

Talanx posts a pleasing first quarter

- Gross written premiums up 12.2 percent in first quarter at EUR 9.4 (8.4) billion
- EBIT improves by 16.1 percent to EUR 643 (554) million
- Group net income rises 16.2 percent to EUR 251 (216) million
- Group maintains outlook for full-year 2015

Hannover, 11 May 2015

The Talanx Group posted a pleasing business performance in the first quarter of 2015. Group net income improved by 16.2 percent year-on-year to EUR 251 (216) million. The Group lifted gross premiums by 12.2 percent to EUR 9.4 (8.4) billion (6.8 percent after adjustment for exchange rates) in the first quarter, which was driven by the expansion of its international business and the depreciation of the euro. The domestic business also recorded higher premium income in the first quarter.

“Our pleasing business performance in the first quarter of 2015 is a clear sign that our diversification and internationalisation strategy is bearing fruit. In light of this, we are confirming our target of generating Group net profit of at least EUR 700 million in 2015”, said Herbert K. Haas, Chief Executive Officer of Talanx AG. “The persistent low interest rate environment and competitive markets for industrial insurance and reinsurance continue to pose significant challenges. Nevertheless, we are confident of successfully overcoming them.”

The Group recorded catastrophe losses of EUR 156 (41) million in the period under review, higher than in the prior-year quarter. The first quarter was dominated by major losses from storm “Niklas”, the crash of Germanwings flight 4U9525 and several fire losses in the Industrial Lines Division. Major losses of EUR 94 (10) million were attributable to primary insurance, while the figure for reinsurance was EUR 62 (31) million. However, at EUR 156 million, losses were within the Group’s forecast major loss budget of approximately EUR 230 million.

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The higher losses saw the combined ratio rise to 96.5 (94.3) percent. The underwriting result for the Group as a whole widened to EUR –389 (–370) million. Overall, this was once again dominated by the participation of German life insurance customers in investment income, which reduces the underwriting result under IFRSs. Net investment income remained unchanged at EUR 1.0 (1.0) billion. Write-downs on Heta Asset Resolution bonds reduced Group net income by approximately EUR 4 million in the first quarter of 2015.

A significant improvement in net foreign exchange gains had a positive impact on operating profit (EBIT). This rose by 16.1 percent to EUR 643 (554) million due in particular to the good results posted by Life/Health Reinsurance.

Group net income improved by 16.2 percent to EUR 251 (216) million. Earnings per share amounted to EUR 0.99 (0.86) in the first quarter.

The solvency ratio in accordance with Solvency I was 243 percent as at 31 March 2015 (31 December 2014: 228 percent).

Talanx also published its risk management reports at the same time as the quarterly results. The Group's economic solvency ratio as at 31 December 2014 for the internal model developed according to the future Solvency II regime is 194 (333) percent. Talanx achieved this figure despite changes to the model made necessary by stricter regulatory requirements and despite the continuing low interest rate environment. Including hybrid capital and surplus participation funds, the ratio was 271 percent. These results underline Talanx's solid capitalisation. The Group is on track to implement the internal model for Solvency II in good time for the 1 January 2016 deadline and to submit a corresponding application to BaFin in June.

Development of the divisions

The **Industrial Lines** Division saw continued premium growth of 7.1 percent in the first quarter of 2015. Gross written premiums amounted

to EUR 1.9 (1.8) billion. The increase in local currency amounted to 3.9 percent. Growth was once again driven by the division's international subsidiaries and branches, since market penetration in the Group's home market of Germany is already at a high level.

The combined ratio rose to 98.9 (87.7) percent as a result of higher major losses. The underwriting result declined to EUR 6 (51) million. Net investment income dropped by 26.4 percent to EUR 53 (72) million due to continuing low interest rates and unusually high realised gains in the prior-year quarter. Operating profit amounted to EUR 72 (106) million. Industrial Lines contributed EUR 47 (67) million to Group net income.

Talanx is to change the name and company form of its subsidiary HDI-Gerling Industrie Versicherung AG to reflect the increasingly international focus of the Industrial Lines Division and of the subsidiary in particular. As announced by the Group in March 2015, the industrial insurer will operate under the name HDI Global SE in future. The change is expected to be implemented at the end of 2015/beginning of 2016.

Gross written premiums in the **Retail Germany** Division increased by 5.3 percent to EUR 2.1 (2.0) billion at the beginning of the year. In the life insurance business, premium income rose by 12.6 percent to EUR 1.4 (1.2) billion due in particular to higher single premiums. This was also reflected in new business: measured using the annual premium equivalent (APE), the segment grew by 27.0 percent to EUR 127 (100) million. The property/casualty insurers posted premium income of EUR 762 (808) million as a result of a highly disciplined approach to underwriting in the motor insurance line. In contrast, net premiums earned in the property/casualty business were on a level with the previous year, at EUR 342 million.

The underwriting result improved to EUR –392 (–430) million. The negative result was again primarily attributable to the participation of life

insurance customers in net investment income. This was down slightly in the period under review, declining by 11.2 percent to EUR 445 (501) million. The fall was due in particular to capital gains realised early in the prior year to finance the additional reserve for policies with guarantees (Zinszusatzreserve). The segment's combined ratio was virtually unchanged at 100.5 (100.2) percent in spite of higher storm-related losses.

EBIT improved slightly by 5.6 percent to EUR 57 (54) million despite the impact of storm "Niklas". The division contributed EUR 35 (29) million to Group net income.

The **Retail International** Division recorded a 3.6 percent increase in gross written premiums to approximately EUR 1.2 (1.2) billion. The property/casualty insurance business generated significant growth of 16.1 percent. This was attributable to organic growth of 12.4 percent, as well as to the first-ever contribution by the Chilean Magallanes Group, which was acquired in February 2015. The Magallanes Group accounted for a premium volume of approximately EUR 28 million and an EBIT contribution of approximately EUR 2 million. Premium income in the life insurance business declined by 15.7 percent, mainly due to lower single premiums in Italy. In local currency, the division recorded a 3.1 percent increase in premium income.

The Brazilian unit saw premium income improve by 10.8 percent to EUR 210 (189) million. Adjusted for currency translation effects, the figure was 11.5 percent. At EUR 57 (44) million, HDI Mexico generated premium growth of 31.3 percent measured in euros, or 23.3 percent after adjustment for exchange rate effects. In Poland, gross written premiums rose by 12.4 percent year-on-year to EUR 420 (374) million. Our Turkish company lifted income by 42.0 percent to EUR 71 (50) million thanks to growth in the motor insurance business in particular. This corresponds to an increase of 32.1 percent in local currency.

The segment's underwriting result was EUR 8 (8) million, on a level with the previous year. At 94.6 (95.1) percent, the combined ratio improved slightly due to lower loss ratios. Net investment income increased by 6.8 percent to EUR 79 (74) million as a result of higher investments in particular. In contrast, EBIT declined by 9.7 percent to EUR 56 (62) million on the back of negative exchange rate effects. The segment's contribution to Group net income was EUR 33 (39) million.

Gross written premiums in the **Non-Life Reinsurance** Division rose by 24.1 percent to EUR 2.6 (2.1) billion amid continued fierce competition. This was due to the strong US dollar, among other factors. Adjusted for exchange rate effects, premium income increased by 13.0 percent. The underwriting result declined by 15.1 percent to EUR 73 (86) million following significantly higher major losses compared with the prior-year quarter. Net investment income was down slightly on the prior-year figure, at EUR 199 (211) million. EBIT amounted to EUR 279 (286) million at the end of the first quarter. The segment contributed EUR 87 (95) million to Group net income.

In the **Life/Health Reinsurance** Division, increased global demand from primary insurers lifted premium income by 17.5 percent to EUR 1.8 (1.5) billion, or 6.5 percent in local currency. The underwriting result improved slightly to EUR –85 (–87) million. Net investment income rose by 44.1 percent to EUR 219 (152) million due to a one-off effect. Operating profit amounted to EUR 176 (64) million. Life/Health Reinsurance contributed EUR 66 (21) million to Group net income.

Outlook for 2015

Talanx is confirming its outlook for financial year 2015. Based on constant exchange rates, it aims to generate gross premium growth of 1 to 3 percent, the bulk of which will be generated in international markets. The return on investment should be in excess of 3.0 percent. The Group is continuing to aim for consolidated net profit of at least

EUR 700 million, despite another significant year-on-year increase in the major loss budget, especially in primary insurance, a challenging capital market environment and investments designed to improve profitability in primary insurance in Germany. The return on equity is expected to be around 9 percent in 2015, in line with the Group's strategic target of 750 basis points above the average risk-free interest rate. These targets assume that exchange rates remain constant, that there are no negative developments on the capital markets and that catastrophe losses are within the major loss budget. This has been adjusted upwards and now stands at EUR 290 (185) million for primary insurance in 2015. Talanx's stated goal is to distribute 35 to 45 percent of Group net income as a dividend payment for the 2015 financial year, as in the past.

Key figures from the Talanx Group income statement for Q1 2015, consolidated (IFRS)

in EUR million	Q1 2015	Q1 2014	+/-
Gross written premium	9,440	8,414	+12.2 %
Net premium earned	6,367	5,599	+13.7 %
Combined ratio in property/casualty insurance and non-life reinsurance	96.5 %	94.3 %	+2.2 %-pts.
Net investment income	996	1,010	-1.4 %
Operating profit (EBIT)	643	554	+16.1 %
Group net income (after non-controlling interests)	251	216	+16.2 %
Return on equity ¹	12.0 %	11.8 %	+0.2 %-pts.

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

Full interim report:

http://www.talanx.com/presse/konzernergebnisse/2015.aspx?sc_lang=en

Financial calendar:

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

About Talanx

With premium income of EUR 29.0 billion (2014) and more than 21,300 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. The Group's brands include HDI, which operates in Germany and abroad, the global industrial insurer HDI-Gerling, Hannover Re, one of the world's leading reinsurers, Targo Versicherungen, PB Versicherungen and Neue Leben, the latter all specialized in bancassurance, the Polish insurer Warta, and the financial services provider Ampega. The rating agency Standard & Poor's has given the Talanx Primary Group a financial strength rating of A+/stable (strong) and the Hannover Re Group one of AA-/ stable (very strong). Talanx AG is listed on the Frankfurt Stock Exchange in the MDAX as well as on the stock exchanges in Hannover and Warsaw (ISIN: DE000TLX1005, German Securities Code: TLX100, Polish Securities Code: TNX).

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