News Release

Talanx enjoys a successful start to the new year and reaffirms its outlook for 2016

- Gross written premiums decrease by 4.7 percent, or in local currencies by 3.0 percent, to EUR 9.0 (9.4) billion
- EBIT falls by 10.9 percent to EUR 573 (643) million
- Group net income is EUR 222 (251) million – adjusted for the positive special item of around EUR 19 million from Q1 2015 it would be almost at the level of the strong prior year's quarter
- The combined ratio improves to 96.3 (96.5) percent
- Outlook for Group net income for the whole year of around EUR 750 million is confirmed

Talanx AG

Group Communications
Tel. +49 511 3747-2022
Fax +49 511 3747-2025

Investor Relations
Tel. +49 511 3747-2227
Fax +49 511 3747-2286

Riethorst 2
30659 Hannover
Germany
www.talanx.com

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Talanx Group has enjoyed a successful start to the financial year and reaffirms its outlook for 2016. Group net income fell by 11.6 percent to EUR 222 (251) million from January to March compared with the strong performance in the same quarter of the previous year. However, the Reinsurance in the corresponding period of the previous year benefited from a special item of around EUR 19 million after taxes and minority interests. Without this one-time income, the Group net income would have remained stable in the first quarter of 2016 in comparison with the same quarter of 2015. Gross premiums fell by 4.7 percent to EUR 9.0 (9.4) billion due in particular to the deliberate foregoing of single premiums in the German life insurance business, and due to currency effects; adjusted for currency effects they fell slightly by 3.0 percent. Whilst the profitability programs in the Retail Germany Division are still at an early stage, success in enhancing the portfolio in the Industrial Lines Division is already evident in company earnings.

“We have started the new 2016 financial year well and are satisfied with the operating trend. We are being disciplined in implementing our strategic programs. Initial successes are already evident, giving us confidence. After the first quarter, we are well on course to achieve a

Group net income of around EUR 750 million in the current year as forecast," said Herbert K Haas, Chairman of Talanx AG.

In comparison to the prior year period, the Group recorded a lower large loss burden of EUR 123 (156) million in the first quarter, which therefore remained within the allocated large loss budget of EUR 264 million. In the first quarter, large losses were incurred due to man-made losses in the Industrial Lines Division as well as from an earthquake in Taiwan in February. Large losses worth EUR 67 (94) million were attributed to Primary Insurance, and Reinsurance posted a large loss of EUR 56 (62) million.

In spite of the prudential reserving policy in the period, the combined ratio improved slightly by 0.2 percentage points to 96.3 (96.5) percent. The underwriting result across the Group fell by 8.5 percent to EUR -422 (-389) million, primarily due to the share of German life insurance clients in the net investment income. Net investment income rose slightly by 2.6 percent to EUR 1.0 (1.0) billion. This growth can mainly be attributed to a rise in extraordinary net investment income, which is used essentially to finance the additional interest reserve in the Retail Germany Division. The ordinary net investment income fell quarter on quarter due to the loss of the special item in the Life/Health Reinsurance Division.

The operating profit (EBIT) fell to EUR 573 (643) million. As is the case in the premium trend and Group net income, the negative impact of the global currency market fluctuations was evident here as compared with the same period of the previous year. Exchange rate gains therefore fell to EUR 32 (83) million. Group net income stood at EUR 222 (251) million in the first quarter, representing a fall of 11.6 percent. In the corresponding period of the previous year, the above-mentioned special item of EUR 19 million from Life/Health Reinsurance had a positive effect on Group net income. The earnings per share in the first quarter of 2016 stood at EUR 0.88 (0.99).

Talanx also published the 2015 reports from risk management together with the quarterly results. They show that the Group continues to be well capitalised. The Group was granted BaFin approval for its internal group model at the end of November 2015. In the Solvency II ratio, the capitalisation of the Group was a healthy 171 (182) percent without applicable transitionals at the end of 2015. For internal financial controlling and risk budgeting, Talanx applies another definition by which no discounts are made for minority shares and the internal modelling of operational risks is taken into consideration. From this perspective, the capitalisation ratio was even higher at 253 (299) percent.

Industrial Lines: Gross premium growth and improved underwriting

Gross written premiums rose by 1.7 percent to EUR 1.9 (1.9) billion in the Industrial Lines Division. Adjusted for currency effects, the increase was greater still at 2.5 percent. The Switzerland and United Kingdom branches were the main contributors to growth in premiums.

The combined ratio improved in the segment by 1.3 percentage points to 97.6 (98.9) percent. The initial success in optimising the risk/premium ratio can be seen in the Property, Transport and Motor portfolios. The improvement in the combined ratio also resulted in a higher underwriting profit of EUR 13 (6) million. The Industrial Lines Division posted a slight fall in net investment income to EUR 50 (53) million. The operating profit rose by 2.8 percent to EUR 74 (72) million in comparison to the same period of the previous year. Industrial Lines contributed EUR 48 (47) million to the Group net income.

Retail Germany: Planned reduction of single premiums in life insurance

The Retail Germany Division posted gross premium income of EUR 1.9 (2.1) billion in the first quarter of 2016. This mainly reflects the planned reduction in single premium business in life insurance because of the persistently low interest rate level. In addition, the corresponding quarter of the previous year had also gone exceptionally well: overhang from 2014 had a positive effect on the premium income in the first quarter of 2015. The gross premiums in life insurance business to 31 March fell as expected by 15.9 percent to EUR 1.2 (1.4) billion. The property/casualty division posted a slight erosion in premiums with premium income of EUR 749 (762) million.

The combined ratio rose by 3.3 percentage points to 103.8 (100.5) percent in the reporting period in comparison to the same quarter of the previous year. Investments for modernising the business division are included in the increase. These investments alone account for a rise of around 2.3 percentage points. Without the investment in the realignment of the division, the combined ratio would have risen by only one percentage point.

The underwriting result in the business division in the corresponding period was 21.9 percent lower at EUR -478 (-392) million. The fall is almost entirely attributable to the participation of life insurance policyholders in the net investment income. The fall in the underwriting result in property/casualty insurance can be mainly attributed to the investment in the realignment of the division.

The net investment income increased by 20.2 percent to EUR 535 (445) million as a result of the realisation of hidden reserves to finance the additional interest reserve.

The EBIT declined to EUR 47 (57) million. Without investment in the realignment of the division, it would have remained almost at the same level as the previous year. The contribution to Group net income amounted to EUR 29 (35) million.

Retail International: Premium growth in local currencies and stable net investment income

Gross written premiums in the Retail International Division fell in the reporting quarter by 4.8 percent to EUR 1.1 (1.2) billion due to currency effects. However, with unchanged exchange rate parity, the solid growth of international business is unchanged: the premium income rose by 3.5 percent, without the exchange rate being a factor. The gross written premiums from property insurance as well as life insurance developed differently in the reporting period. As a result of the negative trend in exchange rates, premium income in property insurance business declined by 7.8 percent compared with the prior year period to EUR 758 (822) million. Adjusted for currency effects, it increased by 3.5 percent. In the Life Insurance Division, gross written premiums increased by 1.6 percent to EUR 390 (384) million, and even by 3.4 percent after adjustment for currency effects. The rise of single premiums was attributed to sales through banks at the Italian HDI Assicurazioni.

There was sound growth in core markets as measured in local currency. In Brazil, the gross premiums in local currency rose by 8.3 percent, in Mexico by 13.8 percent and in Chile the premium income more than doubled. The full integration of the Magallanes Group was also a contributing factor as compared with the same quarter in the previous year. In Turkey, gross premium income increased by 11.9 percent after adjustment for currency effects. In Poland, the asset tax introduced for banks and insurance companies at the start of 2016 had the anticipated dampening effect on business performance.

The underwriting result rose slightly by 6.0 percent to EUR 8.4 (8.0) million. At 96.2 (94.6) percent, the combined ratio of property insurers remained stable at a high level. The net investment income rose slightly by 1.3 percent to EUR 80 (79) million. EBIT increased by 8,9 percent to EUR 61 (56) million. The contribution to Group net income was 9.1 percent higher than in the corresponding period at EUR 36 (33) million.

Non-Life Reinsurance: Improved underwriting result

Non-Life Reinsurance recorded a fall in gross written premiums of 4.4 percent to EUR 2.5 (2.6) billion in the first quarter of the 2016 financial year. Adjusted for currency effects, the fall in premiums was 3.7 percent. The underwriting result rose by 37.0 percent against the corresponding period to EUR 100 (73) million. This rise was supported by a lower large loss burden of EUR 56 (62) million. The biggest loss was the earthquake in Taiwan in February. The combined ratio improved overall by 1.2 percentage points to 94.7 (95.9) percent. The net investment income rose in the reporting period by 7.0 percent to EUR 213 (199) million. As a result, EBIT also posted a rise of 11.1 percent to EUR 310 (279) million. The segment contributed EUR 104 (87) million to Group net income.

Life/Health Reinsurance: Gross written premiums remain virtually unchanged

In the Life/Health Reinsurance segment, gross written premiums declined slightly by 1.2 percent to EUR 1.8 (1.8) billion. However, adjusted for currency effects the premium income remained practically unchanged (+0.3 percent). The underwriting result increased by 20.0 percent to EUR -68 (-85) million. Net investment income fell by 28.3 percent in the first quarter of 2016 to EUR 157 (219) million. In the same period of the previous year, a special item of around

EUR 39 million had a positive effect on the ordinary net investment income. The segment EBIT fell by 41.5 percent to EUR 103 (176) million. The contribution to Group net income fell accordingly to EUR 38 (66) million.

Outlook for 2016

Talanx reaffirms the outlook for the 2016 financial year and is striving to achieve Group net income of approximately EUR 750 million. The Group continues to expect stable gross premium income for the financial year based on steady exchange rates. The IFRS return on investment should amount to at least 3.0 percent and the return on equity should be 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 any large losses will be within the expected range. It is also a stated aim for 2016 to pay out 35 to 45 percent of Group net income as dividends.

Key figures from the Talanx Group income statement for Q1 2016, consolidated (IFRS)

EUR million	Q1 2016	Q1 2015	+/-
Gross written premiums	8,995	9,440	-4.7%
Net premiums earned	6,266	6,367	-1.6%
Combined ratio in property/casualty primary insurance and Non-Life Reinsurance	96.3%	96.5%	-0.2 percentage points
Net investment income	1,022	996	2.6%
Operating profit (EBIT)	573	643	-10.9%
Group net income (without non-controlling interests)	222	251	-11.6%
Return on equity[1)]	10.6%	12.0%	-1.4 percentage points

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/~/media/Files/T/Talanx/reports-and-presentations/2016/2016_zb1_tx_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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For **media enquiries** please contact:

Andreas Krosta	Tel.:	+49 511-3747-2020
	E-mail:	andreas.krosta@talanx.com
Christoph Boßmeyer	Tel.:	+49 511-3747-2094
	E-mail	christoph.bossmeyer@talanx.com

For **Investor Relations** please contact:

Carsten Werle, CFA	Tel.:	+49 511-3747-2231
	E-mail:	carsten.werle@talanx.com
Marcus Sander, CFA	Tel.:	+49 511-3747-2368
	E-mail:	marcus.sander@talanx.com