News Release

# Talanx exceeds Group net income target and proposes increase in dividend

- Increase of 9.7 percent in gross written premiums in financial year 2015 to EUR 31.8 billion (FY 2014: EUR 29.0 billion)
- EBIT rises by 15.3 percent to EUR 2.2 (1.9) billion
- Group net income at EUR 734 (769) million, adjusted for goodwill impairment on record level
- Proposed dividend of EUR 1.30 (1.25): continuous increase since IPO
- Board of Management raises outlook for 2016: Group net income of around EUR 750 million expected

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**The Talanx Group grew significantly in financial year 2015 and exceeded its Group net income target despite the complete goodwill impairment in the German life insurance business in the second quarter. Gross written premiums rose by 9.7 percent to EUR 31.8 billion (FY 2014: EUR 29.0 billion); when adjusted for exchange-rate effects, the increase was 4.8 percent. The growth was built on the continued, systematic implementation of the internationalisation strategy. Operating profit (EBIT) grew by 15.3 percent to a record high of EUR 2.2 (1.9) billion. At EUR 734 (769) million, Group net income reached the second-highest value in the company's history. Adjusted by the goodwill impairment in the amount of EUR 155 million, Talanx would have achieved a record result. Also due to the improvement in the portfolio quality of our Primary Insurance operations, Talanx raises its outlook for the Group net income in financial year 2016 to around EUR 750 million.**

On foot of the positive business performance, the Board of Management and the Supervisory Board are proposing a dividend increase to EUR 1.30 (1.25) per share to the General Meeting. This corresponds to a dividend yield on the average closing price of the Talanx share in the financial year just ended of 4.6 percent. Talanx has increased the dividend paid every year since the IPO in 2012.

Cumulatively over the past four years, the dividend per share has increased overall by 25 cents or almost a quarter.

"2015 was characterised by low interest rates, the strategic realignment of Retail Germany and measures to enhance portfolio quality in the German industrial insurance business. Given the challenging environment, we have achieved a highly satisfactory result. With the further increase in the pay-out, we are continuing our consistent dividend policy", said Herbert K Haas, Chairman of the Board of Management of Talanx AG. "We have taken 2015 to do the necessary strategic groundwork. Now we must implement and process the measures consistently. We are on track but we have not reached our destination."

The share of premiums achieved abroad in Primary Insurance rose by 2 percentage points to 47 percent. The aim is to generate at least 50 percent of premiums outside Germany by 2018.

The fact that there were only isolated major natural disasters in the year under review contributed to the good result. The net burden of large losses across the Group of EUR 922 (782) million thus remained below the large loss budget of EUR 980 million. Large losses worth EUR 349 (356) million were attributed to Primary Insurance, whereas Reinsurance was burdened with EUR 573 (426) million. The largest loss was the explosion in the Chinese port city of Tianjin, representing a Group-wide burden of EUR 154 million.

The combined ratio of the Talanx Group improved by 1.9 percentage points to 96.0 percent (97.9 percent). In all divisions, the combined ratio was below the 100 percent level. At the end of the year, the underwriting result totalled EUR –1.4 (–2.1) billion. Net investment income fell, despite an increase in ordinary investment income, by 5.1 percent to EUR 3.9 (4.1) billion. In the previous year, it had profited from the extraordinary gain from the sale of the remaining Swiss Life stake. The net return on investment once again achieved a solid level at 3.6 percent (4.1 percent). Thanks to the good underwriting cash flow and exchange-rate effects, the assets under own management increased by 4.5 percent to EUR 100.8 (96.4) billion. The earnings per share as at 31 December 2015 stood at EUR 2.90 (3.04).

In the fourth quarter of the financial year 2015, the Group's gross written premiums rose by 2.5 percent to EUR 7.4 (7.3) billion. Adjusted for exchange-rate effects, they were down by 2.5 percent. The combined ratio improved by 5.2 percentage points to 93.3 percent (98.5 percent). The underwriting result increased to EUR –82 (–705) million. Due exclusively to lower extraordinary effects (Swiss Life), net investment income fell Group-wide by 17.8 percent to EUR 0.9 (1.1) billion. EBIT increased by 50.7 percent to EUR 675 (448) million due to the higher underwriting result. Group net income rose in the fourth quarter by 3.0 percent to EUR 246 (239) million.

Shareholders' equity rose to EUR 8.3 (8.0) billion or EUR 32.76 (31.64) per share. Despite the dividend payment of EUR 316 million, the shareholders' equity in financial year 2015 lies 4 percent above the result of 2014 in this respect.

**Industrial Lines: Premium growth, predominantly abroad; initiatives to improve portfolio quality off to a successful start**

In the Industrial Lines Division, the gross written premiums increased in 2015 by 6.5 percent to EUR 4.3 (4.0) billion, buoyed up by growth abroad. Adjusted for exchange-rate effects, the increase was 2.5 percent. In the United States in particular, positive exchange-rate effects boosted premium growth. The division's target is to increase the volume of the premiums achieved abroad to 65 percent by the year 2019. This figure currently stands at 60 percent.

The combined ratio improved to 99.2 percent (103.0 percent). The underwriting result increased to EUR 18 (–61) million. In an environment of persistently low interest rates, the net investment income fell by 23.1 percent to EUR 206 (268) million; the figure for the previous year had also benefited from extraordinarily realised gains. EBIT increased by 14.3 percent to EUR 208 (182) million. The Industrial Lines Division contributed EUR 127 (121) million to Group net income.

In the fourth quarter, Industrial Lines achieved a premium increase of 5.3 percent, 0.3 percent when adjusted for exchange-rate effects, to EUR 862 (818) million. Benefiting from, inter alia, a lower large loss burden, the underwriting result amounted to EUR 22 (6) million. The net investment income stood at EUR 48 (59) million. EBIT was down slightly to EUR 55 (58) million, and its contribution to Group net income stood at EUR 24 (36) million.

The measures to improve the domestic insurance business are displaying initial signs of success: when the contracts were extended, tangible improvements in premiums/contingent liabilities were achieved in the Property, Marine and Motor lines. The initiative is being continued in the current year.

**Retail Germany: Combined ratio falls to below 100 percent; KuRS strategic project successfully started**

The Retail Germany Division posted a slight decline in gross premium income in financial year 2015 dipping to EUR 6.7 (6.9) billion, due in particular to a planned limitation of single premium business amongst the life insurers. Gross written premiums declined by 3.4 percent to EUR 5.2 (5.4) billion. The same applies to new business, which when measured against the annual premium equivalent (APE) amounted to EUR 455 (470) million. In contrast, the sale of biometric products such as occupational disability insurance and term life insurance products increased, when measured against the APE, from EUR 83 to 88 million or around 6 percent. The division also decided to replace traditional life insurance products at the turn of the year with modern classic products. The property/casualty insurers achieved gross written premiums of EUR 1.5 (1.5) billion with ongoing measures to improve the quality of the portfolio.

The underwriting result improved to EUR –1.5 (–2.0) billion. The increase resulted, in particular, from a lower net investment income and the resultant lower participation of life insurance customers in the net investment income. At the same time, increases in the loss reserves in the property/casualty business and a risk-oriented remeasurement of life insurance portfolios burdened the underwriting result of the previous year. The combined ratio improved, due to a lower burden from small and medium-sized losses and consequent reduction of costs, by 9.3 percentage points to 99.3 percent (108.6 percent). Net investment income fell 8.8 percent to EUR 1.7 (1.9) billion. Despite the complete impairment goodwill worth EUR 155 million, EBIT rose to EUR 3 (–115) million. The contribution to Group net income amounted to EUR –76 (–84) million.

In quarterly terms, the gross written premiums were essentially characterised by planned decreases in single premiums. The premium income amounted to EUR 1.5 (1.8) billion across the segment. The underwriting result improved, rising to EUR –262 (–689) million, particularly as a result of a fall in the net investment income and the associated lower participation of policyholders as well as the absence of the named one-off effect. In addition, it profited from a positive development in the combined ratio, which improved from 126.8 percent to 94.2 percent. Net investment income fell by 19.0 percent to EUR 380 (469) million. Operatively (from an EBIT perspective) the division closed the fourth quarter with a profit of EUR 19 (–234) million; the contribution to Group net income was EUR –3 (–156) million.

**Retail International: Successful integration of the Chilean Magallanes Group; strong, profitable growth in the property/casualty business**

Gross written premiums in the Retail International Division rose in the year under review by 4.2 percent to EUR 4.6 (4.5) billion. Adjusted for exchange-rate effects, growth even reached 7.6 percent. In particular, premium income in Latin America has developed well. In Mexico, premium growth in local currency was 38.0 percent, in Brazil it was 16.1 percent. The Chilean companies achieved premiums of EUR 280 million, of which EUR 242 million came from the purchase of the Magallanes Group.

Overall, the premium income profited from a strong composite business which recorded premium growth of 11.4 percent (adjusted for exchange-rate effects: 16.7 percent). The life insurers recorded a premium decline, due to falling single premiums, of 9.4 percent (adjusted for exchange-rate effects: –9.5 percent).

The underwriting result rose thanks to the positive development in the property/casualty business to EUR –7 (–11) million. At 96.3 percent (96.4 percent) the combined ratio of the property insurers remained stable at a good level. Larger investment portfolios led to a rise in the net investment income by 5.3 percent to EUR 338 (321) million. EBIT increased by 4.3 percent to EUR 217 (208) million. Due to a positive fiscal one-off effect from the purchase in Chile, the contribution of the division to Group net income rose disproportionately by 21 percent to EUR 148 (122) million.

In the fourth quarter of 2015, premium income increased by 2.9 percent – 6.1 percent in local currencies – to EUR 1.2 (1.1) billion. The underwriting result amounted to EUR –8 (–4) million. As a result of extraordinary gains from the realisation of currency reserves, the net investment income rose by 10.8 percent to EUR 88 (80) million. At EUR 43 (44) million, EBIT almost reached the level of the same period in the previous year despite negative effects in the amount of EUR 8 million from the deconsolidation of the companies in Ukraine and Bulgaria. Due to the fiscal one-off effects in Chile, the contribution to Group net income rose to EUR 42 (26) million.

**Non-Life Reinsurance: Very good combined ratio of 94.5 percent**

Non-Life Reinsurance recorded premium growth in financial year 2015 of 18.2 percent to EUR 9.3 (7.9) billion. Adjusted for exchange-rate effects, the gross written premiums rose by 8.1 percent. At EUR 573 (426) million, the large loss burden of the reinsurance segment remained well within the limits of the large loss budget of EUR 690 million. The already good combined ratio of the segment improved slightly to 94.5 percent (94.7 percent). The underwriting result increased by 22.3 percent to EUR 427 (349) million. The net investment income increased by 11.4 percent to EUR 966 (867) million. Based on the positive operative development, the segment achieved an EBIT of EUR 1.4 (1.2) billion (+14.1 percent). The contribution to Group net income increased by 13.7 percent to EUR 456 (401) million.

In the fourth quarter, the gross written premiums grew by 9.5 percent to EUR 2.0 (1.8) billion. At the year's end too, the segment profited from exchange-rate effects: in local currencies, the income remained practically constant at –0.4 percent. Supported by a significantly lower large loss burden, the underwriting result amounted to EUR 179 (125) million, while the net investment income stood at EUR 277 (200) million. Consequently, EBIT increased by 18.7 percent to EUR 416 (350) million. The segment contributed EUR 136 (130) million to Group net income.

**Life/Health Reinsurance: Increase in quality of results**

In the Life/Health Reinsurance gross written premiums in 2015 grew by 19.7 percent to EUR 7.7 (6.5) billion. Adjusted for exchange rate effects, the premiums increased by 9.5 percent. The underwriting result improved by 8.6 percent to EUR –351 (–384) million. Despite the persistently low interest rates, the net investment income increased by 15.7 percent to EUR 709 (613) million. The segment's EBIT amounted to EUR 411 (268) million, and its contribution to Group net income rose by 40.2 percent to EUR 150 (107) million.

In the fourth quarter, the premium income amounted to EUR 2.1 (1.8) billion. This corresponded to a gain of 16.0 percent, or 5.7 percent after adjustment for exchange rate effects. The underwriting result amounted to EUR –17 (–142) million, the net investment income reached EUR 166 (152) million increasing by 9.1 percent. Supported by the good development in underwriting and investment earnings, EBIT rose to EUR 172 (32) million. The contribution of the segment to Group net income amounted to EUR 66 (21) million.

**Outlook 2016**

For the Talanx Group, we expect stable gross premium income for 2016 – based on steady exchange rates. The IFRS return on investment should amount to at least 3%. We are aiming for Group net income of approximately EUR 750 million. This earnings target assumes that any large losses will be within the expected range and that there will be no disruptions on the currency and capital markets. Our express aim is to pay out 35% to 45% of Group net income as dividends.

**Key figures from the Talanx Group income statement for 2015, consolidated (IFRS)**

| EUR million | 2015 | 2014 | +/- |
|---|---|---|---|
| Gross written premiums | 31,799 | 28,994 | +9.7% |
| Net premiums earned | 25,937 | 23,844 | +8.8 % |
| Combined ratio in property/casualty insurance and Non-Life Reinsurance | 96.0% | 97.9% | –1.9% pts. |
| Net investment income | 3,933 | 4,144 | –5.1% |
| Operating profit (EBIT) | 2,182 | 1,892 | +15.3% |
| Net profit (after financing costs and tax) | 1,409 | 1,368 | +3.0% |
| Group net income (after non-controlling interests) | 734 | 769 | –4.6% |
| Return on equity [1] | 9.0% | 10.2% | –1.2% pts. |

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

**Key figures from the Talanx Group income statement for Q4 2015, consolidated (IFRS)**

| EUR million | Q4 2015 | Q4 2014 | +/- |
|---|---|---|---|
| Gross written premiums | 7,444 | 7,261 | +2.5% |
| Net premiums earned | 6,691 | 6,713 | –0.3% |
| Combined ratio in property/casualty insurance and Non-Life Reinsurance | 93.3% | 98.5% | –5.2% pts. |
| Net investment income | 944 | 1,148 | –17.8% |
| Operating profit (EBIT) | 675 | 448 | +50.7% |
| Group net income (after non-controlling interests) | 246 | 239 | +3.0% |
| Return on equity [1] | 12.0% | 12.0% | +/- 0.0% pts. |

1) Annualised net income for the quarter excluding non-controlling interests relative to average shareholders' equity excluding non-controlling interests at the beginning and the end of the quarter

Complete Annual Report 2015:
http://www.talanx.com/~/media/Files/T/Talanx/reports-and-presentations/2016/2015_tx_konzern_en.pdf

Financial calendar for 2016:
http://www.talanx.com/investor-relations/finanzkalender/termine.aspx

**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 specialized in bancassurance, the Polish insurer Warta, and the financial services provider Ampega. 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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