News Release

Talanx generates solid growth of 4.1 percent and robust Group net income of EUR 673 million

- Gross written premiums increase to EUR 41.1 (39.5) billion
- Operating profit of EUR 1.7 (2.4) billion
- Group net income of EUR 673 (923) million would exceed last year's record results without coronavirus effects
- Coronavirus claims expenses of EUR 1.5 billion
- Coronavirus impacted Group net income by EUR 486 million
- Combined ratio of 100.9 (98.3) percent
- Forecast for 2021 confirmed: Group net income between EUR 800 and 900 million
- Board of Management and Supervisory Board are proposing stable dividend of EUR 1.50 per share to the General Meeting

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The Talanx Group proved robust in financial year 2020 robust despite coronavirus claims expenses of EUR 1.5 billion: operating profit (EBIT) amounted to EUR 1.7 (2.4) billion, while Group net income totalled EUR 673 (923) million. This is in line with the forecast of "clearly above EUR 600 million" provided in November. Without coronavirus claims expenses, Talanx would have exceeded last year's record net income figure. Gross written premiums rose by 4.1 percent to EUR 41.1 (39.5) billion (6.9 percent after adjustment for exchange rate effects), despite an adverse environment that was strongly shaped by the coronavirus pandemic. The Talanx Group's good performance in this crisis-hit year is also attributable to successful operational improvements in its Industrial Lines and Retail Germany divisions. In Industrial Lines, profitability enhancements to underwriting activities are clearly having an effect. In the Retail Germany Division, the 2021 target for operating profit set by the KuRS modernisation programme already moved within reach in 2020 if one discounts coronavirus effects. Talanx is confirming its forecast for 2021 Group net income of between EUR 800 and 900 million. The Board of Management and

the Supervisory Board are proposing a stable dividend of EUR 1.50 per share to the General Meeting.

"Robust and resilient – the Talanx Group has successfully held its ground during the ongoing coronavirus pandemic", said Torsten Leue, Chairman of Talanx AG's Board of Management. "We are growing profitably despite the global economic downturn in 2020. Given the adverse conditions caused by this deep crisis – which led to the highest level of large losses in the Company's history – our very solid growth and Group net income are impressive demonstrations of our resilience. The same applies to our dividend payment. As regards 2021, we are putting our trust in the variety of vaccines with which the pandemic can be overcome. We are confident about the current financial year and are expecting Group net income to rise to between EUR 800 and 900 million. In addition, we are confirming our medium-term Group targets for the period up to 2022."

The Talanx Group has made additional operational improvements to its primary insurance business. The very positive impact of the profitability enhancement measures in the Industrial Lines Division can be seen if coronavirus expenses are factored out: the combined ratio after adjustment for coronavirus effects improved to 98.7 percent, on track to hit the long-term target of 95 percent. Without COVID-19, the Retail Germany Division would nearly have reached its goal – an operating profit of at least EUR 240 million – in 2020, one year earlier than planned. All investments in the KuRS programme have now been made. The Retail International Division even improved its combined ratio slightly to 95.2 (95.5) percent, holding its contribution to Group net income steady as a result.

Overall, the pandemic has resulted in claims expenses of approximately EUR 1.5 billion in financial year 2020 and negatively impacted Group net income by EUR 486 million. In addition to the claims expenses related to the coronavirus there were negative effects related to investments

(EUR 174 million) and provisions for future premium decreases (EUR 133 million). By contrast, the coronavirus led to improvements of EUR 206 million at individual lines due to lower losses and other effects. The division worst hit by pandemic claims expenses was Reinsurance, at EUR 1.2 billion. Industrial Lines accounted for EUR 174 million, while EUR 40 million was attributable to Retail International and EUR 24 million to Retail Germany. Nevertheless, all four areas made a positive contribution to Group net income. Including coronavirus effects, primary insurance accounted for 42 (39) percent of total Group net income of EUR 673 million in 2020.

Torsten Leue: “We were there for our clients when it counted – the payments from our German commercial shutdown insurance also helped many restaurant owners, bakers, hotel operators, and many other firms, both large and small, to weather the crisis. This is very much in keeping with our Talanx Purpose: ‘Together we take care of the unexpected and foster entrepreneurship’. I would like to thank all our staff, who showed outstanding commitment to our clients and to the Company during the crisis.”

Large losses significantly exceed annual budget

Total large losses amounted to EUR 2.1 (1.3) billion, a very significant rise compared to the previous year and significantly in excess of the annual budget of EUR 1.3 billion. A total of EUR 1.6 (1.0) billion of this amount was attributable to reinsurance, while primary insurance accounted for the remaining EUR 554 (363) million. Natural catastrophes accounted for EUR 658 (773) million, while the coronavirus pandemic impacted property and casualty insurance by EUR 1.2 billion.

Losses from natural disasters were down year-on-year due to the extremely moderate level of large losses seen in the fourth quarter. The largest losses from natural catastrophes were in the USA and were caused by Hurricane “Laura” (EUR 145 million), Hailstorm “Derecho” (EUR 111 million) and Tornado “Nashville” (EUR 55 million).

The underwriting result was EUR –2.8 (–1.8) billion due to pandemic-related expenses of more than one billion. The combined ratio rose to 100.9 (98.3) percent; without the coronavirus it would have been 97.6 percent. Net investment income fell slightly to EUR 4.2 (4.3) billion, partly due to the further drop in interest rates. As a result, the net return on investment was 3.2 (3.5) percent. Talanx intends to maintain its investment strategy of limiting market risk in 2021. It will continue its conservative investment policy and also steadily expand its infrastructure investments.

Proposal to distribute 56 percent of consolidated profit

A proposal will be made to the General Meeting on 6 May 2021 for a dividend of EUR 1.50 (1.50) per share. This corresponds to a payout rate of 56 percent of the IFRS profit. The dividend yield, measured in terms of the average share price in 2020, is 4.5 (4.0) percent.

Fourth quarter: Group net income of EUR 153 million

Gross written premiums for the Group amounted to EUR 9.2 (Q4 2019: 9.2) billion. The combined ratio rose compared with the prior-year quarter to 101.3 (97.8) percent; without the coronavirus it would have been 97.6 percent. The underwriting result was EUR –826 (–551) million. Operating profit (EBIT) for the quarter declined to EUR 380 (567) million. Group net income fell to EUR 154 (181) million due to coronavirus effects of EUR 131 million.

Industrial Lines: Premium growth exceeds expectations

Industrial Lines lifted its gross written premiums substantially and successfully continued its profitability-enhancing strategy despite the coronavirus. It improved its combined ratio after adjustment for coronavirus effects and made a positive contribution to Group net income.

Gross written premiums rose by 7.2 percent over the year as a whole to EUR 6.7 (6.2) billion, and by as much as 9 percent after adjustment for exchange rate effects. As a result, Industrial Lines outperformed its original outlook by more than 2 percentage points. The premium increases are largely due to growth in the specialty and third-party liability businesses, plus the overall improvement in the pricing environment.

The large loss budget overrun caused by the coronavirus and provisions recognised for the current financial year impacted the underwriting result by EUR 178 million. As a result, this declined year-on-year to EUR –139 (–40) million. The combined ratio for Industrial Lines rose to 104.6 (101.4) percent; after adjustment for coronavirus effects it declined to 98.7 percent, in line with the strategy for the division. The successful restructuring of the fire insurance business can be seen from its coronavirus-adjusted combined ratio of 99.3 percent. This beat the division's self-imposed target of approximately 100 percent. The expected premium attrition resulting from the discontinuation of inadequately priced risks was offset to a significant extent by higher premiums. Despite the ripple effects of the pandemic, the division is expecting to see a further improvement in profitability in the current financial year.

Net investment income declined in 2020 to EUR 254 (285) million. Industrial Lines generated a full-year operating profit of EUR 48 (159) million. The division contributed EUR 47 (103) million to Group net income.

HDI Global Specialty is continuing its strong growth trajectory. Gross written premiums rose by 41.1 percent in financial year 2020 to EUR 2.0 (1.4) billion, already very close to its self-imposed target of EUR 2.1 billion for 2022. This includes an internal transfer of business within the segment.

Fourth quarter: Group net income doubles

Gross written premiums rose by 8.1 percent to EUR 1.4 (1.3) billion in the period from October to December. This is due above all to HDI Global Specialty. The combined ratio – which was impacted by coronavirus effects of 4.3 percentage points – amounted to 103.8 (101.2) percent, while the underwriting result was EUR –33 (–10) million. Net investment income improved by 18.5 percent to EUR 83 (70) million due to higher distributions by private equity funds. Operating profit for the quarter was EUR 20 (26) million. The contribution made by the division to Group net income doubled to EUR 36 (18) million.

Retail Germany: KuRS programme targets almost reached

The Retail Germany Division was robust despite the headwinds caused by the coronavirus. Gross written premiums fell by 5.6 percent year-on-year to EUR 5.9 (6.2) billion. Operating profit declined by 11.6 percent to EUR 203 (230) million due to coronavirus effects of EUR 34 million and a number of factors impacting income in the Life Insurance segment. The KuRS modernisation programme continues to make good progress. Without coronavirus effects the target for 2021 – operating profit of at least EUR 240 million – would almost have been reached already. The combined ratio improved to 95.4 (99.0) percent. Adjusted for negative coronavirus effects and the last investments for the KuRS programme, the ratio would have been as little as 94.6 (96.9) percent. The division's contribution to Group net income fell to EUR 119 (133) million.

Property/Casualty Insurance segment: improved combined ratio despite the coronavirus

The Property/Casualty Insurance segment improved its operating profit despite the pandemic, even though it was strongly impacted by the coronavirus. Roughly 2,500 claims for commercial shutdown insurance were reported, with approximately EUR 88 million being reserved and approximately EUR 64 million being paid out to clients. Premium income fell by 5.4 percent to EUR 1.5 (1.6) billion. The pandemic is estimated to have pushed down premium income by approximately EUR 76 million. The business with small and medium-sized enterprises and freelance professionals grew by 4.6 percent – in line with the segment's strategy – to EUR 435 (415) million, despite the adverse circumstances.

The underwriting result improved to EUR 62 (15) million. This was due to profitable growth in the third-party liability, accident and property claims areas, and to a positive trend in frequency losses in the motor vehicles area. The impact of the pandemic was limited to approximately EUR 13 million due among other things to the reinsurance protection in place. These effects can also be seen in the clear decline of 3.6 percentage points in the combined ratio to 95.4 (99.0) percent.

Net investment income dropped substantially to EUR 88 (119) million due to lower market interest income. The clear (35.7 percent) increase in operating profit to EUR 134 (98) million largely reflects the improved loss trend.

Fourth quarter: operating profit up substantially

Gross written premiums amounted to EUR 233 (251) million in the final quarter. The underwriting result improved to EUR 17 (–3) million due to lower losses from natural disasters and a drop in expenses for the KuRS programme. The combined ratio improved in line with this to 93.7 (100.8) percent. Net investment income declined to EUR 24 (33) million. Operating profit for the quarter jumped to EUR 37 (20) million.

Life Insurance segment: earnings-driven underwriting policy

Premium income in the Life Insurance segment fell by 5.7 percent to EUR 4.4 (4.6) billion. Branch office closures by banks as a result of the coronavirus pandemic and companies' reluctance to take out occupational pension insurance policies had an impact here. The pandemic is estimated to have pushed down premium income by approximately

EUR 220 million. In addition, single-premium life insurance was only offered to a very limited extent.

The underwriting result fell to EUR –1.8 (–1.6) billion. The main reason for this was the increase in additions to the provisions for premium refunds resulting from the improvement in net investment income. The latter rose by 6.5 percent to EUR 1.9 (1.8) billion due to the increased realisation of hidden reserves to finance the *Zinszusatzreserve* (ZZR – additional interest reserve). Operating profit in the segment dropped to EUR 70 (131) million in 2020.

Fourth quarter: gross premiums down slightly

Gross written premiums for the segment declined by EUR 55 million or 4.5 percent to EUR 1.2 (1.2) billion in the fourth quarter. The underwriting result was EUR –484 (–493) million, while net investment income was EUR 499 (544) million. Operating profit amounted to EUR –2 (25) million.

Retail International: non-life business continues its growth

Gross written premiums fell by 9.6 percent to EUR 5.5 (6.1) billion in 2020, due above all to exchange rate effects. Adjusted for these, the decrease was a mere 1.6 percent. In fact, the non-life business actually recorded growth of 3.2 percent after adjustment for exchange rate effects; this was largely attributable to the companies in Turkey and Poland. The temporary reduction in loss frequencies due to the coronavirus pandemic had a positive effect on the underwriting result, which rose by 22.6 percent to EUR 41 (33) million. Provisions of EUR 35 million were recognised in 2020 for coronavirus effects, impacting the combined ratio by 1.1 percentage points. Nevertheless, the combined ratio improved by 0.3 percentage points year-on-year to 95.2 (95.5) percent.

Full-year operating profit fell by 6.0 percent to EUR 266 (283) million. The segment contributed EUR 160 (164) million to Group net income.

Fourth quarter: stronger exchange rate adjusted premium growth

The division's premium income declined by 5.5 percent in the final quarter to EUR 1.5 (1.6) billion, but rose by 5.2 percent after adjustment for exchange rate effects. The combined ratio improved to 96.1 (96.5) percent. The underwriting result was EUR –3 (–1) million, while net investment income was EUR 81 (95) million. Operating profit declined by 18 percent to EUR 46(56) million, while the division's contribution to Group net income was up slightly on the prior-year quarter, at EUR 33 (32) million.

Reinsurance: clear rise in gross premiums

The Reinsurance Division recorded coronavirus claims expenses of EUR 1.2 billion in 2020. Gross premiums rose by 9.6 percent to EUR 24.8 (22.6) billion. Operating profit was EUR 1.2 (1.8) billion. Net investment income fell by 4.2 percent to EUR 1.7 (1.8) billion. The division's contribution to Group net income was EUR 442 (619) million.

Property/Casualty Reinsurance segment: strong premium growth

The Property/Casualty Reinsurance segment succeeded in lifting its growth in 2020 despite the coronavirus. Gross written premiums rose by 13.3 percent to EUR 16.7 (14.8) billion. However, the high level of claims relating to the coronavirus and natural disasters depressed operating profit by 32 percent to EUR 854 (1,256) million.

At EUR 1.6 billion in financial year 2020, large losses exceeded expectations for the fourth year running. The large loss budget was EUR 975 million, but a total of EUR 950 million was recognized as provisions or paid out for coronavirus claims expenses alone. Of this amount, 22 percent was due to business interruption insurance, 26 percent to commercial credit insurance and 21 percent to event cancellation insurance.

Reinsurance prices and conditions are improving significantly in reaction to the enormous large losses and the renewed increase in pressure on interest income. Gross written premiums saw a double-digit rise of 13.3 percent to EUR 16.7 (14.8) billion, or 15.8 percent after adjustment for exchange rate effects.

The underwriting result amounted to EUR –274 (186) million. The combined ratio increased substantially to 101.6 (98.2) percent due to pandemic expenses. Net investment income fell by 7.8 percent to EUR 1,008 (1,039) million. Operating profit amounted to EUR 854 (1,256) million.

Fourth quarter: increase in premium income

Premium income rose by 8.6 percent to EUR 3.4 (3.1) billion in the last quarter of the year. The combined ratio increased to 102.1 (96.9) percent due to losses substantially exceeding the pro rata large loss budget as a result of the coronavirus. The underwriting result was EUR –88 (97) million. Net investment income increased to EUR 283 (276) million. Operating profit amounted to EUR 247 (369) million.

Life/Health Reinsurance segment: coronavirus effects of EUR 261 million

Premium income in Life/Health Reinsurance rose by 2.6 percent to EUR 8.0 (7.8) billion. Growth after exchange rate adjustments amounted to 4.7 percent. Coronavirus claims expenses, which had totaled EUR 63 million as of the first half of the year, amounted to EUR 261 million as at the close of the financial year. A large proportion of the claims relate to cases of sickness and death in the USA. The underwriting result deteriorated to EUR –646 (–411) million. Operating profit fell by 32.9 percent to EUR 377 (562) million.

Fourth quarter: stable premium growth

Gross written premiums were stable year-on-year in the period from October to December, at EUR 2.1 (2.1) billion. The underwriting result was EUR –224 (–136) million, while net investment was up year-on-year, at EUR 220 (156) million. Operating profit declined to EUR 68 (90) million.

Outlook for 2021: Group net income between EUR 800 and 900 million

Talanx is reaffirming both the outlook for 2021 that it published in autumn last year and its medium-term targets. The Group is 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. Group net income is expected to be EUR 800–900 million. This should correspond to a return on equity of between 7.5 and 8.5 percent, which would achieve or come close to achieving our 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 2018 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, financial year 2020, consolidated (IFRS)

EUR million	2020	2019	+/–
Gross written premiums	41,105	39,494	+4.1%
Net premiums earned	34,185	33,054	+3.4%
Combined ratio for property/casualty primary insurance and property/casualty reinsurance[1]	100.9%	98.3%	+2.6 ppts
Net investment income	4,243	4,323	–1.9%
Operating profit/loss (EBIT)	1,671	2,430	–31.3%
Net income (after financing costs and taxes)	1,196	1,671	–28.4%
Group net income (after non-controlling interests)	673	923	–27.0%
Return on equity[2]	6.6%	9.8%	–3.2 ppts

Key figures from the Talanx Group income statement, Q4 2020, consolidated (IFRS)

EUR million	Q4 2020	Q4 2019	+/–
Gross written premiums	9,198	9,169	+0.3%
Net premiums earned	8,884	8,869	+0.2%
Combined ratio for property/casualty primary insurance and property/casualty reinsurance[1]	101.3%	97.8%	+3.5 ppts
Net investment income	1,183	1,166	+1.5%
Operating profit/loss (EBIT)	380	567	–33%
Group net income (after non-controlling interests)	154	181	–15.1%
Return on equity[2]	6.0%	7.1%	–1.1 ppts

1) Including net interest income on funds withheld and contract deposits.
2) The ratio of (annualised) net income for the reporting period excluding non-controlling interests to average shareholders' equity excluding non-controlling interests.

Full documents relating to the annual report:

Full Annual Report 2020 [PDF]
Further information on reporting
Financial calendar 2021
Media centre

About Talanx

Talanx is a major European insurance group with premium income of EUR 39.5 billion (2019) 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 and Warsaw stock exchanges (ISIN: DE000TLX1005, German Securities Code: TLX100, Polish Securities Code: TNX).

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

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

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