News Release

Talanx's overall good first quarter underpins Group net income Outlook for this year

- Gross written premiums grow to EUR 10.6 (9.8) billion
- Combined ratio at 97.0 (96.3) percent
- Strong net return on investment at 3.7 (3.5) percent
- EBIT up by 2.8 percent to EUR 592 (576) million
- Group net income stands at EUR 218 (238) million also due to one-off effects of US tax reform
- Outlook for Group net income for the whole year of around EUR 850 million is confirmed

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The Talanx Group has enjoyed a positive overall start to financial year 2018. Premium income rose 8.3 percent from EUR 9.8 billion to EUR 10.6 billion (adjusted for currency effects: +14.1 percent). All segments other than the German life business contributed to this premium growth. The Retail Germany, Retail International and Reinsurance divisions all improved operating profits compared with the previous year. The large loss burden at Group level was moderate. The volatile run-off result in the first quarter and the unsatisfactory development of the German fire insurance business negatively impacted the result for the Industrial Lines Division. Group net income dropped to EUR 218 (238) million mainly as a result of the one-off effect of the US tax reform as well as the higher share of profits attributable to minorities. In view of the good overall business development, Talanx confirms its Outlook on a Group net income of around EUR 850 million.

"Overall, we've had a good start to 2018. Positive international market growth shows that our diversification is being implemented successfully outside the domestic market. However, we are also continuing to succeed and increase profitability in the German retail business. Despite the impact of storm "Friederike" and investment in modernisation of the division, the combined ratio dropped below 100 percent. The results for the first quarter have laid good foundations for achieving our Outlook for

Group net income of around EUR 850 million," said Torsten Leue, Chairman of the Board of Management of Talanx AG.

The Talanx Group's large loss burden decreased to EUR 138 (153) million year-on-year, remaining well below the proportional large-loss budget of EUR 242 million. Large losses worth EUR 65 (19) million were attributed to primary insurance, whereas reinsurance was burdened with losses in the amount of EUR 73 (134) million. The largest loss event was storm "Friederike", which hit Germany and a number of other European countries and represented a Group-wide burden of around EUR 59 million. The combined ratio deteriorated slightly to 97.0 (96.3) percent year on year.

The underwriting result deteriorated by 3.6 percent to EUR -430 (-415) million. The net investment income amounted to EUR 1.1 (1.0) billion. Among other factors, this rise can be attributed to higher reversals to finance the Zinszusatzreserve (ZZR; additional interest reserve) in the Retail Germany Division. Talanx generated a consolidated net return on investment of 3.7 (3.5) percent, while EBIT grew 2.8 percent to EUR 592 (576) million. All divisions except for Industrial Lines contributed to this EBIT growth. Group net income dropped to EUR 218 (238) million, mainly because of a negative one-off effect in connection with the US tax reform.

The Group can also boast a healthy capitalisation level in addition to its solid business development. Excluding transitional measures, its Solvency II ratio at the end of 2017 was a comfortable 206 (9M 2017: 190; Q1 2017: 194; 2016: 186) percent, which is above the target range of 150 to 200 percent.

Industrial Lines: International premium growth

Gross written premiums rose by 2.2 percent to EUR 2,049 (2,004) million in the Industrial Lines Division. Adjusted for currency effects, the increase amounted to 5.6 percent. In keeping with the strategy, this growth was achieved on international markets in particular, i.e. in the Netherlands, Italy and the UK. Retention climbed to 60.3 (56.4) percent.

The underwriting result stood at EUR -13 (19) million. The combined ratio amounted to 102.3 (96.5) percent. This was due to a volatile run-off result as well as the negative impact on results in the domestic fire insurance business.

Net investment income declined by 1.4 percent to EUR 68 (69) million. Income from private equity vehicles was able to successfully over-compensate for lower interest rates in new investments and reinvestments. EBIT declined to EUR 51 (80) million after the first three months. The contribution to Group net income dropped to EUR 31 (59) million because of decreasing underwriting as well as the negative effect from the US tax reform.

Retail Germany: Increased contribution to Group net income

The German business got off to a good start in the 2018 financial year. EBIT increased by 11.8 percent to EUR 38 (34) million. The contribution to Group net income increased by 15.8 percent to EUR 22 (19) million.

Property/Casualty Insurance segment: EBIT exceeds previous year result despite spring storms

The gross written premiums increased by 2.8 percent to EUR 780 (759) million. The first quarter of 2018 therefore marked the sixth consecutive quarter of positive growth for the segment. Business with SMEs and self-employed professionals saw some growth, as did the digital motor vehicle channel. The underwriting result improved to EUR 3 (-6) million. An improved run-off result was able to more than compensate for the burden of around EUR 12 million arising as a result of storm “Friederike”, which was higher than the proportional large loss budget. The combined ratio dropped to 99.0 (101.7) percent. Adjusted for the costs of the KuRS modernisation programme, the combined ratio improved to as much as

97.4 (99.2) percent. Net investment income declined to EUR 21 (25) million. By contrast, EBIT increased to EUR 18 (13) million.

Life Insurance segment: EBIT virtually unchanged

In the Life Insurance segment, premium income declined by 5.1 percent to EUR 1,088 (1,147) million in the first three months. Both single premiums and regular premiums declined. New business for life insurance products, measured in annual premium equivalent (APE), decreased slightly to EUR 92 (94) million. The share attributable to capital-efficient and biometric products remained stable year-on-year in the first quarter of 2018, holding at strong 71 (71) percent. Policyholder participation in net investment income was most clearly reflected in the decline in the underwriting result, to EUR -467 (-416) million. Participation increased by 12.4 percent to EUR 489 (435) million. EBIT remained rather stable at EUR 20 (21) million.

Retail International: Strong premium growth in local currencies

The gross written premiums increased by 0.9 percent to EUR 1,496 (1,483) million in the first three months. Adjusted for currency effects, this growth amounted to 4.8 percent. In local currency, both target regions of Europe and Latin America contributed to growth. In Latin America, premium income grew due to an increase in the number of insured vehicles, coupled with higher average premiums. In Brazil as well as in Mexico, premium income in local currency increased. In Europe, Poland is responsible for the lion’s share of growth due to the increased number of insured vehicles from 4.3 to 5.1 million with a simultaneously constant level of average premiums. In Turkey, the premium volume adjusted for currency effects increased, driven by motor insurance business in particular.

The underwriting result increased significantly to EUR 15 (7) million. The combined ratio improved to 94.9 (96.6) percent. Cost optimisation measures had a positive impact in Poland and Brazil. Investment income increased by 5.7 percent to EUR 92 (87) million. EBIT rose by 11.1 percent to EUR 70 (63) million. The contribution to Group net income increased by 2.5 percent to EUR 41 (40) million.

Reinsurance: Solid contribution to Group net income

The Reinsurance Division enjoyed a strong start to the 2018 financial year. Growth was very good in the areas of traditional and structured reinsurance within the Property/Casualty Reinsurance segment. Business development was as expected in the Life/Health Reinsurance segment. The contribution to Group net income in the Reinsurance Division increased overall in spite of a negative one-off effect of the US tax reform to EUR 139 (132) million.

Property/Casualty Reinsurance segment: Moderate large loss burden

The gross written premiums rose by 27.1 percent to EUR 3.6 (2.8) billion. Adjusted for currency effects, the increase was 38.8 percent. The underwriting result remained stable year-on-year at EUR 91 million. Major losses developed moderately in the first quarter of 2018. With 95.9 (95.6) percent, combined ratio was within the target range of under 96 percent. Net investment income improved to EUR 274 (250) million. EBIT increased by 9.2 percent to EUR 344 (315) million.

Life/Health Reinsurance segment: Gross written premiums adjusted for currency effects above the strategic target

Premium income in the Life/Health Reinsurance segment fell by 2.0 percent to EUR 1.8 (1.7) billion. Adjusted for currency effects, the increase was 9.2 percent. Net investment income declined to EUR 123 (148) million. By contrast, EBIT rose 7.0 percent, with a result of EUR 92 (86) million after the first three months.

Outlook

Following the positive development in premium income during the first quarter, mainly in the Property/Casualty Reinsurance segment, Talanx is now anticipating an increase of more than 5.0 percent in gross premiums in the 2018 financial year – based on steady exchange rates. The IFRS net return on investment should be at least 3.0 percent. Talanx continues to strive for Group net income of around EUR 850 million. The return on equity is expected to be around 9.0 percent in 2018. These targets assume that any large losses will be within the expected range and that there will be no disruptions on the currency and capital markets. The aim is to distribute between 35 and 45 percent of Group net income as a dividend payment for 2018 and to ensure that dividends at least remain stable.

Key data from the Talanx Group income statement, Q1 2018, consolidated (IFRS)

EUR million	Q1 2018	Q1 2017[1]	+/-
Gross written premiums	10,560	9,752	+8.3%
Net premiums earned	6,989	6,698	+4.3%
Combined ratio in property/casualty insurance and Property/Casualty Reinsurance	97.0%	96.3%	+0.7%pts.
Net investment income	1,063	1,011	+5.1%
Operating profit (EBIT)	592	576	+2.8%
Group net income (after non-controlling interests)	218	238	-8.4%
Return on equity[2]	9.9%	10.4%	-0.5%pts.

1) Adjusted in accordance with IAS 8.
2) Annualised net income for the reporting period excluding non-controlling interests relative to average equity excluding non-controlling interests.

All documentation relating to the quarterly statement:
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?sc_lang=en

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).

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