2016

PERFORMANCE AND RESULTS

Quarterly Statement as at 31 March 2016

talanx.

Insurance. Investments.

THE TALANX GROUP AT A GLANCE

GROUP KEY FIGURES

	UNIT	Q1 2016	Q1 2015	+/–%
Gross written premiums	EUR MILLION	**8,995**	9,440	**–4.7**
by region				
Germany	%	36	37	–1.0 pt.
United Kingdom	%	8	9	–1.0 pt.
Central and Eastern Europe (CEE), including Turkey	%	7	7	— pt.
Rest of Europe	%	16	15	+1.0 pt.
USA	%	13	11	+2.0 pt.
Rest of North America	%	2	2	— pt.
Latin America	%	7	7	— pt.
Asia and Australia	%	9	11	–2.0 pt.
Africa	%	2	1	+1.0 pt.
Net premiums earned	EUR MILLION	**6,266**	6,367	**–1.6**
Underwriting result	EUR MILLION	**–422**	–389	**–8.5**
Net investment income	EUR MILLION	**1,022**	996	**+2.6**
Net return on investment[1]	%	**3.7**	3.6	**+0.1 pt.**
Operating profit (EBIT)	EUR MILLION	**573**	643	**–10.9**
Net income (after financing costs and taxes)	EUR MILLION	**381**	410	**–7.1**
of which attributable to shareholders of Talanx AG	EUR MILLION	222	251	–11.6
Return on equity[2]	%	**10.6**	12.0	**–1.4 pt.**
Earnings per share				
Basic earnings per share	EUR	0.88	0.99	–11.1
Diluted earnings per share	EUR	0.88	0.99	–11.1
Combined ratio in property/casualty primary insurance and Non-Life Reinsurance[3]	%	**96.3**	96.5	**–0.2 pt.**
Combined ratio of property/casualty primary insurers[4]	%	98.4	97.5	+0.9 pt.
Combined ratio in Non-Life Reinsurance	%	94.7	95.9	–1.2 pt.
EBIT margin primary insurance and reinsurance				
EBIT margin primary insurance[4]	%	6.6	6.3	+0.3 pt.
EBIT margin Non-Life Reinsurance	%	15.8	14.8	+1.0 pt.
EBIT margin Life/Health Reinsurance	%	6.5	11.3	–4.8 pt.

		31.3.2016	31.12.2015	+/–%
Policyholders' surplus	EUR MILLION	**15,767**	15,374	**+2.6**
Equity attributable to shareholders of Talanx AG	EUR MILLION	8,532	8,282	+3.0
Non-controlling interests	EUR MILLION	5,294	5,149	+2.8
Hybrid capital	EUR MILLION	1,941	1,943	–0.1
Assets under own management	EUR MILLION	**101,913**	100,777	**+1.1**
Total investments	EUR MILLION	**114,197**	115,611	**–1.2**
Total assets	EUR MILLION	**154,779**	152,760	**+1.3**
Carrying amount per share at end of period	EUR	**33.75**	32.76	**+3.0**
Share price at end of period	EUR	**30.01**	28.55	**+5.1**
Market capitalisation of Talanx AG at end of period	EUR MILLION	**7,586**	7,217	**+5.1**
Employees	FULL-TIME EQUIVALENTS	**20,216**	20,334	**–0.6**

1) 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 (31 March 2016 and 31 December 2015).
2) Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.
3) Combined ratio adjusted for interest income on funds withheld and contract deposits, before elimination of intragroup cross-segment transactions.
4) Excluding figures from the Corporate Operations segment.

QUARTERLY STATEMENT

BUSINESS DEVELOPMENT

PERFORMANCE OF THE GROUP

- Premium decline due in particular to exchange rate effects
- Decline in the single premium business in life insurance
- Combined ratio slightly improved due to the lower major loss burden

GROUP KEY FIGURES

EUR MILLION

	Q1 2016	Q1 2015	+/–%
Gross written premiums	8,995	9,440	–4.7
Net premiums earned	6,266	6,367	–1.6
Underwriting result	–422	–389	–8.5
Net investment income	1,022	996	+2.6
Operating profit (EBIT)	573	643	–10.9
Combined ratio (net, property/casualty only) in %	96.3	96.5	–0.2 pt.

MANAGEMENT METRICS

%

	Q1 2016	Q1 2015	+/–%
Gross premium growth (adjusted for exchange rate effects)	–3.0	6.8	–9.8 pt.
Group net income in EUR million	222	251	–11.6
Return on equity [1]	10.6	12.0	–1.4 pt.
Net return on investment [2]	3.7	3.6	+0.1 pt.

[1] Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.
[2] Ratio of annualised net income from investments to average assets under own management.

PREMIUM VOLUME

The gross written premiums fell by 4.7% to EUR 9.0 (9.4) billion; when adjusted for exchange rate effects the growth in gross premiums fell by 3.0%. The Industrial Lines Division recorded premium growth thanks to higher premium income from foreign branches. In contrast, the gross premiums, inter alia in the Non-Life Reinsurance segment, declined due to persistently strong competition. The Retail Germany and Retail International segments posted lower single premiums from the life insurance business and thus a decline in premiums.

The major loss burden remained significantly below the Group budget. The retention ratio rose to 85.2% from 84.0%, while net premiums earned were down just 1.6% on those of the same period in the previous year at EUR 6.3 (6.4) billion.

UNDERWRITING RESULT

The underwriting result fell by 8.5% to EUR –422 (–389) million. Here the unwinding of discounts on provisions and the higher allocation for the provision for premium refunds in the Retail Germany Division had a particular impact. While the net expense ratio did rise, the net loss ratio fell somewhat more so that the combined ratio of the Group improved slightly year-on-year by 0.2 percentage points to 96.3% (96.5%).

NET INVESTMENT INCOME

Net investment income was up by around 2.6% year-on-year to EUR 1,022 (996) million. The extraordinary result – including from the financing of the additional interest reserve in the Retail Germany Division and from the positive effects from the Non-Life Reinsurance segment – was more than able to compensate for the decline in ordinary income, which had been defined by a one-off effect in the Life/Health Reinsurance segment in the previous-year quarter. The Group net return on investment in the first quarter of 2016 was at 3.7% (3.6%) slightly above that of the previous-year quarter. In the first quarter, therefore, we have exceeded our target return set for 2016 of more than 3.0%.

OPERATING PROFIT AND GROUP NET INCOME

The operating profit (EBIT) fell by 10.9% to EUR 573 (643) million; the higher net investment income could not compensate for the lower underwriting result; the other income also fell significantly due to exchange rate effects. Group net income – i.e. after non-controlling interests – amounted to EUR 222 (251) million. The return on equity was, at 10.6% (12.0%), less than in the previous-year quarter, but did exceed the value forecast for the full-year 2016, which the Talanx Group set at above 8.5%.

DEVELOPMENT OF THE DIVISIONS WITHIN THE GROUP

At a strategic level, Talanx divides its business into six reportable segments: Industrial Lines, Retail Germany, 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 financial statements 2015 for details of these segments' structure and scope of business.

INDUSTRIAL LINES

- Growth in premiums, particularly abroad
- Improved net technical result
- Net investment income impacted by prolonged period of low interest rates

KEY FIGURES FOR THE INDUSTRIAL LINES SEGMENT

EUR MILLION

	Q1 2016	Q1 2015	+/–%
Gross written premiums	1,921	1,889	+1.7
Net premiums earned	537	518	+3.7
Underwriting result	13	6	+116.7
Net investment income	50	53	– 5.7
Operating profit (EBIT)	74	72	+2.8

MANAGEMENT METRICS

%

	Q1 2016	Q1 2015	+/–%
Gross premium growth (adjusted for exchange rate effects)	2.5	3.9	–1.4 pt.
Retention	55.5	50.4	+5.1 pt.
Combined ratio (net) [1]	97.6	98.9	–1.3 pt.
EBIT margin [2]	13.8	13.8	±0 pt.
Return on equity [3]	9.2	9.2	±0 pt.

1) Including net interest income on funds withheld and contract deposits.
2) Operating profit (EBIT)/net premiums earned.
3) 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 1.9 (1.9) billion as at 31 March 2016, a slight increase of around 1.7% (2.5% after adjustment for exchange rate effects). In particular, the international branches of HDI Global SE in Switzerland and in the UK, as well as the branch in Denmark recorded significant increases in premiums. The Brazilian subsidiary HDI Global S. A. also made a positive contribution to premium growth.

The increase in the retention ratio in the division to 55.5% (50.4%) was caused, in particular, by the higher levies paid to the intragroup reinsurer Talanx Reinsurance Ltd. since the second quarter of 2015. Net premiums earned rose by 3.7% compared with the previous-year quarter to EUR 537 (518) million.

UNDERWRITING RESULT

The division's net underwriting result increased to EUR 13 (6) million. The net expense ratio was higher year-on-year at 20.2% (17.5%), influenced by higher deferred acquisition costs, which in turn caused a decrease in net commissions. The loss ratio (net) improved to 77.3% (81.4%) due to a lower major-loss burden. The combined ratio for the Industrial Lines Division amounted to 97.6% (98.9%).

NET INVESTMENT INCOME

Net investment income decreased due to the prolonged period of low interest rates, falling 5.7% to EUR 50 (53) million. In comparison to the previous-year period, fewer net gains from the disposal of investments and fewer impairment losses were generated at HDI Global SE overall. In the previous year, impairments charged on a bond issued by Heta Asset Resolution AG (previously Hypo Alpe Adria) and a Greek promissory note loan negatively impacted net income.

OPERATING PROFIT AND GROUP NET INCOME

The division's operating profit rose to EUR 74 (72) million due to the developments described above and, in particular, to the improved underwriting result. Equity amounted to EUR 48 (47) million. The EBIT margin and the return on equity are on a level with the previous year.

RETAIL GERMANY

- Planned decline in premium income due to lower single premiums in the individual life business
- Higher net investment income arising from the realisation of unrealised gains to finance the additional interest reserve for life insurance
- EBIT below that of previous year due to investment in the future within the framework of an investment and modernisation programme

KEY FIGURES FOR THE RETAIL GERMANY SEGMENT

EUR MILLION

	Q1 2016	Q1 2015	+/–%
Gross written premiums	1,904	2,135	–10.8
Net premiums earned	1,217	1,448	–16.0
Underwriting result	–478	–392	–21.9
Net investment income	535	445	+20.2
Operating profit (EBIT)	47	57	–17.5

MANAGEMENT METRICS

%

	Q1 2016	Q1 2015	+/–%
Gross premium growth	–10.8	5.3	–16.1
Combined ratio (net, property/casualty only) [1]	103.8	100.5	+3.3 pt.
EBIT margin [2]	3.8	3.9	–0.1 pt.
Return on equity [3]	4.4	4.7	–0.3 pt.

[1] Including net interest income on funds withheld and contract deposits.
[2] Operating profit (EBIT)/net premiums earned.
[3] Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

PREMIUM VOLUME AND NEW BUSINESS

Gross written premiums for the Retail Germany Division – including savings elements of premiums from unit-linked life insurance – fell in the first quarter of 2016, compared to the same period in the previous year, by 10.8% to EUR 1.9 (2.1) billion.

Gross written premiums for our life insurers – including savings elements of premiums from unit-linked life insurance – fell 15.9% to EUR 1.2 (1.4) billion due to lower single premiums and to policies maturing. The retention ratio in the life insurance business was slightly down on the previous year, at 95.6% (95.9%). Allowing for higher savings elements under our unit-linked products and the change in the unearned premium reserve, the net premiums earned in this area fell by 20.8% to EUR 0.9 (1.1) billion.

Written premium income of our property/casualty insurers declined by 1.7% to EUR 749 (762) million. The decline is due, in particular, to the lower premium income in motor insurance as at the turn of the year. The overall share of the entire segment accounted for by property/casualty insurers rose to 39.3% (35.7%), due to a strong decline in premiums in life insurance.

New business in life insurance products – measured using the annual premium equivalent (APE), the international standard – fell from EUR 127 million to EUR 97 million, primarily due to less business carried forward from the 2015 year-end.

UNDERWRITING RESULT

The underwriting result was, at EUR –478 (–392) million, below that of the previous year and related, in the comparison period, solely to the life insurance companies, including 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.

In the property/casualty business, the underwriting result fell to EUR –13 (–2) million, due largely to investment as part of our modernisation programme.

NET INVESTMENT INCOME

Overall, net investment income rose by 20.2% to EUR 535 (445) million. Of this amount, 95.9% is attributable to the life insurance companies. The increase is due to extraordinary net investment income which grew 128.6% to EUR 160 (70) million and was used to finance the additional interest reserve. Ordinary net investment income remained stable at EUR 375 (375) million.

OPERATING PROFIT AND GROUP NET INCOME

EBIT declined in the reporting period from EUR 57 million to EUR 47 million. Adjusted for investment due to our modernisation programme, it would have remained stable at the same level as the previous year. The EBIT margin remained almost stable at 3.8% (3.9%). After adjustment for taxes on income, financing costs and minority interests, Group net income decreased to EUR 29 (35) million, causing the return on equity to fall by 0.3 percentage points to 4.4%.

ADDITIONAL KEY FIGURES

THE RETAIL GERMANY SEGMENT AT A GLANCE

EUR MILLION

	Q1 2016	Q1 2015	+/–%
Gross written premiums	**1,904**	2,135	**–10.8**
Property/casualty	749	762	–1.7
Life	1,155	1,373	–15.9
Net premiums earned	**1,217**	1,448	**–16.0**
Property/casualty	341	342	0.3
Life	876	1,106	–20.8
Underwriting result	**–478**	–392	**–21.9**
Property/casualty	–13	–2	–550.0
Life	–465	–390	19.2
Other	—	—	—
Net investment income	**535**	445	**+20.2**
Property/casualty	22	25	–12.0
Life	513	420	+22.1
Other	—	—	—
New business measured in annual premium equivalent (life)	**97**	127	**–23.6**
Single premiums	312	509	–38.7
Regular premiums	66	76	–13.2
New business by product in annual premium equivalent (life)	**97**	127	**–23.6**
Unit-linked life and annuity insurance	21	42	–50.0
Traditional life and annuity insurance	53	62	–14.5
Term life products	21	21	—
Other life products	2	2	—

RETAIL INTERNATIONAL

- Growth in gross written premiums slowed due to negative exchange rate developments
- Stable operating profit despite new wealth tax in Poland (EUR –4 million) and negative exchange rate development in important markets
- Acquisition of the insurance companies of the Italian banking group Gruppo Banca Sella expected in the second quarter of 2016

KEY FIGURES FOR THE RETAIL INTERNATIONAL SEGMENT

EUR MILLION

	Q1 2016	Q1 2015	+/–%
Gross written premiums	1,148	1,206	–4.8
Net premiums earned	986	960	+2.7
Underwriting result	8	8	—
Net investment income	80	79	+1.3
Operating profit (EBIT)	61	56	+8.9

MANAGEMENT METRICS

%

	Q1 2016	Q1 2015	+/–%
Gross premium growth (adjusted for exchange rate effects)	3.5	3.1	+0.4 pt.
Combined ratio (net, property/casualty only) [1]	96.2	94.6	+1.6 pt.
EBIT margin [2]	6.2	5.8	+0.4 pt.
Return on equity [3]	7.3	6.8	+0.5 pt.

[1] Including net interest income on funds withheld and contract deposits.
[2] Operating profit (EBIT)/net premiums earned.
[3] Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

The division's activities focus on two strategic target regions and on two high-growth core markets within each of these. In Latin America, the division is present in Brazil and Mexico, the two largest countries in terms of premium income. In Central and Eastern Europe, the division operates in Poland and Turkey, two of the three markets with the highest premium income.

With the aim of expanding its business in the area of sales via banks in Italy, the division strengthened its position in financial year 2015 by acquiring the insurance companies of the Italian banking group Gruppo Banca Sella. Via the Italian subsidiary HDI Assicurazioni S. p. A., the Talanx Group is taking over the life insurance company CBA Vita S. p. A. and its subsidiary Sella Life Ltd., both in their entirety, as well as the other 49% of the property insurer InChiaro Assicurazioni S.p.A. The Group will then hold 100% of the shares in all three companies. Subject to the approval of the authorities, the takeover is expected to be completed in the second quarter of 2016.

PREMIUM VOLUME

The division's gross written premiums (including premiums from unit-linked life and annuity insurance) fell by 4.8% compared to the first quarter of 2015 to EUR 1.1 (1.2) billion. Adjusted for exchange rate effects, however, gross premiums increased 3.5% on the comparison period. The share of gross written premiums from the strategic target regions of Latin America and Central and Eastern Europe amounted to 71% (77%) in the reporting period.

Gross written premiums from property insurance and life insurance developed differently in the reporting period. Due to negative exchange rate developments, premium income in the property insurance business fell compared to the same period in the previous year by 7.8% to EUR 758 million. Adjusted for exchange rate effects, however, an increase of 3.5% was posted. This increase was due largely to the contributions made by the Brazilian firm HDI Seguros S.A. and the Turkish company HDI Sigorta, as well as the fact that the new Chilean companies were included in this for three full months. In contrast, gross written premiums from the life insurance business increased by 1.6% (adjusted for exchange rate effects: +3.4%) to EUR 390 million. The increase in sales of single-premium products via banks at Italian company HDI Assicurazioni was able to more than offset the decline in the performance of Polish life insurer TUnŻ WARTA S.A. In Poland, the tighter regulatory framework, such as for example the wealth tax introduced at the start of 2016 for banks and insurance companies, had a dampening effect on the performance of the business.

Of the premium volume generated in the Latin America target region, around 55% was attributable to the Brazilian company HDI Seguros S.A., which is mainly active in motor insurance. The performance of the Brazilian motor insurance market was largely defined in the first quarter of 2016 by the ongoing economic crisis in the country as well as the decline in the sales of new cars that that entails. HDI Seguros S.A.'s written premiums decreased by 17.9% year-on-year to EUR 172 million, including exchange rate effects. Adjusted for exchange rate effects, the increase in premiums at 8.3% bucked the industry trend, and was mainly due to a large number of new contracts. This lead to an increase in the company's motor policy portfolio by 17.4% to 1.9 million policies overall. Consequently, the company was able to increase its market share in the Brazilian motor insurance market as at February 2016 compared to the same period in the previous year. The Mexican HDI Seguros was able to keep its gross written premiums stable compared to the same period in the previous year, at EUR 57 million. Adjusted for exchange rate effects, however, the growth in premiums as a result of strategic growth projects was 13.8%. This was thanks to an increase in new business in the area of motor insurance and in other property insurance, where sales through agents performed particularly well.

The premium volume of TUiR WARTA S.A. from property insurance dropped 5.6% (adjusted for exchange rate effects: –2.6%) to EUR 220 million, primarily due to the negative performance of other property insurance, which was driven in the same period of the previous year by one-off effects from a large contract. Despite a very competitive market environment, it proved possible to increase the motor insurance portfolio and the number of insured vehicles as well as the average premium per motor liability policy. At the life insurer TUnŻ WARTA S.A., gross written premiums fell by 56.5% (adjusted for exchange rate effects: –55.2%) to EUR 40 (92) million. This was due, in particular, to the decline in single premium business from unit-linked life insurance from sales via banks, as a consequence of the previously mentioned tightening of regulatory requirements. Combined premium income from life and property insurance at the TU Europa Group amounted to EUR 60 million compared with EUR 95 million in the same period in the previous year. The decline resulted predominantly from property/casualty insurance due to the switch from multi-year contracts with a single premium to ongoing premium payment.

The gross written premiums of Turkish property insurer HDI Sigorta fell by 2.5% to EUR 69 million including exchange rate effects; after adjustment for exchange rate effects, premiums rose by 11.9%. Written premiums in other property insurance increased by 22.2% in local currency, while the number of contracts increased by 12.7%. In the motor insurance business, an increase in the average premium of 37.1% was recorded in the local currency, due among other factors to the changed customer selection, which was more than offset by the 25.6% decline in the number of policies.

The Italian company HDI Assicurazioni held its ground well in a hotly contested and generally declining property insurance market. Gross written premiums from property insurance fell by the end of the first quarter of 2016 by 1.3%, particularly since the 5.0% increase in the number of policies in the motor liability business was not able to fully compensate for the 6.8% reduction in the average premium. By contrast, life insurance premiums rose by 43.2% year-on-year, largely due to higher sales of single-premium products via banks.

UNDERWRITING RESULT

The combined ratio of the property insurance companies deteriorated by 1.6 percentage points year-on-year to 96.2%. This development was attributable to the 1.7 percentage point increase in the loss ratio, due in particular to the Turkish firm HDI Sigorta but also to HDI Seguros S.A., Brazil. In Brazil, the loss expenditure increased because of two developments: on the one hand, the frequency of thefts increased due to the economic crisis, and on the other, the depreciation of the Brazilian real against the US dollar and increased inflation lead to higher costs for spare parts and wages. In Turkey, in addition to increased claims in the area of liability insurance as a result of the higher statutory minimum wage and the associated increased compensation payments, the consequences of the depreciation of the lira against the euro likewise impacted the costs of spare parts and thus the loss expenditure in the area of comprehensive motor insurance. In contrast, the expense ratio of the division improved slightly at 31.2% (31.4%).

Overall, the underwriting result recorded in this division remained more or less at the previous-year level at EUR 8.4 million.

NET INVESTMENT INCOME

The division's net investment income amounted to EUR 80 million as at the end of the first quarter of 2016, a year-on-year rise of 1.3%. Ordinary net investment income decreased by 5.8% compared to the same period in the previous year, largely due to the decline in interest rate levels, particularly in Poland and Italy, which account for the highest investment volume in the segment. The first quarter of 2015 was influenced by impairment losses on a stockholding. The average return on assets under own management remained stable compared to the same period in the previous year at 4.0%. Net investment income includes EUR 2 (2) 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 quarter of 2016, operating profit (EBIT) in the Retail International Division increased by 8.9% compared with the prior-year period to EUR 61 million. This performance was attributable both to the higher net investment income compared to the same period in the previous year and to the improvement in other comprehensive income. In other comprehensive income the burden of the newly introduced wealth tax in Poland (EUR −4.0 million) was offset by the absence of one-off expenses (essentially restructuring expenses in Chile) in the previous-year period. As a result, the EBIT margin rose by 0.4 percentage points to 6.2%. Group net income after minority interests rose by 9.1% to EUR 36 (33) million. Consequently, the return on equity increased by 0.5 percentage points to 7.3% compared to the same period in the previous year.

ADDITIONAL KEY FIGURES

THE RETAIL INTERNATIONAL SEGMENT AT A GLANCE

EUR MILLION

	Q1 2016	Q1 2015	+/−%
Gross written premiums	**1,148**	1,206	**−4.8**
Property/casualty	758	822	−7.8
Life	390	384	1.6
Net premiums earned	**986**	960	**2.7**
Property/casualty	640	629	1.7
Life	346	331	4.5
Underwriting result	**8**	8	—
Property/casualty	24	34	−29.4
Life	−16	−26	38.5
Other	—	—	—
Net investment income	**80**	79	**1.3**
Property/casualty	45	41	9.8
Life	35	38	−7.9
Other	—	—	—
New business measured in annual premium equivalent (life)	**54**	46	**17.4**
Single premiums	329	316	4.1
Regular premiums	21	14	50.0
New business by product in annual premium equivalent (life)	**54**	46	**17.4**
Unit-linked life and annuity insurance	4	6	−33.3
Traditional life and annuity insurance	10	10	—
Term life products	17	15	13.3
Other life products	23	15	53.3

NON-LIFE REINSURANCE

- Ongoing competition in Non-Life Reinsurance segment
- Solid results for treaty renewals as at 1 January 2016
- Major losses in the first quarter significantly lower than expected

KEY FIGURES FOR THE NON-LIFE REINSURANCE SEGMENT

EUR MILLION

	Q1 2016	Q1 2015	+/–%
Gross written premiums	2,502	2,617	–4.4
Net premiums earned	1,961	1,882	+4.2
Underwriting result	100	73	+37.0
Net investment income	213	199	+7.0
Operating profit (EBIT)	310	279	+11.1

MANAGEMENT METRICS

%

	Q1 2016	Q1 2015	+/–%
Gross premium growth (adjusted for exchange rate effects)	–3.7	13.0	–16.7 pt.
Combined ratio (net) [1]	94.7	95.9	–1.2 pt.
EBIT margin [2]	15.8	14.8	+1.0 pt.

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

RETURN ON EQUITY FOR THE REINSURANCE DIVISION OVERALL

%

	Q1 2016	Q1 2015	+/–%
Return on equity [1]	14.8	15.8	–1.0 pt.

[1] Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

BUSINESS DEVELOPMENT

Competition remains fierce in the Non-Life Reinsurance segment once again in this financial year. Given our cedants' high level of capitalisation, fewer risks overall are being passed on to the reinsurance market. In addition, capital inflows from the catastrophe bond market (ILS) – particularly in the US catastrophe business – are leading to significant price erosion. These factors also set the tone for treaty renewals as at 1 January 2016. At this time, around 65% of our portfolio was renegotiated. Even though the price drop was significant in some markets, we were able to maintain a good level of profitability for our portfolio thanks to our broad diversification. Once again, our long-standing customer relationships and our very good rating have had a stabilising impact on treaty renewals.

There have been initial indications that reinsurance prices have bottomed out, particularly in the US market, where we have increased our premium volume. The business in agricultural risks proved to be relatively detached from the rest of the soft non-life reinsurance market. While competition is tangible in some regions, we were still able to record essentially stable rates and conditions. On the other hand, significant rate reductions were recorded in the aviation and transport business, where we reduced our premium volume accordingly. The premium volume from the treaty renewals round as at 1 January 2016 fell by 1.5% as a result of our selective underwriting policy.

PREMIUM DEVELOPMENT

Given these developments, gross premiums for the Non-Life Reinsurance segment fell to EUR 2.5 (2.6) billion, corresponding to a decline of 4.4%. It must also be taken into account here that the comparison period was characterised by a positive one-off effect in facultative reinsurance in the amount of EUR 93 million. At constant exchange rates, the decline would have amounted to 3.7%. The retention fell to 87.9% (88.9%). Net premiums earned rose nonetheless due to the performance of unearned premiums by 4.2% to EUR 2.0 (1.9) billion; adjusted for exchange rate effects, growth would have amounted to 5.2%.

UNDERWRITING RESULT

As in the previous year, the net burden from major losses remained below the allocated budget at EUR 56 (62) million. The largest single loss was an earthquake in southern Taiwan, for which we reserved EUR 16 million. The underwriting result for the entire Non-Life Reinsurance segment stood at the extremely pleasing figure of EUR 100 (73) million. The combined ratio improved again to 94.7% (95.9)% and lies well within our target of a figure below 96%.

NET INVESTMENT INCOME

Net investment income from assets under own management in the Non-Life Reinsurance segment rose by 7.0% to EUR 213 (199) million.

OPERATING PROFIT AND GROUP NET INCOME

Operating profit (EBIT) in the Non-Life Reinsurance segment rose significantly as at 31 March 2016 by 11.1% to EUR 310 (279) million. The EBIT margin reached 15.8% (14.8%), thus exceeding the target level of at least 10%. Group net income rose by 19,5% to EUR 104 (87) million.

LIFE/HEALTH REINSURANCE

- Solid contribution to earnings
- Increasing demand for health insurance and longevity protection

KEY FIGURES FOR THE LIFE/HEALTH REINSURANCE SEGMENT

EUR MILLION

	Q1 2016	Q1 2015	+/–%
Gross written premiums	1,761	1,783	–1.2
Net premiums earned	1,581	1,550	+2.0
Underwriting result	–68	–85	+20.0
Net investment income	157	219	–28.3
Operating profit (EBIT)	103	176	–41.5

MANAGEMENT METRICS

%

	Q1 2016	Q1 2015	+/–%
Gross premium growth (adjusted for exchange rate effects) [1]	0.3	6.5	–6.2 pt.
EBIT margin [1] financial solutions/longevity	9.2	16.8	–7.6 pt.
EBIT margin [1] mortality/morbidity	5.3	8.1	–2.8 pt.

[1] Operating profit (EBIT)/net premiums earned.

RETURN ON EQUITY FOR THE REINSURANCE DIVISION OVERALL

%

	Q1 2016	Q1 2015	+/–%
Return on equity [1]	14.8	15.8	–1.0 pt.

[1] Ratio of annualised net income for the reporting period excluding non-controlling interests to average equity excluding non-controlling interests.

BUSINESS DEVELOPMENT

The first quarter of 2016 was a positive one for the Life/Health Reinsurance segment. The situation in the European insurance market remained largely the same as in the previous year. In Germany, in particular, the low interest rate environment dominated developments for life/health insurers. In this context, special attention must be paid to the role played by additional interest reserves. This requirement influences the demand for reinsurance and should create additional business potential.

There were very positive developments in the northern European markets in the first quarter. In the area of invalidity in particular, we were able to expand our existing business and generate new business. We saw higher levels of interest in our automated underwriting system in the Eastern European markets. There was also increased demand for health insurance products. In particular, the constantly growing middle class in certain important emerging markets is generating increased demand for protection in the event of illness. In addition, the introduction of Solvency II in the European markets at the beginning of 2016 made reinsurance solutions interesting with respect to the stricter capital requirements.

In the longevity area, we consider ourselves well positioned, particularly in the United Kingdom where the market continues to be extremely competitive, thanks to our long-standing relationships with our customers. At a global level, it is increasingly evident that the demand for protection against longevity risks is becoming more pressing. Through local expertise, we have in the past already successfully transferred reinsurance solutions to other markets and therefore also consider ourselves to be well positioned in this sector.

In Asia, we are focussing our activities on innovative (re)insurance products. Our main focus is on being able to offer, to the broadest possible target group, insurance protection that covers their needs, including term life insurance policies and supplementary insurance clauses for people with pre-existing conditions. Furthermore, the new regulatory regime, C-ROSS, was introduced in China at the start of the year and has already made itself felt in the market.

Despite the fact that the conditions and prerequisites in the individual markets varied widely at times, our expectations for the developed insurance markets and the emerging growth markets were met overall.

PREMIUM DEVELOPMENT

Gross premiums in the Life/Health Reinsurance segment fell slightly by 1.2% to EUR 1,761 (1,783) million as at 31 March 2016. Constant exchange rates would have yielded slight growth of 0.3%. Retention increased to 90.5% (88.1%). Against this backdrop, net premiums earned rose by 2.0% to EUR 1,581 (1,550) million. At constant exchange rates, growth would have amounted to 3.6%.

NET INVESTMENT INCOME

Income from assets under own management fell in the reporting period just ended by 37.1% to EUR 78 (124) million. This is due largely to the absence of a one-off effect worth around EUR 39 million from the same period in the previous year. The funds withheld by ceding companies achieved a result of EUR 79 (95) million.

OPERATING PROFIT AND GROUP NET INCOME

Even though the operating profit (EBIT) was down as at 31 March 2016 due to the absence of the positive one-off effect, to EUR 103 (176) million, we are still satisfied with the performance of our business in the first quarter. In the areas of financial solutions and longevity, the target EBIT margin of 2% was clearly surpassed with a figure of 9.2%. In the mortality and morbidity areas, the EBIT margin achieved was 5.3%, thus slightly under the target figure of 6%. Group net income amounted to EUR 38 (66) million.

CORPORATE OPERATIONS

- Group's assets under own management up 1.1%

OPERATING PROFIT

The operating profit in the Corporate Operations segment fell in the first quarter of 2016 to EUR –2 (7) million. Group net income attributable to shareholders of Talanx AG for this segment amounted to EUR –24 (–20) million in the first quarter of 2016.

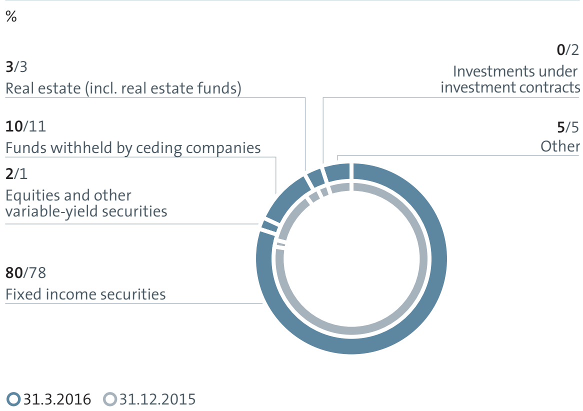
INVESTMENTS AND FINANCIAL POSITION

The total investment portfolio decreased by 1.2% over the course of the first quarter of 2016 and amounted to EUR 114.2 billion. A key contributing factor to this was the EUR 1.7 billion decline in the portfolio of investment contracts to EUR 0.5 billion. This decline relates to a reclassification of the portfolios of Open Life Towarzystwo Ubezpieczeń Życie S. A. into the assets of disposal groups, which are classified as held for sale. The portfolio of assets under own management, in contrast, rose by 1.1% to EUR 101.9 billion, while the funds withheld by ceding companies fell 6.5% to EUR 11.8 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.

Fixed-income investments were again the most significant asset class in the first quarter of 2016. Most reinvestments were made in this class, reflecting the existing investment structure. This asset class contributed EUR 0.7 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% at the end of the quarter. The equity exposure in the Reinsurance segment was increased moderately.

BREAKDOWN OF THE INVESTMENT PORTFOLIO



BREAKDOWN OF ASSETS UNDER OWN MANAGEMENT BY ASSET CLASS

EUR MILLION

	31.3.2016		31.12.2015	
Investment property	2,175	2%	2,198	2%
Shares in affiliated companies and participating interests	107	<1%	111	<1%
Investments in associates and joint ventures	276	<1%	272	<1%
Loans and receivables				
Loans incl. mortgage loans	690	1%	733	1%
Loans and receivables due from government or quasi-governmental entities, together with fixed-income securities	28,999	28%	29,021	29%
Financial assets held to maturity	1,025	1%	1,287	1%
Financial assets available for sale				
Fixed-income securities	60,775	60%	59,396	59%
Variable-yield securities	2,278	2%	1,875	2%
Financial assets at fair value through profit or loss				
Financial assets classified at fair value through profit or loss				
Fixed-income securities	860	1%	807	1%
Variable-yield securities	25	<1%	67	<1%
Financial instruments held for trading				
Fixed-income securities	1	<1%	6	<1%
Variable-yield securities	139	<1%	135	<1%
Derivatives [1]	56	<1%	48	<1%
Other investments	4,507	4%	4,821	5%
Assets under own management	**101,913**	**100%**	**100,777**	**100%**

[1] Only derivatives with positive fair values.

FESTVERZINSLICHE WERTPAPIERE

The portfolio of fixed-income investments (excluding mortgage and policy loans) rose by EUR 1.1 billion in the first quarter of 2016 to total EUR 91.7 billion at the quarter's end. At 80% 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 1.4 billion to EUR 60.8 billion, or 66% 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 4.5 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 29.0 billion at the end of the quarter and thus represent 32% 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 5.9 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 35.9 billion. This represents 39% of the total portfolio of fixed-income securities and loans.

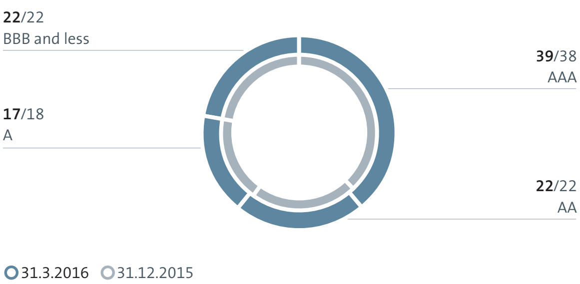
The Group pursues a conservative investment policy. As a result, 78% of instruments in the fixed-income securities asset category have a minimum A rating.

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 3.3 billion and therefore corresponds to a share of 3.3%.

As far as matching currency coverage is concerned, US dollar-denominated investments continue to account for the largest share (20%) of the Talanx Group's foreign currency portfolio. Sizeable positions are also held in sterling and Australian dollars, totalling 5% of all investments. The total share of assets under own management in foreign currencies was 32% as at 31 March 2016.

RATING STRUCTURE OF FIXED-INCOME SECURITIES

%



EQUITIES AND EQUITY FUNDS

Net unrealised gains and losses on equity holdings within the Group (excluding "Other investments") reduced by EUR 40 million to EUR 86 million.

REAL ESTATE INCLUDING SHARES IN REAL ESTATE FUNDS

Investment property totalled EUR 2.2 (2.2) billion at the reporting date. An additional EUR 744 (724) million is held in real estate funds, which are recognised as "Financial assets available for sale".

Depreciation of EUR 11 million was recognised on investment property in the reporting period. There were no impairment losses. Depreciation on real estate funds stood at EUR 1 million. These depreciations were offset by negligible reversals of impairment losses.

The real estate ratio including investments in real estate funds amounted to 3% (3%).

ALTERNATIVE INVESTMENTS

Holdings of alternative investments are still being expanded continuously. The "alternative investments" category helps improve returns and diversify the portfolio.

In the area of infrastructure investments, a diversified portfolio of equity and external funding investments has been built up over the last few years. In the first quarter, this was supplemented by the acquisition of three wind farm project companies. The volume currently amounts to EUR 1.3 billion. These activities are to be continued; our objective is to build up a portfolio worth EUR 2 billion by the end of 2017. In the area of renewable energies, we had previously only invested in wind farms in Germany, France and Norway. Suitable solar parks and hydroelectric power plants are also seen as potential investment opportunities.

NET INVESTMENT INCOME

CHANGES IN NET INVESTMENT INCOME

EUR MILLION

	Q1 2016	Q1 2015
Ordinary investment income	783	843
of which current income from interest	690	729
of which gain/loss on investments in associates	2	4
Realised net gains on disposal of investments	221	177
Write-downs/reversals of write-downs of investments	–40	–74
Unrealised net gains/losses on investments	31	4
Other investment expenses	54	51
Income from assets under own management	941	899
Net interest income from funds withheld and contract deposits	79	95
Income from investment contracts	2	2
Total	**1,022**	**996**

Net investment income for the first quarter was EUR 1.0 billion, up slightly on the previous year. Current interest income amounted to EUR 0.7 billion and still accounted for the majority of investment income. Realised gains/losses on disposal of investments was EUR 288 million. In addition, impairment losses amounting to EUR 41 million were made.

Ordinary investment income at the end of the quarter totalled EUR 783 (843) million. Falling interest rates on the capital markets led to an average coupon in the fixed-income securities portfolio of 3.3%, down on the previous year's value of 3.6%. In addition, a disclosable positive one-off effect from Life/Health Reinsurance (EUR 39 million) was included in the previous year.

Overall, total realised net gains on the disposal of investments in the first quarter of the financial year were down on the prior-year figure, amounting on balance to EUR 221 (177) 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. The adjustment of our private equity portfolio through the sale of older commitments also had a positive effect.

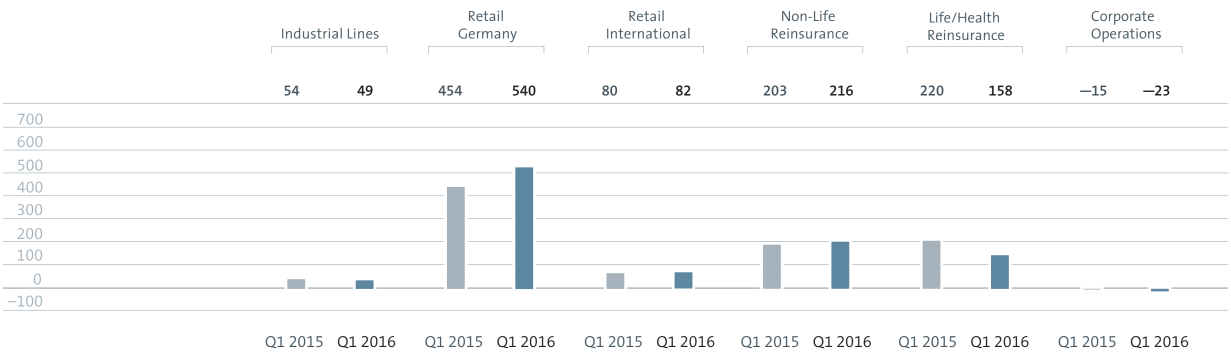
In comparison to the previous year, lower depreciations on balance were required in the first quarter of this year. These amounted to EUR 40 (74) million in total, net of reversals of write-downs.

Unrealised net gains/losses improved by EUR 4 million to EUR 31 million.

Net interest income and expenses from funds withheld and contract deposits totalled EUR 79 (95) million.

NET INVESTMENT INCOME BY GROUP SEGMENT[1]

EUR MIILION



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

EQUITY

CHANGES IN EQUITY

Equity rose by EUR 395 million (2.9%) to EUR 13,826 (13,431) million in the reporting period just ended. The Group's portion (equity excluding non-controlling interests) amounted to EUR 8,532 (8,282) million. The slight increase by EUR 250 million (+3.0%) is due firstly to the net profit for the period, EUR 222 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 28 million to EUR 517 million.

The change in "Other reserves" (EUR +28 million) is mainly due to two partially offsetting effects. On the one hand, the significant rise in unrealised gains on investments by EUR 1,029 million to EUR 3,472 (2,443) million was the prime 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 –1,001 million cushioned this effect to a large extent. EUR –794 million and thus an essential part of this change was attributable to policyholder participations/shadow accounting (in particular policyholder participations in losses on investments) and EUR –168 million was attributable to technical gains or losses from provisions for pensions (mainly caused by the further decline in interest rates). Furthermore, the changes in the cash flow hedge reserve (EUR +97 million) as well as the accumulated currency translation gains/losses (EUR –136 million) in the reporting period almost cancelled one another out, whereby the latter primarily resulted from the appreciation of the euro against the US dollar.

Non-controlling interests in equity rose slightly by EUR 145 million – or 2.8% – to EUR 5,294 million. Non-controlling interests in net income for the reporting period were EUR 159 (159) million. The dividend payment to non-Group shareholders totalling EUR 39 (48) million was mainly due to the Hannover Re Group.

CHANGES IN EQUITY

EUR MILLION

	31.3.2016	31.12.2015
Subscribed capital	316	316
Capital reserve	1,373	1,373
Retained earnings	6,326	6,104
Accumulated other comprehensive income and other reserves	517	489
Group equity	**8,532**	**8,282**
Non-controlling interests	5,294	5,149
Total	**13,826**	**13,431**

EQUITY BY SEGMENT[1] INCLUDING NON-CONTROLLING INTERESTS

EUR MIILION

	31.3.2016	31.12.2015
Segment		
Industrial Lines	2,095	2,099
of which non-controlling interests	—	—
Retail Germany	2,720	2,590
of which non-controlling interests	52	46
Retail International	2,282	2,201
of which non-controlling interests	253	244
Reinsurance	9,034	8,760
of which non-controlling interests	4,990	4,862
Corporate Operations	–2,297	–2,195
of which non-controlling interests	—	—
Consolidation	–8	–24
of which non-controlling interests	–1	–3
Total equity	**13,826**	**13,431**
Group equity	8,532	8,282
Non-controlling interest in equity	5,294	5,149

[1] Equity per segment is defined as the difference between the assets and liabilities of each segment.

Note: To simplify the presentation, the non-controlling interests for the Reinsurance Division are derived from Group non-controlling interests in Hannover Re; for this purpose, the two reinsurance segments have been combined.

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 stable gross premium volumes 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 around 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 intend to continue our efforts in 2016 to expand HDI Global SE's international business. 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 to slightly increasing growth in gross premiums overall (after adjustment for exchange rate effects). In tandem with the anticipated improvement in profitability, we will continue in 2016 to pursue our strategic aim to gradually raise the retention. We are aiming to achieve a retention ratio that is at least on a par with the previous year, i.e. more than 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 motor 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

We anticipate that gross written premiums in the Retail Germany Division will erode by approximately 3% to 5% in 2016, due in particular to policies maturing as well as what is likely to be more subdued new business as a result of the transition of the product portfolio from traditional guarantee products to 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. The combined ratio is expected to be slightly above 100%, due to the investment phase of the divisional programme. Assuming that there is no further decline in interest rates, we expect an EBIT margin of 1% to 2% for 2016. As a result, the return on equity in 2016 should be in the region of 2%.

RETAIL INTERNATIONAL

In the Retail International Division we are aiming for growth in gross written premiums of around 10% in 2016, assuming that there are no unforeseen exchange rate fluctuations. The acquisition of the Italian life insurance company CBA Vita S.p.A. and its subsidiary Sella Life Ltd. is also taken into consideration here. We anticipate that growth in value of new business is likely to be between 5% and 10% in 2016 and that the combined ratio will probably be around 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 when adjusted for exchange rate effects. This assumption is based on our selective underwriting policy which is to underwrite, for the most part, only business that meets our margin requirements.

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 the Non-Life Reinsurance segment should amount to at least 10%.

LIFE/HEALTH REINSURANCE

In the Life/Health Reinsurance segment too, we expect good business opportunities in 2016. While we are expecting that some large-volume treaties will be discontinued, we are expecting premium volumes to remain stable on the back of new business. The value of new business (excluding non-controlling interests) should be above EUR 110 million. Our EBIT margin targets for the financial solutions and the longevity business, at 2%, and for the mortality and morbidity business, at 6%, remain unchanged.

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 31 MARCH 2016

CONSOLIDATED BALANCE SHEET — ASSETS

EUR MILLION

			31.3.2016	31.12.2015
A. A. Intangible assets				
a. Goodwill		1,039		1,037
b. Other intangible assets		890		953
			1,929	**1,990**
B. Investments				
a. Investment property		2,175		2,198
b. Shares in affiliated companies and participating interests		107		111
c. Investments in associates and joint ventures		276		272
d. Loans and receivables		29,689		29,754
e. Other financial instruments				
i. Held to maturity	1,025			1,287
ii. Available for sale	63,053			61,271
iii. At fair value through profit or loss	1,081			1,063
f. Other investments	4,507			4,821
Assets under own management		**101,913**		**100,777**
g. Investments under investment contracts		489		2,223
h. Funds withheld by ceding companies		11,795		12,611
Investments			**114,197**	**115,611**
C. Investments for the benefit of life insurance policyholders who bear the investment risk			9,679	10,104
D. Reinsurance recoverables on technical provisions			8,708	8,372
E. Accounts receivable on insurance business			6,481	6,070
F. Deferred acquisition costs			5,042	5,078
G. Cash at banks, cheques and cash-in-hand			3,490	2,243
H. Deferred tax assets			758	736
I. Other assets			2,541	2,537
J. Non-current assets and assets of disposal groups classified as held for sale			1,954	19
Total assets			**154,779**	**152,760**

CONSOLIDATED BALANCE SHEET — LIABILITIES

EUR MILLION

			31.3.2016	31.12.2015
A. Equity				
a. Subscribed capital	316			316
Nominal value: 316 (previous year: 316) Contingent capital: 104 (previous year: 104)				
b. Reserves	8,216			7,966
Equity excluding non-controlling interests		**8,532**		**8,282**
c. Non-controlling interests		5,294		5,149
Total equity			**13,826**	**13,431**
B. Subordinated liabilities		1,941		1,943
C. Technical provisions				
a. Unearned premium reserve	8,588			7,081
b. Benefit reserve	54,502			54,845
c. Loss and loss adjustment expense reserve	40,046			40,392
d. Provision for premium refunds	5,181			4,138
e. Other technical provisions	369			376
		108,686		**106,832**
D. Technical provisions for life insurance policies where the investment risk is borne by the policyholders		9,679		10,104
E. Other provisions				
a. Provisions for pensions and other post-employment benefits	2,195			1,945
b. Provisions for taxes	765			721
c. Miscellaneous other provisions	790			850
		3,750		**3,516**
F. Liabilities				
a. Notes payable and loans	1,490			1,441
b. Funds withheld under reinsurance treaties	4,922			5,351
c. Other liabilities	6,153			7,844
		12,565		**14,636**
G. Deferred tax liabilities		2,431		2,298
H. Liabilities included in disposal groups classified as held for sale		1,901		—
Total liabilities/provisions			**140,953**	**139,329**
Total equity and liabilities			**154,779**	**152,760**

CONSOLIDATED STATEMENT OF INCOME OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2016

CONSOLIDATED STATEMENT OF INCOME

EUR MILLION

	Q1 2016	Q1 2015
1. Gross written premiums including premiums from unit-linked life and annuity insurance	8,995	9,440
2. Savings elements of premiums from unit-linked life and annuity insurance	261	257
3. Ceded written premiums	1,295	1,466
4. Change in gross unearned premiums	–1,618	–1,880
5. Change in ceded unearned premiums	–445	–530
Net premiums earned	**6,266**	**6,367**
6. Claims and claims expenses (gross)	5,715	5,960
Reinsurers' share	481	611
Claims and claims expenses (net)	**5,234**	**5,349**
7. Acquisition costs and administrative expenses (gross)	1,626	1,519
Reinsurers' share	162	154
Acquisition costs and administrative expenses (net)	**1,464**	**1,365**
8. Other technical income	16	13
Other technical expenses	6	55
Other technical result	**10**	**–42**
Net technical result	**–422**	**–389**
9. a. Investment income	1,120	1,119
b. Investment expenses	179	220
Net income from assets under own management	**941**	**899**
Net income from investment contracts	2	2
Net interest income from funds withheld and contract deposits	79	95
Net investment income	**1,022**	**996**
of which share of profit or loss of equity-accounted associates and joint ventures	2	4
10. a. Other income	462	467
b. Other expenses	489	431
Other income/expenses	**–27**	**36**
Profit before goodwill impairments	**573**	**643**
11. Goodwill impairments	—	—
Operating profit (EBIT)	**573**	**643**
12. Financing costs	37	46
13. Taxes on income	155	187
Net income	**381**	**410**
of which attributable to non-controlling interests	159	159
of which attributable to shareholders of Talanx AG	222	251
Earnings per share		
Basic earnings per share (EUR)	0.88	0.99
Diluted earnings per share (EUR)	0.88	0.99

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR MILLION

	Q1 2016	Q1 2015
Net income	**381**	**410**
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on pension provisions		
Gains (losses) recognised in other comprehensive income for the period	–257	–202
Tax income (expense)	79	60
	–178	**–142**
Changes in policyholder participation/shadow accounting		
Gains (losses) recognised in other comprehensive income for the period	11	8
Tax income (expense)	—	—
	11	**8**
Total items that will not be reclassified to profit or loss, net of tax	**–167**	**–134**
Items that may be reclassified subsequently to profit or loss		
Unrealised gains and losses on investments		
Gains (losses) recognised in other comprehensive income for the period	1,576	1,637
Reclassified to profit or loss	–124	–180
Tax income (expense)	–197	–207
	1,255	**1,250**
Exchange differences on translating foreign operations		
Gains (losses) recognised in other comprehensive income for the period	–266	643
Reclassified to profit or loss	—	—
Tax income (expense)	6	–45
	–260	**598**
Changes in policyholder participation/shadow accounting		
Gains (losses) recognised in other comprehensive income for the period	–891	–985
Tax income (expense)	17	27
	–874	**–958**
Changes from cash flow hedges		
Gains (losses) recognised in other comprehensive income for the period	110	127
Reclassified to profit or loss	–3	—
Tax income (expense)	–4	–8
	103	**119**
Changes from equity method measurement		
Gains (losses) recognised in other comprehensive income for the period	–1	1
Reclassified to profit or loss	—	—
Tax income (expense)	—	—
	–1	**1**
Other changes		
Gains (losses) recognised in other comprehensive income for the period	—	—
Reclassified to profit or loss	—	—
Tax income (expense)	—	—
	—	**—**
Total items that may be reclassified subsequently to profit or loss, net of tax	**223**	**1,010**
Other comprehensive income for the period, net of tax	**56**	**876**
Total comprehensive income for the period	**437**	**1,286**
of which attributable to non-controlling interests	187	534
of which attributable to shareholders of Talanx AG	250	752

CONSOLIDATED CASH FLOW STATEMENT OF TALANX AG FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2016

CONSOLIDATED CASH FLOW STATEMENT

EUR MILLION

	Q1 2016	Q1 2015
I. 1. Net income	381	410
I. 2. Changes in technical provisions	1,937	2,859
I. 3. Changes in deferred acquisition costs	–71	–189
I. 4. Changes in funds withheld and in accounts receivable and payable	–387	–1,155
I. 5. Changes in other receivables and liabilities	90	508
I. 6. Changes in investments and liabilities under investment contracts	4	—
I. 7. Changes in financial assets held for trading	10	–28
I. 8. Gains/losses on disposal of investments and property, plant and equipment	–221	–178
I. 9. Other non-cash expenses and income (including income tax expense/income)	–275	1,000
I. Cash flows from operating activities [1]	**1,468**	**3,227**
II. 1. Cash inflow from the sale of consolidated companies	2	—
II. 2. Cash outflow from the purchase of consolidated companies	9	–185
II. 3. Cash inflow from the sale of real estate	1	12
II. 4. Cash outflow from the purchase of real estate	–12	–22
II. 5. Cash inflow from the sale and maturity of financial instruments	6,077	5,444
II. 6. Cash outflow from the purchase of financial instruments	–6,886	–5,995
II. 7. Changes in investments for the benefit of life insurance policyholders who bear the investment risk	414	–1,163
II. 8. Changes in other investments	260	–737
II. 9. Cash outflows from the acquisition of tangible and intangible assets	–22	–29
II. 10. Cash inflows from the sale of tangible and intangible assets	3	2
II. Cash flows from investment activities	**–154**	**–2,673**
III. 1. Cash inflow from capital increases	—	—
III. 2. Cash outflow from capital reductions	—	—
III. 3. Dividends paid	–39	–48
III. 4. Net changes attributable to other financing activities	–12	–21
III. Cash flows from financing activities	**–51**	**–69**
Net change in cash and cash equivalents (I. + II. + III.)	**1,263**	**485**
Cash and cash equivalents at the beginning of the reporting period	**2,243**	**2,152**
Effect of exchange rate changes on cash and cash equivalents	**–10**	**80**
Effect of changes in the basis of consolidation on cash and cash equivalents [2]	**–2**	**—**
Cash and cash equivalents at the end of the reporting period [3]	**3,494**	**2,717**
Additional information		
Taxes paid [1]	114	105
Interest paid [4]	79	54
Dividends received [1]	29	22
Interest received [1]	1,036	993

[1] "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.
[2] This item relates primarily to changes in the basis of consolidation, excluding disposals and acquisitions.
[3] "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 4 (12) million.
[4] EUR 20 (20) million of interest paid is attributable to cash flows from financing activities and EUR 59 (34) million to cash flows from operating activities.

SEGMENT REPORTING

SEGMENT REPORTING. STATEMENT OF INCOME FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2016

EUR MILLION

	Industrial Lines		Retail Germany		Retail International	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
1. Gross written premiums including premiums from unit-linked life and annuity insurance	1,921	1,889	1,904	2,135	1,148	1,206
2. Savings elements of premiums from unit-linked life and annuity insurance	—	—	219	209	42	48
3. Ceded written premiums	856	937	71	85	127	135
4. Change in gross unearned premiums	–914	–858	–408	–405	–24	–97
5. Change in ceded unearned premiums	–386	–424	–11	–12	–31	–34
Net premiums earned	**537**	**518**	**1,217**	**1,448**	**986**	**960**
6. Claims and claims expenses (gross)	693	845	1,433	1,619	776	751
Reinsurers' share	275	445	14	32	37	58
Claims and claims expenses (net)	**418**	**400**	**1,419**	**1,587**	**739**	**693**
7. Acquisition costs and administrative expenses (gross)	232	198	298	286	251	261
Reinsurers' share	124	107	26	31	20	14
Acquisition costs and administrative expenses (net)	**108**	**91**	**272**	**255**	**231**	**247**
8. Other technical income	3	2	6	7	6	3
Other technical expenses	1	23	10	5	14	15
Other technical result	**2**	**–21**	**–4**	**2**	**–8**	**–12**
Net technical result	**13**	**6**	**–478**	**–392**	**8**	**8**
9. a. Investment income	70	84	600	549	93	96
b. Investment expenses	20	31	61	100	15	19
Net income from assets under own management	**50**	**53**	**539**	**449**	**78**	**77**
Net income from investment contracts	—	—	—	—	2	2
Net interest income from funds withheld and contract deposits	—	—	–4	–4	—	—
Net investment income	**50**	**53**	**535**	**445**	**80**	**79**
of which share of profit or loss of equity-accounted associates and joint ventures	2	—	4	—	—	—
10. a. Other income	59	52	58	63	31	27
b. Other expenses	48	39	68	59	58	58
Other income/expenses	**11**	**13**	**–10**	**4**	**–27**	**–31**
Profit before goodwill impairments	**74**	**72**	**47**	**57**	**61**	**56**
11. Goodwill impairments	—	—	—	—	—	—
Operating profit/loss (EBIT)	**74**	**72**	**47**	**57**	**61**	**56**
12. Financing costs	2	2	3	2	1	1
13. Taxes on income	24	23	13	19	17	14
Net income	**48**	**47**	**31**	**36**	**43**	**41**
of which attributable to non-controlling interests	—	—	2	1	7	8
of which attributable to shareholders of Talanx AG	48	47	29	35	36	33

Non-Life Reinsurance		Life/Health Reinsurance		Corporate Operations		Consolidation		Total	
Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
2,502	2,617	1,761	1,783	14	11	–255	–201	8,995	9,440
—	—	—	—	—	—	—	—	261	257
303	291	168	212	7	7	–237	–201	1,295	1,466
–291	–491	–12	–21	–8	–1	39	–7	–1,618	–1,880
–53	–47	—	—	–5	–5	41	–8	–445	–530
1,961	**1,882**	**1,581**	**1,550**	**4**	**8**	**–20**	**1**	**6,266**	**6,367**
1,418	1,404	1,499	1,536	1	5	–105	–200	5,715	5,960
102	73	159	195	—	—	–106	–192	481	611
1,316	**1,331**	**1,340**	**1,341**	**1**	**5**	**1**	**–8**	**5,234**	**5,349**
588	517	318	311	1	1	–62	–55	1,626	1,519
43	43	12	19	—	—	–63	–60	162	154
545	**474**	**306**	**292**	**1**	**1**	**1**	**5**	**1,464**	**1,365**
—	1	—	—	—	—	1	—	16	13
—	5	3	2	—	—	–22	5	6	55
—	**–4**	**–3**	**–2**	**—**	**—**	**23**	**–5**	**10**	**–42**
100	**73**	**–68**	**–85**	**2**	**2**	**1**	**–1**	**–422**	**–389**
278	251	95	143	3	4	–19	–8	1,120	1,119
69	56	17	19	23	18	–26	–23	179	220
209	**195**	**78**	**124**	**–20**	**–14**	**7**	**15**	**941**	**899**
—	—	—	—	—	—	—	—	2	2
4	4	79	95	—	—	—	—	79	95
213	**199**	**157**	**219**	**–20**	**–14**	**7**	**15**	**1,022**	**996**
1	2	—	—	—	2	–5	—	2	4
202	190	96	114	181	177	–165	–156	462	467
205	183	82	72	165	158	–137	–138	489	431
–3	**7**	**14**	**42**	**16**	**19**	**–28**	**–18**	**–27**	**36**
310	**279**	**103**	**176**	**–2**	**7**	**–20**	**–4**	**573**	**643**
—	—	—	—	—	—	—	—	—	—
310	**279**	**103**	**176**	**–2**	**7**	**–20**	**–4**	**573**	**643**
18	25	1	1	21	23	–9	–8	37	46
76	78	26	48	1	4	–2	1	155	187
216	**176**	**76**	**127**	**–24**	**–20**	**–9**	**3**	**381**	**410**
112	89	38	61	—	—	—	—	159	159
104	87	38	66	–24	–20	–9	3	222	251

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 May 2016.

SIGNIFICANT CHANGES IN THE BASIS OF CONSOLIDATION/ DISPOSAL GROUPS

To further expand the infrastructure portfolio, three wind farm companies were acquired in the reporting period: Infrastruktur Ludwigsau GmbH & Co. KG, Wörstadt (acquisition date: 22 January 2016), UGE Parchim Drei GmbH & Co. KG Umweltgerechte Energie, Meißen (1 February 2016) and UGE Rehein Eins GmbH & Co. KG Umweltgerechte Energie, Meißen (9 February 2016). The planned overall investment in these wind farm projects amounts to EUR 89 million and is attributable to the Retail Germany segment.

The Group signed a contract in April 2016 for the sale of the 51% interest held by Towarzystwo Ubezpieczeń Europa S. A., Wrocław, Poland, in Open Life Towarzystwo Ubezpieczeń Życie S. A., Warschau, Polen (Retail International segment). The transaction is expected to close in the second quarter of 2016. The company is classified in accordance with IFRS 5 as a disposal group as at the reporting date.

CURRENCY TRANSLATION

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

EXCHANGE RATES FOR OUR KEY FOREIGN CURRENCIES

EUR 1 corresponds to		Balance sheet (reporting date)		Statement of income (average)	
		31.3.2016	31.12.2015	Q1 2016	Q1 2015
AUD	Australia	1.4797	1.4981	1.5103	1.4474
BRL	Brazil	4.1236	4.2314	4.2830	3.2458
CAD	Canada	1.4733	1.5158	1.5001	1.4045
CNY	China	7.3539	7.0970	7.1914	7.0818
GBP	United Kingdom	0.7911	0.7381	0.7701	0.7469
MXN	Mexico	19.5522	18.8613	19.5518	17.0219
PLN	Poland	4.2563	4.2392	4.3222	4.1891
USD	USA	1.1389	1.0927	1.1031	1.1358
ZAR	South Africa	16.7684	16.8447	17.1500	13.3540

EVENTS AFTER THE END OF THE REPORTING PERIOD

As part of the project to modernise business with German retail and commercial customers, the management and the Group Employee Council commenced negotiations in April 2016 to cut 330 jobs at HDI Vertriebs AG, Hannover, by 2020. Restructuring provisions of around EUR 35 million are to be recognised for these measures.

On 10 April 2016, the Austrian Financial Market Authority (FMA), as the responsible resolution authority, published its decision regarding the bail-in of 0% for subordinated and 46.02% for other (non-subordinated) liabilities of Heta Asset Resolution AG. At the same time, it defined the maturities of issued debt securities as being due by 31 December 2023 and cancelled all interest as of 1 March 2015 (start of the moratorium). Simultaneously, the FMA (in its decision regarding the submissions (objections) raised by the Group) confirmed that the moratorium will remain in effect until 31 May 2016. In principle, a bail-in had been expected during the moratorium. It now gives creditors the opportunity to proceed with their claims against the statutory guarantors, the state of Kärnten and the Kärntner Landesholding.

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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.

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12 August
Interim Report as at 30 June 2016

15 November
Quarterly Statement as at 30 September 2016

17 November
Capital Markets Day

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