# Talanx generates strong premium growth and good Group net income in first quarter

- Gross written premiums rise by a double-digit 16.5 percent to EUR 15.9 (13.6) billion – or by 13.4 percent adjusted for currency effects
- Combined ratio of 98.3 (96.1) percent
- Net return on investment of 3.0 percent (3.5 percent)
- Operating profit (EBIT) increases to EUR 630 (625) million
- Group net income: EUR 256 (277) million, EUR 119 million (47 percent) of which is from primary insurance
- Solvency 2 ratio of 208 percent as at 31 December 2021
- Outlook for Group net income in EUR 1,050–1,150 million range confirmed for 2022

Talanx AG

Group Communications
Tel. +49 511 3747-2022
E-mail: gc@talanx.com

Investor Relations
Tel. +49 511 3747-2227
E-mail: ir@talanx.com

HDI-Platz 1
30659 Hannover
Germany
www.talanx.com

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**The Talanx Group saw a clear double-digit percentage rise in premium income in the first three months of the year and also generated strong Group net income. Gross written premiums increased by 16.5 percent compared to the prior-year quarter to EUR 15.9 (13.6) billion; the rise after adjustment for exchange rate effects was 13.4 percent. All divisions contributed to this growth. Operating profit (EBIT) rose to EUR 630 (625) million. Group net income was a good EUR 256 (277) million due to a higher tax burden and was attributable in almost equal measure to the primary insurance (47 percent) and reinsurance (53 percent) areas. The Talanx Group has confirmed its outlook for the current financial year. It is expecting Group net income in the EUR 1,050–1,150 million range – a figure that demonstrates its high level of resilience.**

“Our Group saw double-digit percentage growth in all divisions in the first quarter, and we generated good Group net income of EUR 256 million. This has got us off to a good start to the year, despite higher losses from natural disasters in particular”, said Torsten Leue, Chairman of Talanx AG’s Board of Management. “The Talanx Group is resilient – as can be seen from our strong Group net income in these challenging times. We are also confirming our forecast for the current financial year.”

At EUR 458 (287) million, large losses for the first three months exceeded the pro rata large loss budget figure of EUR 387 million by a clear EUR 71 million. Total large losses in primary insurance were EUR 121 (93) million, while the figure for the reinsurance area was EUR 336 (193) million. The largest single losses were the floods in Australia, which accounted for EUR 236 million, followed by the storms in Europe. This development lifted the combined ratio to 98.3 (96.1) percent.

Net investment income amounted to EUR 1,050 (1,253) million due to lower proceeds in the Life Insurance segment of the Retail Germany Division and in the Reinsurance Division. This corresponds to a net return on investment of 3.0 (3.5) percent. Operating profit rose to EUR 630 (625) million. Group net income after the first three months was EUR 256 (277) million. The Solvency 2 ratio as at 31 December 2021 was a robust 208 percent.

## Industrial Lines: combined ratio reduced in line with strategy

Gross written premiums in the Industrial Lines Division rose by a double-digit 11.2 percent in the first quarter to EUR 3.0 (2.7) billion. Adjusted for exchange rate effects, gross premiums rose by 8.6 percent. Premium growth was largely due to the trend in the specialty and liability business. The underwriting result increased clearly against the comparative quarter to EUR 28 (11) million. Large losses in the division were on a par with the prior-year period. The loss ratio improved to 80.2 (81.8) percent due to the positive trend in frequency losses. The cost ratio was unchanged at 16.9 (16.9) percent. At 97.1 (98.7) percent, the combined ratio is well on the way towards the figure of below 98 percent that is the goal for full-year 2022.

Net investment income declined compared to the prior-year quarter, to EUR 56 (77) million. The figure for the comparative period had been positively impacted by special distributions by private equity investments. Operating profit for the first quarter was EUR 46 (51) million. Industrial Lines contributed EUR 31 (39) million to Group net income.

## Retail Germany: both segments contribute to premium growth

Gross written premiums in the Retail Germany Division rose clearly to EUR 2.0 (1.8) billion in the first three months. Growth in the Property/Casualty segment was primarily due to the positive trends seen in the corporate customers and freelance professionals areas and in the unemployment insurance business conducted in cooperation with our banking partners. Premium growth in the Life Insurance segment came from improvements in the biometric products business and from the single-premium business. Operating profit amounted to EUR 76 (137) million. This development was primarily due to the impact of winter storms. Otherwise, the level of losses normalised compared to the previous year, which had been positively affected by lockdowns. The division contributed EUR 42 (84) million to Group net income, while its return on equity was 6.9 (12.5) percent.

### *Property/Casualty Insurance segment: almost all lines contribute to premium growth*

Premium income in the Property/Casualty Insurance segment jumped by almost 12 percent to EUR 873 (781) million. This growth is in line with the segment’s strategy. A EUR 47 million increase in written premiums was recorded in the corporate customers and freelance professionals line alone. New business written by the corporate customers and freelance professionals line was up 60 percent – a very clear rise year-on-year. The underwriting result was EUR 8 (55) million.

This development was largely due to higher losses from natural disasters (and especially winter storms) plus an increase in basic losses in the motor vehicle line as a result of greater mobility. All in all, this pushed up the combined ratio to 97.8 percent; by comparison, the first quarter of 2021 had seen an extremely low level of losses (84.2 percent). Net investment income declined slightly to EUR 24 (29) million. The first-quarter operating profit for the segment was EUR 31 (81) million.

*Life Insurance segment: new business drives premium growth*

The Life Insurance segment saw premium growth of 5.6 percent in the first three months to EUR 1,111 (1,052) million (including the savings elements of premiums from unit-linked life insurance). The increase is due to the improvement in the biometric products business in the bancassurance area and to the single-premium business. New life insurance business – measured using the annual premium equivalent (APE) – rose significantly from EUR 87 million to EUR 108 million.

The underwriting result for the first three months improved to EUR –336 (–544) million. The main factors influencing this item are the calculation of the discounts on technical provisions and policyholder participation in net investment income. Net investment income fell against the comparative period to EUR 379 (609) million. This was due to a substantially lower level of extraordinary income resulting from lower financing requirements for the *Zinszusatzreserve* (ZZR – additional interest reserve). All in all, operating profit in the Life Insurance segment was EUR 45 (56) million.

## Retail International: profitable growth despite rising inflation

Gross written premiums in the Retail International Division rose by 9.6 percent compared to the prior-year quarter to EUR 1.7 (1.5) billion.

Adjusted for exchange rate effects, premium growth would have been 13.6 percent. Gross written premiums in the Property/Casualty Insurance segment rose by 27.8 percent, whereas the Life Insurance segment saw a 22.2 percent reduction. This was due to the fact that the single-premium business in Italy was scaled back in line with the segment's strategy. In Europe, gross written premiums were up 3.1 percent to EUR 1,220 (1,183) million, or 9.8 percent at constant exchange rates. The main growth drivers were the rise in average premiums in Turkey and increased premiums at Warta in Poland. In addition the bolt-on acquisition made in Italy, which had not been included in consolidation in the first quarter of 2021, contributed EUR 60 million to this positive development. Premium volumes in Latin America jumped by 32.3 percent to EUR 445 (337) million; adjusted for exchange rate effects premium growth was 27.0 percent. EUR 45 million of the sharp rise in premium income was due to the sales partnership in the property business entered into by HDI Chile and state-owned bank BancoEstado, which took effect at the start of the year.

The combined ratio for the property insurance companies was stable at 94.0 (93.9) percent. Improvements in underwriting were seen in Poland (Warta) and Mexico; conversely Brazil and Turkey deteriorated. The underwriting result for the life insurance business improved against the comparative period, in which higher mortality caused by the coronavirus pandemic had impacted net income by EUR 4 million. The underwriting result for the Retail International Division as a whole rose substantially to EUR 31 (14) million.

At EUR 101 (97) million, net investment income was roughly on a par with the comparative period, since increased interest rates in Turkey and Poland in particular offset negative exchange rate effects in Turkey. The division’s operating profit was stable year-on-year at EUR 86 (87) million. However, this figure was impacted by deconsolidation expenses of EUR 23 million resulting from the sale of the Russian life insurance unit OOO Strakhovaya Kompaniya CiV Life to Russian bank Sovcombank in mid-February 2022. Without this deconsolidation effect from CiV Life, operating profit would have risen to EUR 109 million (+24.9 percent).

Operating profit in Europe climbed by a clear 20.1 percent to EUR 94 (79) million. This was largely due to the positive run-off results in the Property/Casualty Insurance segment at Warta in Poland. An operating loss of EUR 9 million (operating profit of EUR 11 million) was recorded In Latin America; this was mainly due to increased loss frequencies and amounts across the entire Brazilian market. The contribution to Group net income made by the Retail International Division as a whole was EUR 46 (54) million in comparison to the first quarter of 2021; the figure without the deconsolidation effect from CiV Life would have been EUR 69 million (+27.2 percent).

## Reinsurance: sharp rise in premium growth

Premium growth in the Reinsurance Division amounted to 19.5 percent in the first three months to EUR 9.3 (7.8) billion; the rise in gross written premiums after adjustment for exchange rate effects was 13.9 percent. Operating profit roughly matched the level for the prior-year quarter at EUR 402 (408) million. The contribution to Group net income in the first quarter was EUR 133 (153) million.

The main factors impacting the Reinsurance Division in the reporting period were the high level of large losses in the Property/Casualty Reinsurance segment on the one hand, and the significant ongoing effects of the coronavirus pandemic in the Life/Health Reinsurance segment on the other.

*Property/Casualty Reinsurance segment: natural disasters take a heavy toll*

Gross written premiums in the Property/Casualty Reinsurance segment rose by a substantial 25.6 percent to EUR 7.1 (5.7) billion. After adjustments for exchange rate effects, growth would have been 19.5 percent. The combined ratio rose to 99.5 (96.2) percent. The underwriting result was EUR 21 (143) million. Net investment income increased by 13.8 percent to EUR 313 (275) million. The overall operating profit generated was EUR 291 (318) million.

The increase in large losses, which was mainly due to the storms in Europe and the flooding in Australia, had a major impact on the segment in the reporting period. The estimated large loss budget for the first quarter (EUR 284 million) was exceeded by 18 percent, with large losses totalling EUR 336 (193) million. A precautionary flat-rate provision in the low triple-digit million-euro range was recognised for potential losses resulting from the war in the Ukraine.

*Life/Health Reinsurance segment: coronavirus pandemic still a key factor*

The coronavirus pandemic remained a decisive issue in the Life/Health Reinsurance segment in the first three months. Its effects were particularly visible in mortality coverage in the USA, Latin America and South Africa. At a total of EUR 123 million, pandemic-related losses were within the expected range, but declined in the course of the first quarter.

Gross written premiums in the Life/Health Reinsurance segment rose by 3.2 percent to EUR 2.2 (2.1) billion; after adjustment for exchange rate effects, the increase would have been 1.2 percent. Net investment income was on a par with the previous year, at EUR 177 (172) million.

Operating profit also climbed sharply by 23.4 percent to EUR 111 (90) 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. It is aiming for percentage premium growth compared to 2021 in the mid-single digit range. The net return on investment is forecast to be approximately 2.4 percent, with continued low interest rates 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 war being waged by Russia in Ukraine is proving a source of uncertainty for the current financial year; it is currently still too early to be able to provide a comprehensive assessment of its potential effects.

**Key figures from the Talanx Group income statement, Q1 2022, consolidated (IFRS)**

| EUR million | Q1 2022 | Q1 2021[1] | +/– |
|---|---|---|---|
| Gross written premiums | 15,905 | 13,649 | +16.5% |
| Net premiums earned | 10,332 | 9,015 | +14.6% |
| Combined ratio for property/casualty primary insurance and property/casualty reinsurance[2] | 98.3% | 96.1% | +2.2 ppts |
| Net investment income | 1,050 | 1,253 | –16.2% |
| Operating profit/loss (EBIT) | 630 | 625 | +0.7% |

| | | | |
|---|---|---|---|
| Group net income (after non-controlling interests) | 256 | 277 | –7.6% |
| Return on equity[3] | 10.0% | 10.7% | –0.7 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.

The figures for the Group's net assets, financial position and results of operations were prepared in accordance with the International Financial Reporting Standards (IFRS). However, this quarterly statement does not represent an interim report as defined by IAS 34.

[Full documents relating to the quarterly statement]

[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).

*Talanx – Together we take care of the unexpected and foster entrepreneurship*

For further information, please see www.talanx.com.

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For **media enquiries** please contact:


| | | |
|---|---|---|
| Andreas Krosta | Tel.: | +49 511-3747-2020 |
| | E-mail: | andreas.krosta@talanx.com |
| Anna Gräuler | Tel.: | +49 511 3747-2094 |
| | E-Mail: | anna.graeuler@talanx.com |


For **investor relations enquiries** please contact:


| | | |
|---|---|---|
| Bernd Sablowsky | Tel.: | +49 511-3747-2793 |
| | E-mail: | bernd.sablowsky@talanx.com |
| Bernt Gade | Tel.: | +49 511-3747-2368 |
| | E-Mail: | bernt.gade@talanx.com |


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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.