News Release

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Talanx with robust Group net income

- Gross written premiums are largely stable, at EUR 23.7 (24.4) billion, when adjusted for currency effects
- Sustained growth in the international primary insurance business
- The operating profit (EBIT) improved by 9.4 percent to EUR 1,649 (1,507) million
- Group net income rose to EUR 635 (488) million
- Talanx raised the Outlook for the Group net income in 2016 slightly to at least EUR 750 million
- Outlook for 2017: Group net income of again at least EUR 750 million targeted

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The Talanx Group has registered a robust nine-month result. The Group net income grew by 30.1 percent to EUR 635 (488) million as at 30 September 2016. The operating profit (EBIT) improved to EUR 1,649 (1,507) million. The full impairment of goodwill in the German life insurance business, amounting to EUR 155 million, had an adverse impact on the Group net income and the EBIT in the same period in the previous year. Due to this nine-month result, Talanx has raised its Outlook for the Group net income for 2016 slightly from “approximately” to “at least” EUR 750 million. In the first nine months of the year 2016, the gross written premiums remained virtually stable, when adjusted for currency effects. The Talanx Group registered a growth in premiums especially in the foreign markets of the Industrial Lines and Retail International Divisions, whereas the business in the Retail Germany Division was characterised by the scheduled decline in single premiums in the life insurance business. For the 2017 financial year, Talanx anticipates Group net income again of at least EUR 750 million.

“We are delighted with the business performance up to the end of the third quarter and are adjusting our Outlook for 2016 accordingly. We are now assuming that the Group net income will be at least EUR 750 million,” said Herbert K. Haas, Chief Executive Officer at Talanx AG. “Although the market environment is still challenging, the first nine months of the year have gone well, we have posted surprisingly few claims and have made good progress with the internationalisation in the Industrial Lines and the growth in Retail International. The restructuring in the German retail business is also bearing its first fruit for the financial year," said Mr Haas.

"For 2017, we anticipate that the Group net income will again be at least EUR 750 million, despite an equally challenging environment. As of today, we will generate a profit in the coming year – despite the declining interest rate level – which will be comparable to the expected annual Group net income for 2016."

Although the gross written premiums of the Talanx Group fell back slightly in the first nine months to EUR 23.7 (24.4) billion, they remained largely stable in comparison with the same period in the previous year after adjustment for currency effects. The burden of large losses amounted to EUR 533 (724) million and so remained far below the proportional major-loss budget of EUR 846 million. The combined ratio improved slightly to 96.6 (96.9) percent due to the more favourable claims situation compared to the same period in the previous year. The underwriting result also improved by 9.3 percent to EUR -1,168 (-1,288) million. Positive developments in the Industrial Lines Division and the Reinsurance segments overcompensated here for the declines in the Retail Germany and Retail International Divisions.

The Group achieved a robust net investment income of 3.5 (3.7) percent partly as a consequence of its diversification of the investments. The net investment income remained almost unchanged from the same period in the previous year with a fall of 0.3 percent at EUR 2,981 (2,989) million. The sale of the full shareholding in the asset manager C-Quadrat in the second quarter of 2016 for about EUR 27 million before tax had a positive effect on the extraordinary net investment income. The sustained declining currency effects affected the weak currency result of EUR 31 (146) million in the other income/expenses. The return on equity of 9.8 (8.1) percent stood far higher than in the previous year and also higher than the target value for return on equity. The Solvency II ratio at Group level was a healthy 172 percent at 30 June 2016 (Q1: 166 percent).

In the third quarter of 2016, the gross premium income across the whole Group fell slightly by 2.7 percent to EUR 7.3 (7.5) billion; adjusted for currency effects, the decline would have been 1.1 percent. Due to the low volume of large losses, the combined ratio at 96.4 percent also fell far below the 98.0 percent figure reported in the third quarter of 2015. The underwriting result improved to EUR -384 (-437) million, the net investment income increased by 7.0 percent to EUR 1,019 (952) million and the operating profit (EBIT) rose in the third quarter by 18.9 percent to EUR 585 (492) million. Overall, the Group net income increased by 32.2 percent compared to the third quarter of the previous year to EUR 234 (177) million.

Course set for the future

In the third quarter, the Talanx Group drove its strategic, international alignment and its consolidation in the Retail Germany Division further forwards. The cost optimisation in the German business was continued consistently. In Industrial Lines, the improvement in portfolio quality, which is reflected particularly in property insurance, and the internationalisation were expressed in a further improvement of the combined ratio.

Also various digitalisation initiatives are contributing strongly to the increase in efficiency. In Industrial Lines, for instance, a standardised stock management system is being developed that will cover all the lines in Germany and abroad. In the Retail Germany Division, the digital application TORAS enables, inter alia, the real-time analysis of usage data and customer-specific pricing in the online motor business. Alongside, intermediate IT investments allow more automatic processing. This means that the majority of the processing, from the conclusion of the contract to the printing out of the motor policy, is carried out automatically. Mobile sales will perspectively benefit from both innovations. The Retail International Division is growing in line with our strategy, partly due to measures like the strengthening of innovative pricing or approaches to use customer potential and through a strategic project for increasing the premium volume in motor insurance in Mexico.

Moreover, the Talanx Group published its first Sustainability Report in the third quarter, which covers the business activities from 1 January to 31 December 2015 and underlines the responsible enterprise management of an international insurance group aiming at sustained value creation.

Industrial Lines: considerable improvement in the combined ratio

Industrial Lines continued its positive trend. The gross written premiums remained virtually stable in comparison to the previous year at EUR 3,390 (3,434) million. Adjusted for currency effects, the fall was only 0.5 percent. The premiums rose in the foreign branches in the United Kingdom, Denmark and Switzerland, as well as in the subsidiaries in Brazil and the USA. This continuous growth in foreign business was almost able to compensate for the premium adjustment in Germany due to continued measures for improving the portfolio quality.

The combined ratio of the division improved by 2.2 percentage points to 98.0 (100.2) percent compared to the same period in the previous year with its higher volume of claims. The underwriting result rose to EUR 33 (-4) million. In the first nine months of the year 2016, the net investment income remained at a favourable level at EUR 165 (158) million. It was possible to overcompensate for the persistently low interest rates with higher revenue from private equity. The operating profit (EBIT) of the division in the first nine months of 2016 matched the level of the entire year 2015 at EUR 204 (152) million. The contribution of the Industrial Lines Division to the Group net income amounted to EUR 132 (103) million and thus grew by almost one third.

Gross written premiums posted in the third quarter of 2016 fell to EUR 684 (809) million. In terms of the combined ratio, the Division was able to register a notable improvement by 4.6 percentage points to 98.4 (103.0) percent. The underwriting result rose to EUR 8 (-17) million. The increase in the net investment income was 24.7 percent to EUR 56 (45) million. The operating profit improved considerably to EUR 61 (10) million. The contribution to Group net income also rose strongly compared to the same period in the previous year to EUR 41 (6) million.

Retail Germany: significant improvement in operating profit

In the Retail Germany Division, the premium income in the first nine months was lower than in the same period in the previous year, as expected, at EUR 4.8 (5.1) billion. The operating profit (EBIT) for this Division rose to EUR 70 (-16) million. Furthermore, the contribution to the Group net income improved to EUR 39 (-73) million. The return on equity improved accordingly to 1.9 (-3.4) percent.

Stable premiums in the property/casualty insurance segment

The premium income in the property/casualty insurance segment fell by 1.5 percent in the first nine months of 2016 and were at EUR 1,260 (1,279) million as at 30 September. This reduction in premium income was essentially attributable to adjustments to the motor insurance portfolios. The combined ratio in the segment improved by 2.2 percentage points to 103.2 (101.0) percent. 2.5 percentage points of this increase resulted essentially from investments in the implementation of the KuRS modernisation programme. The underwriting result worsened as a consequence of these impacts to EUR -33 (-12) million. Among other things, KuRS accounted for EUR 25 million in the decline.

Net investment income fell to EUR 69 (75) million due to lower regular capital income. The operating profit (EBIT) for the property/casualty insurance segment decreased to EUR -9 (60) million. As well as the expected burden of the investment and modernisation programme, this was also influenced by the lower net investment income.

In the third quarter, the gross written premiums amounted to EUR 280 (290) million. The combined ratio improved to 100.3 (100.8) percent; adjusted for the effects of the investments in modernisation measures, the combined ratio would have stood at 96.8 percent. The underwriting result increased to EUR -1 (-4) million. The net investment income declined to EUR 22 (26) million. The operating profit stood at EUR 8 (30) million.

Planned dismantling of single premiums in life insurance

The premiums in life insurance fell in the first three quarters of 2016 in line with our strategy to EUR 3.5 (3.9) billion, in particular due to the scheduled reduction in single premiums. As a consequence, new business for life insurance products declined overall to EUR 296 (330) million, assessed against the annual premium equivalent (APE). In contrast, sales of biometric insurance products based on APE increased pleasingly by 13.3 percent to EUR 68 (60) million.

The underwriting result remained virtually stable at EUR -1,206 (-1,189) million, but continues to be influenced by the participation of the policyholders in the net investment income. In addition, a precautionary amortisation on anyhow scheduled reductions of intangible assets in the third quarter in the amount of EUR 22 million burdened the underwriting result, such that planned amortisations will be omitted in subsequent periods.

In terms of the net investment income, the segment registered an increase of 4.5 percent to EUR 1,334 (1,276) million, which was primarily due to the increase of the extraordinary net investment income for financing the additional interest reserve. The operating profit (EBIT) grew to EUR 79 (-76) million, particularly due to the comprehensive impairment of goodwill in the previous year in the amount of EUR 155 million.

In the third quarter, the life insurance registered a decline in premium income of 3.0 percent to EUR 1.1 (1.2) billion. The underwriting result fell to EUR -426 (-357) million. On the other hand, the net investment income was able to report an increase to EUR 444 (377) million. The operating profit fell to EUR 6 (15) million.

Retail International continues its premium growth

Gross written premiums in the Retail International Division rose in the first nine months by 5.9 percent to EUR 3.7 (3.5) billion, despite negative currency effects. Adjusted for currency effects, that increase would even have amounted to 11.9 percent. Overall, the integration of the purchase in the Chilean market completed in 2015 has gone according to plan, and the business in Turkey and Poland is still enjoying positive market conditions.

The combined ratio rose slightly by 0.7 percentage points to 97.0 (96.3) percent, primarily as a result of an increase in the loss ratio of 0.5 percentage points. On the one hand, the sustained inflation and currency effects in Brazil have caused the costs for motor spare parts to increase and, on the other hand, the number of car thefts has risen. In addition, the Mexican company invested in growth measures in the motor business. The underwriting result amounted to EUR -3.0 (1.0) million, slightly below that of the previous year.

The Division's net investment income fell by 2.4 percent to EUR 244 (250) million. A decisive factor here was mainly the decline in interest rates in the markets which account for the highest volumes of investment income in this division, Poland and Italy. The operating profit (EBIT) for the first nine months of 2016 was

EUR 163 (173) million. Europe contributed EUR 118 (129) million to the operating profit, while EUR 53 (52) million were generated in Latin America. While it was possible to increase the EBIT in Latin America slightly, the newly introduced asset tax in Poland burdened the EBIT in Europe in the amount of EUR 16 million. An EBIT adjusted for the effect of the asset tax and currency effects would have stood at EUR 190 million. In a recently brightening actuarial market environment regarding motor insurance, the EBIT would thus have reached a level far higher than in the previous year. The Group net income declined by 8.5 percent to EUR 97 (106) million. Adjusted for the currency effects and for the effect of the asset tax in Poland, Group net income would have amounted to around EUR 115 million and therefore equally the EBIT would have stood higher than in the comparative period.

Gross written premiums in the Retail International Division rose in the third quarter of 2016 by 10.4 percent to EUR 1.2 (1.1) billion. The combined ratio amounted to 98.0 (98.5) percent. The underwriting result improved to EUR -10 (-18) million. The division’s net investment income grew by 9.6 percent to EUR 91 (83) million. The operating profit (EBIT) rose to EUR 57 (46) million, and its contribution to Group net income rose by 13.8 percent to EUR 33 (29) million.

Non-Life Reinsurance: satisfying operating profit

The gross written premiums posted in the Non-Life Reinsurance segment declined by 2.7 percent to EUR 7.1 (7.3) billion in this first nine-month period in 2016. Adjusted for currency effects, this decline amounted to only 1.5 percent. The segment generated a good combined ratio of 95.1 (95.6) percent, in line with the target of a figure below 96 percent. The underwriting result improved by 10.5 percent to EUR 274 (248) million. In terms of the net investment income, a decline was posted as expected to EUR 663 (689) million. The return on equity fell only slightly by 1.5 percentage points to 13.2 (14.7) percent. Against this backdrop, the segment posted an operating profit (EBIT) of EUR 917 (975) million, constituting a decline of 5.9 percent. The contribution to Group net income fell to EUR 301 (320) million.

In the third quarter, the gross written premiums rose by 6.2 percent to EUR 2.5 (2.3) billion. The combined ratio improved to 94.5 percent (95.8 percent). The underwriting result increased to EUR 109 (81) million, while the net investment income fell slightly to EUR 232 (252) million. The Non-Life Reinsurance registered a decline in the operating profit (EBIT) of 6.1 percent to EUR 337 (359) million. The contribution to Group net income remained stable in the third quarter at EUR 114 (114) million.

Life/Health Reinsurance: much higher contribution to Group net income

In the Life/Health Reinsurance segment, premium income fell by 5.2 percent to EUR 5.3 (5.6) billion in the first nine months of 2016. In local currencies, the decline stood at just 2.0 percent. The underwriting result improved by 29.0 percent to EUR -237 (-334) million. Net investment income declined by 8.9 percent to EUR 494 (542) million. Adjusted for a positive one-off effect in the amount of EUR 39 million in the comparison period, the decline would not have been so dramatic. Following an increase of 18.5 percent, the operating profit (EBIT) closed with a considerable improvement at EUR 282 (238) million. The contribution of the segment to Group net income increased by 21.4 percent compared with the same period of the previous year to EUR 102 (84) million.

In Life/Health Reinsurance, the gross written premiums fell in the third quarter by 16.6 percent compared to the same period of the previous year to EUR 1.7 (2.0) billion. The underwriting result increased to EUR -61 (-118) million. Net investment income stayed essentially stable at EUR 173 (176) million. The operating profit (EBIT) in

Life/Health Reinsurance rose to EUR 108 (44) million, and its contribution to Group net income rose to EUR 39 (15) million.

Outlook for 2016

Talanx views itself as being on course in terms of operational business and, in light of the Group net income already achieved after nine months, the Group is slightly raising its Outlook for the 2016 financial year. Talanx is now striving for Group net income of <u>at least</u> EUR 750 million. This is based upon assumed stable volumes in gross premiums and on constant exchange rates. The net return on investment should be at least 3,0 percent and the return on equity greater than 8.5 percent.

As usual, the targets for the 2016 financial year assume no disruptions on the currency and capital markets, and that large losses remain within expected range. It is also a stated aim for the 2016 financial year to pay out 35 to 45% of Group net income as dividends.

Outlook for 2017

For the 2017 financial year, the Group is again aiming for a Group net income of at least EUR 750 million. As of today, the Group net income will reach the expected level for the year 2016, despite the declining interest rate level. The gross premium growth should reach at least 1.0 percent on the basis of constant exchange rates. The net return on investment should be at least 3.0 percent and the return on equity more than 8.0 percent.

As usual, the targets for the 2017 financial year also assume no disruptions on the currency and capital markets, and that large losses remain within expected range. It is also a stated aim for the 2017 financial year to pay out 35 to 45 percent of Group net income as dividends.

Key data from the Talanx Group income statement, 9M 2016, consolidated (IFRS)

EUR million	9M 2016	9M 2015	+/-
Gross written premiums	23,749	24,355	-2.5%
Net premiums earned	19,134	19,246	-0.6%
Combined ratio in property/casualty insurance and Non-Life Reinsurance	96.6%	96.9%	-0.3% pts
Net investment income	2,981	2,989	-0.3%
Operating profit (EBIT)	1,649	1,507	+9.4%
Group net income (after non-controlling interests)	635	488	+30.1%
Return on equity[1]	9.8%	8.1%	+1.7% pts

Key data from the Talanx Group income statement, Q3 2016, consolidated (IFRS)

EUR million	Q3 2016	Q3 2015	+/-
Gross written premiums	7,322	7,528	-2.7%
Net premiums earned	6,324	6,495	-2.6%
Combined ratio in property/casualty insurance and Non-Life Reinsurance	96.4%	98.0%	-1.6% pts
Net investment income	1,018	952	+7.0%
Operating profit (EBIT)	585	492	+18.9%
Group net income (after non-controlling interests)	234	177	+32.2%
Return on equity[1]	10.6%	8.8%	+1.8% pts

1) Annualised net income for the reporting period excluding non-controlling interests relative to average equity excluding non-controlling interests.

All documentation relating to the interim report:
http://www.talanx.com/investor-relations/presentations-and-events/disclosure/2016.aspx?sc_lang=en

Financial calendar:
http://www.talanx.com/investor-relations/finanzkalender/termine.aspx?sc_lang=en

About Talanx

With premium income of EUR 31.8 billion (2015) and about 22,000 employees, Talanx is one of the major European insurance groups. The Hannover-based Group is active in some 150 countries. Talanx operates as a multi-brand provider with a focus on B2B insurance. Under the HDI brand, which can look back on more than 100 years of tradition, Talanx operates both in Germany and abroad in industrial lines as well as retail business. Further Group brands include Hannover Re, one of the world's leading reinsurers, Targo Versicherungen, PB Versicherungen and Neue Leben, the latter all specialised in bancassurance, as well as the Polish insurer Warta. Talanx Asset Management is one of the top asset management companies in Germany and manages the assets of the Talanx Group. With its subsidiary Ampega Investment, Talanx Asset Management is also an experienced provider of solutions for outsourcing in the B2B market. The rating agency Standard & Poor's has given the Talanx Primary Group a financial strength rating of A+/stable (strong) and the Hannover Re Group one of AA–/ stable (very strong). Talanx AG is listed on the Frankfurt Stock Exchange in the MDAX as well as on the stock exchanges in Hannover and Warsaw (ISIN: DE000TLX1005, German Securities Code: TLX100, Polish Securities Code: TNX).

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