News Release

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Talanx generates solid growth in 2014

- Gross written premiums up 3.0 percent at EUR 29.0 billion
- EBIT rises to EUR 1.9 billion (+7.1 percent)
- Group net income improves by 5.0 percent to EUR 769 million
- Proposed dividend of EUR 1.25 (1.20) (+4.2 percent)
- Outlook for 2015 confirmed: Group net income of at least EUR 700 million
- Medium-term earnings growth expected to be in the mid-single digit percentage area

Hannover, 23 March 2015

The Talanx Group lifted Group net income by 5.0 percent to EUR 769 (732) million in financial year 2014, turning in a solid performance in a difficult operating and regulatory environment. Net income rose by around 23 percent after adjustment for the one-off boost of approximately EUR 100 million from the sale of Swiss Life shares in 2013. The Group’s gross premium income rose to a record EUR 29.0 (28.1) billion. Talanx increased premiums by 3.0 percent (3.6 percent after adjustment for exchange rate effects), mainly as a result of the systematic implementation of its internationalisation strategy. In light of the Group’s positive performance, the Board of Management and Supervisory Board will propose to the Annual General Meeting to increase the dividend by approximately 4 percent to EUR 1.25 (1.20) per share.

The increase in net income was attributable to the Reinsurance, Industrial Lines and Retail International divisions. The Group implemented measures to strengthen the balance sheet of the Retail Germany Division due to the persistent low interest rate environment. These were largely financed by extraordinary profit of EUR 214 million from the sale of Talanx’s remaining shares in Swiss Life. In contrast to 2013, this income is therefore only marginally reflected in earnings.

“2014 was a successful year for us and we are pleased with the results. We want our shareholders to share in the Talanx Group’s strong performance with a dividend of EUR 1.25 per share – an increase of a good 4 percent", said Herbert K. Haas, Chief Executive Officer of Talanx AG. "2015 will be one of the most challenging years in a long time, with falling capital market returns and soft markets in industrial insurance and reinsurance. Another challenge will be the long-term restructuring of the Retail Germany segment. Nevertheless, we are standing by our profit target of at least EUR 700 million for 2015."

The net burden of major losses declined across the Group due to only isolated major losses from storm events in 2014, although it remained high at EUR 782 (838) million. In the primary insurance business, the figure rose to EUR 331 (211) million overall following a succession of major industrial losses, in particular in the fire insurance line. The Reinsurance Division saw large losses decline to EUR 426 (578) million.

The Group's combined ratio rose slightly to 97.9 (97.1) percent as a result of the higher burden in primary insurance. The underwriting result declined to EUR–2.1 (–1.6) billion due to the participation of German life insurance customers in the higher net investment income, as well as the above-mentioned measures to strengthen the balance sheet of the Retail Germany segment. At Group level, these measures were offset by extraordinary income from the sale of Swiss Life shares.

The 9.3 percent increase in net investment income in 2014 to EUR 4.1 (3.8) billion was largely attributable to the sale of the remaining shares in Swiss Life and the realisation of unrealised gains in German life insurance. Operating profit (EBIT) rose by 7.1 percent to EUR 1.9 (1.8) billion.

Earnings per share amounted to EUR 3.04 (2.90) as at 31 December 2014. The Group further strengthened its solid capitalisation levels with a Group solvency ratio of 228.2 (31 December 2013: 210.2) percent.

The Talanx Group is continuing to focus on growth in the medium term, too, despite the fact that the low interest rate environment is expected to persist and despite the challenges posed by the German market.

Based on its 2014 results, the Group is forecasting average annual premium growth of 3 to 5 percent (after adjustment for exchange rate factors) in 2015 to 2019. Talanx also expects annual average growth in Group net income to be in the mid-single digit percentage area.

Since 23 April 2014, Talanx AG has been listed on the Warsaw stock exchange in addition to the Frankfurt and Hannover stock exchanges. The listing did not involve a capital increase or secondary share placement. Talanx took advantage of the favourable interest rate and capital market environment in mid-July to issue a senior benchmark bond with a volume of EUR 500 million.

On 13 February 2015, after the end of the reporting period, Talanx successfully completed a public takeover offer to the owners of Chilean insurance group Inversiones Magallanes. The acquisition makes Talanx the fifth-largest composite and the second-largest vehicle insurer in Chile. At the same time, the Group disposed of two smaller companies in Bulgaria and Ukraine as part of a portfolio streamlining exercise.

Business developments by the divisions

Like the Group as a whole, the **Industrial Lines** Division recorded premium growth in financial year 2014, with premium income of EUR 4.0 (3.8) billion. The 5.1 percent increase (5.9 percent after adjustment for exchange rate effects) was mainly generated outside Germany, with all international branches recording higher income. In summer 2014, Talanx opened an Industrial Lines unit in Brazil – alongside its existing Retail International and Reinsurance units – to develop another growth market in the industrial business as well.

The combined ratio rose to 103.0 (102.4) percent due to an unusually large number of major losses. At approximately EUR 331 million, major losses were up considerably on the high prior-year figure of EUR 211 million, which was impacted by storm events. The underwriting result declined to EUR–61 (–42) million. In contrast, net investment income improved by 11.9 percent to EUR 268 (240) million, buoyed by extraordinary income from the sale of fixed-income investments. Higher net gains in particular saw EBIT increase to EUR 182 (129) million. The Industrial Lines Division contributed a total of EUR 121 (78) million to Group net income.

At EUR 6.9 (7.0) billion, gross written premiums in the **Retail Germany** Division were roughly on a level with the previous year, as expected. Premium income from life insurance remained stable at EUR 5.4 (5.4) billion, with customers remaining cautious as a result of the low interest rate environment. Measured in terms of the annual premium equivalent (APE), new business was actually up slightly at EUR 470 (464) million. Income recorded by the property/casualty lines was unchanged at EUR 1.5 (1.5) billion, while measures to improve profitability continued.

Unrealised gains on investments were realised in order to finance the additional interest reserve and, until the entry into effect of the German Life Insurance Reform Act (LVRG) in August 2014, policyholder participation in the valuation reserves for fixed-income securities. As a result, net investment income improved by 6.3 percent to EUR 1.9 (1.8) billion.

The underwriting result declined to EUR–2.0 (–1.5) billion in the year under review and continued to be dominated by the participation of life insurance customers in investment income. The result was also impacted in particular by the risk-based remeasurement of German life insurance portfolios. Impairment losses were recognised since the low interest rate environment is expected to continue. Additional measures to strengthen the balance sheet in the property/casualty insurance business saw the combined ratio increase to 108.6 (102.4) percent. As a result, EBIT declined to EUR–115 (161) million. The segment contributed a loss of EUR 84 (income of 78) million to Group net income. Excluding the measures taken to strengthen the balance sheet, the division would have recorded an operating profit.

The **Retail International** Division lifted premium income by 5.5 percent to EUR 4.5 (4.2) billion in 2014. The division grew by 9.5 percent after adjustment for exchange rate effects.

Growth was again driven by the strategic core markets – Brazil, Mexico, Poland and Turkey. The Brazilian unit increased premium income by 13.1 percent in local currency. In euros, the figure rose by 4.1 percent to EUR 901 (865) million. In Mexico, gross premiums rose by 11.4 percent after adjustment for exchange rate effects, or by 7.8 percent in euros to EUR 191 (178) million. The Polish Warta and TU Europa companies generated total premium income of EUR 1.6 (1.7) billion, down 5.5 percent amid tough competition in motor insurance and a decline in single-premium business in life insurance. Gross written premiums declined by 5.8 percent in local currency. The Turkish unit improved premium income by 22.5 percent after adjustment for exchange rate effects; measured in euros, this figure rose by 7.8 percent to EUR 202 (187) million. As expected, the Turkish company recorded an operating profit in 2014, meaning that all of the division's units were profitable in the year under review.

The segment's underwriting result declined to EUR–11 (32) million. The decrease was primarily due to the participation of life insurance customers in the higher recorded net investment income. In contrast, the property/casualty insurers reported an encouraging underwriting result despite a slight increase in the combined ratio to 96.4 (95.8) percent. The decline in technical insurance items was offset by an improvement in net investment income, which rose to EUR 321 (284) million. EBIT therefore increased by 12.4 percent to EUR 208 (185) million. In line with this, the segment's contribution to Group net income rose by 20.7 percent to EUR 122 (101) million.

As expected, gross written premiums in the **Non-Life Reinsurance** segment were up slightly year-on-year in 2014, rising by 1.1 percent (1.2 percent after adjustment for exchange rate effects) to EUR 7.9 (7.8) billion despite a more selective underwriting policy. The combined ratio improved as against the already good prior-year figure to 94.7 (94.9) percent as a result of noticeably lower claims levels, lifting the underwriting result by 5.1 percent to EUR 349 (332) million. Net investment income increased by 6.9 percent to EUR 867 (811) million. EBIT improved by 11.1 percent to EUR 1.2 (1.1) billion as a result of this growth. The segment accounted for EUR 401 (377) million of Group net income.

The **Life/Health Reinsurance** segment closed the financial year with income growth of 5.1 percent. Premiums rose by 4.9 percent in local currency. The segment recorded premium income of EUR 6.5 (6.1) billion. The technical insurance items improved by 9.2 percent to EUR –384 (–422) million due to ongoing measures to improve profitability, while net investment income was roughly on a level with the previous year amid persistently low interest rates, at EUR 613 (611) million. Operating profit amounted to EUR 268 (139) million and the segment's contribution to Group net income increased to EUR 107 (76) million.

Outlook for 2015

Talanx is confirming its outlook for financial year 2015. Assuming constant exchange rates, Talanx expects to see gross premium growth of 1 to 3 percent, the bulk of which will be generated in its international markets. The net return on investment should exceed 3.0 percent. The Group is aiming for Group net income of at least EUR 700 million. This is despite a significantly higher major loss budget than in 2014, especially in primary insurance, a challenging capital market environment and investments designed to improve profitability. The Group is expecting a return on equity of approximately 9 percent in 2015, in line with its strategic target of 750 basis points above the average risk-free interest rate. These targets assume constant exchange rates, no negative developments on the capital markets and catastrophe losses that do not exceed the major loss budget. Talanx has increased this budget again, to EUR 290 (185) million for primary insurance in 2015. Talanx's stated goal is to again distribute 35 to 45 percent of Group net income as a dividend payment for the 2015 financial year.

Key figures from the Talanx Group income statement 2014, consolidated (IFRS)

in EUR million	2014	2013[1]	+/-
Gross written premium	28,994	28,151	+3.0 %
Net premium earned	23,844	23,113	+3.2 %
Combined ratio in property/casualty insurance and non-life reinsurance	97.9 %	97.1 %	+0.8 % pts
Net investment income (including income/expense on funds withheld and contract deposits)	4,144	3,792	+9.3 %
Operating profit (EBIT)	1,892	1,766	+7.1 %
Net profit (after financing costs and tax)	1,368	1,252	+9.3 %
Group net income (after non-controlling interests)	769	732	+5.0 %
Return on equity[2]	10.2 %	10.2 %	--
Talanx Group solvency	228.2 %	210.2 %	+18 % pts

[1] Adjusted on the basis of IAS 8

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

Full Annual Report 2014:
http://annualreport2014.talanx.com

Financial Calendar 2015:
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 Germany's third-largest and Europe's seventh-largest insurance group. 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, 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, and the financial services provider Ampega. The takeovers of TU Europa and TUiR Warta S.A. have now made Poland the second core market of Talanx. 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.

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