

Talanx Group generates record premiums and Group net income in 2022

- Gross premiums up 17.4 percent (13.2 percent on a currency-adjusted basis) to EUR 53.4 (45.5) billion
- Total large losses of EUR 2.18 billion – the highest level in the Company’s history
- Combined ratio of 98.9 (97.7) percent driven by reserves for Ukraine and Hurricane “Ian”
- Group net income of EUR 1,172 (1,011) million despite large losses
- Return on equity up clearly year-on-year at 12.9 (9.6) percent
- Board of Management and Supervisory Board propose dividend increase to EUR 2.00 (1.60) per share, in line with the Company’s strategy
- 2023 earnings outlook of around EUR 1.4 billion¹ (after IFRS 17/IFRS 9) – on track to meet target of EUR 1.6 billion² by 2025

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The Talanx Group generated record premium income and Group net income in financial year 2022. Gross written premiums were up 17.4 percent to EUR 53.4 billion, or 13.2 percent on a currency-adjusted basis. Large loss claims totalled EUR 2.18 billion, mainly driven by natural disasters and reserves booked for Russia’s war of aggression against Ukraine. Despite these adverse effects, Group net income rose 15.9 percent to a record EUR 1,172 million. At 12.9 (9.6) percent, the return on equity was well above the minimum target of 8.4 percent. The Board of Management and Supervisory Board are therefore proposing a substantial 40-cent dividend increase to the General Meeting, to EUR 2.00 per share. Group net income for financial year 2023 is expected to be roughly EUR 1.4 billion¹.

“We grew profitably in a strongly changed market environment, increased our very strong earnings even further, and proved our

resilience. Net income at both our primary insurance and our reinsurance operations improved, driven substantially by our international business. Foreign premium income now accounts for 83 percent of the total gross written premiums – 3 percentage points more than in the previous year. Our distinct strategy, which is based on our decentralised, entrepreneurial structures and culture of trust as well as our broad diversification are paying off yet again. This is also demonstrated by the fact that we exceeded all our ambitious financial goals for the period to 2022. Consequently, we are optimistic about our prospects despite a challenging market environment and are pursuing our demanding goals for the period to 2025 with great confidence”, said Torsten Leue, Chairman of Talanx AG’s Board of Management.

The Talanx Group’s primary insurance operations (encompassing the Industrial Lines, Retail Germany and Retail International divisions) contributed significantly to this strong business performance, lifting its share of Group net income year-on-year to EUR 541 (493) million. The combined ratio for the entire Group was 98.9 (97.7) percent in financial year 2022. This was mainly driven by the reserves booked for Ukraine and high losses relating to natural disasters. The large loss budget for financial year 2022 was EUR 1.8 billion, well below the actual figure of almost EUR 2.2 billion. The Talanx Group has booked total reserves of EUR 367 million for potential client claims resulting from Russia’s war of aggression against Ukraine. Total large losses from natural disasters were EUR 1.5 billion in financial year 2022 – the highest volume in history of the rapidly growing Group. EUR 386 million of this figure was related to Hurricane “Ian”.

Net investment income was EUR 3.7 (4.7) billion, largely driven by lower net gains on disposals. Operating profit rose 37.4 percent to EUR 3.4 (2.5) billion, while Group net income was up 15.9 percent to EUR 1,172 (1,011) million.

Fourth quarter: clear increase in Group net income

The Talanx Group's gross written premiums rose 13.6 percent year-on-year in the fourth quarter to EUR 11.8 (10.4) billion. The underwriting result jumped 70.0 percent to EUR –177 (–590) million, while net investment income was EUR 1,102 (1,241) million. The sharp rise in operating profit to EUR 1,406 (615) million was mainly driven by investment portfolio measures in the Reinsurance Division, which were implemented in the fourth quarter of the year. Group net income climbed 34.4 percent to EUR 387 (288) million.

Transition to strategy cycle for the period to 2025 at year-end 2022

Talanx successfully completed its strategy cycle for the period to 2022. All targets set in 2018 were met despite strong headwinds: For example, the average return on equity for 2019–2022 was 9.6 percent, well above the minimum target of 800 basis points more than the risk-free rate. Likewise, Talanx's average annual EPS growth rate of 13.6 percent exceeded its minimum target of 5 percent. The same applies to the average payout ratio, which at 45.2 percent met the target range of 35–45 percent. The Group has now set itself new, ambitious goals for the period to 2025: a 25 percent rise in net income compared to 2022, a Group-wide return on equity of over 10 percent and dividend growth to EUR 2.50 by 2025.

Industrial Lines: medium-term combined ratio target almost met

The Industrial Lines Division grew its premium income by 17.9 percent in financial year 2022 to EUR 8.9 (7.6) billion – a clear double-digit rise. The currency-adjusted increase was 12.9 percent. Key growth areas were liability and property insurance and the division's specialty lines. Growth was driven both by new business and by rate adjustments, partly as a result of inflation. HDI Global Specialty continued its successful

development, growing premium income by EUR 660 million year-on-year to EUR 3.1 billion. Commercial Lines rose by EUR 693 million. A drop in frequency losses pushed down the combined ratio for the Industrial Lines Division to 95.7 (98.7) percent, in line with the Group's strategy, despite an increase in total large losses and inflation effects. As a result, the division has almost reached its mid-term target of 95 percent well ahead of schedule. This reflects the positive effects of the measures taken to increase profitability since 2019. High large loss claims due to natural disasters such as Hurricane "Ian", Hurricane "Fiona" and the floods in Australia impacted business by EUR 270 million. In addition, reserves for losses in relation to Russia's war of aggression against Ukraine totalled EUR 36 million. With an amount slightly below EUR 17 million, the low level of losses incurred from Winter Storm "Elliot" in the fourth quarter reflects the strict restructuring of the property portfolio. Operating profit for the Industrial Lines Division climbed to EUR 252 (196) million in the financial year. The division contributed EUR 177 (143) million to Group net income.

Fourth-quarter gross written premiums jumped 18.2 percent year-on-year to EUR 2.0 (1.7) billion; the currency-adjusted rise was 13.5 percent. The combined ratio was down to 93.1 (98.9) percent, while operating profit climbed to EUR 93 (46) million. As a result, the division's fourth-quarter contribution to Group net income rose to EUR 64 (42) million.

Retail Germany: higher interest rates boost Life Insurance segment

In the Retail Germany Division, premium income declined slightly year-on-year to EUR 6.0 (6.2) billion. Operating profit was EUR 263 (286) million driven by increased claims payments for large losses and inflation-related higher claims frequency. Higher interest rates were stimulating the performance in life insurance. Net investment income fell, largely because no hidden reserves needed to be realised to fund the

Zinszusatzreserve (ZZR – additional interest reserve). The division contributed EUR 150 (161) million to Group net income.

Property/Casualty Insurance segment: premium growth in all lines

Gross written premiums in the Property/Casualty Insurance segment rose by 9.0 percent in financial year 2022 to EUR 1.7 (1.6) billion. The segment grew by 13 percent in line with its strategy, with particular momentum in the business with small and medium-sized enterprises and the liberal professions. In addition, the increase in premiums in motor insurance and unemployment insurance contributed significantly to the overall segment growth. A higher run-off result supported a slight improvement of the combined ratio to 98.9 (99.2) percent and helped to offset substantially increased large loss claims for natural disasters such as the February storms and Low-pressure System “Emmelinde” in May. In addition, claims frequency levels in the motor insurance business returned to pre-pandemic levels in financial year 2022, while inflation severely affected average claims amounts. Operating profit declined to EUR 70 (104) million in the reporting period, largely due to a net loss on disposals and higher impairment losses in net investment income.

Fourth-quarter gross written premiums rose 2.5 percent year-on-year to EUR 273 (266) million. The combined ratio declined to 95.9 (105.7) percent. Operating profit improved clearly to EUR 34 (5) million, mainly because restructuring expenses had impacted the prior-year period.

Life Insurance segment: rise in bancassurance biometric business

Premium income in the Life Insurance segment (including the savings elements of premiums from unit-linked life insurance) was EUR 4.3 (4.6) billion in financial year 2022. This change was mainly driven by a drop in the single-premium business. New life insurance products business – measured using the annual premium equivalent (APE), the international

standard – was broadly unchanged, at EUR 425 (428) million. Sales of unit-linked annuity insurance product CleverInvest continued to perform well in financial year 2022. Total premiums for this particular product now exceed EUR 1.2 billion. Net investment income declined due to lower net gains on disposal since it was no longer necessary to fund the ZZR in financial year 2022. Nevertheless, operating profit rose 5.9 percent to EUR 193 (183) million on the back of higher capital market interest rates.

Fourth-quarter premium volumes in the Life Insurance segment totalled EUR 1,079 (1,271) million. Net investment income dropped to EUR 181 (431) million. Nevertheless, operating profit rose to EUR 52 (47) million thanks to higher interest rates.

Retail International Division: growth across all core markets

Gross written premiums in the Retail International Division rose by a clear double-digit 15.9 percent in financial year 2022 to EUR 7.1 (6.1) billion. At constant exchange rates, growth would have been 22.1 percent.

In the Europe region, gross written premiums increased by 9.8 percent year-on-year to EUR 5.0 (4.6) billion; the currency-adjusted increase was 21.3 percent. This rise was mainly driven by inflation-related premium adjustments in Türkiye and premium growth in the property/casualty business at Warta in Poland. Premiums in Latin America jumped 34.4 percent to EUR 2.1 (1.5) billion, or 24.3 percent on a currency-adjusted basis. Growth was recorded in all core divisional markets, in Chile in particular, where the distribution partnership between HDI Chile and state-owned BancoEstado, which started at the beginning of the year, clearly boosted premium income with a contribution of EUR 101 million. The Brazilian and Mexican motor business also contributed strongly to premium growth.

The combined ratio for the property/casualty insurance companies increased year-on-year to 97.5 (94.8) percent. This was caused by extremely high inflation, especially in Türkiye, and the normalisation of claims frequency levels following the end of the pandemic lockdowns. These effects were largely offset by intrayear rate adjustments, better risk selection and claims management measures.

The division's operating profit climbed 16.2 percent to EUR 341 (294) million. Higher interest rates in Poland, Italy and Chile lifted net investment income and had a positive effect, while the deconsolidation of CiV Life in Russia negatively impacted results. Compensation received due to changes in the shareholder structure at TU Europa in Poland had the opposite effect. The division's contribution to Group net income rose significantly by 13.3 percent to EUR 214 (189) million.

Fourth-quarter gross written premiums climbed by almost one-quarter (23.6 percent) to EUR 2.0 (1.6) billion. The combined ratio rose to 98.9 (96.2) percent. The operating profit improved year-on-year to EUR 95 (67) million. Its fourth-quarter contribution to Group net income also climbed to EUR 74 (54) million.

Reinsurance: sharp rise in premium income

The Reinsurance division saw clear double-digit growth in financial year 2022, with a rise of 19.9 percent to EUR 33.3 (27.8) billion. At constant exchange rates, growth would have been 12.7 percent. Higher claims for large losses impacted the division overall. The most significant large losses in the Property/Casualty Reinsurance segment in 2022 related to Hurricane "Ian", the floods in Australia and the February storms in Europe. The reserves booked for the Russian war of aggression in Ukraine also affected results. Whereas the COVID-19 pandemic still had a major effect on the Life/Health Reinsurance segment, its magnitude steadily declined throughout the year. All in all, operating profit was EUR

2,500 (1,736) million³, while the division's contribution to Group net income rose to EUR 707 (609) million³.

Property/Casualty Reinsurance segment: premium growth of over 25 percent

Gross written premiums in the Property/Casualty Reinsurance segment rose 26.1 percent in financial year 2022 to EUR 24.2 (19.2) billion, or 17.9 percent on a currency-adjusted basis. At EUR 1,706 (1,250) million, net large losses were up substantially on the previous year, thus exceeding the large loss budget of EUR 1.4 billion. The largest single loss events in financial year 2022 were Hurricane "Ian" (net impact: EUR 322 million), the floods in Australia (EUR 233 million), and Winter Storm "Ylenia", which hit Central Europe in February (EUR 107 million). The segment also booked reserves of EUR 331 million for potential losses resulting from Russia's war of aggression in Ukraine. Additional reserves were booked in 2022 for the drought in Brazil (EUR 106 million) and the floods in Malaysia (EUR 54 million), based on corresponding claims notifications. In addition, the effects of the COVID-19 pandemic on the Property/Casualty Reinsurance segment can now be quantified more accurately: Positive run-off results in the credit, surety and political risk areas were easing profitability, casualty and health insurance in the Asia-Pacific region burdened the overall performance. As a result, the combined ratio rose to 99.9 (97.7) percent. Operating profit rose to EUR 1.8 (1.5) billion³.

Fourth-quarter gross written premiums climbed 20.3 percent to EUR 4.8 (4.0) billion. The combined ratio was 101.4 (97.2) percent, while operating profit jumped to EUR 862 (445) million³.

Life/Health Reinsurance segment: COVID-19 pandemic clearly fading out

Gross written premiums in the Life/Health Reinsurance Division rose 5.8 percent in financial year 2022 to EUR 9.0 (8.5) billion. If exchange rates had remained unchanged, growth would have amounted to 1.0 percent. The COVID-19 pandemic's impact on the segment faded out significantly over the financial year, leading to total additional claims of EUR 276 (582) million. Operating profit more than tripled year-on-year to EUR 729 (216) million.

Fourth-quarter gross written premiums rose 3.6 percent to EUR 2.3 (2.2) billion. Operating profit jumped to EUR 293 (1.2) million.

Outlook for 2023: ambitious targets despite uncertainties

In financial year 2023, the Talanx Group will present its financial results using IFRS 17/IFRS 9 for the first time. "Insurance revenue" will replace the previous KPI, "gross written premiums". Savings components and reinsurance commissions are no longer included in this figure. Rather, the "insurance revenue" item consists solely of the payment received for insurance services rendered to policyholders during the reporting period. On this basis, the Group is anticipating insurance revenue of approximately EUR 42 billion. Group net income is forecast to be roughly EUR 1.4 billion¹, a high single-digit percentage increase year-on-year. The Group's target return on equity is a minimum of 10 percent, in line with its strategy.

As usual, the outlook for financial year 2023 is subject to the proviso that there are no upheavals on the currency and capital markets, and that large losses remain in line with expectations. Russia's war in Ukraine, higher inflation and resulting changes to central banks' monetary policy are material sources of uncertainty for the current financial year.

¹ This assumes that large losses do not exceed the large loss budget, that there are no upheavals on the capital markets and that no material currency fluctuations arise. In addition, forecast Group net income may be subject to particular fluctuations due to the use of the new IFRS 9 accounting standard to measure investments.

² The Talanx Group is expecting initial application of IFRS 17 to positively impact Group net income by roughly EUR 100 million in 2023, compared to its original net income forecast of EUR 1,050–1,150 million for the baseline year, 2022. For simplicity's sake, the medium-term goal for the period to 2025 has been calculated using the upper end of the 2022 forecast range for Group net income, plus the positive effect on net income of roughly EUR 100 million, i.e., from a starting point of EUR 1,250 million.

³ This includes positive effects from the sale of equity holdings and from the contribution to a joint venture of equity interests from the private equity business, which were largely offset by realised losses as part of yield enhancing measures in the bond investment portfolio.

Key data from the Talanx Group income statement for FY 2022, consolidated (IFRS)

EUR million	FY 2022	FY 2021	+/-
Gross written premiums	53,431	45,507	+17.4%
Net premiums earned	44,722	37,863	+18.1%
Combined ratio for property/casualty primary insurance and property/casualty reinsurance ⁴	98.9%	97.7%	+1.2 pts
Net investment income	3,700	4,718	-21.6%
Operating profit/loss (EBIT)	3,372	2,454	+37.4%
Group net income (after non-controlling interests)	1,172	1,011	15.9%
Return on equity ⁵	12.9%	9.6%	+3.3 pts

Key data from the Talanx Group income statement for Q4 2022, consolidated (IFRS)

EUR million	Q4 2022	Q4 2021	+/-
Gross written premiums	11,769	10,357	+13.6%
Net premiums earned	12,064	10,096	+19.5%
Combined ratio for property/casualty primary insurance and property/casualty reinsurance ⁴	99.6%	98.0%	+1.6 ppts
Net investment income	1,102	1,241	-11.2%
Operating profit/loss (EBIT)	1,406	615	+128.8%
Group net income (after non-controlling interests)	387	288	+34.4%
Return on equity ⁵	20.9%	10.8%	+10.1 ppts

4) Including net interest income on funds withheld and contract deposits.

5) The ratio of annualised net income for the reporting period excluding non-controlling interests to average shareholders' equity excluding non-controlling interests.

All reporting documents
Financial calendar

This English news release is a translation of the original German text; the German version takes precedence in case of any discrepancies.

About Talanx

Talanx is a major European insurance group with premium income of EUR 53.4 billion (2022) and roughly 24,000 employees worldwide. Based in Hannover, Germany, the Group is active in more than 175 countries. Talanx is a multi-brand provider with a focus on B2B insurance. Its industrial insurance and retail business in Germany and abroad is operated under the HDI brand, which has a rich tradition stretching back about 120 years. Other Group brands include Hannover Re, one of the world's leading reinsurers; the bancassurance specialists TARGO insurers, LifeStyle Protection and neue leben; and

Polish insurer Warta. Ampega, one of Germany's largest asset management companies, manages the Talanx Group's assets and is also an experienced provider of asset management solutions for non-group institutional investors. Rating agencies have awarded the Talanx Primary Insurance Group financial strength ratings of A+ ("strong"/Standard & Poor's) and A+ ("superior"/AM Best). Hannover Re Group is rated AA- ("very strong"/S&P) and A+ ("superior"/AM Best). Talanx AG is listed on the Frankfurt Stock Exchange, where it is a member of the MDAX, and on the Hannover stock exchange (ISIN: DE000TLX1005, German Securities Code: TLX100).

Talanx – Together we take care of the unexpected and foster entrepreneurship

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