News Release

talanx.
Insurance. Investments.

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 reports very satisfactory Group net income despite natural catastrophes and proposes increase in dividend

- Gross written premiums grow by a significant 6.3 percent to EUR 33.1 (31.1) billion
- Net return on investment rises to 4.0 (3.6) percent
- Positive trend in German and international retail business continues
- After exceptionally severe burden of natural catastrophes, Group net income is EUR 672 (903) million
- Dividend proposal of EUR 1.40 (1.35): continuous increase since IPO
- Outlook for 2018: Group net income of around EUR 850 million expected

Hannover, 19 March 2018

Despite the exceptionally severe burden caused by natural catastrophes in the 2017 financial year, the Talanx Group achieved very satisfactory Group net income of EUR 672 (903) million. Industrial Lines and Property/Casualty Reinsurance were particularly badly hit by very large losses relating to natural catastrophes in Central and North America. Premium income grew substantially by 6.3 percent, totalling EUR 33.1 (31.1) billion. Adjusted for currency effects, the increase in premiums was 7.5 percent. Besides the growth in Property/Casualty Reinsurance, the increase was due chiefly to increased premiums in the international retail business and in Industrial Lines. In the Retail Germany business, the positive trend remained consistent over the last few quarters in Property/Casualty Insurance in particular, due to the KuRS programme. Talanx is maintaining its outlook, indicated in November, of Group net income of around EUR 850 million for the 2018 financial year.

The Board of Management and Supervisory Board are proposing a dividend increase of 5 cents to EUR 1.40 (1.35) per share to the Annual General Meeting. This corresponds to a dividend yield on the average price of the Talanx share in the financial year just ended of 4.2 (2016: 4.8) percent and a continuation of the previous dividend policy geared towards reliability. This means that, since the IPO October 2012, the dividend has continually risen from EUR 1.05 by 35 cents or approx. 33 percent.

“The severe natural catastrophes in the third quarter had a huge impact on the 2017 financial year, leading to recorded losses market-wide of USD 134 billion. After a positive performance across all divisions in the first half of the year and a solid fourth quarter, ultimately we can report very satisfactory Group net income of EUR 672 million. Owing to the diversification of our business, the exceptional impact of large losses in Industrial Lines and Property/Casualty Reinsurance only cost us a little more than one quarterly result at year-end. This confirms that the Group is robust and extremely resilient,” says Herbert K. Haas, Chairman of the Board of Management of Talanx AG. “Both the German and international retail business developed nicely. We therefore achieved our aim of generating more than 50 percent of premiums in primary insurance abroad a year ahead of schedule, with around 52 (2016: around 49) percent. This indicates that our international diversification is progressing faster than planned,” continues Haas.

The net burden of large losses across the Group totalled EUR 1,620 (883) million and was thus well above the large-loss budget of EUR 1,115 million. Large losses worth EUR 492 (257) million were attributed to primary insurance, whereas reinsurance was burdened with EUR 1,127 (627) million. Hurricane “Irma” in the USA/Caribbean was the biggest large loss, with an impact of EUR 387 million. Combined with hurricanes “Harvey” and “Maria” and the two earthquakes in Mexico, the impact of natural catastrophes in August and September came to around EUR 1 billion. The combined ratio of the Talanx Group deteriorated to 100.4 percent (95.7 percent), due mainly to these large losses.

Investment income increased by 11.3 percent to EUR 4.5 (4.0) billion. The rise can be chiefly attributed to higher realised gains to finance the

Zinszusatzreserve (ZZR; additional interest reserve) in the Retail Germany Division and to the sale of shares in reinsurance. The net return on investment rose to 4.0 (3.6) percent, while EBIT was EUR 1.8 (2.3) billion, due to the impact of natural catastrophes.

At 7.5 (10.4) percent, return on equity was significantly lower than the previous year and below the target return of at least 8.5 percent. At Group level, disregarding transitional measures the Solvency II ratio on 30 September 2017 was comfortably 190 (Q2 2017: 197; Q1 2017: 194; FY 2016: 186) percent.

Fourth quarter: Combined ratio well below 100 percent

In the fourth quarter, the Group's gross written premiums were EUR 7.8 (7.4) billion. The combined ratio improved to 92.7 (93.1) percent. Net investment income increased Group-wide by 12.0 percent to EUR 1.2 (1.0) billion. EBIT stood at EUR 704 (655) million. Group net income, however, fell by 14.1 percent to EUR 228 (266) million. The Group net income also includes the write-down of tax loss carryforwards in the amount of around EUR 41 million in the Corporate Operations segment.

Industrial Lines: large losses from natural catastrophes severely impact on income contribution

Premium income developed nicely, increasing by 4.4 percent to EUR 4.5 (4.3) billion. Adjusted for currency effects, the increase was 5.2 percent. The international target markets in particular contributed to this growth. The division generated around 62 (2016: 61) percent of premium income abroad. The target is to increase the volume of the premiums achieved abroad to 65 percent by the year 2019. Retention climbed to 55.2 (53.4) percent in line with the strategy.

The combined ratio deteriorated, primarily due to the exceptional burden of losses caused by natural catastrophes, to 108.5 (96.8) percent. Whereas there was only a slight increase in the expenditure for large losses resulting from individual risks, a substantial increase was recorded in costs resulting from natural catastrophes, fuelled mainly by hurricanes “Harvey”, “Irma” and “Maria” as well as the earthquakes in Mexico. Run-off was lower than in the prior year due to IBNR (incurred but not reported) claims and lower relief payments from reinsurers. The underwriting result deteriorated as a result to EUR -207 (73) million.

Net investment income increased significantly despite persistently low interest rates, rising 14.5 percent to EUR 277 (242) million. The rise was attributable to both higher ordinary income from variable-yield investments and alternative investments as well as an increase in extraordinary income. EBIT declined to EUR 109 (302) million. The positive trend in premiums and net investment income only went some way towards offsetting the high large losses caused by natural catastrophes. The contribution to Group net income fell to EUR 91 (241) million.

Fourth quarter: impact of large losses also affects this quarter

In the fourth quarter, gross written premiums in the Industrial Lines division increased to EUR 918 (876) million. The underwriting result worsened as a consequence of the exceptional expenditure on large losses to EUR -29 (40) million. The combined ratio amounted to 104.3 (93.5) percent. Net investment income fell only marginally compared with the previous year, to EUR 73 (76) million. EBIT declined to EUR 84 (97) million, with its contribution to Group net income falling to EUR 78 (108) million.

Retail Germany: contribution to Group net income much higher than previous year

The trend in the Retail Germany Division was pleasing overall. EBIT rose in the 2017 financial year to EUR 137 (90) million, placing it well above the budget of more than EUR 115 million. The contribution to Group net income also increased to EUR 102 (68) million.

The division generally remains fully on track with the implementation of its KuRS programme and early successes are impacting positively on income. In fact, the division is ahead of schedule on its target of reducing costs by around EUR 240 million by 2021.

Property/Casualty Insurance segment: stable premium income

In the Property/Casualty Insurance segment, premium income rose by 1.8 percent compared with the previous year, to EUR 1,525 (1,498) million. The segment is recording growth again for the first time since 2014, thanks to the expansion of unemployment insurance, growth in the corporate business and sales via the digital motor channel. This more than offset the transfer of the fleet business within the Group, with a premium volume of EUR 26 million, to Industrial Lines.

The combined ratio improved by 1.7 percentage points to 101.6 (103.3) percent. Adjusted for investments by the KuRS programme of around EUR 43 (2016: around 47) million, the combined ratio was 98.6 (99.9) percent, i.e. well below 100 percent, underlining the sustained, pleasing development. The underwriting result improved to EUR -21 (-44) million. Net investment income increased by 4.6 percent to EUR 91 (87) million. EBIT in this segment rose to EUR 52 (-2) million. This was due chiefly to lower investment in the KuRS programme and a more favourable claims situation, which is also reflected in the improved combined ratio.

Fourth quarter: large losses negatively impact combined ratio

In the fourth quarter, premium income increased to EUR 241 (237) million. This was the fifth successive quarter of growth for the segment. The underwriting result dropped to EUR -25 (-12) million. The combined ratio amounted to 106.9 (103.3) percent. Adjusted for the costs of the KuRS programme, it came to 102.4 (98.6) percent. The rise is due mainly to a multitude of medium losses, some of them arising from the autumn storms “Xavier” and “Herwart” in October. Net investment income increased to EUR 22 (19) million. EBIT fell to EUR 3 (7) million.

Life Insurance segment: Zinszusatzreserve rises to EUR 3.1 billion

In the Life Insurance segment, gross written premiums declined by 4.4 percent to EUR 4.6 (4.8) billion. In line with expectations, regular premiums fell by EUR 114 million due to an increase in policies that matured, while single premiums declined by EUR 98 million. Measured by APE (Annual Premium Equivalent), new business in life insurance products was down, at EUR 385 (417) million. The share of capital-efficient and biometric products, measured by the total premiums in new business, rose to 71 percent in the financial year.

The underwriting result decreased to EUR -1.9 (-1.7) billion, due to policyholders’ increased participation in net investment income. Net investment income, which increased by 11.4 percent to EUR 2.0 (1.8) billion, was most heavily influenced by the higher realisation of hidden reserves to finance the Zinszusatzreserve (ZZR; additional interest reserve). Ordinary investment income fell further, due to the persistent low level of interest rates. The allocation to the ZZR totalled EUR 809 million in 2017 (2016: EUR 713 million), bringing the total volume of this reserve to EUR 3.1 (2.3) billion. EBIT in this segment continues to be heavily affected by low interest rates. Due to provision for premium refunds resulting from tax income at a number of our companies, it fell to EUR 85 (92) million.

Fourth quarter: improved EBIT

In the fourth quarter, premium income declined to EUR 1,180 (1,273) million. The underwriting result deteriorated to EUR -572 (-450) million. Net investment income rose to EUR 608 (468) million. EBIT amounted to EUR 18 (13) million.

Retail International: all core markets contributing to growth

In keeping with the strategy, the Retail International Division continued its dynamic growth in 2017 and is developing very well. Premium income increased by 11.0 percent to EUR 5.5 (4.9) billion. Adjusted for currency effects, the increase amounted to 10.5 percent. (Latin America: +8.5 percent; Europe: +11.6 percent). All core markets contributed to this growth. In Latin America, premium income grew in Mexico due to an increase in the number of insured vehicles, coupled with higher average premiums. In a challenging environment, premiums were also raised in Brazil. In Europe, Poland is responsible for the lion's share of growth. The Polish motor insurance market has been in a “hard” market cycle since the second half of 2016; this has resulted in an increase in average premiums in motor liability insurance. The number of insured vehicles also rose from 4.0 to 4.9 million.

The combined ratio improved by 1.2 percentage points to 95.3 (96.5) percent, due chiefly to an improved cost ratio. The biggest effect originated in Brazil, where a rigorous cost-cutting programme is taking effect and there has been a decline in both the number of car thefts and inflation, leading to lower loss expenditure. The underwriting result increased to EUR 55 (10) million. Net investment income grew by 3.1 percent to EUR 329 (319) million, EBIT rose substantially by 12.7 percent, to EUR 240 (213) million. This was driven by the significant increase in the Europe region, which more than offset a slight decline in the Latin America region. Adjusted for a positive one-off effect of EUR 8 million in Brazil in the 2016 financial year, EBIT also grew in Latin America in 2017. The division’s contribution to Group net income was EUR 138 (124) million, representing an increase of 11.3 percent.

Fourth quarter: substantial rise in EBIT

In the fourth quarter, premium income rose to EUR 1.4 (1.2) billion. The underwriting result increased to EUR 23 (13) million. Net investment income result stayed stable at EUR 75 (75) million. EBIT increased marginally EUR 60 (48) million, with its contribution to Group net income rising to EUR 28 (25) million.

Reinsurance: solid contribution to Group net income

In the Reinsurance division, EBIT fell to EUR 1.4 (1.7) billion. Group net income declined year-on-year, to EUR 480 (595) million.

Property/Casualty Reinsurance segment: strong premium growth

In the Property/Casualty Reinsurance segment, gross written premiums rose substantially by 16.4 percent, to EUR 10.7 (9.2) billion. Adjusted for currency effects, the growth was 18.7 percent. The combined ratio had markedly deteriorated at 31 December 2017, standing at 99.8 (93.7) percent; however, it was still below 100 percent. The exceptional large losses due to natural catastrophes were responsible for this development. The underwriting result deteriorated to EUR 1 (481) million. Net investment income rose by 33.1 percent to EUR 1,235 (928) million. At EUR 1.1 (1.4) billion, EBIT was significantly below the previous year's figure.

Fourth quarter: profitable underwriting

In the fourth quarter, gross written premiums increased slightly to EUR 2.5 (2.1) billion. The underwriting result increased to EUR 308 (206) million. The combined ratio amounted to 87.0 (89.7) percent. Net investment income was up slightly, to EUR 269 (265) million. EBIT rose to EUR 529 (452) million.

Life/Health Reinsurance segment: premium income increases in local currencies

The Life/Health Reinsurance segment reported a marginal 1.0 percent fall in premiums in the 2017 financial year, to EUR 7,080 (7,149) million; adjusted for currency effects, the premium increased by 1.4 percent. The underwriting result decreased to EUR -493 (-372) million. Net investment income declined to EUR 560 (637) million. As regards

EBIT, at EUR 229 (330) million the segment fell short of the previous year's figure.

Fourth quarter: marginally better underwriting result

In the fourth quarter, premium income declined to EUR 1,795 (1,816) million. The underwriting result improved to EUR -130 (-135) million. Total net investment income stood at EUR 128 (144) million. EBIT declined to EUR 36 (49) million.

Outlook 2018

The Talanx Group expects an increase in gross premiums (adjusted for currency effects) of more than 2.0 percent in 2018. The IFRS net return on investment should amount to at least 3.0 percent. Talanx is aiming for Group net income of around EUR 850 million. It follows that the return on equity is expected to be around 9.0 percent. This earnings target assumes that any large losses will be within the expected range and that there will be no disruptions on the currency and capital markets. The express aim of the Talanx Group is to continue to pay out 35 to 45 percent of Group net income as dividends as well as to keep the dividend at least stable.

Key figures from the Talanx Group income statement for 2017, consolidated (IFRS)

EUR million	2017	2016[1]	+/-
Gross written premiums	33,060	31,106	+6.3%
Net premiums earned	27,418	25,736	+6.5%
Combined ratio in property/casualty insurance and Property/Casualty Reinsurance[2]	100.4%	95.7%	+4.7%pts.
Net investment income	4,478	4,023	+11.3%
Operating profit (EBIT)	1,807	2,307	-21.7%
Net profit (after financing costs and tax)	1,270	1,564	-18.8%
Group net income (after non-controlling interests)	672	903	-25.6%
Return on equity[3]	7.5%	10.4%	-2.9%pts.

Key figures from the Talanx Group income statement for Q4 2017, consolidated (IFRS)

EUR million	Q4 2017	Q4 2016[1]	+/-
Gross written premiums	7,822	7,357	+6.3%
Net premiums earned	7,133	6,606	+8.0%
Combined ratio in property/casualty insurance and Property/Casualty Reinsurance[2]	92.7%	93.1%	-0.4%pts.
Net investment income	1,168	1,043	+12.0%
Operating profit (EBIT)	704	655	+7.4%
Group net income (after non-controlling interests)	228	266	-14.1%
Return on equity[3]	10.4%	11.8%	-1.4%pts.

1) Adjusted in line with IAS 8.
2) Including net interest income on funds withheld and contract deposits.
3) (Annualised) net income for the reporting period excluding non-controlling interests relative to average equity excluding non-controlling interests.

All documentation relating to the annual report:
http://www.talanx.com/investor-relations/presentations-and-events/disclosure/2018.aspx?sc_lang=en

Financial calendar:
http://www.talanx.com/investor-relations/finanzkalender/termine.aspx

About Talanx

With premium income of EUR 33.1 billion (2017) and about 20,000 employees, Talanx is one of the major European insurance groups. The Hannover-based Group is active in more than 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).

You can find additional information by going to www.talanx.com.

Follow us on Twitter: twitter.com/talanx_en.

Current photographs and company logos are available at http://mediathek.talanx.de.

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
C. Boßmeyer-Hortsch	Tel.:	+49 511-3747-2094
	E-Mail	christoph.bossmeyer-hortsch@talanx.com

For **Investor Relations** please contact:

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

Disclaimer

This news release contains forward-looking statements which are based on certain assumptions, expectations and opinions of the Talanx AG management. These statements are, therefore, subject to certain known or unknown risks and uncertainties. A variety of factors, many of which are beyond Talanx AG's control, affect Talanx AG's business activities, business strategy, results, performance and achievements. Should one or more of these factors or risks or uncertainties materialise, actual results, performance or achievements of Talanx AG may vary materially from those expressed or implied in the relevant forward-looking statement.

Talanx AG does not guarantee that the assumptions underlying such forward-looking statements are free from errors nor does Talanx AG accept any responsibility for the actual occurrence of the forecasted developments. Talanx AG neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.