NEWS RELEASE

Talanx reports record half-year and positive outlook

- Insurance revenue climbs to EUR 20.9 (19.2) billion
- Group net income up by a double-digit 21 percent to EUR 827 (686) million – best half-yearly result in Talanx's history
- Outlook for 2023: Talanx is confident of exceeding its Group net income target of EUR 1.4 billion[1]

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The Talanx Group generated a record Group net income of EUR 827 million in the first half of 2023 and, based on this, is confident of exceeding its full-year Group net income target of EUR 1,400 million.[1] Insurance revenue rose year-on-year to EUR 20.9 (19.2) billion. Operating profit jumped by more than 30 percent to EUR 2 (1.5) billion and Group net income also climbed by a double-digit 21 percent to EUR 827 (686) million. The return on equity in the first half of the year was 18.4 (15.4) percent and is expected to be well above the strategic target of 10 percent for the year as a whole – all Primary Insurance divisions generated returns on equity in excess of 10 percent for the first time.

Primary Insurance contributed 44 percent of the strong earnings figure and Reinsurance 56 percent. Factors influencing earnings in the first half of 2023 included inflation-related price rises, lower large loss payments, and interest accretion and discounting effects resulting from the application of the new accounting standards.

"Our Talanx Group has generated extremely successful results for the first half of the year. We have seen strong growth in insurance revenue and the highest six months Group net income in the Group's history", said Torsten Leue, Chairman of Talanx AG's Board of Management. "We are therefore optimistic that we will be able to exceed our revenue and Group net income targets for 2023 even though the hurricane season is not over yet. We have also got off to a strong start in our new strategy cycle for the period up to 2025 – a strong signal that our divisions are continuing their successful work and that our Group is extremely resilient, despite global economic challenges."

The insurance service result rose to EUR 1.6 (1.3) billion. This is due to lower large losses and the time value of money resulting from the discounting of loss reserves under the new IFRS 17 accounting standard. At EUR 820 (1,083) million, large losses payments declined in the first half compared to the prior-year period, and were below the pro rata budget for the period of EUR 971 million. Man-made large losses amounted to EUR 245 million, while large loss payments for natural disasters totalled EUR 575 million. The largest single loss in the Group was the earthquake in Türkiye and Syria (EUR 306 million). Talanx's combined ratio improved to 93.7 (95.0) percent.

The net insurance financial and investment result before currency effects was EUR 760 (806) million. Operating profit (EBIT) climbed by more than 30 percent to EUR 2.0 (1.5) billion. Group net income for the first half of the year jumped 21 percent to a record EUR 827 (686) million. The Solvency 2 ratio as at 30 June 2023 was a strong 217 (31 March 2023: 212) percent.

In the second quarter, insurance revenue rose by 12 percent to EUR 10.2 (9.1) billion. The combined ratio improved to 93.9 (94.1) percent. Operating profit rose substantially to EUR 915 (730) million. Group net income for the quarter also increased, rising 11 percent to total EUR 404 (363) million.

Industrial Lines continues successful development

The Industrial Lines Division again lifted its insurance revenue and further improved its underwriting activities. Insurance revenue rose by a clear 10 percent to EUR 4.2 (3.8) billion in the first half of the year, or 11 percent after adjustment for currency effects. This positive performance was partly due to growth in the property and liability business, as well as to an increase in the specialty risks business, which generated insurance revenue of EUR 1.4 (1.3) billion. The insurance service result rose to EUR 292 (226) million on the back of lower frequency losses, lower large loss payments and higher interest rates leading to positive discounting effects in loss reserves. Large loss payments were EUR 134 (174) million, down on the volume for the prior-year period. The combined ratio improved to 93.1 (94.1) percent, clearly below the strategic target of 95 percent. The net insurance financial and investment result before currency effects was EUR 49 (103) million. The decrease was largely due to higher interest accretion in the loss reserves. The division’s operating profit rose to EUR 190 (174) million. Its contribution to Group net income climbed 22 percent to EUR 151 (124) million.

In the second quarter, insurance revenue rose to EUR 2.1 (2.0) billion. Operating profit was EUR 104 (113) million, while the contribution to Group net income was EUR 82 (89) million.

Retail Germany grows operating profit

Bancassurance operations were the main driver for the Retail Germany Division’s strong results in the first half of 2023. The division’s insurance revenue was stable, at EUR 1,722 (1,712) million. The insurance service result amounted to EUR 179 (208) million, while the net insurance financial and investment result before currency effects rose significantly to EUR 70 (11) million. Operating profit increased to EUR 150 (143) million, while the division’s contribution to Group net income was EUR 88 (162) million. The figure for the prior-year period was significantly elevated by a non-recurring special tax factor.

Property/Casualty Insurance segment: multiple growth drivers

Insurance revenue in the Property/Casualty Insurance segment rose by 8 percent to EUR 861 (800) million in the first half of the year; this was largely attributable to the corporate customers/liberal professions, motor vehicle and retail businesses, and to unemployment insurance in the bancassurance area. The insurance service result was EUR 34 (46) million on the back of higher claims frequency levels in the motor vehicle insurance area and higher average losses as a result of inflation. However, the core bancassurance business partly offset these trends. At EUR 17 (35) million, large loss payments in the first half of the year were significantly below the volume for the prior-year period. The combined ratio was 96.1 (94.2) percent. The net insurance financial and investment result before currency effects rose to EUR 40 (16) million due to the positive performance of fixed-income securities. This more than offset the trend in the insurance service result, lifting the operating result for the segment to EUR 39 (33) million.

In the second quarter, insurance revenue in the Property/Casualty Insurance segment rose by 7 percent to EUR 441 (412) million. The combined ratio improved to 97.1 (98.3) percent. Operating profit rose substantially to EUR 15 (–11) million.

Life Insurance segment: operating profit on a par with prior-year period

Insurance revenue for the Life Insurance segment was EUR 861 (912) million in the first half of the year, while new business rose to EUR 156 (109) million. The insurance service result was EUR 145 (161) million, while the net insurance financial and investment result before currency effects jumped to EUR 30 (–5) million. This was largely due to the improvement in net investment income. Operating profit was on a par with the prior-year period at EUR 111 (110) million.

In the second quarter, the Life Insurance segment's insurance revenue amounted to EUR 475 (492) million, while operating profit rose 25 percent to EUR 75 (60) million.

Retail International Division: clear increase in revenue and net income

The Retail International Division recorded good revenue and net income growth, due among other things to the successful performance of the Brazilian business, which has returned to profitability for the long term. The division lifted its insurance revenue by a double-digit 24 percent year-on-year in the first half of 2023, to EUR 3.1 (2.5) billion. At constant currency rates, growth would have been 29 percent. Insurance revenue in the Europe region also rose by 24 percent (32 percent adjusted for currency effects). Growth was mainly due to an inflation-driven rise in average premiums in Türkiye and to motor vehicle, homeowners and life insurance in Poland. Double-digit growth rates in all core markets in the Latin America region contributed to the 26 percent rise in insurance revenue (24 percent after adjustment for currency effects) to EUR 1.1 (0.9) billion.

The insurance service result increased to EUR 185 (110) million, while the combined ratio for the property insurance companies improved to 95.4 (96.4) percent. Operating improvements, especially in the area of pricing, were one of the drivers for this positive trend. In addition, the positive performance in Latin America, in Brazil in particular, the newly acquired HDI Fiba Emeklilik ve Hayat A.Ş. and the successful integration of HDI Italia lifted the insurance service result. Large loss payments in the first half of the year amounted to EUR 24 (13) million. The net insurance financial and investment result before currency effects rose to EUR 157 (81) million on the back of increased interest rates and higher investment volumes. Moreover, the comparative period of the prior year had been impacted by the deconsolidation of the Russian life insurance unit, OOO Strakhovaya Kompaniya CiV Life.

The clear rise in operating profit to EUR 249 (104) million is due to operating improvements both in the Latin American companies (especially Brazil) and in Italy. In line with this, the contribution to Group net income also rose substantially to EUR 141 (47) million.

In the second quarter, insurance revenue in the Retail International Division rose by 23 percent to EUR 1.6 (1.3) billion, or by 30 percent adjusted for currency effects. The combined ratio was 97.3 (96.4) percent. Operating profit improved significantly to EUR 111 (75) million. In line with this, the division's contribution to Group net income also rose to total EUR 66 (39) million.

In addition, the division continued to strategically expand its activities through acquisitions and partnerships: In May, HDI International signed a contract to buy Liberty Mutual's personal and small commercial business operations in Brazil, Chile, Colombia and Ecuador. This is one of the largest acquisitions ever made by the Talanx Group. Moreover, in January HDI International acquired a Turkish company that is now trading under the name of HDI Fiba Emeklilik ve Hayat A.Ş. The signature of an exclusive ten-year bancassurance partnership with Millennium Bank in February also expanded business in the core market of Poland.

Reinsurance: higher Group net income

Insurance revenue in the Reinsurance division rose by 4 percent in the first half of the year to EUR 12.3 (11.8) billion, or 6 percent after adjustment for currency effects. The insurance service result climbed sharply to EUR 1,079 (694) million. The net insurance financial and investment result before currency effects amounted to EUR 524 (634) million, while operating profit saw a good increase of 21 percent to EUR 1.4 (1.1) billion. The contribution to Group net income in the first half of the year was EUR 484 (409) million.

Insurance revenue in the Property/Casualty Reinsurance segment rose by 7 percent to EUR 8.4 (7.9) billion due to improved prices and conditions; at constant exchange rates, growth would have been 8 percent. Large loss payments in the first half of the year amounted to EUR 607 (850) million and were therefore within the pro rata large loss budget of EUR 751 million; in the comparative period, this figure was exceeded by EUR 239 million. The most significant large loss payments in the first half of 2023 (EUR 257 million) were made for the earthquake in Türkiye and Syria. Other events severely impacting the large loss budget were Tropical Cyclone “Gabrielle” in February (EUR 65 million), the recent riots in France (EUR 50 million), the floods in New Zealand in January (EUR 45 million) and the severe storms in Italy in May (EUR 42 million). The insurance service result rose significantly to EUR 598 (397) million, since the prior-year period had been impacted by reserves recognised for Russia’s war of aggression against Ukraine and the recognition of additional reserves for the previous year. The (net/gross) combined ratio improved to 92.9 (94.9) percent, while the net/net ratio was 91.7 (94.4) percent. The net insurance financial and investment result before currency effects was EUR 357 (415) million, while operating profit jumped 27 percent to EUR 841 (662) million in the first half of the year.

In the second quarter, insurance revenue increased by 15 percent to EUR 3.8 (3.3) billion; adjusted for currency effects, the increase was 20 percent. The gross combined ratio was 92.5 (93.6) percent and net 90.8 (92.5) percent. Operating profit rose 4 percent to EUR 370 (356) million.

Insurance revenue in the Life/Health Reinsurance segment amounted to EUR 3,908 (3,966) million; adjusted for currency effects, the increase would have been 1 percent. The insurance service result climbed significantly to EUR 481 (297) million, since the negative effects of the pandemic on mortality coverage declined year-on-year and the financial solutions business further growing strong. The net insurance financial and investment result before currency effects was EUR 167 (219) million, while the Life/Health Reinsurance segment's operating profit rose 12 percent to EUR 521 (464) million.

In the second quarter, insurance revenue in the Life/Health Reinsurance segment totalled EUR 1,938 (1,943) million. A clear rise in operating profit to EUR 270 (169) million was recorded.

Forecast for 2023: positive outlook for insurance revenue and Group net income

The Talanx Group is confirming the medium-term targets that it published in December of last year. In regards to the outlook for the current year, it is confident of exceeding both its target of EUR 42 billion for insurance revenue and the figure of EUR 1,400 million for Group net income. The return on equity will be clearly in excess of 10 percent, as already announced in the first quarter of 2023.

As usual, the targets for financial year 2023 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 remains a source of uncertainty.

[1] The forecast for Group net income may be subject to particular fluctuations due to the use of the new IFRS 9 accounting standard to measure investments.

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Key figures from the Talanx Group income statement for H1 2023, consolidated (IFRS)

EUR million	6M 2023	6M 2022[1]	+/–
Insurance revenue	20,862	19,159	+8.9%
Insurance service result	1,627	1,293	+25.9%
Combined ratio for property/casualty primary insurance and property/casualty reinsurance	93.7%	95.0%	–1.3 ppts
Net insurance financial and investment result before currency effects	760	806	–5.6%
Operating profit/loss (EBIT)	1,957	1,502	+30.3%
Group net income (after non-controlling interests)	827	686	20.6%
Return on equity[2]	18.4%	15.4%	+3.0 ppts

Key figures from the Talanx Group income statement for Q2 2023, consolidated (IFRS)

EUR million	Q2 2023	Q2 2022[1]	+/–
Insurance revenue	10,151	9,082	+11.8%
Insurance service result	747	660	+13.2%
Combined ratio for property/casualty primary insurance and property/casualty reinsurance	93.9%	94.1%	–0.2 ppts
Net insurance financial and investment result before currency effects	430	418	+2.9%
Operating profit/loss (EBIT)	915	730	+25.4%
Group net income (after non-controlling interests)	404	363	+11.1%
Return on equity[2]	17.4%	16.0%	+1.3 ppts

1) Adjusted in accordance with IFRS 9 and IFRS 17 in conjunction with IAS 8.

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 around EUR 40 billion (2022, according to IFRS 17) 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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