News Release

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Talanx sets itself more ambitious targets for 2019 and beyond

- Return on equity (RoE) target raised from at least 750 basis points to at least 800 basis points above risk-free interest rate
- Earnings per share to be increased by an average of at least 5% per year by 2022
- Talanx AG will act as intragroup reinsurer, thereby increasing earnings potential
- S&P sets issuer rating for Talanx AG to “A-/CreditWatch Positive”
- Divisions accelerate growth with small and medium-sized enterprises and with specialty risks

Talanx AG

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The Talanx Group has set itself more ambitious targets for 2019 and beyond with an enhanced strategy. In future, Germany’s third-largest insurer will aim for a return on equity (RoE) of at least 800 basis points above the risk-free interest rate. Earnings per share (EPS) are to be increased by an average of at least 5% per year until 2022. This is to be achieved by means of focussed strategies for the divisions, various growth initiatives, the bundling of intragroup reinsurance at the holding company and more stringent capital management. 35% to 45% of IFRS earnings shall be distributed to the shareholders, with the absolute amount of the dividend coming to at least the previous year’s level.

“Over the past five years, the Talanx Group has posted considerably stronger growth than its competitors and has almost always generated attractive returns with comparatively low volatility. We are building on this success. We are continuing to boost profitability in the divisions and are launching growth initiatives in the commercial sector and in specialty business, as well as continuing our successful international growth. All in all, we will thereby significantly increase our earning capacity,” said Torsten Leue, Chairman of the Board of Management of Talanx AG, at the Capital Markets Day in Frankfurt, where the Board of Management presented the Talanx Group’s enhanced strategy.

Focus on acceleration of the digital transformation

One of the key tasks is to accelerate the digital transformation that has already been initiated. The focus here is on further development of the Talanx system environment and advanced data analysis, including artificial intelligence and the development of digital ecosystems. Digital innovations and applications are to be developed further in a targeted way in the established Best Practice Lab and implemented locally, taking account of market-specific requirements. In addition, equity investments in innovative start-ups, such as the asset management platform Elinvar, will be a growing part of the strategy.

Targeted capital management and bundling of Primary Insurers' non-life treaty reinsurance requirements at the holding company

Talanx has identified additional potential for optimising capital management that the Group will systematically exploit over the coming years. To this end, excess capital of the Group subsidiaries will be transferred to the holding company. This will pave the way for increasing investments in profitable and high-growth areas and further secure Talanx's dividend continuity in the future. In addition, Talanx plans to bundle the non-life treaty reinsurance requirements for Primary Insurance at the holding company in order to take advantage of diversification effects throughout the Group. In conjunction with a higher retention, Talanx consequently also anticipates an increase in investment income. The bundling of intragroup reinsurance has already resulted in S&P setting the issuer rating of Talanx AG to "A-/CreditWatch Positive". Fully implemented, Talanx expects this to have a combined positive effect on annual profit of around EUR 50 million.

Acquisitions will remain an important element of Talanx's growth strategy. In this context, the company will continue to examine potential acquisition targets with great discipline. As before, the prerequisite for a transaction is that potential acquisitions must improve the Group's return on equity and result in an increase in earnings per share in the near future. The focus is primarily on potential target companies in non-life business in the defined markets.

Industrial Lines: Profitability in fire business and international growth

The Industrial Lines Division is focussing on the systematic profitabilisation of fire insurance business in the short term and on international growth and the intragroup joint venture with Hannover Rück SE, HDI Global Specialty SE, in the period up to 2022. The 20/20/20 programme aims to improve the combined ratio in fire business by at least 20%-points by 2020. Fire business accounts for roughly 20% of HDI Global SE's total portfolio. More than 60% of the aimed at target were already locked in by the middle of October and will thus affect the income in financial year 2019. As before, the goal is to advance growth in international markets and in the field of speciality insurance in particular. The division sees potential in North America, Europe and other regions of the world, including certain emerging markets.

Meanwhile, a new company, HDI Global Specialty, was established just a few months ago and will start operations as at 1 January 2019. Talanx expects the combination of Inter Hannover's proven underwriting expertise and HDI Global's worldwide sales and loss adjustment network to result in significant growth synergies. By 2022, gross written premiums are expected to increase to EUR 2.1 billion; the EBIT contribution for the division should rise by around EUR 35 million within this period.

Retail International: Further profitable growth planned

In the Retail International Division, Talanx aims to continue its strong growth while also further advancing diversification. Its goal is to become one of the top 5 providers in all the five defined core markets in Latin America and in Central and Eastern Europe. This is to be achieved by means of profitable organic and non-organic growth. In the medium term, the division wants to achieve return on equity of 10% to 11%.

Retail Germany: Targeting small and medium-sized enterprises

Retail Germany is consistently pursuing its strategic KuRS programme and aiming for further growth in business with small and medium-sized enterprises. The division has achieved considerable success with KuRS and is ahead of schedule. More than EUR 155 million of the targeted reduction in the cost level by around EUR 240 million by 2021 have already been achieved at the end of this year. EBIT is around EUR 75 million ahead of schedule overall since the start of the KuRS programme.

In the medium term, the division will concentrate to a greater extent on profitable growth in property/casualty business. The focus here is on the SME segment. By 2022, the division aims to underwrite a total gross premium volume of more than EUR 500 million with SMEs. This would be equivalent to annual growth of just under 7% and a significant increase in market share. The aim is to become one of the top providers with a market share of 10%.

In life insurance business, the division is still focusing on capital-efficient retirement provision products and biometric risks, and particularly on growth opportunities in occupational retirement provisions in the context of the German Act to Strengthen Company Pensions (BRSG). In addition, it is continuing to press ahead systematically with homogenising the system environment in both property/casualty insurance and life insurance business.

The core goal of generating EBIT of at least EUR 240 million in the division by 2021 has been fully confirmed.

Reinsurance: Expand innovative reinsurance offers

Just a few days ago, the division discussed its expectations for the coming years in detail at the Investors' Day on 18 October. The focus was on its strategy of building further on its existing strengths, particularly with regard to competitiveness and profitability. Diversification benefits will also continue to play a key role here in the future. This will be supplemented by the continued systematic digitalisation of the Group and the expansion of integrated, innovative reinsurance offers in order to position the division even more strongly as a provider of customised solutions. In addition, portfolio management measures in business with US mortality risks are expected to increase profitability further.

About Talanx

With premium income of EUR 33.1 billion (2017) and about 20,000 employees, Talanx is one of the major European insurance groups. The Hannover-based Group is active in more than 150 countries. Talanx operates as a multi-brand provider with a focus on B2B insurance. Under the HDI brand, which can look back on more than 100 years of tradition, Talanx operates both in Germany and abroad in industrial insurance as well as retail business. Further Group brands include Hannover Re, one of the world's leading reinsurers, Targo insurers, PB insurers and neue leben, the latter all specialised in bancassurance, as well as the Polish insurer Warta. Talanx Asset Management is one of the top asset management companies in Germany and manages the assets of the Talanx Group. With its subsidiary Ampega Investment, Talanx Asset Management is also an experienced provider of solutions for outsourcing in the B2B market. The rating agency Standard & Poor's has given the Talanx Primary 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 in the SDAX as well as on the stock exchanges in Hannover and Warsaw (ISIN: DE000TLX1005, German Securities Code: TLX100, Polish Securities Code: TNX).

You can find additional information by going to www.talanx.com.

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