News Release

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Resilience enhanced: Talanx's Group net income tops EUR 1 billion mark for the first time

- Gross premiums see double-digit increase to EUR 45.5 (41.1) billion
- Large losses from natural disasters hit highest-ever level, at over EUR 1.2 billion
- Combined ratio improves to 97.7 (101.0) percent
- Group net income tops EUR 1 billion mark for the first time to total EUR 1,011 (648) million
- Return on equity of 9.6 (6.3) percent
- Primary insurance accounts for a growing 45 percent of Group net income; contribution by Reinsurance also up
- Forecast for 2022 confirmed: Group net income of EUR 1,050–1,150 million expected
- Board of Management and Supervisory Board are proposing dividend increase to EUR 1.60 (1.50) per share to General Meeting

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Hannover, 14 March 2022

Group net income has exceeded the EUR 1 billion mark for the first time at the Talanx Group thanks to continuing strong growth and successful optimisation programmes in the Group's primary insurance operations. Gross written premiums saw a double-digit improvement of 10.7 percent to EUR 45.5 (41.1) billion in the financial year; the rise after adjustment for exchange rate effects was 11.8 percent. All divisions contributed to this growth, with the specialty risks business in the Industrial Lines Division making a particularly strong showing. The floods in Western Europe ("Bernd") and Hurricane "Ida" in North America caused more than half of total large losses from natural disasters (EUR 1,261 million), contributing to the highest level of losses from natural disasters ever seen at the Talanx Group. In addition, the coronavirus pandemic impacted Group net income by EUR 122 (486) million as a result of excess mortality in Life/Health Reinsurance in particular, whereas Covid-19-related claims experiences in primary insurance returned to a normal level. Natural disasters (EUR 235 million) and

the coronavirus pandemic (EUR 403 million) impacted operating profit by EUR 638 million. Nevertheless, operating profit still climbed 49 percent to EUR 2.5 (1.6) billion thanks to the optimisation programmes in primary insurance and a continued extremely strong performance by reinsurance. Group net income rose by more than 50 percent to EUR 1,011 (648) million, exceeding the EUR 1 billion mark one year earlier than forecast in 2018, when the Group published its strategic goals for the period up to 2022. The Talanx Group is confirming its forecast for 2022 Group net income of EUR 1,050–1,150 million. The Board of Management and Supervisory Board are proposing an increase of 10 cents per share in the dividend, to EUR 1.60 per share, to the General Meeting.

“The fact that our net income exceeded one billion despite the increase in claims paid to customers clearly shows that our profitable growth is on an extremely sound footing. Our strategy and the modernisation programmes in the divisions are having the desired effect. The combination of the stronger contribution made by primary insurance to Group net income and growth in our reinsurance operations is increasingly enhancing our business model’s earnings potential. This means we can approach the future and the new challenges that are already becoming apparent with confidence. Inflation, a more restrictive interest rate policy and geopolitical crises are emerging as new, crucial external factors influencing what we do”, said Torsten Leue, Chairman of Talanx AG’s Board of Management.

The operating improvements in primary insurance continued to have a positive impact on the divisions’ results during the reporting period. Profit at the Primary Insurance Group jumped from EUR 246 million in 2018 to EUR 493 million in 2021. As a result, the proportion of Group net income accounted for by primary insurance rose from 31 to 45 percent in the same period.

The improvements made at Industrial Lines can be seen from the enhanced combined ratio of 98.7 (104.6) percent, despite higher losses resulting from natural disasters. This is on track to hit the medium-term target for the ratio of 95 percent. At EUR 286 million, the Retail Germany Division clearly exceeded its goal of achieving an operating profit of at least EUR 240 million by 2021. The Retail International Division also improved its combined ratio year-on-year to 94.8 (95.2) percent in 2021, while lifting operating profit to EUR 294 (266) million. The acquisition of HDI Italia S.p.A. (formerly Amissima Assicurazioni S.p.A.), which has been fully consolidated since 1 April 2021, contributed to the division's growth with a premium volume of EUR 203 million.

The impact of the coronavirus crisis declined considerably compared to its significant effect on the prior-year results. All in all, the negative effects of the pandemic amounted to EUR 122 (486) million. Coronavirus claims expenses in financial year 2021 amounted to approximately EUR 600 million and very largely affected Life/Health Reinsurance; in the previous year, claims expenses had totalled EUR 1.5 billion. At the same time, the positive effects of the global lockdowns on certain lines declined. The positive impact of the decrease in losses caused by the coronavirus lockdown amounted to EUR 116 (206) million for the entire reporting period.

Large losses at highest-ever level following natural disasters

At EUR 1.7 billion, total large losses – comprising man-made large losses and large losses from natural disasters – were down significantly on the high comparative figure from the previous year (EUR 2.1 billion), which was due to the coronavirus pandemic. Large losses of EUR 484 million were attributable to man-made causes in 2021, while losses from natural disasters amounted to EUR 1,261 million. As a result, the full-year large loss budget of approximately EUR 1.5 billion was exceeded by EUR 235 million in financial year 2021. Reinsurance accounted for net large losses of EUR 1,250 (1,595) million, while the figure for primary insurance amounted to EUR 470 (531) million. Key factors affecting the overall level of losses were Hurricane “Ida” (EUR 361 million) and Winter Storm “Uri” (EUR 216 million) in North America, plus Low-pressure System “Bernd” (EUR 320 million) in Western Europe.

The underwriting result improved by 22.2 percent compared to the previous year, which had been hit by the coronavirus pandemic, to EUR –2.2 (–2.8) billion, despite the substantial impact of natural disasters. This is reflected in the lower combined ratio of 97.7 (101.0) percent. Net investment income rose to EUR 4.7 (4.2) billion, due among other things to realised gains, income from alternative investments and inflation-linked bonds. The net return on investment was 3.4 (3.2) percent. Excluding transitional measures, the Solvency II ratio as at 30 September 2021 was 204 (30 June 2021: 210) percent.

Increased dividend of EUR 1.60 per share proposed

The Board of Management and Supervisory Board will be proposing an increased dividend of EUR 1.60 (1.50) per share to the General Meeting on 5 May 2022. This corresponds to a payout ratio of 40 percent of the IFRS profit. The dividend yield, measured in terms of the average share price in 2021, is 4.4 (4.5) percent.

Fourth quarter: Group net income above pre-crisis level

Gross written premiums for the Group rose by a double-digit 12.5 percent to EUR 10.4 (9.2) billion in the final quarter of 2021. The combined ratio fell to 98.0 (101.7) percent; the comparable period had still been severely impacted by the coronavirus pandemic. The underwriting result for the fourth quarter amounted to EUR –590 (–849) million. Operating profit rose to EUR 615 (354) million and Group net income to EUR 288 (128) million.

Industrial Lines: premium growth driven by specialty, liability and property business

Gross written premiums in the Industrial Lines Division rose by 13.6 percent to EUR 7.6 (6.7) billion in the reporting period; the rise after adjustment for exchange rate effects was 14 percent. Premium growth was largely due to the positive trend in the specialty, liability and property business.

The Industrial Lines Division was impacted to a greater extent by natural disasters in the reporting period. To give just one example: following the catastrophic flooding caused by Low-pressure System “Bernd”, Industrial Lines customers filed 681 claims for losses leading to average payouts of approximately EUR 450,000 per claim. Nevertheless, the underwriting result improved substantially to EUR 46 (–139) million despite the significant impact of natural disasters in financial year 2021. This was largely due to a lower level of coronavirus claims payouts made to customers. All in all, the net impact of increased large losses due to natural disasters in the reporting period was EUR 237 (148) million. The combined ratio for Industrial Lines also improved despite the increased impact from natural disasters to 98.7 (104.6) percent, and was on track to hit the division’s goal of 95 percent as set out in its strategy. The increased level of losses was largely offset by the successful restructuring and profitability-enhancing measures, systematic portfolio restructuring, lower frequency loss ratios due to lockdowns, and unutilised premium provisions of approximately EUR 50 million.

Net investment income increased substantially in 2021 to EUR 300 (254) million, largely as a result of higher income from alternative investments. Full-year operating profit rose clearly to EUR 196 (48) million, due to the increase in the underwriting result and the positive net investment income. The Industrial Lines Division contributed EUR 143 (47) million to Group net income.

Fourth quarter: clear rise in operating profit

Gross written premiums rose by 20.6 percent to EUR 1.7 (1.4) billion in the period from October to December. Growth after adjustments for exchange rate effects amounted to 17.6 percent. The combined ratio improved compared to the prior-year period, which had been hard hit by the coronavirus pandemic, falling to 98.9 (103.8) percent. The underwriting result for the division jumped to EUR 11 (–33) million. Net investment income eased by 3.6 percent to EUR 80 (83) million. Operating profit more than doubled against the comparative period, to EUR 46 (20) million. The Industrial Lines Division’s contribution to Group net income rose to EUR 42 (36) million.

Retail Germany: “KuRS” programme target clearly exceeded

Gross written premiums in the Retail Germany Division rose by an above-market 5.4 percent year-on-year to EUR 6.2 (5.9) billion in financial year 2021. Both segments – Property/Casualty Insurance and Life Insurance – contributed to premium growth. At EUR –1.8 (–1.7) billion, the underwriting result was roughly on a par with the comparative period, despite being hit hard by Low-pressure System “Bernd” in July 2021. The effects of the coronavirus pandemic declined sharply during the reporting period, to EUR 4 (37) million. Operating profit clearly exceeded the target set in the “KuRS” modernisation programme, at EUR 286 (203) million. The combined ratio in the Property/Casualty Insurance segment deteriorated to 99.2 (95.4) percent overall due to the impact of natural disasters. The division’s contribution to Group net income improved to EUR 161 (119) million.

Property/Casualty Insurance segment: combined ratio impacted by flood event

Premium income in the Property/Casualty Insurance segment rose by 4.8 percent in the reporting period to EUR 1.6 (1.5) billion. The increase was due to the positive trends recorded in the corporate customers and freelance professionals, private customers and unemployment insurance areas, in cooperation with our banking partners.

Low-pressure System “Bernd” clearly impacted the Property/Casualty segment. To give just one example: the resulting catastrophic flooding led to more than 6,700 claims being filed, with average payouts to customers of approximately EUR 30,000 per claim. At EUR 11 (62) million, the underwriting result was substantially lower than in the comparative period, due to the impact of natural disasters. Large losses such as Low-Pressure System “Bernd” and the catastrophic floods that followed, plus Storm “Volker” impacted the underwriting result by EUR 18 million. This led to an increase of 3.8 percentage points in the combined ratio, to 99.2 (95.4) percent.

Net investment income improved substantially compared to the previous year, especially as a result of higher disposal gains and lower pandemic-related writedowns, to EUR 129 (88) million. In addition, higher ordinary investment income had a positive effect. At EUR 104 (134) million, operating profit declined in financial year 2021 due to the negative impact on underwriting year-on-year.

Fourth quarter: net investment income more than doubled

Gross written premiums in the Property/Casualty Insurance segment increased to EUR 266 (233) million between October and December. The underwriting result was clearly down on the prior-year period at EUR –20 (17) million, due to a cluster of small losses following weather events plus higher baseline expenses for properties. This is reflected in the trend in the combined ratio, which rose to 105.7 (93.7) percent. Net investment income more than doubled to EUR 50 (24) million, due to the positive trend on the capital markets. Despite this, operating profit for the quarter fell substantially to EUR 5 (37) million.

Life Insurance segment: clear improvement in operating profit

At EUR 4.6 (4.4) billion, the Life Insurance segment of the Retail Germany Division saw a 5.6 percent increase in premiums, which was largely due to the single-premium life insurance business. In addition, the good start seen for the CleverInvest fund-based product played a role in this development.

The main factors influencing the underwriting result during the reporting period were the calculation of the discounts on technical provisions and policyholder participation in the strong business performance in the form of provisions for premium refunds. The underwriting result was on a par with the previous year, at EUR –1,772 (–1,792) million. Net investment income rose by a clear 5.2 percent to EUR 2.0 (1.9) billion due to increased realisation of hidden reserves to finance the *Zinszusatzreserve* (ZZR – additional interest reserve) and to boost solvency. The segment's operating profit improved tangibly in financial year 2021 to EUR 183 (70) million.

Fourth quarter: strong rise in underwriting result

Gross written premiums in the Life Insurance segment of the Retail Germany Division rose by a clear 9.3 percent in the final quarter, to EUR 1.3 (1.2) billion. The underwriting result climbed to EUR –353 (–484) million due to lower additions to the provision for premium refunds. Net investment income decreased to EUR 431 (499) million. Operating profit improved substantially to EUR 47 (–2) million.

Retail International: premium growth driven by Property/Casualty business

Gross written premiums in the Retail International Division rose by a clear 10.9 percent in financial year 2021 compared to the previous year, to EUR 6.1 (5.5) billion. Adjusted for exchange rate effects, the increase in premium income compared to financial year 2020 would have been even higher, at 15.3 percent. Premium income in the Europe region rose by 12.1 percent to EUR 4.6 (4.1) billion, or by 16.2 percent after adjustment for exchange rate effects. This was primarily due to the Property/Casualty business in Poland and Turkey. Gross written premiums in the Latin America region rose by 7.4 percent year-on-year to EUR 1.5 (1.4) billion. Adjusted for exchange rate volatility, premium income would have increased by 12.6 percent. The Chilean and Mexican markets made particularly strong contributions to this growth.

The combined ratio fell by 0.4 percentage points to 94.8 (95.2) percent compared to the previous year. The improvement was achieved despite loss frequencies returning to normal following the end of the coronavirus lockdowns, and despite claims inflation. The underwriting result rose to EUR 46 (41) million, despite an impact of EUR 14 million due to increased mortality in connection with the coronavirus pandemic. Net investment income improved by 14.6 percent year-on-year to EUR 374 (326) million. Operating profit in financial year 2021 rose by 10.3 percent to EUR 294 (266) million. The contribution made by the division to Group net income was 18 percent higher, at EUR 189 (160) million.

Fourth quarter: contribution to Group net income up substantially

Premium income in the Retail International Division rose by 6.7 percent in the fourth quarter to EUR 1.6 (1.5) billion, and by an even higher 10.7 percent after adjustment for exchange rate effects. The combined ratio was stable compared to the prior-year quarter at 96.2 (96.1) percent. The underwriting result was EUR –4 (–3) million. Net investment income rose by 18.3 percent compared to the prior-year quarter to EUR 96 (81) million. Operating profit improved considerably to EUR 67 (46) million, while the division's contribution to Group net income was up substantially year-on-year, at EUR 54 (33) million.

Reinsurance: strong premium growth

The Reinsurance Division's performance was roughly on a par with pre-Covid-19 levels, following the previous year in which it was badly hit by the coronavirus pandemic. Gross premiums rose by a double-digit 12.1 percent to EUR 27.8 (24.8) billion. Operating profit climbed to EUR 1.7 (1.2) billion. Net investment income increased by 14.7 percent to EUR 1.9 (1.7) billion. The contribution made by the division to Group net income rose to EUR 609 (442) million.

Property/Casualty Reinsurance segment: operating profit up substantially

Gross written premiums in the Property/Casualty Reinsurance segment rose by a double-digit 14.8 percent to EUR 19.2 (16.7) billion, or by an even higher 16.3 percent after adjustment for exchange rate effects. The underwriting result was EUR 332 (–274) million, resulting in an improved combined ratio of 97.7 (101.6) percent. Net investment income jumped 34.5 percent to EUR 1.4 (1.0) billion. Operating profit climbed to EUR 1,521 (845) million; the prior-year figure had been hit hard by the coronavirus pandemic.

At EUR 1,250 (1,595) million, large losses exceeded the large loss budget – EUR 1,100 million in financial year 2021 – for the fifth year in a row. The Property/Casualty Reinsurance segment was dominated by large losses in the third quarter in particular. These clearly exceeded expectations and were due to the storm floods in Europe, storm damage in the USA and unrest in South Africa.

Fourth quarter: clear increase in premium income

Premium income jumped by 16.4 percent to EUR 4.0 (3.4) billion in the period from October to December. The combined ratio, which had been impacted by the coronavirus pandemic in the comparative quarter, improved substantially to 97.2 (102.1) percent, while the underwriting result rose to EUR 112 (–88) million. Net investment income rose to EUR 348 (280) million. Operating profit in the final quarter was EUR 445 (239) million.

Life/Health Reinsurance segment: ongoing effects of coronavirus pandemic

The coronavirus pandemic remained a key issue in the Life/Health Reinsurance segment in financial year 2021, especially in the area of mortality coverage. Pandemic-related effects in the Life/Health Reinsurance segment amounted to EUR 582 (261) million as at the end of the year. A large proportion of the claims relate to deaths in the USA and South Africa. Positive non-recurring income of EUR 132 million from restructuring measures in the US mortality business in the first quarter helped to offset the pandemic-related effects. In addition, the longevity business recorded a positive one-time effect of EUR 122 million.

Written premium income for the segment rose by 6.4 percent to EUR 8.5 (8.0) billion. At constant exchange rates, growth would have amounted to 5.5 percent. The underwriting result deteriorated to EUR –816 (–643) million due to the effects of the coronavirus. Net investment income fell by 14 percent year-on-year to EUR 596 (693) million. The extreme mortality cover, regular tranches of which have been launched on the market since 2013, led to the recognition of positive income of EUR 44 million under holdings measured at fair value through profit or loss in the reporting period. Operating profit fell by 44 percent to EUR 216 (385) million.

Fourth quarter: increase in premium income

Gross written premiums increased by 5.2 percent year-on-year in the final quarter, to EUR 2.2 (2.1) billion. The underwriting result amounted to EUR –320 (–222) million, while net investment income was up 5.0 percent year-on-year, at EUR 231 (220) million. Operating profit fell tangibly to EUR 1 (76) million.

Outlook for 2022: Group net income of EUR 1,050–1,150 million

The Group is reaffirming both the outlook for 2022 that it published in autumn last year and its medium-term targets in full. It is aiming for premium growth in the mid-single-digit range compared to 2021. The net return on investment is forecast to be approximately 2.4 percent, with the even lower interest rate environment and rising inflation expected to negatively impact Group net income. The Talanx Group is expecting Group net income to be in the range of EUR 1,050–1,150 million. This should correspond to a return on equity of approximately 10 percent, which would clearly exceed the strategic minimum goal of at least 800 basis points above the risk-free rate.

As usual, the targets for financial year 2022 are subject to the proviso that no turbulence occurs on the currency and capital markets and that large losses remain in line with expectations. The geopolitical conflict in Ukraine is emerging as an uncertainty factor for the current business year; it is currently too early to assess the possible impact.

Key figures from the Talanx Group income statement, financial year 2021, consolidated (IFRS)

EUR million	2021	2020[1]	+/–
Gross written premiums	45,507	41,109	+10.7%
Net premiums earned	37,863	34,190	+10.7%
Combined ratio for property/casualty primary insurance and property/casualty reinsurance[2]	97.7%	101.0%	–3.3 ppts
Net investment income	4,718	4,240	+11.3%
Operating profit/loss (EBIT)	2,454	1,645	+49.2%
Net income (after financing costs and taxes)	1,730	1,170	+47.8%
Group net income (after non-controlling interests)	1,011	648	56.2%
Return on equity[3]	9.6%	6.3%	+3.3 ppts

Key figures from the Talanx Group income statement, Q4 2021, consolidated (IFRS)

EUR million	Q4 2021	Q4 2020[1]	+/–
Gross written premiums	10,357	9,203	+12.5%
Net premiums earned	10,096	8,888	+13.6%
Combined ratio for property/casualty primary insurance and property/casualty reinsurance[2]	98.0%	101.7%	–3.7 ppts
Net investment income	1,241	1,181	+5.1%
Operating profit/loss (EBIT)	615	354	+73.6%
Group net income (after non-controlling interests)	288	128	125.1%
Return on equity[3]	10.8%	5.0%	+5.8 ppts

1) Adjusted in accordance with IAS 8.
2) Including net interest income on funds withheld and contract deposits.

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

Full documents relating to reporting.

Financial calendar

Talanx's Annual Earnings Media Conference on 14 March 2022 (11 a.m.):

To follow the Annual Earnings Media Conference live via our web stream (in German), please click https://events.talanx.com/tx/bpk2022/ (prior registration is necessary)

A recording will be made available via this link after the event.

About Talanx

Talanx is a major European insurance group with premium income of EUR 45.5 billion (2021) 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 MDAX, 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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Talanx AG does not guarantee that the assumptions underlying such forward-looking statements are free from errors nor does Talanx AG accept any responsibility for the actual occurrence of the forecasted developments. Talanx AG neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.