News Release

Talanx continues to boost profitability in Primary Insurance

- Capital Markets Day in London shows that successful progress is being made on central Primary Insurance projects
- Balanced Book initiative is enhancing profitability in the domestic Industrial Lines business, to be expanded to parts of the international business
- “KuRS” project is moving ahead of plan. Risk reduction in the life insurance business is contributing to significantly improved solvency ratios. Back to growth path in Retail Germany P/C
- Plans to capture growth opportunities in the profitable foreign retail business in order to increase foreign business share in Primary Insurance to roughly two thirds on a long-term basis
- Commitment to consistently pushing forward digitalisation and behavioural pricing initiatives

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Talanx aims to take advantage of emerging signs of market hardening in major insurance markets and divisions. This is to further improve profitability while seizing opportunities for profitable growth. By consequence, the successful Balanced Book initiative is to be systematically continued in domestic Industrial Lines and carried over to foreign sub-portfolios as well. Accompanying this, the Industrial Lines Division is committed to achieving further growth with SMEs and mid-market clients. The Retail Germany Division is making impressive headway in its KuRS strategic programme while selectively using a portion of its above-target savings to further accelerate the pace of its modernisation and digitalisation initiative. Total savings from 2015 to 2017 exceeded the original plan by more than EUR 100 million. The rapid pace of organic growth in the international retail business – with annual premium growth of roughly 10 percent targeted by 2020 at a combined ratio of around 96 percent – should make a substantial contribution to increasing the foreign premium share in Primary Insurance from just above one half of late to roughly two thirds on a long-term basis.

“Our strategy since our IPO is proving successful, as evidenced by the operational improvement achieved in recent years. Accordingly, we will continue to pursue our strategic agenda; at the same time, however, we will also remain receptive to new aspects”, says Herbert K. Haas, Chairman of the Board of Management of Talanx AG. An integral component is the systematic digitalisation and modernisation of the business model, to which end Talanx will be presenting a number of implementation measures at its Capital Markets Day. Also on the agenda is the further enhancement of the cash-generating capacity of the Primary Insurance divisions. They already account for roughly 55 percent of cash inflow to the holding company for the period 2012-2017 before holding and financing costs. After dividend payments, Talanx AG used around one-half billion euros for its internal financing and for building up its cash pool while at the same time reducing the leverage. The pool of liquidity currently covers roughly one annual dividend and is targeted to be increased to 1.5-2 annual dividends.

On the basis of three extreme scenarios – Italy’s exit from the eurozone, a global pandemic and a series of earthquakes in New Madrid/US – the Talanx Group has modeled its resilience to extreme risks of this type. The results show that it would well withstand these losses (far exceeding the large losses in 2017). In all three scenarios, the Solvency II ratios would decline, but remain robust.

This resilience is also reinforced by further risk reduction in the German Life insurance business. Risk-weighted across all German risk carriers in life insurance, the Solvency II Ratio before transitional measures as at 30 June 2017 significantly improved to 162 percent (December 2016: 116 percent).

The Talanx Capital Markets Day 2017 takes place today in London, with the investor event broadcast via the Internet starting at 10 a.m. CET at www.talanx.com.

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).

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

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