, alongside the increasing emissions reductions requirements in connection with this, is a new mega trend in the property sector.

The consolidation trend on the rental market for retail properties is continuing. Rents are declining, down by between about 4% and 6% in the big 10 cities. There are now also vacancies in what used to be highly competitive locations such as Hohe Straße in Cologne. By contrast, the market in the logistics segment is still fiercely contested. Rents can be increased compared to the prior year at key locations. In terms of residential properties, the situation is unchanged on the prior year and competition remains high in major cities.

The investment property portfolio totalled EUR 4.7 (3.3) billion as at the reporting date. An additional EUR 2.0 (1.3) 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 2021 by way of a significant individual transaction. Depreciation of EUR 78 (66) million was recognised on investment property in the reporting period. Impairment losses amounted to EUR 21 (6) million. Impairment losses on real estate funds stood at EUR 11 (19) 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. 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 moderate risk, while at the same time boosting performance.

Real estate markets recovered over the year on the whole, which particularly benefited our funds in the second half of the year. Transactions and letting on various international real estate markets picked up again considerably. The fair values of the indirect real estate portfolio, adjusted for distributions and repayments, also recovered again compared to the prior year. Nonetheless, real estate funds were still affected in part by the impact of the ongoing coronavirus pandemic in 2021. In particular, asset classes such as retail and hotel properties were impacted by (protective) measures at the start of 2021, which varied between countries, and saw further impairment losses in some individual cases.

Infrastructure investments

Investments in infrastructure projects are a core component of asset management. The infrastructure asset class proved highly resilient in light of current market fluctuations and those caused by Covid-19 and remained so in 2021. 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 2021, including through data centre and rail transport projects. Direct infrastructure investments are also planned for the future, with a volume per project of between EUR 50 million and EUR 150 million (equity) and between EUR 75 million and EUR 200 million (debt), and an investment horizon of five to 30 years.

Other alternative investments

The Talanx Group has a long-term, broadly diversified private equity portfolio with investments in a growing number of funds. The portfolio is dispersed worldwide over many regions and various sectors of the economy and investments stretch back over a decade, making the fund portfolio both defensive and high-performance.

In addition, the negative effects of the global pandemic felt in the private equity portfolio in the prior year were resolved in financial year 2021. The fund recovery that begun in the prior year transitioned to a phase characterised by visible gains and highly dynamic transactions and that extended beyond the end of the financial year. In the process, the funds increasingly called up capital for new transactions, but were able to implement realisations more frequently than average, which were regularly accompanied by high distributions of profits.

Net investment income

CHANGES IN NET INVESTMENT INCOME

EUR million	2021	2020[1]
Ordinary investment income	3,706	3,333
of which current income from interest	2,622	2,532
of which attributable to profit/loss from shares in associates	43	100
Realised net gains on disposal of investments and expenses	1,318	1,206
Depreciation on and impairment losses/reversals of impairment losses on investments	−265	−301
Unrealised net gains/losses on investments	25	77
Other investment expenses	323	284
Income from assets under own management	4,460	4,030
Net interest income from funds withheld and contract deposits	255	210
Net income from investment contracts	3	—
Total	**4,718**	**4,240**

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

At EUR 4,718 (4,240) million, net investment income was up significantly on the previous year as a result chiefly of portfolio growth and a decline in the need for impairment losses. This resulted in an annualised net return on investment of 3.4% (3.2%).

Despite sustained low interest rates, current income from interest rose by EUR 90 million year on year as a result of increasing the portfolio fixed-income securities and the considerable rise in inflation expectations and, in turn, higher amortisation for the inflation-linked bonds in our portfolio. Ongoing low interest rates, which did experience a rise during the course of the year, led to an average coupon in the fixed-income securities portfolio of 2.3% (2.5%). 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 in the "Notes to the consolidated balance sheet" section of the Notes. The share of ordinary income from our real estate investments increased further (up 18%) in connection with the portfolio expansion and came to EUR 362 (306) million. We do not expect the German Federal Court of Justice's ruling from January 2022 regarding rent payments in the event of business closures due to the pandemic to have any material impact on our real estate income. In addition, we reported far higher distributions from our private equity exposures.

The decrease in ordinary income from profit/loss from shares in associates to EUR 43 (100) million essentially reflects extraordinary income in the prior year when measuring a long-term equity investment in the Life/Health Reinsurance segment.

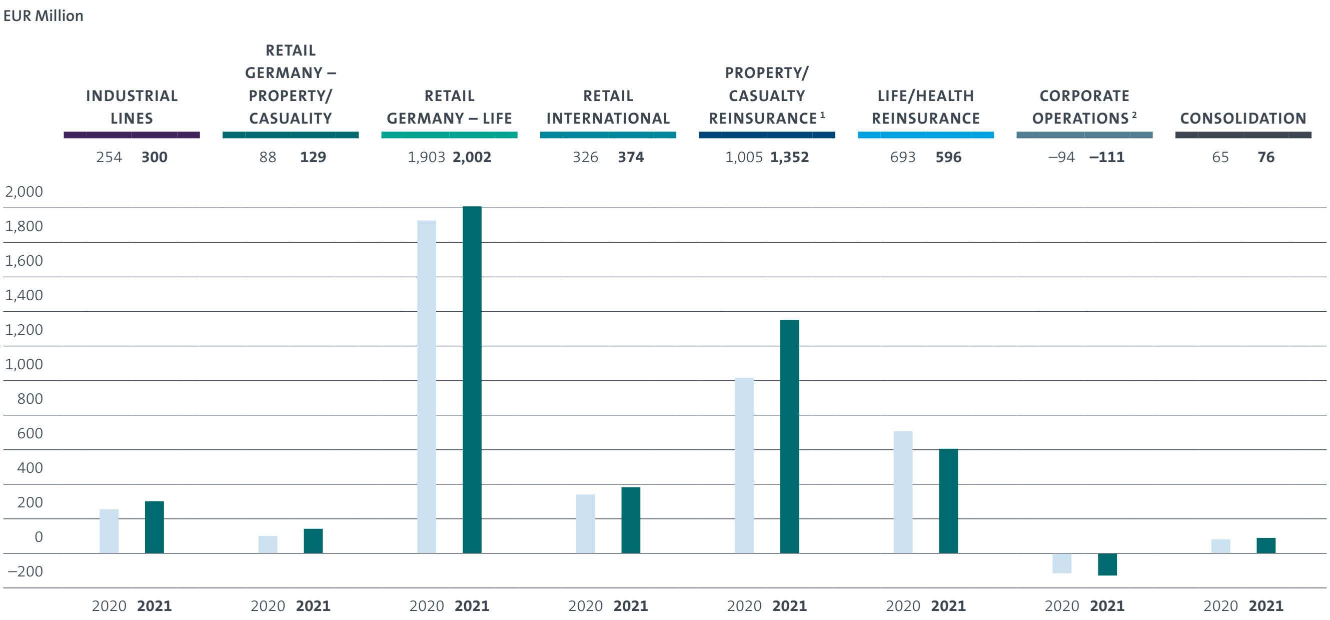
Total realised net gains on the disposal of investments in the financial year were well above the prior-year figure, at EUR 1,318 (1,206) million. In the financial year, numerous realisations were used to realise unrealised gains in order to finance the additional interest reserve required by the HGB for life insurance and occupational pension plans. In addition, regular portfolio turnover in all segments also contributed to net gains.

Lower depreciation and amortisation of EUR 267 (301) million was required overall in the reporting period compared to the prior year, which was affected by the crisis. Reversals of impairment losses in the financial year were very low at EUR 2 (0) million, i.e. the net income effect from reversals of impairment losses was attributable almost entirely to impairment losses at a total of EUR 265 (301) million. EUR 112 (100) million of this related to depreciation on directly held real estate and infrastructure investments. Impairment losses amounted to a total of EUR 155 (201) million. EUR 6 (53) million of these were attributable to equities and EUR 46 (126) million to other investments, chiefly alternative investments (EUR 44 [80] million). On the whole, sectors that have been hit hard by the pandemic did not play a significant role in our investment portfolio. Depreciation on directly held property came to EUR 21 (6) million. Impairment losses for fixed-income securities totalled EUR 81 (16) million. Impairment on fixed-income securities related mainly (EUR 46 million) to a special circumstance, which was offset by income in the same amount.

Unrealised net gains/losses dropped by EUR 52 million to EUR 25 (77) million. The decrease was due to changes in the fair value of our assets held at fair value through profit or loss, as well as the effect of derivative items. Extreme mortality coverage of EUR 44 million is recognised in this item, from which regular tranches have been placed on the capital market since 2013

Further information, including a breakdown by segment, 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]



[1] Adjusted in accordance with IAS 8, see "Accounting policies" section of the Notes.
[2] 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.

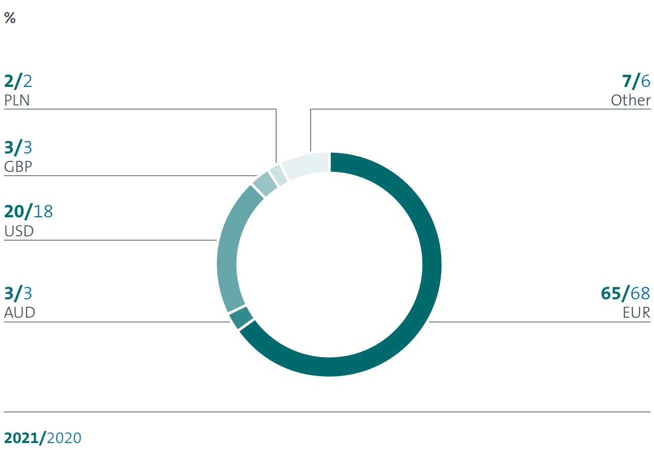
As a general rule, our international insurers receive payments and pay claims in their respective national currencies. This means that assets are also held in foreign currencies (currency matching). Please see the disclosures in our risk report for further details. For the purposes of the consolidated 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 20% (18%). Sizeable exposures – amounting to an unchanged 8% (8%) of total investments – are also held in pound sterling, Polish zloty and Australian dollars. All in all, 35% (32%) 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 up EUR 0.8 billion year on year at EUR 17.9 (17.1) billion
- Technical provisions up EUR 10.4 billion to EUR 139.0 billion

CAPITAL STRUCTURE

EUR million	2021		2020[1]	
Equity	17,945	9%	17,099	9%
Subordinated liabilities	4,759	2%	3,473	2%
Technical provisions	138,951	70%	128,567	71%
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	13,687	7%	11,619	6%
Other provisions	3,722	2%	3,916	2%
Liabilities	15,335	8%	13,856	8%
Deferred tax liabilities	2,513	1%	2,497	1%
Liabilities included in disposal groups classified as held for sale	612	0%	9	0%
Total equity and liabilities	**197,524**	**100%**	**181,035**	**100%**

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

Significant changes in the capital structure

Overall, net technical provisions (i.e. less reinsurance recoverables on these obligations) rose by 7.4% or EUR 9.0 billion year-on-year to EUR 130.3 (121.4) billion. This increase was due to the loss and loss adjustment expense reserve (EUR 7.9 billion), the unearned premium reserve (EUR 1.6 billion) and the benefit reserve (EUR 0.6 billion). The provision for premium refunds (EUR –1.3 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 ratio of net provisions in the insurance business to total investments, including funds withheld by ceding companies but excluding investments under investment contracts, was 89.0% (88.3%) at the reporting date. Investments exceeded provisions by EUR 16.0 (16.1) billion.

As at the reporting date, "liabilities included in disposal groups classified as held for sale" includes liabilities of EUR 556 million attributable to OOO Strakhovaya Kompaniya CiV Life, Moscow, Russia and other comprehensive income includes cumulative unrealised losses of EUR 5 million and liabilities from an insurance portfolio of EUR 61 million (see also "Non-current assets and disposal groups held for sale" 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 102ff.

The so called effective duration of the Group's total fixed-income securities investment portfolio was 8.9 (9.0) 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 13.7 (13.4) years is relatively long compared with that of the Industrial Lines Division at 4.8 (5.3) 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

ENSURE TRANSPARENCY OF ACTUAL CAPITALISATION LEVELS → DETERMINE CAPITAL REQUIREMENTS → OPTIMISE CAPITAL REQUIREMENTS → OPTIMISE THE CAPITAL STRUCTURE → IMPLEMENT CAPITALISATION MEASURES

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 Talanx 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 II) 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 II 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. At the same time, 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	2021	2020[1]
Total equity	17,945	17,099
of which non-controlling interests	7,169	6,732
Total assets	197,524	181,035
Equity ratio	9.1%	9.4%

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

RETURN ON EQUITY

EUR million	2021	2020[3]
Group net income[1]	1,011	648
Return on equity[2]	9.6%	6.3%

[1] Net income excluding non-controlling interests.
[2] Ratio of net income excluding non-controlling interests to average equity excluding non-controlling interests.
[3] Adjusted in accordance with IAS 8, see the "Accounting policies" section of the Notes.

Changes in equity

Equity rose by EUR 847 million – an increase of 5.0% – to EUR 17,945 (17,099) million in the reporting period just ended.

Group equity (i.e. equity excluding non-controlling interests) amounted to EUR 10,776 (10,367) million. The EUR 410 million rise in Group equity in comparison to 31 December 2020 to EUR 10,776 million is due predominantly to Group net income, EUR 1,011 (648) million of which is attributable to our shareholders and which was allocated in full to retained earnings. This equity-increasing effect was offset by the EUR 379 (379) million dividend payment to the shareholders of Talanx AG in May of the reporting period. Retained earnings picked up by EUR 648 million (8%).

Accumulated other comprehensive income (other reserves) decreased by EUR 251 million (–41%) in the reporting period. The decline essentially reflects the decrease in unrealised gains on investments (down EUR 2,528 million), which in turn is due to a general rise in interest rates in our main currency areas. In addition, measurement gains/losses on cash flow hedges also decreased (EUR –120 million). This decline was offset by changes in unrealised gains and losses from policyholder participation/shadow accounting (EUR +1,973 million) and the decrease in pension provisions due to interest rates (actuarial gains in other comprehensive income, EUR +106 million). Changes in foreign currency exchange rates compared to the euro also resulted in cumulative gains from exchange differences on translating foreign operations (EUR +314 million) as at the reporting date. This rise in currency reserves from translating foreign subsidiaries' equity was due primarily to the depreciation of the euro against almost all relevant currencies, in particular the US dollar.

Non-controlling interests rose by EUR 437 million (6.5%) to EUR 7,169 million. Net income attributable to non-controlling interests in the reporting period amounted to EUR 718 (522) million. The dividend payment to non-Group shareholders of EUR 346 (379) million mainly related to the Hannover Re Group.

EQUITY BY DIVISION[1] INCLUDING NON-CONTROLLING INTERESTS

EUR million	31.12.2021	31.12.2020[2]
Division		
Industrial Lines	2,153	2,214
of which non-controlling interests	4	66
Retail Germany	2,660	2,814
of which non-controlling interests	79	97
Retail International	2,417	2,588
of which non-controlling interests	233	273
Reinsurance	12,712	11,650
of which non-controlling interests	6,854	6,350
Corporate Operations	–2,055	–2,212
of which non-controlling interests	—	—
Consolidation	58	44
of which non-controlling interests	—	–53
Total equity	**17,945**	**17,099**
Group equity	10,776	10,367
Non-controlling interests	7,169	6,732

[1] Equity for the divisions is defined as the difference between the assets and liabilities of the division concerned.
[2] Adjusted in accordance with IAS 8, see the "Accounting policies" section of the Notes.

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 (750) million, provisions for pensions of EUR 1,138 (1,262) million, notes payable of EUR 1,065 (1,065) million, technical provisions of EUR 258 (395) million and provisions for taxes of EUR 67 (70) 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 3.1 (5.2) 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	2021	2020
Group equity	17.9	17.1
Unrecognised valuation reserves before taxes including shares attributable to policyholders and non-controlling interests	4.4	5.9

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 2021 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".

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.

On 1 December 2021, Talanx AG placed a EUR 500 million subordinated green bond on the European capital market for the first time. The bond has a maturity of 21 years. The bond cannot be called under normal conditions before 1 June 2032. The bond has a fixed coupon of 1.750% p.a. for the first ten years of the term and then has a variable interest rate over the three-month EURIBOR.

Hannover Rück SE placed a subordinated bond of EUR 750 million on the European capital market on 22 March 2021. The bond has a maturity of 21 years. The bond cannot be called under normal conditions before 30 December 2031. The bond has a fixed coupon of 1.375% p.a. for the first ten years of the term and then has a variable interest rate of 2.33% over the three-month EURIBOR.

In addition to the funds resulting from the changes in equity described above, 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 ("subordinated bonds") are used to supplement our equity so as to optimise our cost of capital, and help to maintain adequate liquidity at all times. We refer to these subordinated bonds and other bank borrowings that serve to finance corporate acquisitions as "strategic debt".

CHANGES IN STRATEGIC DEBT

EUR million	2021	2020
Subordinated bonds issued by Hannover Finance (Luxembourg) S. A.	499	499
Subordinated bonds issued by Talanx AG	1,246	750
Subordinated bonds issued by Talanx Finanz (Luxemburg) S. A.	500	500
Subordinated bond issued by Hannover Rück SE	2,427	1,683
HDI Italia S. p. A.	35	—
Subordinated loan taken out by HDI Assicurazioni S. p. A.	27	27
HDI Global SE	13	3
Subordinated loans taken out by HDI Assicurazioni S. p. A.	11	11
Notes payable issued by Talanx AG	1,065	1,065
Notes payable issued by Hannover Rück SE	745	744
Mortgage loans taken out by HR GLL Central Europe GmbH & Co. KG	146	145
Loans from infrastructure investments	75	84
Mortgage loans taken out by Hannover Re Real Estate Holdings, Inc.	152	117
Mortgage loans taken out by Real Estate Asia Select Fund Limited	238	110
Other	12	17
Total	**7,191**	**5,752**

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 latter'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	2021	2020[1]
Cash flows from operating activities	10,049	6,106
Cash flows from investing activities	–10,061	–5,009
Cash flows from financing activities	428	–1,031
Net change in cash and cash equivalents	417	66

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

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, chiefly from strategic debt and taking up subordinated liabilities.

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, increased by EUR 534 million overall year-on-year to EUR 4.0 billion.

Group ratings

The Talanx Group and its companies again received very good ratings from international rating agencies Standard & Poor's (S&P) and A.M. 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.

Financial strength ratings

FINANCIAL STRENGTH RATINGS FOR THE GROUP AND ITS SUBGROUPS

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

[1] Definition used by A.M. Best: "HDI V.a.G. and its rated insurance subsidiaries".
[2] Subgroup of primary insurers including HDI V.a.G.; definition: "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.

Despite the challenges presented by the coronavirus pandemic, the Group's financial strength ratings remained high. We are also happy to report that A.M. Best upgraded its outlook for the Primary Insurance Group from stable to positive in November, primarily citing improved profitability in the primary insurance segments. A.M. Best still rates the Hannover Re subgroup A+ ("superior") with a stable outlook. A.M. Best justified the continuing very high rating on the grounds of its healthy earnings situation and excellent capitalisation. In addition, the ratings of the two PVI companies were reviewed in the year under review ("under review with developing implications"). The background to this is that HDI Global SE disposed of shares in PVI Holding [1] [in June 2021] and thus no longer held a majority stake at the end of the year. However, the financial strength ratings of the two operating PVI companies are unchanged on the prior year at B++.

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. Its business risk profile particularly stood out in the preliminary results. The S&P financial strength ratings for the individual subsidiaries also remained stable in the reporting period, and were therefore unchanged.

[1] HDI Global SE received EUR 12 million in dividend income (direct and indirect) from PVI Holding in the year under review.

Issuer credit ratings

ISSUER CREDIT RATINGS

	Standard & Poor's		A.M. Best	
	Rating	Outlook	Rating	Outlook
Talanx AG	A+	Stable	a+	Positive
Hannover Rück SE	AA–	Stable	aa	Stable

Both rating agencies consider Talanx AG's credit quality to be good. Here, too, the improved outlook at A.M. Best should be noted: Talanx AG's issuer rating is a+ but the outlook is now "positive". S&P confirmed Talanx AG's issuer credit rating at A+ with a stable outlook in the year under review. This puts the rating at the same level as the financial strength rating of the subsidiaries in the Talanx Primary Insurance Group.

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 2021, 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 has also underwritten property/casualty risks from Group companies as a reinsurer since January 2019.

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	2021	2020
Technical account		
Net income before equalisation reserve	–27	–78
Change in equalisation reserve and similar reserves	–32	–3
Net technical result	**–59**	**–81**
Non-technical reserve		
Income from investments	841	1,078
Investment expenses	47	224
Other income	40	36
Other expenses	274	254
Non-underwriting result	**560**	**636**
Result from ordinary activities	501	556
Taxes on income	5	3
Net income for the financial year	**495**	**553**

The underwriting result before the equalisation reserve came to EUR –27 (–78) million in the current financial year and was a result chiefly of additional reserves for a liability loss in industrial business of EUR 23 million, which was underwritten as part of a loss portfolio transfer in 2020, and an accumulation of single losses from international retail business in the amount of EUR 12 million. The prior year included a pandemic-related loss expenditure for losses caused by business shutdowns of EUR 10 million, three other large losses in the property insurance line totalling EUR 13 million, a EUR 24 million entry loss due to a loss portfolio transfer in the third-party liability line and a strengthening of the loss reserve for the planned replacement of a quota share reinsurance contract in the amount of EUR 26 million.

Performance in lines of business

INSURANCE BUSINESS AS A WHOLE

	2021		2020	
EUR million	Gross	Net	Gross	Net
Premiums	1,119	280	738	259
Premiums earned	1,153	292	557	210
Expenses on insurance claims	1,036	212	499	211
Expenses for insurance operations	298	122	158	61
Underwriting result (net)	–204	–59	–120	–81
%				
Expense ratio	89.9	72.5	89.6	100.2
Cost ratio	25.8	41.6	28.4	29.1
Combined ratio	115.7	114.1	118.0	129.3

GROSS PREMIUMS BY LINE OF BUSINESS

	2021		2020	
	EUR million	%	EUR million	%
All risk insurance	453	40.5	337	45.7
Other insurance	154	13.8	37	5.1
Engineering insurance	132	11.8	46	6.3
Motor vehicle insurance	117	10.5	149	20.2
Fire insurance	112	10.0	25	3.4
Liability insurance	111	9.9	109	14.8
Marine and aviation insurance	27	2.4	30	4.1
Casualty insurance	13	1.2	4	0.5
Total	**1,119**	**100.0**	**738**	**100.0**

All risk insurance

Gross premium income for all risk insurance came to EUR 453 (337) million, representing 40.5% (45.7%) of total premiums. The year-on-year increase was chiefly due to the new underwriting of the Industrial Lines Division's property ratio and the additional premium in the Retail Germany Division, which resulted from the growth and losses from coronavirus claims. The gross loss ratio was 115.4% (117.5%), with a gross underwriting result of EUR –192 (–97) million. Net income in this line was shaped by significant large losses.

Other insurance

At EUR 154 (37) million, other insurance accounted for 13.8% (5.1%) of gross premiums. The increase reflected the new underwriting of aqua/agri business in South America and contracts for the provision of goods and services in bancassurance. Chiefly the lines Other non-life insurance and Other property insurance are recognised here, which include the classes Comprehensive householders, Storm and Legal protection. The gross loss ratio came to 33.6% (46.2%) and resulted in a positive gross underwriting result of EUR 21 (5) million.

Engineering insurance

11.8% (6.3%) of gross premiums (EUR 132 (46) million) can be attributed to engineering insurance. The underwriting result was EUR 1 (–1) million, based on a loss ratio of 69.4% (66.0%).

Motor vehicle insurance

Motor insurance accounted for EUR 117 (149) million of gross premiums, representing a share of 10.5% (20.2%). This decrease is due chiefly to not continuing a contract at the request of one of our cedants. The gross loss ratio was 81.6% (47.3%), with a gross underwriting result of EUR –29 (–4) million.

Fire insurance

Fire insurance accounted for EUR 112 (25) million of gross premiums, representing a share of 10.0% (3.4%). The year-on-year increase in gross premiums was in response chiefly to the new underwriting of the property ratio in the Industrial Lines Division. The gross loss ratio was 71.1% (32.8%), with a gross underwriting result of EUR –9 (11) million.

Liability insurance

The liability insurance line made up 9.9% (14.8%) of gross premiums. Gross premium income was stable at EUR 111 (109) million as there were no significant changes to premiums or shares in contracts. A gross loss ratio of 81.4% (125.3%) resulted in a gross underwriting result of EUR 15 (–35) million.

Non-underwriting business

The balance of income and expenses from investments decreased to EUR 793 (854) million. Net income from long-term equity investments included in this, which results from income from long-term equity investments and income and expenses from profit and loss transfers from our subsidiaries, rose to EUR 653 (314) million in the financial year. This chiefly reflects a decline in income from long-term equity investments in the prior year on account of the pandemic at the subsidiaries, which has now normalised: HDI Global SE reported a profit transfer of EUR 108 (4) million, HDI Deutschland AG of EUR 113 (106) million and HDI International AG of EUR 78 (–217) million, with the latter squeezed by write-downs on the carrying amounts of investments in the prior year. This was offset by a decrease in gains on the disposal of investments to EUR 146 (534) million.

The balance of other income and expenses was EUR –233 (–218) million, essentially due to lower interest income on tax assets/liabilities of EUR 0 (8) million.

Tax expenditure came to EUR 5 (3) million in the reporting period. Net income for the financial year declined year-on-year to EUR 495 (553) million. After adding in the retained profit brought forward of EUR 495 (321) million, the distributable profit amounted to EUR 991 (874) million. The appropriation of the distributable profit can be found in the Notes to the Group Annual Report in the section "Other disclosures" under the item "Appropriation of the distributable profit".

Net assets

BALANCE SHEET STRUCTURE – ASSETS (HGB)

EUR million	31.12.2021	31.12.2020
Investments in affiliated companies and other long-term equity investments	8,622	8,143
Other investments	664	739
Funds withheld by ceding companies from business ceded for reinsurance	25	73
Receivables	973	696
Other assets	499	501
Total assets	**10,783**	**10,152**

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 6.2% to EUR 10,783 (10,152) million. Investments in affiliated companies and other long-term equity investments saw an increase to EUR 8,622 (8,143) million. Other investments decreased, mostly due to a reduction in short-term term deposits at banks to EUR 664 (739) million. The replacement of a reinsurance treaty resulted in lower deposits with ceding companies of EUR 25 (73) million. Other assets increased to EUR 1,472 (1,197) million, chiefly due to receivables from profit/loss transfer agreements from subsidiaries.

BALANCE SHEET STRUCTURE – EQUITY AND LIABILITIES (HGB)

EUR million	31.12.2021	31.12.2020
Equity	5,615	5,486
Subordinated liabilities	1,750	1,250
Technical provisions	538	385
Other provisions	1,183	1,132
Other liabilities	1,698	1,899
Total equity and liabilities	**10,783**	**10,152**

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 5,615 (5,486) million. The increase of EUR 129 million was essentially due to the distributable profit.

Talanx issued a green bond as a subordinated bond with a volume of EUR 500 million at a fixed coupon of 1.75 % for the first time in 2021, primarily to institutional investors in Germany and abroad. They cannot be redeemed until 1 June 2032. The green bond increased subordinated liabilities by EUR 500 million to EUR 1,750 (1,250) million.

Technical provisions went up in the financial year on account of the expansion of reinsurance business to EUR 538 (385) million. Other provisions increased slightly to EUR 1,183 (1,132) million, attributable mainly to the rise in provisions for pensions and other post-employment benefits.

The decrease in other liabilities to EUR 1,698 (1,899) million was chiefly due to lower liabilities from loss absorption at subsidiaries of EUR 1 (217) 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 second credit line in the prior year of EUR 250 million was terminated. The credit lines were 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. The volume was increased from EUR 500 million to EUR 750 million in 2021 and no such offer was made.

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 structure and content of the remuneration systems for the Talanx AG Board of Management and Supervisory Board were revised with effect from 1 January 2021 and have been approved by the 2021 Annual General Meeting. 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 2021. 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 insurance and financial services with companies that operate primarily in the insurance industry, 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 intragroup reinsurance. The Group risk report sets out the risks applicable to the subsidiaries and to Talanx AG itself. These risks are affected by the coronavirus pandemic.

There were clear signs of an economic recovery last year after the global economy slumped in the year prior. Asymmetrical effects of the recession could also make existing and mounting social tensions and political conflicts worse and are combined with higher inflation and supply bottlenecks.

Geopolitical tension and armed conflict, as is currently the case in the Ukraine, are accompanied by great risks for the political power structures in Europe and also globally. Considerable repercussions on financial markets are possible. The resulting higher energy prices can further push inflation.

Talanx AG implemented risk mitigation measures in light of the coronavirus pandemic. As an intragroup reinsurer, we work in close collaboration with the Talanx Group primary insurers to closely monitor the development of further potential Covid-19 losses and to ensure maximum 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 has implemented business continuity measures to ensure that business remains in operation even given the current environment. The situation is closely monitored by the Group crisis management team and local crisis management teams play a central role. A traffic light dashboard is used for this purpose and provides an overall view of regional incidence rates and new infections in the Group. Depending on the traffic light level, measures can be tightened or eased at the locations.

Talanx AG recognised a loss ratio of 72.5% (100.2%) in the financial year 2021 as a reinsurer, with the loss ratio for the financial year coming to 51.1% (75.0%). A run-off result of EUR –63 (–53) million – not accounting for subsequent offsetting premiums – was recognised. This was shaped chiefly by a loss portfolio occurrence in 2020. The run-off ratio was 20.0% (81.5%).

As at 31 December 2021, Talanx AG reported funds withheld by ceding companies of EUR 24.8 million, which essentially comprise the balance from a new EUR 24.2 million reinsurance treaty concluded in the financial year. Talanx AG also has receivables due from cedants of around EUR 8.3 million. The largest individual receivable is around EUR 4.6 million and was mostly settled in January 2022. The other receivables are the sum of individual receivables from various market participants and most are less than 90 days past due. The reasons vary greatly depending on the case in question. 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	2021	2020
Change in portfolio on a fair value basis		
Portfolio		
Equities and other variable-yield securities		
Equity prices –20%	–43	–24
Fixed-income securities and other loans		
Increase in yield + 100 basis points	–39	–23
Decrease in yield –100 basis points	+45	+26

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

SECURITIES BY RATING CLASS

%

2021 / 2020

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 2022 we expect to see an increase in net income for Talanx AG, in part due to higher income from long-term equity investments and a better underwriting result.

Dependent company report

The report on relationships with affiliated companies 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 business proved very solid in the reporting period considering the overall global economic environment and the conditions prevailing in the industry. Gross premiums and operating profit both generated double-digit growth, with gross premiums and Group net income, which exceeded the EUR 1 billion mark for the first time, outperforming our forecast, which was raised during the year. The Industrial Lines and Reinsurance Divisions, in particular, paid high claims expenses to our customers.

The Group return on equity was slightly higher than our revised forecast, as was the return on equity for all divisions.

The Group remains financially robust and, despite lower interest rates, 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 persistently low interest rate environment, fuelled by central bank policy, and the regulatory environment remain challenging, particularly for life insurance activities in Germany. The Talanx Group coped well with the impact of the coronavirus pandemic on our net assets, financial position and results of operations in the year under review and we still believe our targets for 2022 as a whole are achievable.

Other reports and declarations

This consolidated non-financial statement is based on the ESG structure that is becoming increasingly relevant for regulators and the capital markets.

Consolidated non-financial statement

Introduction

The Talanx Group's business success is due to a significant extent to non-financial as well as 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) and 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 "EU Taxonomy Regulation").

This non-financial statement covers the period from 1 January to 31 December 2021. 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 2021, plus the relevant governance structures.

This non-financial statement has been prepared in accordance with sections 315b to 315c in conjunction with sections 289c to 289e of the German Commercial Code (HGB) and the EU Taxonomy Regulation, and is based on the Global Reporting Initiative (GRI) Standards and 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 on the 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 243ff.).

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 and includes the HDI, Hannover Re, Warta neue leben, Targo and PB Versicherungen brands. It has a total of 330 subsidiaries and equity interests.

A detailed description of the Group's business model is given in the combined management report on page 38ff.

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. In line with this, the Group's strategy is flanked by a focused approach to sustainability. This 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. The Group underlines its strategic sustainability credentials by focusing on incorporating internationally recognised frameworks, initiatives 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.

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. Above and beyond its existing net zero target for global operations, which it aims to achieve by 2030 at the latest, the Group has undertaken to achieve 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, it has raised its target sustainable investment volume from the previous figure of EUR 5 billion to EUR 8 billion in the period up to 2025. What is more, the Talanx Group published a Green Bond Framework and successfully placed its first green bond, which had a volume of roughly EUR 500 million, on the market in the reporting period. 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 Green Bond Framework now also systematically unites its sustainability strategy with its financing strategy.

All in all, the Talanx Group's sustainability strategy aligns environmental and social challenges with the goal of ensuring the Group's long-term economic success.

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. Therefore, 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 integration of non-financial aspects with risk management is also critically important. However, environment, social and governance risks (ESG risks) are not a separate risk category; rather, they can emerge in all known financial and non-financial risk types, or can influence existing risks. This applies to underwriting, investment, and operational, strategic and reputational risks. For example, the value of assets may decline as a result of climate change, while failure to comply with social standards may lead to significant reputational damage. This is why the Talanx Group takes ESG risks into account across the entire risk management process, as part of an integral, end-to-end approach. This comprises the identification, assessment, management and reporting of risks, plus modifications to business and risk strategies.

Non-financial and ESG risks are explicitly identified during the risk inventory and other, specifically focused risk surveys such as the emerging risks process (see the risk report on page 102ff.). They are assessed in relation to other risks and by analysing cause and effect mechanisms along the entire value chain. To ensure adequate risk management, there is a requirement that appropriate measures be defined to deal with risks as soon as these have been identified. At the same time, the opportunities associated with risks are also identified, so as to be able to exploit these early on.

The Talanx Group is successively expanding the methods it uses to measure and model ESG risks from both a qualitative and a quantitative perspective. One key tool here is the internal risk capital model, which is used among other things to assess potential natural disaster events for the coming year both at Group level and at the level of the individual subsidiaries. The inputs for some of the model's components can be adapted depending on ESG risk factors. In addition, given the high level of uncertainty and the limited data available on ESG risks, we explicitly address model and change risks using sensitivity analyses, among other things. We also use specific scenario analyses and expert assessments for operational risks in particular. Stress tests are a further component in ESG risk assessment.

Climate change plays a particularly prominent role in the large universe of environmental topics. The Talanx Group addresses this in its forward-looking assessment of its solvency and risk position using potential stress scenarios. This climate change scenario analysis comprises analyses of the business model's exposure to, and resilience against, climate change risks and takes potential short-, medium- and long-term impacts into account. Uncertainties regarding the timing and extent of future developments are accommodated by looking at a number of different, internally consistent scenarios, including two transition scenarios in which global warming remains below 2°C and a "business as usual" scenario in which it exceeds this figure. 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 here on 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 gained from this scenario analysis are included in climate risk management and are used to enhance the risk management and control tools.

ESG risk reporting is primarily performed as part of 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 is aligning itself with 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 2021 reporting period that could have severe adverse impacts on our business activities. For a basic overview of the Talanx Group's risk management system and risk profile, please refer to the risk report starting on page 102ff. of the combined management report.

GOALS AND MEASURES: RISK MANAGEMENT

Area	Goal	Key measures	Scope	Status in 2021
Risk management	Improve climate change scenario analysis	Use and enhance scenario analysis for assessing risks and opportunities associated with transitioning to a low-carbon economy	Group-wide	Ongoing
	Actively position the Company for future regulatory and market changes	Work in relevant bodies and participate in consultations	Group-wide	Ongoing
	Extend ESG coverage in risk reporting	Enhance integration of ESG topics with annual Group Solvency and Financial Condition Report (SFCR)	Group-wide	Ongoing
	Support the TCFD recommendations	Base reporting on climate-related risks and opportunities on the TCFD Framework	Group-wide	Ongoing

Materiality analysis

The Talanx Group uses its annual materiality process to identify, assess and review its key sustainability topics. 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 comprehensive 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 four-year strategy cycle, this is then reviewed and updated every year until the time comes for the analysis to be performed again. The results are discussed by the Board of Management and implemented via the sustainability strategy. A variety of processes have been implemented to ensure that both internal and external viewpoints are included. These include the specialist discussions that take place in our expert network (see ESG governance on page 91ff.), in which experts from the areas of investment, underwriting and operations provide an internal take on these issues. The external outlook is included 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.

This year's review of the materiality analysis established that the material non-financial topics that had been defined remain highly relevant. In line with this, the following aspects revealed by the materiality assessment continue to be particularly important for the Talanx Group: climate change, compliance, data protection and cybersecurity, responsibility to customers, ESG in asset management, employee recruitment and development, human rights, ESG in underwriting and Talanx as an employer. In addition to these material topics, the Talanx Group has voluntarily included other relevant issues in the consolidated non-financial statement, as in the previous year. This year – in addition to the topics of digital transformation, supplier management and environmental protection in the enterprise – these were diversity and corporate social commitment.

However, the topics' relative priorities have changed year-on-year: for example, there has been a shift towards climate-related and social matters. This development is reflected in the new structure for this non-financial statement, which is based around the ESG criteria that are becoming more and more important to regulators and the capital markets, and which hence transparently mirrors the Talanx Group's blueprint for action and the concrete measures it is taking regarding these groups of topics. In addition, the structure already reflects the ESG structure proposed in the EFRAG draft on materiality analysis. Transposing the material non-financial topics to the ESG structure also allows the groups of topics to be broken down systematically in greater detail. For example, dedicated information on the topic of "ESG in asset management" is now provided in both the "Climate-related and environmental matters" and "Social matters" sections. In addition, the new structure permits a summary of the special, overriding importance to the Group of the topic of climate change to be given in the "Climate-related and environmental matters" section.

The next regular full materiality analysis is scheduled for financial year 2022.

MAPPING THE NEW REPORTING STRUCTURE TO THE NON-FINANCIAL ASPECTS AND MATERIAL TOPICS

	Report structure	Non-financial aspects	Material topics
E (Environmental)	Climate-related and environmental matters	Environmental matters	Climate change
			ESG in asset management
			ESG in underwriting
			Environmental protection in the enterprise
S (Social)	Social matters	Social matters	ESG in asset management
			ESG in underwriting
			Responsibility to customers
			Corporate social commitment
		Employee matters	Talanx as an employer
			Employee recruitment and development
			Diversity
		Respect for human rights	ESG in asset management
			ESG in underwriting
			Human rights
G (Governance)	Governance	Anti-corruption and bribery matters	Compliance
			Data protection
			Cybersecurity
			Digital transformation
			Supplier management

E – Climate-related and environmental matters

Climate-related and environmental matters in asset management

The Talanx Group's total assets amounted to approximately EUR 148 billion as at the end of the 2021 financial year. Of this figure, 80% was invested in fixed-income securities as at 31 December 2021, while equities accounted for 1%. Roughly 4.5% was invested in real estate. The remainder is attributable to asset classes such as private equity and infrastructure, and to short-term investments, funds withheld by ceding companies and investment contracts.

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. ESG screening is performed twice a year for those investments for which the relevant information is available. The Responsible Investment Committee (RIC) defines and regularly reviews the filter criteria used for screening, and makes individual decisions on whether to retain or divest investments. Key filter criteria specified include the UN Global Compact's principles. In addition to the environmental and climate-related criteria anchored in the Compact, the Talanx Group has systematically expanded its filter catalogue to exclude coal. Consequently, the Talanx Group no longer invests in companies for which information is available to the effect that they derive more than 25% of their revenue or generate more than 25% of their power from coal. In line with the Talanx Group's official sustainability strategy, which sets out the Group goal of exiting coal entirely by 2038, the duration of existing investments in the investment area has also been limited to that year. Similarly, 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.

In parallel to its classic screening/exclusion-based approach, the Talanx Group aims to continuously enhance its sustainability approach. In line with this, the focus in 2021 was on developing a medium- and long-term climate strategy, especially in relation to the carbon footprint for the Group's investment portfolio. To achieve this, the carbon footprint for the portfolio for which data were available was calculated for the first time in 2020. The initial 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 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 liquid portfolio compared to the beginning of 2020 by 2025. This corresponds to a reduction in its carbon intensity of roughly 7% per annum and makes an important contribution to developing a long-term path towards the Group's goal of net zero emissions by 2050. The reduction in carbon intensity of roughly 15% 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 focusing on investments that are designed to combat climate change, and especially on investments in sustainable infrastructure projects. The Group has systematically built up expertise in this area in recent years and uses a new, specialised unit to invest directly in selected projects, supplying both equity and debt. Among other things, the infrastructure portfolio includes investments in wind and solar farms, power grids and transportation infrastructure projects in Germany and the rest of Europe. The Talanx Group is now one of Germany's largest wind farm investors; it operates 21 such projects, three of which are located offshore. As at the end of financial year 2021, the Talanx Group had invested a total of approximately EUR 3.8 billion in infrastructure projects, with roughly EUR 2 billion of this figure being attributable to renewable energy sources. The increase in the Group's target sustainable investment volume from the previous figure of EUR 5 billion to EUR 8 billion in the period up to 2025 underscores its ambitions in this area.

The European Commission has now also put the topics of climate and environmental protection, and sustainability at the heart of its activities by introducing its Green Deal, and has resolved far-reaching measures to achieve climate neutrality in the period up to 2050. While the rules for sustainable finance that are being drawn up are initially designed to align financing activities with climate and environmental policy goals, additional sustainability goals are to follow. At the heart of the legislation is the Taxonomy Regulation – an assessment scheme in which the Commission provides binding technical details of which economic activities are considered sustainable. In other words, the Taxonomy Regulation creates transparency as to whether a particular economic activity makes a positive contribution to the EU's defined sustainability goals from the European Commission's perspective.

In line with this, the EU Taxonomy is also a key transparency sustainability criterion for the Talanx Group's investments. Therefore, the Group is reporting its taxonomy-eligible investments for the first time in financial year 2021, i.e. the extent to which the Group is invested in economic activities that are currently covered by the Taxonomy.

In this context, the Talanx Group focuses on the investments reported on its balance sheet, less the technical item "funds withheld by ceding companies" and plus "investments for the benefit of life insurance policyholders who bear the investment risk", even though the investment decisions for this last item lie with the policyholders. The Taxonomy does not cover government bonds (including regional governments and local authorities), derivatives and investments in enterprises that are not required under EU law to publish non-financial information. As a result, these items have not been included in the "taxonomy-eligible investments" KPI but have been disclosed separately instead. In addition, the government bonds item is deducted from the reference base for the KPIs as required by the Taxonomy Regulation.

For financial year 2021, the review of investments' taxonomy eligibility was limited to the investment property, mortgage loans and direct investments in infrastructure projects investment items, due to a lack of available data. An overview of the relevant Taxonomy KPIs is given in the section entitled "Metrics and targets" below. The review of Taxonomy compliance, i.e. the extent to which the technical assessment criteria set out in the Taxonomy are met during investment, is expected not to take place until financial year 2023, in keeping with the staggered introduction of the Taxonomy Regulation.

The Talanx Group expects to successively increase its KPI for investments that are taxonomy-eligible and, from 2024 onwards, taxonomy-aligned over time. This expectation is based primarily on the systematic implementation of its strategic measures, plus the expansion of the environmental objectives considered, an improved data pool and the inclusion of additional economic activities.

Climate-related and environmental matters in underwriting

The Talanx Group is also continuously expanding its ESG approach in the area of underwriting. 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.

For this reason, it has among other things introduced underwriting restrictions to combat 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 coal risks has now also 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. The Responsible Underwriting Committee (RUC) determines the screening criteria to be adopted and regularly reviews the underwriting policy. In addition, methods are currently being developed and processes designed to determine and manage the insurance portfolio's carbon footprint in a similar manner to the investment portfolio.

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 to exert its influence in its risk dialogues with the companies that it insures. On the other hand, in the area of engineering insurance the Talanx Group 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, hydrogen production and its use in electricity generation, and 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 product offering in its German and international retail and commercial clients business, and to consistently optimize products' impact on sustainability, e.g. by offering motor vehicle products to actively promote alternative drive vehicles. This means that the Talanx Group is meeting customers' increasing demand for sustainable insurance products.

The EU Taxonomy is a key transparency sustainability criterion for the Talanx Group's insurance portfolio as well. However, Taxonomy only takes property/casualty insurance and reinsurance activities into account and 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 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 – for the first time in financial year 2021. An overview of the relevant Taxonomy KPIs is given in the section entitled "Metrics and targets" 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 the procedure adopted for the investment area. However, the taxonomy-aligned KPI will be substantially smaller than the taxonomy-eligible KPI since, among other things, it will only take into account the share of premiums used to cover climate change risks.

Climate and environmental protection in the enterprise

One integral part of the Talanx Group's sustainability strategy is to manage, and as far as possible reduce, its own environmental footprint.

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 impact on the environment or the climate than, for example, manufacturing enterprises or companies that are heavy users of raw materials. Nevertheless, the Group employs roughly 24,000 employees at its locations around the world, who all consume energy and materials, take business trips and travel to and from work. 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 firstly, to remain climate-neutral in Germany, where more than 45% of the Group's staff are employed and, secondly, to achieve net zero emissions in its operations throughout the Group by 2030 at the latest.

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, the Group 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. Building on this, it worked consistently in the 2021 reporting period to expand its internal framework for uniformly ensuring data capture, reporting and the quantification of greenhouse gas emissions throughout the Group. Scope 1 and Scope 2 greenhouse gas emissions, and Scope 3 emissions from the business travel category, are measured and reported in line with the reporting thresholds defined in the GHG Protocol's operating approach.

According to the information ascertained, the Group's total emissions in 2021 excluding Hannover Re amounted to 35,047.78 metric tons of CO_2 equivalents (CO_2e), a drop of more than 60%. Although the restrictions introduced in response to the coronavirus pandemic (which were included in this year's calculations of carbon emissions) were partly responsible for the decrease, it is in fact largely the result of the 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 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.

GOALS AND MEASURES: CLIMATE-RELATED AND ENVIRONMENTAL MATTERS

Area	Goal	Key measures	Scope	Status in 2021
Asset management	Net zero emissions by 2050	Reduce carbon intensity (Scope 1 + 2) by 30% compared to 2019 baseline	Group-wide	–15%
		Expand sustainable investments to EUR 8 billion by 2025	Group-wide	EUR 7.2 billion
		ESG screening of investment portfolio	Group-wide	Ongoing
		Exit coal by 2038; exclude companies generating more than 25% of their revenue and power from coal, or generating more than 25% of their revenue from oil sands	Group-wide	Ongoing
	Taxonomy	Proportion of taxonomy-eligible investments (taxonomy-eligible investments/(total assets for the Taxonomy KPIs – government bonds)) * 100	Group-wide	7.8%
		Proportion of taxonomy-non-eligible investments (taxonomy-non-eligible investments/(total assets for the Taxonomy KPIs – government bonds)) * 100	Group-wide	33.2%
		Proportion of derivatives (total derivatives/(total assets for the Taxonomy KPIs – government bonds)) * 100	Group-wide	0.3%
		Proportion of ineligible entities pursuant to the NFRD (investments in entities that are not covered by NFRD reporting requirements/(total assets for the Taxonomy KPIs – government bonds)) * 100	Group-wide	58.7%
		Proportion of government bonds (government bonds/total assets for the Taxonomy KPIs) * 100	Group-wide	20.8%

GOALS AND MEASURES: CLIMATE-RELATED AND ENVIRONMENTAL MATTERS

Area	Goal	Key measures	Scope	Status in 2021
Underwriting	Net zero emissions by 2050	Reduce carbon intensity	Group-wide	Ongoing
		Exit coal and oil sands by 2038 and no underwriting of new business with coal-fired power stations or thermal coal mines	Group-wide	Ongoing
		ESG screening of insurance portfolio	Group-wide	Ongoing
		Increase premium volume for renewable energies and green technologies	Group-wide	Ongoing
	Expand sustainable insurance solutions	Expand sustainable insurance solutions to mitigate the consequences of natural disasters	Group-wide	Ongoing
		Support the global transition to green energy by providing insurance for renewable energies and technologies	Group-wide	Ongoing
	Taxonomy	Taxonomy-eligible premiums (total taxonomy-eligible lines in booked gross premiums/total booked gross premiums for property/casualty primary insurance and property/casualty reinsurance) * 100	Group-wide	62.8%
		Taxonomy-non-eligible premiums (total not accepted and taxonomy-non-eligible lines in booked gross premiums/total booked gross premiums for property/casualty primary insurance and property/casualty reinsurance) * 100	Group-wide	37.2%
Operations	Net zero emissions by 2030	Maintain climate neutrality in Germany	Germany	Done
		Reduce GHG emissions year-on-year	Group-wide	–60%
		Increase transparency regarding greenhouse gas emissions at global locations	Group-wide	Done
		Optimise energy consumption	Group-wide	Ongoing
		Increase use of renewable energy sources	Group-wide	Ongoing

The EU Taxonomy Regulation and the Delegated Acts issued under it currently contain wordings and terms whose interpretation is still subject to substantial uncertainty and for which clarifications have not yet been published in all cases. This means that the comparability of the relevant KPIs may be severely limited. In addition, any clarifications published at a later date may lead to differences in interpretation compared to the present.

S – Social matters

Social matters in asset management and underwriting

As a listed enterprise whose roughly 24,000 employees serve customers in more than 150 countries around the world, the Talanx Group takes its social responsibilities seriously. In line with this, social aspects also play a major role in the Talanx Group's investment and insurance decisions.

Consequently, compliance with social standards and principles has been stipulated as a key filter criterion throughout the Group for the regular ESG screening performed in the investment area. 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). The Responsible Investment Committee (RIC) defines and regularly reviews the social screening and exclusions criteria used, and makes decisions on whether to retain or shed investments, taking the economic interests of the community of insured customers into account.

In addition, the Talanx Group's plans to increase the volume of its sustainable investments to EUR 8 billion are boosting its financing of public infrastructure projects (such as hospitals and educational institutions) and its investments in social bonds. In this way, the Group is also underscoring the social dimension to its investment policy.

Social aspects are highly important for the Talanx Group in the underwriting area, too. 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, and hence helps indirectly to reduce social disparities. In addition to this core role as a risk taker, compliance with international social standards and principles is a key criterion used to make decisions or justify exclusions when underwriting insurance risks.

However, 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 addition, it helps promote social and financial inclusion by facilitating online sales of life insurance and support for the health insurance business in markets with insufficient healthcare services, and increases 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 Group's life insurance products help relieve the pressure on social security systems.

The Talanx Group is also making an important social contribution and living up to its social responsibilities during the ongoing coronavirus pandemic. For example, the decision to put COVID-19 in Germany on the same footing as the diseases and pathogens listed in the German Protection Against Infection Act (IfSG) means that business shutdowns that are officially ordered as a result of the coronavirus pandemic enjoy insurance cover. The Group is also providing concrete help for key groups of professionals such as physicians during this period. The rapid spread of the coronavirus led many retired doctors to offer their help by acting as locums in medical practices, providing patients with advice, or working in fever centres. As a result, the Talanx Group expanded the benefits offered to physicians in Germany who had taken out professional liability insurance with it. In addition, the Group is helping to fight the coronavirus in other countries such as Italy, Canada and France by insuring clinical studies.

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.

Social commitment was not identified as a material aspect during the materiality analysis. Nevertheless, the issue is important to the Talanx Group and is being continuously enhanced and promoted as part of its sustainability strategy. This allows the Group to generate positive impacts for society above and beyond its actual business activities. 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. A very wide range of activities are performed for customers, employees and social initiatives. The HDI Foundation, which is supported by the Group, also plays an important role here.

Employee matters

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 together, 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.

The three focal areas – recruitment, human resources support and human resources development – are closely aligned and coordinated. 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 during the reporting period. This provides rules for dealing with the new normal and facilitates models featuring both working from home and office work. This lays the foundations for real togetherness both during the coronavirus pandemic and beyond. The Talanx Group believes in flexible working locations and hence in mobile working; at the same time, though, personal contact is essential to integrate staff with their team and the Group.

Other examples of events during the reporting period clearly demonstrate our Purpose in action: The aid provided during the catastrophic floods in Germany and measures taken to help colleagues affected by the pandemic show true solidarity. These developments are leading to an increasingly modern, agile working environment that enhances both the Company's attractiveness on the labour market and employee satisfaction, loyalty and motivation.

Talanx as an employer

The Talanx Group is keen to ensure a successful work-life balance and supports this by offering flexible working time models, opportunities for part-time work and a deferred compensation scheme. Additionally, mobile working enables employees to manage their daily work on the ground more flexibly and hence, for example, to improve their work-family balance.

For many years now, the Talanx Group itself has provided flexible and reliable childcare offerings, among other things, in order to help staff concentrate on their professional duties. 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 September 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 organization offers staff assistance with homeschooling and (virtual and local) options for vacation and leisure time activities. Together with another partner organization, the Talanx Group also supports employees who are coordinating long-term care for relatives alongside their jobs, or who themselves require care.

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 launched in 2021. This set new focuses for occupational health promotion activities every two months. The initiatives reference both current topics and seasonal events. The objective is to motivate employees to take advantage of existing offerings, and provide them with new inspiration, to do something for their health. What is more, the second overarching digital Health Week was held in 2021 under the motto of "Mental Health x New Work". Its objective was to provide employees with information about various aspects of mental health and stress prevention, and to promote their mental well-being. 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 and responsibility-based salary that includes results-based components, plus attractive 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 depend 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 attractive 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 and the long average periods that staff in Germany spend with the Company.

Employees in Germany were given an opportunity to subscribe for shares in the Company on favourable terms in financial year 2021 – the third time such a programme was offered. The maximum subsidy per employee offered by the Company was based on the current tax-free limit of EUR 1,440. A total of 42% of eligible staff took part in the employee share programme during the year, a very positive outcome for the Group.

Employee recruitment and development

Since 2021, the Group has been using its HDI Group employer brand to position itself as an authentic and attractive employer. This has involved a particular focus on customised approaches aimed at specific target groups and on providing insights into the Company for use in external employer marketing. Concrete measures include formats such as an internal HR podcast, employee photo shoots and special campaigns featuring target group-specific content. Equally, the HDI Group's public image on evaluation platforms such as kununu was monitored more closely and feedback received there is followed up. In addition, greater use was made of digital channels and social media in employer communications. The Group actively approaches potential recruits on social media, combining employer brand marketing with attracting latent candidates for open positions.

We use a variety of approaches to ensure we meet our strategic goal of always having adequate numbers of talented young staff. These include offering dual-track vocational training and degree courses, and a number of graduate trainee programmes focusing on different areas. The HDI Group's objective is to open up new opportunities. This is why it supports particularly talented students and helps them to achieve their full potential. It provides them with financial support with the help of the HDI Foundation and the "Deutschlandstipendium" scholarships, and offers them additional training, workshops and a valuable network for their future career. In 2021, the Group took part in a number of (digital) careers fairs and invested in strengthening internal communities for the young talent target group.

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. This ensures an objective approach.

Continuously growing and developing our employees is important to us. In a volatile world, knowledge and skills requirements are changing all the time. This also has an enormous impact on how we approach learning. Learning and the pace at which this takes place are key elements of the transformation process. We offer employees 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. We accommodate the ongoing changes in the working world by incorporate courses on new developments such as agility and New Work. We support specific target groups using a range of suitable programmes, e.g. for young professionals, high-potential employees, experts, and middle and top-level management. In 2021 the Talanx Group systematically identified high-potential employees and managers throughout Germany for the first time in the course of human resources development conferences. Among other things, this will allow us to appoint internal candidates to vacant positions in future.

We launched a Group-wide cultural transformation initiative, our "Together Leadership Journey", in 2021. Waves of workshops aimed at all levels of management discussed our common leadership principles – transparency, collaboration and commitment – and systematically reinforced their role in participants' behaviour. The objective is to establish a culture of trust between managers and their teams, and to jointly map out the transition to the "new normal". We shall continue our Together Leadership Journey in 2022. Another instrument that aims to promote cooperation is our annual review procedure, known as "Let's talk". This is designed to facilitate both an open feedback culture and staff development. The importance we attach to our feedback culture can also be seen from our "Organizational Health Check" (OHC), which was performed for the third time. In it, Group employees are asked for their views on our corporate culture and the organization, among other things.

Diversity

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 & Inclusion in September 2020, and in 2021 a new function, "D&I Management", was established and the relevant appointment made. In addition, a comprehensive, Group-wide diversity, equity and inclusion strategy was developed. This will be rolled out in Germany in 2022 and then successively extended to the Group's international locations.

At Group level, an overarching Diversity & Inclusion Board started work in June 2021. Added to this, dedicated working groups have been established in almost all divisions and focus on the specific topics there.

We are holding fast to our goal of increasing the proportion of women in management positions. In addition to our expanded range of training offerings, mentoring programmes and our Women@Talanx network, we systematically take women into account during succession planning. Balancing the demands of work and family life is important to the Talanx Group. Measures in this area include part-time management positions and a pilot project on this. In addition, three more women were appointed to Board of Management positions at HDI Service AG, HDI Deutschland AG and HDI Global SE in 2021.

Unconscious bias training was introduced at the beginning of 2021. All human resources staff and a large proportion of the Company's managers have already completed these courses. What is more, all employees in Germany have been eligible for this training since November 2021. We shall build on this to roll out anti-racism training and additional diversity courses in 2022.

The focus in 2021 was on creating awareness and providing information. A number of different communications and explanatory formats were employed for this. Employee networks also provide valuable input on how to achieve an inclusive working environment.

In addition to our women's network, an international LGBTIQ* network, pride@hdi; 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. Additional employee networks are already being planned.

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 customer information requirements on the insurance industry in Germany. The Talanx Group complies with these in full.

Binding regulations on sustainability-related disclosures in the financial services sector (known as the Sustainable Finance Disclosure Regulation – SFDR) came into force on 10 March 2021. 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. Here, too, the Talanx Group complies with the necessary requirements.

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 Talanx Group has committed voluntarily to complying in full with this code as well.

Following the implementation of the EU's Insurance Distribution Directive (IDD), manufacturers of insurance products have to comply with more extensive supervisory and management requirements. The companies in the Retail Germany Division meet these.

HDI 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.

In view of the corona pandemic, HDI Lebensversicherung AG, HDI Versicherung AG and the bancassurance companies introduced a “coronavirus pause”. Customers in economic difficulty could apply for the premiums due under an existing policy to be modified, suspended or deferred, with full insurance cover remaining in place. In addition, HDI Versicherung offered free mobility protection, among other things, for customers who were front-line workers, plus special private accident insurance benefits. The bancassurance companies prolonged or increased their payment protection insurance benefits in the case of statutory loan payment holidays. In addition, almost all companies took short-term working into account when calculating grace periods for unemployment insurance. These arrangements have now expired in almost all cases.

Human rights and supply chain

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

In the past financial year, the Talanx Group rolled out its Code of Conduct, which had been expanded to include compliance with human rights, worldwide to all Group employees. The rules make clear that nobody in the Company may be forced in any way to work through 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’ 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.

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 Company is already focusing on the new due diligence obligations that will apply from 2023 onwards when the German Supply Chain Due Diligence Act enters into force, and that are designed to uncover and reduce human rights risks.

By signing up to the UN Global Compact, Talanx 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 support the UNGC committed it not only to supporting 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 gives particular support to 7 out of the UN’s 17 Sustainable Development Goals, with the focus being on topics such as Gender Equality and Decent Work and Economic Growth.

Talanx also takes human rights aspects into account in its investment and underwriting 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 2021
Social matters in asset management and underwriting	Enhance social responsibility in investments	ESG screening of investment portfolio	Group-wide	Ongoing
		Exclude issuers that do not comply with social criteria	Group-wide	Ongoing
		Expand sustainable investments to EUR 8 billion by 2025	Group-wide	Ongoing
	Enhance social responsibility in underwriting	Include social criteria when underwriting risks	Group-wide	Ongoing
		Expand insurance cover for previously inadequately insured sections of the population	Hannover Re	Ongoing
Corporate social commitment	Fulfil the Company's social responsibility	Support charitable projects and social initiatives	Group-wide	Ongoing
		HDI Foundation sponsored projects	HDI Group Germany	Ongoing
Talanx as an employer	Improve work-family balance	Flexible working time models	HDI Group Germany	Ongoing
		Expand support provided for childcare	HDI Group Germany	Ongoing
		Expand support provided for long-term care of relatives	HDI Group Germany	Ongoing
	Promote employee health	HDI Health Year with customized offerings on specific topics	HDI Group Germany	Ongoing
		(Medical) advice for employees and addiction prevention	HDI Group Germany	Ongoing
	Internationality	International programmes, shadowing opportunities and secondments abroad	Group-wide	Ongoing
	Performance-related pay	Assign positions to salary bands set out in collective agreement for the insurance industry	Group-wide	Ongoing
		Use Hay job evaluation method for management functions	Group-wide	Ongoing
	Cultural transformation	New Work Campus with a variety of virtual formats	HDI Group Germany	Ongoing
		Implement the Organizational Health Check (OHC) global employee survey	Group-wide	Ongoing
Employee recruitment and development	Optimise CPD measures for specialists and managers	"Together Leadership Journey" for enhancing leadership skills	Group-wide	Ongoing
		Leadership Circle	HDI Germany	Performed/held/done for first time
		Promote a new culture of learning	HDI Group Germany	Performed/held/done for first time
		Introduce New Work using the New Work Campus	HDI Group Germany	Performed/held/done for first time
	Recruit young talent	Participate in careers fairs	HDI Group Germany	Ongoing
	Strengthen employer brand	HR podcast, closely targeted campaigns	HDI Group Germany	Ongoing
Diversity	Increase diversity at all levels of management, especially with respect to women	Networking, mentoring programme and extended seminar offering designed to empower women	HDI Group Germany	31.7%
	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
Responsibility to customers	Enhance customer dialogue	Easy-to-understand information about insurance solutions	HDI Germany	Ongoing
Human rights and supply chain	Maintain compliance with human rights due diligence	Develop and define due diligence obligations in preparation for the German Supply Chain Due Diligence Act	Group-wide	Performed/held/done for first time

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.

Talanx AG, as a listed company based in Hannover, 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.

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 who are drawn equally from 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 again strengthened its sustainability governance in 2021 so as to make even more efficient progress in all four strategic target dimensions of its sustainability strategy.

Firstly, the Group enhanced its sustainability credentials by deciding to integrate sustainability aspects in the new remuneration system for the Board of Management with effect from financial year 2021 and by tying part of the Board of Management's variable remuneration to the achievement of concrete sustainability goals (see the Remuneration Report on page 16ff.).

Secondly, the Sustainability unit was moved to become part of the Group Strategy function, which is headed by the Chairman of Talanx AG's Board of Management. This new organisational positioning once again underscores sustainability's significance and strategic importance for the Talanx Group. The expanded Group Strategy & Sustainability function will continue the sustainability management work done to date and, going forward, will serve as the hub for coordinating and enhancing existing sustainability activities and for launching new ones. In addition, it will work with the Group's newly formed, overarching "Expert Sustainability Network" to provide support for the Group's operating units throughout the world 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 being used to structure information sharing with central functions, divisions 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 business activities. Above and beyond the Expert Network, information is regularly shared within the Group via a number of working groups on specific ESG topics. At business segment level, the designated sustainability managers are responsible for coordinating sustainability topics across the different functions, and for implementing and reporting on them within their individual segments.

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 a Board of Management member. 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 during the year. 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. We are 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).

In the area of ESG reporting, transparency and high-quality data are key priorities for the Talanx Group. As a global insurance undertaking, the Group therefore focuses on the Global Reporting Initiative (GRI) requirements, which have established themselves as one of the main ESG reporting standards worldwide. This alignment with an established global standard also permits transparency as to 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). However, this global reporting initiative for climate-related financial risks and opportunities is more than just another well-established standard for ESG reporting at the Talanx Group. 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 its recommendations are primarily forward-looking and provide important insights for sustainably managing the Group.

Last but not least, the fact that its non-financial reporting is voluntarily reviewed by an independent auditor underscores the relevance that the Talanx Group attaches to reporting.

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. As a result, digital transformation is a strategic focus issue at the Talanx Group and a component of its Group strategy.

During the coronavirus pandemic in particular, 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. 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 provides targeted support for digital innovation via best practice labs. Examples include international cooperation in the Group Digital Lab and AI & BE Lab, scaling up innovative best practices using "agile desks" and entering into scouting and market intelligence partnerships with both start-ups and established technology firms. 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.

One key focus is on upgrading our IT and systems environment to provide a basis for ongoing automation and process digitalisation ("get ready"). The other two focus areas are content-related: data analytics, which revolves around artificial intelligence and behavioural economics ("get skills"), and ecosystems and partnerships ("get bundled").

Given the 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. Customer data account for a large proportion of the data we need to protect. 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, information security and cybersecurity also always involves 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-level Group Security and Data Protection units are independent of one another but work closely together. They share common ground as regards 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 only processed for their intended purpose. This applies even though data are the foundation of our 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 information security, cybersecurity and compliance with data protection, with strategy and governance being the key dimensions used to determine the Talanx Group's management approach. Data protection and security form part of the Group-wide internal control system (ICS) in the second line of defence under the "three lines" model used in supervision. The associated tasks and responsibilities relate to risk identification, assessment and analysis, management, supervision and reporting at the overarching enterprise level.

Security Management operates the Talanx Group'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 and the boards of managements of 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 CIO.

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 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 is working continuously to improve and expand internal processes including information security, cybersecurity and data protection aspects throughout the entire value chain.

An upfront 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 (Security, Risk Management, Data Protection, Human Resources/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 not exposed to any security breaches or to potential data protection and security risks. Innovative digital solutions will be used to support this objective and must be developed in such a way that they do not have any adverse effects.

Anti-corruption and bribery matters

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

Preventing corruption is a material core topic for the Compliance department, which operates at Group level and is part of the Group Legal function. The compliance officers are responsible for the individual divisions and Group companies. A global network of compliance managers at our foreign locations also allows local compliance breaches to be reported directly to the Compliance function without going through local hierarchies. The “ComplianceXchange” format, in which the compliance officers and local compliance managers share information virtually and develop best practice solutions together, proved particularly valuable in an environment that was dominated by the COVID-19 pandemic.

The Group’s compliance management system (CMS) is an important component. This consists of the following compliance-related 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. It explicitly states that the Group will combat all types of corruption.

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

Within Germany, the Group-wide Compliance Guidelines are supplemented by specific compliance guidelines and work instructions in the individual divisions, e.g. in the form of special anti-corruption rules for the employees there.

Talanx’s whistle-blowing system can be used to anonymously report breaches of internal and external rules. It can be accessed from anywhere in the world via Talanx’s website and is currently available in German and eight other languages commonly spoken within the Group. The whistle-blowing system can be used to provide information about a variety of topics such as fraud, breaches of fiduciary duty and corruption. Additionally, employees can report suspected breaches of the law or guidelines to their line manager or to the compliance officer for the company in question.

The coronavirus pandemic continued to have a material effect during the reporting period, creating new challenges for Compliance and leading to more intensive monitoring of legal developments, among other things. Another key task was to use communication and training to maintain the Company's compliance culture. The training courses are a key way of preventing the rules from being breached and represent a core component of the CMS.

A large proportion of the personal training planned as a result of insights from the compliance risk analysis took the form of interactive online webinars.

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 2021.

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 89ff.), the Talanx Group positions itself externally through its choice of business partners. 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. It has developed a uniform Group Code of Conduct for Business Partners, which has been resolved by the Board of Management, to underscore its commitment and to exert a positive influence over and above the legal requirements. This document covers both IT and Non-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 IT Purchasing function for the German primary insurance companies issued a new invitation to tender for IT service providers in 2020, which included successfully piloting the use of the new code. As a result, the latter has been incorporated in the new master agreements with all preferred and qualified business partners for IT services. In 2021, the Code of Conduct for IT Purchasing was incorporated into standard operating practice and is now a fixed part of any new framework agreements signed. Work started in 2021 on establishing professional IT supplier monitoring.

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 2021
Corporate governance	Ensure good organisational governance	Introduce new Board of Management remuneration system pursuant to the ARUG II	Group-wide	Performed/held/done for first time
(ESG) governance		Include ESG in new Board of Management remuneration system	Group-wide	Performed/held/done for first time
		Integrate the Sustainability unit into the Group Strategy function headed by the Chairman of the Board of Management	Group-wide	Performed/held/done for first time
		Establish Group-wide Sustainability Expert Network	Group-wide	Performed/held/done for first time
Digital transformation, data protection and cybersecurity	Maintain ISMS	Ensure ISO 27001 certification of information security management system (ISMS) through annual audits/recertification after three years	Group-wide (excluding Hannover Re and HDI International)	2022
	Enhance employee awareness	Mandatory employee training to raise awareness of current cyberattack methods	Group-wide	2022
	Process optimisation	Introduce technical workflow-based register of processing pursuant to the GDPR	Group-wide (excluding Hannover Re)	Ongoing
Anti-corruption and bribery matters	Optimise compliance management	Regularly review corruption risks based on compliance risk analyses as part of compliance planning	Group-wide	Ongoing
Supplier management	Give greater weight to sustainability management in (IT) procurement	Establish professional supplier monitoring giving greater weight to sustainability criteria in IT procurement	Group-wide	2023
	Define, capture and monitor sustainability criteria within non-IT procurement	Establish strategic supplier management in non-IT procurement including definition, capture 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 was designed to facilitate self-regulation by businesses by setting out current best practices in corporate governance, and aims to make the German corporate governance system clear and transparent. The objective is to promote confidence in the management and oversight of listed German companies among international and national investors, customers, employees and the general public. Although the Code is not legally binding, section 161 of the German Stock Corporation Act (AktG) requires users to declare each year whether or not its recommendations have been and continue to be observed in practice at their companies. Any decisions not to comply with the Code's recommendations must be explained and disclosed in the declaration of compliance.

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 individual recommendations 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 very strong position among listed German companies.

The Board of Management and Supervisory Board issued the following declaration of compliance with the German Corporate Governance Code in the version dated 16 December 2019 on behalf of Talanx AG before the annual financial statements were adopted:

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.

Therefore, the Board of Management and Supervisory Board hereby declare pursuant to section 161 of the AktG that, with the exceptions of the departures stated below, Talanx AG has complied with the recommendations of the Government Commission on the German Corporate Governance Code in the version dated 16 December 2019 (published in the Bundesanzeiger (Federal Gazette) on 20 March 2020), and that it will continue to do so in future.

Recommendations C.10 sentence 1 and D.4 sentence 2 of the Code (Chair of the Supervisory Board, Chair of the Audit Committee, and 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, Chairman of the Finance and Audit Committee, 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 to continue benefiting from it in this key role. Furthermore, since he also held the position of Chief Financial Officer at an earlier point in time, he has extensive knowledge and experience in the areas of financial reporting, financial statement auditing and internal control procedures in the primary insurance and reinsurance sectors. Moreover, he has extensive experience of designing and using remuneration systems for boards of management, due in particular to his many years as a supervisory board member at Group companies. For these reasons, the Company believes that the current Chairman of the Supervisory Board is ideally suited to chairing the Finance and Audit Committee and the Personnel Committee. The Chairman of the Supervisory Board has been a member of the Supervisory Board for more than three years, since he left the Board of Management. As a result, in Talanx AG's opinion he must now be considered to be independent of the Company in relation to recommendation C. 10 sentence 1. Nevertheless, as a highly precautionary measure, Talanx AG hereby formally declares a departure from recommendation C. 10 sentence 1.

[1] This subsection has been explicitly exempted by lawmakers from the audit of the financial statements/management report (section 317(2) sentence 6 and sentence 4 of the German Commercial Code (HGB); unaudited information).

For the reasons given above, it is in the Company's interests to depart from the recommendations contained in sections C.10 sentence 1 and D.4 sentence 2 of the Code.

The Company will continue to comply with all recommendations of the Code in the version dated 16 December 2019 in future, too, with the exception of the departures set out above.

Hannover, 9 November 2021

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 at its meeting on 11 August 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 version published on 16 December 2019.

The agenda and invitation to the 2021 Annual General Meeting, including the description of the remuneration system for Talanx AG's Board of Management given in agenda item 5, are available on the Company's website (https://www.talanx.com/en/investor_relations/agm_-_events/annual_general_meeting).

The remuneration report for 2021 can be found on page 16ff. of this document.

Supervisory Board remuneration

The remuneration system for Supervisory Board members is 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, https://www.talanx.com/media/Files/talanx-gruppe/pdf/tx_satzung_en.pdf.

The remuneration paid to the members of Talanx AG's Supervisory Board is balanced and appropriately reflects both the Supervisory Board members' responsibilities and tasks and the Company's situation; the remuneration rules in force at comparable listed companies are also taken into account in this context. The Supervisory Board regularly reviews the rules governing 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 most recently at the Annual General Meeting on 6 May 2021, when the meeting resolved to modify the remuneration system for the Supervisory Board.

The agenda and invitation to the 2021 Annual General Meeting, including the description of the remuneration system for Talanx AG's Supervisory Board given in agenda item 6, are available on the Company's website (https://www.talanx.com/en/investor_relations/agm_-_events/annual_general_meeting). The individual remuneration paid to Supervisory Board members for financial year 2021 is broken down on page 32ff. of the Annual Report.

Remuneration paid to the Board of Management and the Supervisory Board

The remuneration report beginning on page 16ff. contains a detailed description of the remuneration paid to the Board of Management and the Supervisory Board..

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

The Talanx Group is working to make the Company more sustainable across the board. As a company that combines leading-edge operations and a long, rich tradition, Talanx is fully committed to this crucial task and is helping in the transition to a low-emissions, socially responsible economy. This holistic approach underpins Talanx's sustainability strategy, which is constantly being enhanced and is also refined every year.

The Talanx Group underscores these sustainability credentials by signing up to selected, internationally recognised frameworks and initiatives. In its core business, the Talanx Group has committed to complying with the most important global standards for integrating sustainability criteria by becoming a member of two UN initiatives, the Principles for Responsible Investment (PRI) and the Principles for Sustainable Insurance (PSI). In addition, the Group has joined the UN Global Compact (UNGC) – the world's largest corporate governance initiative.

Please see the consolidated non-financial statement on page 78ff. for further information on the Talanx Group's sustainability activities.

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. This fact is taken into account by reviewing and refining the Group-level process for identifying compliance risks on a regular basis. As a result, an up-to-date risk map is available at all times. In addition, the Compliance function continuously monitors regulatory and statutory developments, which changed during the reporting period as a result of the changes to the framework caused by the coronavirus pandemic. This led to a substantial amount of work for the function. 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 our compliance activities are documented in the compliance report, which is submitted to the Finance and Audit Committee by the Board of Management before the annual financial statements are adopted every year. The report sets out the Talanx Group's structure and its wide range of activities in this area.

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.

Board of Management

The Board of Management is directly responsible for managing the Company and defines its goals and corporate strategy. 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. The Supervisory Board's Rules of Procedure stipulate that the Supervisory Board should only appoint persons under the age of 65 to the Board of Management.

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.

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 entitled "Reporting by the Board of Management to the Supervisory Board of Talanx AG". Documents required for decisions, and particularly the separate 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
- 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 sideline 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 constant 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 5 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. Self-assessments are performed every three years, with the next assessment being scheduled for 2022.

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. 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, the Actuarial function and Auditing).

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. A systematic approach is taken here: the committee maintains, regularly updates and discusses internally a list of potential candidates; this list also details development periods and takes account of diversity targets. The list is regularly included on the agenda for, and considered during, committee meetings and is discussed in detail there, including in connection with the Board of Management's strategic talent management goals.

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. The Nomination Committee has drawn up a catalogue of requirements for Supervisory Board members to ensure that candidates meet the relevant selection criteria. This aims among other things 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 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 has 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. A target of 20% has been set for tier 1 executives reporting directly to the Board of Management and 30% for tier 2 executives.

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. As regards the Board of Management, the goal is to appoint at least one female member by June 2022.

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, an international perspective and knowledge of human resources, risk management, IT and compliance have been 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, the goal is to ensure 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.

The Board of Management has clearly signalled its intention to promote diversity within the Company and the Group by signing up to the Germany's Diversity Charter in 2013.

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 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 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 202(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 11 May 2017 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 10 May 2022, under certain conditions.

The Annual General Meeting on 11 May 2017 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 500 million on one or more occasions in the period up to 10 May 2022, 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 126,398,821.25 at the same Annual General Meeting (Contingent Capital I) in order to service the registered bonds. The Annual General Meeting on 11 May 2017 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 10 May 2022. 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 31,599,700 (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 11 May 2017 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 10 May 2022 by a maximum of EUR 157,620,398.75 by issuing new no-par value registered shares in exchange for cash or non-cash contributions. EUR 621,877.50 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 non-cash 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 entry in the commercial register on 14 June 2017.

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 agreements with DB Firmen und Privatkundenbank AG (the legal successor of Deutsche Postbank AG) and with its Postbank sales subsidiaries, based on the cooperation agreements with Deutsche Postbank AG dated 18 July 2007, contain clauses granting parties to the contract an extraordinary right of termination in the event that a third company that is not affiliated with either party directly or indirectly acquires control over the other party to the contract.

The December 2006 cooperation agreement for Russia signed on the basis of the general agreement with Citibank contains a clause granting parties to the contract an extraordinary right of termination in the event that a company not affiliated with either party acquires a controlling majority of the shares or the business operations of the other party 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 230 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:

- There is a 90% probability that the Group will generate positive net income in accordance with the IFRSs
- 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.

Both our Group strategy and our risk strategy are 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 components.

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 2021 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 2022 in the Solvency and Financial Condition Report as at 31 December 2021. 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 and
- 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 heavily 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 Service AG.

Key aspects of the Group's risk management organisation are defined in binding internal guidelines and specific regulations. 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 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.

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.

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, payout duration or costs of loss adjustment).

Losses in connection with the coronavirus pandemic were particularly high in Life/Health Reinsurance in 2021. Depending on how the pandemic progresses, further such losses next year cannot be ruled out.

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 payout 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 26.5 (32.2) years; reserves for asbestos-related claims and environmental damage amounted to EUR 94 (89) million.

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 bonds help protect portions of these loss reserves against inflation risk.

In addition, external actuaries regularly analyse the effects of potential stress scenarios 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 859 (753) 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. 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.

PROPERTY/CASUALTY INSURANCE RETENTION RATIOS BY SEGMENT

%	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Industrial Lines	48.1	47.9	50.2	58.6	55.2	53.4	51.8	50.9	44.5	45.6
Retail Germany – Property/Casualty	85.8	88.3	95.0	94.5	94.6	95.4	95.6	95.6	94.9	94.6
Retail International	86.3	87.9	88.7	89.3	89.0	87.9	87.3	88.9	88.5	88.5
Property/Casualty Reinsurance	90.1	90.3	90.3	90.7	89.7	88.5	89.3	90.6	89.9	90.2
Corporate Operations [1]	25.0	34.6	68.3	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total property/casualty insurance	**77.9**	**78.9**	**81.0**	**83.9**	**82.4**	**80.7**	**80.7**	**81.0**	**79.3**	**79.8**

[1] Talanx AG underwrote significant business for the financial year 2020 as a result of receiving a 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

%	2021	2020 [2]	2019	2018	2017	2016	2015	2014	2013	2012
Industrial Lines	80.9	84.4	79.9	87.3	85.7	74.9	76.5	81.2	81.8	75.2
Retail Germany – Property/Casualty	65.2	61.9	61.0	63.4	64.6	66.7	64.2	74.1	67.0	65.2
Retail International	64.5	64.7	65.8	65.8	66.2	65.4	64.9	65.3	66.3	68.9
Property/Casualty Reinsurance	69.3	72.8	69.0	67.0	71.2	66.7	69.3	68.9	70.3	70.7
Corporate Operations [1]	74.6	110.6	105.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total property/casualty insurance	**70.1**	**72.9**	**69.5**	**69.5**	**71.9**	**67.8**	**69.1**	**70.8**	**70.8**	**70.3**

[1] Talanx AG underwrote significant business for the financial year 2020 as a result of receiving a reinsurance license in financial year 2019. No disclosures are made on account of the lack of comparability with previous periods.
[2] Adjusted in accordance with IAS 8, see the “Accounting policies” section of the Notes.

In the Industrial Lines segment, the loss ratio decreased by 3.5 percentage points to 80.9% despite high large losses caused by natural disasters. These excesses losses were essentially offset by a positive claims experience in the frequency range due to the pandemic, a premium reserve not being required and successful restructuring. The loss ratio in the Retail Germany – Property/Casualty segment increased by 3.3 percentage points to 65.2%. This rise reflects higher basic losses for real estate and as a result of small accumulations (chiefly hail) and the large loss from storm "Bernd". The loss ratio in the Retail International segment remained stable compared to the prior year. Higher claims inflation and the return to pre-pandemic claims frequency were slightly offset by positive run-off results. In the Property/Casualty Reinsurance segment the loss ratio decreased by 3.5 percentage points to 69.3%. The decline is essentially due to lower large losses on account of the lack of new Covid-19 large losses. Talanx AG, Corporate Operations segment, was granted a reinsurance license in the 2019 financial year. It has been steadily expanding its business since and so business is still experiencing high levels of fluctuation compared to the two prior years. Accordingly, there is less reliable information available regarding the development of the loss ratio compared to other segments.

The 2.8 percentage point improvement in the loss ratio for property/casualty insurance to 70.1% was the result predominantly of the lack of new Covid-19 large losses, which totalled EUR 1,198 million. This was offset chiefly by higher large losses from natural disasters of EUR 1,261 (658) million. Net large losses in the financial year of EUR 1,745 (2,148) million exceeded the large loss budget by EUR 235 (813) million.

Large losses are losses that exceed a defined amount or meet criteria that make them particular significant for property/casualty insurance. The following table shows the large losses for the financial year, broken down into natural catastrophes and other large losses, in absolute figures and as a percentage of the Group's combined ratio:

LARGE LOSSES (NET) IN THE FINANCIAL YEAR [1]

EUR million	2021	2020
Large losses budget	1,510	1,335
Large losses (net)	1,745	2,148
of which Covid-19	—	1,198
of which natural catastrophes	1,261	658
of which other large losses	484	292
%		
Combined ratio for property/casualty primary insurance and reinsurance [2]	97.7	101.0
of which large losses (net)	6.9	9.8

[1] The Group's share of natural catastrophes and other large losses in excess of EUR 10 million gross.
[2] Adjusted in accordance with IAS 8, see the "Accounting policies" section of the Notes.

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	2021	2020
250-year loss Hurricane US	–1,447	–1,146
250-year loss Earthquake US West Coast	–977	–808
250-year loss Earthquake Chile	–723	–497
250-year loss Winterstorm Europe	–710	–537
250-year loss Earthquake Japan	–704	–475

[1] Actual developments in the area of natural hazards may differ from model assumptions. Values from the report in 2021 differ from the ones stated above as claims instead of the effect on net income was shown in previous years.

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 1,745 [2,148 (1,319)] million; in particular, this figure included large losses in connection with) chiefly include the coronavirus pandemic (EUR 1,198 million), losses from hurricane "LauraIda" in the US (net loss: EUR 145 361 million), the low-pressure system "Bernd" that brought heavy rainfall in central Europe (net loss: EUR 320 million) and hailstorm "Derechowinter storm "Uri" in the US (net loss: EUR 111 216 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]
31.12.2021			
Germany	11,500	1,369	10,131
United Kingdom	5,562	627	4,935
Central and Eastern Europe (CEE), including Turkey	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**
31.12.2020			
Germany [3]	9,823	1,010	8,813
United Kingdom	4,622	597	4,025
Central and Eastern Europe (CEE), including Turkey	2,537	258	2,279
Rest of Europe	9,792	1,617	8,175
USA	10,767	444	10,323
Rest of North America	1,465	1,242	223
Latin America	1,652	242	1,409
Asia and Australia	4,364	229	4,135
Africa	341	15	326
Total [3]	**45,363**	**5,655**	**39,708**

[1] After elimination of intragroup cross-segment transactions.
[2] After adjustment for the reinsurers' share of these reserves.
[3] Adjusted in accordance with IAS 8, see the "Accounting policies" section of the Notes.

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
31.12.2021		
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**
31.12.2020		
Property/casualty primary insurance		
Motor insurance	3,976	3,589
Property insurance	4,232	1,756
Liability insurance	2,686	1,685
Casualty insurance	333	275
Marine	783	448
Other property/casualty insurance	665	334
Property/casualty reinsurance	16,744	15,116
Total	**29,418**	**23,204**

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

Technical risks, life

Typical life insurance risks are derived from the fact that policies grant 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

%	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Retail Germany – Life Insurance	94.1	93.9	93.9	93.6	95.2	95.4	95.8	95.2	93.9	94.4
Retail International	99.3	99.2	98.9	98.8	98.5	98.5	97.2	98.0	95.8	89.7
Life/Health Reinsurance	88.2	89.8	89.5	90.7	91.7	90.4	84.2	83.9	87.7	89.3
Total life/health insurance	**91.2**	**92.1**	**92.1**	**92.6**	**93.6**	**92.9**	**89.1**	**89.6**	**90.9**	**91.3**

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

%	2021	2020
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%	–2 to +2	–2 to +1
Expenses +10%	–5 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 2021 was 1.4% (1.6%). 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 2021, the (effective) duration for the Group as a whole for fixed-income securities (including interest rate derivatives) was 8.9 (9.0) years[1] and the average remaining term for the gross loss reserves including the gross benefit reserves was 9.3 (9.3) 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 12.7 (12.3) 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 underestimate the liabilities to policyholders and interest rate sensitivity and 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.

[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. As at 31 December 2021, this was 9.0 years for the Talanx Group. The previous year figure represents the Macaulay duration as at 31 December 2020.

[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.

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. 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. 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.

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 coronavirus pandemic in 2021 too. We monitor how the underlying mortality develops – especially how it is affected by the further development of the coronavirus pandemic – on an ongoing basis.

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.

The sensitivities affecting the Reinsurance Division's basic own funds are as follows:

UNDERWRITING RISK SENSITIVITIES, REINSURANCE DIVISION

%	2021	2020
Mortality +5% (excluding annuity business)	–8 bis –5	–10 to –7
Morbidity +5%	–4 to –2	–4 to –2
Mortality –5% (annuity business only)	–5 to –2	–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.

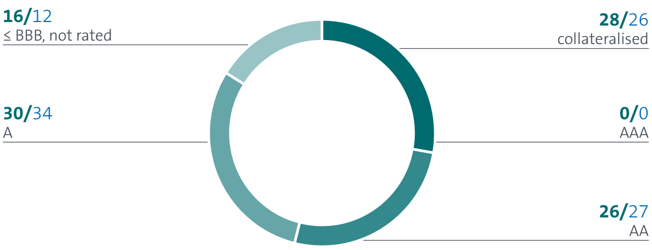
The reinsurance recoverables on technical provisions amount to EUR 8.9 (7.5) billion. This figure is partially matched firstly by guarantees and secondly by cash deposits and other offsetting items amounting to EUR 2.5 (2.0) billion, which are reported as funds withheld under reinsurance treaties.

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 6.4 (5.5) billion remains after deducting the items mentioned above.

The rating structure here is as follows:

REINSURANCE RECOVERABLES ON TECHNICAL PROVISIONS BY RATING CLASS

%



2021/2020

A total of 78 % (84%) 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 –455 (–1,106) million in the reporting period.

Depending on developments in the coronavirus pandemic and the restrictions imposed to contain it, default risks could be higher than in pre-crisis years.

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.

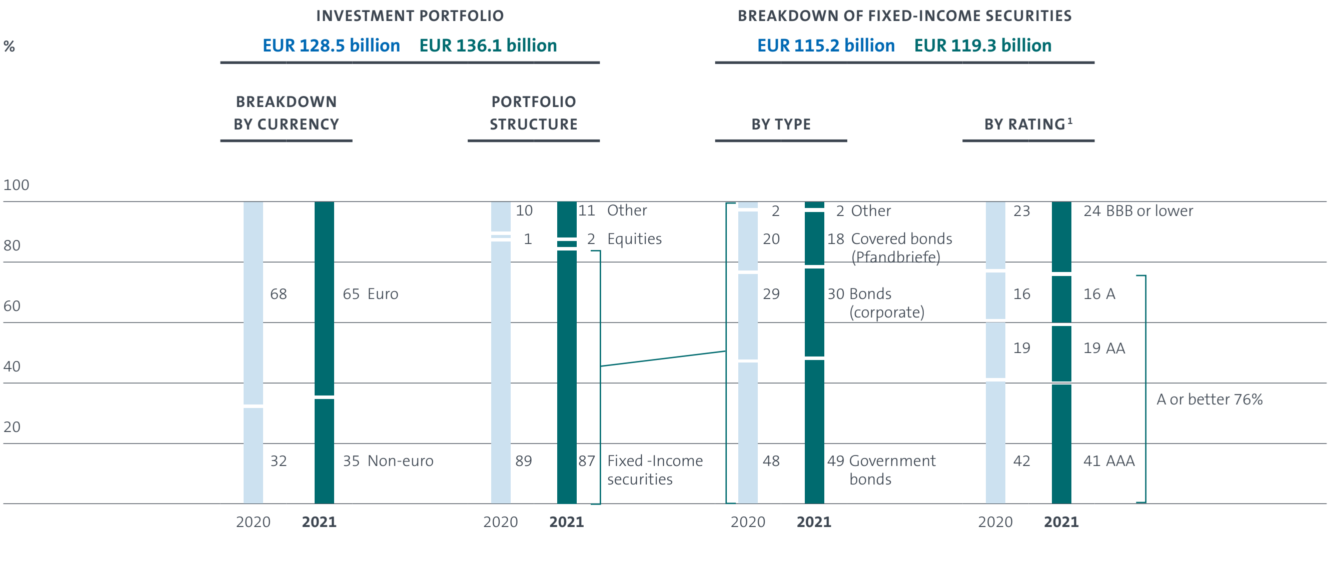
Equity price risk arises from negative changes in the value of equities, equity derivatives and equity index derivatives held in the portfolio.

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



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

The portfolio is dominated by fixed-income securities, 76% (77%) 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 49% (48%) 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 issuer 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 2021, the ALM VaR was EUR 2,732 (2,612) million, or 1.96% (1.95%) of the investments under consideration. The slight increase in market risk compared to the prior year is attributable mainly to the expansion of alternative investments and equity positions. Adjusted to take account of the model amendment, the ALM VaR ratio rose only slightly by 0.11 percentage points. This primarily reflects the significant decrease in interest rates in the long term, with a large part of the associated increase in risk offset by our company's asset/liability matching.

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]	31.12.2021 Change in portfolio on a fair value basis[2]	31.12.2020 Change in portfolio on a fair value basis[2]
Equities[3]						
	Equity prices	+20%	122	365	487	341
	Equity prices	+10%	60	183	243	170
	Equity prices	–10%	–17	–184	–201	–143
	Equity prices	–20%	–26	–369	–395	–278
Fixed-income securities						
	Increase in yield	+200 bp	–125	–13,057	–18,704	–19,088
	Increase in yield	+100 bp	–76	–7,014	–10,058	–10,287
	Decrease in yield	–100 bp	118	8,327	11,989	12,285
	Decrease in yield	–200 bp	299	18,406	26,618	27,248
Exchange rate-sensitive investments						
	Appreciation of the EUR[4]	+10%	–4,417	–390	–4,806	–4,148
	against USD		–2,439	–306	–2,745	–2,251
	against GBP		–413	–9	–422	–395
	against PLN		–268	–3	–271	–279
	against other currencies		–1,297	–72	–1,369	–1,222
	Depreciation of the EUR[4]	–10%	4,417	390	4,806	4,148
	against USD		2,439	306	2,745	2,251
	against GBP		413	9	422	395
	against PLN		268	3	271	279
	against other currencies		1,297	72	1,369	1,222

[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 subrisks 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 2021, the credit VaR for the Group as a whole was EUR 6,794 (6,176) million, or 5.0% (4.7%) of the assets under own management. In other words, the average credit risk for investments increased 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 rise in the credit VaR is the result growth in the Group's investments 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	31.12.2021	31.12.2020
Rating downgrade by one notch	8,045 (+18 %)	7,377 (+19 %)
Rating downgrade by two notches	9,555 (+41 %)	8,808 (+43 %)
Increase of ten percentage points in LGD	7,482 (+10 %)	6,900 (+12 %)

The table shows the sensitivity of the CVaR 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 6.2 (5.6) billion on a fair value basis, or 4.5% (4.4%) of the total.

EXPOSURE TO BONDS WITH A RATING OF LESS THAN A–

EUR million	Rating[1]	Government bonds	Semi-government bonds	Financial bonds	Industrial corporate bonds	Covered bonds	Other	Total
31.12.2021								
Italy	BBB	3,790	—	797	560	295	6	**5,448**
Mexico	BBB	316	—	160	349	—	—	**826**
Russia[2]	BBB	368	8	48	242	—	—	**666**
Hungary	BBB	549	—	12	20	5	—	**586**
Brazil	BB–	191	—	86	214	—	13	**504**
South Africa	BB–	130	—	1	142	—	2	**275**
Portugal	BBB	119	—	11	30	11	—	**171**
Turkey	B+	54	—	20	9	—	—	**83**
Other BBB+		96	—	74	84	—	—	**253**
Other BBB		196	80	51	168	—	—	**494**
Other <BBB		350	68	111	271	—	—	**801**
31.12.2020								
Italy	BBB	3,406	—	790	563	363	—	**5,122**
Mexico	BBB	217	—	141	334	—	—	**693**
Russia[2]	BBB	288	10	37	188	—	—	**524**
Hungary	BBB	546	—	18	15	19	—	**598**
Brazil	BB–	263	—	77	233	—	12	**585**
South Africa	BB	140	—	3	99	—	2	**244**
Portugal	BBB	70	—	24	29	—	—	**123**
Turkey	B+	96	—	18	36	4	—	**154**
Other BBB+		101	—	61	76	—	—	**238**
Other BBB		362	102	91	214	—	—	**768**
Other <BBB		118	51	72	185	—	—	**426**

[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 is classified as a disposal group in the reporting period (see also our disclosures in the "Non-current assets held for sale and disposal groups" chapter in the Notes.

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 1,126 (956) million serve as collateral for liabilities and contingent liabilities. Of this amount, carrying amounts of EUR 117 (65) 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 922 (662) 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 2.8 (2.4) billion. In addition, assets with a fair value of EUR 91 (79) 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 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	31.12.2021	31.12.2020
Gross written premiums	30,758	27,178
Claims and claims expenses incurred (gross)	–14,694	–14,237
Acquisition costs and reinsurance commissions paid plus administrative expenses	–7,897	–7,103
Liquid funds	**8,167**	**5,838**

[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 LoC facilities amounting to the equivalent of EUR 4.2 (3.8) 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, even during the coronavirus crisis.

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. We assess operational risks using scenarios calculated by obtaining the advice of experts.

The main subcategories for operational risk and the relevant measures taken are described in the following:

One risk that we see is in the area of business continuity and IT service continuity. It is possible that business operations could be impacted by natural events or the results of human error. We counter this risk by taking preventive measures, such as monitoring the status of core IT systems and using redundant designs. In addition, we have created mechanisms for dealing with crises (e.g. emergency planning and crisis management teams).

Another 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 Compliance, Legal and Tax, monitor the risk situation here closely and advise our subsidiaries and technical departments.

One example of this are tax law changes based on pronouncements by the Federal Ministry of Finance (BMF). For example, in 2017 the BMF adopted a restrictive position on the fiscal treatment of various securities transactions that were previously not only common, but also generally classified as unproblematic from a tax law perspective, and that were therefore also entered into by individual companies in the Group as part of their normal 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 claims will ultimately be able to be dismissed. To limit an interest rate risk until a final decision is made, a partial payment of the amounts set out in the tax assessments was 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. This recognition is currently being discussed with the supervisory authorities regarding supervisory rules and powers.

The assumptions made about the discount rate for liabilities with a term of more than 20 years were reviewed in the 2020 Solvency II review. One conclusion here was a proposal to change the method of extrapolating the risk-free yield curve to better reflect market conditions. The exact design of this has not yet been decided. However, these changes could negatively affect the solvency rates of German life insurers.

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. In our view, none of these proceedings have a material negative impact on the Group's financial position.

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. Here, too, 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 Audit, 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, HDI Systeme AG, 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.

The Group is focussing on including third-party providers as a way of consolidating and improving the operational stability of its IT infrastructure and making it more flexible, as well as of permanently reducing its IT infrastructure costs and operating costs. The interfaces between internal and external services, their quality and the scope of the services provided, are monitored on an ongoing basis and appropriate adjustments made, taking opportunities and risks into account.

We classify non-IT outsourcing risks as operational risks; we define these as risks that arise from (partial) outsourcing – either within the Group or to third parties – of (key) functions or activities relevant to the operation of the insurance business that could also be performed by the company itself. These risks are captured in the Group's risk management processes and its ICS. Specific internal requirements and regulations exist for the management of outsourced activities. The vast majority of outsourcing relationships entered into by subsidiaries remain within the Group.

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 included in our 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 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 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 arise in the context of major IT projects.

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.

Risks from the areas of "environment, social and governance" (ESG risks) are not a risk category of their own and can materialize in all known financial and non-financial types of risk and affect existing risks. 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. For these reasons, we integrate ESG risks throughout the entire risk management process as part of a holistic approach. The results are incorporated into the report assessing our own risk position and solvency.

In conjunction with climate change, we believe there are opportunities and risks throughout various dimensions of our 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. In addition, decarbonising abruptly could result in macroeconomic volatility. 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). Greater macroeconomic uncertainty can prompt higher risk aversion and volatility on financial markets.

In underwriting, physical risks 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. As not all regions are equally affected by climate change, this may result in geographical concentration in the regions where higher or more frequent climate-related claims and claims expenses are expected in the long term. At the same time, the effects of climate change can also lead to new types and patterns of losses elsewhere and bring about changes in biometric actuarial assumptions in life insurance. New liability risks could arise as a result of legislative changes in connection with climate change. At our own company, rising CO_2 prices could increase costs.

At the same time, climate change could also increase demand for (re) insurance products or advice on risk management and preventative measures.

Geopolitical tension and armed conflict, as is currently the case in the Ukraine, are accompanied by great risks for the political power structures in Europe and also globally. Considerable repercussions on financial markets are possible. The resulting higher energy prices can further push inflation.

Pension liabilities assumed by Talanx AG in the course of its acquisition of Gerling, may result in the need to establish additional reserves if interest rates remain at the current low level or fall even further, or if pending lawsuits relating to the fact that the pensions have not been adjusted make further additions necessary.

Rising inflation may also 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.

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.

The repercussions of the coronavirus pandemic may continue to influence our risk profile. As things stand at present, it is impossible to reliably say when we can expect the pandemic to end worldwide, for example through large-scale vaccination immunisation. The scope and pace of economic recovery is also unclear. If this happens later or is weaker than expected, there is a risk of falling short of our business expectations. Surprising new outbreaks and measures to counter these, such as lockdowns, can also result in increased uncertainty again on financial markets, affecting our portfolio accordingly.

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 Talanx Group has a functioning and appropriate system of governance and risk management, which has already reached a high standard and which is it consistently enhancing. We are therefore able to identify our risks in a timely manner, and to manage them effectively.

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; and operational 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 spread of the highly contagious Omicron variant resulted in new restrictions on public life in numerous countries around the world at the start of 2022, a repeat of the previous year. Unlike in 2021, however, large swathes of the population are now protected against serious illness thanks to vaccinations (at least in industrialised countries) and so restrictions are less severe. Any future restrictions in connection with potential future waves should also be less strict. Although global economic growth will likely slow down somewhat in the second year of the outbreak of the coronavirus pandemic, we expect higher-than-average growth in 2022 too. Growth in industrialised countries should be above long-term growth potential, whereas emerging markets look set to return to pre-crisis growth levels.

In Europe, the continued upturn will probably be driven chiefly by private consumption, which is benefiting from low unemployment and high savings accumulated during the pandemic. We also expect to see stronger wage growth, which will likely offset declining but still high inflation, at least in part. This will be aided by funds from the Next Generation EU programme, which has already been agreed but most of which has not yet been paid out, while monetary policy support from the ECB is likely to diminish only very gradually.

The situation is similar for the US, where substantial wage growth is already perceptible in light of an ongoing labour shortage. Together with high savings, this should fuel private consumption despite higher inflation. In turn, increased demand is likely to provide incentive for companies to invest further. The substantial anticipated reduction in monetary and fiscal policy support is expected to create some headwind.

We believe the material risks for the global growth outlook are vaccines being insufficiently effective against new variants, geopolitical conflicts (US/Europe/Russia, US/China, etc.) flaring up (again) and delays in resolving bottlenecks in global supply chains. One significant risk to economic recovery in the US is if the Fed tightens its monetary policy too quickly/too much, whereas the eurozone would particularly suffer from weaker than expected economic growth in China.

Capital markets

Numerous central banks around the world increased their prime rate in 2021 and we expect the US Federal Reserve to end its net bond purchases in the first quarter too and begin a cycle of interest rate hikes. The US prime rate is expected to end the year at 0.5%–0.75%, 0.5 percentage points higher than its current level. Meanwhile, the ECB also looks set to reduce – although not entirely suspend – its bond purchases. We do not believe a rise in the prime rate is on the agenda in 2022 either.

Monetary policy support, which will be reduced but not ended, will likely be reflected in a limited increase in capital market yields, while US yields are expected to pull up their European equivalents too. This will likely also entail a further, limited increase in risk premiums on corporate bonds and southern European government bonds from historically low levels. Despite the headwind created by rising interest rates and slower growth in company profits following the post-pandemic boom, we are confident that stock markets will continue to enjoy a certain amount of upside potential in 2022. Nonetheless, there is a risk of setbacks if interest rates rise too quickly or too much.

Future state of the industry

German insurance industry

The macroeconomic environment remains marked by risk factors and so forecasts are generally subject to reservations. In particular, uncertainty over how the coronavirus pandemic will progress will affect industry performance in 2022. Assuming that vaccinations are successfully expanded and pandemic restrictions are gradually eased, the German Insurance Association (GDV) believes that the insurance industry should see positive premium growth in 2022 in comparison to the year under review.

We expect premium income growth in **property/casualty insurance** to be higher in 2022 in Germany than in the reporting period. Mobility further returning to normal should provide impetus for positive premium performance. If the economic recovery forecast materialises, demand is likely to increase in all industrialised classes of insurance.

The GDV expects to see a slight rise in premiums in German **life insurance** in 2022. Growth could be propelled chiefly by high savings accumulated by private households as a result of the pandemic, combined with rising uncertainty and a need for protection. Nevertheless, the profitability of German life insurers is likely to remain squeezed on account of continued low interest rates.

International insurance markets

In **international property/casualty insurance,** we expect positive premium income growth above the trend in 2022. We are assuming stronger growth momentum both in developed insurance markets and in emerging markets. This momentum looks set to be significantly stronger in the latter.

For developed **European insurance markets,** we expect premiums to increase against the year under review in 2022. Growth in **North America** is expected to remain at a similar level. We think that this development will be driven by an increasingly tough market for commercial and industrial insurance, chiefly in industrial property and liability insurance. For **central and eastern Europe** and for **Latin America,** we expect slightly positive performance. The strongest growth this year is likely to be seen in Asia, especially in China.

Profitability will likely recover in 2022 after coming under pressure in 2021, in part due to above-average natural disasters. Strict underwriting discipline will be pivotal as interest rates are expected to remain low.

We believe that **international life insurance markets** in developed insurance markets will see slight growth, with those in emerging markets enjoying a sharp upturn in real premium growth. This is likely to be driven chiefly by **Asia.** We believe **central and eastern Europe** and **Latin America** will be slightly weaker but still in positive territory. This is based on the assumption that increased awareness of risk following the coronavirus pandemic could revive demand on a lasting basis. Nonetheless, consistently low interest rates are continuing to squeeze profitability.

Focus and forecasts for the Talanx Group in financial year 2022

Our expectations for the Group and its divisions for the current year are presented below. It remains challenging to forecast earnings and to make reliable predictions because the capital market, and in particular the interest-rate and returns environment, and also the general political situation are subject to a considerable degree of uncertainty. This is all the more true given the ongoing Covid-19 pandemic, higher inflation and geopolitical risks.

In the Industrial Lines Division we will continue our profit-driven underwriting policy. In 2022, we will continue to leverage the attractive growth perspectives of HDI Global Specialty SE and should also benefit from improved market conditions. In the Retail Germany Division, we are continuing the "Go25" programme which focuses on areas including profitable growth, chiefly in corporate customers/freelance 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.

FOCUS OF THE TALANX GROUP'S PRINCIPAL DIVISIONS TAKING INTO ACCOUNT ECONOMIC CONDITIONS

Division	Our mission and strategic tasks
Industrial Lines	■ International market growth ■ Become a global player ■ Expansion of specialty business ■ Enhance profitability in Germany and abroad
Retail Germany	■ Enhance customer benefit through innovative, needs-based products and services ■ Increase efficiency and improve cost structure ■ Increase profitability
Retail International	■ Profitable growth in strategic target markets ■ Optimise business in existing markets
Reinsurance	■ Gross premium growth on the basis of constant currency rates in the Reinsurance Division ■ Establish a selective underwriting policy in Property/Casualty Reinsurance

Anticipated financial development of the Group

We are making the following assumptions:

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

Talanx Group

MANAGEMENT METRICS

%	2022
Gross premium growth (adjusted for currency effects)	medium single-digit growth
Net return on investment	~ 2.4
Group net income in EUR million	1,050 – 1,150
Return on equity	~ 10
Payout ratio	35 – 45

We expect to see medium single-digit growth in gross written premiums (adjusted for currency effects) for the Talanx Group in 2022. The IFRS net return on investment is expected to be around 2.4%. We are expecting Group net income to be in the range of EUR 1,050 million to EUR 1,150 million. This should correspond to a return on equity of about 10%, which would be far higher than our minimum strategic target. This earnings target assumes that any large losses will be within the expected range and that there will not be any sudden shocks on the currency and capital markets. Our express aim is to continue to pay out 35% to 45% of Group net income as dividends and to ensure that this dividend is no lower than in the prior year.

The Group is standing by its medium-term targets for the 2022 financial year, in particular average annual growth in earnings per share of at least 5% against the original target of EUR 850 million for the 2018 financial year.

Industrial Lines

MANAGEMENT METRICS FOR THE INDUSTRIAL LINES DIVISION

%	2022
Gross premium growth (adjusted for currency effects)	> 7
Combined ratio (net)	< 98
Return on equity	~ 8

We anticipate growth in gross premium income of over 7% in financial year 2022. As in the prior year, specialty business is expected to account for a considerable portion of this growth. The rest of the portfolio should also benefit from higher premiums and new business thanks to improved market conditions. The “HDI Global 4.0” corporate strategy is to be systematically continued. We expect the successes we have already achieved to help us meet our profitability targets and develop into a global player. For 2022, we anticipate a combined ratio below 98%. The return on equity is expected to be around 8%.

Retail Germany

Property/Casualty Insurance

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

%	2022
Gross premium growth	High single digit
Combined ratio (net)	~ 96

For the Property/Casualty Insurance segment we anticipate high single-digit growth in gross written premiums in 2022. This should be propelled chiefly by further growth in corporate customers/freelance professions business, supported by our “Go25” 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 96%.

Life Insurance

MANAGEMENT METRICS FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE SEGMENT

%	2022
Gross premium growth	low single-digit decline

In the Life Insurance segment, the Division will continue to focus on streamlining the product portfolio and on attractive and profitable areas. As a result, we expect a low single-digit decline in gross premiums in 2022.

Retail Germany as a whole

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

%	2022
Return on equity	~ 6.5

We consider the return on equity of the Retail Germany Division on an overall basis and expect it to stand at around 6.5% for 2022.

Retail International

MANAGEMENT METRICS FOR THE RETAIL INTERNATIONAL DIVISION

%	2022
Gross premium growth (adjusted for currency effects, property/casualty insurance)	high single-digit growth
Combined ratio (net, property/casualty insurance)	< 95
Return on equity	~ 8

For the Retail International Division, we are aiming for high single-digit growth in gross written premiums in property/casualty insurance (adjusted for currency effects) for 2022. According to our estimates, the combined ratio for property/casualty insurance is likely to be below 95% in 2022. This should translate into return on equity of about 8% in 2022.

Reinsurance

Property/Casualty Reinsurance

MANAGEMENT METRICS FOR THE PROPERTY/CASUALTY REINSURANCE SEGMENT

%	2022
Combined ratio (net)	≤ 96

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. Our goal for the combined ratio here is still a figure not exceeding 96%.

Life/Health Reinsurance

MANAGEMENT METRICS FOR THE LIFE/HEALTH REINSURANCE SEGMENT

EUR million	2022
Value of new business [1]	≥ 125

[1] Excluding non-controlling interests.

The value of new business should be at least EUR 125 million.

Reinsurance Division as a whole

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

%	2022
Gross premium growth (adjusted for currency effects)	> 5% for Property/Casualty Reinsurance and Life/Health Reinsurance segments as a whole
Return on equity	12 – 13

Given the ongoing improvement of prices and conditions, all in all we anticipate growth in gross premiums (adjusted for currency effects) of at least 5% in the Property/Casualty Reinsurance and Life/Health Reinsurance segments. For 2022, the Talanx Group expects return on equity for the entire Reinsurance Division to come to between 12% and 13%, and thus above the strategic target of 900 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 cooperation 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 private and corporate 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. Following a strategy dialogue between Group management and the divisional boards of management concerned, the individual strategic programmes are combined to create a strategic programme for the entire Group that forms the starting point and framework for the operational aspect of opportunities management.

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. The integrated management dashboard is also used here. 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

Coronavirus pandemic: : As well as being a human tragedy, the current pandemic caused by the SARS-CoV-2 virus has also become a global economic crisis. This crisis also poses a challenge to our Group that we have to face, yet we also see it as an opportunity for positive business development: the Talanx subsidiary HDI Versicherung AG decided to bear the damage resulting from business shutdowns due to the risk of infection during the pandemic, provided this was agreed in the insurance policy terms and conditions. The decision boosts our reputation as an insurance company and inspires more confidence in us on the part of our customers. The increased use of digital services during the pandemic opens up the opportunity for us to move ahead with digital projects more quickly than beforehand. We also believe the digitalisation push at our Group offers us the opportunity to step up sales of products via online sales channels. As a result of the crisis, our subsidiary Hannover Re expects higher demand for high-quality reinsurance cover and tailor-made coverage concepts, which have a positive impact on premiums. Last but not least, the pandemic is also accelerating the transformation of our corporate culture. During this crisis, we have demonstrated that we can quickly adapt to changing circumstances. We managed the sudden shift of a significant portion of Group employees from working in the office to working remotely without any problems in a very short period of time – a key milestone in our transformation to an agile organisation.

If we handle the coronavirus pandemic better than expected, this could have a positive impact on our premium growth and results of operations, and could lead to us exceeding our forecasts.

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 will allow us to issue green bonds in the future. 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. It is evident that today's 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 payout 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 continued, 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 stability: Turbulence on the financial markets in recent years has severely shaken clients' trust in banks. Policyholders are also experiencing significant and prolonged uncertainty, against the backdrop of current low interest rates and volatility in the capital markets. However, this macroeconomic environment also offers opportunities for insurance companies to develop innovative products designed specifically to address these new concerns. In Europe, the USA and Asia, life insurers have been increasingly concentrating on selling modern, versatile index-linked products. The German insurance market, too, is showing a clear trend towards capital-efficient products that have only a minor impact on the equity of the life insurer but at the same time offer the customers additional yield opportunities.

Should the financial markets stabilise more definitively and should innovative products be accepted more quickly than currently expected, this could have a positive impact on our premium growth, 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, Hungary and Russia. 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 at its current Group companies primarily stems from three core 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 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.

Internet: Growing digitalisation means that companies are increasingly suffering massive losses as a result of cyber-attacks. Most notably, hacking attacks that have recently come to light have demonstrated 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 internet 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

Internal processes: We are currently in the process of realigning the Retail Germany Division so as to future-proof the Group, improve its competitiveness and eliminate cost disadvantages in the German private retail business. Our ultimate aim is to reduce complexity and make our procedures more efficient and customer friendly. Our activities revolve around four key areas: customer benefits, profitable growth, efficiency, and a performance culture. We will continue to be successful only when our clients are fully satisfied, and to this end we are working on making it as simple as possible for both end clients and sales partners to take decisions. Our aims are clear language, speedy solutions and compelling products. To achieve positive premiums and earnings trends, we need to align our business with clear-cut risk and profit targets, and fully exploit opportunities in the market. For this reason it is important for us to review each individual product for long-term profitability and make even better cross-divisional use of existing client contacts. This realignment requires a firm belief on our part that the way we think and act must be performance-driven throughout.

Should we succeed in restructuring our internal procedures faster than currently expected, this could impact positively on our premium growth and results of operations, and could lead to us exceeding our forecasts.

Digitalisation: Hardly any other development has changed the insurance industry as profoundly as digitalisation. Through 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. For example, the business processes in the Retail Germany Division are to be made more efficient, the rate of black box processing will be increased and service quality will be improved. Furthermore, the process and IT landscape in the Industrial Lines Division is to be harmonised across borders. In this way, we intend to be a global leader in the provision of industrial insurance.

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. We have developed a loss service app in order to respond to these new customer needs. The app allows customers to submit a loss report with key information on the damage in just a few minutes. 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's 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 2021

CONSOLIDATED BALANCE SHEET – ASSETS

EUR million	Notes			31.12.2021	31.12.2020[1]
A. Intangible assets					
a. Goodwill	1			1,028	1,040
b. Other intangible assets	2			889	839
				1,918	**1,879**
B. Investments					
a. Investment property	3		4,650		3,250
b. Shares in affiliated companies and participating interests	4		511		572
c. Shares in associates and joint ventures	5		504		438
d. Loans and receivables	6/12		25,737		27,184
e. Other financial instruments					
i. Held to maturity	7/12	356			474
ii. Available for sale	8/12	96,399			89,467
iii. At fair value through profit or loss	9/12/13	1,096			1,067
f. Other investments	10/12		6,821		5,849
Assets under own management			**136,073**		**128,301**
g. Investments under investment contracts	11/12/13		1,457		1,265
h. Funds withheld by ceding companies			10,305		9,140
Investments				**147,835**	**138,705**
C. Investments for the benefit of life insurance policyholders who bear the investment risk				13,687	11,619
D. Reinsurance recoverables on technical provisions				8,929	7,473
E. Accounts receivable on insurance business	14			10,746	8,964
F. Deferred acquisition costs	15			6,020	5,528
G. Cash at banks, cheques and cash-in-hand				4,002	3,477
H. Deferred tax assets	29			611	323
I. Other assets	12/13/16			3,153	3,036
J. Non-current assets and assets of disposal groups classified as held for sale[2]				625	31
Total assets				**197,524**	**181,035**

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

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

EUR million	Notes			31.12.2021	31.12.2020[1]
A. Equity	17				
a. Subscribed capital[2]		316			316
b. Reserves		10,460			10,051
Equity excluding non-controlling interests			**10,776**		**10,367**
c. Non-controlling interests in equity			7,169		6,732
Total equity				**17,945**	**17,099**
B. Subordinated liabilities	12/18/28		4,759		3,473
C. Technical provisions					
a. Unearned premium reserve	19	12,154			10,538
b. Benefit reserve	20	57,489			56,932
c. Loss and loss adjustment expense reserve	21	60,541			51,214
d. Provision for premium refunds	22	7,832			9,114
e. Other technical provisions		935			770
			138,951		**128,567**
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders			13,687		11,619
E. Other provisions					
a. Provisions for pensions and other post-employment benefits	23	2,200			2,445
b. Provisions for taxes	24	535			537
c. Miscellaneous other provisions	25	988			934
			3,722		**3,916**
F. Liabilities					
a. Notes payable and loans	12/26/28	2,432			2,279
b. Funds withheld under reinsurance treaties		4,085			3,709
c. Other liabilities	12/13/27/28	8,818			7,868
			15,335		**13,856**
G. Deferred tax liabilities	29		2,513		2,497
H. Liabilities included in disposal groups classified as held for sale[3]			612		9
Total liabilities/provisions				**179,579**	**163,936**
Total equity and liabilities				**197,524**	**181,035**

[1] Adjusted in accordance with IAS 8, see the "Accounting policies" section of these Notes.
[2] The nominal amount stands at EUR 316 (316) million, the contingent capital amounts to EUR 158 (158) million.
[3] 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 2021

EUR million	Notes	2021	2020[1]
1. Gross written premiums including premiums from unit-linked life and annuity insurance		45,507	41,109
2. Savings elements of premiums from unit-linked life and annuity insurance		1,008	890
3. Ceded written premiums		5,446	4,819
4. Change in gross unearned premiums		–1,096	–1,446
5. Change in ceded unearned premiums		94	–235
Net premiums earned	**30**	**37,863**	**34,190**
6. Claims and claims expenses (gross)	32	35,050	30,711
Reinsurers' share		4,338	2,767
Claims and claims expenses (net)		**30,711**	**27,944**
7. Acquisition costs and administrative expenses (gross)	33	9,977	9,697
Reinsurers' share		747	711
Acquisition costs and administrative expenses (net)		**9,230**	**8,986**
8. Other technical income		52	66
Other technical expenses		170	145
Other technical result		**–117**	**–80**
Net technical result		**–2,195**	**–2,821**
9. a. Investment income	31	5,483	5,166
b. Investment expenses	31	1,022	1,136
Net income from assets under own management		**4,460**	**4,030**
Net income from investment contracts	31	3	—
Net interest income from funds withheld and contract deposits	31	255	210
Net investment income		**4,718**	**4,240**
of which share of profit or loss of equity-accounted associates and joint ventures		43	100
10. a. Other income	34	1,526	1,432
b. Other expenses	34	1,596	1,207
Other income/expenses		**–69**	**226**
Profit before goodwill impairments		**2,454**	**1,645**
11. Goodwill impairments		—	—
Operating profit/loss (EBIT)		**2,454**	**1,645**
12. Financing costs	35	176	198
13. Taxes on income	36	548	277
Net income		**1,730**	**1,170**
of which attributable to non-controlling interests		718	522
of which attributable to shareholders of Talanx AG		1,011	648
Earnings per share			
Basic earnings per share (EUR)		4.00	2.56
Diluted earnings per share (EUR)		4.00	2.56

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

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 2021

EUR million	2021	2020 [1]
Net income	**1,730**	**1,170**
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	169	–222
Tax income (expense)	–55	67
	114	**–156**
Changes in policyholder participation/shadow accounting		
Gains (losses) recognised in other comprehensive income for the period	–6	10
Tax income (expense)	—	—
	–6	**10**
Total items that will not be reclassified to profit or loss, net of tax	**109**	**–145**
Items that may be reclassified subsequently to profit or loss		
Unrealised gains and losses on investments		
Gains (losses) recognised in other comprehensive income for the period	–2,986	3,321
Reclassified to profit or loss	–535	–486
Tax income (expense)	568	–429
	–2,953	**2,407**
Exchange differences on translating foreign operations		
Gains (losses) recognised in other comprehensive income for the period	812	–1,095
Reclassified to profit or loss	—	—
Tax income (expense)	–94	81
	718	**–1,014**
Changes in policyholder participation/shadow accounting		
Gains (losses) recognised in other comprehensive income for the period	2,151	–1,165
Tax income (expense)	–67	41
	2,083	**–1,124**
Changes from cash flow hedges		
Gains (losses) recognised in other comprehensive income for the period	–104	27
Reclassified to profit or loss	–31	–55
Tax income (expense)	5	4
	–130	**–24**
Changes from equity method measurement		
Gains (losses) recognised in other comprehensive income for the period	–2	–20
Reclassified to profit or loss	—	—
Tax income (expense)	—	—
	–2	**–20**
Changes from disposal groups in accordance with IFRS 5		
Gains (losses) recognised in other comprehensive income for the period	5	—
Reclassified to profit or loss	—	—
Tax income (expense)	—	—
	5	**—**
Total items that may be reclassified subsequently to profit or loss, net of tax	**–279**	**224**
Other comprehensive income for the period, net of tax	**–170**	**79**
Total comprehensive income for the period	**1,560**	**1,249**
of which attributable to non-controlling interests	795	649
of which attributable to shareholders of Talanx AG	765	599

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

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

Consolidated statement of changes in equity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Subscribed capital	Capital reserves	Retained earnings
2021			
Balance at 1.1.2021 [1]	**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**
2020			
Adjusted balance at 1.1.2020	**316**	**1,373**	**7,795**
Changes in ownership interest without a change in control	—	—	—
Other changes in basis of consolidation	—	—	—
Net income [1]	—	—	648
Other comprehensive income	**—**	**—**	**—**
of which not eligible for reclassification	**—**	**—**	**—**
of which actuarial gains or losses on pension provisions	—	—	—
of which changes in policyholder participation/shadow accounting	—	—	—
of which eligible for reclassification	**—**	**—**	**—**
of which unrealised gains and losses on investments	—	—	—
of which currency translation	—	—	—
of which change from cash flow hedges	—	—	—
of which change from equity method measurement	—	—	—
of which changes in policyholder participation/shadow accounting	—	—	—
Total comprehensive income [1]	**—**	**—**	**648**
Capital increases	—	—	—
Dividends to shareholders	—	—	–379
Other changes outside profit or loss	—	—	–2
Balance at 31.12.2020 [1]	**316**	**1,373**	**8,061**

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

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
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	1	−1
3,906	**−380**	**−3,278**	**118**	**10,776**	**7,169**	**17,945**
4,636	**−93**	**−4,130**	**252**	**10,149**	**6,461**	**16,610**
—	—	—	—	—	−1	−1
—	—	—	—	—	—	—
—	—	—	—	648	522	1,170
1,798	**−602**	**−1,230**	**−14**	**−48**	**127**	**79**
—	**—**	**−134**	**—**	**−134**	**−11**	**−145**
—	—	−143	—	−143	−12	−156
—	—	9	—	9	1	10
1,798	**−602**	**−1,096**	**−14**	**86**	**138**	**224**
1,798	—	—	—	1,798	609	2,407
—	−602	—	—	−602	−412	−1,014
—	—	—	−14	−14	−10	−24
—	—	−20	—	−20	—	−20
—	—	−1,076	—	−1,076	−48	−1,124
1,798	**−602**	**−1,230**	**−14**	**599**	**649**	**1,249**
—	—	—	—	—	1	1
—	—	—	—	−379	−379	−758
—	—	—	—	−2	—	−2
6,434	**−695**	**−5,360**	**237**	**10,367**	**6,732**	**17,099**

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 2021

CONSOLIDATED CASH FLOW STATEMENT

EUR million	2021	2020[5]
I. 1. Net income	1,730	1,170
I. 2. Changes in technical provisions	8,624	6,338
I. 3. Changes in deferred acquisition costs	–253	171
I. 4. Changes in funds withheld and in accounts receivable and payable	–1,701	–524
I. 5. Changes in other receivables and liabilities	535	–105
I. 6. Changes in investments and liabilities under investment contracts	10	8
I. 7. Changes in financial instruments held for trading	–30	23
I. 8. Gains/losses on disposal of investments and property, plant and equipment	–1,344	–1,217
I. 9. Changes in technical provisions for life insurance policies where the investment risk is borne by the policyholders	2,076	–187
I. 10. Other non-cash expenses and income (including income tax expense/income)	404	431
I. Cash flows from operating activities[1, 2]	**10,049**	**6,106**
II. 1. Cash inflow from the sale of consolidated companies	8	—
II. 2. Cash outflow from the purchase of consolidated companies	–213	—
II. 3. Cash inflow from the sale of real estate	201	187
II. 4. Cash outflow from the purchase of real estate	–1,495	–290
II. 5. Cash inflow from the sale and maturity of financial instruments	35,075	30,933
II. 6. Cash outflow from the purchase of financial instruments	–41,121	–35,190
II. 7. Changes in investments for the benefit of life insurance policyholders who bear the investment risk	–2,072	187
II. 8. Changes in other investments	–287	–691
II. 9. Cash outflows from the acquisition of tangible and intangible assets	–169	–158
II. 10. Cash inflows from the sale of tangible and intangible assets	11	13
II. Cash flows from investing activities	**–10,061**	**–5,009**
III. 1. Cash inflow from capital increases	13	1
III. 2. Cash outflow from capital reductions	—	—
III. 3. Dividends paid	–725	–758
III. 4. Net changes attributable to other financing activities	1,141	–274
III. Cash flows from financing activities[2]	**428**	**–1,031**
Net change in cash and cash equivalents (I. + II. + III.)	**417**	**66**
Cash and cash equivalents at the beginning of the reporting period	**3,477**	**3,519**
Effect of exchange rate changes on cash and cash equivalents	**116**	**–97**
Effect of changes in the basis of consolidation on cash and cash equivalents[3]	**1**	**–10**
Cash and cash equivalents at the end of the reporting period[4]	**4,011**	**3,477**

[1] EUR 144 (288) million of "Income taxes paid", EUR 623 (330) million of "Dividends received" and EUR 3,301 (3,453) 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 157 (181) million of the "Interest paid" item is attributable to "Cash flows from financing activities" and EUR 424 (430) million to "Cash flows from operating activities".
[3] This item relates primarily to changes in the basis of consolidation, excluding disposals and acquisitions.
[4] The "Cash and cash equivalents at the end of the reporting period" item includes changes in the portfolio of disclosed disposal groups in the amount of EUR 9 (1) million as at the reporting date.
[5] Adjusted in accordance with IAS 8, see the "Accounting policies" section of these Notes.

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 150 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 78.94% (79.0%). 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 104–111 "Technical risks", for the disclosures in accordance with IFRS 4, and pages 111–116, "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 material effects of the coronavirus pandemic on the Group are discussed in the combined management report (including in the "Business development" section). The negative impact in the year under review was far lower than in the prior year. The effects of the pandemic on Talanx's consolidated financial statements were felt primarily in the Life/Health Reinsurance segment, where losses increased by a total of EUR 582 million in the year under review. This was offset by positive effects, in part a result of lower loss expenditures due to reduced claims and reversals from premium provisions of EUR 164 million. A total of EUR 1.5 billion was set aside for losses in the prior year (of which EUR 950 million for Property/Casualty Reinsurance, EUR 261 million for Life/Health Reinsurance and EUR 174 million for Industrial Lines). Impairment losses on investments as a result of the pandemic came to EUR 8 (133) million and relate primarily to equities (EUR 6 [53] million). In the prior year, the effects of the pandemic also resulted in impairment losses on alternative investments of EUR 80 million. This is offset in this financial year by income from a risk swap to hedge against an extreme rise in mortality rates, for example due to pandemics, natural disasters or terror attacks. The changes in the value of this derivative resulted in earnings of EUR 44 million over the course of the year.

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 2021:

As part of phase 2 of the Interest Rate Benchmark Reform project, the IASB published the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Reform of benchmark rates” in August 2020. The revisions to these standards were adopted by the EU in January 2021 and are effective for financial years beginning on or after 1 January 2021. The amendments serve to address specific issues related to the replacement of an existing benchmark rate by an alternative rate. A separate implementation project was launched to assess the impact of the IBOR reform on the Group and to ensure a smooth transition to alternative benchmark rates. The assessment was carried out for individual contracts. Implications on the measurement of financial instruments and the changes in IT systems that this requires were taken into account. In addition to a status analysis, the impact on accounting and financial reporting was analysed as at 31 December 2021 and our investment strategy was adapted to reflect this. This was also communicated across the Group and to counterparties and issuers. The transition to the new benchmark rates has been implemented in stages since 2021. Measurement effects above a previously defined de minimis limit/materiality threshold were offset by exchanging compensation payments with the relevant counterparties. It should be noted that there can still be measurement effects for certain assets in our portfolio even where the contractual terms to not refer explicitly to the reformed benchmark rates if these benchmark rates are used to determine their fair value. As at the reporting date, the Group’s portfolio contained 528 contracts with a fair value totalling EUR 859 million, the contractual terms of which refer to the benchmark rates to undergo the transition and that be affected by the benchmark rate transition. We assume that there will be no significant effects on earnings as a result of the transition.

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

Standards, Interpretations and revisions to issued standards that were not yet effective in 2021 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. It 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 new 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”.

Through the Group-wide IFRS 9 project, we ensure that the necessary steps towards implementation are taken 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 at selected pilot companies. 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. The new classification regulations of IFRS 9 will mean that far more financial instruments are recognised at fair value through profit or loss. Instruments this affects include our derivatives, complex structured products, units in retail funds and private equity interests. The new impairment model is also expected to have an impact on debt instruments. After initial test calculations, the risk provision is expected to be in the very low triple digit millions. The final impact of IFRS 9 can be fully determined only taking into account the interaction with the IFRS 17 accounting standard (see below). As a result, the impact on net assets, financial position and results of operations could not be reliably quantified at the time of publishing these consolidated financial statements.

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" was published by the IASB on 18 May 2017 and will replace IFRS 4 in future. The IASB released an amendment to IFRS 17 in June 2020. In addition to providing precise clarifications on individual issues, the amendments postponed the effective date of the Standard. 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.

Due to the particular significance of the new accounting regulations, the Talanx Group set up a multi-year project that examined the impact of the standard on the consolidated financial statements, including the interaction with IFRS 9, and took the necessary steps towards implementation. The technical accounting principles have thus been completed and the extensive requirements implemented into the Group's processes and systems.

IFRS 17 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. According to the assessment model of the new standard, groups of insurance contracts are assessed on the basis of the expected value of discounted cash flows with an explicit risk adjustment for non-financial risks and a contractual service margin, which leads to a profit recognition corresponding to the provision of services. Instead of premium income in every period, the changes arising from the liability to grant insurance cover are recognised as "insurance turnover", for which the insurance company receives a fee minus incoming and outgoing payments of savings components. With business volume remaining unchanged, we thus expect the amount of revenue recognised to decline compared to current gross written premiums, but with no impact on the underwriting result. Insurance financing earnings and costs result from discounting effects and financial risks and changes in these. They 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. The Talanx Group will utilise the option to divide insurance earnings and costs between the statement of income and other comprehensive income. Changes in the assumptions that do not relate to interest or financial risks are booked against the contractual service margin and are distributed over the term of the insurance coverage that is still due to be provided and the investment management service. If the service margin becomes negative, a corresponding amount must be recognised through profit or loss. This measurement model will apply exclusively in the Reinsurance Division. IFRS 17 provides a simplified procedure 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. This 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. This simplified procedure applies in the Group chiefly in property/casualty primary insurance, provided the contracts meet the above requirements. A modified form of the general assessment model is used for the life insurance business that provides for surplus participation – the variable fee approach. This approach is applied chiefly in the two segments Retail Germany – Life and Retail International. This approach is not permitted for active and passive reinsurance. IFRS 17 is to be initially applied retrospectively in principle. 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 – provided sufficient appropriate and reliable data are available for this – or the fair value approach. The Talanx Group expects to use all three procedures depending on the availability of data.

This financial year the impact of the Standard on Group financial data was analysed. As the new requirements affect the Group's core business activities, significant impacts on the consolidated financial statements are inevitable. As expected, the introduction of the accounting standard in life primary insurance and in life/health reinsurance reduced equity overall, offsetting the positive effect from the property/casualty segments, chiefly from the discounting of the loss reserve. In light of this, we expect the transition to IFRS 17 accounting to have the overall effect of reducing equity for the Group. The individual, quantitative effects on the consolidated financial statements cannot yet be stated in detail at the current time.

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]
IFRS 3 "Business Combinations", IAS 16 "Property, Plant and Equipment" and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"	Amendments to IFRS 3, IAS 16 and IAS 37	1.1.2022
Amendments in the context of the "Annual Improvements (2018 to 2020 Cycle)"	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1.1.2022

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

b) EU endorsement is still pending

The IASB published the amendments to IFRS 17 "Initial application of IFRS 17 and IFRS 9 — Comparative information" on 9 December 2021. The amendment to IFRS 17 allows those applying the Standard for the first time to present financial assets in the comparison period – i.e. for 2022 – as if the classification and measurement regulations in IFRS 9 had been applied to these financial assets (classification overlay). The Group will apply this amendment and thus, in its view, present the comparative information on the financial instruments more meaningfully. Accordingly, the Group will apply the classification to all financial assets derecognised in the comparison period and the impairment requirements of IFRS 9. EU endorsement for this amendment is expected in 2022.

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 12 "Income Taxes"	Deferred taxes from transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition	1.1.2023
IAS 1 "Presentation of Financial Statements"	Adjustment of the assessment criteria for classifying liabilities as current or non-current	1.1.2023
IAS 1	Disclosure of accounting policies	1.1.2023
IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"	Definition of accounting estimates	1.1.2023

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

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 2021 are described in the "Basis of preparation and application of IFRSs" section, while the consolidation principles are described in the "Consolidation" section, pages 137ff. and 163ff. respectively.

Hannover Re underwrote a portfolio of life insurance policies through its Australian subsidiary in the fourth quarter of 2020. The brokerage and administration of the policies and the sale and marketing of new business are handled here by a company that specialises in this area. Based on the expected course of business for this portfolio, commission was agreed with the broker for the brokerage of current and future policies. To include other interested investors in the opportunities and risks of future portfolio performance in addition to Hannover Re, the commission was funded by the inclusion of a cell of a "segregated accounts company" that issued appropriately structured securities. Some of these securities were subscribed by Hannover Rück SE.

In the 2020 consolidated financial statements, the portfolio of life insurance policies and that of the subscribed securities were presented separately in accordance with IFRS 4 and IAS 39.

However, after further closer analysis of the contractual details of the transaction, we believe that, from the perspective of the Talanx Group as a single accounting entity, it is more suitable to consider the components of the transaction in order to provide reliable and relevant information regarding the financial impact of the transaction.

According to this view, the transaction as a whole is equivalent to an insurance contract in its economic effect and with its cash flows. The commission is to be capitalised under the balance sheet item "deferred acquisition costs" and amortised in line with business performance.

On account of this change to the presentation of transactions in accordance with IAS 8.14(b), the comparative information for prior periods was adjusted to align with the regulations of IAS 8.19(b). The table below shows the impact this change has on the individual items of the consolidated balance sheet and the consolidated statement of income (see (a)). It did not affect Group net income.

Loss reserves in the Corporate Operations segment were partially reversed as at the reporting date 31 December 2020 in connection with the reallocation of internal Group retention. A subsequent analysis found that the reversal should have been made only to the extent that it exceeded the settlement amount and the reversal was thus EUR 26 million too high. In accordance with IAS 8.42, retained earnings were reduced with retroactive effect as at 31 December 2020 by EUR 26 million and the loss reserves were increased by the same amount (see b)). Earnings per share for the financial year 2020 thus declined from EUR 2.66 to EUR 2.56.

EFFECTS ON THE CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

			Changes from IAS 8 adjustments		
EUR million		31.12.2020 as reported	Adjustments relating to a)	Adjustments relating to b)	31.12.2020
Assets					
B.d.	Loans and receivables	27,404	–219		27,184
F.	Deferred acquisition costs	5,312	216		5,528
I.	Other assets	3,035	1		3,036
Equity and liabilities					
A.b.	Reserves	10,076		–26	10,051
C.c.	Loss and loss adjustment expense reserve	51,189		26	51,214
F.c.	Other liabilities	7,871	–2		7,868

IMPACT ON THE 2020 CONSOLIDATED STATEMENT OF INCOME

EUR million		1.1.–31.12.2020 as reported	Changes from IAS 8 adjustments: Adjustments relating to a)	Adjustments relating to b)	1.1.–31.12.2020
1.	Gross written premiums including premiums from unit-linked life and annuity insurance	41,105	5		41,109
6.	Claims and claims expenses (gross)	30,686		26	30,711
7.	Acquisition costs and administrative expenses (gross)	9,695	2		9,697
9.a.	Investment income	5,169	–3		5,166
	Net income	1,196		–26	1,170
	of which attributable to non-controlling interests	522			522
	of which attributable to shareholders of Talanx AG	673		–26	648

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.

Judgements, assumptions and estimates are 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 and climate-related risks, 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 3 to 10 years for **software** and 4 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 **software-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) and 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). 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 carryforwards. 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 cconsists 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, and other assumptions regarding future trends 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		**2021**	2020	**2021**	2020
AUD	Australia	1.5596	1.6030	1.5800	1.6533
BRL	Brazil	6.4086	6.3706	6.3833	5.8716
CAD	Canada	1.4491	1.5704	1.4882	1.5326
CNY	China	7.2297	8.0199	7.6408	7.8887
GBP	United Kingdom	0.8393	0.9041	0.8617	0.8869
JPY	Japan	130.5000	126.6900	130.0415	121.8977
MXN	Mexico	23.2733	24.4152	24.0952	24.4614
PLN	Poland	4.5982	4.5224	4.5699	4.4481
USD	USA	1.1344	1.2291	1.1853	1.1449
ZAR	South Africa	18.0275	18.0114	17.6160	18.6678

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. Cross-segment 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 multiple 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 multiple 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 2021

EUR Million

Assets	Industrial Lines		Retail Germany	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
A. Intangible assets				
a. Goodwill	153	153	248	248
b. Other intangible assets	11	10	434	411
	164	**163**	**682**	**660**
B. Investments				
a. Investment property	163	164	2,540	1,442
b. Shares in affiliated companies and participating interests	16	15	134	97
c. Shares in associates and joint ventures	191	183	75	35
d. Loans and receivables	941	1,031	21,960	23,401
e. Other financial instruments				
i. Held-to-maturity	75	65	168	168
ii. Available-for-sale	8,563	7,308	28,842	30,057
iii. At fair value through profit or loss	57	47	504	425
f. Other investments	1,111	941	2,516	2,175
Assets under own management	**11,116**	**9,753**	**56,738**	**57,801**
g. Investments under investment contracts	—	—	—	—
h. Funds withheld by ceding companies	13	32	4	4
Investments	**11,129**	**9,785**	**56,741**	**57,805**
C. Investments for the benefit of life insurance policyholders who bear the investment risk	—	—	13,208	11,185
D. Reinsurance recoverables on technical provisions	8,495	7,355	1,989	1,688
E. Accounts receivable on insurance business	2,547	2,307	384	313
F. Deferred acquisition costs	95	78	1,622	1,503
G. Cash at banks, cheques and cash-in-hand	1,079	717	651	481
H. Deferred tax assets	83	47	123	69
I. Other assets	803	707	737	773
J. Non-current assets and assets of disposal groups classified as held for sale [2]	9	6	17	10
Total assets	**24,404**	**21,166**	**76,154**	**74,488**

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

Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
31.12.2021	31.12.2020	**31.12.2021**	31.12.2020[2]	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020[2]	**31.12.2021**	31.12.2020[2]
591	604	36	34	—	—	—	—	1,028	1,040
189	163	168	158	88	97	—	—	889	839
780	**767**	**204**	**192**	**88**	**97**	**—**	**—**	**1,918**	**1,879**
129	55	1,819	1,589	—	—	—	—	4,650	3,250
3	—	336	434	22	25	—	—	511	572
—	—	238	219	—	—	—	—	504	438
322	368	2,444	2,313	70	72	—	—	25,737	27,184
366	348	49	186	—	—	−301	−292	356	474
11,927	11,791	46,594	39,812	473	498	—	—	96,399	89,467
192	249	330	340	13	5	—	—	1,096	1,067
331	418	3,755	3,285	847	578	−1,739	−1,547	6,821	5,849
13,270	**13,228**	**55,564**	**48,179**	**1,426**	**1,179**	**−2,040**	**−1,839**	**136,073**	**128,301**
1,457	1,265	—	—	—	—	—	—	1,457	1,265
—	—	11,306	9,958	25	16	−1,043	−871	10,305	9,140
14,726	**14,493**	**66,871**	**58,137**	**1,451**	**1,195**	**−3,083**	**−2,710**	**147,835**	**138,705**
479	434	—	—	—	—	—	—	13,687	11,619
1,198	871	3,073	2,242	1,104	456	−6,930	−5,140	8,929	7,473
1,358	1,213	7,208	5,606	312	287	−1,063	−761	10,746	8,964
612	589	3,351	3,073	47	21	294	264	6,020	5,528
297	342	1,325	1,278	651	660	—	—	4,002	3,477
227	103	54	11	296	328	−173	−235	611	323
641	751	2,831	2,466	1,068	707	−2,927	−2,368	3,153	3,036
598	14	—	—	2	—	−1	—	625	31
20,915	**19,576**	**84,917**	**73,005**	**5,017**	**3,750**	**−13,882**	**−10,950**	**197,524**	**181,035**

CONSOLIDATED BALANCE SHEET BY DIVISION AS AT 31 DECEMBER 2021

EUR million

Equity and liabilities	Industrial Lines		Retail Germany	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
B. Subordinated liabilities	410	279	257	257
C. Technical provisions				
a. Unearned premium reserve	2,819	2,325	1,416	1,409
b. Benefit reserve	—	—	43,531	43,030
c. Loss and loss adjustment expense reserve	14,865	12,737	3,877	3,568
d. Provision for premium refunds	16	21	7,191	8,289
e. Other technical provisions	69	61	7	6
	17,769	**15,143**	**56,023**	**56,303**
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders	—	—	13,208	11,185
E. Other provisions				
a. Provisions for pensions and other post-employment benefits	588	670	136	177
b. Provisions for taxes	153	128	90	80
c. Miscellaneous other provisions	109	95	185	351
	850	**893**	**410**	**609**
F. Liabilities				
a. Notes payable and loans	10	11	65	73
b. Funds withheld under reinsurance treaties	33	31	1,514	1,352
c. Other liabilities	2,958	2,396	1,808	1,636
	3,001	**2,438**	**3,387**	**3,061**
G. Deferred tax liabilities	164	200	210	258
H. Liabilities included in disposal groups classified as held for sale [1]	56	—	—	—
Total liabilities/provisions	**22,251**	**18,953**	**73,495**	**71,673**

	Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020[2]	31.12.2021	31.12.2020[2]	31.12.2021	31.12.2020[2]	31.12.2021	31.12.2020[2]
	103	68	3,396	2,590	1,746	1,280	−1,152	−1,001	4,759	3,473
	2,763	2,418	6,196	5,070	230	247	−1,269	−931	12,154	10,538
	6,545	6,810	7,542	7,218	—	—	−130	−126	57,489	56,932
	4,161	3,624	40,778	33,929	1,418	597	−4,557	−3,241	60,541	51,214
	624	804	—	—	—	—	—	—	7,832	9,114
	17	17	842	702	—	16	—	−32	935	770
	14,110	**13,673**	**55,357**	**46,919**	**1,648**	**859**	**−5,956**	**−4,330**	**138,951**	**128,567**
	479	434	—	—	—	—	—	—	13,687	11,619
	57	59	209	229	1,210	1,309	—	—	2,200	2,445
	125	120	92	133	74	76	—	—	535	537
	129	105	183	176	382	207	—	—	988	934
	312	**284**	**484**	**538**	**1,666**	**1,592**	**—**	**—**	**3,722**	**3,916**
	206	158	1,523	1,341	1,482	1,499	−855	−803	2,432	2,279
	175	22	4,219	3,838	—	—	−1,856	−1,534	4,085	3,709
	2,487	2,235	5,012	3,985	530	729	−3,976	−3,111	8,818	7,868
	2,868	**2,415**	**10,754**	**9,163**	**2,012**	**2,228**	**−6,687**	**−5,449**	**15,335**	**13,856**
	69	105	2,214	2,145	—	2	−145	−214	2,513	2,497
	557	9	—	—	—	—	−1	—	612	9
	18,498	**16,988**	**72,205**	**61,355**	**7,072**	**5,961**	**−13,941**	**−10,994**	**179,579**	**163,936**

	31.12.2021	31.12.2020[2]
Equity[3]	**17,945**	**17,099**
Total liabilities	**197,524**	**181,035**

[1] For further information see the "Non-current assets and disposal groups held for sale "section of these Notes.
[2] Adjusted in accordance with IAS 8, see the "Accounting policies" section of these Notes.
[3] Equity attributable to Group shareholders and non-controlling interests.

CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021[1]

	Industrial Lines		Retail Germany	
EUR million	2021	2020	2021	2020
1. Gross written premiums including premiums from unit-linked life and annuity insurance	7,560	6,658	6,170	5,853
of which attributable to other divisions/segments	27	62	72	62
of which attributable to third parties	7,534	6,596	6,098	5,791
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	901	820
3. Ceded written premiums	3,920	3,470	441	389
4. Change in gross unearned premiums	–380	–404	–6	50
5. Change in ceded unearned premiums	–168	–223	–1	8
Net premiums earned	**3,428**	**3,008**	**4,823**	**4,685**
6. Claims and claims expenses (gross)	5,336	4,446	5,862	5,018
Reinsurers' share	2,602	1,919	336	178
Claims and claims expenses (net)	**2,734**	**2,527**	**5,526**	**4,840**
7. Acquisition costs and administrative expenses (gross)	1,390	1,335	1,259	1,772
Reinsurers' share	783	726	204	205
Acquisition costs and administrative expenses (net)	**608**	**609**	**1,055**	**1,566**
8. Other technical income	5	3	14	28
Other technical expenses	46	14	17	37
Other technical result	**–41**	**–11**	**–3**	**–9**
Net technical result	**46**	**–139**	**–1,761**	**–1,730**
9. a. Investment income	396	424	2,452	2,482
b. Investment expenses	96	173	309	478
Net income from assets under own management	**300**	**252**	**2,143**	**2,004**
Net income from investment contracts	—	—	—	—
Net interest income from funds withheld and contract deposits	—	2	–12	–13
Net investment income	**300**	**254**	**2,131**	**1,992**
of which share of profit or loss of equity-accounted associates and joint ventures	19	20	6	—
10. a. Other income	191	164	247	261
b. Other expenses	340	230	331	319
Other income/expenses	**–149**	**–66**	**–84**	**–59**
Profit before goodwill impairments	**196**	**48**	**286**	**203**
11. Goodwill impairments	—	—	—	—
Operating profit/loss (EBIT)	**196**	**48**	**286**	**203**
12. Financing costs	11	12	9	9
13. Taxes on income	38	–15	111	64
Net income	**148**	**52**	**166**	**130**
of which attributable to non-controlling interests	4	5	6	11
of which attributable to shareholders of Talanx AG	143	47	161	119

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

	Retail International		Reinsurance		Corporate Operations		Consolidation		Total	
	2021	2020	**2021**	2020[2]	**2021**	2020[2]	**2021**	2020	**2021**	2020[2]
	6,127	5,527	27,762	24,770	1,119	738	–3,232	–2,436	45,507	41,109
	1	1	1,947	1,807	1,186	503	–3,232	–2,436	—	—
	6,126	5,526	25,815	22,963	–67	235	—	—	45,507	41,109
	107	69	—	—	—	—	—	—	1,008	890
	601	471	2,905	2,443	839	483	–3,261	–2,437	5,446	4,819
	–271	–48	–738	–1,028	18	–237	281	220	–1,096	–1,446
	–35	–11	–24	–61	29	–172	293	226	94	–235
	5,183	**4,950**	**24,143**	**21,361**	**268**	**190**	**16**	**–4**	**37,863**	**34,190**
	4,219	3,997	20,917	18,300	1,029	493	–2,313	–1,543	35,050	30,711
	351	315	2,598	1,621	816	296	–2,365	–1,562	4,338	2,767
	3,868	**3,683**	**18,319**	**16,679**	**212**	**196**	**52**	**19**	**30,711**	**27,944**
	1,337	1,271	6,592	5,857	295	106	–897	–644	9,977	9,697
	126	91	288	264	185	52	–839	–626	747	711
	1,212	**1,180**	**6,304**	**5,594**	**110**	**55**	**–58**	**–17**	**9,230**	**8,986**
	33	34	—	—	16	—	–16	—	52	66
	91	82	5	5	4	14	7	–6	170	145
	–58	**–47**	**–5**	**–5**	**12**	**–14**	**–23**	**6**	**–117**	**–80**
	46	**41**	**–484**	**–917**	**–42**	**–75**	**—**	**—**	**–2,195**	**–2,821**
	440	475	2,213	1,831	42	17	–61	–63	5,483	5,166
	67	147	534	355	153	111	–137	–128	1,022	1,136
	373	**328**	**1,679**	**1,476**	**–111**	**–94**	**76**	**64**	**4,460**	**4,030**
	3	—	—	—	—	—	—	—	3	—
	–2	–2	268	222	—	—	—	—	255	210
	374	**326**	**1,947**	**1,698**	**–111**	**–94**	**76**	**65**	**4,718**	**4,240**
	—	—	17	81	—	—	—	—	43	100
	188	141	793	842	1,037	819	–930	–794	1,526	1,432
	315	242	520	392	911	694	–822	–671	1,596	1,207
	–127	**–101**	**273**	**450**	**126**	**125**	**–108**	**–123**	**–69**	**226**
	294	**266**	**1,736**	**1,230**	**–27**	**–44**	**–32**	**–59**	**2,454**	**1,645**
	—	—	—	—	—	—	—	—	—	—
	294	**266**	**1,736**	**1,230**	**–27**	**–44**	**–32**	**–59**	**2,454**	**1,645**
	2	17	103	110	103	105	–53	–55	176	198
	66	56	352	205	–25	–32	7	–1	548	277
	225	**193**	**1,282**	**915**	**–105**	**–117**	**14**	**–3**	**1,730**	**1,170**
	36	33	672	474	—	—	—	—	718	522
	189	160	609	442	–105	–117	14	–3	1,011	648

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 2021

	Retail Germany – Property/Casualty		Retail Germany – Life		Property/Casualty Reinsurance		Life/Health Reinsurance	
EUR million	**2021**	2020	**2021**	2020	**2021**	2020[1]	**2021**	2020[1]
1. Gross written premiums including premiums from unit-linked life and annuity insurance	1,574	1,502	4,596	4,351	19,224	16,744	8,538	8,026
of which attributable to other segments	—	—	72	62	1,804	1,673	143	134
of which attributable to third parties	1,574	1,502	4,525	4,289	17,420	15,071	8,396	7,892
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	901	820	—	—	—	—
3. Ceded written premiums	224	176	217	214	1,901	1,628	1,005	815
4. Change in gross unearned premiums	–25	11	19	38	–723	–974	–14	–55
5. Change in ceded unearned premiums	–5	4	4	3	–24	–63	—	1
Net premiums earned	**1,329**	**1,334**	**3,494**	**3,352**	**16,624**	**14,205**	**7,519**	**7,155**
6. Claims and claims expenses (gross)	1,083	908	4,779	4,110	13,218	11,189	7,699	7,112
Reinsurers' share	224	88	111	90	1,704	844	894	777
Claims and claims expenses (net)	**859**	**820**	**4,668**	**4,019**	**11,514**	**10,344**	**6,805**	**6,335**
7. Acquisition costs and administrative expenses (gross)	582	559	677	1,212	4,998	4,331	1,594	1,526
Reinsurers' share	132	114	73	91	223	196	65	67
Acquisition and administrative expenses (net)	**451**	**445**	**604**	**1,121**	**4,775**	**4,135**	**1,529**	**1,459**
8. Other technical income	2	2	13	26	—	—	—	—
Other technical expenses	10	7	7	30	3	—	1	4
Other technical result	**–8**	**–6**	**5**	**–3**	**–3**	**—**	**–1**	**–4**
Net technical result	**11**	**62**	**–1,772**	**–1,792**	**332**	**–274**	**–816**	**–643**
9. a. Investment income	149	124	2,303	2,358	1,693	1,249	521	582
b. Investment expenses	19	35	290	443	390	295	145	60
Net income from assets under own management	**130**	**89**	**2,013**	**1,915**	**1,303**	**954**	**376**	**522**
Net income from investment contracts	—	—	—	—	—	—	—	—
Net interest income from funds withheld and contract deposits	–1	–1	–11	–12	49	50	220	171
Net investment income	**129**	**88**	**2,002**	**1,903**	**1,352**	**1,005**	**596**	**693**
of which share of profit or loss of equity-accounted associates and joint ventures	—	—	6	—	4	–1	13	81
10. a. Other income	55	70	192	191	238	387	554	455
b. Other expenses	92	87	240	232	401	273	119	120
Other income/expenses	**–37**	**–17**	**–47**	**–41**	**–163**	**115**	**435**	**335**
Profit before goodwill impairments	**104**	**134**	**183**	**70**	**1,521**	**845**	**216**	**385**
11. Goodwill impairments	—	—	—	—	—	—	—	—
Operating profit/loss (EBIT)	**104**	**134**	**183**	**70**	**1,521**	**845**	**216**	**385**

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

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
2021									
Included within investment income									
Current interest income	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**
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**
2020									
Included within investment income									
Current interest income[1]	145	76	1,119	312	662	271	10	–63	**2,532**
Interest income from funds withheld and contract deposits	—	—	—	—	52	296	—	–2	**346**
Interest expense from funds withheld and contract deposits	–2	1	12	2	1	125	—	–2	**136**
Share of profit or loss of equity-accounted associates and joint ventures	20	—	—	—	–1	81	—	—	**100**
Depreciation of/ impairment losses on investment property									
Depreciation	3	—	23	3	37	—	—	—	**66**
Impairment losses	—	—	—	—	6	—	—	—	**6**
Depreciation of/ impairment losses on infrastructure investments									
Depreciation	6	4	23	—	—	—	—	—	**34**
Impairment losses	7	4	16	—	—	—	—	—	**27**
Included within other income/expenses									
Other interest income	—	—	6	5	14	50	18	–5	**87**
Other interest expenses	10	1	18	6	12	9	22	–11	**66**
Depreciation of/impairment losses on fixed assets									
Depreciation	17	1	7	41	15	8	42	—	**131**
Impairment losses	—	—	—	—	11	—	—	—	**11**

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

Gross written premiums, assets under own management and non-current assets by geographical origin

ASSETS UNDER OWN MANAGEMENT BY GEOGRAPHICAL ORIGIN

EUR million	31.12.2021	31.12.2020[1]
Germany	29,349	29,363
United Kingdom	7,458	7,307
Central and Eastern Europe (CEE), including Turkey	4,451	4,934
Rest of Europe	49,276	48,067
USA	24,777	20,110
Rest of North America	4,480	3,958
Latin America	4,119	3,893
Asia and Australia	11,814	10,355
Africa	351	314
Total	**136,073**	**128,301**

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

NON-CURRENT ASSETS BY GEOGRAPHICAL ORIGIN[1]

EUR million	31.12.2021	31.12.2020
Germany	5,287	4,166
United Kingdom	126	99
Rest of Europe	494	321
USA	689	713
Rest of North America	511	316
Latin America	224	232
Asia and Australia	29	32
Africa	9	8
Total	**7,369**	**5,887**

[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	2021	2020	2021	2020[1]	2021	2020	2021	2020	2021	2020[1]
Germany	7,837	7,485	1,998	1,754	909	436	–1,748	–1,130	8,997	8,545
United Kingdom	861	585	3,723	3,406	—	—	–467	–461	4,116	3,530
Central and Eastern Europe (CEE), including Turkey	2,945	2,615	434	427	39	43	–73	–74	3,345	3,012
Rest of Europe	3,869	3,374	3,854	3,423	121	107	–468	–369	7,376	6,535
USA	1,274	1,220	8,195	7,060	—	—	–48	–79	9,421	8,200
Rest of North America	303	183	1,494	1,126	—	—	–118	–83	1,680	1,227
Latin America	1,835	1,749	1,130	1,062	51	151	–144	–82	2,872	2,880
Asia and Australia	870	776	6,312	5,994	—	—	–166	–159	7,015	6,612
Africa	62	51	622	518	—	—	—	—	684	569
Total	**19,858**	**18,038**	**27,762**	**24,770**	**1,119**	**738**	**–3,232**	**–2,436**	**45,507**	**41,109**

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

Gross written premiums by type and class of insurance at Group level

GROSS WRITTEN PREMIUMS BY TYPE AND CLASS OF INSURANCE

EUR million	2021	2020[1]
Property/casualty primary insurance	13,432	11,941
Life primary insurance	6,425	6,096
Property/casualty reinsurance	19,224	16,744
Life/health reinsurance	8,538	8,026
Corporate Operations	1,119	738
Consolidation	–3,232	–2,436
Total	**45,507**	**41,109**

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

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, 35 (36) subsidiaries whose primary business purpose is to provide services for the Group's insurance companies were not consolidated in the reporting period. A further 15 (12) associates and 4 (4) 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 231ff. Information on associates and joint ventures can be found in Note 5.

BASIS OF CONSOLIDATION

	2021	2020
Number of consolidated subsidiaries		
Domestic [1]	79	85
Foreign [2]	145	142
Subtotal	**224**	**227**
Number of consolidated investment funds (subsidiaries) [3]		
Domestic	21	20
Foreign	5	3
Subtotal	**26**	**23**
Number of consolidated structured entities		
Domestic	—	—
Foreign	3	3
Subtotal	**3**	**3**
Total number of consolidated entities		
Domestic	100	105
Foreign	153	148
Subtotal	**253**	**253**
Number of equity-accounted associates and joint ventures		
Domestic [4]	4	3
Foreign [5, 6]	7	9
Total	**11**	**12**

[1] This figure comprises 77 (83) individual entities and 2 (2) entities consolidated in 1 (1) subgroup.
[2] This figure comprises 65 (63) individual entities and 80 (79) 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 1 (0) domestic joint venture.
[5] This figure comprises 4 (4) individual entities and 3 (5) 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 8,548 (6,961) 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 3,132 (2,464) 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 3,756 (3,584) million. In certain countries, collateral for liabilities to credit institutions of EUR 922 (662) million was provided in connection with property companies and real estate transactions. For further information, please refer to our disclosures in the "Risks from invest-ments" 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 7,169 (6,732) million as at the reporting date.

SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS [1]

	Hannover Rück SE subgroup [2]		Towarzystwo Ubezpieczeń i Reasekuracji WARTA S. A.	
EUR million	2021	2020	2021	2020
Domicile/country of formation	Hannover, Germany	Hannover, Germany	Warsaw, Poland	Warsaw, Poland
Non-controlling interests	49.78%	49.78%	24.26%	24.26%
Investments	67,520	58,960	2,804	2,809
Reinsurance recoverables on technical provisions	3,073	2,242	255	242
Accounts receivable on insurance business	7,208	5,606	258	244
Total assets	**82,902**	**71,437**	**3,707**	**3,626**
Subordinated liabilities	2,977	2,232	—	—
Technical provisions	55,357	46,919	2,634	2,419
Other provisions	483	538	22	21
Equity	**12,756**	**11,839**	**749**	**830**
of which non-controlling interests [3]	6,854	6,350	182	201
Total debt	**70,146**	**59,598**	**2,958**	**2,796**
Gross written premiums	27,762	24,770	1,533	1,395
Net premiums earned	24,144	21,361	1,349	1,288
Underwriting result	–479	–913	97	102
Net investment income	1,943	1,685	69	64
Operating profit/loss (EBIT)	1,735	1,214	155	148
Net income	**1,300**	**919**	**133**	**117**
of which non-controlling interests [3]	672	474	32	28
Other comprehensive income	**205**	**274**	**–131**	**–10**
Total comprehensive income	**1,505**	**1,193**	**2**	**107**
of which non-controlling interests [3]	820	600	0	26
Cash flows from operating activities	4,940	3,018	250	415
Cash flows from investing activities	–5,261	–2,032	–167	–461
Cash flows from financing activities	278	–726	–83	—
Cash and cash equivalents at the end of the reporting period	**1,355**	**1,278**	**13**	**14**
Dividends paid to non-controlling interests during the year [4]	**316**	**376**	**—**	**—**

[1] All amounts relate to financial information before consolidation.
[2] Information provided by the Hannover Rück SE subgroup including respective IAS 8 adjustments.
[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

As part of the simplification of its operating structures and the establishment of an employer company for the Talanx Primary Insurance Group in Germany, the service companies HDI Global Specialty Underwriting Agency GmbH, Cologne (Industrial Lines segment), HDI Deutschland Bancassurance Kundenservice GmbH, Hilden (Retail Germany – Life segment), HDI Kundenservice AG, Cologne and HDI Vertriebs AG, Hannover (both Retail Germany segment) were sold to Talanx AG, Hannover (Corporate Operations segment) in intragroup transactions in October and November 2021. These companies and HDI Systeme AG, Hannover (Corporate Operations segment) were then merged into HDI Service AG, Hannover (which will be renamed HDI AG; Corporate Operations segment) under a merger agreement dated 20 December 2021. The merger took economic effect on 1 October 2021 (effective merger date). It is expected to be entered in the commercial register, and hence become effective under civil law, in March 2022.

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

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

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

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

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

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

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

The companies' gross premiums of EUR 203 million and net income of EUR –9 million were included in the financial statements. If the company had already been acquired by 1 January 2021, gross premiums to be included would have come to EUR 273 million and income to EUR –10 million.

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

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 26.7 (15.5) billion and the generated commissions total EUR 145 (101) 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 78 (101) 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 4,550 (3,920) 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 1,174 (1,366) 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 38 (36) 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 399 (432) 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 4,731 (4,063) 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	31.12.2021				31.12.2020			
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	1	—	—	—	2	—	—	217
Other financial instruments – available-for-sale financial instruments	5,864	—	—	—	5,742	—	—	—
Other financial instruments – financial instruments at fair value through profit or loss	85	—	78	—	105	—	100	—
Investment contracts	6,117	—	—	—	598	—	—	—
Other investments	825	—	—	—	4,526	—	—	—
Funds withheld by ceding companies	—	—	—	—	—	—	—	6
Investments for the benefit of life insurance policyholders who bear the investment risk	—	13,687	—	—	—	11,619	—	—
Reinsurance recoverables on technical provisions	—	—	—	1,307	—	—	—	916
Deferred acquisition costs	—	—	—	210	—	—	—	—
Accounts receivable on insurance business	—	—	—	286	—	—	—	127
Total asset items	**12,892**	**13,687**	**78**	**1,803**	**10,973**	**11,619**	**100**	**1,266**
Equity and liabilities								
Technical provisions for life insurance policies where the investment risk is borne by the policyholders	—	13,687	—	—	—	11,619	—	—
Other liabilities – reinsurance payables	—	—	—	783	—	—	—	552
Total equity and liabilities items	**—**	**13,687**	**—**	**783**	**—**	**11,619**	**—**	**552**

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

OOO Strakhovaya Kompaniya CiV Life, Moscow, Russia (Retail International segment)

On 23 December 2021, the Group signed an agreement for the sale of the 100% equity interest in OOO Strakhovaya Kompaniya CiV Life, Moscow, Russia, held by HDI International AG, Hannover. The disposal group contains assets of EUR 597 million, liabilities of EUR 556 million, and cumulatively recognised unrealised losses of EUR 5 million recognised in other comprehensive income. The main carrying amounts for the disposal group relate to "investments" (EUR 563 million), "cash at banks, cheques and cash-in-hand" (EUR 9 million), "deferred acquisition costs" (EUR 8 million), "deferred tax assets" (EUR 6 million), "accounts receivable on insurance business" (EUR 4 million), "other assets" (EUR 4 million), "intangible assets" and "reinsurance recoverables on technical provisions" (each EUR 1 million), "technical provisions" (EUR 549 million) and "other liabilities" (EUR 7 million). The classification did not require any valuation adjustments. The transaction was completed in February 2022 and is expected to result in a disposal loss in the low double-digit millions. The Group plans to use the sale to optimise its portfolio in Central and Eastern Europe.

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 and is expected to take place in the first half of 2022.

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 technical provisions of EUR 61 million. The disposal relates to the strategic orientation in the Industrial Lines segment and is expected to take place in 2022. No valuation adjustments were required.

Real estate

We report property holdings as held for sale in the amount of EUR 17 (17) million as at the reporting date, which are attributable entirely to the Retail Germany Division. 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.

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

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

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	2021	2020
Gross carrying amount as at 31.12. of the previous year	**157**	**324**	**202**	**619**	**34**	**4**	**1,341**	**1,409**
Currency translation as at 1.1. of the financial year	—	—	—	−32	2	—	−30	−68
Gross carrying amount as at 31.12. after currency translation as at 1.1. of the financial year	157	324	202	588	36	4	1,311	1,341
Additions due to business combinations	—	—	—	20	—	—	20	—
Disposals	—	—	—	2	—	—	2	—
Exchange rate changes	—	—	—	—	—	—	—	—
Gross carrying amount as at 31.12. of the financial year	**157**	**324**	**202**	**606**	**36**	**4**	**1,329**	**1,341**
Accumulated impairment losses as at 31.12. of the previous year	**5**	**75**	**202**	**15**	**—**	**4**	**301**	**304**
Currency translation as at 1.1. of the financial year	—	—	—	—	—	—	—	−3
Accumulated impairment losses after currency translation as at 1 January of the financial year	5	75	202	15	—	4	301	301
Accumulated impairment losses as at 31.12. of the financial year	**5**	**75**	**202**	**15**	**—**	**4**	**301**	**301**
Carrying amount as at 31.12. of the previous year	153	248	—	604	34	—	1,040	1,105
Carrying amount as at 31.12. of the financial year	**153**	**248**	**—**	**591**	**36**	**—**	**1,028**	**1,040**

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)	31.12.2021	31.12.2020
Industrial Lines segment	153	153
Retail Germany – Property/Casualty segment	248	248
Retail International segment		
Latin America	170	179
Europe	421	425
Property/Casualty Reinsurance segment	36	34

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.

When preparing projections, we did not expect the coronavirus pandemic to permanently affect prospects of success for our business models.

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 2021[1]	Capitalisation rate 2020[1]	Long-term growth rate 2021[1]	Long-term growth rate 2020[1]
Industrial Lines				
Eurozone	6.40–7.70	5.81–6.83	1.00	1.00
Other countries	8.30–19.05	7.31–21.06	1.00–4.00	1.00–5.00
Retail Germany – Property/Casualty	6.30–6.40	5.81	0.00–1.00	0.00–1.00
Retail International				
Europe				
Poland	8.05–10.15	7.06–9.35	2.00	2.00
Italy	8.05	7.81	1.00	1.00
Other countries	6.40–22.55	5.81–20.93	1.00–6.00	1.00–8.00
Latin America				
Brazil	16.05	14.06–15.00	4.00	5.00
Chile	11.05	8.81	3.00	2.00
Mexico	14.30	13.31	3.00	4.00
Other countries	13.05–52.05	12.56–35.56	3.00–8.00	4.00–8.00

[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	2021	2020
Gross carrying amount as at 31.12. of the previous year	**2,326**	**671**	**45**	**152**	**151**	**36**	**3,381**	**3,407**
Business combinations	16	7	—	6	—	—	29	—
Additions	—	32	3	—	82	—	117	83
Disposals	1	12	—	—	3	—	16	50
Reclassifications	—	18	—	—	–18	—	—	—
Disposal groups in accordance with IFRS 5	—	–2	—	—	—	—	–2	—
Exchange rate changes	4	—	1	–1	–1	–1	1	–59
Gross carrying amount as at 31.12. of the financial year	**2,344**	**715**	**49**	**157**	**210**	**35**	**3,510**	**3,381**
Accumulated amortisation and impairment losses as at 31.12. of the previous year	**1,890**	**459**	**37**	**126**	**26**	**4**	**2,542**	**2,514**
Disposals	1	8	—	—	1	—	10	42
Amortisation/impairment losses								
Amortisation	19	60	2	5	6	1	91	105
Impairment losses	—	1	—	—	—	—	1	1
Disposal groups in accordance with IFRS 5	—	–1	—	—	—	—	–1	—
Exchange rate changes	2	—	1	–2	–3	—	–2	–35
Accumulated amortisation and impairment losses as at 31.12. of the financial year	**1,910**	**510**	**39**	**129**	**29**	**4**	**2,621**	**2,542**
Carrying amount as at 31.12. of the previous year	435	212	8	26	125	32	839	893
Carrying amount as at 31.12. of the financial year	**435**	**204**	**10**	**28**	**182**	**31**	**889**	**839**

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.

PVFP FOR PRIMARY LIFE INSURANCE COMPANIES

EUR million	31.12.2021	31.12.2020
Shareholders' portion	184	167
Policyholders' portion	225	242
Carrying amount	**409**	**409**

Amortisation of the PVFP totalled EUR 19 (36) million. EUR 1 (26) million of this amount is attributable to the shareholders' portion and EUR 18 (10) million to the policyholders' portion. These relate to Retail Germany – Life (EUR 9 [25] million), Life/Health Reinsurance (EUR 2 [5] million) and Retail International (EUR 7 [6] million).

PVFP BY TERM

			Term		
EUR million	Up to 10 years	Up to 20 years	Up to 30 years	Over 30 years	Total
Shareholders' portion	72	67	52	19	**210**
of which investment contracts	4	—	—	—	4
Policyholders' portion	53	75	70	26	**225**
Carrying amount as at 31.12.2021	**125**	**142**	**122**	**45**	**435**

The acquired brand names worth EUR 31 (32) 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	2021	2020
Gross carrying amount as at 31.12. of the previous year	**3,701**	**3,616**
Change in basis of consolidation (additions)		
Business combinations	43	—
Additions	1,482	272
Disposals	123	108
Disposal groups in accordance with IFRS 5	—	–14
Reclassification	35	–15
Other changes	—	42
Exchange rate changes	73	–92
Gross carrying amount as at 31.12. of the financial year	**5,212**	**3,701**
Accumulated depreciation and impairment losses as at 31.12. of the previous year	**451**	**422**
Disposals	10	8
Reversal of impairment	2	—
Depreciation and impairment losses		
Depreciation	78	66
Impairment losses	21	6
Reclassification	12	–18
Disposal groups in accordance with IFRS 5	—	6
Exchange rate changes	12	–12
Accumulated depreciation and impairment losses as at 31.12. of the financial year	**562**	**451**
Carrying amount as at 31.12. of the previous year	3,250	3,193
Carrying amount as at 31.12. of the financial year	**4,650**	**3,250**

Additions in the reporting period were mainly attributable to the Retail Germany – Life (EUR 1,112 million) and Property/Casualty (EUR 308 million) segments.

The fair value of investment property amounted to EUR 6,027 (4,312) million as at the reporting date. EUR 143 (65) million of this amount is attributable to Level 2 of the fair value hierarchy and EUR 5,883 (4,247) 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 91 (78) million. Operating expenses of EUR 13 (2) 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 994 (973) million as at 31 December 2021. Contractual obligations to purchase, construct or develop investment property and for repairs, maintenance and enhancements amounted to EUR 415 (1,040) million as at the reporting date.

(4) Shares in affiliated companies and participating interests

SHARES IN AFFILIATED COMPANIES AND PARTICIPATING INTERESTS

EUR million	2021	2020
Affiliated companies	96	30
Participating interests	415	542
Carrying amount as at 31.12. of the financial year	**511**	**572**

(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 none of these entities is individually material to the Group within the meaning of IFRS 12.21.

SHARES IN ASSOCIATES AND JOINT VENTURES

EUR million	2021	2020
Carrying amount as at 31.12. of the previous year	**438**	**337**
Additions	78	31
Disposals	–8	—
Disposal groups in accordance with IFRS 5	–7	1
Impairment losses	—	—
Result from investments in associated companies and joint ventures	43	100
Dividend payments	–33	–11
Adjustment recognised outside profit or loss	–24	–1
Exchange rate changes	18	–19
Carrying amount as at 31.12. of the financial year	**504**	**438**

EUR 53 million of the additions to companies accounted for using the equity method are attributable to the fund included as a joint venture, DDBR1, Cologne, in the Retail Germany – Life segment.

The goodwill of all equity-accounted companies amounted to EUR 109 (105) million at the year-end. As in the prior year, no shares of losses incurred by associates 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 231ff.

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

EUR million	2021	2020
Profit from continuing operations	133	443
Profit after tax from discontinued operations	—	—
Other comprehensive income	–40	19
Total comprehensive income	**93**	**462**

(6) Loans and receivables

LOANS AND RECEIVABLES

	Amortised cost		Unrealised gains/losses		Fair value	
EUR million	31.12.2021	31.12.2020[2]	31.12.2021	31.12.2020	31.12.2021	31.12.2020[2]
Mortgage loans	586	351	196	89	783	440
Loans and prepayments on insurance policies	101	107	—	—	101	107
Loans and receivables due from government or quasi-governmental entities[1]	10,586	10,834	1,064	1,962	11,649	12,795
Corporate bonds	4,873	4,838	235	429	5,108	5,268
Covered bonds/asset-backed securities	9,584	11,054	1,633	2,678	11,217	13,731
Other	7	—	—	—	7	—
Total	**25,737**	**27,184**	**3,128**	**5,158**	**28,865**	**32,342**

[1] Loans and receivables due from government or quasi-governmental entities include securities of EUR 2,503 (2,743) million that are guaranteed by the Federal Republic of Germany, other EU member states or German federal states.
[2] Adjusted in accordance with IAS 8, see the "Accounting policies" section of these Notes.

The "Covered bonds/asset-backed securities" item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 9,583 (11,053) million; this corresponds to 99% (99%) of the total amount.

CONTRACTUAL MATURITIES

	Amortised cost		Fair value	
EUR million	31.12.2021	31.12.2020[1]	31.12.2021	31.12.2020[1]
Due within 1 year	1,380	1,193	1,610	1,286
More than 1 year and up to 2 years	1,006	736	1,032	772
More than 2 years and up to 3 years	817	1,042	850	1,086
More than 3 years and up to 4 years	648	802	692	886
More than 4 years and up to 5 years	1,163	960	1,285	1,083
More than 5 years and up to 10 years	5,360	6,414	6,294	7,766
More than 10 years	15,362	16,037	17,102	19,463
Total	**25,737**	**27,184**	**28,865**	**32,342**

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

RATING STRUCTURE FOR LOANS AND RECEIVABLES

EUR million	Amortised cost 31.12.2021	31.12.2020 [1]
AAA	16,459	17,586
AA	3,736	4,157
A	2,562	2,404
BBB or lower	2,088	2,457
Not rated	893	581
Total	**25,737**	**27,184**

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

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	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Government debt securities issued by EU member states	117	116	5	16	122	132
Other foreign government debt securities	19	17	—	—	19	17
Debt securities issued by quasi-governmental entities [1]	209	227	−33	1	176	228
Corporate bonds	11	—	−1	—	9	—
Covered bonds/asset-backed securities	—	114	—	2	—	116
Total	**356**	**474**	**−30**	**19**	**326**	**494**

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

CONTRACTUAL MATURITIES

EUR million	Amortised cost		Fair value	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Due within 1 year	48	137	49	140
More than 1 year and up to 2 years	53	48	56	52
More than 2 years and up to 3 years	13	51	13	56
More than 3 years and up to 4 years	22	11	20	11
More than 4 years and up to 5 years	—	22	—	23
More than 5 years and up to 10 years	202	192	172	196
More than 10 years	19	14	17	16
Total	**356**	**474**	**326**	**494**

RATING STRUCTURE FOR HELD-TO-MATURITY FINANCIAL INSTRUMENTS

EUR million	Amortised cost 31.12.2021	31.12.2020
AAA	—	101
AA	—	36
A	325	320
BBB or lower	30	17
Not rated	—	—
Total	**356**	**474**

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	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Fixed-income securities						
Government debt securities issued by EU member states	14,623	12,584	1,141	1,969	15,764	14,554
US treasury notes	9,422	7,354	367	499	9,789	7,853
Other foreign government debt securities	4,808	4,497	57	192	4,865	4,689
Debt securities issued by quasi-governmental entities [1]	16,710	14,893	851	2,204	17,561	17,098
Corporate bonds	29,771	26,520	673	1,782	30,444	28,302
Investment funds	2,330	2,310	109	156	2,439	2,466
Covered bonds/asset-backed securities	11,157	10,533	614	1,245	11,771	11,778
Profit participation certificates	1	1	—	—	1	1
Other	—	2	—	—	—	2
Total fixed-income securities	**88,822**	**78,694**	**3,812**	**8,048**	**92,634**	**86,742**
Variable-yield securities						
Equities	870	436	180	84	1,050	520
Investment funds	2,215	1,847	418	280	2,633	2,127
Profit participation certificates	77	75	6	3	82	78
Total variable-yield securities	**3,162**	**2,358**	**604**	**367**	**3,765**	**2,725**
Total securities	**91,984**	**81,052**	**4,416**	**8,415**	**96,399**	**89,467**

[1] Debt securities issued by quasi-governmental entities include securities of EUR 4,046 (4,167) million that are guaranteed by the Federal Republic of Germany, other EU member states or German federal states.

The "Covered bonds/asset-backed securities" item includes German covered bonds (Pfandbriefe) with a carrying amount of EUR 8,943 (9,523) million; this corresponds to 76% (81%) of the total amount.

CONTRACTUAL MATURITIES OF FIXED-INCOME SECURITIES

	Fair value		Amortised cost	
EUR million	31.12.2020	31.12.2020	31.12.2020	31.12.2020
Due within 1 year	5,550	4,163	5,522	4,142
More than 1 year and up to 2 years	5,677	5,141	5,599	5,011
More than 2 years and up to 3 years	5,731	5,678	5,637	5,450
More than 3 years and up to 4 years	6,108	5,193	5,994	4,933
More than 4 years and up to 5 years	8,641	6,566	8,337	6,242
More than 5 years and up to 10 years	27,457	27,789	26,697	25,758
More than 10 years	33,472	32,212	31,036	27,158
Total	**92,634**	**86,742**	**88,822**	**78,694**

RATING STRUCTURE FOR FIXED-INCOME SECURITIES

	Fair value	
EUR million	31.12.2021	31.12.2020
AAA	32,658	30,824
AA	18,535	17,494
A	15,941	14,930
BBB or lower	23,330	21,872
Not rated	2,171	1,623
Total	**92,634**	**86,742**

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 31.12.2021	31.12.2020
Fixed-income securities		
Government debt securities issued by EU member states	2	15
Other foreign government debt securities	37	15
Debt securities issued by quasi-governmental entities	17	16
Corporate bonds	375	364
Investment funds	90	123
Covered bonds/asset-backed securities	4	4
Profit participation certificates	15	30
Other	1	18
Total fixed-income securities	**541**	**585**
Investment funds (variable-yield securities)	28	22
Other variable-yield securities	23	18
Total financial instruments classified at fair value through profit or loss	**592**	**625**
Investment funds (variable-yield securities)	164	135
Derivatives	341	307
Total financial instruments held for trading	**504**	**442**
Total	**1,096**	**1,067**

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

CONTRACTUAL MATURITIES OF FIXED-INCOME SECURITIES

EUR million	Fair value 31.12.2021	31.12.2020
Due within 1 year	159	84
More than 1 year and up to 2 years	34	39
More than 2 years and up to 3 years	56	46
More than 3 years and up to 4 years	134	30
More than 4 years and up to 5 years	—	68
More than 5 years and up to 10 years	64	181
More than 10 years	94	136
Total	**541**	**585**

RATING STRUCTURE FOR FIXED-INCOME SECURITIES

EUR million	Fair value 31.12.2021	31.12.2020
AAA	—	—
AA	—	—
A	165	168
BBB or lower	188	132
Not rated	188	284
Total	**541**	**585**

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 0 (0) million in the reporting period and EUR –2 (0) 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 31.12.2021	31.12.2020
Loans and receivables	619	709
Available-for-sale financial instruments	5,765	4,663
Financial instruments at fair value through profit or loss	14	20
Non-current assets from infrastructure investments	423	457
Total	**6,821**	**5,849**

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	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Investments in partnerships	3,399	2,854	1,149	641	4,548	3,495
Other participating interests	192	230	75	14	267	244
Other short-term investments	951	924	—	—	951	924
Total	**4,542**	**4,008**	**1,224**	**655**	**5,765**	**4,663**

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	31.12.2021	31.12.2020
AAA	—	—
AA	74	78
A	395	342
BBB or lower	366	433
Not rated	116	71
Total	**951**	**924**

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	2021	2020
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	**202**	**142**
Depreciation and impairment losses		
Depreciation	34	34
Impairment losses	—	27
Exchange rate changes	—	—
Accumulated depreciation and impairment losses as at 31.12. of the financial year	**236**	**202**
Carrying amount as at 31.12. of the previous year	457	517
Carrying amount as at 31.12. of the financial year	**423**	**457**

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	31.12.2021	31.12.2020
Loans and receivables	3	41
Financial instruments classified at fair value through profit or loss	1,454	1,223
Total	**1,457**	**1,265**

Loans and receivables

CLASSIFICATION OF INVESTMENTS UNDER INVESTMENT CONTRACTS

	Amortised cost		Fair value	
EUR million	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Due within 1 year	3	41	3	41
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**	**41**	**3**	**41**

RATING STRUCTURE

	Amortised cost	
EUR million	31.12.2021	31.12.2020
AAA	—	—
AA	—	—
A	2	2
BBB or lower	1	39
Not rated	—	—
Total	**3**	**41**

RATING STRUCTURE

	Fair value	
EUR million	31.12.2021	31.12.2020
AAA	20	19
AA	19	25
A	106	122
BBB or lower	1,111	867
Not rated	198	190
Total	**1,454**	**1,223**

Financial instruments classified at fair value through profit or loss

CONTRACTUAL MATURITIES

	Fair value	
EUR million	31.12.2021	31.12.2020
Due within 1 year	55	61
More than 1 year and up to 2 years	31	16
More than 2 years and up to 3 years	64	34
More than 3 years and up to 4 years	123	70
More than 4 years and up to 5 years	66	138
More than 5 years and up to 10 years	85	160
More than 10 years	1,029	745
Total	**1,454**	**1,223**

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% (4%) of the financial instruments at fair value at level 1 of the fair value hierarchy, 89% (90%) at level 2 and 7% (6%) at level 3.

Investment funds of EUR 4 million were transferred from Level 2 to Level 1 in the financial year. (2020: no transfers between Level 1 and 2).

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
31.12.2021				
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 (hedging 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**
31.12.2020				
Financial assets measured at fair value				
Available-for-sale financial instruments				
Fixed-income securities	64	86,676	2	86,742
Variable-yield securities	1,233	91	1,401	2,725
Financial instruments at fair value through profit or loss				
Financial instruments classified at fair value through profit or loss	30	434	160	625
Derivatives held for trading	10	142	155	307
Other financial instruments held for trading	135	—	—	135
Other investments	924	242	3,517	4,684
Other assets, derivative financial instruments	—	35	—	35
Investment contracts				
Financial instruments classified at fair value through profit or loss	1,042	—	181	1,223
Total financial assets measured at fair value	**3,440**	**87,621**	**5,415**	**96,476**
Financial liabilities measured at fair value				
Other liabilities (negative fair values from derivative financial instruments)				
Negative fair values from derivatives	—	94	122	216
Negative fair values from hedging instruments	—	13	—	13
Other liabilities (investment contracts)				
Financial instruments classified at fair value through profit or loss	332	711	181	1,224
Total financial liabilities measured at fair value	**332**	**818**	**303**	**1,453**

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

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

RECONCILIATION OF FINANCIAL INSTRUMENTS[1] (FINANCIAL ASSETS) CLASSIFIED AS LEVEL 3 AT THE BEGINNING OF THE REPORTING PERIOD TO CARRYING AMOUNTS AS AT 31 DECEMBER 2021

EUR million	Available for sale FI/ fixed-income securities	Available for sale FI/ variable-yield securities	FI classified at fair value through profit or loss	Derivatives held for trading	Other investments	Investment contracts/FI classified at fair value through profit or loss	Total financial assets measured at fair value
2021							
Opening balance at 1.1.2021	**2**	**1,401**	**160**	**155**	**3,517**	**181**	**5,415**
Income and expenses							
recognised in the statement of income	–2	–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**
2020							
Opening balance at 1.1.2020	**3**	**1,227**	**84**	**160**	**3,242**	**201**	**4,918**
Income and expenses							
recognised in the statement of income	—	–19	–4	39	–69	1	–53
recognised in other comprehensive income	—	–3	—	—	92	—	89
Transfers into Level 3	—	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—	—
Additions							
Purchases	—	338	96	56	709	7	1,206
Disposals							
Sales	1	105	2	92	287	16	504
Repayments/redemptions	—	—	10	—	—	—	10
Exchange rate changes	—	–37	–4	–9	–168	–12	–231
Closing balance at 31.12.2020	**2**	**1,401**	**160**	**155**	**3,517**	**181**	**5,415**

[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 2021

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
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**
2020			
Opening balance at 1.1.2020	**123**	**201**	**325**
Income and expenses			
recognised in the statement of income	1	–1	—
recognised in other comprehensive income	—	—	—
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Additions			
Purchases	5	7	12
Disposals			
Sales	—	16	17
Exchange rate changes	–5	–12	–17
Closing balance at 31.12.2020	**122**	**181**	**303**

[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
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
2020							
Gains and losses in financial year 2020							
Investment income	—	—	5	39	—	20	64
Investment expenses	—	–19	–9	—	–69	–19	–117
of which attributable to financial instruments included in the portfolio as at 31.12.2020							
Investment income[2]	—	—	5	39	—	20	64
Investment expenses[3]	—	–19	–9	—	–69	–19	–117

[1] The term “financial instruments” is abbreviated to “FI” in the following.
[2] Of which EUR 48 (64) million attribute to unrealised gains.
[3] Of which EUR 28 (29) 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
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
2020			
Gains and losses in financial year 2020			
Investment income	8	19	27
Investment expenses	–1	–20	–21
Financing costs	–6	—	–6
of which attributable to financial instruments included in the portfolio as at 31.12.2020			
Investment income[2]	8	19	27
Investment expenses[3]	–1	–20	–21
Financing costs[4]	–6	—	–6

[1] The term “financial instruments” is abbreviated to FI in the following.
[2] Of which EUR 28 (27) million attributable to unrealised gains.
[3] Of which EUR 8 (21) million attributable to unrealised losses.
[4] Of which EUR 9 (–6) million attributable to unrealised gains.

ADDITIONAL INFORMATION ABOUT THE MEASUREMENT OF LEVEL 3 FINANCIAL INSTRUMENTS

EUR million	Fair value 31.12.2021	Fair value 31.12.2020	Measurement technique	Unobservable inputs	Fluctuation (weighted average)
CDOs/CLOs [1]	9	19	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]	3,077	1,591	NAV method [3]	n. a.	n. a.
Private equity funds/private equity real estate funds [2]	3,182	3,199	NAV method [3]	n. a.	n. a.
Written put options for non-controlling interests [2]	88	95	Discounted NAV [3]	n. a.	0%–3.945% (0%–0.87%)
Unlisted bond funds [2]	122	110	NAV method [3]	n. a.	n. a.
Insurance related contracts [1]	274	275	Present value method	Fair values of CAT bonds, credit-spread	n. a. [4]
Investment contracts	292	362	—	—	—
Unlisted bonds	182	48	Present value method	Remeasurement rate, credit spread	2.2% (2.4%) n. a.
Interest rate swaps	—	18	Present value method	credit spread	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 7.2 (5.7) billion as at the reporting date. Of this figure, the Group generally measures EUR 6.5 (5.0) 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 146 (181) 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 274 (275) 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 191 (85) million (3% (1%) 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 [2]	Fair value
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**
31.12.2020				
Financial assets not measured at fair value				
Loans and receivables [1]	34	29,771	2,537	32,342
Held-to-maturity financial instruments	—	494	—	494
Other investments	40	37	632	709
Investment contracts – loans and receivables	1	41	—	41
Total financial assets not measured at fair value [2]	**75**	**30,342**	**3,170**	**33,586**
Financial liabilities not measured at fair value				
Subordinated liabilities	809	2,976	1	3,785
Notes payable	49	2,283	153	2,485
Other commitments under investment contracts	—	54	—	54
Total financial liabilities not measured at fair value	**857**	**5,313**	**154**	**6,324**

1 Adjusted in accordance with IAS 8, see the "Accounting policies" section of these Notes.
2 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 144ff.

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 or cash flow hedges, depending on their purpose.

DERIVATIVE FINANCIAL INSTRUMENTS, BY BALANCE SHEET ITEM

EUR million	Hedging instrument under IAS 39	31.12.2021	31.12.2020
Balance sheet item (positive fair values)			
Financial instruments at fair value through profit or loss, financial instruments held for trading (derivatives)	No	341	307
Other assets, derivative financial instruments (hedging instruments)	Yes	11	35
Balance sheet item (negative fair values)			
Other liabilities:			
Liabilities from derivatives	No	−207	−216
Liabilities from derivatives (hedging instruments)	Yes	−58	−13
Total		**88**	**113**

Derivative financial instruments – not including hedging instruments – generated an unrealised gain of EUR 29 (73) million in the financial year. The gain realised on positions closed out in 2021 amounted to EUR 11 (−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 88 (113) million at the reporting date, corresponding to 0.0% (0.1%) 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

EUR million	31.12.2021 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	31.12.2020 Total
Interest rate hedges							
Fair value	7	−56	1	5	—	−43	24
Notional amount	474	602	113	139	—	1,329	1,572
Currency hedges							
Fair value	−16	−32	−12	−5	—	−64	−46
Notional amount	3,464	574	401	46	—	4,485	2,573
Equity and index hedges							
Fair value	19	—	−54	—	—	−35	−42
Notional amount	466	—	−66	—	—	401	359
Inflation hedges							
Fair value	—	—	—	—	—	—	—
Notional amount	—	1	—	—	—	1	—
Derivatives associated with insurance contracts [1]							
Fair value	32	70	14	31	63	209	194
Credit risk							
Fair value	2	8	41	—	—	52	15
Notional amount	155	157	246	—	—	558	392
Other risks							
Fair value	−31	—	—	—	—	−31	−31
Notional amount	−31	—	—	—	—	−31	−31
Total hedges							
Fair value	**14**	**−10**	**−9**	**30**	**63**	**88**	**113**
Notional amount	**4,528**	**1,334**	**695**	**185**	**—**	**6,742**	**4,865**

[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
31.12.2021					
Derivatives (positive fair values)	102	29	46	—	28
Derivatives (negative fair values)	113	19	40	34	20
31.12.2020					
Derivatives (positive fair values)	114	28	56	—	30
Derivatives (negative fair values)	90	17	35	18	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 20 (losses: 12) million from the hedge derivatives were recognised in the reporting period, along with losses of EUR 19 (gains: 15) 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.

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.

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	2021	2020
Carrying amount as at 31.12. of the previous year (before taxes)	253	281
Additions (hedges of forecast transactions)	–105	37
Additions (hedges of price risks)	1	–10
Additions (hedges of currency risks relating to long-term investments)	—	–1
Reversals to the statement of income (hedges of forecast transactions)	–31	–55
Reversals to the statement of income (hedges of price risks)	—	—
Reversals to the statement of income (exercise of forward sales)	—	—
Carrying amount as at 31.12. of the financial year (before taxes)	**118**	**253**

The reserve for cash flow hedges changed by EUR –135 (–28) million before taxes and by EUR –130 (–24) million net of taxes in the reporting period. A total of EUR 21 (42) million was amortised in the statement of income in 2021 in connection with forward purchases falling due and EUR 10 (13) 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 (in “Net investment income”).

The expected cash flows from cash flow hedges were as follows:

CASH FLOWS OF HEDGED FORECAST TRANSACTIONS

EUR million	31.12.2021	31.12.2020
Cash flows of hedged items	**525**	**366**
Due within 1 year	42	54
More than 1 year and up to 5 years	484	312
More than 5 years and up to 10 years	—	—

There were no forecast transactions in 2021 that had previously been included in hedging relationships that are no longer likely to occur in the future.

Hedges of a net investment in a foreign business

As at the reporting date, the Group held derivative financial instruments (currency forwards) in the area of reinsurance that were entered into as hedges of currency risks relating to long-term investments in foreign businesses.

No material ineffectiveness resulted from hedges of currency risks relating to long-term investments in either the reporting period or the prior year.

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	31.12.2021	31.12.2020
Fair value hedges		
Forward sales	8	–7
Cash flow hedges		
Forward securities transactions	–56	29
Equity swaps	2	—
	–54	**29**
Hedges of currency risks relating to long-term investments		
Currency forwards	—	—
Total	**–46**	**22**

Net gains or losses on hedging derivatives recognised in the statement of income in the reporting period amounted to EUR 50 (43) million. They related to the amortisation of equity amounts (EUR 31 (55) 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 20 [–12] 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 1 (15) 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 expenses of EUR 15 million before taxes (income of EUR 6 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 26 (58) million. The changes in the value of this derivative in the financial year depressed earnings by EUR 35 million (lifted earnings by EUR 34 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 25 (32) 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 35 (39) 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 39 million (EUR 5 million other liabilities) 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 44 (4) 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 22 (27) million and of other financial instruments at fair value through profit or loss of EUR 136 (123) million. Overall, these contracts lifted earnings by EUR 2 (6) million in the financial year.

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 5 million in other financial instruments at fair value through profit or loss (prior year: EUR 2 million in other liabilities). Over the course of the year, the change in the fair value of the derivative resulted in earnings of EUR 10 (expenses: 2) million.

Overall, application of the accounting requirements for insurance derivatives led to the recognition as at the reporting date of assets totalling EUR 232 (228) million and of liabilities associated with insurance derivatives of EUR 23 (34) million. Increases in earnings of EUR 91 (83) million and decreases in earnings of EUR 50 (8) 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 2,652 (2,447) million; the equivalent of EUR 1,988 (1,902) 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	2021	2020
Accounts receivable on direct insurance business	3,549	3,078
of which		
from policyholders	1,707	1,572
from insurance intermediaries	1,842	1,506
Accounts receivable from reinsurance business	7,197	5,886
Carrying amount as at 31.12. of the financial year	**10,746**	**8,964**

ACCOUNTS RECEIVABLE ON INSURANCE BUSINESS THAT WERE PAST DUE BUT NOT IMPAIRED AT THE REPORTING DATE

EUR million	> 3 months < 1 year	> 1 year
31.12.2021		
Accounts receivable from policyholders	298	66
Accounts receivable from insurance intermediaries	91	32
Accounts receivable from reinsurance business	591	476
Total	**979**	**574**
31.12.2020		
Accounts receivable from policyholders	164	181
Accounts receivable from insurance intermediaries	81	53
Accounts receivable from reinsurance business	393	282
Total	**638**	**517**

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 487 (479) million on the reporting date; of this figure, EUR 98 (234) million was more than one year past due. Consequently, accounts receivable that were more than one year past due accounted for 2.8% (7.6%) of total accounts receivable. The combined average default rate in the past three years was 0.5% (0.6%). The default rate in 2021 was 0.4% (0.4%).

Accounts receivable from the reinsurance business that were more than 90 days past due totalled EUR 1,066 (675) million, of which EUR 476 (282) million was more than one year past due. The latter category therefore accounted for 6.6% (4.8%) 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 2021/2020	Carrying amount after risk provision
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**
31.12.2020			
Accounts receivable from policyholders	73	−3	1,572
Accounts receivable from insurance intermediaries	15	−8	1,506
Accounts receivable from reinsurance business	42	−4	5,886
Total	**130**	**−14**	**8,964**

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	2021	2020
Accumulated impairments as at 31.12. of the previous year	130	143
Change in basis of consolidation	9	—
Impairments in financial year	23	48
Reversals of impairment losses	27	53
Exchange rate changes	−2	−8
Accumulated impairments as at 31.12. of the financial year	**133**	**130**

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 1.2% (1.4%) of total accounts receivable.

Accounts receivable from passive reinsurance business in the primary insurance companies including Corporate Operations amounted to EUR 638 (629) million (after deduction of impairments). 68% (88%) 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 7.2 (5.9) billion, 44% (51%) had a category A rating or better.

IMPAIRMENT RATES

%	31.12.2021	31.12.2020
Accounts receivable from policyholders	4.0	4.4
Accounts receivable from insurance intermediaries	0.9	1.0
Accounts receivable from reinsurance business	0.6	0.7

ANNUAL DEFAULT RATES

%	31.12.2021	31.12.2020
Accounts receivable from policyholders	0.8	0.8
Accounts receivable from insurance intermediaries	—	0.1
Accounts receivable from reinsurance business	0.2	0.3

(15) Deferred acquisition costs

DEFERRED ACQUISITION COSTS

EUR million	2021			2020[1]		
	Gross business	Reinsurers' share	Net business	Gross business	Reinsurers' share	Net business
Carrying amount as at 31.12. of the previous year	**5,894**	**366**	**5,528**	**6,310**	**370**	**5,940**
Change in basis of consolidation	—	—	—	—	—	—
Portfolio entries/withdrawals	—	—	—	—	—	—
Additions	1,871	173	1,698	1,803	213	1,590
Impairments	1,499	141	1,359	1,984	203	1,781
Currency adjustments	167	8	160	−235	−14	−221
Disposal groups in accordance with IFRS 5	−7	—	−7	—	—	—
Carrying amount as at 31.12. of the financial year	**6,425**	**405**	**6,020**	**5,894**	**366**	**5,528**

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

(16) Other assets

OTHER ASSETS

EUR million	2021	2020 [1]
Real estate held and used	835	829
Tax assets	669	769
Operating and office equipment	146	151
Interest and rent due	22	23
Derivative financial instruments – hedging instruments, hedge accounting	11	35
Miscellaneous assets	1,469	1,231
Carrying amount as at 31.12. of the financial year	**3,153**	**3,036**

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

The fair value of real estate held and used amounted to EUR 1,043 (1,004) million as at the reporting date. EUR 173 (173) million of this amount is attributable to Level 2 of the fair value hierarchy and EUR 870 (831) 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 315 (220) million as at 31 December 2021. Capitalised expenditures for property, plant and equipment under construction totalled EUR 5 (8) million as at the reporting date.

CHANGES IN REAL ESTATE HELD AND USED

EUR million	2021	2020
Gross carrying amount as at 31.12. of the previous year	**1,153**	**1,164**
Change in basis of consolidation (addition)		
Business combinations	39	—
Additions	12	18
Disposals	30	55
Reclassifications	–35	15
Other changes	60	32
Exchange rate changes	1	–22
Gross carrying amount as at 31.12. of the financial year	**1,199**	**1,153**
Accumulated depreciation and impairment losses as at 31.12. of the previous year	**324**	**267**
Disposals	1	32
Depreciation and impairment losses		
Depreciation	80	79
Impairment losses	1	—
Reversal of impairment	2	2
Reclassifications	–12	18
Other changes	–26	–2
Exchange rate changes	—	–5
Accumulated depreciation and impairment losses as at 31.12. of the financial year	**364**	**324**
Carrying amount as at 31.12. of the previous year	829	897
Carrying amount as at 31.12. of the financial year	**835**	**829**

CHANGES IN OPERATING AND OFFICE EQUIPMENT

EUR million	2021	2020
Gross carrying amount as at 31.12. of the previous year	**476**	**485**
Change in basis of consolidation (additions)		
Business combinations	1	—
Additions	37	56
Disposals	51	57
Reclassifications	8	9
Other changes	2	—
Exchange rate changes	—	–17
Gross carrying amount as at 31.12. of the financial year	**472**	**476**
Accumulated depreciation and impairment losses as at 31.12. of the previous year	**325**	**338**
Disposals	49	54
Depreciation and impairment losses		
Depreciation	49	52
Exchange rate changes	1	–10
Accumulated depreciation and impairment losses as at 31.12. of the financial year	**326**	**325**
Carrying amount as at 31.12. of the previous year	151	147
Carrying amount as at 31.12. of the financial year	**146**	**151**

MISCELLANEOUS ASSETS

EUR million	2021	2020 [1]
Trade accounts receivable	139	115
Receivables relating to investments	82	73
Receivables from non-Group-led business	482	430
Other tangible assets	25	21
Claims under pension liability insurance/ surrender values	120	117
Prepaid insurance benefits	103	116
Deferred income	100	89
Other miscellaneous assets	418	269
Total	**1,469**	**1,231**

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

Notes to the consolidated balance sheet – equity and liabilities

(17) Equity

Changes in equity and non-controlling interests

COMPOSITION OF EQUITY

EUR million	31.12.2021	31.12.2020[1]
Subscribed capital	316	316
Capital reserves	1,385	1,373
Retained earnings	7,698	7,413
Other reserves	366	617
Group net income	1,011	648
Non-controlling interests in equity	7,169	6,732
Total	**17,945**	**17,099**

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

The EUR 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 2,295 (2,039) million (after deferred taxes).

Other reserves include gains and losses from currency translation of EUR –380 (–695) million.

UNREALISED GAINS AND LOSSES INCLUDED IN OTHER RESERVES

EUR million	31.12.2021	31.12.2020
From available-for-sale investments	4,340	7,271
From cash flow hedges	121	244
From the measurement of associates using the equity method	–14	–12
Other changes	–1,139	–1,302
less/plus		
Policyholder participation/shadow accounting[1]	–2,529	–4,567
Deferred taxes recognised directly in equity	–33	–323
Non-controlling interests in equity	1,076	995
Total	**1,823**	**2,307**

[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	31.12.2021	31.12.2020
Unrealised gains and losses on investments	1,174	1,599
Share of net income	718	522
Other equity	5,276	4,610
Total	**7,169**	**6,732**

Subscribed capital

The share capital was EUR 316 million and is composed of 253,100,132 (252,797,634) no-par value registered shares; it is fully paid up. The nominal value per share is EUR 1.25.

For details of equity, please see the "Consolidated statement of changes in equity".

Contingent capital

On 11 May 2017, the Annual General Meeting resolved to contingently increase the share capital by up to EUR 126 million by issuing up to 101,119,057 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 10 May 2022 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 32 million by issuing up to 25,279,760 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 to be issued by Talanx AG or its subordinate Group companies within the meaning of section 18 of the AktG in the period between 11 May 2017 and 10 May 2022 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 14 June 2017.

Authorised capital

On 11 May 2017, 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 10 May 2022 by a maximum of EUR 158 million by issuing new no-par value registered shares in exchange for cash or noncash contributions. Subject to the approval of the Supervisory Board, EUR 1 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 20% of the share capital. The amendment to the Articles of Association took effect on its entry in the commercial register on 14 June 2017.

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 2021, under which adult trainees/employees at German companies (excluding Hannover Rück SE) could acquire up to 288 discounted Talanx shares. For this year's employee share programme, 302,498 new shares were created by way of a capital increase using authorised capital, increasing the number of no-par-value shares to 253,100,132. Subscribed capital rose by EUR 378,122.50 in connection with this capital increase. The exercise price was based on the lowest daily rate on the Frankfurt and Hannover stock exchanges on 29 October 2021 and came to EUR 41.04, less the discount of EUR 5 to EUR 15 per share. The transaction resulted in personnel expenses of EUR 2.5 million. The employee shares are subject to a lock-up period, which expires on 1 December 2023. In the prior year, 118,007 treasury shares were bought back for the employee share programme, resulting in personnel expenses of EUR 1.2 million.

(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.

On 1 December 2021, Talanx AG placed a EUR 500 million subordinated green bond on the European capital market for the first time. The bond has a maturity of 21 years. The bond cannot be called under normal conditions before 1 June 2032. The bond has a fixed coupon of 1.750% p.a. for the first ten years of the term and then has a variable interest rate over the three-month EURIBOR.

Hannover Rück SE placed a subordinated bond of EUR 750 million on the European capital market on 22 March 2021. The bond has a maturity of 21 years. The bond cannot be called under normal conditions before 30 December 2031. The bond has a fixed coupon of 1.375% p.a. for the first ten years of the term and then has a variable interest rate of 2.33% over the three-month EURIBOR.

LONG-TERM SUBORDINATED DEBT

EUR million	Nominal amount	Coupon	Maturity	Rating [2]	Issue	31.12.2021	31.12.2020
Talanx AG	750	Fixed (2.25%)	2017/2047	(—; A–)	These guaranteed subordinated bonds were issued in 2017 on the European capital market. They can be called under normal conditions for the first time in 2027.	750	750
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	—
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.	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.	495	495
Hannover Rück SE	750	Fixed (1.125%), then floating rate	2019/2039	(—; A)	These guaranteed subordinated bonds were issued on the European capital market in 2019. They can be called for the first time under normal conditions in 2029.	742	741
Hannover Rück SE [1]	450	Fixed (3.375%), then floating rate	2014/ohne Endfälligkeit	(a+; A)	These guaranteed subordinated bonds were issued on the European capital market in 2014. They can be called for the first time under normal conditions in 2025.	447	447
Hannover Finance (Luxembourg) S.A.	500	Fixed (5.0%), then floating rate	2012/2043	(aa–; A)	These guaranteed subordinated bonds in the amount of EUR 500 million were issued in 2012 on the European capital market. They can be called for the first time under normal conditions after ten years.	499	499
Talanx Finanz (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. They can be called for the first time under normal conditions after ten years.	500	500
HDI Italia S.p.A. (formerly: Amissima Assicurazioni S.p.A.)	25	Fixed (7.25%)	2020/2030	(—; —)	These subordinated bonds in the amount of EUR 25 million were issued in 2020 on the European capital market. They can be called for the first time under normal conditions after five years.	35	—
HDI Assicurazioni S.p.A.	27	Fixed (5.5%)	2016/2026	(—; —)	Subordinated loan	27	27
HDI Assicurazioni S.p.A.	11	Fixed (5,7557%)	2020/2030	(—; —)	Two subordinated loans, callable after ten years.	11	11
HDI Global SE	13	Fixed (1.70%), then floating rate	2021/2041	(—; —)	Two subordinated loans, callable after ten years.	13	3
Magyar Posta Életbiztosító Zrt.	1	Fixed (7.57%)	2015/2045	(—; —)	Subordinated loan, callable for the first time after ten years.	1	1
Total						**4,759**	**3,473**

[1] In addition, Group companies (included in the consolidated financial statements) held bonds with a nominal amount of EUR 50 million as at the reporting date.
[2] A.M. Best debt rating; S&P debt rating.

FAIR VALUES OF SUBORDINATED LIABILITIES MEASURED AT AMORTISED COST

EUR million	31.12.2021	31.12.2020
Amortised cost	4,759	3,473
Unrealised gains/losses	148	313
Fair value	4,907	3,785

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 –131 (–137) million from subordinated liabilities in the reporting period consisted of interest expenses in the amount of EUR 129 (135) million and amortisation expenses (EUR 2 [2] million).

SUBORDINATED LIABILITIES: MATURITIES

EUR million	31.12.2021	31.12.2020
Due within 1 year	—	—
More than 1 year and up to 5 years	27	—
More than 5 years and up to 10 years	45	38
More than 10 years and up to 20 years	1,250	1,236
More than 20 years	2,989	1,750
No fixed maturity	448	450
Total	**4,759**	**3,473**

(19) Unearned premium reserve

UNEARNED PREMIUM RESERVE

	2021			2020		
EUR million	Gross	Re	Net	Gross	Re	Net
Balance at 31.12. of the previous year	**10,538**	**908**	**9,630**	**9,837**	**740**	**9,097**
Change in basis of consolidation	161	46	115	—	—	—
Portfolio entries/withdrawals	–1	—	–1	3	—	3
Additions	4,448	656	3,792	4,178	752	3,426
Reversals	3,352	750	2,602	2,731	509	2,222
Disposal groups in accordance with IFRS 5	–2	—	–1	—	—	—
Exchange rate changes	362	24	338	–749	–76	–674
Balance at 31.12. of the financial year	**12,154**	**883**	**11,271**	**10,538**	**908**	**9,630**

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

	2021			2020		
EUR million	Gross	Re	Net	Gross	Re	Net
Balance at 31.12. of the previous year	**56,932**	**440**	**56,492**	**56,859**	**1,121**	**55,738**
Portfolio entries/withdrawals	90	–1	91	–486	–239	–248
Additions	4,812	5	4,807	6,248	–375	6,623
Reversals	4,322	37	4,284	5,078	37	5,041
Reclassifications	3	—	3	—	—	—
Disposal groups in accordance with IFRS 5	–491	—	–491	—	—	—
Exchange rate changes	464	15	449	–611	–30	–581
Balance at 31.12. of the financial year	**57,489**	**422**	**57,067**	**56,932**	**440**	**56,492**

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

	2021			2020		
EUR million	Gross	Re	Net	Gross	Re	Net
Due within 1 year	3,260	13	3,247	3,268	15	3,254
More than 1 year and up to 5 years	10,638	50	10,588	10,426	54	10,372
More than 5 years and up to 10 years	14,710	76	14,635	14,745	89	14,656
More than 10 years and up to 20 years	13,698	66	13,632	13,743	73	13,670
More than 20 years	11,904	61	11,843	11,265	63	11,203
Deposits	3,278	156	3,122	3,484	147	3,337
Total	**57,489**	**422**	**57,067**	**56,932**	**440**	**56,492**

(21) Loss and loss adjustment expense reserve

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVE

	2021			2020[1]		
EUR million	Gross	Re	Net	Gross	Re	Net
Balance at 31.12. of the previous year	**51,214**	**5,850**	**45,364**	**49,651**	**6,311**	**43,340**
Change in basis of consolidation	403	218	185	—	—	—
Portfolio entries/withdrawals	—	—	—	−21	−8	−12
plus						
Claims and claims expenses incurred (net); financial year	26,388	3,774	22,614	22,522	2,223	20,299
Claims and claims expenses incurred (net); previous year	4,108	528	3,581	4,244	867	3,377
Total claims and claims expenses incurred	30,496	4,302	26,195	26,766	3,090	23,676
minus						
Claims and claims expenses incurred (net); financial year	8,976	1,298	7,678	7,642	437	7,206
Claims and claims expenses incurred (net); previous year	14,435	1,920	12,515	15,011	2,783	12,229
Total claims and claims expenses incurred	23,411	3,218	20,193	22,653	3,220	19,434
Other changes	−104	−5	−100	—	4	−4
Exchange rate changes	1,943	140	1,803	−2,528	−327	−2,202
Balance at 31.12. of the financial year	**60,541**	**7,287**	**53,254**	**51,214**	**5,850**	**45,364**

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

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 2011 to 2021, 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 2011 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 2021.

Total net loss reserves for the Group amount to EUR 53.3 (45.4) billion. EUR 17.4 (15.0) billion of this figure is attributable to our property/casualty insurance companies in the primary insurance area (including Corporate Operations) and EUR 29.2 (24.7) billion to the Property/Casualty Reinsurance segment. The remaining EUR 6.7 (5.6) billion is attributable to the Life/Health Reinsurance segment (EUR 5.5 [4.5] billion) and the life primary insurance business (EUR 1.2 [1.1] 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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Loss and loss adjustment expense reserve [2]	**6,930**	**7,090**	**7,859**	**8,450**	**8,744**	**9,023**	**9,491**	**10,440**	**11,112**	**12,320**	**14,080**
Cumulative payments for the year in question and previous years											
One year later	1,488	1,100	1,641	1,741	1,873	1,909	2,024	2,336	2,195	2,015	
Two years later	1,812	1,866	2,369	2,584	2,807	2,790	3,075	3,328	3,225		
Three years later	2,334	2,352	2,913	3,189	3,381	3,414	3,714	3,997			
Four years later	2,707	2,780	3,347	3,593	3,841	3,863	4,176				
Five years later	3,062	3,109	3,670	3,951	4,170	4,200					
Six years later	3,326	3,372	3,959	4,199	4,420						
Seven years later	3,540	3,605	4,126	4,409							
Eight years later	3,735	3,738	4,302								
Nine years later	3,839	3,881									
Ten years later	3,962										
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	6,930	7,090	7,859	8,450	8,744	9,023	9,491	10,440	11,112	12,320	14,080
One year later	6,565	6,757	7,580	7,973	8,432	8,720	9,389	10,351	11,070	11,968	
Two years later	6,389	6,650	7,148	7,704	8,156	8,639	9,140	10,325	10,939		
Three years later	6,327	6,381	7,050	7,461	8,153	8,462	9,183	10,250			
Four years later	6,102	6,303	6,827	7,486	8,011	8,492	9,099				
Five years later	6,084	6,050	6,894	7,364	8,039	8,390					
Six years later	5,838	6,144	6,778	7,356	7,927						
Seven years later	5,937	6,052	6,805	7,360							
Eight years later	5,866	6,086	6,814								
Nine years later	5,956	6,153									
Ten years later	5,973										
Change year-on-year											
in the final loss reserve [3] = run-off result	**–17**	**–50**	**57**	**6**	**117**	**–11**	**–18**	**–8**	**55**	**222**	
%	**—**	**–1**	**1**	**—**	**1**	**—**	**—**	**—**	**—**	**2**	

1 The figures are presented net since this provides more meaningful information as to the final impact on Group net income.
2 Adjusted in accordance with IAS 8, see the "Accounting policies" section of these Notes.
3 Example: The difference for 2011 (EUR 5,956 million minus EUR 5,973 million = EUR –17 million) is calculated. This figure is recorded and then updated in each subsequent period, e.g. in 2012 by the change e.g. from 2011 to 2012. Therefore, in 2012 the first step involves calculating the difference between the two amounts for 2012 and then subtracting the result from the value for 2011 (calculation for 2012: EUR 6,086 million less EUR 6,153 million = EUR –67 million; subtracting EUR –17 million from EUR –67 million results in a figure of EUR –50 million for 2012). This process must then be repeated for each subsequent year.

The Group reported a positive run-off result of EUR 353 (45) 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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Loss and loss adjustment expense reserve	**16,598**	**17,222**	**17,788**	**19,698**	**21,709**	**22,664**	**22,815**	**24,253**	**26,490**	**27,902**	**32,562**
Cumulative payments for the year in question and previous years											
One year later	3,139	2,913	3,197	3,515	3,275	3,754	4,795	4,875	5,599	5,466	
Two years later	4,878	4,540	5,003	5,263	5,192	6,011	6,856	7,573	7,901		
Three years later	5,815	5,739	6,123	6,534	6,663	7,262	8,519	9,000			
Four years later	6,754	6,591	7,120	7,614	7,651	8,366	9,436				
Five years later	7,475	7,385	8,027	8,453	8,555	8,977					
Six years later	8,071	8,075	8,609	9,202	8,997						
Seven years later	8,582	8,547	9,193	9,533							
Eight years later	8,883	9,058	9,448								
Nine years later	9,313	9,261									
Ten years later	9,472										
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	16,598	17,222	17,788	19,698	21,709	22,664	22,815	24,253	26,490	27,902	32,562
One year later	16,309	16,739	17,603	19,191	20,838	21,497	22,070	23,412	25,879	27,054	
Two years later	15,915	16,386	16,962	18,061	19,403	20,512	20,769	22,504	24,749		
Three years later	15,468	15,868	15,913	17,109	18,408	19,438	20,009	21,657			
Four years later	14,846	15,156	15,057	16,225	17,432	18,683	19,348				
Five years later	14,172	14,456	14,295	15,391	16,760	18,073					
Six years later	13,534	13,769	13,491	14,746	16,219						
Seven years later	12,849	13,164	12,960	14,303							
Eight years later	12,315	12,750	12,590								
Nine years later	12,029	12,391									
Ten years later	11,715										
Change year-on-year											
in the final loss reserve[2] = run-off result	**314**	**45**	**11**	**74**	**97**	**70**	**51**	**186**	**283**	**–282**	
%	**2**	**—**	**—**	**—**	**—**	**—**	**—**	**1**	**1**	**–1**	

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 2011 (EUR 12.029 million minus EUR 11.715 million = EUR 314 million) is calculated. This figure is recorded and then updated in each subsequent period, e.g. in 2012 by the change e.g. from 2011 to 2012. Therefore, in 2012 the first step involves calculating the difference between the two amounts for 2012 and then subtracting the result from the value for 2011 (calculation for 2012: EUR 12,750 million less EUR 12,391 million = EUR 359 million; subtracting EUR 314 million from EUR 359 million results in a figure of EUR 45 million for 2011). This process must then be repeated for each subsequent year.

Property/Casualty Reinsurance recorded a positive run-off result of EUR 848 (591) million in financial year 2021; 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 7.3 (5.9) billion) includes cumulative specific valuation allowances of EUR 56 (52) million.

IFRS 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	31.12.2021 Gross	Re	Net	31.12.2020[1] Gross	Re	Net
Due within 1 year	18,139	2,073	16,066	15,256	1,664	13,593
More than 1 year and up to 5 years	23,198	3,188	20,010	19,620	2,542	17,078
More than 5 years and up to 10 years	8,923	1,082	7,841	7,580	868	6,712
More than 10 years and up to 20 years	5,298	596	4,702	4,446	490	3,956
More than 20 years	2,714	294	2,421	2,147	239	1,907
Deposits	2,268	54	2,214	2,165	47	2,118
Total	**60,541**	**7,287**	**53,254**	**51,214**	**5,850**	**45,364**

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

(22) Provision for premium refunds

PROVISION FOR PREMIUM REFUNDS

EUR million	2021 Gross	Re	Net	2020 Gross	Re	Net
Balance at 31.12. of the previous year	**9,114**	**1**	**9,112**	**8,511**	**1**	**8,510**
Change in basis of consolidation	—	—	—	–9	—	–9
Additions/reversals (—)	851	4	847	278	—	278
Changes attributable to other comprehensive income from investments	–1,890	—	–1,890	1,027	—	1,027
Disposals						
Life insurance policies	237	—	237	689	—	689
Liability/casualty policies with premium refunds	4	—	4	—	—	—
Other changes	—	—	—	1	—	1
Exchange rate changes	–1	—	–1	–5	—	–5
Balance at 31.12. of the financial year	**7,832**	**5**	**7,827**	**9,114**	**1**	**9,112**

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 2,128 (1,977) million of the gross provision for premium refunds is attributable to obligations associated with surplus participations and EUR 5,704 (7,137) million to deferred premium refunds, including the shadow provision for premium refunds.

(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 one-time deferrals of compensation by employees that provide a lump-sum 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	2021	2020
Final salary plans that depend on length of service		
Plan assets	–26	–68
Present value of defined benefit obligation	1,993	2,255
Effect of the asset ceiling	—	—
Surplus (net asset)	1	–1
Shortfall (net liability)	1,968	2,186
Plan based on pension modules		
Plan assets	—	—
Present value of defined benefit obligation	124	133
Effect of the asset ceiling	—	—
Surplus (net asset)	—	—
Shortfall (net liability)	124	133
Contribution-based plans with guarantees		
Plan assets	–335	–274
Present value of defined benefit obligation	442	398
Effect of the asset ceiling	1	1
Surplus (net asset)	—	—
Shortfall (net liability)	108	125
Balance at 31.12. of the financial year (net asset)	**1**	**—**
Balance at 31.12. of the financial year (net liability)	**2,200**	**2,445**

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 2021 and as at 31 December 2020.

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		Net provision	
EUR million	2021	2020	2021	2020	2021	2020	2021	2020
Balance at 1.1. of the financial year	**2,786**	**2,557**	**−342**	**−276**	**1**	**3**	**2,445**	**2,284**
Changes recognised in net income								
Current service cost	38	27	—	—	—	—	38	27
Past service cost and plan curtailments	−1	3	—	—	—	—	−1	3
Net interest component	13	24	−2	−4	—	—	11	20
Gain or loss from settlements	1	—	—	—	—	—	1	—
	51	**54**	**−2**	**−4**	**—**	**—**	**49**	**50**
Other comprehensive income								
Remeasurements								
Actuarial gains (−)/losses (+) from changes in biometric assumptions	−1	39	—	—	—	—	−1	39
Actuarial gains (−)/losses (+) from changes in financial assumptions	−177	225	—	—	—	—	−177	225
Experience adjustments	−3	14	—	—	—	—	−3	14
Return on plan assets (excluding interest income)	—	—	17	−51	—	—	17	−51
Change from asset adjustment	—	—	—	—	—	−2	—	−2
Exchange rate changes	−4	−5	—	—	—	—	−3	−5
	−185	**274**	**17**	**−51**	**—**	**−2**	**−167**	**220**
Other changes								
Employer contributions	—	—	−35	−23	—	—	−35	−23
Employee contributions and deferred compensation	1	1	—	−1	—	—	1	—
Benefits paid during the year	−85	−89	4	8	—	—	−81	−80
Business combinations and disposals	—	2	—	—	—	—	—	2
Effect of plan settlements	—	—	—	—	—	—	—	—
Exchange rate changes	−9	−12	−3	4	—	—	−12	−8
	−93	**−98**	**−34**	**−11**	**—**	**—**	**−127**	**−109**
Balance at 31.12. of the financial year	**2,560**	**2,786**	**−361**	**−342**	**1**	**1**	**2,200**	**2,445**

The structure of the investment portfolio underlying the plan assets was as follows:

PLAN ASSET PORTFOLIO STRUCTURE

%	2021	2020
Cash and cash equivalents	3	—
Equity instruments	3	2
Fixed-income securities	6	6
Real estate	2	2
Securities funds	13	11
Qualifying insurance contracts	71	76
Other	2	1
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 15 million. A return of EUR 55 million was recognised in the prior year.

Defined benefit obligations were measured on the basis of the following weighted assumptions:

DEFINED BENEFIT OBLIGATION ASSUMPTIONS

Weighted inputs/assumptions, %	2021	2020
Discount rate DBO	1.4	0.6
Net interest element discount factor [1]	0.3	0.7
Discount factor for current service cost [1]	0.6	1.2
Expected rate of salary increase [1]	2.9	2.5
Pension trend [1]	1.9	1.6

[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 15 (16) 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 2021:

EFFECT OF CHANGES IN ACTUARIAL ASSUMPTIONS

	Effect on defined benefit obligation			
	Parameter increase		Parameter decrease	
EUR million	2021	2020	2021	2020
Discount rate (+/– 0.5%)	–188	–213	196	242
Salary increase rate (+/– 0.25%)	8	8	–8	–8
Pension adjustment rate (+/– 0.25%)	68	78	–72	–85

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 95 (109) 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 2022, the Group anticipates employer contributions of EUR 22 (20) 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 79 (72) million was recognised for these commitments in the financial year, of which EUR 1 (0) 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	31.12.2021	31.12.2020
Provisions for income tax	299	327
Other tax provisions	236	210
Total	**535**	**537**

(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 31.12.2020	**75**	**47**	**159**	**17**	**45**	**99**	**118**	**374**	**934**
2021									
Change in basis of consolidation	—	—	3	1	—	1	—	7	**12**
Additions	73	—	140	1	21	110	1,286	197	**1,829**
Unwinding of discounts	—	—	—	—	—	—	—	–5	**–5**
Utilisation	23	—	98	3	17	106	1,251	168	**1,666**
Reversals	10	—	6	—	—	3	24	64	**108**
Change in fair value of plan assets	—	—	—	—	–1	—	—	—	**–1**
Other changes	–3	—	–1	—	3	—	—	—	**–1**
Exchange rate changes	—	—	2	—	—	–1	—	–9	**–7**
Carrying amount as at 31.12.2021	**112**	**47**	**199**	**17**	**51**	**100**	**130**	**333**	**988**

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 111 (74) million at the reporting date. The main occurrences in the reporting period were additions of EUR 73 million, utilisations of EUR 23 million and reversals of EUR 10 million. EUR 3 million was also transferred from the restructuring provision to the provision for partial retirement. Additions to provisions for restructuring resulted from the measures of the "GO25" programme and related projects. No significant unwinding of discounts took place in the reporting period.

Other provisions (EUR 333 [374] 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 67 (84) million and provisions for interest on tax back payments of EUR 60 (88) million. In addition, this item includes provisions for administrative expenses, land recultivation, litigation expenses (see the "Litigation" section), for outstanding contributions to the "Unterstützungskasse" (provident fund) and the "Schwerbehindertenabgabe" (disabled persons levy).

DURATIONS OF MISCELLANEOUS OTHER PROVISIONS

EUR million	Due within 1 year	Due between 1 and 5 years	Due after more than 5 years	Total
31.12.2021				
Restructuring	31	80	—	**112**
Assumption of third-party pension obligations in return for payment[1]	—	—	47	**47**
Bonuses and incentives	146	54	—	**199**
Anniversary bonuses[1]	—	—	17	**17**
Early retirement/partial retirement[1]	—	51	—	**51**
Other personnel expenses	89	11	1	**100**
Outstanding invoices	130	—	—	**130**
Other	247	73	12	**333**
Total	**643**	**269**	**77**	**988**
Total, previous year	**624**	**253**	**57**	**934**

[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	31.12.2021	31.12.2020
Talanx AG notes payable	1,065	1,065
Hannover Rück SE	745	744
Loans from infrastructure investments	75	84
Hannover Re Real Estate Holdings, Inc. mortgage loans	152	117
HR GLL Central Europe GmbH & Co. KG mortgage loans	146	145
Real Estate Asia Select Fund Limited mortgage loans	238	110
Others	11	13
Total	**2,432**	**2,279**

As at 31 December 2021, the Group had one syndicated variable-rate credit line with a nominal value of EUR 250 million. They had not been drawn down as at the reporting date.

Net expenses on notes payable and loans totalled EUR 57 (55) million and consisted essentially of interest expenses on bonds issued by Talanx AG (EUR 30 [30] million) and Hannover Rück SE (EUR 8 [8] million), net expenses from mortgage loans (EUR 10 [9] million), loans on infrastructure investments (EUR 3 [3] million) and amortisation (EUR 5 [3] million).

NOTES PAYABLE

EUR million	Nominal amount	Coupon	Maturity	Rating [1]	Issue	31.12.2021	31.12.2020
Talanx AG [2]	565	Fixed (3.125%)	2013/2023	(—; A+)	These senior unsecured bonds have a fixed term and can only be called for extraordinary reasons.	565	565
Talanx AG	500	Fixed (2.5%)	2014/2026	(—; A+)	These senior unsecured bonds have a fixed term and can only be called for extraordinary reasons.	500	500
Hannover Rück SE	750	Fixed (1.125%)	2018/2028	(—; AA–)	These unsubordinated unsecured bonds have a fixed term.	745	744
Total						**1,810**	**1,810**

[1] A. M. Best debt rating; S&P debt rating.
[2] Group companies also held bonds with a nominal amount of EUR 185 million as at the reporting date.

FAIR VALUE OF NOTES PAYABLE AND LOANS

EUR million	31.12.2021	31.12.2020
Amortised cost	2,432	2,279
Unrealised gains/losses	130	206
Fair value	**2,562**	**2,485**

NOTES PAYABLE AND LOANS: MATURITIES

EUR million	31.12.2021	31.12.2020
Due within 1 year	34	11
More than 1 year and up to 5 years	1,440	884
More than 5 years and up to 10 years	928	1,382
More than 10 years and up to 20 years	30	2
More than 20 years	—	—
Total	**2,432**	**2,279**

(27) Other liabilities

OTHER LIABILITIES

EUR million	2021	2020[1]
Liabilities under direct insurance business	1,843	1,926
of which to policyholders	1,062	1,252
of which to insurance intermediaries	780	675
Reinsurance payables	3,332	2,778
Lease liabilities	462	437
Trade accounts payable	205	173
Liabilities relating to investments	240	218
Liabilities relating to non-Group lead business	416	356
Liabilities from derivatives	264	229
of which negative fair values from derivative hedging instruments	58	13
Deferred income	58	53
Interest	87	81
Liabilities to social insurance institutions	19	18
Miscellaneous other liabilities	420	321
Total other liabilities (not including liabilities relating to investment contracts)	**7,347**	**6,591**
Other liabilities relating to investment contracts		
Other obligations measured at amortised cost	17	54
Financial instruments classified at fair value through profit or loss	1,454	1,224
Total other liabilities relating to investment contracts	**1,471**	**1,278**
Carrying amount as at 31.12. of the financial year	**8,818**	**7,868**

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

Other liabilities (not including liabilities relating to investment contracts)

Liabilities relating to investments include interim distributions of EUR 28 (16) 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 264 [229] 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	31.12.2021	31.12.2020[2]
Due within 1 year	1,486	1,270
More than 1 year and up to 5 years	378	319
More than 5 years and up to 10 years	228	213
More than 10 years and up to 20 years	38	46
More than 20 years	40	38
No fixed maturity	—	—
Total	**2,172**	**1,886**

[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 39 [45] million; 1–5 years: EUR 136 [88] million; 5–10 years: EUR 75 [83] million; 10–20 years: EUR 11 [10] million; more than 20 years: EUR 2 [3] million).

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

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	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Due within 1 year	16	53	16	53
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	**17**	**54**	**17**	**54**

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	8	21
More than 1 year, up to 5 years	183	173
More than 5 years, up to 10 years	79	97
More than 10 years, up to 20 years	102	91
More than 20 years	143	129
No fixed maturity	939	713
Total	**1,454**	**1,224**

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

EUR million	1.1.	Cash flows from financing activities	Non-cash items: Acquisition/ disposal of subsidiaries	Non-cash items: Exchange rate changes	Non-cash items: Other changes (mainly amortisation)	31.12.
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**				
2020						
Subordinated liabilities	3,479	−8	—	—	2	3,473
Notes payable and loans	2,308	−7	—	−23	1	2,279
Lease liabilities	442	−77	—	−17	88	437
Total debt from financing activities	**6,229**	**−92**	**—**	**−40**	**92**	**6,189**
Interest paid from financing activities		−181				
Total cash flows from other financing activities		**−274**				

(29) Deferred taxes

CHANGE IN RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES DURING THE YEAR

EUR million	31.12.2021 Deferred tax assets	31.12.2021 Deferred tax liabilities	31.12.2021 Net balance	31.12.2020 Deferred tax assets	31.12.2020 Deferred tax liabilities	31.12.2020 Net balance
Deferred tax assets and liabilities						
Other intangible assets (PVFP)	—	−54	−54	—	−51	−51
Investments	502	−954	−452	373	−1,264	−891
Funds withheld by ceding companies/funds withheld under reinsurance treaties	98	−2	96	91	−2	89
Accounts receivable on insurance business	106	−160	−54	127	−162	−35
Deferred acquisition costs [1]	59	−469	−410	60	−413	−353
Equalisation reserves	—	−1,879	−1,879	—	−1,684	−1,684
Loss reserves	981	−61	920	724	−155	569
Other technical provisions	249	−1,668	−1,419	458	−1,313	−855
Other provisions	414	−18	396	482	−24	458
Consolidation of intercompany balances	—	−26	−26	—	−14	−14
Other	1,032	−551	481	890	−723	167
Loss carryforwards	737	—	737	695	—	695
Impairments	−238	—	−238	−269	—	−269
Tax assets (liabilities) before offsetting	**3,940**	**−5,842**	**−1,902**	**3,631**	**−5,805**	**−2,174**
Recognised amounts offset	**−3,329**	**3,329**	**—**	**−3,308**	**3,308**	**—**
Tax assets (liabilities) after offsetting	**611**	**−2,513**	**−1,902**	**323**	**−2,497**	**−2,174**

[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 272 (−340) million. EUR 331 (−229) million was recognised in other comprehensive income, thereby increasing (decreasing) equity, while EUR −115 (−118) 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	2021	2020[1]
Gross written premiums, including premiums from unit-linked life and annuity insurance	45,507	41,109
Savings elements of premiums from unit-linked life and annuity insurance	1,008	890
Ceded written premiums	5,446	4,819
Change in gross unearned premiums	−1,096	−1,446
Change in ceded unearned premiums	94	−235
Net premiums earned	**37,863**	**34,190**

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

(31) Net investment income

NET INVESTMENT INCOME

EUR million	2021	2020[1]
Income from real estate	362	306
Dividends[2]	85	137
Current interest income	2,622	2,532
Other income	637	358
Ordinary investment income	**3,706**	**3,333**
Income from reversal of impairment losses	2	—
Realised gains on disposal of investments	1,619	1,600
Unrealised gains on investments	155	233
Investment income	**5,483**	**5,166**
Realised losses on disposal of investments and expenses	302	394
Unrealised losses on investments	131	156
Total	**432**	**550**
Depreciation of/impairment losses on investment property		
Depreciation	78	66
Impairment losses	21	6
Impairment losses on equity securities	6	53
Impairment losses on fixed-income securities	81	16
Impairment losses on participat ing interests	1	—
Amortisation of/impairment losses on other investments		
Amortisation	34	34
Impairment losses	46	126
Investment management expenses	181	168
Other expenses	142	116
Other investment expenses/impairment losses	**590**	**586**
Investment expenses	**1,022**	**1,136**
Net income from assets under own management	**4,460**	**4,030**
Net income from investment contracts	**3**	**—**
Interest income from funds withheld and contract deposits	459	346
Interest expense from funds withheld and contract deposits	204	136
Net interest income from funds withheld and contract deposits	**255**	**210**
Net investment income	**4,718**	**4,240**

[1] Adjusted in accordance with IAS 8, see the „Accounting policies" section of these Notes.
[2] Income from shares in associates and joint ventures is reported under "Dividends".

Net gains and losses on investments

Including investment management expenses (EUR 181 [168] million) and other expenses for assets under own management (EUR 142 [116] million), total net investment income as at the reporting date amounted to EUR 4,718 (4,240) 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]
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.

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[3]
2020[1]									
Shares in affiliated companies and participating interests	17	—	—	4	9	—	—	—	**4**
Loans and receivables	754	2	590	2	1	—	—	—	**1,344**
Held-to-maturity financial instruments	14	—	—	—	—	—	—	—	**14**
Available-for-sale financial instruments									
Fixed-income securities	1,737	–56	788	102	15	—	—	—	**2,351**
Variable-yield securities	71	—	60	13	72	—	—	—	**47**
Financial instruments at fair value through profit or loss									
Financial instruments classified at fair value through profit or loss									
Fixed-income securities	23	—	13	12	—	—	12	14	**22**
Variable-yield securities	1	—	2	18	—	—	3	—	**–12**
Financial instruments held for trading									
Variable-yield securities	—	—	17	12	—	—	—	—	**5**
Derivatives	14	—	43	81	—	—	111	25	**62**
Other investments (financial instruments)	397	3	13	—	130	—	—	1	**283**
Other[2]	355	—	74	150	74	—	106	116	**195**
Assets under own management	**3,384**	**–51**	**1,600**	**394**	**301**	**—**	**233**	**156**	**4,314**
Financial instruments classified at fair value through profit or loss (assets)	2	—	5	7	—	—	70	33	**38**
Financial instruments classified at fair value through profit or loss (liabilities)	—	—	4	3	—	—	19	58	**–37**
Other[4]	2	–2	—	—	—	—	—	—	**—**
Net income from investment contracts	**4**	**–2**	**9**	**10**	**—**	**—**	**89**	**91**	**—**
Funds withheld by ceding companies/funds withheld under reinsurance treaties	210	—	—	—	—	—	—	—	**210**
Total	**3,598**	**–53**	**1,609**	**404**	**301**	**—**	**322**	**247**	**4,524**

[1] Adjusted in accordance with IAS 8, see the „Accounting policies" section of these Notes.
[2] The "Other" item is used for reconciliation to the consolidated statement of income and combines expenses of EUR 122 million from precautionary payments to avoid interest rate risks from additional claims notices, gains on investment property, and income from infrastructure investments, associates and derivative financial instruments with negative fair values under "Losses on disposal and expenses". 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] Excluding investment management expenses and other expenses.
[4] The "Other" item contains income (EUR 13 million) and expenses (EUR 12 million) from the management of investment contracts. Amortisation of PVFP totalled EUR 2 million.

INTEREST INCOME FROM INVESTMENTS

EUR million	2021	2020 [1]
Loans and receivables	650	756
Held-to-maturity financial instruments	16	14
Available-for-sale financial instruments	1,865	1,681
Financial assets at fair value through profit or loss		
Financial instruments classified at fair value through profit or loss	21	23
Other	67	58
Financial instruments classified at fair value through profit or loss – investment contracts	4	2
Total	**2,624**	**2,535**

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

(32) Claims and claims expenses

CLAIMS AND CLAIMS EXPENSES

EUR million	2021	2020 [1]
Gross		
Claims and claims expenses paid	26,460	25,734
Change in loss and loss adjustment expense reserve	7,086	4,113
Change in benefit reserve	504	1,161
Expenses for premium refunds	1,000	−296
Total	**35,050**	**30,711**
Reinsurers' share		
Claims and claims expenses paid	3,283	3,291
Change in loss and loss adjustment expense reserve	1,084	−113
Change in benefit reserve	−32	−412
Expenses for premium refunds	4	1
Total	**4,338**	**2,767**
Net		
Claims and claims expenses paid	23,176	22,443
Change in loss and loss adjustment expense reserve	6,002	4,226
Change in benefit reserve	537	1,573
Expenses for premium refunds	996	−297
Total	**30,711**	**27,944**

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

(33) Acquisition costs and administrative expenses

ACQUISITION COSTS AND ADMINISTRATIVE EXPENSES

EUR million	2021	2020 [1]
Gross		
Acquisition costs and reinsurance commissions	8,934	8,221
Changes in deferred acquisition costs and in provisions for commissions	−286	161
Total acquisition costs	**8,648**	**8,381**
Administrative expenses	1,329	1,316
Total acquisition costs and administrative expenses	**9,977**	**9,697**
Reinsurers' share		
Acquisition costs and reinsurance commissions	779	718
Changes in deferred acquisition costs and in provisions for commissions	−32	−8
Total acquisition costs	**747**	**711**
Net		
Acquisition costs and reinsurance commissions	8,155	7,502
Changes in deferred acquisition costs and in provisions for commissions	−253	168
Total acquisition costs	**7,901**	**7,671**
Administrative expenses	1,329	1,316
Total acquisition costs and administrative expenses	**9,230**	**8,986**

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

(34) Other income/expenses

OTHER INCOME/EXPENSES

EUR million	2021	2020
Other income		
Foreign exchange gains	373	519
Income from services, rents and commissions	417	347
Recoveries on receivables previously written off	44	24
Income from contracts recognised in accordance with the deposit accounting method	413	353
Income from the sale of property, plant and equipment	3	11
Income from the reversal of other non-technical provisions	35	41
Interest income	73	87
Miscellaneous other income	170	49
Total	**1,526**	**1,432**
Other expenses		
Foreign exchange losses	427	330
Other interest expenses	47	66
Depreciation, amortisation and impairment losses	95	61
Expenses for the company as a whole	378	333
Personnel expenses	28	20
Expenses for services and commissions	205	178
Expenses from contracts recognised in accordance with the deposit accounting method	25	10
Other taxes	115	70
Expenses for restructuring provisions	63	1
Miscellaneous other expenses	212	138
Total	**1,596**	**1,207**
Other income/expenses	**–69**	**226**

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 176 (198) million consist of interest expenses on borrowings that are not directly related to the operational insurance business. A large proportion (EUR 131 (137) million) of these interest expenses is attributable to our subordinated liabilities, while EUR 30 (30) million relates to bonds issued by Talanx AG. The item also includes EUR 11 (13) 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	2021	2020
Current taxes for the reporting period	489	232
Current taxes for prior periods	–55	–74
Deferred taxes in respect of temporary differences	103	132
Deferred taxes in respect of loss carryforwards	–8	–21
Change in deferred taxes arising from changes in tax rates	19	8
Reported tax expense	**548**	**277**

Current and deferred taxes totalling EUR 356 (–236) 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	2021	2020[1]
Profit before income taxes	2,278	1,447
Expected tax rate	32.20%	32.20%
Expected tax expense	733	466
Change in deferred tax rates	20	8
Effects of different tax rates	–209	–215
Non-deductible expenses	238	230
Tax-exempt income	–222	–179
Valuation allowances on deferred tax assets	–42	3
Prior-period tax expense	20	–36
Other	10	—
Reported tax expense	**548**	**277**

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

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 24.07% (19.13%) 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 289 (214) 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 506 (449) million; EUR 55 (79) million of this is expected to be realised within one year and EUR 451 (370) million after one year or longer.

Current income taxes declined by EUR 1 (3) 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 2 (16) million in the financial year. Conversely, the reversal of previous impairment losses resulted in deferred tax income of EUR 51 (13) 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 170 (21) 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 1,199 (1,305) million and gross deductible temporary differences of EUR 28 (99) million because their realisation is not sufficiently certain. Total deferred tax assets for these items after recognition of the impairment loss amounted to EUR 238 (269) million.

AVAILABILITY OF IMPAIRED LOSS CARRYFORWARDS AND TEMPORARY DIFFERENCES

	2021					2020				
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	89	3	14	1,093	1,199	53	—	4	1,248	1,305
Temporary differences	—	—	—	28	28	—	—	—	99	99
Total	**89**	**3**	**14**	**1,121**	**1,227**	**53**	**—**	**4**	**1,347**	**1,404**

Other disclosures

Number of employees and personnel expenses

Number of employees

AVERAGE ANNUAL NUMBER OF EMPLOYEES

	2021	2020
Industrial Lines	3,990	3,839
Retail Germany	3,800	4,073
Retail International	8,717	8,589
Reinsurance companies	3,298	3,115
Corporate Operations	3,013	2,942
Total excluding vocational trainees	**22,818**	**22,558**
Vocational trainees	498	507
Total	**23,316**	**23,065**

The Group's total workforce at the reporting date numbered 23,954 (23,527).

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	2021	2020
Wages and salaries	**1,423**	**1,323**
Social security contributions and other employee benefit costs		
Social security contributions	208	197
Post-employment benefit costs	78	69
Other employee benefit costs	21	24
	307	**290**
Total	**1,730**	**1,613**

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 insurers being HDI Global SE (HG), Hannover, and HDI Versicherung AG (HV), 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/HV).

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.

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

Share-based payments

The following share-based payment plans existed in the Group in financial year 2021:

- A stock appreciation rights (SARs) plan at Hannover Rück SE (in operation since 2000, terminated successively from 2011 onwards and in the process of being wound up)
- Share award plan (share-based payment in the form of virtual shares, in operation since 2011)

These plans and their effects on net income and on the Group's net assets, financial position and results of operations are described in the following.

Stock appreciation rights plan at Hannover Rück SE

With the approval of the Supervisory Board, the Board of Management of Hannover Rück SE introduced a virtual stock option plan with effect from 1 January 2000 that grants stock appreciation rights (SARs) to certain executives. The content of the stock option plan is based solely on the terms and conditions governing the grant of stock appreciation rights. All members of the Group's senior management are eligible to receive stock appreciation rights. Exercising stock appreciation rights does not entitle the holder to demand delivery of Hannover Rück SE shares, but only to be paid a cash amount linked to the performance of Hannover Rück SE's shares.

The terms and conditions governing the grant of stock appreciation rights have been terminated for all eligible executives. Stock appreciation rights that have already been allocated may be exercised until their expiration date.

Stock appreciation rights were first granted for financial year 2000 and, until the plan was terminated, were awarded separately for each subsequent financial year (allocation year), provided that the performance criteria defined in the terms and conditions for the grant of stock appreciation rights were satisfied.

The term of the stock appreciation rights is ten years in each case, commencing at the end of the year in which they were awarded. Stock appreciation rights lapse if they are not exercised by the end of the ten-year period. Stock appreciation rights may only be exercised after a vesting period and then only within four exercise periods each year. Upon expiry of a four-year vesting period, a maximum of 60% of the SARs awarded for any allocation year may be exercised. The vesting period for each further 20% of the SARs awarded to an executive for that same allocation year is an additional one year in each case. Each exercise period lasts for ten trading days, commencing on the sixth trading day after the publication date for Hannover Rück SE's reporting for each quarter.

The amount paid out to executives exercising stock appreciation rights is the difference between the strike price and the current quoted market price of Hannover Rück SE shares as at the exercise date. The strike price corresponds to the arithmetic mean of the closing prices of Hannover Rück SE shares on all trading days for the first full calendar month of the allocation year in question. The current quoted market price of Hannover Rück SE shares as at the stock appreciation rights' exercise date is the arithmetic mean of the closing prices of Hannover Rück SE shares on the last 20 trading days prior to the first day of the exercise period concerned.

The payment is capped at an amount calculated by dividing the total volume of remuneration to be granted in the allocation year by the total number of stock appreciation rights awarded in that year. If the holder's employment with the company is terminated by either party or by mutual agreement or ends upon expiry of a fixed term, the holder is entitled to exercise all of their stock appreciation rights in the exercise period immediately following its termination or end. Any stock appreciation rights that are not exercised within this period or that are as yet unvested will lapse. The retirement, long-term disability or death of the executive does not constitute termination of employment for the purpose of exercising stock appreciation rights.

The allocations for 2011 gave rise to the commitments in financial year 2021 shown in the table below. There are no other commitments after financial year 2021.

STOCK APPRECIATION RIGHTS AT HANNOVER RÜCK SE

	Allocation year
	2011
Award date	15.3.2012
Term	10 years
Lock-up period	4 years
Strike price (EUR)	40.87
Participants in year of issue	143
Number of rights granted	263,515
Fair value as at 31.12.2021 (EUR)	32.21
Maximum value (EUR)	32.21
Weighted exercise price (EUR)	32.21
Number of rights as at 31.12.20201	—
Provision as at 31.12.2021 (EUR million)	—
Amounts paid out in FY 2021 (EUR million)	0.13
Expense in FY 2021 (EUR million)	—

Financial year 2021 saw the expiry of the vesting period for 100% of the stock appreciation rights granted for 2011. A total of 4,147 stock appreciation rights from the 2011 allocation year were exercised. The total amount paid out was EUR 0.1 million.

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 boards of management of Talanx 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'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 payout 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 payout 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 payout 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 payout 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

	2021		2020
	Anticipated allocation in 2022 for 2021	Final allocation in 2021 for 2020	Anticipated allocation in 2021 for 2020
Measurement date	30.12.2021	12.03.2021	30.12.2020
Value per share award (EUR)	42.54	36.38	31.76
Number allocated in year	335,065	181,661	214,994
of which: Talanx AG Board of Management	94,363	26,996	31,344
of which: Other boards of management	146,774	54,582	61,015
of which: Executives [1]	93,928	100,083	122,635

[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	2021	2020	2019	2018	2017	2016	2015	Total
Provision as at 31.12.2019	**—**	**—**	**4,663**	**7,169**	**7,687**	**8,568**	**9,650**	**37,737**
Addition in 2020	—	5,068	1,387	–1,320	–1,462	–1,643	–2,835	–805
Utilisation 2020	—	—	—	—	—	—	6,815	6,815
Reversal in 2020	—	—	—	—	—	—	—	—
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 31.12.2020	**7,895**	**6,760**	**9,252**	**8,436**	**8,654**	**—**	**—**	**40,997**

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 19.7 (–0.8) 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 1.2 (1.2) million. This item covers distributed dividends, but not expected dividend claims. Dividends are recognised at their discounted amount.

The 185,815 definitively allocated share awards dating from 2016, each of which was worth EUR 36.38 plus the dividend entitlement of EUR 5.70 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

	2021		2020
	Anticipated allocation in 2022 for 2021	Final allocation in 2021 for 2020	Anticipated allocation in 2021 for 2020
Measurement date for Board of Management	30.12.2021	17.03.2021	30.12.2020
Value per share award (EUR)	167.15	150.42	130.30
Measurement date for Executives	30.12.2021	24.03.2021	30.12.2020
Value per share award (EUR)	167.15	147.06	130.30
Number allocated in year	69,607	53,200	62,679
of which: Board of Management	25,130	7,851	9,214
of which: Executives [1]	44,477	45,349	53,465

[1] At the Talanx Group, executives from HDI Global Specialty receive Hannover Re share awards, which are not included in the table. They were awarded 1,590 share awards at as 30 December 2021, with 1,739 ultimately allocated in 2021 for 2020.

CHANGES IN PROVISIONS FOR HANNOVER RE SHARE AWARDS

						Allocation year		
EUR thousand	2021	2020	2019	2018	2017	2016	2015	Total
Provision as at 31.12.2019	**—**	**—**	**1,895**	**4,981**	**7,198**	**12,187**	**15,691**	**41,952**
Addition in 2020	—	1,902	1,398	1,040	500	13	—	4,853
Utilisation in 2020	—	—	—	—	—	—	14,747	14,747
Reversal in 2020	—	—	—	70	90	105	944	1,209
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 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**

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 15.5 (4.9) million. It comprised expenses for the share awards for 2020 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 1.0 (1.4) million. This item covers distributed dividends, but not expected dividend claims. Dividends are recognised at their discounted amount.

The 8,629 definitively allocated share awards for the Board of Management from 2016, each of which was worth EUR 150.42 plus the dividend entitlement of EUR 20.75 each, were paid out to the eligible members of the Board of Management in the reporting period. 69,744 share awards made to executives for the 2016 financial year were paid out in 2021; the value was EUR 147.06 each plus a dividend entitlement of EUR 20.75 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 186 (408) million. The fair value is equivalent to the carrying amount. The components of these transactions that were recognised as income were reported under the "Net investment income" item.

As at the end of the reporting period, the Group also recognised securities in the "available-for-sale financial instruments" category that were sold to third parties with a repurchase commitment at a fixed price (genuine repurchase transactions), as the principal risks and opportunities associated with the financial assets remained within the Group. As at the reporting date, the carrying amount of transferred financial assets from repo transactions was EUR 94 (49) million, with the associated liabilities at EUR 94 (48) million. The difference between the amount received for the transfer and the amount agreed for the return is allocated for the term of the repurchase transaction and recognised in net investment income.

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 31.12.2021	Fair value 31.12.2020[3]	Change in fair value during the reporting period
Financial instruments that meet the SPPI test[1]			
Loans and receivables	28,530	31,926	−1,639
Held-to-maturity financial instruments	326	494	−46
Available-for-sale financial instruments			
Fixed income securities	88,922	82,383	−2,013
Variable-yield securities	—	—	—
Financial instruments classified at fair value through profit or loss	7	7	—
Other investments	665	801	7
Other assets	934	721	—
Non-current assets and assets of disposal groups classified as held for sale	9	1	—
Total	**119,393**	**116,333**	**−3,691**
All other financial instruments			
Loans and receivables	306	310	−6
Held-to-maturity financial instruments	—	—	—
Available-for-sale financial instruments			
Fixed income securities	3,712	4,360	−24
Variable-yield securities	3,765	2,725	334
Financial instruments at fair value through profit or loss			
Financial instruments classified at fair value through profit or loss	593	619	−10
Derivatives held for trading	341	307	−38
Other financial instruments held for trading	164	135	17
Other investments	5,733	4,592	583
Other assets			
Derivative financial instruments (hedge accounting)	11	35	8
Remaining other assets	79	52	2
Investment contracts			
Loans and receivables	3	41	—
Financial instruments at fair value through profit or loss	1,454	1,223	106
Investments for the benefit of life insurance policyholders who bear the investment risk[2]	13,687	11,619	1,564
Cash at banks and cash-in-hand	4,002	3,477	—
Total	**33,850**	**29,495**	**2,536**

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

DISCLOSURES ON DEFAULT RISKS FOR FINANCIAL INSTRUMENTS WITHIN THE SCOPE OF IFRS 9

EUR million	Carrying amount before impairment 31.12.2021	Carrying amount before impairment 31.12.2020[2]
Financial instruments that meet the cash flow test[1]		
AAA	49,030	48,438
AA	20,842	20,228
A	18,569	17,043
BBB	20,727	19,483
BB or lower (greater than low default risk)	3,482	3,231
Unrated		
Low default risk	2,325	2,059
Greater than low default risk	1,473	748
Total	**116,448**	**111,230**

[1] Not including trading portfolios and not including financial instruments managed at fair value.
[2] Adjusted in accordance with IAS 8, see the "Accounting policies" section of these Notes.

The total fair value of financial instruments that meet the cash flow test and have a greater than low default risk is EUR 4,916 (3,979) 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.

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.

Following 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, that was resolved in September 2006 and became effective in May 2007, former minority shareholders instituted award proceedings aimed at having the appropriateness of the settlement reviewed. The Cologne Regional Court set the cash settlement at EUR 11.26 in a decision made on 10 January 2020. Appeals were lodged against this decision at the Düsseldorf Higher Regional Court. The material risk is limited by the number of shares entitled to a settlement (approximately 10 million) plus interest and the difference between the settlement already paid and the enterprise value of Gerling-Konzern Allgemeine Versicherungs-AG that can be determined as at the measurement date.

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

	2021	2020[1]
Net income attributable to shareholders of Talanx AG used to calculate earnings per share (EUR million)	1,011	648
Weighted average number of ordinary shares outstanding	252,822,497	252,797,634
Basic earnings per share (EUR)	4.00	2.56
Diluted earnings per share (EUR)	4.00	2.56

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

Dividend per share and appropriation of distributable profits

A dividend for financial year 2020 amounting to EUR 1.50 per share was paid in the reporting year, resulting in total distribution of EUR 379 million. A proposal will be made to the General Meeting to be held on 5 May 2022 to distribute a dividend of EUR 1.60 per share for financial year 2021, resulting in a total distribution of EUR 405 million. The remainder of Talanx AG´s distributable profit (EUR 586 million) will be transferred to retained profits brought forward.

Contingent liabilities and other financial commitments

Outstanding capital commitments for investments amounted to EUR 3,247 (3,033) 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 in their capacity as sponsors of Gerling Versorgungskasse VVaG.

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 615 (638) 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 64 (45) million. These are offset by contingent assets from taxes of EUR 25 (33) 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	2021	2020
Capital management services and commission [1]	275	212
Other insurance-related services [1]	138	129
Income from infrastructure investments [2]	60	66
Total revenue [3]	**473**	**407**

[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 398 (328) million, under "9.a. Investment income" EUR 60 (66) million and under "Net income from investment contracts" EUR 15 (13) million.

Revenue from **capital management services** provided (fund management) including related commissions of EUR 254 (192) 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 21 (20) 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 84 (80) million), and in particular to management services (EUR 44 (40) 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 55 (49) 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 32 (26) 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 2021 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
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**
2020						
Carrying amount as at 1.1.2020	**363**	**31**	**35**	**3**	**4**	**436**
Impairments	65	3	3	1	2	74
Additions	36	—	42	—	—	78
Disposals	1	—	—	—	1	2
Exchange rate changes	–14	—	–3	—	—	–17
Carrying amount as at 31.12.2020	**319**	**27**	**71**	**1**	**3**	**421**

CHANGES IN THE LEASE LIABILITY (OTHER LEASE LIABILITIES LINE ITEM)

EUR million	2021	2020
Balance at 1.1. of the financial year	**437**	**442**
Unwinding of discounts	11	13
Additions/Disposals	89	78
Disposals	1	2
Amortisation	79	77
Exchange rate changes	4	–17
Balance at 31.12. of the financial year	**462**	**437**

MATURITY OF THE LEASE LIABILITIES

EUR million	31.12.2021	31.12.2020
less than 1 year	75	79
1 year and longer	51	44
2 years and longer	45	45
3 years and longer	40	43
4 years and longer	38	37
5 years and longer	213	189
Total	**462**	**437**

ADDITIONAL EXPENSES FROM LEASING CONTRACTS

EUR million	2021	2020
Expenses from short-term leases	1	1
Expenses from leases of low-value assets	24	25
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 79 (77) million and essentially relate to payments for leasing real estate held and used in the amount of EUR 72 (70) 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 1,268 (1,114) million.

FUTURE LEASING INCOME

EUR million	2021	2022	2023	2024	2025	Subsequent years
Income	224	228	204	174	153	286

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 298 (270) million. This included EUR 3 (0) 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 [1]

The Board of Management comprised 6 (7) active members as at the reporting date.

The total remuneration paid to the Board of Management amounted to EUR 9,162 (10,736) 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 4,448 thousand in financial year 2021. 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 2021, fringe benefits for the Board of Management totalled EUR 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 2021, expenses for the Board of Management's pension provisions amounted to EUR 1,640 thousand. Variable remuneration of the Board of Management totalled EUR 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 746 (995) thousand (corresponding to 20,503 (31,344) shares) and claims for the reporting period under the Hannover Re Share Award plan to virtual shares with a fair value of EUR 269 (254) thousand (corresponding to 1,786 (2,122) shares).

Former members of the Board of Management and their surviving dependants received total remuneration of EUR 3,522 (2,827) thousand. Termination benefits accounted for 438 (1,390) thousand of this. Provisions of EUR 46,715 (45,434) 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 2,628 (2,465) 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 Rück 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 2026.

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 [1]

EUR million	2021	2020
Salaries and other short-term remunerations	10,414	10,703
Other long-term benefits [2]	361	1,249
Awards of shares and other equity-based remunerations [3]	1,014	1,249
Termination benfits	438	1,390
Post-employment benefit costs [4]	1,640	1,426
Total	**13,867**	**16,017**

[1] The previous year figures are calculated in line with the remuneration system in place in financial year 2020.
[2] 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.

[1] The previous year figures are calculated in line with the remuneration system in place in financial year 2020.

There are provisions in particular in connection with post-employment benefits and remuneration in respect to the LTI and STI. As at 31 December 2021, pension provisions for related parties total EUR 11,042 (22,059) thousand. There are also provisions for share-based payment of EUR 4,654 (3,566) thousand, provisions for the bonus bank of EUR 2,370 (3,971) thousand and provisions for variable cash remuneration of EUR 3,273 (3,927) thousand. In connection with the Supervisory Board remuneration, there were provisions of EUR 2,488 (2,323) thousand at 31 December 2021.

Auditor's fee

At its meeting on 12 March 2021, the Supervisory Board of Talanx AG appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC GmbH) as the auditor of the Company's consolidated financial statements within the meaning of section 318 of the HGB. 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	**2021**	2020	**2021**	2020
Financial statement audit services	20.4	19.4	9.3	8.1
Other assurance services	0.4	0.3	0.3	0.2
Tax advisory services	—	0.1	—	0.1
Other services	1.1	0.8	0.9	0.7
Total	**21.9**	**20.6**	**10.5**	**9.2**

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 review of the interim report, and audits of the annual financial statements and solvency overviews of the subsidiaries included in the consolidated financial statements. 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 fees for tax advisory services mainly include fees for tax advice on specific issues. The fees for other services cover consulting services relating to training on new developments in accounting, quality assurance support in connection with the introduction of IFRS 17 and advisory activities in the context of a transaction project.

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 Florian Möller. He was first responsible for the audit of the annual and consolidated financial statements as at 31 December 2016.

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 3 November 2021, 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

At the present moment in time, it not yet possible to assess the impact of the armed conflict on the territory of the Ukraine which started in February. Geopolitical crises always result in uncertainty and a stronger level of volatility on capital markets.

The disposal of the Russian subsidiary, OOO Strakhovaya Kompaniya CiV Life, was concluded in February 2022. As a result, key elements of Russian investments were derecognised.

Our investments are hardly impacted by the armed conflict between Russia and the Ukraine as there is only a marginal direct exposure to the two countries. The uncertain general situation does not currently allow any reliable assessment as to the extent to which the investments could be indirectly impacted by second-round effects and pending sanctions. However, due to the relatively low level of trade relations of western companies with Russia and the Ukraine in combination with the good fundamental situation of the corporate sector, our investment portfolios are in a good position to absorb second-round effects. We would be only indirectly impacted by the economic consequences of the crisis and possible economic sanctions.

In the first few weeks of 2022, there have already been some large loss events. These included severe storm fronts which moved over Central Europe with high wind speeds and a drifting burning cargo ship laden with cars in the Atlantic to the south-west of the Azores. The level of the insured losses and our participation cannot yet be reliably estimated. However, we anticipate that our pro rata large losses expectation for the first quarter will not be exceeded as a result of these claims.

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
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
GERLING Pensionsenthaftungs- und Rentenmanagement GmbH, Cologne	100.00
GKL SPEZIAL RENTEN, Cologne [16]	100.00
Hannover America Private Equity Partners II GmbH & Co. KG, Hannover	100.00
Hannover Beteiligungsgesellschaft mbH, Hannover	100.00
Hannover Re Euro PE Holdings 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 Rück Beteiligung Verwaltungs-GmbH, Hannover [13]	100.00
Hannover Rück SE, Hannover	50.22
HAPEP II Holding GmbH, Hannover	100.00
HAPEP II Komplementär GmbH, Hannover	100.00
HD Real Assets GmbH & Co. KG, Cologne [4]	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 Deutschland Bancassurance Kundenservice GmbH, Hilden [3, 13, 18]	100.00
HDI-Gerling Sach Industrials Master, Cologne [16]	100.00
HDI Globale Equities, Cologne [16]	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 International AG, Hannover [3, 13]	100.00
HDI Kundenservice AG, Cologne [3, 13, 18]	100.00
HDI Lebensversicherung AG, Cologne	100.00
HDI next GmbH, Rostock [3, 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 Service AG, Hannover [3, 13]	100.00
HDI Systeme AG, Hannover [3, 13, 18]	100.00
HDI Versicherung AG, Hannover [13]	100.00
HDI Vertriebs AG, Hannover [3, 13, 18]	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 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 Corporate, Cologne [16]	100.00
HPK Köln offene Investment GmbH & Co. KG, Cologne	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
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 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
PB Lebensversicherung AG, Hilden [13]	100.00
PB Pensionsfonds AG, Hilden [13]	100.00
PB Versicherung AG, Hilden [13]	100.00
Qualität & Sicherheit, Cologne [16]	100.00
Riethorst Grundstücksgesellschaft AG & Co. KG, Hannover [4]	100.00
TAL Aktien, 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
Talanx Infrastructure France 2 GmbH, Cologne	100.00

1. AFFILIATED COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

	Equity interest[1] in %
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-BA Private Equity GmbH & Co. KG, Cologne[4]	100.00
TD-BA Private Equity Sub GmbH, Cologne	100.00
TD Real Assets GmbH & Co. KG, 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
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
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 Labuan Ltd., Labuan, Malaysia[8, 14]	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
Commercial & Industrial Acceptances (Pty) Ltd., Johannesburg, South Africa[7]	85.00
Compass Insurance Company Ltd., Johannesburg, South Africa[7]	100.00
Dafne Immobiliare S.r.l., Milan, Italy[16]	100.00
Ferme Eolienne des Mignaudieres SNC, Toulouse, France	100.00
Ferme Eolienne du Confolentais SNC, Toulouse, France	100.00
Film & Entertainment Underwriters SA (Pty) Ltd., Johannesburg, South Africa[7]	91.31
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
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 (formerly: Hannover Life Reassurance Africa Ltd., Johannesburg, South Africa)[7]	100.00
Hannover Africa Limited, Johannesburg, South Africa (formerly: Hannover Reinsurance Africa Ltd., Johannesburg, South Africa)[7]	100.00

1. AFFILIATED COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

	Equity interest[1] in %
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 Insurance Limited Liability Company, Moscow, Russia	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 (formerly: Amissima Assicurazioni S.p.A., Milan, Italy)	100.00
HDI Katılım Sigorta A.Ş., Istanbul, Turkey	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 de Vida S.A., Bogotá, Colombia	99.89
HDI Seguros S.A., Bogotá, Colombia	98.33
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, Turkey	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]	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
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
OOO Strakhovaya Kompaniya CiV Life, Moscow, Russia	100.00
Orion No. 1 Professional Investors Private Real Estate Investment LLC, Seoul, South Korea[10]	99.65
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
SUM Holdings (Pty) Ltd., Johannesburg, South Africa[7]	100.00
Svedea AB, Stockholm, Sweden	76.50
Talanx Finanz (Luxembourg) S.A., Luxembourg, Luxembourg	100.00
Thatch Risk Acceptances (Pty) Ltd., Johannesburg, South Africa[7]	70.00
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
Community Life GmbH, Liederbach	75.00
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
HDI Global Specialty Underwriting Agency GmbH, Cologne[13, 18]	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
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 Network AG Escritório de Representação no Brasil Ltda, São Paulo, Brazil	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, Sweden	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	88.00
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. U, Bardajoz, Spain	71.05
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	49.71

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
caplantic GmbH, Hannover	45.00
Elinvar GmbH, Berlin	33.25
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 Vila Franca – Sociedade Gestora de Edifício, S. A., Linhó, Portugal	49.00
Escala Parque – Gestão de Estacionamento, 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
Foreign	
Magma HDI General Insurance Company Ltd., Kolkata, India	20.68

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
Hannoversch-Kölnische Beteiligungsgesellschaft mbH, Hannover	50.00
Hannoversch-Kölnische Handels-Beteiligungsgesellschaft mbH & Co. KG, Hannover	50.00
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				
IGEPA Gewerbepark GmbH & Co. Vermietungs KG, Fürstenfeldbruck	37.50	EUR	–8,739	7,353
myKonzept Holding Deutschland GmbH & Co. KG, Göttingen (formerly: SWISS INSUREVOLUTION PARTNERS Holding Deutschland GmbH & Co. KG, Göttingen) [17]	15.00	—	—	—
Neue SEBA Beteiligungsgesellschaft mbH, Nuremberg [17]	18.63	—	—	—
Foreign				
Credit Suisse (Lux) Gas TransitSwitzerland SCS, Luxemburg, Luxemburg	60.15	EUR	136,726	3,694
Different Technology (Pty) Ltd., Johannesburg, South Africa [17]	12.30	—	—	—
Kopano Ventures (Pty) Ltd., Johannesburg, South Africa [7, 15, 17]	29.05	—	—	—
Meribel Mottaret Limited, St. Helier, Jersey [17]	18.96	—	—	—
Mosaic Insurance Holdings Limited, Hamilton, Bermuda [17]	15.00	—	—	—
Pineapple Tech (Pty) Ltd., Johannesburg, South Africa [7, 17]	14.86	—	—	—
Somerset Reinsurance Ltd., Hamilton, Bermuda [17]	16.90	—	—	—
Sureify Labs, Inc., Wilmington, USA [17]	10.03	—	—	—
SWISS INSUREVOLUTION PARTNERS Holding (CH) AG, Zurich, Switzerland [17]	15.00	—	—	—
SWISS INSUREVOLUTION PARTNERS Holding (FL) AG, Triesen, Liechtenstein [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 2021 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.
[18] The company has been merged. For more information see the "Consolidation" section, subsection "Significant additions and disposals of consolidated subsidiaries and other changes under company law".

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	353,285
Hannover Rück SE India Branch, Mumbai, India	EUR	199,076
Hannover Rück SE Canadian Branch, Toronto, Canada	EUR	551,028
Hannover Rück SE Korea Branch, Seoul, South Korea	EUR	46,936
Hannover Rück SE Shanghai Branch, Shanghai, China	EUR	2,024,182
Hannover Rück SE Succursale Française, Paris, France	EUR	874,728
Hannover Rück SE Hong Kong Branch, Wanchai, Hong Kong	EUR	265,118
Hannover Rück SE Tyskland Filial, Stockholm, Sweden	EUR	430,680
Hannover Rueck SE Australian Branch, Sydney, Australia	EUR	649,229
Hannover Rueck SE Bahrain Branch, Manama, Bahrain	EUR	124,701
Hannover Rueck SE Malaysian Branch, Kuala Lumpur, Malaysia	EUR	941,784
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	19,569
HDI Global Specialty SE		
HDI Global Specialty SE, Australian Branch, Sydney, Australia	EUR	280,375
HDI Global Specialty SE, Canadian Branch, Toronto, Canada	EUR	170,020
HDI Global Specialty SE, Scandinavian Branch, Stockholm, Sweden	EUR	469,275
HDI Global Specialty SE, UK Branch, London, United Kingdom	EUR	730,474

[1] Figures prior to consolidation.
[2] Provisional/unaudited figures as at the 2021 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 25 February 2022 in Hannover.

Board of Management

Torsten Leue, Chairman

Jean-Jacques Henchoz

Dr Wilm Langenbach

Dr Christopher Lohmann

Dr Edgar Puls

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, Hannover, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 2021. 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 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, 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 2021. 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 Valuation of loss and loss adjustment expense reserves

3 Valuation 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 € 142,258 million (72,0% of total equity and liabilities) are recognised in the consolidated financial statements.

Of these financial instruments, financial assets amounting to € 104,740 million are measured at fair value. Of those financial instruments in turn, the fair value of € 100,490 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 not only due to the impacts of the coronavirus pandemic but also because the most recent market data or comparable figures are not always available and therefore estimated values and parameters that can-

[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.

not be currently observed on the market are also used. This particularly concerns over-the-counter securities, other loans and derivatives.

Financial instruments measured using models are subject to an increased measurement risk due to their lower objectivity and the underlying judgments as well as due to the impacts of the coronavirus pandemic, 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 help 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. In that connection we also reviewed the executive directors' assessments with respect to the impacts of the coronavirus pandemic on recoverability. We have compared the methods and assumptions used to calculate valuation adjustments in the financial year with recognized practices and industry standards and ascertained 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 section "Accounting policies" under "Investments" of the notes to the consolidated financial statements.

2 Valuation of loss and loss adjustment expense reserves

1 Technical provisions ("loss reserves") of € 60,541 million (30.6% of total equity and liabilities) are recognised 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 discretion regarding assumptions made such as inflation, the pattern of claims processing and regulatory changes. This also included the expected impacts of the ongoing coronavirus pandemic on the loss reserves. In general, there is a particularly high degree of uncertainty when estimating product lines with low loss frequencies, high single losses or long claims processing periods.

On account of these reserves' significance in terms of volume for the Group's financial position, the considerable margins of discretion exercised by the executive directors and the associated uncertainty with regard to estimates, it was particularly important in our audit to measure technical provisions in property/casualty insurance.

2 When auditing the loss and loss adjustment expense reserve, we reviewed and assessed the adequacy of the selection of actuarial methods at the company, the procedures including controls established to calculate assumptions and the use of estimates to measure certain technical provisions in property/casualty insurance.

With the help 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. In connection with this, we also evaluated the executive directors' assessment of the impact of the coronavirus pandemic on overall business and the lines affected. As part of our audit, we also assessed the plausibility and integrity of data and assumptions used for valuation and reproduced claims processes. In addition, we recalculated reserves for selected product lines, in particular product lines with large or increased estimation uncertainty in terms of volume. 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 methods 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 valuation of the loss and loss adjustment expense reserve for property/casualty insurance are contained in the section "Accounting policies" under "Technical provisions".

3 Valuation of the benefit reserve

1 Technical provisions of € 57,489 million (29.1% of total equity and liabilities) are recognised 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 calculated 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.

On account of the significance in terms of volume for the Group's financial position and the complex nature of determining the underlying assumptions by the executive directors, the valuation of this technical provision was particularly important in our audit.

2 As part of our audit, we reviewed and assessed the adequacy of selected actuarial methods, the procedures including controls in place for calculating assumptions and preparing estimates for measuring certain technical provisions.

With the support of our in-house 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 implemented. 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 Company disclosures on the valuation of the benefit reserve can be found in the "Accounting policies" section of the notes under "Technical provisions".

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 pursuant to § 315b Abs. 1 HGB included in section "Consolidated non-financial Statement" 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 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, the related safeguards.

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-2021-12-31_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 2021 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 (10.2021)) 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 supervisory board on 12 March 2021. We were engaged by the supervisory board on 25 May 2021. We have been the group auditor of the Talanx AG, Hannover, 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 published in the Federal Gazette – 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 Florian Möller.

Hannover, March 10, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Florian Möller	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 2021 (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

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 2021 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, 10 March 2022

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, 25 February 2021

Board of Management

Torsten Leue, Chairman	Jean-Jacques Henchoz	Dr Wilm Langenbach
Dr Christopher Lohmann	Dr Edgar Puls	Dr Jan Wicke

Further information

	PAGE

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 II
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 II own funds as at the end of the financial year.

Contact information

Talanx AG
HDI-Platz 1
30659 Hannover
Germany
Telephone +49 511 3747-0
Fax +49 511 3747-2525
www.talanx.com

Group Communications
Andreas Krosta
Telephone +49 511 3747-2020
andreas.krosta@talanx.com

Investor Relations
Bernd Sablowsky
Telephone +49 511 3747-2793
Fax +49 511 3747-2286
bernd.sablowsky@talanx.com

Published on 14 March 2022

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

Follow us on Twitter

@talanx
@talanx_en

Financial calendar 2022

5 May
Annual General Meeting

5 May
Quarterly Statement as at 31 March 2022

10 August
Interim Report as at 30 June 2022

14 November
Quarterly Statement as at 30 September 2022

6 December
Capital Markets Day

MIX
Paper from responsible sources
FSC® C009051
www.fsc.org

Carbon neutral
Print product
ClimatePartner.com/10951-2203-1004

400-GB242