NEWS RELEASE

Talanx increases premiums by 9.4 percent and generates H1 Group net income of EUR 546 million

- Gross written premiums up 9.4 percent to EUR 24.1 (22) billion/ by a double-digit 13 percent adjusted for currency effects
- Operating profit increases to EUR 1.3 (0.7) billion – coronavirus effects substantially lower than in the first half of 2020
- Group net income rises to EUR 546 (325) million
- Combined ratio improves to 95.9 (101.3) percent
- Solvency II ratio is a comfortable 210 percent
- Full-year outlook for Group net income lifted to the EUR 900–950 million range

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The Talanx Group clearly improved its Group net income in the first half of 2021, benefiting among other things from substantial growth in its business. Gross written premiums rose by 9.4 percent year-on-year to EUR 24.1 (22) billion, or 13.0 percent after adjustment for currency effects. All segments contributed to this growth. Operating profit improved significantly to EUR 1.3 (0.7) billion; the prior-year period was severely impacted by the coronavirus pandemic. Group net income rose sharply compared to the first half of 2020 to total EUR 546 (325) million. The combined ratio improved to 95.9 (101.3) percent. Large losses declined substantially in the first half of 2021 compared to the prior-year period. However, it is already becoming clear that the second half of the year will see significant large losses: according to the information currently available, the floods in Western Europe will lead to a minimum of EUR 600 million of gross claims. The net impact on the Q3 results is expected to be somewhat more than EUR 300 million, with slightly more than two-thirds of this figure attributable to the Reinsurance Division. The event is estimated to impact Q3 Group net income by approximately EUR 150 million. Due to its strong first half of the year, the Talanx Group is lifting its full-year 2021 outlook for Group net income, and is now expecting a result in the EUR 900–950 million range.

“We are extremely satisfied with our results for the first half of 2021. All segments in the Group recorded clear growth, due among other things to our growth initiatives in the areas of SMEs and special risks. Group net income improved strongly to above the high level seen in the first half of 2019 – before the coronavirus pandemic. This proves that our strategy is right and that we have managed to overcome the massive challenges posed last year by the coronavirus pandemic. However, these positive developments do not mean we can expect comparable growth and similar results in the second half of 2021. The catastrophic floods in Western Europe have left a trail of devastation behind them”, said Torsten Leue, Chairman of the Board of Management of Talanx AG. “Our thoughts are with the victims and those affected. Our colleagues are doing everything in their power to help them rapidly, in line with our Talanx Purpose: ‘Together we take care of the unexpected and foster entrepreneurship’. According to the information currently available, we expect to make payments of at least EUR 600 million gross before reinsurance to our clients. The fact that we are nevertheless lifting the forecast for our Group net income to the EUR 900–950 million range demonstrates the quality of our results for the first half of the year and shows how resilient our Group is.”

Coronavirus claims expenses continued to impact net income, although at EUR 278 million they were down significantly compared to the prior-year period (EUR 824 million). The main thrust of the impact has changed substantially. Whereas in the first half of 2020 business shut-downs, event cancellations and credit insurance were responsible for the majority of losses, Life/Health Reinsurance is now the hardest hit area (EUR 263 million) due to the rise in mortality.

Losses from natural disasters were up year-on-year at EUR 261 (190) million. Most payments in this area (EUR 185 million) were made in connection with the winter storm that hit Texas in the first half of 2021. Large man-made losses amounted to EUR 264 (67) million. Total large losses were EUR 526 (1,018) million, below the pro rata large loss budget for the period of EUR 681 (594) million.

The underwriting result improved by 13.0 percent to EUR –982 (–1,129) million. The combined ratio improved by 5.4 percentage points, primarily due to the declining impact of the coronavirus pandemic, and amounted to a good 95.9 (101.3) percent in the first half of the year.

Net investment income climbed 32 percent year-on-year to EUR 2.4 (1.8) billion. The net return on investment was 3.3 (2.7) percent. The main driver was the increase in the net gain on disposals, which was mainly used to finance the Zinszusatzreserve (ZZR – additional interest reserve) in the German life insurance business. Operating profit rose clearly to EUR 1,333 (745) million. Group net income increased year-on-year to a total of EUR 546 (325) million; the prior-year period had been badly hit by the coronavirus pandemic. The share of Group net income accounted for by primary insurance remained more or less stable year-on-year at 44.5 (44.3) percent. At 210 (31 March 2021: 215) percent excluding transitional measure, the Solvency II ratio as at 30 June 2021 remained at a comfortable level.

Second quarter: Group net income more than doubled

Gross written premiums rose by 9.3 percent to EUR 10.4 (9.5) billion in the second quarter. The underwriting result rose compared to the prior-year period, which had been hit hard by the coronavirus pandemic, to EUR –382 (–704) million. The combined ratio improved to 95.7 (102.7) percent. Net investment income was up 24.4 percent to EUR 1.1 (0.9) billion. Operating profit jumped to EUR 707 (186) million and Group net income to EUR 269 (103) million.

Industrial Lines: premium growth thanks also to specialty business – Group net income of EUR 68 million

Gross written premiums in the Industrial Lines Division rose by 8.7 percent to EUR 4.2 (3.9) billion. Adjusted for currency effects, the increase amounted to 11.0 percent. HDI Global Specialty was the main driver for premium growth, along with the growth recorded in the liability and property areas.

The H1 underwriting result rose to total EUR 27 (–67) million despite the large losses from natural disasters, and especially from the winter storm in Texas, and the above-average number of man-made large losses recorded in this division. The combined ratio improved substantially to 98.4 (104.7) percent; the measures taken to increase profitability are having the desired effect. This means that Industrial Lines is on track to meet its target of a combined ratio of 95 percent in the medium term.

Net investment income rose to EUR 141 (107) million, largely on the back of higher income from private equity. At EUR 97 (18) million, operating profit for the division was up substantially year-on-year in the first half of 2021 due to the substantial improvement in the underwriting result and in net investment income. The division contributed EUR 68 (7) million to Group net income.

Second quarter: improved combined ratio demonstrates success of restructuring measures

In the second quarter, gross written premiums increased by 15.4 percent year-on-year to EUR 1.5 (1.3) billion. Growth after currency adjustments amounted to 17.0 percent. At EUR 17 (–56) million, the underwriting result improved significantly compared to the prior-year period, which was strongly affected by the coronavirus pandemic. In line with this, the combined ratio fell from 107.7 percent to 98.1 percent, clearly demonstrating the success of the measures taken to increase profitability. Net investment income declined to EUR 64 (73) million. Operating profit climbed to EUR 46 (–12) million, while the division’s contribution to Group net income was EUR 29 (–10) million.

Retail Germany: growth in SME business and clear improvement in combined ratio

Gross written premiums rose by 2.7 percent year-on-year to EUR 3.2 (3.1) billion. The main driver for this was the continued strong growth in the division’s SME business. The contribution to Group operating profit increased significantly to EUR 157 (95) million, while the contribution to Group net income rose by EUR 34 million to EUR 97 million.

Property/Casualty segment: underwriting result more than doubled

Gross written premiums in the Property/Casualty segment rose by 2.6 percent to EUR 1 (1) billion. This was due primarily to the growth of 10.7 percent recorded in the SME business, which rose to EUR 360 (325) million. The underwriting result more than doubled in the first half of 2021, rising to EUR 56 (22) million, whereas the prior-year period (approximately EUR 13 million net) was affected by business shutdown insurance payments resulting from the coronavirus pandemic.

The combined ratio improved by 5.3 percentage points to 91.7 (96.9) percent in the first half of the year, thanks to an improvement in the loss ratio and a clear decrease in administrative expenses. Net investment income rose by 33.9 percent year-on-year to EUR 53 (40) million on the back of higher disposal gains and lower writedowns compared to the prior-year period. Operating profit improved to EUR 102 (55) million.

Second quarter: rise in claims following end of lockdown and medium-sized losses following weather events

In the second quarter, gross written premiums rose by 8.5 percent to EUR 251 (231) million. The underwriting result dropped to EUR 1 (35) million. This was due to a larger number of events below the large loss threshold and to severe rains and hailstorms in south Germany in June. The combined ratio was 99.7 (90.1) percent. Net investment income decreased by 4.4 percent to EUR 24 (25) million. Operating profit declined to EUR 21 (58) million. In the previous year period, improved motor vehicle claims figures due to the fall-out from the coronavirus had a considerable effect on the figures.

Life Insurance segment: sharp increase in net investment income

Premium volumes in the Life Insurance segment rose by 2.8 percent in the first half of the year to EUR 2.2 (2.1) billion, among others due to the new, fund-based Clever Invest product and slightly higher single premiums. The prior-year period had seen a EUR 143 million decline in premiums due to the coronavirus pandemic. The underwriting result fell to EUR –1 (–0.6) billion in H1 2021. Policyholders participated in the positive course of business in the form of provisions for premium refunds. Net investment income improved year-on-year to EUR 1.1 (0.7) billion due to higher realised gains to finance the addition to the ZZR. This means that the build-up of the ZZR for 2021 has already been funded to a very large extent by the end of the first half of the year. Operating profit climbed to EUR 56 (40) million due to less pronounced coronavirus effects.

Second quarter: stronger first quarter enhances capital base

Premium volumes in the Life Insurance segment rose by 7.7 percent in the second quarter to EUR 1.2 (1.1) billion. The underwriting result declined to EUR –496 (–365) million. Net investment income improved to EUR 505 (381) million, partly as a result of higher realised gains to finance the ZZR. The strong results overall also helped to boost solvency. Operating profit was EUR 0 (4) million.

Retail International: strong growth and improved combined ratio thanks to low loss frequencies for motor vehicle insurance

The division's gross written premiums rose by 10.7 percent compared to the first half of 2020 to EUR 3.1 (2.8) billion. Adjusted for currency effects, gross premiums rose by 16.5 percent year-on-year. European premium volumes increased by 14.5 percent to EUR 2.4 (2.1) billion. The property insurance business in Poland was the main driver for this growth. In addition, the Italian life insurance business recovered from the decline seen in the previous year, which was due to the pandemic, while the Italian property business benefited from the initial consolidation of Amissima Assicurazioni as of April 2021. Gross written premiums at HDI Sigorta A. Ş. in Turkey also recorded a positive trend, rising by 2 percent or 36.9 percent adjusted for currency effects.

Premium volumes in Latin America were almost stable at EUR 696 (699) million, primarily due to currency effects. Premium growth was particularly driven by the Chilean and Mexican operations. By contrast, premium volumes in Brazil declined due to the devaluation of the Brazilian real. Adjusted for currency effects, gross written premiums in the Latin America region rose by 9.7 percent.

The underwriting result was EUR 47 (44) million. The combined ratio improved by 1.5 percentage points to 92.8 (94.3) percent. This was largely due to ongoing below-average loss frequencies, which more than offset the increase in claims inflation. The coronavirus pandemic led to a rise in mortality in life insurance, which impacted the underwriting result by EUR 11 million. Net investment income rose by 16.7 percent to EUR 194 (167) million. Operating profit rose by 10.6 percent year-on-year to EUR 173 (156) million. The division’s contribution to Group net income jumped by 17.0 percent to EUR 104 (89) million.

Second quarter: strong premium growth

Gross written premiums rose by 23.2 percent in the second quarter to EUR 1.5 (1.2) billion. The combined ratio was 91.8 (91.8) percent, as in the prior-year quarter. Net investment income increased to EUR 97 (76) million. Operating profit grew by 5.8 percent to EUR 86 (81) million. The division’s contribution to Group net income rose to EUR 50 (46) million.

Reinsurance: sharp overall decline in coronavirus effects

Growth in the Reinsurance Division increased in the first half of the year despite the coronavirus. Gross written premiums rose by 10.0 percent to EUR 14.5 (13.1) billion. Operating profit jumped by 89.3 percent to EUR

964 (509) million, a result of the significant impact of the coronavirus pandemic in the comparative period. The contribution made by the division to Group net income also rose, climbing 68 percent to EUR 336 (200) million.

Property/Casualty Reinsurance segment: large losses halved

Gross written premiums increased by 11.9 percent year-on-year in the first half of the year, to EUR 10.3 (9.2) billion. Adjusted for currency effects, the increase amounted to 17.2 percent. No further net impact from the coronavirus pandemic was recorded in the first half of the year in the Property/Casualty Reinsurance segment. In accordance with past practice, the unutilised large loss budget within the year is allocated to the IBNR reserves, thereby creating an additional cushion for large losses in the second half of the year. At EUR 326 (737) million, net large losses were substantially lower than the figure for the comparative period, and less than the pro rata large loss budget figure of EUR 476 million.

The underwriting result rose to EUR 299 (–186) million. The combined ratio improved by 6.3 percentage points to 96.0 (102.3) percent. Net investment income was up 27.3 percent to EUR 596 (468) million. Operating profit increased by 163.3 percent to EUR 789 (300) million.

In the second quarter, gross written premiums rose by 9.2 percent to EUR 4.6 (4.2) billion. The underwriting result rose significantly to EUR 155 (–184) million in the first half of 2021 in contrast to the high volume of large losses seen in the prior-year period as a result of the coronavirus pandemic. The combined ratio improved to 95.8 (104.8) percent. Net investment income jumped to EUR 321 (170) million, while operating profit also rose tangibly to EUR 471 (–5) million.

Life/Health Reinsurance segment still dominated by the fall-out from the pandemic

Premium income in Life/Health Reinsurance rose by 5.7 percent in the first half of the year to EUR 4.2 (4.0) billion. If exchange rates had remained unchanged, growth would have amounted to 7.3 percent. Coronavirus effects impacted the Life/Health Reinsurance segment by approximately EUR 263 million in the first half of 2021. While the pandemic had a negative impact in the first quarter of the year, restructuring measures in the US mortality business had a positive one-time effect of EUR 129 million. The underwriting result fell to EUR –349 (–284) million. Net investment income declined to EUR 280 (331) million. Operating profit fell by 16.4 percent to EUR 175 (210) million.

In the second quarter, gross written premiums rose by 5.0 percent to EUR 2.1 (2) billion. The underwriting result improved to EUR –100 (–155) million. Net investment income declined to EUR 108 (157) million. Operating profit fell slightly to EUR 85 (87) million.

Outlook for 2021: Group net income in the EUR 900–950 million range

The Talanx Group is adjusting the forecast for 2021 published in the 2020 Group Annual Report. Following a strong first half-year, it is projecting Group net income of EUR 900–950 million in financial year 2021. These expectations already include the substantial effects of the flood losses in Germany and parts of Europe, which suggest a weaker third quarter in particular.

The Group is also expecting gross premiums to rise by an encouraging high single-digit percentage figure in the current financial year after adjustment for currency effects. A net return on investment under the IFRSs of 2.7 percent is forecast. The return on equity should be between 8.5 and 9.0 percent, in excess of the strategic minimum target.

As usual, the forecasts for financial year 2021 are subject to the proviso that large losses develop in line with expectations and that no significant turbulences will occur on the currency and capital markets. Talanx continues to target the distribution of 35 to 45 percent of Group net income as dividends for the 2021 financial year, as in the past, and ensuring that the dividend payment remains at least stable year-on-year.

In the period up to 2022, the goal is for earnings per share (EPS) to rise by an average of at least 5 percent per year, starting from the original outlook of EUR 850 million for Group net income in 2018.

Key data from the Talanx Group income statement for H1 2021, consolidated (IFRS)

EUR million	6M 2021	6M 2020	+/–
Gross written premiums	24,075	22,006	+9.4%
Net premiums earned	18,272	16,746	+9.1%
Combined ratio for property/casualty primary insurance and property/casualty reinsurance[1]	95.9%	101.3%	–5.4 ppts
Net investment income	2,350	1,785	+31.6%
Operating profit/loss (EBIT)	1,333	745	+78.8%
Group net income (after non-controlling interests)	546	325	+67.9%
Return on equity[2]	10.5%	6.4%	+4.1 ppts

Key data from the Talanx Group income statement for Q2 2021, consolidated (IFRS)

EUR million	Q2 2021	Q2 2020	+/–
Gross written premiums	10,426	9,539	+9.3%
Net premiums earned	9,256	8,392	+10.3%
Combined ratio in property/casualty primary insurance and property/casualty reinsurance[1]	95.7%	102.7%	–7.0 ppts
Net investment income	1,096	882	+24.4%
Operating profit/loss (EBIT)	707	186	+280.3%

Group net income (after non-controlling interests)	269	103	+162.1%
Return on equity[2]	10.3%	4.1%	+6.2 ppts

1) Including net interest income on funds withheld and contract deposits.
2) The ratio of annualised net income for the reporting period excluding non-controlling interests to average shareholders' equity excluding non-controlling interests.

All documents relating to the corporate new items

Financial calendar

About Talanx

Talanx is a major European insurance group with premium income of EUR 41.1 billion (2020) and roughly 23,000 employees worldwide. Based in Hannover, Germany, the Group is active in more than 150 countries. Talanx is a multibrand 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, PB insurers 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 agency Standard & Poor's has awarded the Talanx Primary Insurance 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, where it is a member of the SDAX, and on the Hannover stock exchange (ISIN: DE000TLX1005, German Securities Code: TLX100).

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

For further information, please see www.talanx.com.

Current photographs and company logos are available at https://mediathek.talanx.de.

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