News Release

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Talanx increases its net income for the first half of the year and raises its outlook

- Gross written premiums increase by 6.9 percent to EUR 17.6 (16.4) billion
- Net return on investment at 3.7 percent
- Low large loss burden in the first half of the year
- EBIT up by 5.4 percent to EUR 1,125 (1,067) million
- Group net income up by 14.9 percent year-on-year at EUR 463 (403) million
- Talanx raises its outlook for Group net income in 2017 from around EUR 800 million to around EUR 850 million

Hannover, 14 August 2017

The Talanx Group has increased its net income for the first half of the year by 14.9 percent to EUR 463 (403) million. All of the divisions contributed to the pleasing income increase, especially Retail Germany and Industrial Lines. Premium income improved by 6.9 percent to EUR 17.6 (16.4) billion in the first half of the year. The growth can mainly be attributed to Property/Casualty Reinsurance, Industrial Lines and Retail International. The strategic realignment of Retail Germany is progressing according to schedule. Overall, the Group only suffered limited large losses in the first half of the year. The Group's combined ratio remained largely stable at a good level at 97.0 (96.8) percent. Since the Group's performance turned out to be better than expected, Talanx is raising its outlook for Group net income in 2017 from around EUR 800 million to around EUR 850 million

"We are very satisfied with our business performance in the first half of 2017 and are adjusting our outlook for 2017 to reflect this development. We are now expecting a Group net income of around EUR 850 million", said Herbert K Haas, Chairman of the Board of Management of Talanx AG. "The first six months have gone well even though the market environment continues to be challenging. Our focus on the international market both in retail and industrial lines has proven to be positive. In our German business we are firmly on track with the implementation of our digitalisation strategy, with our KuRS programme and with the successful switch to capital-efficient products. Generally positive claim trends have contributed to the pleasing result. Additionally, the burden resulting from natural disasters and large losses was well below the pro-rata budget. Our half-year interim report proves that we are on the right path", Haas continued. In the first half of 2017, Talanx also made visible progress towards its goal to generate more than 50 percent of premiums in primary insurance abroad. As at the end of the first half of 2017, this figure stood at 49.9 (47.2) percent.

The net burden of large losses across the Group amounted to EUR 195 (495) million as at 30 June and thus remained within the pro-rata large loss budget of EUR 488 million for the first half of the year. Large losses of EUR 123 (353) million were attributed to Reinsurance with primary insurance accounting for EUR 72 (142) million. The Group's combined ratio of 97.0 percent was at an adequate level in the first six months, deviating only slightly year-on-year (96.8 percent). The improved loss ratio cannot completely compensate for the cost ratio, which is slightly higher due mainly to the composition of the portfolio.

Gross written premiums increased by 6.9 percent to EUR 17.6 (16.4) billion in the first half of the year. If adjusted for currency effects, the increase would have been similarly high at 6.5 percent. At EUR –940 (–784) million, the underwriting result was primarily down due to the allocation to the provisions for premium refunds (RfB). Investment income increased by 6.2 percent to EUR 2.1 (2.0) billion. With 3.7 (3.5) percent, the Group achieved a slightly higher net return on investment.

The Group's EBIT improved by 5.4 percent to EUR 1,125 (1,067) million. Group net income increased by 14.9 percent to EUR 463 (403) million. The Solvency II ratio at Group level was 194 percent as at the reporting date on 31 March 2017 (FY 2016: 186 percent; 9M 2016: 160 percent).

Second quarter: Solid EBIT and Group net income

The Group's premium income rose to EUR 7.8 (7.4) billion. At 97.6 (97.3) percent, the combined ratio remained almost stable, whereas the underwriting result fell to EUR –525 (–362) million. The net investment income amounted to EUR 1.1 (0.9) billion. The EBIT improved to EUR 549 (494) million. Group net income increased overall to EUR 225 (181) million.

Industrial Lines: renewed premium growth abroad

Industrial Lines continued growing in this first half-year period. Gross written premiums rose by 3.3 percent to EUR 2.8 (2.7) billion. Adjusted for currency effects, this increase would have only been slightly lower at 2.6 percent. The branches in France, Belgium and Japan in particular were responsible for the increases in premiums. At 54.4 percent (52.7 percent), the retention ratio was above the level of the previous year, which is in line with the strategy.

The combined ratio improved to 97.2 (97.8) percent. This is where the portfolio optimisation measures are noticeable. These have resulted in an improvement in both the cost ratio and the loss ratio. The underwriting result rose to EUR 32 (25) million. Net investment income increased sharply by 25.7 percent in the first half of 2017 to EUR 137 (109) million. EBIT improved by 13.3 percent to EUR 162 (143) million. In addition, the aforementioned positive performance allowed the division to make a higher contribution year-on-year to Group net income during the reporting period, which amounted to EUR 112 (91) million.

Second quarter: significantly improved contribution to Group net income

In the second quarter of 2017, the premium income increased slightly to EUR 791 (785) million. The underwriting result rose to EUR 13 (12) million. Investment income stood at EUR 68 (59) million. The combined ratio improved by 0.3 percentage points to 97.8 (98.1) percent. The EBIT increased to EUR 82 (69) million. The contribution of the division to the Group net income improved to EUR 53 (43) million.

Retail Germany: satisfactory business performance is on target

The performance in the Retail Germany Division in the first half of the year was encouraging, particularly in Property/Casualty Insurance. At EUR 3,310 (3,346) million, the premium income remained almost stable in the first six months. The division's EBIT increased to EUR 63 (56) million and its contribution to Group net income doubled to EUR 50 (24) million.

Property/Casualty Insurance segment: underwriting result benefits from positive claim trends

The premium income in the Property/Casualty Insurance segment rose by 2.2 percent to EUR 1,002 (980) million in the first half of 2017. The increase in direct sales over the digital motor distribution channel, the expansion of unemployment insurance and the growth in business with small and medium-sized companies and liberal professions has more than compensated for the transfer of fleet business to the Industrial Lines Division. The combined ratio in the segment fell by 3.2 percentage points to 101.5 (104.7) percent. The improvement mainly resulted from favourable claim trends and a lower burden resulting from natural disasters. Adjusted for the expenses for the KuRS modernisation programme, which amounted to EUR 18.6 (17.6) million, the combined ratio was 98.8 (102.2) percent as at the end of the first half of 2017.

Subsequently, the underwriting result showed a satisfactory increase to EUR –9 (–32) million. Net investment income fell to EUR 44 (47) million due to lower current interest income. The EBIT in the Property/Casualty Insurance segment increased to EUR 22 (–17) million due again to the low loss burden and the expenditure attributed to the restructuring within the KuRS investment and modernisation programme.

Second quarter: adjusted combined ratio improved further

Premium income rose to EUR 243 (231) million in the second quarter and continued to grow as it had in the first quarter. The combined ratio amounted to 101.3 (105.6) percent. Adjusted for the expenses for the KuRS modernisation programme, the combined ratio was 98.3 (102.8) percent and therefore decreased once again. The underwriting result rose to EUR –3 (–18) million, whereas the net investment income fell to EUR 19 (25) million. The EBIT significantly increased to EUR 9 (–22) million.

Life Insurance segment: low interest rates lead to increases in provisions

In line with the strategy, the premiums for Life Insurance fell in the first half of 2017 by 2.4 percent to EUR 2.3 (2.4) billion. As expected, this was a result of declines in both regular premiums due to higher outflows in 2016 and single premiums. As a consequence, new business for life insurance products declined overall to EUR 194 (202) million, assessed against the annual premium equivalent (APE).

The underwriting result fell to EUR –901 (–780) million. This was partly due to the unwinding of discounts on technical provisions and policyholder participation in net investment income. The net investment income rose correspondingly by 6.9 percent to EUR 951 (890) million due to higher realisation of unrealised gains to finance the Zinszusatzreserve (additional interest reserve). The EBIT fell to EUR 41 (73) million, in particular due to the allocation to the provisions for premium refunds (RfB) resulting from tax income at a number of companies within the segment.

Second quarter: stable premium income

In the second quarter the gross written premiums remained almost stable at EUR 1,161 (1,211) million. The underwriting result fell to EUR –485 (–316) million. The segment experienced a significant increase in net investment income to EUR 516 (377) million. The EBIT fell to EUR 20 (31) million.

Retail International: strong growth in the target regions of Latin America and Europe

Premium income in the division rose by 13.7 percent to EUR 2.8 (2.5) billion. At 11.3 percent when adjusted for currency effects, this increase in premium income is somewhat lower. The gross written premiums in Latin America grew by 18.0 percent, 9.1 percent when adjusted for currency effects, which is partly due to the increased number of insured vehicles and higher average premiums. The premium income rose in Europe by 12.3 percent, 12.4 percent when adjusted for currency effects. In particular, the increase in average premiums in vehicle insurance in Poland was noticeable. The combined ratio remained on a par with last year at 96.5 (96.4) percent despite wild fires in Chile. The underwriting result doubled to EUR 14 (7) million. The division's net investment income increased by 13.1 percent to EUR 173 (153) million.

The EBIT for the first half of 2017 was EUR 116 (107) million. The decline in Latin America was more than compensated for by the EBIT increase in Europe. The contribution to Group net income developed positively and rose by 13.7 percent to EUR 74 (65) million.

Second quarter: underwriting result increases significantly

In the second quarter of 2017, the premium income increased slightly to EUR 1,345 (1,339) million. The combined ratio improved to 96.3 (96.7) percent. The underwriting result increased to EUR 7 (–1) million; the net investment income amounted to EUR 86 (73) million. The EBIT increased in the quarter to EUR 53 (46) million. The contribution to Group net income amounted to EUR 34 (29) million.

Reinsurance: satisfactory earnings performance

Overall, the performance in the Reinsurance Division in the first half of 2017 was satisfactory. The EBIT increased to EUR 800 (756) million and the division's contribution to Group net income rose to EUR 266 (251) million.

Property/Casualty Reinsurance segment: intense competition continues

The gross written premiums in the Property/Casualty Reinsurance segment rose significantly by 17.3 percent to EUR 5.4 (4.6) billion in the first half of 2017. This reflects the demand for reinsurance solutions that improve solvency in both Europe and North America. Adjusted for currency effects, this increase amounted to 16.9 percent. Retention rose to 89.4 (88.2) percent. The combined ratio decreased after the first half of the year to 96.5 (95.4) percent but remained adequate. The underwriting result fell to EUR 149 (165) million. Net investment income rose to EUR 490 (431) million. For this reason, the segment achieved an EBIT of EUR 644 (582) million.

Second quarter: improved EBIT

In the second quarter, the premium income increased to EUR 2.6 (2.1) billion. The EBIT increased to EUR 329 (272) million.

Life/Health Reinsurance segment: stable contribution to Group net income

In the Life/Health Reinsurance segment, premium income fell slightly by 2.4 percent to EUR 3.6 (3.7) billion in the first half of 2017. At constant exchange rates, the decline would have amounted to 1.5 percent. The underwriting result fell to EUR –229 (–176) million. The net investment income fell to EUR 300 (321) million and the EBIT decreased to EUR 156 (174) million.

Second quarter: stable EBIT

In quarterly terms, the gross written premiums in Life/Health Reinsurance also fell to EUR 1,838 (1,895) million. The EBIT was nearly stable at EUR 70 (71) million.

Outlook for 2017

The first half of 2017 showed a pleasing business development for the Talanx Group. Due to that and, in particular, the positive performance in Property/Casualty Reinsurance and the Property/Casualty segment of Retail Germany, Talanx now expects a growth in gross written premiums in financial year 2017 based on steady exchange rates exceeding 4.0 percent. Furthermore, Talanx raises its outlook for Group net income to around EUR 850 million and now anticipates a return on equity of around 9.0 percent. The net return on investment should continue to be at least 3.0 percent. These targets assume that there will be no negative developments in the currency and capital markets and that large losses will remain in line with expectations. The aim is to distribute between 35 and 45 percent of Group net income as a dividend payment for 2017.

Key data from the Talanx Group income statement, 1st half of 2017, consolidated (IFRS)

EUR million	6M 2017	6M 2016[1]	+/-
Gross written premiums	17,553	16,427	+6.9%
Net premiums earned	13,440	12,810	+4.9%
Combined ratio in property/casualty primary insurance and Property/Casualty Reinsurance[2]	97.0%	96.8%	+0.2%pts.
Net investment income	2,085	1,962	+6.2%
Operating profit (EBIT)	1,125	1,067	+5.4%
Group net income (after non-controlling interests)	463	403	+14.9%
Return on equity[3]	10.3%	9.5%	+0.8pts.

1) Adjusted in line with IF RS 3.45 within the valuation period
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.

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Key data from the Talanx Group income statement, Q2 of 2017, consolidated (IFRS)

EUR million	Q2 2017	Q2 2016[1]	+/-
Gross written premiums	7,801	7,432	+5.0%
Net premiums earned	6,748	6,544	+3.1%
Combined ratio in property/casualty primary insurance and Property/Casualty Reinsurance[2]	97.6%	97.3%	+0.3%pts.
Net investment income	1,074	940	+14.3%
Operating profit (EBIT)	549	494	+11.1%
Group net income (after non-controlling interests)	225	181	+24.3%
Return on equity[3]	9.8%	8.4%	+1.4%pts.

1) Adjusted in line with IF RS 3.45 within the valuation period
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 interim report:
http://www.talanx.com/investor-relations/presentations-and-events/disclosure/2017.aspx?sc_lang=de-DE

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

About Talanx

With premium income of EUR 31.1 billion (2016) and about 20,000 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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