

Talanx off to a good start in the new year

- Double-digit growth in gross written premiums, rising 11% to EUR 11.7 (10.6) billion; growth in all divisions
- Combined ratio improved to 96.8% (97.0%)
- EBIT rises 4% to EUR 616 (592) million
- Group net income up 8% to EUR 235 (218) million
- 2019 outlook unchanged: Group net income around EUR 900 million

Hannover, 9 May 2019

With strong premium growth and a good upturn in Group net income, the Talanx Group got off to a good start in 2019. Income from gross written premiums saw double-digit growth in the first quarter of 2019, up 11% to EUR 11.7 (10.6) billion. All divisions contributed to this. Restructuring measures in industrial fire insurance launched as part of the 20/20/20 programme are showing results. Operating profit rose by 4% to EUR 616 (592) million thanks to the Retail Germany, Retail International and Reinsurance divisions, with Group net income rising 8% to EUR 235 (218) million. The Talanx Group reiterated its guidance that Group net income will improve significantly to around EUR 900 million for the year 2019.

“We got off to a good start in the new year,” said Torsten Leue, Chairman of the Board of Management at Talanx AG. “Together with strong operating performance in the Retail Germany, Retail International and Reinsurance divisions, the positive effects of the new strategic focus are becoming evident. Industrial Lines is well under way with its 20/20/20 profitability programme and the launch of the joint venture between Hannover Re and HDI Global – HDI Global Specialty – will enable us to tap additional business potential in the long run. We are therefore confident about the current financial year and confirm our ambitious targets. We have already achieved over a quarter of our annual profit target in the first quarter.”

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The large loss burden for the Group of EUR 137 million in the first quarter of 2019 was on the previous year's level (138). Primary insurance accounted for EUR 78 (64) million, with reinsurance posting large losses of EUR 59 (73) million. The underwriting result rose 17% to EUR -357 (-430) million, which helped the combined ratio improve to 96.8% (97.0%).

Net investment income totalled EUR 988 (1,063) million, with net return on investment at a solid 3.2% (3.7%). This resulted from lower demand for transfers to the additional interest reserve (*Zinszusatzreserve, ZZR*) due to a change in legislation. As a result, operating profit increased by around 4% to EUR 616 (592) million. A lower tax burden compared to the first quarter 2018 also meant that Group net income saw a more pronounced rise than operating profit, increasing 8% to EUR 235 (218) million.

In line with the operating progress and the profit increase, the Group continued to shore up its capitalisation in 2018. This is disclosed in the 2018 Solvency and Financial Condition Report (SFCR report), also released today. Excluding transitional measures, the Solvency II ratio came to a comfortable 209% at the end of 2018 (2017: 206%), higher than the target range of 150% to 200%.

Industrial Lines: 20/20/20 programme showing results

Industrial Lines saw gross written premiums rise by 12.1% to EUR 2.3 (2.0) billion in the first three months of 2019, attributable to the establishment of HDI Global Specialty, a joint venture which now also includes Hannover Re's specialty business. Restructuring measures in fire insurance launched in 2018 as part of the 20/20/20 programme are showing results. The expected premium loss associated with this was largely offset by higher premiums from price increases. The underwriting result was slightly down on the previous year at EUR -18 (-13) million. This performance reflects two different effects: While loss expenditure for the financial year, including the large loss burden at the beginning of

the year, was in line with expectations and income from regular operations in fire insurance reflects attempts to improve profitability, the value adjustment on a large loss in December had a negative impact on the loss ratio. Overall, the combined ratio was 102.9% (102.3%). Excluding this one-off effect, the combined ratio would have been around 100% and was positive from an underwriting perspective. Net investment income expanded by 4.4% to EUR 71 (68) million. Industrial Lines generated operating profit of EUR 35 (51) million in the first three months. The contribution to Group net income amounted to EUR 23 (31) million.

Retail Germany: Growth continues, operating profit improves

For the second quarter in a row, the Retail Germany division has now been growing its premium income in both the property/casualty business and in life insurance – premiums rose by 1% to EUR 1.9 (1.9) billion. The launch of the “KuRS” growth and efficiency programme continues to generate positive benefits. Operating profit (EBIT) rose significantly to EUR 60 (38) million in the first quarter. The Group net income contribution thus increased by 64% to EUR 36 (22) million.

Property/Casualty Insurance segment: combined ratio stable, EBIT improved

Income from premiums in the Property/Casualty Insurance segment grew slightly to EUR 782 (780) million in the reporting period. In line with our strategy the business with corporate customers and self-employed professionals generated premium growth of 8%, rising to EUR 257 (239) million. At EUR 4 (3) million, the underwriting result was up on the prior year. While large losses eased slightly, the run-off result normalised, falling versus the previous year. In addition, IT investments to shut down legacy systems were brought forward in the reporting quarter, resulting in a combined ratio of 99.3% (99.0%). After adjusting for the expenses related to “KuRS”, the combined ratio declined by 1.3 percentage points to 96.1% (97.4%).

Net investment income improved to EUR 28 (21) million, reflecting higher ordinary and extraordinary investment income. Operating profit rose significantly to EUR 30 (18) million, primarily as a result of the increase in net investment income.

Life Insurance segment: EBIT up by half

Premiums in life insurance grew 1.5% to EUR 1,104 (1,088) million in the first quarter. A key driver for this were biometric products, as well as the focus on capital-efficient life insurance. As measured by annual premium equivalent (APE), new business in life insurance products rose to EUR 95 (92) million. The underwriting result improved by around a quarter to EUR -363 (-467) million. This continues to be driven by the interest cost of underwriting provisions and policyholder participation in net investment income. Net investment income declined by 18.0% to EUR 401 (489) million on account of lower realisation of hidden reserves in order to finance the *Zinszusatzreserve*. EBIT improved year on year to EUR 30 (20) million thanks to declining costs and growth in high-margin products.

Retail International: Sharp jump in premiums, combined ratio continues to improve

The Retail International division seamlessly sustained the previous year's dynamic growth in the first three months of the year, with gross written premiums rising 8.1% year on year to EUR 1.6 (1.5) billion. After adjusting for currency effects, gross premiums saw double-digit growth of 11.8%, with both Europe (up 10.5%) and Latin America (16.7%) performing excellently. The underwriting result of EUR 15 million remains constant in comparison to the first quarter 2018. The combined ratio improved by 0,3 percentage points to 94.6%, while the underwriting result for life insurance slightly declined due to growth. The improvement in the combined ratio is mainly attributable to lower loss ratios in Brazil and at WARTA in Poland. At EUR 91 million, net investment income was held constant year on year. As a result operating profit rose by 4.3%

versus the first quarter of 2018 to EUR 73 (70) million, with the Group net income contribution increasing by 2.4% to EUR 42 (41) million.

A few days ago, the Talanx Group announced its intentions to expand activities in Turkey by taking over the non-life insurance company ERGO Sigorta A.Ş. The acquisition will enable Talanx to once again step up its presence in one of its five core markets (Poland, Turkey, Brazil, Mexico and Chile) – in line with business strategy – and move closer to the goal of being one of Turkey’s top 5 insurance companies as well. Pro-forma taking into account the acquisition, the division’s premium volume in Turkey for the year as a whole increases by EUR 139 million to over EUR 400 million, with market share strengthening to over 5%. The transaction is set to make a positive contribution to profits in its second year at the latest, and in turn have a positive impact on earnings per share. The takeover is expected to be concluded in the third quarter of 2019, subject to approval by the relevant supervisory authorities.

Reinsurance bolsters Group net income contribution

The Reinsurance division reported a decline in large losses in the first quarter, which were significantly below expectations overall. Large losses included the “Queensland” flood in Australia and the “Eberhard” winter storm in Germany. The Group net income contribution rose from EUR 139 million in the previous year to EUR 148 million.

Property/Casualty Reinsurance segment: Strong growth despite ongoing competitive market environment

As expected, gross written premiums in the Property/Casualty Reinsurance segment rose considerably by 22.8% to EUR 4.4 (3.6) billion. If exchange rates had remained stable, this would have represented growth of 19.4%. The combined ratio improved slightly, reaching 95.7% (95.9%), and was thus within our target range with a maximum of 97%. The underwriting result rose by 23.1% to EUR 112 (91) million, chiefly due to premium growth and a slight improvement in

the combined ratio. EBIT was virtually level with the previous year at EUR 340 (344) million.

Life/Health Reinsurance segment: Strong business in Asia and the US – gross premiums pick up

As expected, the result in the Life/Health Reinsurance segment improved considerably in the first quarter of 2019. In Asia, the first three months of the year saw strong growth in markets such as China and Hong Kong. In the US, the mortality solutions business was the main driver of the good business performance. Gross premiums rose by 12.1% to EUR 2.0 (1.8) billion in the reporting period. Adjusted for currency effects, the segment would have reported growth of 9.6%. Net investment income increased to EUR 162 (123) million. EBIT rose by 22.4% to EUR 113 (92) million.

Outlook 2019: significant profit upturn anticipated

Talanx fully confirms the outlook for 2019 and subsequent years as already published in autumn last year. Growth in gross written premiums is set to be around 4.0% on a constant exchange-rate basis. IFRS net return on investment should reach around 2.7% which is ambitious given the increasingly intense low interest rate environment. Talanx is aiming for Group net income of around EUR 900 million in the 2019 financial year. Return on equity should correspond to about 9.5% in 2019, meaning that the company would exceed its strategic target of 800 basis points above the risk-free interest rate.

These objectives assume that any large losses will be within the expected range and that there will be no disruptions on the currency and capital markets. Talanx remains committed to its stated target of distribution between 35% and 45% of Group net income as a dividend, thus ensuring that the dividend at least remains stable year-on-year.

Key data from the Talanx Group income statement, Q1 2019, consolidated (IFRS)

EUR million	Q1 2019	Q1 2018 ¹⁾	+/-
Gross written premiums	11,716	10,560	+10.9%
Net premiums earned	7,842	6,989	+12.2%
Combined ratio in property/casualty insurance and Property/Casualty Reinsurance ²⁾	96.8%	97.0%	-0.2pts.
Net investment income	988	1,063	-7.1%
Operating profit (EBIT)	616	592	+4.1%
Group net income (after non-controlling interests)	235	218	+7.8%
Return on equity ³⁾	10.3%	10.0%	+0.3%pts.

- 1) Adjusted in accordance 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 quarterly statement:

https://www.talanx.com/investor-relations/presentations-and-events/disclosure/2019.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 34.9 billion (2018) 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. Ampega is one of the top asset management companies in Germany and manages the assets of the Talanx Group. It is also an experienced provider of solutions for non-group institutional investors. 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 SDAX 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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