

# 2016

PERFORMANCE AND RESULTS

Quarterly Statement as at 30 September 2016

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Insurance. Investments.

# THE TALANX GROUP AT A GLANCE

## GROUP KEY FIGURES

	UNIT	6M 2016	Q3 2016	9M 2016	6M 2015	Q3 2015	9M 2015	+/- % 9M 2016 vs 9M 2015
<b>Gross written premiums</b>	EUR MILLION	<b>16,427</b>	<b>7,322</b>	<b>23,749</b>	<b>16,827</b>	<b>7,528</b>	<b>24,355</b>	<b>-2.5</b>
by region								
Germany	%	31	25	29	32	25	30	-1.0 pt.
United Kingdom	%	9	8	9	9	9	9	- pt.
Central and Eastern Europe (CEE), including Turkey	%	8	8	8	8	7	8	- pt.
Rest of Europe	%	16	14	16	14	14	14	+2.0 pt.
USA	%	14	18	15	13	15	13	+2.0 pt.
Rest of North America	%	2	3	2	3	3	3	-1.0 pt.
Latin America	%	7	9	8	7	9	8	- pt.
Asia and Australia	%	11	13	11	12	16	13	-2.0 pt.
Africa	%	2	2	2	2	2	2	- pt.
<b>Net premiums earned</b>	EUR MILLION	<b>12,810</b>	<b>6,324</b>	<b>19,134</b>	<b>12,751</b>	<b>6,495</b>	<b>19,246</b>	<b>-0.6</b>
<b>Underwriting result</b>	EUR MILLION	<b>-784</b>	<b>-384</b>	<b>-1,168</b>	<b>-851</b>	<b>-437</b>	<b>-1,288</b>	<b>+9.3</b>
<b>Net investment income</b>	EUR MILLION	<b>1,962</b>	<b>1,019</b>	<b>2,981</b>	<b>2,037</b>	<b>952</b>	<b>2,989</b>	<b>-0.3</b>
<b>Net return on investment<sup>1)</sup></b>	%	<b>3.5</b>	<b>-</b>	<b>3.5</b>	<b>3.8</b>	<b>-</b>	<b>3.7</b>	<b>-0.2 pt.</b>
<b>Operating profit/loss (EBIT)</b>	EUR MILLION	<b>1,064</b>	<b>585</b>	<b>1,649</b>	<b>1,015</b>	<b>492</b>	<b>1,507</b>	<b>+9.4</b>
<b>Net income (after financing costs and taxes)</b>	EUR MILLION	<b>688</b>	<b>403</b>	<b>1,091</b>	<b>630</b>	<b>327</b>	<b>957</b>	<b>+14.0</b>
of which attributable to shareholders of Talanx AG	EUR MILLION	401	234	635	311	177	488	+30.1
<b>Return on equity<sup>2)3)</sup></b>	%	<b>9.5</b>	<b>10.6</b>	<b>9.8</b>	<b>7.8</b>	<b>8.8</b>	<b>8.1</b>	<b>+1.7 pt.</b>
<b>Earnings per share</b>								
Basic earnings per share	EUR	1.59	0.92	2.51	1.23	0.70	1.93	+30.1
Diluted earnings per share	EUR	1.59	0.92	2.51	1.23	0.70	1.93	+30.1
<b>Combined ratio in property/casualty primary insurance and Non-Life Reinsurance<sup>4)</sup></b>	%	<b>96.8</b>	<b>96.4</b>	<b>96.6</b>	<b>96.4</b>	<b>98.0</b>	<b>96.9</b>	<b>-0.3 pt.</b>
Combined ratio of property/ casualty primary insurers <sup>5)</sup>	%	98.8	98.7	98.7	97.8	100.6	98.7	- pt.
Combined ratio of Non-Life Reinsurance	%	95.4	94.5	95.1	95.4	95.8	95.6	-0.5 pt.
<b>EBIT margin primary insurance and reinsurance</b>								
EBIT margin primary insurance <sup>5)</sup>	%	5.4	4.8	5.2	3.6	3.8	3.7	+1.5 pt.
EBIT margin Non-Life Reinsurance	%	15.1	16.1	15.5	15.8	17.4	16.3	-0.8 pt.
EBIT margin Life/Health Reinsurance	%	5.2	7.2	5.8	6.2	2.5	4.9	+0.9 pt.

		30.9.2016	31.12.2015	+/- %
<b>Policyholders' surplus</b>	EUR MILLION	<b>16,515</b>	<b>15,374</b>	<b>+7.4</b>
Equity attributable to shareholders of Talanx AG	EUR MILLION	9,002	8,282	+8.7
Non-controlling interests	EUR MILLION	5,530	5,149	+7.4
Hybrid capital	EUR MILLION	1,983	1,943	+2.1
<b>Assets under own management</b>	EUR MILLION	<b>107,085</b>	<b>100,777</b>	<b>+6.3</b>
<b>Total investments</b>	EUR MILLION	<b>119,435</b>	<b>115,611</b>	<b>+3.3</b>
<b>Total assets</b>	EUR MILLION	<b>159,272</b>	<b>152,760</b>	<b>+4.3</b>
<b>Carrying amount per share at end of period</b>	EUR	<b>35.61</b>	<b>32.76</b>	<b>+8.7</b>
<b>Share price at end of period</b>	EUR	<b>27.15</b>	<b>28.55</b>	<b>-4.9</b>
<b>Market capitalisation of Talanx AG at end of period</b>	EUR MILLION	<b>6,863</b>	<b>7,217</b>	<b>-4.9</b>
<b>Employees</b>	FULL-TIME EQUIVALENTS	<b>20,138</b>	<b>20,334</b>	<b>-1.0</b>

<sup>1)</sup> Ratio of annualised net investment income excluding interest income on funds withheld and contract deposits and profit on investment contracts to average assets under own management (30 September 2016 and 31 December 2015).

<sup>2)</sup> Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

<sup>3)</sup> Ratio of annualised net income for the quarter excluding non-controlling interests to average equity excluding non-controlling interests at the beginning and the end of the quarter.

<sup>4)</sup> Combined ratio adjusted for interest income on funds withheld and contract deposits, before elimination of intragroup cross-segment transactions.

<sup>5)</sup> Excluding figures from the Corporate Operations segment.

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Guideline on Alternative Performance Measures – for further information on the calculation and definition of specific alternative performance measures please refer to the Annual Report 2015, chapter “Enterprise management”, page 22ff as well as to the “Glossary and definitions of key figures” on page 257ff.

## QUARTERLY STATEMENT

### BUSINESS DEVELOPMENT

#### PERFORMANCE OF THE GROUP

- A slight decline in gross premium income, after adjustment for exchange rate effects
- Major loss burden remains far below Group budget for the period
- Significantly improved underwriting and operating result

##### GROUP KEY FIGURES

EUR MILLION

	9M 2016	9M 2015	+/- %
Gross written premiums	23,749	24,355	-2.5
Net premiums earned	19,134	19,246	-0.6
Underwriting result	-1,168	-1,288	+9.3
Net investment income	2,981	2,989	-0.3
Operating profit/loss (EBIT)	1,649	1,507	+9.4
Combined ratio (net, property/ casualty only) in %	96.6	96.9	-0.3 pt.

##### MANAGEMENT METRICS

%

	9M 2016	9M 2015	+/- %
Gross premium growth (adjusted for currency effects)	-0.4	6.5	-6.9 pt.
Group net income in EUR million	635	488	+30.1
Return on equity <sup>1)</sup>	9.8	8.1	+1.7 pt.
Net return on investment <sup>2)</sup>	3.5	3.7	-0.2 pt.

<sup>1)</sup> Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

<sup>2)</sup> Ratio of annualised net income from investments to average assets under own management.

#### PREMIUM VOLUME

The gross written premiums amounted to EUR 23.7 (24.4) billion, which represents a decrease of 2.5%; after adjustment for currency effects, the gross written premiums fell only slightly by 0.4%. The Retail International Division grew by over 6% but the premiums fell in the other divisions, partly due to the expected fall in single premium business in the life segment of the Retail Germany Division and also to the omission of single premiums in the Life/Health Reinsurance segment. The retention ratio rose to 87.7% (86.8%), while net premiums earned were therefore down only slightly by 0.6% year-on-year, at EUR 19.1 (19.2) billion.

#### UNDERWRITING RESULT

The underwriting result increased by 9.3% to EUR -1,168 (-1,288) million. In the first nine months, the major loss burden remained far below the Group budget for the period (EUR 846 million) at EUR 533 (724) million. The net loss ratio improved by 1.6% and was able to offset the slight deterioration in the net expense ratio. As a consequence, the Group's combined ratio was on about a level with the prior-year period, at 96.6% (96.9%).

#### NET INVESTMENT INCOME

Net investment income was down 0.3% year-on-year, at EUR 2,981 (2,989) million. The higher extraordinary net investment income was not able to compensate for the interest-related decline in the ordinary net investment income – caused by the omission of a positive one-off effect in Life/Health Reinsurance from the first quarter of 2015 and lower interest income on funds withheld and contract deposits. The consolidated net return on investment amounted to 3.5% (3.7%) in the first nine months of 2016. This was thus only slightly lower than in the corresponding period of the previous year; however, we exceeded our full-year target for 2016 of generating a return of more than 3.0% on a time-proportion basis in the first nine months of the year.

#### OPERATING PROFIT AND GROUP NET INCOME

Operating profit (EBIT) rose by 9.4% to EUR 1,649 (1,507) million, thanks in part to a sharp increase in EBIT in the Retail Germany Division life insurance business; the previous year was dominated by the impairment in full of the goodwill attributable to the life insurance business of this division. The Industrial Lines and Life/Health Reinsurance segments in particular contributed to the excellent Group result – it increased by 30.1% to EUR 635 (488) million. The return on equity of 9.8% (8.1%) far exceeded our forecast figure for full-year 2016 of 8.5%.

## DEVELOPMENT OF THE DIVISIONS WITHIN THE GROUP

At a strategic level, Talanx divides its business into seven reportable segments: Industrial Lines, Retail Germany – property/casualty and life –, Retail International, Non-Life Reinsurance, Life/Health Reinsurance and Corporate Operations. Please refer to the section entitled “Segment reporting” in the Notes to the consolidated half-yearly financial report 2016 for details of these segments’ structure and scope of business.

### INDUSTRIAL LINES

- Premium growth abroad; adjustments in Germany
- Improved underwriting result
- Net investment income maintained despite low interest rates

#### KEY FIGURES FOR THE INDUSTRIAL LINES SEGMENT

EUR MILLION			
	9M 2016	9M 2015	+/-%
Gross written premiums	3,390	3,434	-1.3
Net premiums earned	1,630	1,581	+3.1
Underwriting result	33	-4	+925.0
Net investment income	165	158	+4.4
Operating profit/loss (EBIT)	204	152	+34.2

#### MANAGEMENT METRICS

%			
	9M 2016	9M 2015	+/-%
Gross premium growth (adjusted for currency effects)	-0.5	2.7	-3.2 pt.
Retention	52.9	51.4	+1.5 pt.
Combined ratio (net) <sup>1)</sup>	98.0	100.2	-2.2 pt.
EBIT margin <sup>2)</sup>	12.5	9.6	+2.9 pt.
Return on equity <sup>3)</sup>	8.2	6.7	+1.5 pt.

<sup>1)</sup> Including net interest income on funds withheld and contract deposits.

<sup>2)</sup> Operating profit (EBIT)/net premiums earned.

<sup>3)</sup> Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

### PREMIUM VOLUME

Gross written premiums for the division amounted to EUR 3.4 (3.4) billion as at 30 September 2016, a slight decrease of around 1.3% (0.5% after adjustment for currency effects). The international branches of HDI Global SE recorded increases in premiums, in particular in the United Kingdom, Denmark and Switzerland. In addition, the Brazilian and American subsidiaries HDI Global S.A. and HDI Global Insurance Company made a positive contribution to premium growth. In contrast, domestic performance registered an erosion in premiums due to adjustment measures.

The retention ratio in the division was above the level of the previous year, at 52.9% (51.4%). The increased payments to external reinsurers in the property line were offset by far lower expenses for reinstatement premiums. Net premiums earned therefore rose by 3.1% compared with the previous-year quarter to EUR 1,630 (1,581) million, in contrast to the decline in gross premiums.

### UNDERWRITING RESULT

The division's net underwriting result increased to EUR 33 (-4) million. At 22.4% (21.5%), the net expense ratio was higher year-on-year, thanks to the registered growth. In addition, a changeover in the reinsurance arrangements at the subsidiary HDI-Gerling Verzekeringen N.V. to increasingly non-proportional cover has led to higher net commissions. The loss ratio (net) improved to 75.6% (78.8%) due to a lower major loss burden. The combined ratio for the Industrial Lines Division amounted to 98.0% (100.2%).

### NET INVESTMENT INCOME

Net investment income rose by 4.4% to EUR 165 (158) million. The lower interest rates for new and reinvestments were more than offset by higher income from private equity vehicles. In comparison to the previous-year period, fewer net gains from the disposal of investments were generated at HDI Global SE at the same time.

### OPERATING PROFIT AND GROUP NET INCOME

The division's operating profit has already reached the level of the entire year 2015 in the first nine months of 2016 at EUR 204 million, thanks to the developments described above; in comparison to the first nine months of 2015 (EUR 152 million), it has improved by more than a third. Group net income amounted to EUR 132 (103) million.

## RETAIL GERMANY

Since the second quarter of 2016, the Talanx Group has managed the Retail Germany Division on the basis of the property/casualty insurance and life insurance segments, and has reported accordingly about the performance of these two segments.

### RETAIL GERMANY DIVISION OVERALL – GROUP NET INCOME

EBIT for the Retail Germany Division increased in the reporting period from EUR –16 million to EUR 70 million. The previous year was weighed on by the full impairment of the goodwill in the life insurance business. After adjustment for taxes on income, financing costs and non-controlling interests, Group net income increased to EUR 39 (–73) million, causing the return on equity to rise by 5.3 percentage points to 1.9%.

#### RETURN ON EQUITY FOR THE RETAIL GERMANY DIVISION OVERALL

	9M 2016	9M 2015	+/- %
Return on equity <sup>1)</sup>	1.9	–3.4	+5.3 pt.

<sup>1)</sup> Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

## PROPERTY/CASUALTY INSURANCE

- Erosion in premiums in motor insurance due to the drive towards greater profitability
- Underwriting result burdened by subsequent reserves
- EBIT burdened as expected by the investment and modernisation programme

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

EUR MILLION	9M 2016	9M 2015	+/- %
Gross written premiums	1,260	1,279	–1.5
Net premiums earned	1,049	1,068	–1.8
Underwriting result	–33	–12	–175.0
Net investment income	69	75	–8.0
Operating profit/loss (EBIT)	–9	60	–115.0

#### MANAGEMENT METRICS FOR PROPERTY/CASUALTY INSURANCE

	9M 2016	9M 2015	+/- %
Gross premium growth	–1.5	–0.5	–1.0 pt.
Combined ratio (net) <sup>1)</sup>	103.2	101.0	+2.2 pt.
EBIT margin <sup>2)</sup>	–0.9	5.6	–6.5 pt.

<sup>1)</sup> Including net interest income on funds withheld and contract deposits.

<sup>2)</sup> Operating profit (EBIT)/net premiums earned.

## MARKET DEVELOPMENT

In property/casualty insurance, the positive trend is expected to continue in the current year. Premium income is likely to rise by a total of around 2.8%. A similar increase in premiums is expected for both motor insurance (+2.5%) and retail property insurance (+5.5%).

### PREMIUM VOLUME AND NEW BUSINESS

Written premium income in the property/casualty insurance segment declined by 1.5% to EUR 1.3 billion. This reduction in premium income was attributable to adjustments in motor insurance portfolios as part of the drive for greater profitability. Overall, however, the share of the total Retail Germany Division attributable to the property/casualty insurers increased to 26.4% (24.9%) due to the decline in premiums in the life insurance business.

### UNDERWRITING RESULT

The underwriting result fell from EUR –12 million to EUR –33 million in the current financial year. This development was essentially due to higher investment in the future, as part of the investment and modernisation programme, of EUR 25 million as well as, in the opposite direction, the decrease in losses relating to natural disasters and major losses by EUR 6 million.

### NET INVESTMENT INCOME

Net investment income fell to EUR 69 (75) million due to lower regular investment income.

### OPERATING PROFIT/LOSS

The EBIT fell below the level of the same period in the previous year, at EUR –9 (60) million; in particular, it included higher expenses within the framework of the investment and modernisation programme and lower net investment income. In line with this, the EBIT margin declined to –0.9% (5.6%).

## LIFE INSURANCE

- Scheduled decline in the single premium business
- Increase in the extraordinary net investment income to finance the additional interest reserve
- EBIT rises due to the absence of the previous-year effect arising from the full impairment of goodwill

### KEY FIGURES FOR THE RETAIL GERMANY DIVISION – LIFE INSURANCE

EUR MILLION

	9M 2016	9M 2015	+/-%
Gross written premiums	3,515	3,864	-9.0
Net premiums earned	2,557	2,994	-14.6
Underwriting result	-1,206	-1,189	-1.4
Net investment income	1,334	1,276	+4.5
Operating profit/loss (EBIT)	79	-76	+203.9
<b>New business measured in annual premium equivalent</b>	<b>296</b>	<b>330</b>	<b>-10.3</b>
Single premiums	1,049	1,258	-16.6
Regular premiums	191	204	-6.4
<b>New business by product in annual premium equivalent</b>	<b>296</b>	<b>330</b>	<b>-10.3</b>
Unit-linked life and annuity insurance	64	94	-31.9
Traditional life and annuity insurance	158	167	-5.4
Term life products	68	60	+13.3
Other life products	6	9	-33.3

### MANAGEMENT METRICS FOR LIFE INSURANCE

%

	9M 2016	9M 2015	+/-%
Gross premium growth	-9.0	1.9	-10.9 pt.
EBIT margin <sup>1)</sup>	3.1	-2.6	+5.7 pt.

<sup>1)</sup> Operating profit (EBIT)/net premiums earned.

## PREMIUM VOLUME AND NEW BUSINESS

The life segment registered a decline in premiums of 9.0% down to EUR 3.5 (3.9) billion in the first nine months of the year – including the savings elements of premiums from unit-linked life insurance. This change was caused by the scheduled decline in single premiums due to the developments on the capital markets. The retention ratio in the life insurance business remained stable at 95.5% (95.9%). Allowing for the savings elements under our unit-linked products and the change in the unearned premium reserve, the net premiums earned in the life segment decreased by 14.6% at EUR 2.6 (3.0) billion.

New business in life insurance products – measured using the annual premium equivalent (APE), the international standard – fell from EUR 330 million to EUR 296 million, primarily due to a decline in the single premium business.

## UNDERWRITING RESULT

In the current financial year, the underwriting result remained almost stable at EUR -1.206 (-1.189) million. This was partly due to the unwinding of discounts on 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 increased by 4.5% to EUR 1,334 (1,276) million. The ordinary net investment income reduced by 1.9% from EUR 1,160 million to EUR 1,138 million due to a lower reinvestment return. The extraordinary net investment income increased in contrast by 45.2% to EUR 289 (199) million. Higher gains were realised in order to finance the additional interest reserve required by the HGB.

## OPERATING PROFIT/LOSS

The operating profit/loss (EBIT) in the life insurance segment of the Retail Germany Division improved to EUR 79 (-76) million due to the omission of the full impairment of the goodwill in the life insurance business in the previous year.

## MARKET DEVELOPMENT

The current financial year continues to be influenced by persistently low and even negative capital market interest rates and a low tendency for consumers to save. As a result of these circumstances, a decline in premiums of around 1.9% is expected in life insurance by the end of the year. In particular, a 7.2% decrease is forecast for new single premium business.

## RETAIL INTERNATIONAL

- Insurance companies in the Italian banking group Gruppo Banca Sella included in the premium volume for the first time with about EUR 100 million
- Growth in gross written premiums adjusted for currency effects is 11.9%
- Normalised operating profit (EBIT), excluding the currency effects and the new regulations in Poland, exceeded the level of the previous year despite the challenging market environment

### KEY FIGURES FOR THE RETAIL INTERNATIONAL SEGMENT

EUR MILLION	9M 2016	9M 2015	+/- %
Gross written premiums	3,669	3,463	+5.9
Net premiums earned	3,099	2,755	+12.5
Underwriting result	-3	1	-400.0
Net investment income	244	250	-2.4
Operating profit/loss (EBIT)	163	173	-5.8

### MANAGEMENT METRICS

%	9M 2016	9M 2015	+/- %
Gross premium growth (adjusted for currency effects)	11.9	6.9	+5.0 pt.
Combined ratio (net, property/casualty only) <sup>1)</sup>	97.0	96.3	+0.7 pt.
EBIT margin <sup>2)</sup>	5.3	6.3	-1.0 pt.
Return on equity <sup>3)</sup>	6.3	7.6	-1.3 pt.

<sup>1)</sup> Including net interest income on funds withheld and contract deposits.

<sup>2)</sup> Operating profit (EBIT)/net premiums earned.

<sup>3)</sup> Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

This division bundles the activities of the international retail business in the Talanx Group and is active in both Europe and Latin America. In the Europe region, the division has strengthened itself by purchasing the insurance companies of the Italian banking group Gruppo Banca Sella, with the aim of expanding its business in the area of sales via banks. As at 30 June 2016, the acquisition of 100% of the shares of both the life insurance company CBA Vita S.p.A. and its subsidiary Sella Life Ltd. (renamed as InChiaro Life DAC as at 1 July 2016), as well as the other 49% of the property insurer InChiaro Assicurazioni S.p.A., was concluded by the Italian subsidiary HDI Assicurazioni S.p.A. The Group now owns 100% of the shares in all three companies.

## PREMIUM VOLUME

The division's gross written premiums (including premiums from unit-linked life and annuity insurance) increased by 5.9% compared to the first nine months of 2015 to EUR 3.7 (3.5) billion. Adjusted for currency effects, however, gross premiums increased by 11.9% on the comparison period.

The trend in premium volume was different for the two regions in this reporting period. In the Latin America region, the gross written premiums fell by 4.6% compared to the same period in the previous year to EUR 1.1 billion. An increase of 7.9% was registered when adjusted for currency effects, which was essentially due to the Chilean company, HDI Seguros S.A. On the one hand, the new company acquired as at 13 February 2015 was incorporated for a full nine months for the first time in the first three quarters of 2016. On the other hand, the gross written premiums of the company increased, especially in the key lines of motor and building insurance, due to the introduction and implementation of measures aimed at boosting turnover through broker and internet sales. Mexico also had positive effects on the gross written premiums of the region: it was possible here to increase the premium volume, especially in motor insurance and via agent sales in the context of strategic growth projects. Of the premium volume generated in the region, 53% was attributable to the Brazilian company HDI Seguros S.A. The performance of the Brazilian motor insurance market was heavily defined in the reporting period by the ongoing economic crisis in the country, as well as the decline in the sales of new cars that this entails. The gross written premiums of the company fell accordingly in the reporting period by 13.0% to EUR 576 million including currency effects; after adjustment for currency effects, the decrease stood at 2.9%. This corresponds to the performance of the Brazilian motor insurance market that registered a decline of 2.8% as at 30 June 2016 according to local accounting.

On the other hand, gross written premiums in the Europe region rose 11.4% to EUR 2.6 billion, driven particularly by the life insurance premiums at HDI Assicurazioni in Italy due to the growth of the single premium business arising from bank sales, and the first-time incorporation of the newly acquired Italian companies with EUR 98 million for the third quarter of 2016. This more than compensated for the decline in premium income in Poland, where the more stringent regulatory framework, such as the tax on assets for banks and insurance companies introduced at the beginning of 2016 in particular, dampened the performance of the business, especially in life insurance. Turkey also had positive effects on the premium volume of the region: it was possible here to increase the average premiums for motor insurance in particular. Adjusted for currency effects, the growth in premium volume in Europe stood at 14.3%.

## UNDERWRITING RESULT

The combined ratio of the property insurance companies deteriorated by 0.7 percentage points year-on-year to 97.0%. This development was largely attributable to the 0.5 percentage point increase in the loss ratio. This was essentially due to higher costs for foreign spare parts – driven by the devaluation of the local currencies against the US dollar – as well as increased claims inflation in Brazil, Mexico and Turkey in particular. The combined ratio for this division remained at the same level as in the previous year, at 31.1% (31.0%). The slight increase in the acquisition cost ratio due to the diversification strategy was offset by the reduction of the administrative expense ratio achieved by cost optimisations.

Overall, the underwriting result recorded in this division of EUR –3 million was down EUR 4 million on the previous year.

## NET INVESTMENT INCOME

The division's net investment income amounted to EUR 244 million in the first nine months of the 2016 financial year, a year-on-year decline of 2.4%. This was primarily due to the decline in interest rates year-on-year, particularly in Poland and Italy, which account for the highest investment volume in the division. The division's ordinary net investment income decreased accordingly by 3.9%. The average return on assets under own management declined by 0.7 percentage points to 3.7%, compared to the same period in the previous year. Net investment income includes EUR 7 (6) million in net income from investment contracts. These are policies that provide insufficient risk cover to be classified as insurance contracts in accordance with IFRSs.

## OPERATING PROFIT AND GROUP NET INCOME

In the first three quarters of 2016, operating profit (EBIT) in the Retail International Division declined by 5.8% compared with the prior-year period to EUR 163 million. While the Europe region contributed EUR 118 (129) million to the operating profit of the segment, EUR 53 (52) million of the EBIT was generated in the Latin America region. In Europe, the decline in the operating profit was primarily due to the loss caused by the newly introduced tax on assets in Poland (EUR –16 million), which is disclosed under "Other income/expenses". In Latin America, on the other hand, it was possible to increase the EBIT slightly. Normalised operating profit (EBIT), excluding the currency effects and the newly introduced tax on assets in Poland, exceeded the level of the previous year despite the challenging market environment. Group net income after minority interests declined by 8.5% to EUR 97 (106) million. The return on equity fell by 1.3 percentage points to 6.3% compared to the same period in the previous year.

## ADDITIONAL KEY FIGURES

### RETAIL INTERNATIONAL SEGMENT BY LINE OF BUSINESS AT A GLANCE

EUR MILLION	9M 2016	9M 2015	+/-%
<b>Gross written premiums</b>	<b>3,669</b>	<b>3,463</b>	<b>+5.9</b>
Property/casualty	2,347	2,455	–4.4
Life	1,322	1,008	+31.2
<b>Net premiums earned</b>	<b>3,099</b>	<b>2,755</b>	<b>+12.5</b>
Property/casualty	2,005	1,938	+3.5
Life	1,094	817	+33.9
<b>Underwriting result</b>	<b>–3</b>	<b>1</b>	<b>–400.0</b>
Property/casualty	61	72	–15.3
Life	–64	–71	+9.9
Others	–	–	–
<b>Net investment income</b>	<b>244</b>	<b>250</b>	<b>–2.4</b>
Property/casualty	138	144	–4.2
Life	107	107	–
Others	–1	–1	–
<b>New business measured in annual premium equivalent (life)</b>	<b>161</b>	<b>141</b>	<b>+14.2</b>
Single premiums	1,112	871	+27.7
Regular premiums	50	54	–7.4
<b>New business by product in annual premium equivalent (life)</b>	<b>161</b>	<b>141</b>	<b>+14.2</b>
Unit-linked life and annuity insurance	20	17	+17.6
Traditional life and annuity insurance	36	33	+9.1
Term life products	36	57	–36.8
Other life products	69	34	+102.9

### RETAIL INTERNATIONAL SEGMENT BY REGION AT A GLANCE

EUR MILLION	9M 2016	9M 2015	+/-%
<b>Gross written premiums</b>	<b>3,669</b>	<b>3,463</b>	<b>+5.9</b>
of which Europe	2,571	2,307	+11.4
of which Latin America	1,078	1,130	–4.6
<b>Net premiums earned</b>	<b>3,099</b>	<b>2,755</b>	<b>+12.5</b>
of which Europe	2,136	1,825	+17.0
of which Latin America	961	926	+3.8
<b>Underwriting result</b>	<b>–3</b>	<b>1</b>	<b>–400.0</b>
of which Europe <sup>1)</sup>	–9	–28	+67.9
of which Latin America	6	29	–79.3
<b>Net investment income</b>	<b>244</b>	<b>250</b>	<b>–2.4</b>
of which Europe	173	182	–4.9
of which Latin America	72	69	+4.3
<b>Operating profit/loss (EBIT)</b>	<b>163</b>	<b>173</b>	<b>–5.8</b>
of which Europe	118	129	–8.5
of which Latin America	53	52	+1.9

<sup>1)</sup> The underwriting result largely reflects policyholder participation in net investment income and the unwinding of discounts on technical provisions at the life insurance companies.

## NON-LIFE REINSURANCE

- Competition remains fierce in Non-Life Reinsurance
- Improvement of the combined ratio to 95.1%
- Very satisfying operating profit

### KEY FIGURES FOR THE NON-LIFE REINSURANCE SEGMENT

EUR MILLION

	9M 2016	9M 2015	+/- %
Gross written premiums	7,121	7,319	-2.7
Net premiums earned	5,925	5,965	-0.7
Underwriting result	274	248	+10.5
Net investment income	663	689	-3.8
Operating profit/loss (EBIT)	917	975	-5.9

### MANAGEMENT METRICS

%

	9M 2016	9M 2015	+/- %
Gross premium growth (adjusted for currency effects)	-1.5	9.8	-11.3 pt.
Combined ratio (net) <sup>1)</sup>	95.1	95.6	-0.5 pt.
EBIT margin <sup>2)</sup>	15.5	16.3	-0.8 pt.

<sup>1)</sup> Including net interest income on funds withheld and contract deposits.<sup>2)</sup> Operating profit (EBIT)/net premiums earned.

### RETURN ON EQUITY FOR THE REINSURANCE DIVISION OVERALL

%

	9M 2016	9M 2015	+/- %
Return on equity <sup>1)</sup>	13.2	14.7	-1.5 pt.

<sup>1)</sup> Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

## BUSINESS DEVELOPMENT

The market situation in global Non-Life Reinsurance continues to be highly competitive. The reinsurance capacity far exceeds the demand. Additional capacities from the market for catastrophe bonds (TLs) are also creating sustained pressure on the prices and terms. Although the earnings situation for both primary insurers and reinsurers is generally good despite the low interest rates, this was facilitated by the fact that the claims relating to natural disasters fell below the relatively long-term average in recent years. So far, the difficult conditions have therefore only affected the underwriting results to a minor degree, but they have also been reflected to some extent in the results of the reinsurers.

In this challenging environment, it is particularly important for us to proceed consistently with our margin-oriented underwriting. This procedure also defined our strategy for the treaty renewals round as at 1 July 2016, which we were able to conclude with mainly positive results. The trend of the previous renewals has been confirmed in North America. The lack of major losses due to natural disasters and individual risks was still reflected in falling rates. Nevertheless, in some cases the rate reductions were smaller than expected and there were further signs that prices have bottomed out, both in property and third-party liability lines. Even if the third-party liability business is still highly competitive in most lines, we were able to exploit new business opportunities such as for the coverage of cyber-risks, for example. In the US property catastrophe risks, the pressure on prices weakened compared to the renewals in the previous year. We have consistently maintained our price discipline and focussed on target customers. We continued to underweight our share of the US catastrophe business. The treaty renewals in Latin America and the Caribbean as at 1 July 2016 were characterised overall by price reductions. The burdens relating to the earthquake in Ecuador led to rate improvements, but only in the affected region. In view of the erosion of rates in the agricultural risk business, we reduced our share.

### PREMIUM DEVELOPMENT

Gross written premiums in the Non-Life Reinsurance segment fell by 2.7% to EUR 7.1 (7.3) billion as at 30 September 2016. At constant exchange rates, the decline would have amounted to 1.5%. Retention declined slightly to 88.3% (88.8%) year-on-year. The net premiums earned fell slightly by 0.7% to EUR 5.9 (6.0) billion; when adjusted for currency effects, they climbed by 0.9%.

### UNDERWRITING RESULT

After we had to register major losses that were higher than expected in the second quarter of 2016, the situation in the third quarter was very moderate. For example, the major loss expenses at EUR 41 million stood far below our budget for the third quarter of EUR 265 million. In line with our conservative reserves policy, we allocated the majority of the unused major loss budget to the loss reserves. Apart from the usual positive claims processing, no further reserves were used in the third quarter. The total net burden arising from major losses for the first three quarters amounted to EUR 393 (436) million. The underwriting result in the Non-Life Reinsurance segment rose significantly by 10.5% to EUR 274 (248) million. We again generated a good combined ratio of 95.1% (95.6%), in line with our target of a figure below 96%. For the discrete third quarter, it even reached 94.4%.

### NET INVESTMENT INCOME

Investment income in the Non-Life Reinsurance segment fell slightly as expected to EUR 663 (689) million.

### OPERATING PROFIT AND GROUP NET INCOME

The operating profit/loss (EBIT) in the Non-Life Reinsurance segment reached EUR 917 million as at 30 September 2016; it therefore stood 5.9% below the figure of the same period in the previous year (EUR 975 million). Meanwhile, the EBIT margin again far exceeded our target level of at least 10%, at 15.5% (16.3%). The Group net income in the Non-Life Reinsurance segment fell by 5.9% to EUR 301 (320) million.

### LIFE/HEALTH REINSURANCE

- General business development in line with expectations
- Much higher contribution to Group net income

#### KEY FIGURES FOR THE LIFE/HEALTH REINSURANCE SEGMENT

EUR MILLION

	9M 2016	9M 2015	+/-%
Gross written premiums	5,334	5,627	-5.2
Net premiums earned	4,841	4,864	-0.5
Underwriting result	-237	-334	+29.0
Net investment income	494	542	-8.9
Operating profit/loss (EBIT)	282	238	+18.5

#### MANAGEMENT METRICS

%

	9M 2016	9M 2015	+/-%
Gross premium growth (adjusted for currency effects)	-2.0	10.1	-12.1 pt.
EBIT margin <sup>1)</sup> financial solutions/longevity solutions	7.3	9.4	-2.1 pt.
EBIT margin <sup>1)</sup> mortality/morbidity	4.3	3.0	+1.3 pt.

<sup>1)</sup> Operating profit/loss (EBIT)/net premiums earned.

#### RETURN ON EQUITY FOR THE REINSURANCE DIVISION OVERALL

%

	9M 2016	9M 2015	+/-%
Return on equity <sup>1)</sup>	13.2	14.7	-1.5 pt.

<sup>1)</sup> Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

### BUSINESS DEVELOPMENT

In the reporting period, the global business in Life/Health Reinsurance progressed in line with our expectations and generated an increased contribution to the Group net income.

In wide areas of Europe, Life/Health Reinsurance progressed as expected, and in Germany even slightly better than expected. The Eastern European markets continued to develop with promising business opportunities, partly due to increasing regulatory requirements. It is reasonable to assume that this will particularly influence classic endowment life insurance products.

Since the introduction of Solvency II at the beginning of the year, it has been observed that primary insurers in several European countries have been heavily occupied with the challenges of the high capital requirements resulting from the area of the longevity business. In the United Kingdom in particular, the demand for corresponding longevity cover is extremely high. Along with the Solvency II requirements, it has become clear in the United Kingdom that the initial uncertainty among policyholders has settled down: after the retirement obligation was almost entirely abolished two years ago by the reform of the pension law in April 2015 and the volume of new pension policies taking immediate effect had more than halved, the demand is now beginning to increase again. All in all, these developments have made a positive contribution to the overall result in the Life/Health Reinsurance segment.

In terms of the US mortality business, the measures that we have taken for parts of the existing business are now starting to bear initial fruit. In addition, the new mortality business has recorded pleasingly positive growth. The areas of financial solutions and health and special risk again made an extremely positive contribution to earnings, as expected.

#### PREMIUM DEVELOPMENT

The gross premium income in the Life/Health Reinsurance segment stood at EUR 5.3 (5.6) billion as at 30 September 2016, which represents a decrease of 5.2%. Adjusted for currency effects, the decrease would have been 2.0%. The retention rose from 86.8% to 91.5%, so the net premiums fell only slightly by 0.5%. Adjusted for currency effects, the growth would have been 2.8%.

#### NET INVESTMENT INCOME

Net investment income including interest income on funds withheld and contract deposits amounted to EUR 494 (542) million in the reporting period. The performance of capital investments held on our behalf by American cedants amounted to EUR -0.3 million, which represented a reduction compared to the same period in the previous year. However, assuming that they run to maturity as planned, the value performance of these so-called ModCo derivatives will not have any impact on expenses.

#### OPERATING PROFIT AND GROUP NET INCOME

The operating profit (EBIT) in the Life/Health Reinsurance segment rose extremely positively as at 30 September 2016 by 18.5% to EUR 282 (238) million. The EBIT margins in the reporting categories stood as follows as at the end of the reporting period: The financial solutions and longevity solutions business clearly exceeded the target value of 2% at 7.3%. The mortality and morbidity business at 4.3% fell below its target value of 6%. Group net income increased by a pleasing value of 21.4% to EUR 102 (84) million.

#### CORPORATE OPERATIONS

- Group assets under own management up 6.3%

#### OPERATING PROFIT/LOSS

The Corporate Operations segment increased its operating profit to EUR 26 (10) million in the first nine months of 2016, largely due to the sale of the 25.1% share in the asset manager C-QUADRAT Investment AG. Group net income attributable to shareholders of Talanx AG for this segment amounted to EUR -43 (-52) million in the first nine months of 2016.

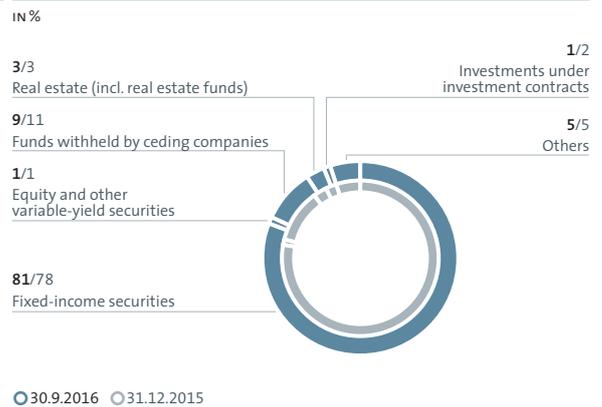
## INVESTMENTS AND FINANCIAL POSITION

The total investment portfolio increased by 3.3% in the first three quarters of 2016 to EUR 119.4 billion. The portfolio of assets under own management rose by 6.3% to EUR 107.1 billion. Growth in the portfolio of assets under own management was predominantly market-driven and is also still determined by the cash inflows from the underwriting business – which were reinvested in accordance with the respective corporate guidelines. Moreover, the assets under own management include the portfolio of the Italian company, CBA Vita S. p. A. (CBA Vita), which was consolidated for the first time in the second quarter, in the amount of EUR 997 million as at 30 September 2016. The portfolio of investment contracts, by contrast, fell from EUR 2.2 billion to EUR 1.1 billion. This decline relates to a reclassification of the portfolios of the Polish company OPEN LIFE TOWARZYSTWO UBEZPIECZEŃ ŻYCIE S. A. into the assets of disposal groups classified as held for sale. This decline was cushioned by a growth in investment contracts at InChiaro Life Designated Activity Company (InChiaro Life DAC). For further information about the initial consolidation of CBA Vita and InChiaro Life DAC, see our disclosures in the Notes of the interim report as at 30 June 2016, in the section “Consolidation”. Funds withheld by ceding companies fell by 10.9% to EUR 11.2 billion.

Fixed-income investments were again the most significant asset class. Most reinvestments were made in this class, reflecting the existing investment structure. This asset class contributed EUR 2.1 billion to earnings, which was reinvested as far as possible in the year under review.

The equity allocation ratio after derivatives (equity ratio) was 1.5% (1.2%) at the end of the quarter.

### BREAKDOWN OF THE INVESTMENT PORTFOLIO



Legend: ● 30.9.2016 ○ 31.12.2015

**BREAKDOWN OF ASSETS UNDER OWN MANAGEMENT BY ASSET CLASS**

EUR MILLION

	30.9.2016		31.12.2015	
Investment property	2,290	2%	2,198	2%
Shares in affiliated companies and participating interests	117	<1%	111	<1%
Investments in associates and joint ventures	267	<1%	272	<1%
Loans and receivables				
Loans incl. mortgage loans	622	1%	733	1%
Loans and receivables due from government or quasi-governmental entities, together with fixed-income securities	29,160	27%	29,021	29%
Financial instruments held to maturity	759	1%	1,287	1%
Financial assets available for sale				
Fixed-income securities	65,348	61%	59,396	59%
Variable-yield securities	2,436	2%	1,875	2%
Financial assets at fair value through profit or loss				
Financial liabilities classified at fair value through profit or loss				
Fixed-income securities	1,022	1%	807	1%
Variable-yield securities	22	<1%	67	<1%
Financial assets held for trading				
Fixed-income securities	2	<1%	6	<1%
Variable-yield securities	129	<1%	135	<1%
Derivatives <sup>1)</sup>	56	<1%	48	<1%
Other investments	4,855	5%	4,821	5%
<b>Assets under own management</b>	<b>107,085</b>	<b>100%</b>	<b>100,777</b>	<b>100%</b>

<sup>1)</sup> Only derivatives with positive fair values.**FIXED-INCOME SECURITIES**

The portfolio of fixed-income investments (excluding mortgage and policy loans) rose by EUR 5.8 billion in the first three quarters of 2016 to total EUR 96.3 (90.5) billion at the quarter's end. At 81% (78%) 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 investment categories of "Loans and receivables" and "Financial assets available for sale".

"Fixed-income securities available for sale", whose volatility impacts equity, increased further by EUR 6.0 billion to EUR 65.3 billion, or 68% of total investments in the fixed income portfolio. German covered bonds (Pfandbriefe) and corporate bonds accounted for the majority of these investments. Valuation reserves – i.e. the balance of unrealised gains and losses – have risen from EUR 2.9 billion to EUR 6.1 billion since the end of 2015 due to the further drop in interest rates for long terms.

In the "Loans and receivables" category, investments were primarily held in government securities or securities with a similar level of security. German covered bonds (Pfandbriefe) still represent the largest item in the portfolio. Total holdings in fixed-income securities within the category "Loans and receivables" amounted to EUR 29.8 billion at the end of the quarter and thus represent 31% of total holdings in the asset class of fixed-income investments. Off-balance-sheet valuation reserves of "Loans and receivables" (including mortgage and policy loans) increased from EUR 4.9 billion to EUR 6.5 billion.

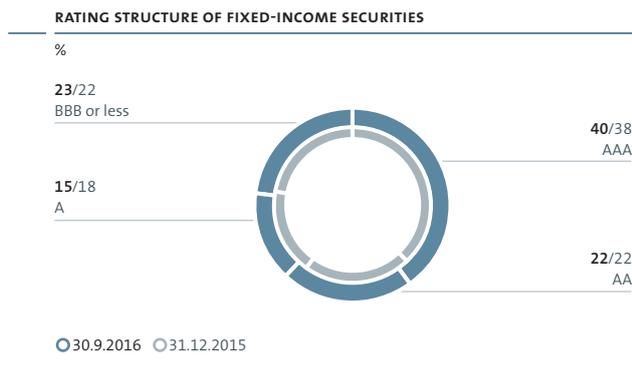
In 2016, investment in fixed-income securities continued to focus on government bonds with good ratings or securities from issuers with a similar credit quality. At the reporting date, holdings of AAA-rated bonds amounted to EUR 38.4 (34.8) billion. This represents 40% (38%) of the total portfolio of fixed-income securities and loans.

The Talanx Group pursues a conservative investment policy. As a result, 77% (78%) of instruments in the fixed-income securities asset category have a minimum A rating.

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 4.3 (3.7) billion and therefore corresponds to a share of 4% (4%) of the assets under own management.

The Macaulay duration of the Talanx Group's total fixed-income securities investment portfolio was 8.2 (7.7) years as at 30 September 2016.

As far as matching currency cover is concerned, us dollar-denominated investments continue to account for the largest share (19%) of the Talanx Group's foreign currency portfolio. Sizeable positions are also held in pound sterling and Australian dollars, totalling 5% of all investments. The total share of assets under own management in foreign currencies was 32% as at 30 September 2016.



#### EQUITIES AND EQUITY FUNDS

Net unrealised gains and losses on equity holdings within the Group (excluding "Other investments") increased by EUR 18 million to EUR 143 million.

#### REAL ESTATE INCLUDING SHARES IN REAL ESTATE FUNDS

Investment property totalled EUR 2.3 (2.2) billion at the reporting date. An additional EUR 801 (744) million is held in real estate funds, which are recognised as "Financial assets available for sale".

Depreciation of EUR 33 (29) million was recognised on investment property in the reporting period. There were no impairment losses (9M 2015: EUR 1 million). Depreciation on real estate funds stood at EUR 4 (0) million. These depreciations were offset by negligible reversals of impairment losses.

#### INFRASTRUCTURE INVESTMENTS

In the area of infrastructure investments, a diversified portfolio of equity and external funding investments has been built up over the last few years. The investment volume currently amounts to about EUR 1.4 billion. We are aiming for an investment volume in the amount of about EUR 2 billion by the end of 2017. We can see other potential investment opportunities in the areas of transport and social infrastructure and in power supply infrastructure in particular.

#### NET INVESTMENT INCOME

CHANGES IN NET INVESTMENT INCOME		
EUR MILLION	9M 2016	9M 2015
Ordinary investment income	2,441	2,531
of which current income from interest	2,055	2,176
of which gain/loss on investments in associates	5	8
Realised net gains on disposal of investments	547	466
Write-downs/reversals of write-downs of investments	-138	-124
Unrealised net gains from investments	59	-12
Other investment expenses	-174	-159
Income from assets under own management	2,735	2,702
Net interest income from funds withheld and contract deposits	239	281
Net income from investment contracts	7	6
<b>Total</b>	<b>2,981</b>	<b>2,989</b>

The net investment income in the first three quarters of the year stood at EUR 2,981 (2,989) million, and so was just slightly below the previous year's level despite the low interest rate environment. The annualised net return on investment for the assets under own management fell slightly to 3.5% (3.7%).

Ordinary investment income at the end of the quarter totalled EUR 2,441 (2,531) million. Discounting the one-off effect in the previous year of EUR 39 million from Life/Health Reinsurance, the income remained slightly below that of the previous year. Falling interest rates on the capital markets led to an average coupon in the fixed-income securities portfolio of 3.2%, down on the previous year's value of 3.5%. The current interest income included in the investment income amounted to EUR 2.1 (2.2) billion and still accounted for the majority of the earnings.

Overall, total realised net gains on the disposal of investments in the first three quarters of the financial year were above the prior-year figure, amounting on balance to EUR 547 (466) million. The positive net gains resulted from regular portfolio turnover in all segments, as well as from the requirement to realise unrealised gains in order to finance the additional interest reserve for life insurance and occupational pension plans required by the HGB. In addition, we adjusted our private equity portfolio through the sale of older commitments.

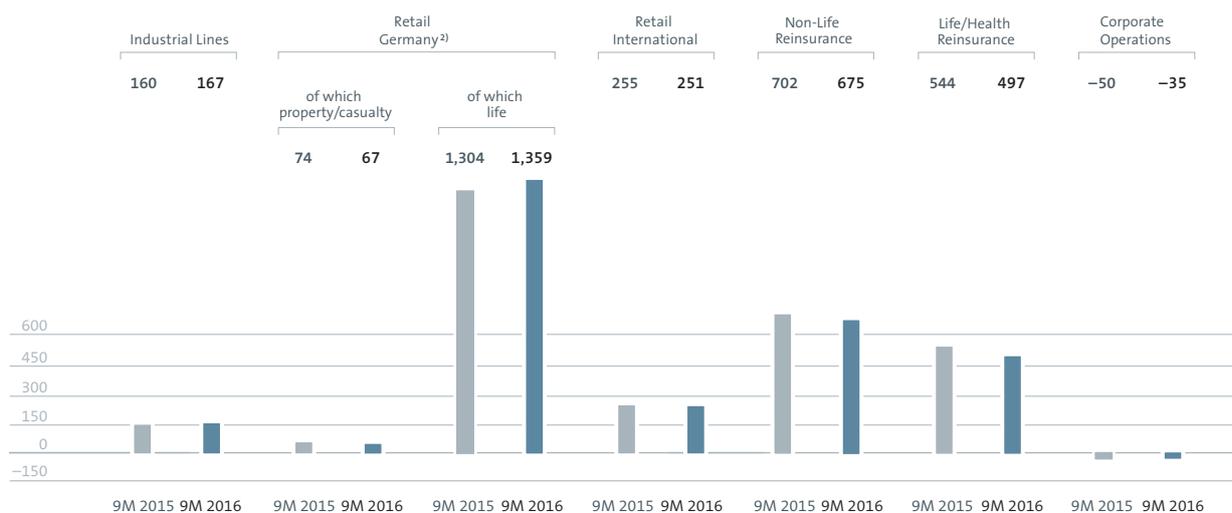
In comparison to the previous year, higher write-downs were required on balance at the end of the third quarter of this year. These amounted to EUR 138 (124) million in total, net of reversals of impairments. EUR 58 (19) million of this amount was attributable to the area of equities due to lower prices, partly because of the Brexit decision.

Unrealised net gains/losses improved on balance from EUR –12 million to EUR 59 million. We recognise a derivative for the credit risk associated with special life reinsurance contracts (ModCo) under which securities accounts are held by cedants in our name. Changes in the value of this derivative in the reporting period resulted in positive changes in fair value amounting to EUR –0.3 (–19) million, which are recognised in profit or loss. Moreover, the increase in the unrealised net loss was essentially due to changes in the fair value of an unbundled derivative (Life/Health Reinsurance segment) due to the effects of the Brexit vote on the interest levels of the pound sterling.

Net interest income from funds withheld and contract deposits totalled EUR 239 (281) million.

**NET INVESTMENT INCOME BY GROUP SEGMENT<sup>1)</sup>**

EUR MILLION



<sup>1)</sup> After elimination of intragroup transactions between the segments.

<sup>2)</sup> Retail Germany Division, 9M 2015: EUR 1,378 million; 9M 2016: EUR 1,426 million.

## EQUITY

### CHANGES IN EQUITY

Equity rose by EUR 1,101 million (8.2%) to EUR 14,532 (13,431) million in the reporting period just ended. The Group's portion (equity excluding non-controlling interests) amounted to EUR 9,002 (8,282) million. The increase of EUR 720 million (+8.7%) is due firstly to the net profit for the period, EUR 635 (488) million of which is attributable to our shareholders and was allocated in full to retained earnings and, secondly, to the increase in "accumulated other comprehensive income and other reserves", compared with 31 December 2015, by EUR 424 million to EUR 913 million. At the same time, the dividend payment totalling EUR 329 million to Talanx AG shareholders in May of the reporting period had an offsetting effect.

The change in "Other reserves" (EUR +424 million) is mainly due to two partially offsetting effects. On the one hand, the significant rise in unrealised gains on investments by EUR 2,254 million to EUR 4,697 (2,443) million was the cause of the increase in other reserves and was largely due to gains on corporate and government bonds as a result of the further decline in interest rates for long terms. On the other hand, the decrease in the other changes in equity by EUR -1,915 million to EUR -4,282 (-2,367) million cancelled out this effect to a large extent. EUR -1,630 million and thus a major part of this change was attributable to policyholder participations/shadow accounting (in particular policyholder participations in gains on investments) and EUR -283 million was attributable to the increase in provisions for pensions (mainly caused by the further decline in interest rates for long terms). Moreover, the reserve for cash flow hedges increased by EUR 160 million to EUR 516 million due to the changes in interest rates. Accumulated currency translation gains/losses, on the other hand, declined by EUR 75 million to EUR -18 million due to exchange rate changes for foreign currencies against the euro. This decline was particularly due to the devaluation of the Polish zloty, the Mexican peso and the pound sterling, and a slight devaluation of the US dollar against the euro, and was partly braked by the appreciation of the Brazilian real against the euro in particular.

Non-controlling interests in equity rose by EUR 381 million – or 7.4% – to EUR 5,530 million. Non-controlling interests in net income for the period were EUR 456 (469) million. The dividend payment to non-Group shareholders totalling EUR 349 (336) million was mainly from the Hannover Re Group.

### CHANGES IN EQUITY

EUR MILLION

	30.9.2016	31.12.2015
Subscribed capital	316	316
Capital reserve	1,373	1,373
Retained earnings	6,400	6,104
Accumulated other comprehensive income and other reserves	913	489
<b>Group equity</b>	<b>9,002</b>	<b>8,282</b>
Non-controlling interests	5,530	5,149
<b>Total</b>	<b>14,532</b>	<b>13,431</b>

### EQUITY BY DIVISION<sup>1)</sup> INCLUDING NON-CONTROLLING INTERESTS

EUR MILLION

	30.9.2016	31.12.2015
<b>Segment</b>		
Industrial Lines	2,200	2,099
of which non-controlling interests	—	—
Retail Germany	2,858	2,590
of which non-controlling interests	64	46
Retail International	2,386	2,201
of which non-controlling interests	230	244
Reinsurance	9,478	8,760
of which non-controlling interests	5,237	4,862
Corporate Operations	-2,402	-2,195
of which non-controlling interests	—	—
Consolidation	12	-24
of which non-controlling interests	-1	-3
<b>Total equity</b>	<b>14,532</b>	<b>13,431</b>
<b>Group equity</b>	<b>9,002</b>	<b>8,282</b>
<b>Non-controlling interests in equity</b>	<b>5,530</b>	<b>5,149</b>

<sup>1)</sup> Equity per division is defined as the difference between the assets and liabilities of each division.

In the Solvency II ratio, the capitalisation of the Group without applicable transition measures was a healthy 172% at 30 June 2016 (31 March 2016: 166%).

## OUTLOOK

We are making the following assumptions:

- moderate global economic growth
- steady inflation rates
- continuing very low interest rates
- no sudden upheavals on the capital markets
- no significant fiscal or regulatory changes
- catastrophe losses in line with expectations

### TALANX GROUP

For the Talanx Group, we expect essentially stable gross premium income for 2016 – based on steady exchange rates. The IFRS net return on investment should amount to at least 3%. We are aiming for Group net income of at least EUR 750 million. It follows that we expect our return on equity to be above 8.5% in 2016, which would be in line with our strategic target of 750 basis points above the average risk-free interest rate. This earnings target assumes that any major 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.

### INDUSTRIAL LINES

HDI Global SE, which manages the division, sees further significant potential for profitable growth in the international business. For this reason, we shall continue to expand HDI Global SE's international business in 2016. Throughout Europe, we aim to expand our industrial insurance business in the fields of local business, small and medium enterprises and international insurance programmes. Latin America, (South-)East Asia and MENA (Middle East and North Africa) remain our target regions outside Europe. Following the further boost to profitability in the domestic business, we expect stable gross premiums overall (after adjustment for currency effects). In tandem with the anticipated improvement in profitability, we will continue in 2016 to pursue our strategic aim to gradually raise retention. We are aiming to achieve a retention ratio that is at least on a par with the previous year, i.e. at least 52%. Compared with the

previous year, we expect that major losses will return to normal in 2016 and, as a result, that the combined ratio will be lower, at 97% to 98%. The successful measures to improve profitability in the German property insurance business as well as in the fleet and transport business should also contribute to this. The EBIT margin should therefore be between 9% and 10% in 2016, and the return on equity should be in the region of 7%.

### RETAIL GERMANY

Since the second quarter of 2016, the Talanx Group has managed the Retail Germany Division on the basis of the property/casualty and life insurance segments.

For the property/casualty insurance segment, we anticipate a stable gross premium volume for 2016. The combined ratio is expected to be above 100%, due to the investment phase of the divisional programme. We are therefore expecting a slightly negative EBIT margin.

For the life insurance segment, we assume that the gross written premiums will erode by 5% to 7% in 2016, particularly due to policies maturing, a selective restriction of single premiums and the focus on modern, capital-efficient products. The first successes of this product transition are reflected in the expectation of a new business margin of around 1% for 2016. Assuming that there is no further decline in interest rates, we expect an EBIT margin of 2% to 3% for 2016.

We expect the return on equity of the Retail Germany Division to be between 1% and 2% for 2016.

### RETAIL INTERNATIONAL

For the Retail International Division, we are aiming at growth in gross written premiums adjusted for currency effects of about 10% in 2016. This assumption of growth includes the acquisition of the Italian life insurance company CBA Vita S.p.A. and its subsidiary Sella Life Ltd. (renamed as InChiaro Life DAC as from 1 July 2016). We anticipate that growth in the value of new business will be considerably higher than the target value of 5% to 10% for 2016. The combined ratio should amount to about 96%. We expect an EBIT margin of around 6%. In addition, we anticipate the return on equity for 2016 to be in the region of 6%.

## NON-LIFE REINSURANCE

In the Non-Life Reinsurance segment, we anticipate a slight decline in premium income for 2016, when adjusted for currency effects. This assumption is based on our selective underwriting policy which is to underwrite only business that meets our margin requirements. In view of our financial strength and our excellent positioning, we can still tap attractive business opportunities.

For the full-year 2016 we expect a good underwriting result in the Non-Life Reinsurance segment, which should be approximately on a par with that of 2015. The prerequisite for this is that the major loss burden remains in line with the expected figure of EUR 825 million. Our goal for the combined ratio is for a figure below 96%. The EBIT margin for Non-Life Reinsurance should amount to at least 10%.

## LIFE/HEALTH REINSURANCE

For the remainder of 2016, we are still looking forward to the international business developments in the Life/Health Reinsurance segment with confidence. Although we must bear in mind that several large-volume contracts are due to expire during the year, we expect our premium volume to be stable thanks to our positive new business. For the value of new business (excluding non-controlling interests), we are planning for a figure of at least EUR 110 million. The EBIT margin for the financial solutions and the longevity solutions business is to remain unchanged above the target margin of 2%. The target for the mortality and morbidity business is to remain unchanged at above 6%.

## REINSURANCE DIVISION OVERALL

The Talanx Group expects the return on equity for the Reinsurance Division overall to be at least 10% in 2016, in line with its strategic target of 900 basis points above the five-year average for (risk free) ten-year German government bonds.

## CONSOLIDATED BALANCE SHEET OF TALANX AG AS AT 30 SEPTEMBER 2016

### CONSOLIDATED BALANCE SHEET – ASSETS

EUR MILLION

	30.9.2016	31.12.2015
A. Intangible assets		
a. Goodwill	1,040	1,037
b. Other intangible assets	902	953
	<b>1,942</b>	<b>1,990</b>
B. Investments		
a. Investment property	2,290	2,198
b. Shares in affiliated companies and participating interests	117	111
c. Investments in associates and joint ventures	267	272
d. Loans and receivables	29,782	29,754
e. Other financial instruments		
i. Held to maturity	759	1,287
ii. Available for sale	67,784	61,271
iii. At fair value through profit or loss	1,231	1,063
f. Other investments	4,855	4,821
<b>Assets under own management</b>	<b>107,085</b>	<b>100,777</b>
g. Investments under investment contracts	1,109	2,223
h. Funds withheld by ceding companies	11,241	12,611
<b>Investments</b>	<b>119,435</b>	<b>115,611</b>
C. Investments for the benefit of life insurance policyholders who bear the investment risk	10,252	10,104
D. Reinsurance recoverables on technical provisions	8,156	8,372
E. Accounts receivable on insurance business	6,010	6,070
F. Deferred acquisition costs	4,961	5,078
G. Cash at banks, cheques and cash-in-hand	3,151	2,243
H. Deferred tax assets	798	736
I. Other assets	2,676	2,537
J. Non-current assets and assets of disposal groups classified as held for sale	1,891	19
<b>Total assets</b>	<b>159,272</b>	<b>152,760</b>

**CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES**

EUR MILLION

	30.9.2016	31.12.2015
<b>A. Equity</b>		
a. Subscribed capital	316	316
Nominal value: 316 (previous year: 316)		
Contingent capital: 104 (previous year: 104)		
b. Reserves	8,686	7,966
<b>Equity excluding non-controlling interests</b>	<b>9,002</b>	<b>8,282</b>
c. Non-controlling interests	5,530	5,149
<b>Total equity</b>	<b>14,532</b>	<b>13,431</b>
<b>B. Subordinated liabilities</b>	<b>1,983</b>	<b>1,943</b>
<b>C. Technical provisions</b>		
a. Unearned premium reserve	8,073	7,081
b. Benefit reserve	55,746	54,845
c. Loss and loss adjustment expense reserve	40,846	40,392
d. Provision for premium refunds	6,360	4,138
e. Other technical provisions	384	376
	<b>111,409</b>	<b>106,832</b>
<b>D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders</b>	<b>10,252</b>	<b>10,104</b>
<b>E. Other provisions</b>		
a. Provisions for pensions and other post-employment benefits	2,359	1,945
b. Provisions for taxes	722	721
c. Miscellaneous other provisions	797	850
	<b>3,878</b>	<b>3,516</b>
<b>F. Liabilities</b>		
a. Notes payable and loans	1,498	1,441
b. Funds withheld under reinsurance treaties	4,684	5,351
c. Other liabilities	6,420	7,844
	<b>12,602</b>	<b>14,636</b>
<b>G. Deferred tax liabilities</b>	<b>2,774</b>	<b>2,298</b>
<b>H. Liabilities included in disposal groups classified as held for sale</b>	<b>1,842</b>	<b>—</b>
<b>Total liabilities/provisions</b>	<b>144,740</b>	<b>139,329</b>
<b>Total equity and liabilities</b>	<b>159,272</b>	<b>152,760</b>

## CONSOLIDATED STATEMENT OF INCOME OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2016

### CONSOLIDATED STATEMENT OF INCOME

EUR MILLION

	9M 2016	9M 2015	Q3 2016	Q3 2015
1. Gross written premiums including premiums from unit-linked life and annuity insurance	23,749	24,355	7,322	7,528
2. Savings elements of premiums from unit-linked life and annuity insurance	896	855	282	279
3. Ceded written premiums	2,807	3,105	735	941
4. Change in gross unearned premiums	-1,061	-1,261	204	296
5. Change in ceded unearned premiums	-149	-112	185	109
<b>Net premiums earned</b>	<b>19,134</b>	<b>19,246</b>	<b>6,324</b>	<b>6,495</b>
6. Claims and claims expenses (gross)	17,273	18,185	5,642	6,144
Reinsurers' share	1,518	2,120	457	711
<b>Claims and claims expenses (net)</b>	<b>15,755</b>	<b>16,065</b>	<b>5,185</b>	<b>5,433</b>
7. Acquisition costs and administrative expenses (gross)	4,875	4,779	1,617	1,608
Reinsurers' share	408	391	135	135
<b>Acquisition costs and administrative expenses (net)</b>	<b>4,467</b>	<b>4,388</b>	<b>1,482</b>	<b>1,473</b>
8. Other technical income	36	28	14	8
Other technical expenses	116	109	55	34
<b>Other technical result</b>	<b>-80</b>	<b>-81</b>	<b>-41</b>	<b>-26</b>
<b>Net technical result</b>	<b>-1,168</b>	<b>-1,288</b>	<b>-384</b>	<b>-437</b>
9. a. Investment income	3,220	3,223	1,061	1,024
b. Investment expenses	485	521	115	166
<b>Net income from assets under own management</b>	<b>2,735</b>	<b>2,702</b>	<b>946</b>	<b>858</b>
Net income from investment contracts	7	6	1	2
Net interest income from funds withheld and contract deposits	239	281	72	92
<b>Net investment income</b>	<b>2,981</b>	<b>2,989</b>	<b>1,019</b>	<b>952</b>
of which share of profit or loss of equity-accounted associates and joint ventures	5	8	2	1
10. a. Other income	911	917	347	297
b. Other expenses	1,075	956	397	320
<b>Other income/expenses</b>	<b>-164</b>	<b>-39</b>	<b>-50</b>	<b>-23</b>
<b>Profit before goodwill impairments</b>	<b>1,649</b>	<b>1,662</b>	<b>585</b>	<b>492</b>
11. Goodwill impairments	—	155	—	—
<b>Operating profit/loss (EBIT)</b>	<b>1,649</b>	<b>1,507</b>	<b>585</b>	<b>492</b>
12. Financing costs	110	128	37	37
13. Taxes on income	448	422	145	128
<b>Net income</b>	<b>1,091</b>	<b>957</b>	<b>403</b>	<b>327</b>
of which attributable to non-controlling interests	456	469	169	150
of which attributable to shareholders of Talanx AG	635	488	234	177
<b>Earnings per share</b>				
Basic earnings per share (EUR)	2.51	1.93	0.92	0.70
Diluted earnings per share (EUR)	2.51	1.93	0.92	0.70

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2016

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR MILLION

	9M 2016	9M 2015	Q3 2016	Q3 2015
<b>Net income</b>	<b>1,091</b>	<b>957</b>	<b>403</b>	<b>327</b>
<b>Items that will not be reclassified to profit or loss</b>				
Actuarial gains (losses) on pension provisions				
Gains (losses) recognised in other comprehensive income for the period	-430	364	-28	131
Tax income (expense)	130	-111	8	-40
	<b>-300</b>	<b>253</b>	<b>-20</b>	<b>91</b>
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised in other comprehensive income for the period	18	-15	1	-4
Tax income (expense)	—	—	—	—
	<b>18</b>	<b>-15</b>	<b>1</b>	<b>-4</b>
<b>Total items that will not be reclassified to profit or loss, net of tax</b>	<b>-282</b>	<b>238</b>	<b>-19</b>	<b>87</b>
<b>Items that may be reclassified subsequently to profit or loss</b>				
Unrealised gains and losses on investments				
Gains (losses) recognised in other comprehensive income for the period	3,558	-980	760	160
Reclassified to profit or loss	-309	-397	-157	-101
Tax income (expense)	-472	226	-90	21
	<b>2,777</b>	<b>-1,151</b>	<b>513</b>	<b>80</b>
Exchange differences on translating foreign operations				
Gains (losses) recognised in other comprehensive income for the period	-172	98	-32	-290
Reclassified to profit or loss	—	—	—	—
Tax income (expense)	9	-2	6	27
	<b>-163</b>	<b>96</b>	<b>-26</b>	<b>-263</b>
Changes in policyholder participation/shadow accounting				
Gains (losses) recognised in other comprehensive income for the period	-1,824	670	-329	-154
Tax income (expense)	35	-20	11	3
	<b>-1,789</b>	<b>650</b>	<b>-318</b>	<b>-151</b>
Changes from cash flow hedges				
Gains (losses) recognised in other comprehensive income for the period	188	15	14	32
Reclassified to profit or loss	-10	—	-4	—
Tax income (expense)	-7	-2	-1	-2
	<b>171</b>	<b>13</b>	<b>9</b>	<b>30</b>
Changes from equity method measurement				
Gains (losses) recognised in other comprehensive income for the period	-3	—	—	—
Reclassified to profit or loss	—	—	—	—
Tax income (expense)	—	—	—	—
	<b>-3</b>	<b>—</b>	<b>—</b>	<b>—</b>
Other changes				
Gains (losses) recognised in other comprehensive income for the period	—	—	—	—
Reclassified to profit or loss	—	—	—	—
Tax income (expense)	—	—	—	—
	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total items that may be reclassified subsequently to profit or loss, net of tax</b>	<b>993</b>	<b>-392</b>	<b>178</b>	<b>-304</b>
<b>Other comprehensive income for the period, net of tax</b>	<b>711</b>	<b>-154</b>	<b>159</b>	<b>-217</b>
<b>Total comprehensive income for the period</b>	<b>1,802</b>	<b>803</b>	<b>562</b>	<b>110</b>
of which attributable to non-controlling interests	744	404	213	53
of which attributable to shareholders of Talanx AG	1,058	399	349	57

## CONSOLIDATED CASH FLOW STATEMENT OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2016

### CONSOLIDATED CASH FLOW STATEMENT

EUR MILLION

	9M 2016	9M 2015
I. 1. Net income	1,091	957
I. 2. Changes in technical provisions	3,486	4,567
I. 3. Changes in deferred acquisition costs	-19	-253
I. 4. Changes in funds withheld and in accounts receivable and payable	-9	-841
I. 5. Changes in other receivables and liabilities	-74	299
I. 6. Changes in investments and liabilities under investment contracts	14	4
I. 7. Changes in financial assets held for trading	22	10
I. 8. Gains/losses on disposal of investments and property, plant and equipment	-553	-494
I. 9. Other non-cash expenses and income (including income tax expense/income)	-163	323
<b>I. Cash flows from operating activities<sup>1)</sup></b>	<b>3,795</b>	<b>4,572</b>
II. 1. Cash inflow from the sale of consolidated companies	3	6
II. 2. Cash outflow from the purchase of consolidated companies	58	-234
II. 3. Cash inflow from the sale of real estate	5	43
II. 4. Cash outflow from the purchase of real estate	-158	-182
II. 5. Cash inflow from the sale and maturity of financial instruments	17,707	16,795
II. 6. Cash outflow from the purchase of financial instruments	-20,081	-18,421
II. 7. Changes in investments for the benefit of life insurance policyholders who bear the investment risk	-121	-167
II. 8. Changes in other investments	563	-346
II. 9. Cash outflows from the acquisition of tangible and intangible assets	-71	-82
II. 10. Cash inflows from the sale of tangible and intangible assets	6	130
<b>II. Cash flows from investing activities</b>	<b>-2,089</b>	<b>-2,458</b>
III. 1. Cash inflow from capital increases	—	—
III. 2. Cash outflow from capital reductions	—	—
III. 3. Dividends paid	-678	-652
III. 4. Net changes attributable to other financing activities	-108	-925
<b>III. Cash flows from financing activities</b>	<b>-786</b>	<b>-1,577</b>
<b>Net change in cash and cash equivalents (I. + II. + III.)</b>	<b>920</b>	<b>537</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>2,243</b>	<b>2,152</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>-2</b>	<b>27</b>
<b>Effect of changes in the basis of consolidation on cash and cash equivalents<sup>2)</sup></b>	<b>-2</b>	<b>—</b>
<b>Cash and cash equivalents at the end of the reporting period<sup>3)</sup></b>	<b>3,159</b>	<b>2,716</b>
<b>Additional information</b>		
Taxes paid <sup>1)</sup>	363	322
Interest paid <sup>4)</sup>	308	329
Dividends received <sup>1)</sup>	192	129
Interest received <sup>1)</sup>	2,727	2,809

<sup>1)</sup> "Income taxes paid" as well as "Dividends received" and "Interest received" are allocated to "Cash flows from operating activities". "Dividends received" also comprise dividend-equivalent distributions from investment funds and private equity companies.

<sup>2)</sup> This item relates primarily to changes in the basis of consolidation, excluding disposals and acquisitions.

<sup>3)</sup> "Cash and cash equivalents at the end of the reporting period" also include changes in the portfolio of disclosed disposal groups in the amount of EUR 8 (6) million.

<sup>4)</sup> EUR 148 (182) million of interest paid is attributable to cash flows from financing activities and EUR 160 (147) million to cash flows from operating activities.



## SEGMENT REPORTING

### CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2016<sup>1)</sup>

EUR MILLION

	Industrial Lines		Retail Germany		Retail International	
	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015
1. Gross written premiums including premiums from unit-linked life and annuity insurance	3,390	3,434	4,775	5,143	3,669	3,463
of which attributable to other divisions/segments with third parties	45	55	22	50	—	—
	3,345	3,379	4,753	5,093	3,669	3,463
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	686	691	210	164
3. Ceded written premiums	1,596	1,668	183	186	313	341
4. Change in gross unearned premiums	-278	-262	-299	-205	-55	-206
5. Change in ceded unearned premiums	-114	-77	1	-1	-8	-3
<b>Net premiums earned</b>	<b>1,630</b>	<b>1,581</b>	<b>3,606</b>	<b>4,062</b>	<b>3,099</b>	<b>2,755</b>
6. Claims and claims expenses (gross)	2,045	2,424	4,030	4,506	2,491	2,280
Reinsurers' share	820	1,186	60	82	149	302
<b>Claims and claims expenses (net)</b>	<b>1,225</b>	<b>1,238</b>	<b>3,970</b>	<b>4,424</b>	<b>2,342</b>	<b>1,978</b>
7. Acquisition costs and administrative expenses (gross)	630	582	919	895	789	796
Reinsurers' share	264	242	64	81	58	55
<b>Acquisition costs and administrative expenses (net)</b>	<b>366</b>	<b>340</b>	<b>855</b>	<b>814</b>	<b>731</b>	<b>741</b>
8. Other technical income	6	4	12	9	17	13
Other technical expenses	12	11	32	34	46	48
<b>Other technical result</b>	<b>-6</b>	<b>-7</b>	<b>-20</b>	<b>-25</b>	<b>-29</b>	<b>-35</b>
<b>Net technical result</b>	<b>33</b>	<b>-4</b>	<b>-1,239</b>	<b>-1,201</b>	<b>-3</b>	<b>1</b>
9. a. Investment income	213	225	1,589	1,580	294	294
b. Investment expenses	48	67	175	217	57	50
<b>Net income from assets under own management</b>	<b>165</b>	<b>158</b>	<b>1,414</b>	<b>1,363</b>	<b>237</b>	<b>244</b>
Net income from investment contracts	—	—	—	—	7	6
Net interest income from funds withheld and contract deposits	—	—	-11	-12	—	—
<b>Net investment income</b>	<b>165</b>	<b>158</b>	<b>1,403</b>	<b>1,351</b>	<b>244</b>	<b>250</b>
of which share of profit or loss of equity-accounted associates and joint ventures	3	—	5	1	—	—
10. a. Other income	94	82	126	179	68	90
b. Other expenses	88	84	220	190	146	168
<b>Other income/expenses</b>	<b>6</b>	<b>-2</b>	<b>-94</b>	<b>-11</b>	<b>-78</b>	<b>-78</b>
<b>Profit before goodwill impairments</b>	<b>204</b>	<b>152</b>	<b>70</b>	<b>139</b>	<b>163</b>	<b>173</b>
11. Goodwill impairments	—	—	—	155	—	—
<b>Operating profit/loss (EBIT)</b>	<b>204</b>	<b>152</b>	<b>70</b>	<b>-16</b>	<b>163</b>	<b>173</b>
12. Financing costs	6	6	7	8	3	2
13. Taxes on income	66	43	18	44	46	43
<b>Net income</b>	<b>132</b>	<b>103</b>	<b>45</b>	<b>-68</b>	<b>114</b>	<b>128</b>
of which attributable to non-controlling interests	—	—	6	5	17	22
of which attributable to shareholders of Talanx AG	132	103	39	-73	97	106

<sup>1)</sup> With the exception of the Retail Germany Division, the statements of income of the divisions are the same as those of the reportable segments.

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
9M 2016	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015
7,121	7,319	5,334	5,627	25	32	-565	-663	23,749	24,355
364	417	109	109	25	32	-565	-663	—	—
6,757	6,902	5,225	5,518	—	—	—	—	23,749	24,355
—	—	—	—	—	—	—	—	896	855
836	816	455	745	8	9	-584	-660	2,807	3,105
-413	-604	-38	-18	-4	-2	26	36	-1,061	-1,261
-53	-66	—	—	-2	-2	27	37	-149	-112
5,925	5,965	4,841	4,864	15	23	18	-4	19,134	19,246
4,397	4,498	4,592	4,861	8	16	-290	-400	17,273	18,185
383	311	403	632	—	—	-297	-393	1,518	2,120
4,014	4,187	4,189	4,229	8	16	7	-7	15,755	16,065
1,776	1,662	926	1,016	3	4	-168	-176	4,875	4,779
138	134	43	56	—	—	-159	-177	408	391
1,638	1,528	883	960	3	4	-9	1	4,467	4,388
1	2	—	—	—	—	—	—	36	28
—	4	6	9	—	1	20	2	116	109
1	-2	-6	-9	—	-1	-20	-2	-80	-81
274	248	-237	-334	4	2	—	—	-1,168	-1,288
821	808	308	338	37	14	-42	-36	3,220	3,223
177	136	45	73	65	60	-82	-82	485	521
644	672	263	265	-28	-46	40	46	2,735	2,702
—	—	—	—	—	—	—	—	7	6
19	17	231	277	—	—	—	-1	239	281
663	689	494	542	-28	-46	40	45	2,981	2,989
3	6	—	—	—	7	-6	-6	5	8
187	333	388	198	570	540	-522	-505	911	917
207	295	363	168	520	486	-469	-435	1,075	956
-20	38	25	30	50	54	-53	-70	-164	-39
917	975	282	238	26	10	-13	-25	1,649	1,662
—	—	—	—	—	—	—	—	—	155
917	975	282	238	26	10	-13	-25	1,649	1,507
54	67	3	2	64	67	-27	-24	110	128
232	234	74	62	5	-5	7	1	448	422
631	674	205	174	-43	-52	7	-2	1,091	957
330	354	103	90	—	—	—	-2	456	469
301	320	102	84	-43	-52	7	—	635	488

CONSOLIDATED STATEMENT OF INCOME BY DIVISION/REPORTABLE SEGMENT FOR THE PERIOD FROM 1 JULY TO 30 SEPTEMBER 2016<sup>1)</sup>

EUR MILLION

	Industrial Lines		Retail Germany		Retail International	
	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015
1. Gross written premiums including premiums from unit-linked life and annuity insurance	684	809	1,429	1,474	1,182	1,071
of which attributable to other divisions/segments with third parties	6	13	11	18	—	—
	678	796	1,418	1,456	1,182	1,071
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	222	222	60	57
3. Ceded written premiums	317	426	55	48	86	95
4. Change in gross unearned premiums	369	290	8	75	–18	–49
5. Change in ceded unearned premiums	189	113	8	6	16	18
<b>Net premiums earned</b>	<b>547</b>	<b>560</b>	<b>1,152</b>	<b>1,273</b>	<b>1,002</b>	<b>852</b>
6. Claims and claims expenses (gross)	672	840	1,312	1,359	810	764
Reinsurers' share	266	373	23	21	58	136
<b>Claims and claims expenses (net)</b>	<b>406</b>	<b>467</b>	<b>1,289</b>	<b>1,338</b>	<b>752</b>	<b>628</b>
7. Acquisition costs and administrative expenses (gross)	207	199	305	300	270	249
Reinsurers' share	76	77	28	30	19	20
<b>Acquisition costs and administrative expenses (net)</b>	<b>131</b>	<b>122</b>	<b>277</b>	<b>270</b>	<b>251</b>	<b>229</b>
8. Other technical income	1	1	5	3	7	3
Other technical expenses	3	–11	18	29	16	16
<b>Other technical result</b>	<b>–2</b>	<b>12</b>	<b>–13</b>	<b>–26</b>	<b>–9</b>	<b>–13</b>
<b>Net technical result</b>	<b>8</b>	<b>–17</b>	<b>–427</b>	<b>–361</b>	<b>–10</b>	<b>–18</b>
9. a. Investment income	64	67	526	466	99	97
b. Investment expenses	8	22	57	60	10	16
<b>Net income from assets under own management</b>	<b>56</b>	<b>45</b>	<b>469</b>	<b>406</b>	<b>89</b>	<b>81</b>
Net income from investment contracts	—	—	—	—	1	2
Net interest income from funds withheld and contract deposits	—	—	–3	–3	1	—
<b>Net investment income</b>	<b>56</b>	<b>45</b>	<b>466</b>	<b>403</b>	<b>91</b>	<b>83</b>
of which share of profit or loss of equity-accounted associates and joint ventures	1	—	—	1	—	—
10. a. Other income	19	24	45	69	15	44
b. Other expenses	22	42	70	66	39	63
<b>Other income/expenses</b>	<b>–3</b>	<b>–18</b>	<b>–25</b>	<b>3</b>	<b>–24</b>	<b>–19</b>
<b>Profit before goodwill impairments</b>	<b>61</b>	<b>10</b>	<b>14</b>	<b>45</b>	<b>57</b>	<b>46</b>
11. Goodwill impairments	—	—	—	—	—	—
<b>Operating profit/loss (EBIT)</b>	<b>61</b>	<b>10</b>	<b>14</b>	<b>45</b>	<b>57</b>	<b>46</b>
12. Financing costs	2	2	2	3	2	—
13. Taxes on income	18	2	–5	7	17	11
<b>Net income</b>	<b>41</b>	<b>6</b>	<b>17</b>	<b>35</b>	<b>38</b>	<b>35</b>
of which attributable to non-controlling interests	—	—	2	4	5	6
of which attributable to shareholders of Talanx AG	41	6	15	31	33	29

<sup>1)</sup> With the exception of the Retail Germany Division, the statements of income of the divisions are the same as those of the reportable segments.

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015
2,494	2,347	1,678	2,013	3	5	-148	-191	7,322	7,528
91	119	37	36	3	5	-148	-191	—	—
2,403	2,228	1,641	1,977	—	—	—	—	7,322	7,528
—	—	—	—	—	—	—	—	282	279
289	297	154	259	1	2	-167	-186	735	941
-124	11	-11	-15	3	3	-23	-19	204	296
-5	-10	—	—	1	2	-24	-20	185	109
2,086	2,071	1,513	1,739	4	4	20	-4	6,324	6,495
1,482	1,553	1,442	1,742	6	6	-82	-120	5,642	6,144
72	89	122	213	—	—	-84	-121	457	711
1,410	1,464	1,320	1,529	6	6	2	1	5,185	5,433
614	578	278	336	1	—	-58	-54	1,617	1,608
46	52	23	12	—	—	-57	-56	135	135
568	526	255	324	1	—	-1	2	1,482	1,473
1	1	—	—	—	—	—	—	14	8
—	1	-1	4	—	1	19	-6	55	34
1	—	1	-4	—	-1	-19	6	-41	-26
109	81	-61	-118	-3	-3	—	-1	-384	-437
263	294	117	113	4	4	-12	-17	1,061	1,024
38	49	11	27	20	21	-29	-29	115	166
225	245	106	86	-16	-17	17	12	946	858
—	—	—	—	—	—	—	—	1	2
7	7	67	90	—	—	—	-2	72	92
232	252	173	176	-16	-17	17	10	1,019	952
1	5	—	—	—	1	—	-6	2	1
42	98	207	54	199	179	-180	-171	347	297
46	72	211	68	181	158	-172	-149	397	320
-4	26	-4	-14	18	21	-8	-22	-50	-23
337	359	108	44	-1	1	9	-13	585	492
—	—	—	—	—	—	—	—	—	—
337	359	108	44	-1	1	9	-13	585	492
18	18	1	—	21	21	-9	-7	37	37
81	101	30	13	-2	-6	6	—	145	128
238	240	77	31	-20	-14	12	-6	403	327
124	126	38	16	—	—	—	-2	169	150
114	114	39	15	-20	-14	12	-4	234	177

**CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE REPORTABLE SEGMENTS RETAIL GERMANY – PROPERTY/CASUALTY AND LIFE FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2016 AND 1 JULY TO 30 SEPTEMBER 2016**

EUR MILLION

	Property/casualty				Life			
	9M 2016	9M 2015	Q3 2016	Q3 2015	9M 2016	9M 2015	Q3 2016	Q3 2015
1. Gross written premiums including premiums from unit-linked life and annuity insurance	1,260	1,279	280	290	3,515	3,864	1,149	1,184
of which attributable to other divisions/segments	—	—	—	—	22	50	11	18
with third parties	1,260	1,279	280	290	3,493	3,814	1,138	1,166
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	—	—	686	691	222	222
3. Ceded written premiums	54	55	9	7	129	131	46	41
4. Change in gross unearned premiums	-164	-160	93	98	-135	-45	-85	-23
5. Reinsurers' share in change in ceded unearned premiums	-7	-4	6	5	8	3	2	1
<b>Net premiums earned</b>	<b>1,049</b>	<b>1,068</b>	<b>358</b>	<b>376</b>	<b>2,557</b>	<b>2,994</b>	<b>794</b>	<b>897</b>
6. Claims and claims expenses (gross)	720	728	242	253	3,310	3,778	1,070	1,106
Reinsurers' share	6	17	7	6	54	65	16	15
<b>Claims and claims expenses (net)</b>	<b>714</b>	<b>711</b>	<b>235</b>	<b>247</b>	<b>3,256</b>	<b>3,713</b>	<b>1,054</b>	<b>1,091</b>
7. Acquisition costs and administrative expenses (gross)	378	378	127	135	541	517	178	165
Reinsurers' share	12	11	4	2	52	70	24	28
<b>Acquisition costs and administrative expenses (net)</b>	<b>366</b>	<b>367</b>	<b>123</b>	<b>133</b>	<b>489</b>	<b>447</b>	<b>154</b>	<b>137</b>
8. Other technical income	2	2	—	1	10	7	5	2
Other technical expenses	4	4	1	1	28	30	17	28
<b>Other technical result</b>	<b>-2</b>	<b>-2</b>	<b>-1</b>	<b>—</b>	<b>-18</b>	<b>-23</b>	<b>-12</b>	<b>-26</b>
<b>Net technical result</b>	<b>-33</b>	<b>-12</b>	<b>-1</b>	<b>-4</b>	<b>-1,206</b>	<b>-1,189</b>	<b>-426</b>	<b>-357</b>
9. a. Investment income	78	81	25	28	1,511	1,499	501	438
b. Investment expenses	9	7	3	3	166	210	54	57
<b>Net income from assets under own management</b>	<b>69</b>	<b>74</b>	<b>22</b>	<b>25</b>	<b>1,345</b>	<b>1,289</b>	<b>447</b>	<b>381</b>
Net income from investment contracts	—	—	—	—	—	—	—	—
Net interest income from funds withheld and contract deposits	—	1	—	1	-11	-13	-3	-4
<b>Net investment income</b>	<b>69</b>	<b>75</b>	<b>22</b>	<b>26</b>	<b>1,334</b>	<b>1,276</b>	<b>444</b>	<b>377</b>
of which share of profit or loss of equity-accounted associates and joint ventures	1	—	—	—	4	1	—	1
10. a. Other income	39	59	12	29	87	120	33	40
b. Other expenses	84	62	25	21	136	128	45	45
<b>Other income/expenses</b>	<b>-45</b>	<b>-3</b>	<b>-13</b>	<b>8</b>	<b>-49</b>	<b>-8</b>	<b>-12</b>	<b>-5</b>
<b>Profit before goodwill impairments</b>	<b>-9</b>	<b>60</b>	<b>8</b>	<b>30</b>	<b>79</b>	<b>79</b>	<b>6</b>	<b>15</b>
11. Goodwill impairments	—	—	—	—	—	155	—	—
<b>Operating profit/loss (EBIT)</b>	<b>-9</b>	<b>60</b>	<b>8</b>	<b>30</b>	<b>79</b>	<b>-76</b>	<b>6</b>	<b>15</b>

## OTHER DISCLOSURES

This document is a quarterly statement in accordance with section 51a of the Exchange Rules for the Frankfurter Wertpapierbörse.

The consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income and the consolidated cash flow statement were prepared in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union. The statement was prepared in compliance with the requirements of IAS 34 "Interim Financial Reporting". The same accounting policies were applied as for the consolidated financial statements as at 31 December 2015.

The interim consolidated financial statements were prepared in euros (EUR). The amounts shown have been rounded to millions of euros (EUR million). This may give rise to rounding differences in the tables presented in this report. As a rule, amounts in brackets refer to the previous year.

Prepared by the Board of Management and hence authorised for publication in Hannover on 4 November 2016.

## EXCHANGE DIFFERENCES ON TRANSLATING FOREIGN OPERATIONS

Talanx AG's reporting currency is the euro (EUR).

### EXCHANGE RATES FOR OUR KEY FOREIGN CURRENCIES

1 EUR 1 corresponds to	Balance sheet (reporting date)		Statement of income (average)	
	30.9.2016	31.12.2015	9M 2016	9M 2015
AUD Australia	1.4652	1.4981	1.4989	1.4774
BRL Brazil	3.6361	4.2314	3.9549	3.5420
CAD Canada	1.4688	1.5158	1.4710	1.1432
CNY China	7.4514	7.0970	7.3160	7.0092
GBP United Kingdom	0.8615	0.7381	0.8003	0.7315
JPY Japan	113.0600	131.6600	121.7940	135.4330
MXN Mexico	21.7463	18.8613	20.2665	17.5189
PLN Poland	4.3168	4.2392	4.3550	4.1709
TRY Turkey	3.3521	3.1817	3.2561	2.9818
USD USA	1.1163	1.0927	1.1120	1.1216
ZAR South Africa	15.4686	16.8447	16.6280	13.8054

## EVENTS AFTER THE END OF THE REPORTING PERIOD

Following a hurricane season in North America that was below the multi-year average, Hurricane "Matthew" caused huge damage at the beginning of October with several fatalities, especially in Haiti. According to the currently available expert estimations, the total insured market loss could reach between USD 5 and 10 billion. Due to the existing uncertainties about the extent of the loss, it is still too early to give a reliable figure for our net burden. Thanks to the major loss budget that is still available to us for the fourth quarter, Hurricane "Matthew" is currently not putting our profit targets for 2016 at risk.

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This is a translation of the original German text; the German version shall be authoritative in case of any discrepancies in the translation.

### Quarterly Statement online:

[www.talanx.com/investor-relations](http://www.talanx.com/investor-relations)

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## FINANCIAL CALENDAR 2016/2017

18 November 2016  
Capital Markets Day

20 March 2017  
Results Press Conference 2016

11 May 2017  
Annual General Meeting

15 May 2017  
Quarterly Statement as at 31 March 2017

14 August 2017  
Interim Report as at 30 June 2017

13 November 2017  
Quarterly Statement as at 30 September 2017

23 November 2017  
Capital Markets Day



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