

Talanx reports good half-year results

- Gross written premiums up 12.4 percent to EUR 16.8 (15.0) billion in first half of 2015
- EBIT: EUR 1.0 (1.0) billion
- Goodwill written down in full as part of realignment of the German life insurance business
- Group net income at EUR 311 million due to goodwill impairment; EUR 466 (381) million adjusted for goodwill effects
- Group net income of EUR 600–650 million forecast for 2015

Hannover, 12 August 2015

The Talanx Group is very satisfied with its operating business performance in the first half of 2015. Group net income amounted to EUR 311 (381) million in the first six months. Excluding the impairment in full of goodwill amounting to EUR 155 million in the German life insurance business, earnings would have amounted to EUR 466 million, a significant year-on-year increase. Operating profit (EBIT) improved by 1.0 percent to just over EUR 1 billion despite the one-off burden. Earnings per share amounted to EUR 1.23 (1.51) in the first half of 2015.

The positive business performance was driven by an encouraging increase in premium income in all divisions. Gross written premiums grew by 12.4 percent to EUR 16.8 (15.0) billion across the Group as a whole in the first six months. Adjusted for exchange rate effects, premium growth amounted to 6.2 percent. Premium income benefited once again from the growing international business.

“We held our ground in a persistently challenging environment in the first half of 2015, exceeding our previous performance expectations. As a result, we have adjusted our earnings forecast for full-year 2015. After the goodwill impairment, we now expect earnings to be between EUR 600 million and EUR 650 million. Without the one-off item, expected earnings would have been between EUR 755 million and EUR 805 million, noticeably up on the forecast at the beginning of the year”, said Herbert K. Haas, Chief Executive Officer of Talanx AG.

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In primary insurance, Talanx wrote down the goodwill of EUR 155 million attributable to the German life insurance business in full at the end of the first half of the year. This followed a split in Board of Management responsibilities for the life insurance and property/casualty lines in the Retail Germany Division. Consequently, goodwill must also be monitored at the level of the individual lines, in contrast to the past.

The operating business saw encouraging performance despite higher claims for major losses totalling EUR 363 (250) million. Major losses of EUR 197 (105) million were attributable to reinsurance, while the figure for primary insurance was EUR 166 (145) million. Losses in the first quarter were due in particular to the crash of Germanwings flight 4U9525 and losses from storm damage, in addition to several fire losses. The most expensive loss event was Storm "Niklas", which resulted in total expenses for the Group of almost EUR 49 million. In the second quarter, several major property and marine losses had a particularly negative impact on the Group. Overall, however, the burden remained below the major loss budget for the period.

At EUR 96.4 (96.4) percent, the combined ratio remained at the solid level recorded in the previous year. The underwriting result declined by 9.8 percent to EUR-851 (-775) million, due in particular to the participation of life insurance customers here in higher net investment income. Net investment income grew by 4.6 percent to EUR 2.0 (1.9) billion.

The Talanx Group reported own funds in accordance with Solvency I of 223.5 percent as at 30 June 2015 (31 December 2014: 228.2 percent). Equity increased by a slight 0.3 percent to just over EUR 8 billion in the first half of the year, despite the rise in interest rates and the dividend distribution.

The Group lifted its gross premium income by 12.6 percent to EUR 7.4 (6.6) billion in the second quarter of 2015 thanks to exchange rate

effects. As a result of lower claims for major losses in primary insurance, the combined ratio improved to 96.2 (98.4) percent. The underwriting result amounted to EUR–462 (–405) million. Net investment income grew by 11.0 percent to EUR 1.0 (0.9) million. Second quarter operating profit fell by around EUR 80 million year-on-year to EUR 372 (451) million due to the above-mentioned goodwill impairment. Adjusted for the impairment loss however, EBIT was up significantly on the prior-year quarter, at EUR 527 million. Group net income after taxes and interest amounted to EUR 60 (165) million; adjusted for the extraordinary impairment loss, it was EUR 215 million.

In addition, the EUR 500 million subordinated bond issued in 2005 by Hannover Finance (Luxembourg) S.A. and the subordinated bonds also issued in 2005 by HDI Lebensversicherung AG (EUR 160 million) and by Talanx Finanz (Luxemburg) SA (EUR 350 million) were repaid as at the earliest possible date in the entire nominal amount in the second quarter of 2015.

After the 30 June 2015 reporting date, Talanx's stake in investment services provider Caplantic Alternative Assets GmbH, which was announced at the beginning of the year, was approved at the start of August. Talanx is acquiring 45 percent of the shares of the company.

Development of the divisions

In the **Industrial Lines** Division, gross written premiums rose by 5.1 percent year-on-year to EUR 2.6 (2.5) billion. This was mainly attributable to growth at the foreign subsidiaries. Adjusted for exchange rate effects, premium income in the segment increased by 1.1 percent. The combined ratio was down slightly on the prior-year level, at 98.7 (99.4) percent. Consequently, the underwriting result improved to EUR 13 (6) million. Net investment income declined to EUR 113 (151) million. This had been buoyed up in the previous year by higher realised gains on disposals. Operating profit was virtually unchanged in

the reporting period, at EUR 142 (141) million. Lower income taxes led to a 9.0 percent increase in Group net income to EUR 97 (89) million.

The division's premium income was up slightly on the previous year in the second quarter of 2015, at EUR 736 (733) million. The underwriting result rose to EUR 7 (–45) million as a result of lower claims for major losses. Net investment income declined to EUR 60 (79) million in the same period. The increase in operating profit to EUR 70 (35) million was largely attributable to the improved underwriting result. The division contributed EUR 50 (21) million to Group net income.

The **Retail Germany** Division lifted its gross written premiums by 3.0 percent to EUR 3.7 (3.6) billion in the first half of 2015. The German life insurers recorded premium growth of 5.7 percent to EUR 2.7 (2.5) billion, due in particular to higher single premiums. Measured using the annual premium equivalent (APE), new business rose by 13.5 percent to EUR 236 (208) million. Growth was driven by business acquired via our bank partners. In property/casualty insurance, premium income decreased by 3.7 percent to EUR 1.0 (1.0) billion as a result of the continued disciplined approach to underwriting in the motor insurance line.

The participation of life insurance customers in the segment's higher net investment income led to a decline in the underwriting result to EUR–840 (–808) million. Overall, net investment income increased by 1.2 percent to EUR 948 (937) million. At EUR 167 million, extraordinary investment income was on a level with the high prior year and was used to finance the additional interest reserve, to which EUR 220 (154) million was added in the first half of the year. The combined ratio for composite insurance was roughly the same as in the previous year at 101.1 (101.2) percent, despite the lower loss ratio. The division's EBIT fell to EUR–61 (97) million as a result of the EUR 155 million goodwill impairment in the life insurance business. Excluding this impairment

loss, operating profit would have been on a level with the prior year. The segment's contribution to Group net income contracted to EUR-104 (57) million. Adjusted for the goodwill impairment, it would have also been roughly on the same level as the previous year, at EUR 51 million.

In the second quarter of 2015, the division again generated premium income of EUR 1.5 (1.5) billion. The underwriting result amounted to EUR-448 (-378) million due to policyholders' participation in the higher net investment income, which improved by 15.6 percent to EUR 504 (436) million. In composite insurance, the combined ratio declined to 101.8 (102.1) percent as a result of the lower loss experience. EBIT decreased to EUR-118 (43) million following the goodwill impairment; without this, it would have amounted to EUR 37 million. Retail Germany contributed EUR-139 (29) million to Group net income; adjusted for the impairment loss, this figure would have been EUR 16 million.

The **Retail International** Division generated premium growth of 6.1 percent in the first six months of 2015. Gross written premiums amounted to EUR 2.4 (2.3) billion. Adjusted for exchange rate effects, growth in the division amounted to 5.9 percent. The property/casualty business posted growth of 16.4 percent. Excluding the Chilean Magallanes group acquired in the first quarter of 2015, organic growth in the line amounted to 9.6 percent; adjusted for exchange rate effects it was 9.4 percent. Growth was once again driven by the Latin American units and the Turkish subsidiary. The Magallanes Group has contributed gross premiums of approximately EUR 100 million and an EBIT of around EUR 8 million in the year to date. In the life insurance business, lower single premiums in Italy in particular led to declining premium income, which retreated by 11.7 percent to EUR 730 million.

The composite insurers' combined ratio improved slightly to 95.2 (95.3) percent due to a declining loss ratio in Poland, among other countries.

As a consequence, the underwriting result climbed by 35.7 percent to EUR 19 (14) million. The larger investment portfolio in particular contributed to higher net investment income, which improved by 7.1 percent to EUR 167 (156) million. EBIT rose by 2.4 percent to EUR 127 (124) million as a result of the increase in investments and in technical provisions. The division's contribution to Group net income was EUR 77 (74) million.

Gross written premiums were also up in the second quarter and amounted to EUR 1.2 (1.1) billion, following premium growth of 8.7 percent. The underwriting result improved to EUR 11 (6) million, while net investment income rose to EUR 88 (82) million. As a result of these positive developments and consolidation effects from the Magallanes companies, operating profit saw a 14.8 percent increase at the end of the quarter to EUR 71 (62) million. The contribution made by the division to Group net income rose by 23.2 percent to EUR 44 (35) million.

Gross written premiums in the **Non-Life Reinsurance** segment recorded a significant 21.9 percent increase to 5.0 (4.1) billion. Adjusted for exchange rate effects, growth amounted to 10.0 percent. The combined ratio remained on a healthy level, at 95.4 (95.1) percent. The underwriting result rose by 7.1 percent to EUR 167 (156) million. Net investment income improved by 6.1 percent to EUR 437 (412) million. In view of this, the segment generated an operating profit of EUR 616 (533) million. Its contribution to Group net income rose to EUR 206 (165) million.

Premium income increased by 19.5 percent to EUR 2.4 (2.0) billion in the second quarter. EBIT grew by 36.4 percent to EUR 337 (247) million. The segment contributed EUR 119 (70) million to Group net income.

Premium income in **Life/Health Reinsurance** was up 21.0 percent to EUR 3.6 (3.0) billion in the first half of 2015. The growth rate expressed in local currency was 8.9 percent. The underwriting result widened to EUR–216 (–147) million. This was due to higher mortality and lapse rates in parts of the US mortality business. By contrast, net investment income was up significantly on the prior-year level at EUR 366 (299) million as a result of a non-recurring effect. As a consequence, operating profit also improved significantly, recording growth of 27.6 percent to EUR 194 (152) million. The segment's contribution to Group net income amounted to EUR 69 (57) million.

Gross written premiums in Life/Health Reinsurance rose by 24.6 percent in a quarterly comparison to EUR 1.8 (1.5) billion. Operating profit amounted to EUR 18 (88) million, while the segment's contribution to Group net income was EUR 3 (36) million.

Outlook for 2015

Based on constant exchange rates, the Talanx Group is aiming for gross premium growth of 1 to 3 percent in financial year 2015, with most of this generated outside Germany. The return on investment should be in excess of 3.0 percent. After adjustment for the impairment in full of goodwill amounting to EUR 155 million attributable to the German life insurance business in the second quarter of 2015, Group net profit is expected to be between EUR 600 million and EUR 650 million for the current financial year. As a result, the return on equity should amount to between 7 and 8 percent in 2015. The Board of Management's dividend proposal for financial year 2015 will not be affected by the goodwill impairment. From today's perspective, at a payout rate of 35 to 45 percent, it will thus be based on an as-if IFRS profit of between EUR 755 million and EUR 805 million. These targets assume that exchange rates remain constant, that there are no

negative developments on the capital markets and that claims for major losses are within the major loss budget.

Key figures from the Talanx Group income statement for 6M 2015, consolidated (IFRS)

Figures in EUR million	6M 2015	6M 2014	+/-
Gross written premium	16,827	14,975	+12.4 %
Net premium earned	12,751	11,308	+12.8 %
Combined ratio in property/casualty insurance and non-life reinsurance	96.4 %	96.4 %	0.0 % pts
Net investment income	2,037	1,948	+4.6 %
Operating profit (EBIT)	1,015	1,005	+1.0 %
Group net income (after non-controlling interests)	311	381	-18.4 %
Return on equity ¹	7.8 %	10.4 %	-2.6 % pts

Key figures from the Talanx Group income statement for Q2 2015, consolidated (IFRS)

Figures in EUR million	Q2 2015	Q2 2014	+/-
Gross written premium	7,387	6,561	+12.6 %
Net premium earned	6,384	5,709	+11.8 %
Combined ratio in property/casualty insurance and non-life reinsurance	96.2 %	98.4 %	-2.2 % pts
Net investment income	1,041	938	+11.0 %
Operating profit (EBIT)	372	451	-17.5 %
Group net income (after non-controlling interests)	60	165	-63.6 %
Return on equity ¹	2.8 %	8.7 %	-5.9 % pts

1) Annualised net income excluding non-controlling interests relative to average shareholders' equity excluding non-controlling interests.

Full interim report:

http://www.talanx.com/investor-relations/presentations-and-events/disclosure/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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