NEWS RELEASE

Talanx lifts premiums and Group net income

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- Clear double-digit rise in gross premiums (17.7 percent, or 13.5 percent adjusted for currency effects) to EUR 28.3 (24.1) billion
- Group net income of EUR 560 (546) million squarely on track to meet annual targets
- Combined ratio of 98.4 (95.9) percent due to precautionary additions to the reserves for the war in Ukraine
- Return on equity up year-on-year, at 11.8 (10.5) percent.
- Solvency 2 ratio of a good 211 percent
- Full-year outlook for Group net income in the range of EUR 1,050–1,150 million confirmed; premium growth forecast lifted

Hannover, 10 August 2022

The Talanx Group lifted both premiums and Group net income in the first half of 2022. Gross written premiums saw a clear double-digit rise of 17.7 percent year-on-year period to EUR 28.3 (24.1) billion; the increase after adjustment for exchange rate effects was 13.5 percent. 6M 2022 operating profit was up on the previous year, at EUR 1.4 (1.3) billion. Group net income increased to EUR 560 (546) million. The return on equity was 11.8 (10.5) percent. Primary insurance contributed 40 (42) percent to net premium income and almost the same amount – 43 (45) percent – to Group net income. On this basis, the Talanx Group is reiterating its outlook that Group net income will be in the EUR 1,050–1,150 million range in full-year 2022, and is lifting its growth expectations to a high single-figure percentage increase. This underscores the quality of its record half-yearly results and its capacity for growth, even in adverse conditions.

“Our strong double-digit premium growth shows firstly that we are already reacting to the high level of inflation by adjusting our prices and secondly how robust our new business is. This has boosted our resilience further and positioned us to operate in this challenging market environment”, said Torsten Leue, Chairman of Talanx AG’s Board of Management. “Despite the impact of natural disasters, inflation and Russia’s war of aggression in Ukraine, we are confirming our overall targets for the year as a whole, and in addition are lifting our growth expectations due to our strong performance in the first half of the year."

At EUR 672 (261) million, large losses from natural disasters – due among other things to the consequences of climate change – were up substantially on the comparative period and left a clear mark on the first half of 2022. The largest losses in this area related to the flooding in Australia (EUR 259 million), the storms that hit Central Europe in February (EUR 179 million) and the floods in South Africa (EUR 84 million). Man-made large losses fell tangibly year-on-year to EUR 65 (264) million. The Reinsurance and Industrial Lines divisions have recognised total precautionary reserves of EUR 346 million due to Russia's war of aggression in Ukraine, with a large majority of the provisions relating to losses that have probably already been incurred but have not yet been reported. Total large losses amounted to EUR 1,083 (527) million. As a result, the pro rata large loss budget for the period of EUR 816 (681) million was exceeded by EUR 267 million.

The underwriting result improved overall in the first six months to EUR–498 (–982) million. The key driver was a clear improvement in the Life Insurance segment, whereas net income for the Property/Casualty segment deteriorated. The Life Insurance segment needed to make lower additions to the *Zinszusatzreserve* (ZZR – additional interest reserve). This led to a significant drop in the investment income realised, part of which must be passed on to policyholders. In addition, a decline in excess mortality from the coronavirus pandemic had a positive effect on the underwriting result in the Life/Health Reinsurance segment compared to the previous year. The combined ratio for the Property/Casualty segment was 98.4 (95.9) percent. This was due to a return to a more normal level of losses as mobility rose again following the end of the lockdown, a cluster of large losses, the potential impact of Russia's war of aggression against Ukraine and the current rise in inflation. Net investment income fell appreciably year-on-year to EUR 1.9 (2.4) billion, due to the fact that lower levels of realised gains were needed to finance the ZZR in the Life Insurance segment. The net return on investment was 2.7 (3.3) percent. The Solvency 2 ratio excluding transitional measures remained at a comfortable 211 percent as at 30 June 2022 (31 March 2022: 214 percent). One reason for the decline in the second quarter was the repayment of a subordinated bond in June 2022.

Gross written premiums rose by a strong 19.2 percent in the second quarter of 2022, to EUR 12.4 (10.4) billion. The underwriting result also improved sharply year-on-year to EUR–75 (–382) million. The combined ratio was 98.4 (95.7) percent, while net investment income amounted to EUR 837 (1,096) million. Operating profit rose to EUR 728 (707) million and Group net income by a clear 13 percent to EUR 304 (270) million.

Industrial Lines: specialty, liability and property business drives strong double-digit premium growth; higher Group net income

The Industrial Lines Division saw tangible premium growth of EUR 712 million (17.0 percent) to EUR 4.9 (4.2) billion. Adjusted for currency effects, the increase amounted to 12.9 percent. Growth is particularly strong in the liability and property business and in specialty risks. Specialty lines lifted premium growth in the first half of the year by EUR 337 million year-on-year, to EUR 1,486 million. The combined ratio for the Industrial Lines Division fell to 96.5 (98.4) percent, due to a positive trend in frequency losses. This showcases how successful the measures taken since 2019 to enhance profitability have been. The large loss budget was exceeded only slightly despite the significant impact of natural disasters and the reserves created for potential losses resulting from Russia’s war of aggression in Ukraine. The division is expecting a combined ratio of less than 98 percent for the current financial year, putting it on track to meet its medium-term target of 95 percent. The operating result for the division jumped to EUR 102 (97) million in the first half of 2022. The division’s contribution to Group net income rose to EUR 71 (68) million.

Q2 gross written premiums jumped by 27.6 percent year-on-year to EUR 1.9 (1.5) billion; adjusted for currency effects, the increase was 20.9 percent. The combined ratio fell to 95.9 (98.1) percent. Operating profit also climbed to EUR 55 (46) million, with the division's contribution to Group net income rising as a result to EUR 40 (29) million.

Retail Germany: premium growth in line with strategy at all lines

Gross written premiums in the Retail Germany Division rose by 3.8 percent year-on-year to EUR 3.4 (3.2) billion in the first half of 2022. The increase is due in particular to the business with corporate customers, members of the liberal professions and SMEs. This growth is fully in line with "GO25", Retail Germany's strategic programme. The division's contribution to Group operating profit totalled EUR 132 (157) million, while its contribution to Group net income was EUR 75 (97) million.

Property/Casualty Insurance segment: double-digit premium growth

Gross written premiums in the Property/Casualty segment rose by a double-digit 10.6 percent to EUR 1.1 (1.0) billion. The trend was driven by growth in the corporate customers, liberal professions, motor vehicle and retail businesses, and in unemployment insurance. The combined ratio was 99.5 (91.7) percent, and was dominated by high volumes of losses resulting from natural disasters (the storms in February and Low-pressure System "Emmelinde" in May). After the coronavirus pandemic led to fewer kilometres being driven in the first half of last year, and hence to an extraordinarily low level of losses, loss frequencies rebounded to pre-pandemic levels in the current period. Average loss amounts were increasingly impacted by higher inflation. In this environment, the operating result declined in the reporting period to EUR 33 (102) million. Based on the loss experience in the first half of the year, the segment is now expecting a combined ratio of approximately 100 percent (previously approximately 96 percent) for full-year 2022.

In the second quarter, gross written premiums rose by 6.9 percent to EUR 268 (251) million. The combined ratio was 101.0 (99.7) percent, while the operating result was EUR 2 (20) million.

Life Insurance segment: higher premium income and new business

In the first half of the year, the Life insurance segment (including the savings elements of premiums from unit-linked life insurance) saw premium volumes rise by 0.6 percent to EUR 2,215 (2,202) million. This was mainly driven by the increase in the biometric products business in the bancassurance area. The segment's new business also grew substantially. New life insurance products business – measured using the annual premium equivalent (APE), the international standard – rose 12.2 percent to EUR 205 (183) million. The increase is attributable both to the success of the CleverInvest unit-linked annuity insurance and to growth in the biometric products business in the bancassurance area. Net investment income fell appreciably since there is currently no need to make a financial contribution to the ZZR. Operating profit rose to EUR 98 (56) million, primarily as the result of higher interest rates.

Second-quarter premium volumes in the Life Insurance segment totalled EUR 1,104 (1,150) million. This was mainly due to a decrease in the single-premium business. Net investment income amounted to EUR 168 (505) million, while operating profit improved to EUR 54 (0) million.

Retail International Division: clear premium growth generated

Gross written premiums in the Retail International Division recorded a double-digit rise (12.6 percent) compared to the first half of 2021 and totalled EUR 3.4 (3.1) billion. Adjusted for currency effects, gross premiums rose by 16.9 percent year-on-year. The non-life business generated growth of 31.2 percent after adjustment for currency effects. This reflects the ongoing diversification of the lines, the effects of partnerships and inflation adjustments. Strong premium growth at Turkish company HDI Sigorta A. Ş. on the back of higher average premiums and a rise in the number of policies was the main driver, along with the property/casualty business in Poland (especially motor vehicle insurance premiums). Chile also helped fuel growth: the sales partnership between HDI Chile and state-owned bank BancoEstado in the non-life business area had a clear positive effect. The Life Insurance segment recorded a 10.6 percent drop in premium volumes due to the sale of CiV Life in Russia and the strategic reduction in the single-premium business in Italy. At 96.6 (92.8) percent, the combined ratio for the Property/Casualty segment companies was up year-on-year; this was largely driven by the return to more normal loss frequency levels once the restrictions on travel imposed during the pandemic were lifted, plus a sharp rise in claims inflation. In the Life Insurance segment, excess mortality declined as the pandemic took a less severe course thanks among other things to the progress made with immunisation. The division’s operating profit amounted to EUR 164 (173) million in the first half of 2022. However, this figure was impacted by one-time factors associated with deconsolidation expenses of EUR 23 million from the sale of the Russian life insurance unit OOO Strakhovaya Kompaniya CiV Life to Russia’s Sovcombank in mid-February 2022. These were partly offset by payments of EUR 16 million received under a recovery agreement in connection with a change in the shareholder structure at Polish company TU Europa. Adjusted for these one-time factors, the operating result would have been at the prior-year level. The contribution made by the division to Group net income was in line with this, at EUR 95 (104) million.

In the second quarter, gross written premiums jumped 15.6 percent to EUR 1.8 (1.5) billion. The combined ratio was 98.9 (91.8) percent, while the operating result was EUR 78 (86) million. The division contributed EUR 50 (50) million to Group net income in the second quarter, on a par with the comparable prior-year period.

Reinsurance: strong year-on-year growth in premium income

The Reinsurance Division saw clear double-digit growth in the first half of the year. Gross written premiums rose by 19.9 percent to EUR 17.3 (14.5) billion. The operating result was impacted by the rise in the volume of large losses resulting from natural disasters and the reserves created in connection with Russia's war of aggression in Ukraine, whereas the Life/Health Reinsurance segment recorded a clear increase. All in all, operating profit was EUR 930 (964) million; the division's contribution to Group net income was in line with this at EUR 326 (336) million.

Property/Casualty Reinsurance segment: premium income up a good 25 percent

Gross written premiums in the Property/Casualty Reinsurance segment rose by roughly one-quarter year-on-year in the first half of 2022 to EUR 12.9 (10.3) billion, or 18.2 percent after adjustment for currency effects. At EUR 850 (326) million, net large losses from natural disasters and the reserves created for Ukraine were substantially higher than the figure for the comparative period, and in excess of the pro rata large loss budget figure of EUR 611 million. The largest individual losses in the first half of the year were the flooding in Australia (net impact: EUR 186 million), Winter Storm "Ylenia" that hit Central Europe in February (net impact: EUR 126 million) and provisions for losses resulting from Russia's war of aggression in Ukraine (EUR 316 million). The combined ratio was 99.1 (96.0) percent, while the operating result was EUR 601 (789) million.

In the second quarter, gross written premiums jumped 26.2 percent to EUR 5.8 (4.6) billion. The combined ratio was 98.7 (95.8) percent and the operating result was EUR 309 (471) million.

Life/Health Reinsurance segment: pandemic effects declining but still significant

Premium income in Life/Health Reinsurance rose by 5.3 percent in the first half of the year to EUR 4.4 (4.2) billion. If exchange rates had remained unchanged, growth would have amounted to 0.3 percent. Pandemic effects remained a key issue in the first half of 2022, particularly in the area of mortality coverage in the USA, South Africa and Latin America, and amounted to EUR 194 (263) million in the Life/Health Reinsurance segment. However, the impact of the pandemic has declined in the course of the first six months, falling from EUR 123 million in the first quarter to EUR 72 million in the second. Operating profit climbed sharply to EUR 330 (175) million.

In the second quarter, gross written premiums rose by 7.4 percent to EUR 2.2 (2.1) billion. Operating profit grew substantially to EUR 219 (85) million.

Overall outlook for 2022 confirmed and growth target lifted

The Group is reaffirming both its outlook for 2022 and its medium-term targets, and has defined its 2022 growth target more precisely. Whereas its guidance had previously been for a mid-range single-figure percentage increase on 2021, it is now expecting high single-figure percentage growth. All other Group targets have been confirmed: The net return on investment is forecast to be approximately 2.4 percent, with a lower extraordinary result being expected year-on-year. The Talanx Group is expecting Group net income 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. Russia’s war in Ukraine, higher inflation and the resulting changes to central banks' monetary policy are material sources of uncertainty for the current financial year.

Key data from the Talanx Group income statement for 6M 2022, consolidated (IFRS)

EUR million	6M 2022	6M 2021	+/–
Gross written premiums	28,332	24,075	+17.7%
Net premiums earned	21,189	18,272	+16.0%
Combined ratio in property/casualty primary insurance and property/casualty reinsurance[1]	98.4%	95.9%	+2.5 ppts
Net investment income	1,887	2,350	-19.7%
Operating profit/loss (EBIT)	1,358	1,333	+1.9%
Group net income (after non-controlling interests)	560	546	2.6%
Return on equity[2]	11.8%	10.5%	+1.3 ppts

Key data from the Talanx Group income statement for Q2 2022, consolidated (IFRS)

EUR million	Q2 2022	Q2 2021	+/–
Gross written premiums	12,427	10,426	+19.2%
Net premiums earned	10,866	9,257	+17.4%
Combined ratio in property/casualty primary insurance and property/casualty reinsurance[1]	98.4%	95.7%	+2.7 ppts
Net investment income	837	1,096	-23.7%
Operating profit/loss (EBIT)	728	707	+3.0%
Group net income (after non-controlling interests)	304	269	+13.0%
Return on equity[2]	13.5%	10.3%	+3.1 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 reporting documents

Financial calendar

About Talanx

Talanx is a major European insurance group with premium income of EUR 45.5 billion (2021) and roughly 24,000 employees worldwide. Based in Hannover, Germany, the Group is active in more than 175 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).

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