

## Talanx starts year with strong results

- Gross written premiums up 9.4 percent to EUR 13.6 (12.5) billion (13.6 percent adjusted for exchange rate effects)
- Combined ratio for property/casualty primary insurance and property/casualty reinsurance improves to 96.1 (99.8) percent
- Net return on investment increases to 3.5 percent (2.7 percent)
- Operating profit (EBIT) sees double-digit rise, climbing 11.8 percent to EUR 625 (559) million
- At EUR 277 (223) million, strong Group net income is up 24.5 percent year-on-year thanks to significant one-off effects
- Solvency II ratio of 206 percent at the 2020 year-end
- Refined outlook for Group net income in 2021 at upper end of the EUR 800–900 million range

Hannover, 6 May 2021

**The Talanx Group got off to a good start in the new financial year, with clear growth in gross premiums and Group net income. Gross written premiums rose by 9.4 percent to EUR 13.6 (12.5) billion, or by a double-digit 13.6 percent after adjustment for exchange rate effects. Operating profit (EBIT) amounted to EUR 625 (559) million, a 11.8 percent rise compared to the prior-year quarter, while Group net income climbed by 24.5 percent to EUR 277 (223) million. All four divisions contributed to this positive development. The clear rise in Group net income benefited from positive one-off effects in both underwriting and net investment income, which are partly related to the global measures taken to contain the coronavirus pandemic. In addition, the tax rate was down slightly year-on-year. The coronavirus pandemic impacted the results less severely than in the prior-year period in all divisions apart from Life/Health Reinsurance. In view of its strong first quarter, Talanx is refining its outlook for Group net income and is expecting a figure at the upper end of the EUR 800–900 million range.**

“The trend in the first quarter is extremely positive and represents a good start to the year even without the special effects. Our Group has grown and all divisions contributed to the strong results. This shows that our growth initiatives are paying off and that the measures taken to optimise

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Industrial Lines and Retail Germany are working across the board”, said Torsten Leue, Chairman of Talanx AG’s Board of Management.

At EUR 287 (435) million, large losses for the first quarter of 2021 were down substantially on the prior-year quarter, which was badly impacted by significant coronavirus effects. Total large losses in the primary insurance area were EUR 93 (144) million, while the figure for reinsurance activities was EUR 193 (284) million. The combined ratio for property/casualty primary insurance and property/casualty reinsurance improved by 3.7 percentage points versus the first quarter of 2020, which had been impacted by significant negative coronavirus effects, and amounted to a good 96.1 (99.8) percent in the first quarter 2021.

Net investment income rose 39 percent year-on-year to EUR 1,256 (903) million, with the rise being primarily attributable to higher income realised in the area of German life insurance. The net return on investment was 3.5 (2.7) percent.

Operating profit climbed 11.8 percent to EUR 625 (559) million. Group net income rose by 24.5 percent compared to the prior-year period, which was badly hit by the coronavirus pandemic, to total EUR 277 (223) million. The pandemic’s impact on Group net income amounted to EUR 34 million, whereas the effects in the first quarter of last year were EUR 133 million. The Solvency II ratio as at 31 December 2020 was a robust 206 percent.

### **Industrial Lines doubles contribution to Group net income**

Gross written premiums in the Industrial Lines Division increased by 5.3 percent in the first quarter of 2021 to EUR 2.7 (2.6) billion. Adjusted for exchange rate effects, gross premiums rose by 8 percent. The higher figure is attributable to growth in the specialty business and to the third-party liability business. The underwriting result for the division was EUR 11 (–11) million, well above the figure for the prior-year quarter, which was dominated by the coronavirus pandemic. The loss ratio

improved to 81.8 (83.6) percent despite an increase in large losses from natural disasters and man-made losses, underscoring the effectiveness of the measures taken to increase profitability. The combination of premium growth and strict cost discipline improved the cost ratio to 16.9 (18.0) percent. At 98.7 (101.6) percent, the combined ratio was fully on track to hit the planned medium-term target of 97 percent.

Net investment income rose substantially to EUR 77 (34) million. Special distributions by private equity investments contributed to this figure. The prior-year quarter was hit hard by the slump on the capital markets at the beginning of the coronavirus pandemic. The clear improvement in the underwriting result and increased net investment income from one-off effects lifted the operating result to EUR 51 (30) million. Industrial Lines contributed EUR 39 (17) million to Group net income.

### **Retail Germany: clear increase in net income as a result of lower claims**

Gross written premiums in the Retail Germany Division in the first three months were on a par with the comparative period, at EUR 1.8 (1.8) billion. Operating profit climbed tangibly compared to the prior-year quarter, to EUR 137 (32) million. The division's contribution to Group net income improved due to the positive trend in net income in both the Property/Casualty and the Life Insurance segments, and totaled EUR 84 (19) million. In line with this, the return on equity rose by 9.3 percentage points to 12.5 percent.

In addition, the division resolved an ambitious strategy programme, GO25, during the reporting period. Building on its strengths in the SME business and as a partner for banks and brokers, it intends to grow its revenue and earnings in the period

up to 2025. The goal is to lift the division's return on equity to the Talanx Group's target level of more than 8 percent above the risk-free interest rate in the period up to 2025 by focusing on enhancing customer orientation, agility, efficient digital processes and the ability to think and act like an SME.

*Property/Casualty Insurance segment: declining impact of coronavirus pandemic on underwriting result and net investment income*

Written premiums received in the Property/Casualty Insurance segment rose compared to the prior-year quarter to total EUR 781 (774) million. Growth in the corporate customers and freelance professionals business in line with the segment's strategy exceeded the decline in motor insurance and unemployment insurance.

At EUR 55 (–13) million, the underwriting result was up substantially on the comparative period, which was badly hit by the coronavirus pandemic. This increase was due to the less pronounced impact from business shutdown insurance plus a drop in motor, casualty and householders insurance losses caused by the lockdown. In addition, the number of large and medium-sized losses was down substantially compared to a normal first quarter. All in all, this led to a clear 19.6 percentage point improvement in the combined ratio, to 84.2 (103.8) percent.

Net investment income in this segment rose to EUR 29 (14) million; this was mainly attributable to lower write-downs compared to the prior-year quarter, which was more badly affected by the coronavirus pandemic. The operating result improved to EUR 81

(–3) million thanks to the strong recovery in the underwriting result resulting from reduced mobility, and to the rise in net investment income.

*Life Insurance segment: coronavirus pandemic depresses premiums but net income rises thanks to decline in coronavirus effects*

The Life Insurance segment saw a 2.1 percent decrease in premiums in the first three months to EUR 1.1 (1.1) billion (including the savings elements of premiums from unit-linked life insurance). As in the last three quarters of 2020, the decline was caused by a decrease in the residual debt business in the segment's bancassurance operations. In addition, the lockdown depressed new business in the area of occupational retirement provision following an extremely strong first quarter of 2020. Overall, new life insurance product business – measured using the annual premium equivalent (APE), the international standard – fell from EUR 95 million to EUR 87 million.

The underwriting result for the first quarter dropped to EUR –544 (–270) million. The main factors influencing this item continued to be the calculation of the discounts on technical provisions and policyholder participation in net investment income. Conversely, income from investments doubled year-on-year to EUR 609 (304) million. The main driver for this development was an increase in realised gains to finance the *Zinszusatzreserve* (ZZR – additional interest reserve). In addition, the first three months of the current year were less badly hit by coronavirus effects than the prior-year quarter. Overall, operating profit in the Life Insurance segment of

the Retail Germany Division rose year-on-year to EUR 56 (36) million.

**Retail International: positive development dominated by lockdown effects**

Gross written premiums in the Retail International Division were more or less on a par with the prior-year level, rising slightly by 0.4 percent to EUR 1.5 (1.5) billion. Adjusted for exchange rate effects, gross premiums rose by 8.1 percent year-on-year. In Europe, gross written premiums were up 6.3 percent to EUR 1.2 (1.1) billion, or 11.5 percent after adjustment for exchange rate effects. On the one hand, growth was seen in the life insurance area (especially at Warta in Poland and in the Italian single-premium life insurance business). On the other, it was due to property insurance activities in Turkey and Poland. Premium volumes in Latin America decreased by 16 percent to EUR 337 (401) million; adjusted for exchange rate effects, the figure was a more or less stable –1.5 percent. The drop in premiums in Latin America was due above all to the motor insurance business in Brazil and Mexico, where new vehicle sales declined as a result of the pandemic.

The combined ratio for the property insurance companies improved by 2.7 percentage points year-on-year to 93.9 (96.6) percent. Increasingly stiff competition in some areas and claims inflation (especially in Poland) were offset by positive effects resulting from lower mobility in other markets (especially Italy). The higher mortality caused by the coronavirus pandemic impacted net income in the life insurance business by EUR 4 million.

The underwriting result for the Retail International Division as a whole rose substantially to EUR 14 (3) million. Net investment income increased by EUR 7 million to EUR 97 (90) million. Higher volumes of investments offset both the decrease in interest rates and negative exchange rate effects. The division's operating profit rose by 15.8 percent year-on-year to EUR 87 (75) million.

Operating profit in Europe fell by 11.5 percent to EUR 79 (89) million. This was largely due to the decline in the contribution made by Warta in Poland, which was partially offset by the increase seen in Italy. In addition, the acquisition of a 100% stake in Amissima Assicurazioni was completed with effect from 1 April 2021. Operating profit in Latin America rose tangibly to EUR 11 (8) million. Most countries in the region contributed to this performance. The contribution to Group net income made by the Retail International Division as a whole rose in comparison to the first quarter of 2020 and totalled EUR 54 (43) million.

### **Reinsurance: coronavirus pandemic impacts segments differently**

Gross written premiums in the Reinsurance Division rose by 11.9 percent to EUR 7.8 (7.0) billion in the first quarter. The underwriting result improved by 18 percent to EUR –108 (–131) million, while operating profit slipped 4.4 percent to EUR 408 (427) million. The contribution made by the division to Group net income was 3.2 percent higher, at EUR 153 (149) million. The Property/Casualty Reinsurance and Life/Health Reinsurance segments were affected to different extents by the coronavirus pandemic.

The division issued a subordinated bond with a face value of EUR 750 million in March 2021. The bond matures on 30 June 2042 and can be terminated regularly for the first time on 30 December 2031.

*Property/Casualty Reinsurance segment: no additional net impact on underwriting due to the coronavirus pandemic*

Gross written premiums in the Property/Casualty Reinsurance segment rose by 14.2 percent to EUR 5.7 (5.0) billion. The combined ratio improved tangibly to 96.2 (99.8) percent. The underwriting result also rose substantially to EUR 143 (–2) million, whereas net investment income eased by 6.8 percent to EUR 278 (298) million. This resulted in operating profit of EUR 330 (305) million.

The incurred but not reported (IBNR) reserves for large losses associated with the coronavirus pandemic were topped up again at the end of the 2020 financial year, significantly reducing the risk of additional reserves needing to be created in Property/Casualty Reinsurance. As a result, no further net impact from the coronavirus pandemic was recorded in the course of the first quarter.

*Life/Health Reinsurance segment: impact of the coronavirus pandemic still ongoing*

The Life/Health Reinsurance segment remained hard hit by the results of the coronavirus pandemic, with the higher mortality rate in the USA having a particularly negative effect. Coronavirus effects in the first quarter amounted to EUR 151 million. By

contrast, a positive one-time effect of EUR 129 million resulted from restructuring measures in the US mortality business. Gross written premiums in the Life/Health Reinsurance segment rose by 6.1 percent to EUR 2.1 (2.0) billion, whereas net premiums earned fell by 4.0 percent to EUR 1.8 (1.8) billion. Net investment income eased slightly to EUR 172 (174) million. The operating result fell by a sharp 36.3 percent to EUR 78 (123) million.

**Outlook for 2021: Group net income at upper end of the EUR 800–900 million range**

At the year-end, we issue forecasts for the Talanx Group and its divisions of the indicators used by the Group to manage its business. This outlook refines the forecast for 2021 published in the Group Annual Report 2020 for the Talanx Group and its divisions. Talanx is aiming for Group net income in financial year 2021 at the upper end of the range of EUR 800–900 million.

The Group is also expecting gross premiums to rise by roughly 5 percent in the current financial year after adjustment for exchange rate effects. The net return on investment under the IFRSs should be approximately 2.5 percent. The return on equity should now be in excess of 8.0 percent, and hence top the strategic minimum target.

As usual, the targets for financial year 2021 are subject to the proviso that large losses remain in line with expectations and that no renewed significant turbulence occurs on the currency and capital markets. Talanx's other stated goals include distributing 35 to 45 percent of Group net income in dividends for the 2021 financial year, as in the past, and ensuring that the dividend payment remains at least stable year-on-year.

In the period up to 2022, the goal is for earnings per share (EPS) to rise by an average of at least 5 percent per year, starting from the original outlook of EUR 850 million for Group net income in 2018.

**Key figures from the Talanx Group income statement, Q1 2021, consolidated (IFRS)**

EUR million	Q1 2021	Q1 2020	+/-
Gross written premiums	13,643	12,467	+9.4%
Net premiums earned	9,009	8,354	+7.8%
Combined ratio in property/casualty primary insurance and property/casualty reinsurance <sup>1</sup>	96.1%	99.8%	-3.7 ppts
Net investment income	1,256	903	+39.1%
Operating profit/loss (EBIT)	625	559	+11.8%
Group net income (after non-controlling interests)	277	223	+24.5%
Return on equity <sup>2</sup>	10.7%	9.0%	+1.7 ppts

<sup>1)</sup> Including net interest income on funds withheld and contract deposits.

<sup>2)</sup> 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 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 SDAX, 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](http://www.talanx.com).

Current photographs and company logos are available at <https://mediathek.talanx.de>.

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