NEWS RELEASE

Talanx Group raises ambitions for primary insurance operations

- **2021 dividend: Board of Management holds out the prospect of EUR 1.60 (1.50)**
- **Substantial increase in resilience**
- **Outlook for 2022 Group net income lifted to EUR 1,050–1,150 million range**
- **Expanded sustainability goals**
- **Primary insurance aims for clear rise in return on equity in the period up to 2025**

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The Talanx Group is significantly increasing its ambitions for its three primary insurance divisions: The Industrial Lines, Retail Germany and Retail International Divisions are aiming for a return on equity of more than 10 percent each by 2025. This will put them on the same high level as the Reinsurance Division. At the Group's Capital Markets Day, the Board of Management held out the prospect of proposing an increased dividend of EUR 1.60 (1.50) for financial year 2021 to the 2022 Annual General Meeting. It also lifted the outlook for Group net income in financial year 2022 to within the EUR 1,050–1,150 million range.

The Talanx Group is well on the way to achieving the medium-term targets that it set itself in 2018. These were for a return on equity of at least 800 basis points above the risk-free rate and growth in earnings per share of a minimum of 5 percent by 2022. The average return on equity for 2019 and 2020 was 8.2 percent whereas the risk-free rate was 0.16 percent, meaning it hit the target despite the coronavirus pandemic. The dividend has been increased or held steady every year since 2018. The return on equity for 2021 will be approximately 9 percent, while the target for 2022 is around 10 percent. If the Group net income target of EUR 1,050–1,150 million is reached in 2022, earnings per share will have grown by an average of more than 5 percent per annum from their 2018 base. One key driver for this trend is the successful measures taken to optimise the Industrial Lines and Retail Germany Divisions. The profit generated by the Primary Insurance Group rose from EUR 246 million in 2018 to EUR 326 million in 2020. This means that this area's contribution to Group net income rose from 31 percent to 42 percent over the same period. In addition to lifting its earnings, the Primary Insurance Group also increased its resilience: according to an analysis by Towers Watson, the resiliency reserves almost doubled from EUR 517 million to EUR 1,020 million.[1]

"We are making very good progress towards achieving the targets we set ourselves in 2018. Our optimisation programmes have had the desired effect. In addition, HDI Global Specialty's growth initiative exceeded the high expectations placed in it. At the same time, the Group has become more resilient against volatility. These are highly encouraging successes in these turbulent times, in which we have coped not only with the coronavirus crisis but also with a larger number of natural disasters, and in particular with the once-in-a-century flooding in western Europe. This gives us the confidence to lift our ambitions for 2025. Honing the focus of our primary insurance divisions will play a key role here", said Talanx AG Board of Management Chairman Torsten Leue, summing up the situation.

Expanded sustainability goals: Carbon neutrality by 2050

What is more, Talanx is seeking to achieve carbon neutrality for both its underwriting and its investment portfolios by 2050, in line with the goals of the Paris Conference on Climate Change. This is in addition to the net zero target that it has already set itself for its global operations by 2030 at the latest. In the investment area, the objective is to reduce the portfolio's carbon intensity by 30 percent compared to the 2019 baseline in the period up to 2025. In its underwriting business, the Group intends to stop insuring oil and tar sand projects by 2038, as well as to exclude coal-intensive industries. And in its operations, the Talanx Group is continuing to aim for carbon neutrality by 2030, and has already met this target in Germany.

Industrial Lines: clear profitable growth

All divisions are aiming to hone their strategies and hence generate a return on equity of at least 10 percent by 2025. Industrial Lines is well on the way to hit a combined ratio of 95 percent in the medium term. The division plans to maintain its cost leadership compared to its peers. Industrial Lines intends to continue its disciplined underwriting approach while clearly growing gross premiums from EUR 6.7 billion in 2020 to just under EUR 10 billion by 2025. One factor here will be strong growth from HDI Global Specialty SE – the plan is to lift premium income in the specialty risks business from the current figure of EUR 2.0 billion to approximately EUR 3.7 billion. "We have simplified the ownership structure in our specialty business by acquiring the remaining 49.8 percent of the shares in HDI Global Specialty SE. And we have now set ourselves new, ambitious targets. We want to drive forward our global scale-up and be one of the global market leaders for special risks insurance", said Dr Edgar Puls, Chairman of the Board of Management of HDI Global.

Retail Germany: Focus on SMEs and bancassurance

The Retail Germany Division will likely exceed its target under the "KuRS" optimisation programme this year. According to the information currently available, the division is expecting operating profit clearly in excess of EUR 250 million – the target under the "KuRS" programme was at least EUR 240 million.

To achieve its target of a return on equity of over 10 percent in 2025, the division is aiming to almost double premium growth in its SME business, from EUR 435 million in 2020 to approximately EUR 800 million in 2025. Additional partnerships and organic growth should lift premium volumes in its banking partnerships business from EUR 2.7 billion to more than EUR 3.0 billion. The plans are flanked by a comprehensive digitalisation strategy. The division is aiming to be a market leader in both its banking partnerships and SME business areas. Its other retail property insurance business is to be expanded slightly to reach a volume of EUR 1 billion. The division has also set itself the goal of systematically continuing to reduce its risks and becoming a lean and considerably more profitable life insurer. To do this, HDI Germany will focus its operations on a substantially leaner, higher-margin portfolio of products for personal and occupational retirement provision in the period up to 2023. The division intends to continue its business with products offering low or no guarantees. Market acceptance of the Clever Invest unit-linked product confirms that HDI Germany's approach is the right one. Protection against biometric risks will also still be offered. At the same time, the division will systematically continue its management of its existing customer portfolio and strict cost-cutting strategy. “We shall implement all these measures agilely, rapidly and in a customer-focused manner, in keeping with our passion for SMEs”, said Dr Christopher Lohmann, Chairman of the Board of Management of HDI Deutschland AG. “All in all, the measures set out in our GO25 strategic programme will help us to lift our earnings”.

Retail International: Diversification into additional insurance areas

The Retail International Division has also set itself ambitious targets. The goal is to generate a return on equity of more than 10 percent and to be among the top five in the entire property/casualty business in its core markets of Poland, Turkey, Brazil, Mexico and Chile by 2025. Another focus is on further enhancing its technical excellence and accelerating the process of digital transformation. What is more, the division is aiming to increase the diversification of its portfolio. In addition to systematically expanding the vehicle business, the goal is to focus on growing the non-vehicle business from EUR 1.1 billion to EUR 2.0 billion by 2025. At the same time, a roll-out of the existing Turkish health insurance offering to additional markets such as Poland and Mexico is being examined. The biometric products business is also to be expanded, while classic savings products are to be scaled back. In addition, the division is launching an evaluation of whether to enter South-East Asian markets.

"We shall reach our goal of a return on equity in excess of 10 percent through organic growth and disciplined underwriting", said Dr Wilm Langenbach, Chairman of the Board of Management of HDI International. "At the same time, we are actively looking for suitable acquisitions and partnerships, particularly in the non-life business. In both cases, projects must enhance our strategic positioning, be a good cultural fit and contribute rapidly to Group net income."

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[1] With the exception of the agreed obligations that Willis Towers Watson has agreed with Talanx AG or Hannover Rück SE, Willis Towers Watson accepts no responsibility or liability to any third party for any loss or damage suffered by them as a result of any reference to Willis Towers Watson in this press release.

Investor Relations' presentation for Capital Markets Day

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 MDAX, and on the Hannover stock exchange (ISIN: DE000TLX1005, German Securities Code: TLX100).

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