

Talanx significantly increases Group net income to EUR 907 million

- Gross written premiums at EUR 31.1 (31.8) billion, generally stable when adjusted for currency effects
- Net return on investment unchanged at 3.6 (3.6) percent
- EBIT rises 5.4 percent to EUR 2.3 (2.2) billion
- Group net income increases by 23.6 percent to EUR 907 (734) million
- Proposed dividend of EUR 1.35 (1.30): continuous increase since IPO
- Outlook for 2017 revised upwards in February: Group net income of around EUR 800 million expected

Hannover, 20 March 2017

The Talanx Group increased its net income in financial year 2016 by 23.6 percent to EUR 907 (734) million and so exceeded its profit forecast significantly. Premium income of EUR 31.1 (31.8) billion remained generally stable when adjusted for currency effects. Operating profit (EBIT) grew by 5.4 percent to EUR 2.3 (2.2) billion. All divisions exceeded their respective net income targets. A large loss burden that remained below expectations and the level of the previous year as well as fiscal one-off effects contributed to the positive performance. The continued optimisation of the portfolio in Industrial Lines, the progress made in improving efficiency and profitability in the German retail business and the systematic implementation of the internationalisation strategy bore fruit, with this success also being reflected in the operating profit. In addition, Talanx continued to press ahead with digitalisation and automation in key business areas. In light of the positive performance overall in all divisions, Talanx revised its outlook upwards in February for Group net income in financial year 2017 to around EUR 800 million.

As a result of this good performance, the Board of Management and the Supervisory Board are proposing a dividend increase to EUR 1.35 (1.30) per share to the Annual General Meeting. This corresponds to a dividend yield on the average closing price of the

Talanx AG

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

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

Riethorst 2
30659 Hannover
Germany
www.talanx.com

Talanx share in the financial year just ended of 4.8 (2015: 4.6) percent and a continuation of a consistent dividend policy. This means that, since the IPO in December 2012, the dividend has steadily risen from EUR 1.05 by 30 cents or 29 percent.

“We achieved the very good Group net income in a market environment that remained challenging for all divisions” said Herbert K. Haas, Chairman of the Board of Management of Talanx AG. “The period of low interest rates is continuing and geopolitical challenges such as Brexit are adding to the conditions in the underwriting market. It is all the more pleasing that all divisions exceeded their expected result too and thus contributed to the best Group net income yet in the company’s history,” said Herbert K. Haas. “Our aim of generating more than 50 percent of premiums in primary insurance abroad by 2018 was almost achieved in 2016, at 49 (2015: 47) percent. The trend shows that the internationalisation and diversification strategy being pursued is having sustainable success.”

The Talanx Group also made visible progress towards another objective: primary insurance generated more than 40 (2015: 33) percent of EBIT after minority interests. It is intended that by 2021 EBIT will be generated from primary insurance and Reinsurance equally.

The net burden of large losses across the Group remained at EUR 883 (922) million, thus below the large loss budget of EUR 1,125 million and below the previous year. Large losses worth EUR 257 (349) million were attributed to primary insurance, whereas Reinsurance was burdened with EUR 627 (573) million. The largest losses were the wild fires in Canada in the second quarter, representing a Group-wide burden of EUR 128 million. The combined ratio of the Talanx Group improved by 0.3 percentage points to 95.7 (96.0) percent despite yet more underwriting expenses for the reorganisation of the German retail business. Net investment income rose by 2.3 percent to EUR 4.0 (3.9) billion. Net return on investment

remained unchanged at 3.6 (3.6) percent in a period of historically extremely low interest rates. It benefited from disposal gains from investments for the German life insurance business to finance the Zinszusatzreserve. Exchange-rate fluctuations led to a lower, but still positive, currency result of EUR 47 (139) million compared with the previous year.

At 10.4 (9.0) percent return on equity was significantly above that of the previous year and above the outlook for 2016 of more than 8.5 percent. The Solvency II ratio was 160 percent at Group level as at the reference date of 30 September 2016, despite special circumstances during the quarter impacting negatively and should have increased noticeably by the end of 2016.

Fourth quarter: strong profitability

The Group's gross written premiums amounted to EUR 7.4 (7.4) billion in the fourth quarter of 2016. The combined ratio improved to 93.1 (93.3) percent. Net investment income rose Group-wide by 10.5 percent to EUR 1.0 (0.9) billion. EBIT stood at EUR 649 (675) million. Group net income rose by 10.2 percent to EUR 271 (246) million.

Industrial Lines: greatly improved combined ratio

Premium income remained more or less stable year-on-year at EUR 4.3 (4.3) billion despite portfolio optimisation measures. This was due to further growth in the foreign target markets. The retention rate increased in line with strategy to 53.4 (51.8) percent. The development of the combined ratio was also pleasing. At 96.8 (99.2) percent this was within the target range of 96 percent and has continually improved since 2014 (103.0 percent). The effects of the portfolio optimisation were felt in particular here as the loss burden in the restructured sub-portfolio in property insurance business was reduced by almost 20 percent in 2016. As a result, the underwriting result increased to

EUR 73 million following the previous year's EUR 18 million. The net investment income that had been impacted the previous year by amortisation and write-downs, for example relating to Heta, rose by 17.5 percent to EUR 242 (206) million despite a period of low interest rates. EBIT improved considerably to EUR 296 (208) million. The division's Group net income increased to EUR 236 (127) million.

In order to generate further growth and stabilise the portfolio, the customer-oriented mid-market strategy is being continued systematically. In 2016, regional offices were opened in Glasgow, Lyon and Genoa. The division is also focusing on digitalisation and automation in order to improve the quality of service and provide seamless interfaces for customers and partners as well as guarantee a high level of transparency.

Fourth quarter: EBIT up to EUR 91 million

In the fourth quarter, gross written premiums in the division increased slightly to EUR 876 (862) million. The underwriting result rose to EUR 40 (22) million. The combined ratio amounted to 93.5 (96.6) percent. Net investment income also increased year-on-year to EUR 76 (48) million. EBIT increased to EUR 91 (55) million and Group net income to EUR 104 (24) million.

Retail Germany: contribution to Group net income well above previous year's

The performance of the Retail Germany Division was pleasing overall. The operating profit (EBIT) rose to EUR 90 (3) million in financial year 2016. The Group net income also increased to EUR 68 (-76) million.

The KuRS modernisation programme, which the Group is conducting until 2021 in order to extensively automate processes and adapt customer interfaces to users' needs, was continued during the past year. A significant milestone was achieved with the signing of the

partial reconciliation agreements negotiated by employees' representatives in relation to the necessary job cuts.

Property/Casualty Insurance segment: stable premium income

In the Property/Casualty Insurance segment premium income was stable year-on-year at EUR 1.5 (1.5) billion. The combined ratio increased by 4.0 percentage points to 103.3 (99.3) percent. Adjusted for investment through the KuRS modernisation programme, the combined ratio came to 99.9 percent and was thus below 100 percent. There were already indications in the third quarter of 2016 of this trend and these were confirmed in the fourth quarter. The underwriting result fell to EUR -44 (10) million. In terms of EBIT, the segment accordingly posted a decline to EUR -2 (51) million. The primary cause of this was investments made through the modernisation programme, which is nevertheless already making a positive impact: for instance following the implementation of the digital motor channel more than 30,000 applications were submitted online between October 2016 and the end of the year. As at the reference date of 1 January 2017 some 50,000 applications had been made in total online.

Fourth quarter: premium income up 7.7 percent

In the fourth quarter, premium income grew to EUR 237 (220) million. The underwriting result fell to EUR -12 (22) million. Net investment income declined to EUR 19 (34) million. EBIT rose to EUR 7 (-10) million.

Life Insurance segment: strategic realignment in new business towards capital-efficient products

In the Life Insurance segment, gross written premiums declined by 7.3 percent to EUR 4.8 (5.2) billion due to the planned reduction of the single premium business. Consequently, new business in life insurance products also declined – measured in APE (Annual Premium Equivalent) – at EUR 417 (455) million. Almost two-thirds of new business was generated with the sale of capital-efficient and biometric

products. This shows that the strategic realignment of the life insurance business in the Talanx Group is heading in the right direction. The underwriting result decreased to EUR -1.7 (-1.5) billion due to the higher participation of policyholders in the net investment income. In terms of the net investment income, which increased by 11.1 percent to EUR 1.8 (1.6) billion, the impact of the allocations to the Zinszusatzreserve (ZZR), realised primarily through extraordinary investment income, continued to be felt. In 2016, the allocations amounted to EUR 713 (2015: 493) million, increasing the total volume of the ZZR to EUR 2.3 billion. EBIT improved to EUR 92 (-48) million, due in particular to the fact the full goodwill impairment recorded in the previous year no longer appeared.

Fourth quarter: premium income remains stable

In the fourth quarter, the premium income remained more or less stable at EUR 1.3 (1.3) billion. The underwriting result fell to EUR -450 (-284) million. Net investment income rose to EUR 468 (347) million. EBIT declined to EUR 13 (29) million.

Retail International: strong premium growth in local currencies

Overall premium income increased year-on-year by 5.9 percent to EUR 4.9 (4.6) billion. Adjusted for currency effects, growth even reached 10.2 percent (Latin America: +5.7 percent; Europe: +12.9 percent). The combined ratio remained almost unchanged at 96.5 (96.3) percent. This meant that it was possible to almost fully offset the higher costs for motor vehicle spare parts caused by persistent inflation and currency effects as well as the further increased number of car thefts in Brazil. The underwriting result rose to EUR 9 (-7) million. Net investment income declined by 5.6 percent to EUR 319 (338) million. This was primarily caused by the falling interest rates in Poland and Italy in particular. EBIT was recorded at almost the same level as the previous year, at EUR 212 (217) million. It was sustained by the rise in the Latin America region, but this was not able

to fully offset the decline in Europe, due primarily to the asset tax in Poland. Adjusted for the impact of negative exchange-rate effects on the conversion of foreign currency results to euros (EUR -10 million) and the asset tax in Poland (EUR -22 million) the operating profit (EBIT) would have increased by 12.5 percent. The Group net income fell by 16.9 percent to EUR 123 (148) million, due to a positive fiscal one-off effect in the previous year from the acquisition of the Magallanes Group in Chile.

Fourth quarter: EBIT grows to EUR 49 million

In the fourth quarter, premium income increased slightly to EUR 1.2 (1.2) billion. The underwriting result rose to EUR 13 (-8) million. Net investment income declined to EUR 75 (88) million. EBIT increased slightly to EUR 49 (43) million, while Group net income decreased to EUR 26 (42) million.

Reinsurance: robust contribution to Group net income

In the Reinsurance Division the operating profit (EBIT) fell to EUR 1.7 (1.8) billion. Group net income decreased slightly year-on-year to EUR 595 (606) million.

Property/Casualty Reinsurance segment: underwriting result up 12.6 percent

In the Property/Casualty Reinsurance segment, gross written premiums declined slightly as expected by 1.4 percent to EUR 9.2 (9.3) billion. At constant exchange rates, they would have remained stable. As at the reference date of 31 December 2016, the combined ratio was significantly better at 93.7 (94.5) percent than the target value of 96 percent. The underwriting result improved by 12.6 percent to EUR 481 (427) million. In terms of net investment income a decline of 3.9 percent to EUR 928 (966) million was recorded. EBIT closed only just below the previous year's level at EUR 1,371 (1,391) million.

Fourth quarter: EBIT up by 8.6 percent

In the fourth quarter, gross written premiums increased slightly to EUR 2.1 (2.0) billion. The underwriting result rose to EUR 206 (179) million. Net investment income showed a slight decline to EUR 265 (277) million. EBIT rose to EUR 452 (416) million.

Life/Health Reinsurance segment: premium income down

The Life/Health Reinsurance segment posted a fall in premiums in financial year 2016 of 7.5 percent to EUR 7.1 (7.7) billion; adjusted for currency effects the fall amounted to 4.3 percent. The underwriting result also declined in financial year 2016 to EUR -372 (-351) million. Net investment income declined to EUR 637 (709) million. The absence of a positive one-off effect from the previous year in the amount of EUR 39 million was also felt here. In terms of EBIT, at EUR 330 (411) million the segment fell short of the previous year's value.

Fourth quarter: premium income down to EUR 1.8 billion

In the fourth quarter, premium income decreased to EUR 1.8 (2.1) billion. The underwriting result fell to EUR -135 (-17) million. Net investment income stood at EUR 144 (166) million. EBIT declined to EUR 49 (172) million.

Outlook for 2017

The Talanx Group expects gross premium growth of more than 1.0 percent for 2017, based on steady exchange rates. The net return on investment should reach at least 3.0 percent and the return on equity over 8.0 percent. Group net income should be around EUR 800 million. The net income target assumes no negative developments in the currency and capital markets and that large losses remain within expectations. It is intended for the financial year 2017 to pay out 35 to 45 percent of Group net income as dividends.

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

EUR million	2016	2015	+/-
Gross written premiums	31,106	31,799	-2,2%
Net premiums earned	25,742	25,937	-0,8%
Combined ratio in property/casualty insurance and Property/Casualty Reinsurance	95.7%	96.0%	-0.3%pts.
Net investment income	4,023	3,933	+2,3%
Operating profit (EBIT)	2,300	2,182	+5,4%
Net profit (after financing costs and tax)	1,568	1,409	+11,3%
Group net income (after non-controlling interests)	907	734	+23,6%
Return on equity ¹	10.4%	9.0%	+1.4%pts.

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

**Key figures from the Talanx Group income statement for Q4 2016,
consolidated (IFRS)**

EUR million	Q4 2016	Q4 2015	+/-
Gross written premiums	7,357	7,444	-1,2%
Net premiums earned	6,609	6,691	-1,2%
Combined ratio in property/casualty insurance and Property/Casualty Reinsurance	93.1%	93.3%	-0.2%pts.
Net investment income	1,043	944	+10,5%
Operating profit (EBIT)	649	675	-3,9%
Group net income (after non-controlling interests)	271	246	+10,2%
Return on equity ¹	12.0%	12.0%	+/-0.0%pts.

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

Complete Annual Report 2016:

http://www.talanx.com/~media/Files/T/Talanx/reports-and-presentations/2017/2016_tx_konzern_en.pdf

Financial calendar for 2017:

http://www.talanx.com/investor-relations/finanzkalender/termine.aspx?sc_lang=de-DE

About Talanx

With premium income of EUR 31.1 billion (2016) and about 21,600 employees, Talanx is one of the major European insurance groups. The Hannover-based Group is active in some 150 countries. Talanx operates as a multi-brand provider with a focus on B2B insurance. Under the HDI brand, which can look back on more than 100 years of tradition, Talanx operates both in Germany and abroad in industrial insurance as well as retail business. Further Group brands include Hannover Re, one of the world's leading reinsurers, Targo insurers, PB insurers and Neue Leben, the latter all specialised in bancassurance, as well as the Polish insurer Warta. Talanx Asset Management is one of the top asset management companies in Germany and manages the assets of the Talanx Group. With its subsidiary Ampega Investment, Talanx Asset Management is also an experienced provider of solutions for outsourcing in the B2B market. The rating agency Standard & Poor's has given the Talanx Primary Group a financial strength rating of A+/stable (strong) and the Hannover Re Group one of AA-/ stable (very strong). Talanx AG is listed on the Frankfurt Stock Exchange in the MDAX as well as on the stock exchanges in Hannover and Warsaw (ISIN: DE000TLX1005, German Securities Code: TLX100, Polish Securities Code: TNX).

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For **media enquiries** please contact:

Andreas Krosta	Tel.: +49 511-3747-2020
	E-mail: andreas.krosta@talanx.com
Dr Kerstin Bartels	Tel.: +49 511-3747-2211
	E-mail: kerstin.bartels@talanx.com
Christoph Boßmeyer	Tel.: +49 511-3747-2094
	E-mail: christoph.bossmeyer@talanx.com

For **Investor Relations** please contact:

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

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