Insurance. Investments.

Talanx Capital Markets Day

Hannover, 17 April 2013

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Talanx's management team

Herbert K. Haas

CEO

33 years experience,
31 years with Talanx

Dr. Christian Hinsch

Deputy CEO, Industrial Lines

29 years experience,
29 years with Talanx

Dr. Immo Querner

CFO

21 years experience,
17 years with Talanx

Torsten Leue

Retail International

20 years experience,
3 years with Talanx

Dr. Thomas Noth

CIO

29 years experience,
5 years with Talanx

Dr. Heinz-Peter Roß

Retail Germany

19 years experience,
4 years with Talanx

Ulrich Wallin

Reinsurance

31 years experience,
31 years with Talanx

Talanx – the new kid on the block

1. **Where are we coming from?**
2. **Where do we stand today?**
3. **What is special about us and what makes us different to peers?**
4. **How are we going to move forward?**
5. **Which return to expect from us in the mid-term?**

1 Where are we coming from?

Overview HDI V.a.G.

- HDI V.a.G. is a mutual insurance company and majority-owner of the holding company Talanx AG
- Around 1900, a fast-growing German industry saw the need for a more efficient way to receive third-party liability insurance cover
- On 8 December 1903, 176 companies and 6 employers liability insurance associations founded the “Haftpflichtverband der deutschen Eisen- und Stahlindustrie” (“liability association of the German steel industry”)
- The organisational setup reflects the historic roots of HDI, an association of important companies of the German industry that offers mutual insurance cover
- Approx. 0.8m members of HDI V.a.G.

History

1903	Foundation as ‘Haftpflichtverband der deutschen Eisen- und Stahlindustrie‘ in Frankfurt
1919	Relocation to Hannover
1953	Companies of all industry sectors are able to contract insurance with HDI V.a.G.
1966	Foundation of Hannover Rück-versicherungs AG
1991	Diversification into life insurance
1994	IPO of Hannover Rückversicherung AG
1998	Renaming of HDI Beteiligungs AG to Talanx AG
2001	Start transfer of insurance business from HDI V.a.G. to individual entities
2006	Acquisition of Gerling insurance group by Talanx AG

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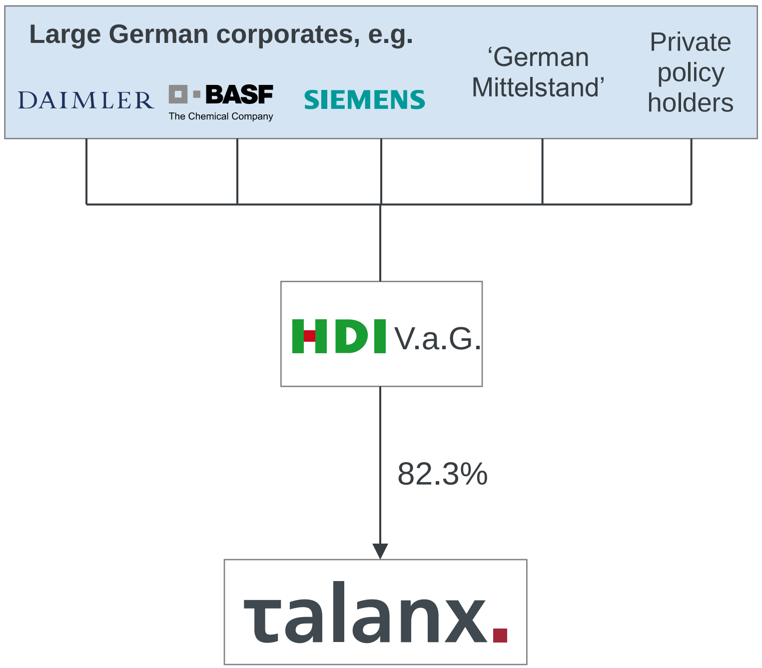
1 Where are we coming from?

Members of HDI V.a.G.



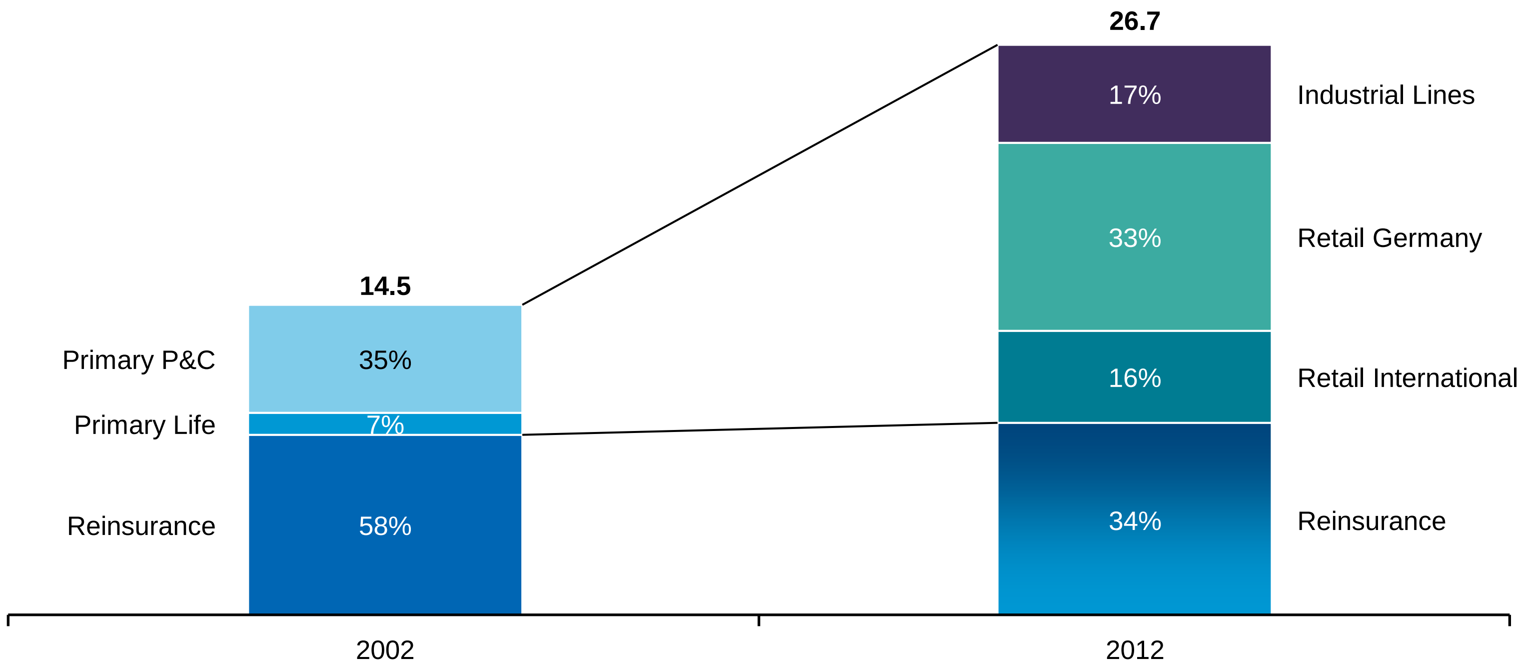
Relationship HDI V.a.G. – Talanx AG

- HDI V.a.G. is a mutual insurance company and majority-owner of the holding company Talanx AG; commitment to remain long-term majority shareholder post IPO
- Alignment of interests of HDI V.a.G. and Talanx Group through
  - Providing efficient and reliable insurance to mutual members at market rates, often syndicate-based
  - Same decision makers: Mr Haas, Dr Hinsch, Dr Querner
  - HDI V.a.G. has no other investments besides Talanx and is interested to further strengthen and enable Talanx to provide stable insurance capacity to industrial clients
  - Talanx and HDI V.a.G. committed to capital market oriented dividend policy
- No financial liabilities on mutual level (existing €110m subordinated bond placed with Talanx Group companies will terminate mid 2013)
- Very limited business relations / intercompany contracts between HDI V.a.G. and Talanx

Strong and reliable anchor shareholder with aligned interests

1 Where are we coming from? – in topline growth

GWP by segment 2002 and 2012 (€bn)[1,2]

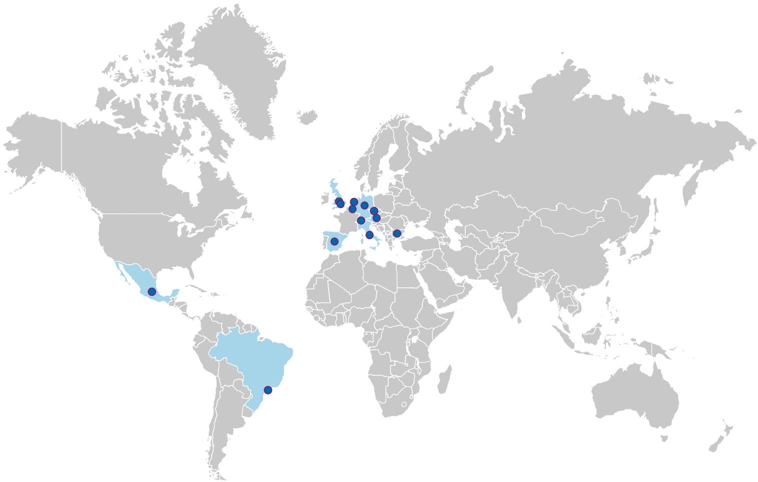


[1] Share of segments in total GWP calculated before consolidation
[2] Calculated based total GWP adjusted fore respective stake in HannoverRe

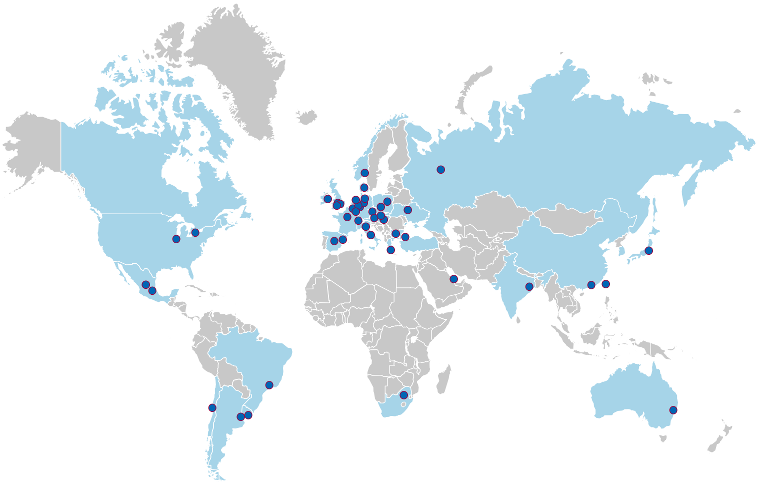
Talanx's business portfolio on a strive for better diversification

1 Where are we coming from? – in global presence

Location overview primary insurance 2000 and 2013



2000



2013

Talanx on the move to a global footprint

2 Where do we stand today? – our corporate identity

Our Vision

Talanx is the leading global B2B insurance group.

Our Mission

Optimised cooperation between our divisions enables us to take advantage of promising opportunities wherever they arise on the global insurance markets – to the benefit of all our stakeholders.

Our Story

A leading German insurer with a unique global growth story and an excellent risk / return profile.

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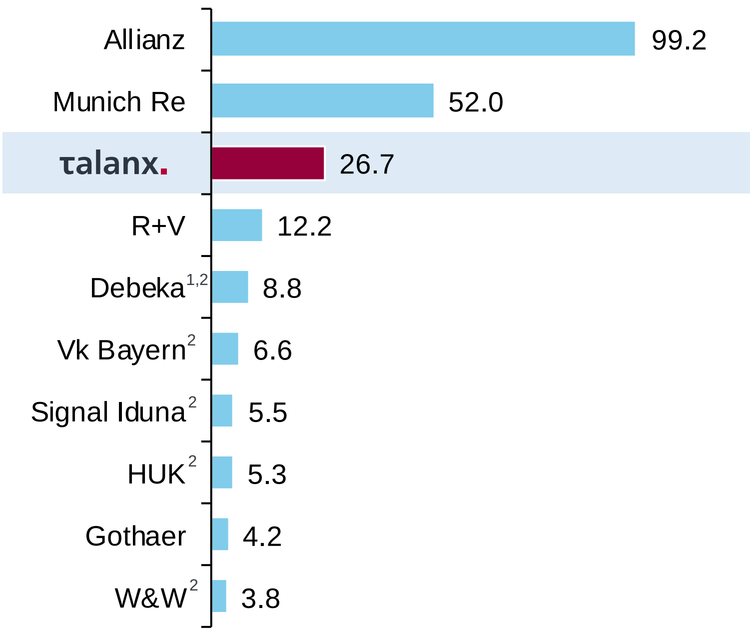
2 Where do we stand today? – our size versus peers

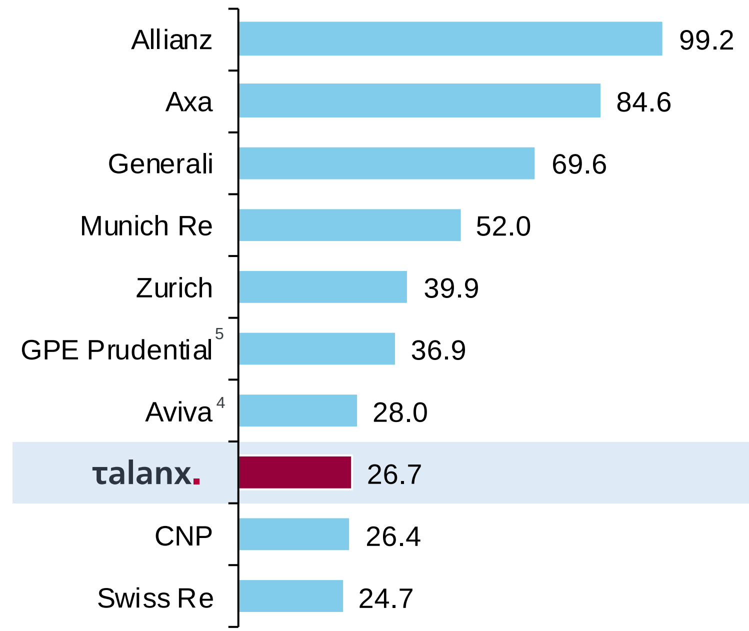
Top 10 German insurers

German insurers by global GWP (2012, €bn)



Top 10 European insurers

European insurers by global GWP (2012, €bn)



[1] Cumulated individual financial statements
[2] Figure of 2011
[3] Without discontinued operations in 2011
[4] Gross premiums earned
[5] Figure of 2010
Source: SNL Financial, annual reports

Third-largest German insurance group with leading position in Europe and strong roots in Germany

2 Where do we stand today? – our portfolio of brands

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Industrial Lines	Retail Germany	Retail International	Reinsurance	Corporate Operations
HDI GERLING	HDI	HDI	hannover re	talanx. Asset Management
	TARGO·VERSICHERUNG Schutz und Vorsorge	Posta Biztosító	e+s rück	ampegaGerling
	PB Versicherungen Partner der Postbank	CiV Hayat Sigorta		talanx. Service
	neue leben Versicherungen	CiV Life		talanx. Systeme
		warta.		talanx. Reinsurance
		Europa ubezpieczenia		talanx. Reinsurance Broker

Talanx is an integrated international insurance group, anchored in Germany, running a multi-brand approach

2 Where do we stand today? – our divisions

Free float — 11.2 %
HDI V.a.G. — 82.3 %
MEIJI YASUDA — 6.5 %

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Industrial Lines	Retail Germany	Retail International	Reinsurance (Non-Life / Life/Health)
▪ Lead insurer of choice ▪ Extremely strong home market position, i.e. lead mandates with most German DAX companies and strong position with German Mittelstand ▪ Bluechip client base in Europe	▪ Highly effective network of distribution partners ▪ Market leader in bancassurance ▪ Market leader in employee affinity business ▪ Leading provider of corporate pension solutions ▪ Investment yield substantially above average guarantees in German life carriers	▪ Focused exposure to CEE and LatAm (#2 insurer in Poland[1], #6 in Brazilian motor[2]) ▪ Attractive rates of organic growth ▪ Experienced underwriter in motor ▪ Focused M&A track record	▪ Hannover Re – world #3 reinsurer by GWP[3] ▪ Well diversified between life/non-life and geographically ▪ Consistently amongst sector leaders on profitability[4] ▪ Superior underwriting know-how

[1] Combined ranking based on 2012 data of Polish regulator as per local GAAP
[2] According to Siscorp based on local GAAP
[3] Based on A.M. Best ranking (September 2012)
[4] Based on S&P ranking by average RoE 2002-2010 and also number 1 by average RoE as per KPMG 2012

Integrated insurance group with leading market positions in all segments

2 Where do we stand today? – our corporate functions

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Operating segments

- Industrial Lines
- Retail Germany
- Retail International
- Reinsurance

P&C reinsurance procurement	Group reinsurance	Group-wide asset management unit	Central back-office service provider	Central IT service provider
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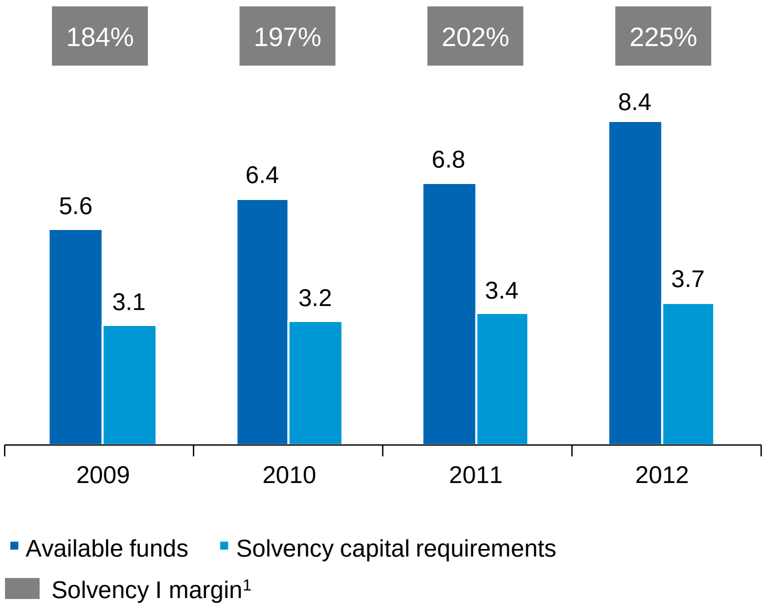
Corporate operations

Talanx's operating segments are supported by five specialised service functions

2 Where do we stand today? – in regulatory capital

Solvency I capital position

(€bn)



Comments

- Talanx has extensive experience in innovative capital management
- As of 31 December 2012, available funds include €1.7bn of subordinated debt[2]
- Goodwill of €1,152m as of 31 December 2012 (relative to shareholders' equity excl. minorities of €7.5bn)
- Successful issue of €500m new hybrid in April 2012 to partially refinance callable bonds (2014/15)

[1] Talanx Group based on the solvency of HDI V.a.G. (HDI V.a.G. is the relevant legal entity for the calculation of group solvency from a regulatory perspective)
[2] €1.7bn of the Group's total subordinated debt (€3.1bn) are eligible for Solvency I capital (after accounting for minority interest and capped by regulatory thresholds)

Solid solvency and high-quality capital with relatively low goodwill supporting optimal balance sheet strength

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2 Where do we stand today? – in ratings capital

Current financial strength ratings

	Standard & Poor's		A. M. Best	
	Grade	Outlook	Grade	Outlook
Talanx Group[1]			A	Stable
Talanx Primary Group[2]	A+	Stable		
Hannover Re subgroup[3]	AA–	Stable	A+	Stable

S&P rating of Talanx Primary Group

STANDARD & POOR'S

Financial Strength Rating: **A+ (Stable)**

Competitive Position	ERM	Accounting
Strong	Strong	Good

Operating performance	Investments	Capitalisation
Strong	Very Strong	Strong

Liquidity	Financial Flexibility
Strong	Strong

[1] The designation used by A. M. Best for the Group is "Talanx AG and its leading non-life direct insurance operation and its leading life insurance operation"
[2] This rating applies to the core members of Talanx Primary Group (the subgroup of primary insurers in Talanx Group); see description on the right side
[3] This rating applies to Hannover Re and its major core companies. The Hannover Re subgroup corresponds to the Talanx Group Reinsurance segment

Financial strength underpinned by S&P and A.M. Best ratings

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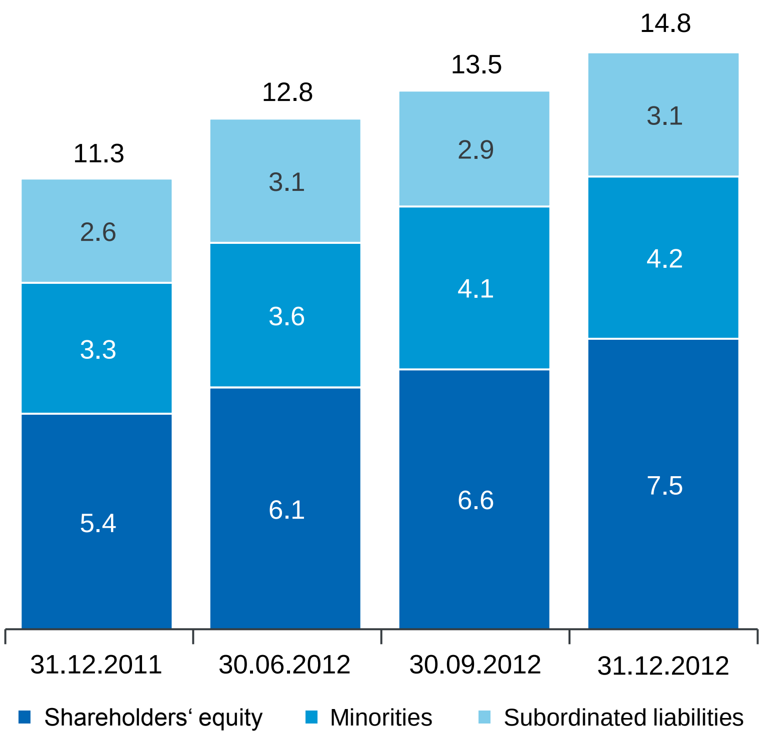
2 Where do we stand today? – in capital and performance

Capital structure (€bn)



Summary of FY 2012

€m, IFRS	FY 2012	FY2011	Change
Gross written premium	26,659	23,682	+13 %
Net premium earned	21,999	19,456	+13 %
Net underwriting result	(1,433)	(1,690)	+15 %
Net investment income	3,795	3,262	+16 %
Operating result (EBIT)	1,760	1,238	+42 %
Net income after minorities	630	515	+22 %
Key ratios	**FY 2012**	**FY 2011**	**Change**
Combined ratio non-life insurance and reinsurance	96.4%	101.0%	-4.7%pts
Return on investment	4.3%	4.0%	0.3%pts

Based on solid capitalization and strong performance good upside potential

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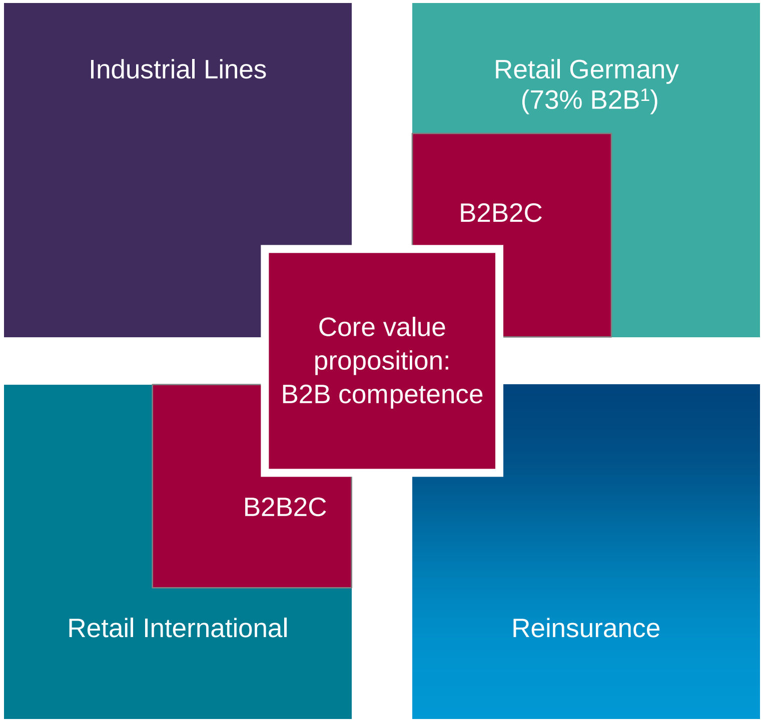
3 What is special about us? – B2B competence as key differentiator

Linkage between different Group segments



Excellence in B2B2C channels[2]

Bancassurance	Postbank, citibank Russia & Turkey, BB Bank, Degussa Bank, Targo Bank, BRE Bank SA, Sparkasse, Magyar Posta, HSBC Brazil, getin holding
Automotive	Volvo, Daimler, Porsche
Brokers	Retail: AWD, MLP; Industrial: Marsh, Willis, Aon
Employee affinity business	Siemens, Bayer, Volkswagen Aktiengesellschaft, RWE The energy to lead, BMW Group

[1] Distribution via B2B channels (IFAs/brokers and bancassurance) in percent of total APE 2011
[2] Samples of clients/partners

Superior service of corporate relationships lies at heart of our value proposition

3 What is special about us? – B2B competence allows business integration across all divisions

Intra-group synergies

- Talanx leverages its expertise across the whole group
- Competences and market intelligence are actively shared between segments
- Export of successful business and distribution models
- Joint use of carriers
- Integration benefits from shared back-office, IT and asset management functions
- Efficient use of reinsurance / centralised procurement

Industrial Lines | Retail Germany | Retail International | Reinsurance

1 Transfer of bancassurance expertise

2 Expansion of international business based on existing carriers

3 B2B2C business

4 Reinsurance support

Talanx Reinsurance Broker: P&C reinsurance procurement

Talanx Service: Central back-office service provider

Talanx Systeme: Central IT service provider

Talanx Asset Management: Group-wide asset management unit

Selected examples

1 Leverage bancassurance know-how for Poland/Hungary/Turkey/ Russia

2 Talanx Retail International often provides license/ platforms to write industrial business

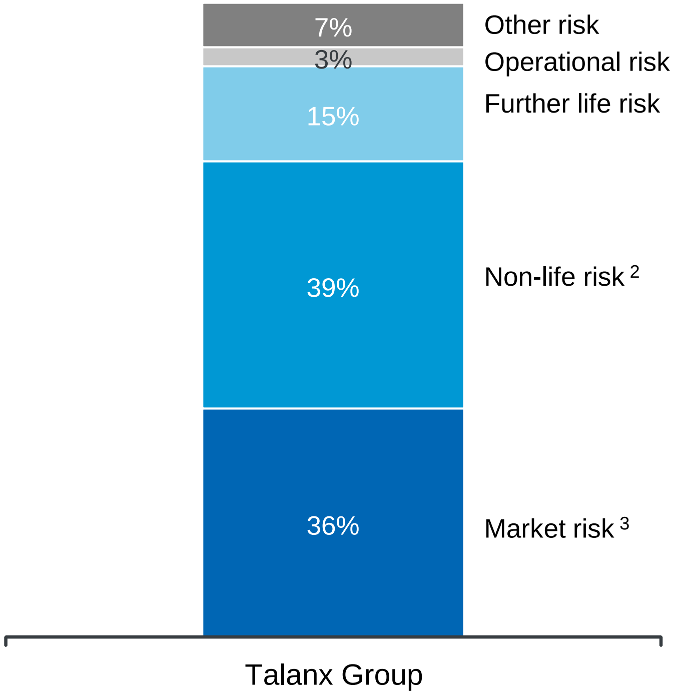
3 Industrial Lines relationships have led to distribution of retail policies through work-site marketing and German auto dealerships

4 Centralised assessment of reinsurance requirements and purchase of external reinsurance in specialist function

Enhanced business activity and efficiency through close cooperation and best-practice approach across all segments

3 What is special about us? – Sophisticated underwriter with low gearing to market risk

Risk components of Talanx Group[1]



Comments

- Total market risk of 36%, of solvency capital requirements, which is comfortably below the 50% limit
- Risk capacity priority for insurance risk
- Non-life is largest risk category, comprising premium and reserve risk, NatCat and counterparty default risk
- Total risk amounts to €4.0bn which after accounting for risk from participations, tax effect and further diversification is reduced to €2.0bn SCR[4]
- Equities ~1% of investments under own management
- GIIPS sovereign exposure 0.9% of total assets

[1] Figures show risk categorisation, in terms of solvency capital requirements, of the Talanx Group after minorities, after tax, post diversification effects as of 2011
[2] Includes premium and reserve risk (non-life), net NatCat and counterparty default risk
[3] Refers to the combined effects from market developments on assets and liabilities
[4] Solvency capital requirement and capital adequacy ratio for 99.5% VaR, after minorities, group view

Market risk sensitivity (limited to less than 50% of solvency capital requirement) is deliberately low

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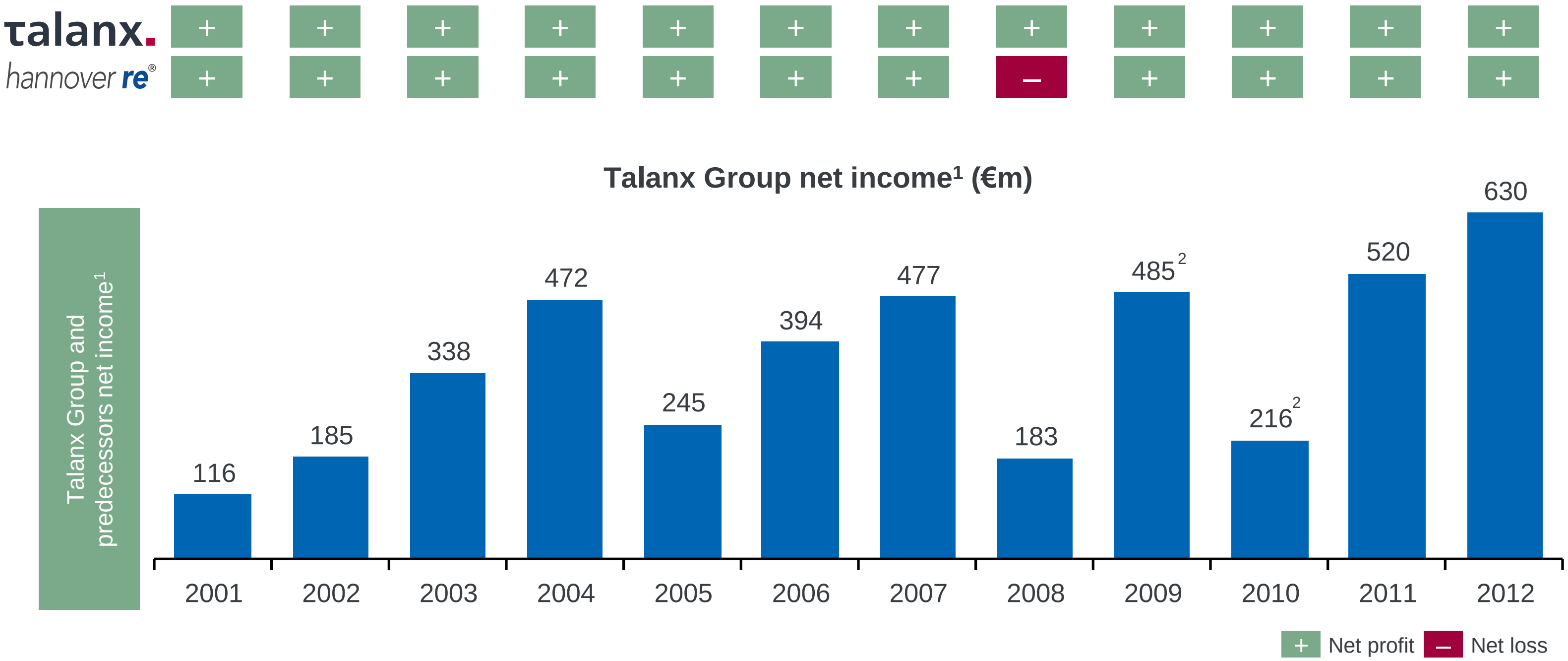
3 What is special about us? – Proven earnings resilience over cycle

Talanx Group net income development



[1] Net income of Talanx after minorities, after tax based on restated figures as shown in annual reports; 2001–2003 according to US GAAP, 2004–2011 according to IFRS
[2] Adjusted on the basis of IAS 8
Source: Annual reports of Talanx Group and Hannover Re Group

Robust cycle resilience due to diversification of segments

3 What is special about us? – Attractive risk-return profile

RoE standard deviation of selected European insurance companies[1]

Note: Calculation based on respective accounting standards used in respective years. Accounting standards may have changed over periods analysed
- Median RoE and standard deviation of RoE 2001 – 2011 of selected European insurance groups; R+V 2001 – 2010, Groupama 2001 – 2010, Covea 2005 – 2010
- Minority interests only given in 2010 and 2011, no adjustment for variable interest entities

Source: Based on data of "Benchmarking of selected insurance companies" analysis by KPMG AG as of 27 April 2012

Sustainable earnings development due to prudent risk management approach

4 How to move forward? – Overall Group strategy

Focus of the Group is on long-term increase in value by sustainable and profitable growth and vigorous implementation of our B2B-expertise

Profit target	Capital management	Risk management	Growth target	Human resource policy
▪ RoE[1]>∅ TOP20 European insurers ▪ RoE[1]≥risk-free interest rate[2] +750bps	▪ Fulfill S&P "AA" capital requirement ▪ Efficient use of available financing instruments	▪ Generate positive annual earnings with a probability of 90% ▪ Sufficient capital to withstand at least an aggregated 3,000-year shock ▪ Investment risk <50%	▪ 50% of primary GWP from foreign operations ▪ Selective profitable growth in Retail Germany and Reinsurance	▪ Continuous development and promotion of own workforce ▪ Individual responsibility and entrepreneurial spirit

[1] In accordance with IFRS
[2] Risk-free rate is defined as the 5-year rolling average of the 10-year German government bond yield

Group and divisional strategies define goals and actions to be taken

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4 How to move forward? – Entrepreneurial culture across the Group

Central steering combined with decentralized responsibilities…

- Talanx Group centralised management, controlling, services and back-office functions
- Principle: central strategic leadership combined with decentralised / local management responsibility
- Individual business units have strong responsibility for delivering results within the guidelines of the group-wide performance management
- International units are managed locally by local country managers

leads to

…strong entrepreneurial spirit

- Empowerment of individual managers
- Freedom to pursue new ventures within group guidelines
- Strong can-do attitude supporting group development and making use of market expertise
- Entrepreneurial pursuit of new opportunities building on traditional strengths of the group (B2B, B2B2C business)

Strong entrepreneurial culture across the Group to unlock full earnings potential

4 How to move forward? – Sources for growth

Industrial Lines	▪ Growth through globalisation ▪ Increase retention
Retail Germany	▪ Elimination of cost disadvantages ▪ Intelligent products and B2B focus
Retail International	▪ Focus on emerging markets (LatAM / CEE) ▪ Consolidation and integration of acquisitions
Reinsurance	▪ Efficient cycle management ▪ Expansion into emerging markets

5 Communicated outlook for Talanx Group 2013

Gross Written Premium	**≥ +4%**
• Industrial Lines	~ +4-6%
• Retail Germany	flat
• Retail International	~ +17-20%
• Non-Life Reinsurance	~ +3-5%
• Life and Health Reinsurance	~ +5-7%
Return on investment	**~ 3.5%**
Group net income	**> €650m**
Return on equity	**> 9%**
Dividend payout ratio	**35-45% target range**

Targets are subject to no major losses exceeding budget (cat), no turbulences on capital markets (capital), and no material currency fluctuations (currency).

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5 Mid-term target matrix

Segments	Key figures	Strategic targets
Group	Return on equity	≥ 750 bps above risk free[1]
	Group net income growth	~ 10%
	Dividend payout ratio	35 - 45%
	Return on investment[2]	≥ 3.5%
Industrial Lines	Gross premium growth[3]	3 - 5%
	Combined ratio	≤ 96%
	EBIT margin[4]	≥ 10%
	Retention rate	60 - 65%
Retail Germany	Gross premium growth	≥ 0%
	Combined ratio (non-life)	≤ 97%
	New business margin (life)	≥ 2%
	EBIT margin[4]	≥ 4.5%
Retail International	Gross premium growth[3]	≥ 10%
	Combined ratio (non-life)	≤ 96%
	Value of New Business (VNB) growth	5 - 10%
	EBIT margin[4]	≥ 5%
Non-life reinsurance	Gross premium growth	3 - 5%
	Combined ratio	≤ 96%
	EBIT margin[4]	≥ 10%
Life & health reinsurance	Gross premium growth[3]	5 - 7%
	Value of New Business (VNB) growth	≥ 10%
	EBIT margin[4] financing and longevity business	≥ 2%
	EBIT margin[4] mortality and health business	≥ 6%

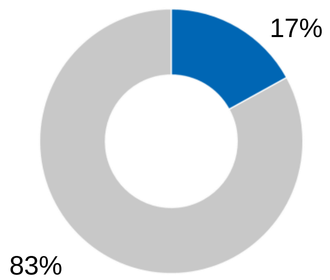
[1] Risk-free rate is defined as the 5-year rolling average of the 10-year German government bond yield
[2] Derived from actual asset duration. Currently ~ 6.5 years, therefore the minimum return is the 13-year average of 13-year German government bond yield. Annually rolling
[3] Organic growth only; currency neutral
[4] EBIT/net premium earned
Note: growth targets are on p.a. basis

Content

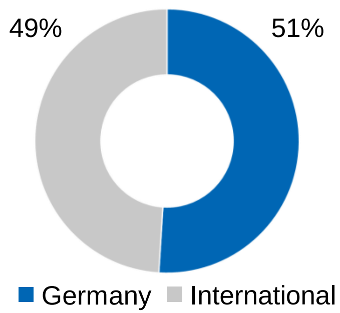
Industrial Lines – Overview

Key figures

Share in 2012 group GWP[1]



2012 geographic split (GWP)



Key financials (€m)	2009	2010	2011	2012
Gross written premium	3,077	3,076	3,138	3,572
Net premium earned	1,405	1,413	1,375	1,608
Net underwriting result	134	(57)	155	79
Net investment income	240	231	204	247
Operating result (EBIT)	335	185	321	259
Combined ratio (net)[2] in %	*90.5*	*104.1*	*88.6*	*95.1*

Highlights

- A leading provider of industrial insurance capacity in Germany
- Long standing and close relationships with European blue chips and major German “Mittelstand” companies
- Highly experienced and long-term consistent management team
- Lead insurer of choice and highly experienced leader of international programmes
- Track record of 15 years successfully building an international network
- Attractive cost structure
- High profitability over the cycle

[1] Based on total GWP adjusted for 50.2% share in Hannover Re
[2] Including income from interest on deposits

Talanx is a leading European industrial lines insurer with global ambitions

Industrial Lines – Management team

Dr. Christian Hinsch

- Chairman of the management board

29 years of experience
29 years with Talanx

Dr. Stefan Sigulla

- Liability insurance
- Financial lines
- Multinational clients

28 years of experience
2 years with Talanx

Dr. Joachim ten Eicken

- Property and engineering insurance
- Loss prevention
- *Transport*

17 years of experience
17 years with Talanx

Gerhard Heidbrink

- Motor insurance
- Industry clients

36 years of experience
36 years with Talanx

Jens Wohlthat

- International clients
- International operations

35 years of experience
33 years with Talanx

Ulrich Wollschläger

- CFO
- Finance
- Risk management
- Investments
- Controlling

30 years of experience
18 years with Talanx

Frank Harting
(since 1 April)

- *Aviation*
- *Group accident insurance*
- IT demand and control service

29 years of experience
29 years with Talanx

Karl-Gerhard Metzner
(retiring on 30 April)

- *Transport, Aviation and group accident insurance*

34 years of experience
14 years with Talanx

Strong and dedicated team with long-standing industry expertise

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Industrial Lines – Strategy

Focus on core competencies

- Grow global business with German multinational and industrial clients
- Follow industrial clients' needs in developing a global network
- Increase business with international clients in their local markets through existing subsidiaries, branches and representative offices
- Enter into dynamic growth markets and expand in target regions
- Strategically increase retention

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Industrial Lines – Market entry barriers

Category	Capabilities: Capacity	Capabilities: Product range	Capabilities: International network	Capabilities: Risk engineering	Know how	Entry barriers
Capacity provider	✓	✗	✗	✗	Low degree of competence	Low
Niche player	✓	(✓)	✗	✗	Middle degree of competence	Medium
Full service provider (with syndicate leadership expertise)	✓	✓	✓	✓	High degree of competence	High

Talanx's competitive edge from competence and full service offering

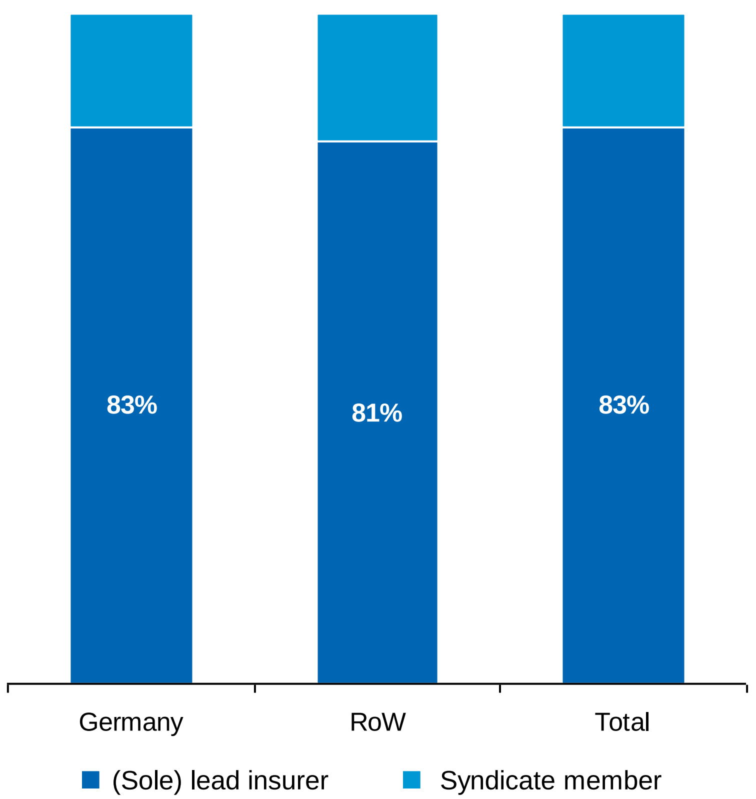
Industrial Lines – Syndicate leader of choice

HDI GERLING

HDI-Gerling participates in **2,746** International Programs and is **sole lead insurer / syndicate lead insurer** in **2,171** programs.

as of December 2012

Syndicate leaderships 2012

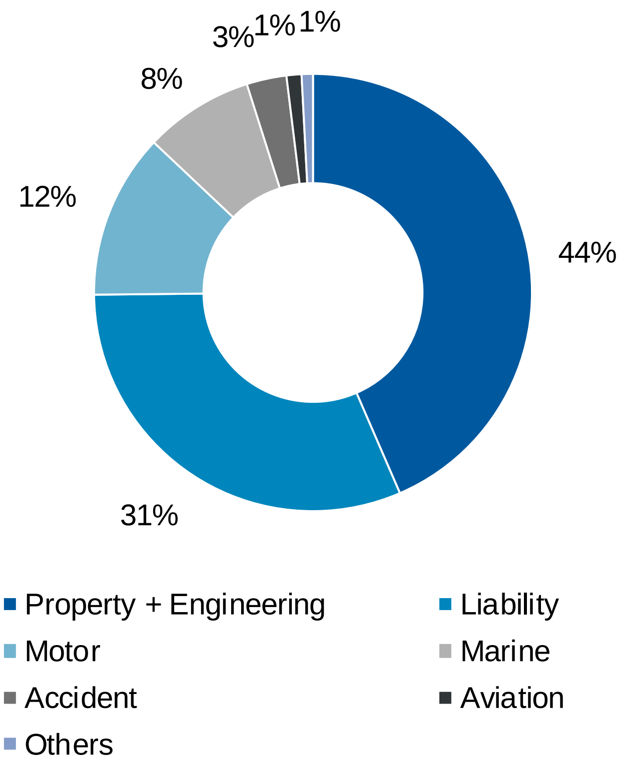


Talanx's expertise is widely acknowledged by the market, underpinned by high share of leadership mandates

Industrial Lines – Product offering

GWP by line

Total GWP 2012: €3.6bn



Comments

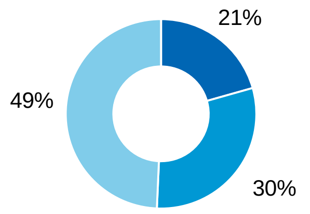
- Talanx's Industrial Lines offers the full product spectrum to its clients
- Market leader in liability lines in Germany, which is an anchor product for most corporate clients and has highest customer loyalty and switching costs
- Market leader, in motor fleet business voted "best insurer" each year since 2009
- Special strength in transport-related lines such as cargo and marine insurance and engineering insurance worldwide
  - Leading market positions in the German Aviation, Engineering and Marine insurance business
- Most diverse product range and experience in Accident products
- Innovative insurance solutions e.g. climate risk insurance or dread disease insurance

Market leading expertise with full product offering

Industrial Lines – Client and geographical reach

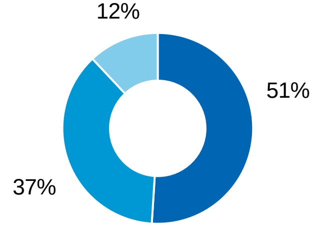
GWP by customer segment

Total GWP 2012: €3.6bn[1]



GWP by region[2]

Total GWP 2012: €3.6bn[1]



Industrial Lines

Industry

- Focus on German corporates with an annual turnover of €5m - €1,000m
  – Divided into "Mittelstand" (€5m - €50m) and "key accounts" (€50m - €1,000m)
- Distribution follows the "Mittelstand" / "key accounts" classification supplemented with a separate distribution function for "broker business"

Multinationals

- Domestic business with large / major corporates
  – German corporates with an annual turnover of > €1bn
  – German subsidiaries of foreign corporates with an annual turnover in Germany of > €1bn (unless covered by international programme of parent company)
- Distribution via business lines

International

- Foreign business with domestic and foreign clients
- International insurance solutions with centrally controlled underwriting
- Established lead insurer for complex risks in the European industrial lines markets with a leading position
- Further development to become a global player

[1] Based on consolidated premiums
[2] Split based on location of insured company. International programmes of German companies are therefore allocated to Germany

Leading market position in key European markets

Industrial Lines – Franchise overview

Overview of selected key customers by customer segment

Industry	Multinationals	International
Deutz	ThyssenKrupp	Fiat
Max Bögl – Fortschritt baut man aus Ideen.	Volkswagen Aktiengesellschaft	Vattenfall
SMA	BASF – The Chemical Company	GDF Suez
nobilia	Bayer	sanofi aventis
GASAG	Lufthansa	Philips – sense and simplicity
Fuchs	SAP	Roche
Dräger	Siemens	gsk GlaxoSmithKline
Diehl	e.on	Renault
Posseh l	Daimler	PSA Peugeot Citroën
Coca-Cola Deutschland	Metro Group	Michelin
		EADS
		Air France

Well established relationships with main players in targeted segments

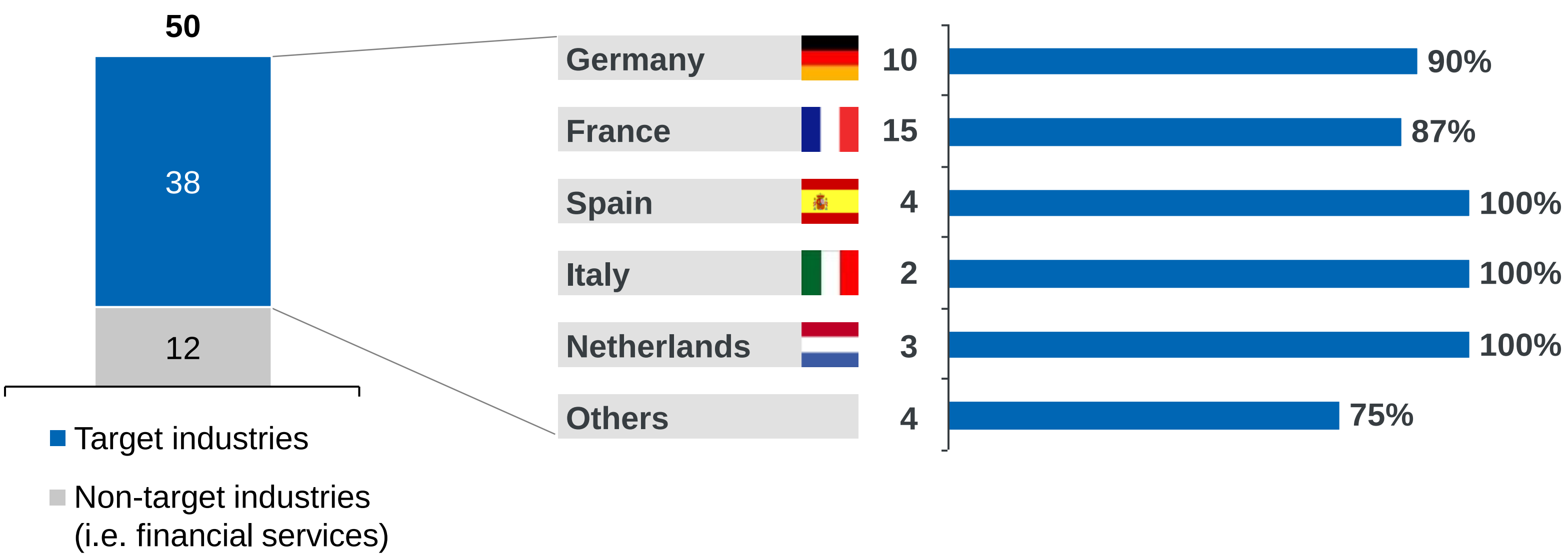
Industrial Lines – Penetration among European blue chips

Target clients

Companies listed in Euro Stoxx 50

Target client penetration

# of target clients | **Country specific market penetration[1]**



[1] With respect to target companies within Euro Stoxx 50

Among Euro Stoxx 50 companies, Talanx targets non-financials and has relationships with 34 out of 38 target clients

Industrial Lines – Penetration of target companies

Relationships with DAX 30 companies

27x lead insurer[1], thereof 18x in liability or property line

● Lead insurer in liability or property line

[1] Lead insurer at least in one line

Industrial Lines has lead mandates with most German DAX companies

Industrial Lines – Penetration in target industries

Various clients in selected target industries

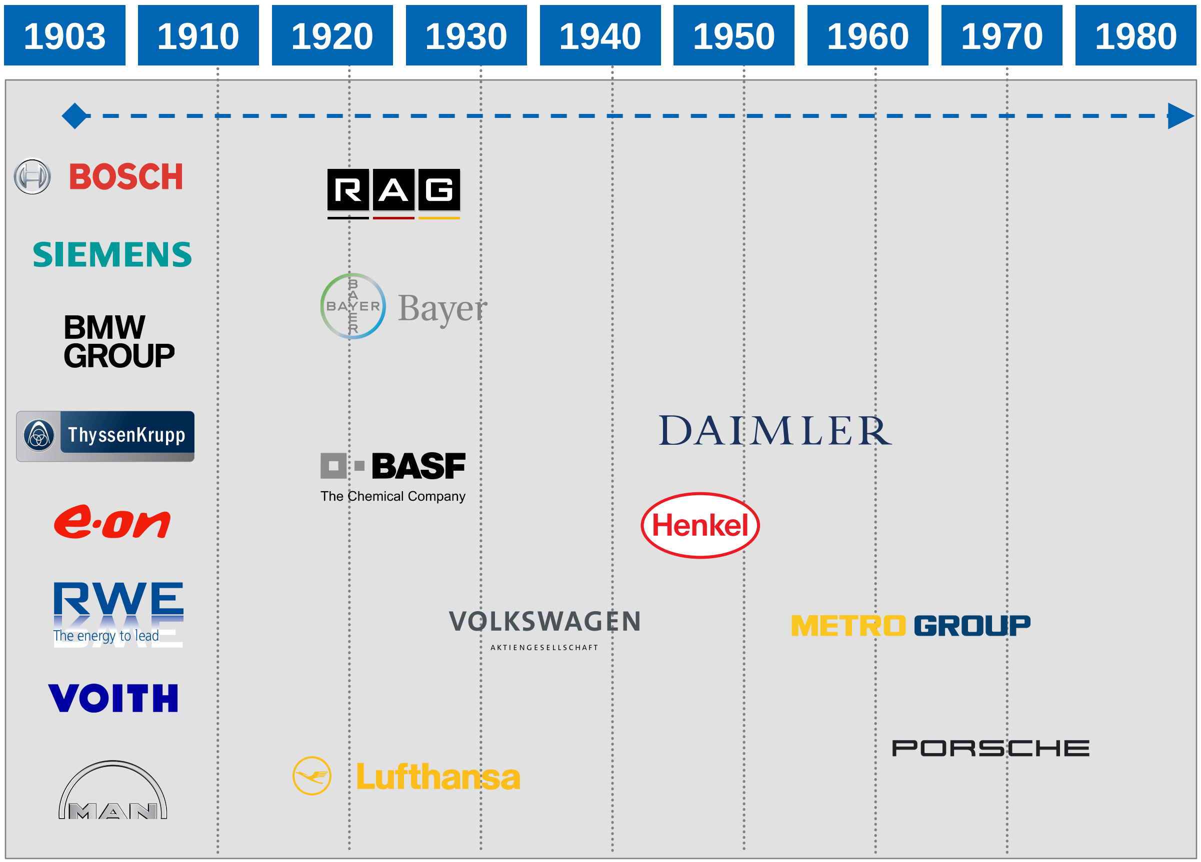
Automotive OEMs[1]	Automotive suppliers	Pharmaceutical companies	Chemical companies
Aston Martin	Benteler	AstraZeneca	Air Liquide
BMW	Bosch	Bayer	Akzo Nobel
Daimler	Continental	Boehringer	BASF
Fiat	Faurecia	GlaxoSmithKline	DSM
Jaguar	Magneti Marelli	Merck	Evonik
MAN	Mahle	Novartis	Ineos
Porsche	Michelin	Novo Nordisk	Johnson Matthey
PSA	Schaeffler	Nycomed	Linde
Renault / Nissan	Valeo	Roche	Lyondell Basell
Volkswagen	ZF Group	Sanofi-Aventis	Solvay
10/10 lead insurer[2]	**7/10 lead insurer[2] 3/10 syndicate member**	**9/10 lead insurer[2] 1/10 syndicate member**	**6/10 lead insurer[2] 4/10 syndicate member**

- Lead insurer in liability or property line
- Lead insurer in other lines of business
- Syndicate member

[1] Original Equipment Manufacturers
[2] Syndicate leader at least in one line
Note: ranked in alphabetical order

Talanx Industrial Lines has high penetration as a lead insurer in its chosen target industries

Industrial Lines – Quality of customer relationship



Comments

- Key blue chip clients of Industrial Lines are founding members of HDI (>100 years of relationship)
- Majority of DAX clients are in business with Talanx since decades
- Strong personal relationships with high-profile decision makers (general managers, board members, etc.) across all industries and regions through HDI-Gerling advisory board

Longstanding partnerships with key blue chip clients

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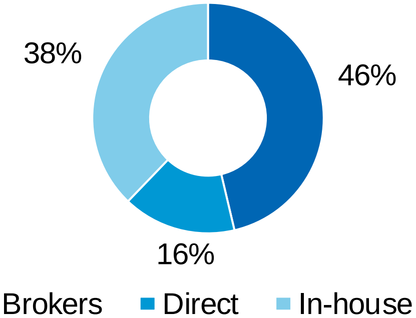
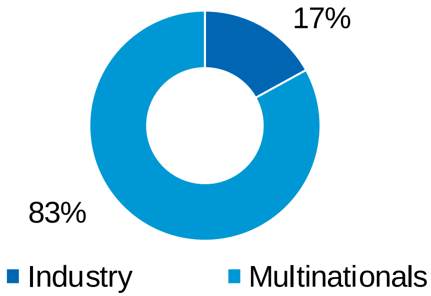
Industrial Lines – Distribution channels

GWP by distribution channel[1]

Directly written business GWP 2012: €1.5bn



Business assumed for reinsurance GWP: €0.4bn



[1] "Industry" and "Multinationals" customer segments only; €1.8bn total; figures according to local GAAP

Top 10 brokers & in-house brokers[1]

Brokers	In-house brokers
AON	BASF
Ecclesia	Bayer
Gebrüder Krose	BMW
Leue & Nill	Boehringer Ingelheim
L. Funk & Söhne	Deutsche Bahn
Marsh	Evonik
Martens & Prahl	Lufthansa
SÜDVERS	Siemens
VSMA	ThyssenKrupp
Willis	Volkswagen

Note: ranked in alphabetical order

Established relationships with leading brokers and agents

Industrial Lines – Domestic branch network

Branch network “Industry” & “Multinationals” in Germany

Unlike its competitors, Talanx has an extensive local presence in Germany, facilitating proximity and easy access from and to customers

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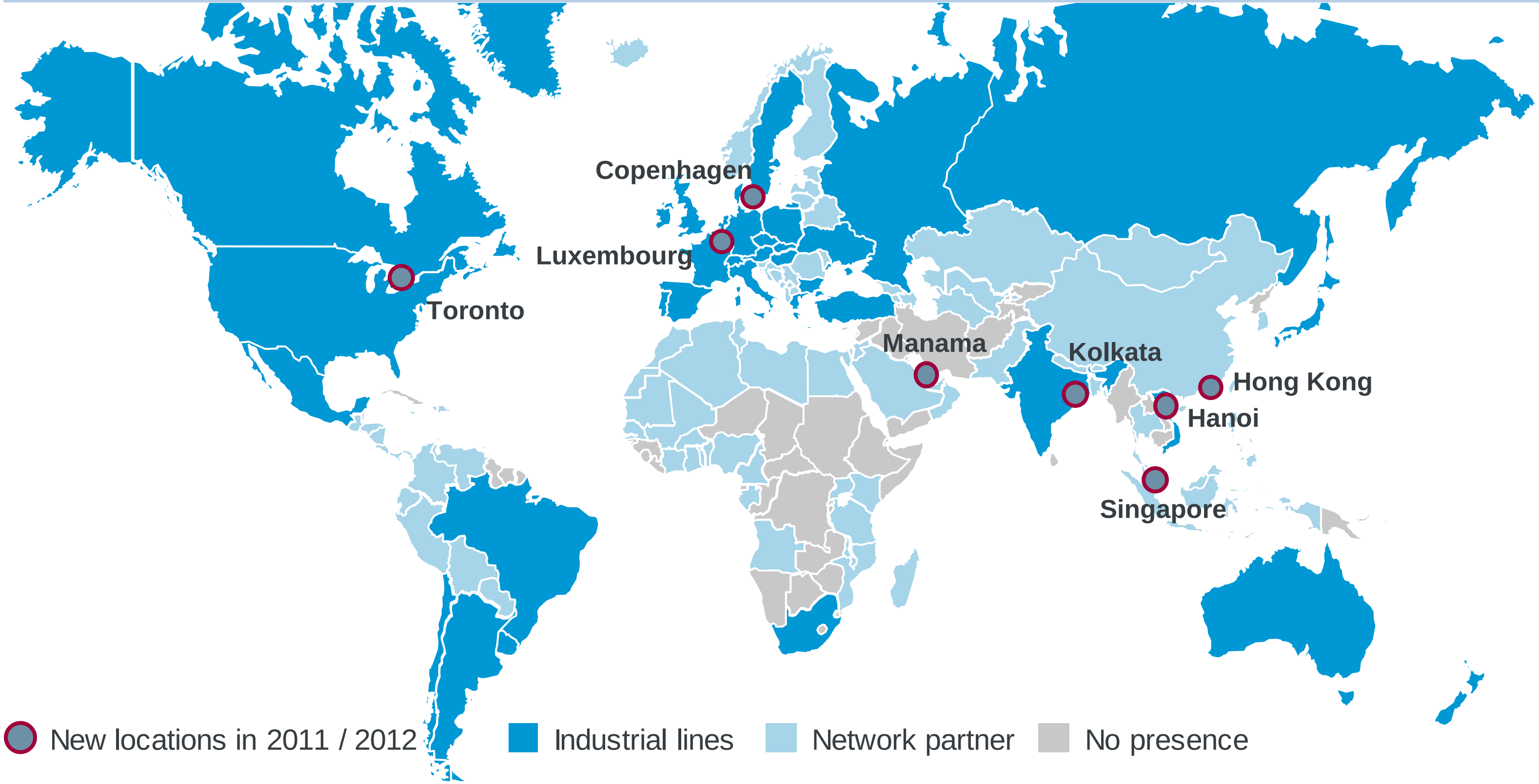
Industrial Lines – International network

Overview of Industrial Lines' global network



On-going expansion of global Industrial Lines network

Industrial Lines – International franchise

Global network (GWP 2012 in €m)[1]

Own carriers

Netherlands	363	Austria	104
USA	214	South Africa	23
Belgium	173	Mexico	12
Spain	126	Luxembourg[1]	1

Subsidiaries of Talanx entities / JVs

Argentina	Sweden
Brazil	Turkey
Chile	Ukraine
India (JV)	Uruguay
Poland	Vietnam (JV)
Russia	

Branches

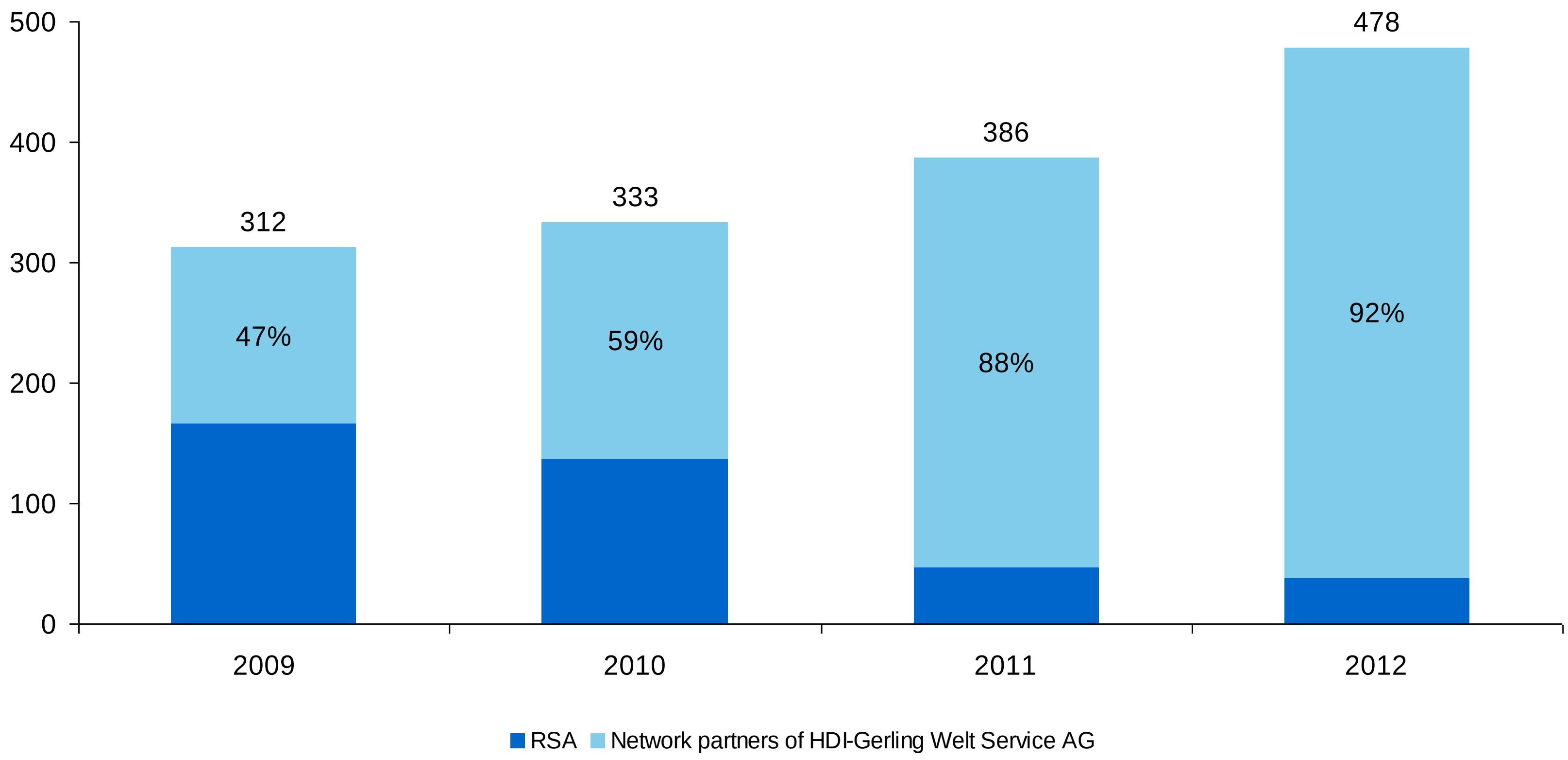
France	251	Czech Republic[3]	13
Switzerland	182	Canada[3]	10
UK	135	Denmark[4]	10
Italy	85	Hungary[2]	7
Australia	44	Slovakia[2]	6
Norway	43	Ireland	3
Hong Kong	37	Singapore[3]	2
Japan	37	Bahrain[5]	-
Greece	20		

Figures according to local GAAP
[1] Closing in December 2012
[2] Premiums included in Austria
[3] Establishment and start of business was in 2012
[4] Premiums included in the Netherlands
[5] Founded in 2011; start of business was in 2012

Focus on Europe with expanding global network

Industrial Lines – International franchise (continued)

RSA fronting vs. HDI-Gerling own local carriers (based on GWP in €m)



Fast growing own international network makes RSA fronting redundant

Industrial Lines – International franchise (continued)

International growth

Countries' business spectrum	2010	2012	2013
Local & IP business	6	8	10
Fronting and local business	12	12	15
Fronting only	5	16	12
∑	23	36	37

Aspired development

Figures in chart represent number of respective countries

Comments

- Industrial Lines' aspiration to become a global player is reflected by the strong growth of local international operations
- Additional growth is driven by the strategic increase of business retention

Industrial Lines' strategic target to become a global player is underpinned by strong international growth

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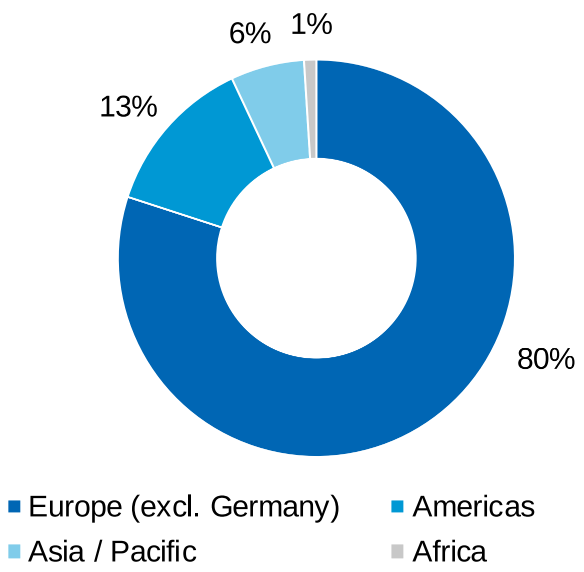
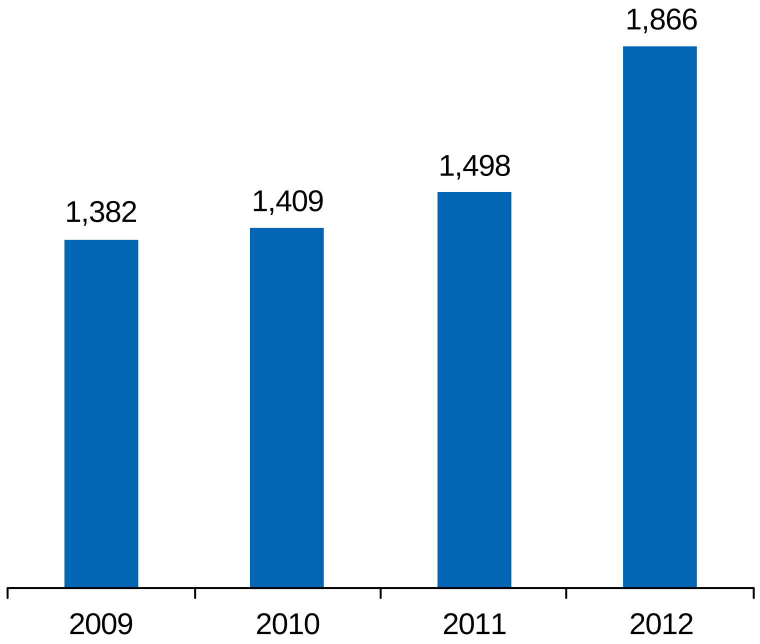
Industrial Lines – Developing international network

GWP International by region

Total GWP 2012: €1.9bn



GWP development of international business (€m)



Successful implementation of global growth strategy

Industrial Lines – Future growth concept

Industrial Lines – Growth through globalisation

Growth outside Europe

Organic

- Make use of virtual branches through selective use of industrial underwriters
- Only major risks based on local conditions – no cannibalisation with retail
- Acquisition of facultative reinsurance business through existing industrial locations
- Establishment of new branches

Existing units retail

Target countries excl. existing units

Anorganic

- Active search for suitable acquisition objects
- Acquisition of "pure" industrial carriers or mixed with retail units

Acquisitions

Target regions

- **Latin America**: attractive region for
  - Growth markets
  - Large multinationals
  - Raw materials exporters
- **South/East Asia incl. India**: selective markets with industrial potential and sufficient size
- **Arabian Peninsula**: highly attractive due to large volume construction projects as well as public and private investments in the expansion of the infrastructure

Growth in Europe

- Focus on selective expansion of industrial business in Europe
- Growth strategy is customized to framework and conditions of each European country
- Measures for further growth are continued development of local business, the participation in international programs and focused penetration of defined customer segments
- Growth in Europe additionally compromises of opportunistic acquisitions

International markets likely to exceed German domestic business volume in due course

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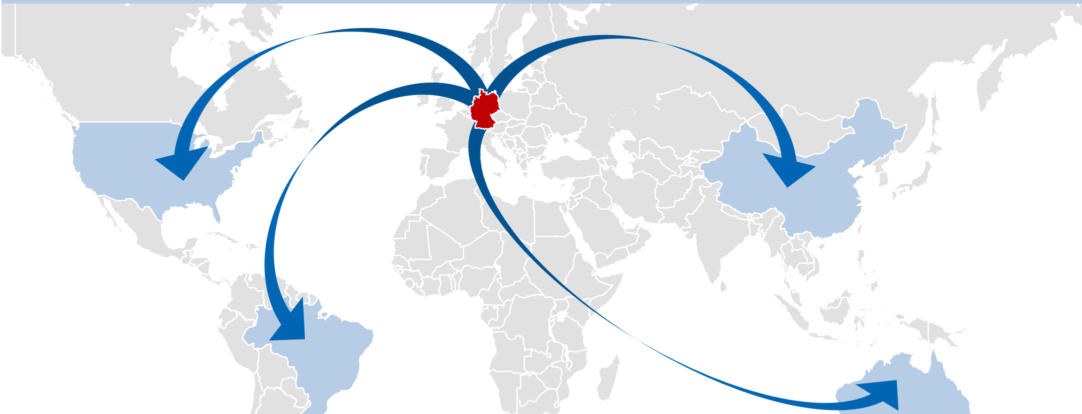
Industrial Lines – Placement of an international insurance programme

Accelerated globalisation through "gold countries"



HDI-Gerling domestic entity (e.g. Hannover)

HDI-Gerling foreign subsidiary/branch

"Gold countries"

Countries where Talanx writes local business and international programmes

Germany (see example)

Australia	Netherlands
Austria	Spain
Belgium	Switzerland
France	UK
Italy	

Underwriting			Execution & processing			Claims processing	
Negotiation of International Program's framework between client's head office and HDI-Gerling	Definition of Master Policy and Local Policy (wording, limits, deductibles, etc.)	Compliance check (local laws and regulations)	Administrative and processing requirements transferred to foreign subsidiary/ branch	Placement of Local Policies	Transfer of foreign premium to HDI-Gerling	Claims handling locally/in Germany, depending on loss amounts	Claims payments in local country

Competence to underwrite and execute international programmes efficiently and compliant

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Industrial Lines – Underwriting

Underwriting process

Evaluation of insurance documents

- Evaluation through responsible departments (foreign subsidiaries in case of foreign clients)

Actuarial and risk assessment

- Evaluation of premiums calculation, contract conditions and claims statistics in coordination with responsible departments

Internal consulting

- Case-related involvement of executive board, branch heads or department heads based on existing authorisations

Preparation / denial of offer

Loss prevention and risk selection

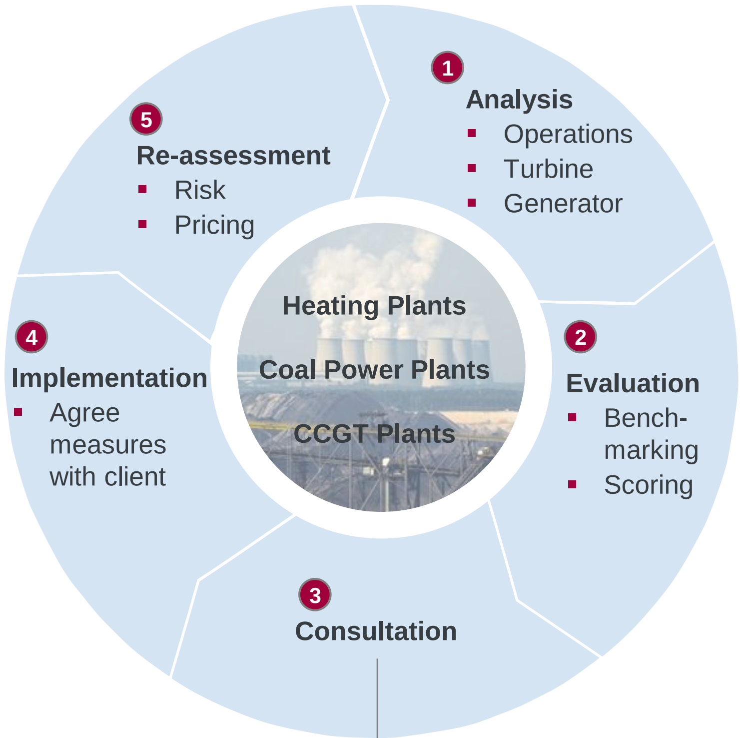
Loss prevention and risk selection services are core supporting elements of the underwriting and claims settlement

Industrial Lines – Risk Engineering in technical insurance

Professional post-underwriting risk engineering

- Monitoring of typical risk exposure for loss prevention
- Establish risk transparency for insurer, customer und broker
- Better knowledge on risk and on risk control leads to risk reduction and lower loss ratios, bringing up a competitive advantage
- Professional risk engineering is typically a syndicate leader‘s job
- Solvency II will increase the necessity of having a professional risk engineering team

Risk Engineering at Power Plants



- Agree measures with client
- Maintenance
- Support, risk survey
- Process optimisation
- Risk monitoring

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Industrial Lines – Strategic increase of retention

Talanx's share in syndicate (illustrative)

Natural catastrophe cover
- Reinsurance
- Retained business

Quota share reinsurance
- Retained business
- Reinsurance

Retained business

Profitability of reinsured business

Catastrophe cover

- Retention levels remain strategic decision, based on reinsurance strategy, risk appetite and market conditions

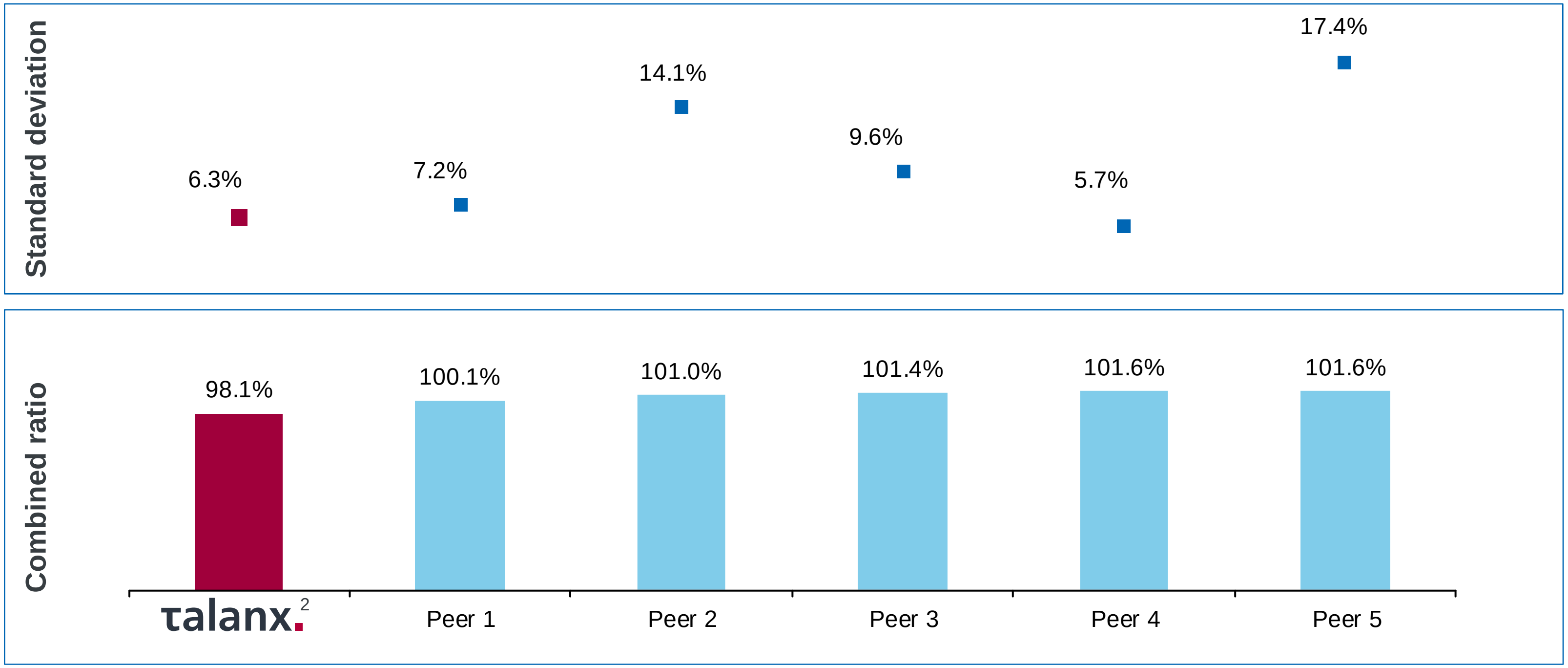
Quota share reinsurance

- Strategic increase of retention using Talanx Re Group Captive

Strategic increase of retention ratio to 60-65%

Industrial Lines – Solid financial performance

Industrial Lines: over the cycle[1] combined ratio vs. peers



Notes
Peers consist of Allianz Global Corp. & Specialty, Axa Corporate Solutions, AIG General Insurance / Chartis, FM Global, XL Insurance, Zurich Global Corporate and predecessors
[1] 2002-2011 average
[2] HDI Industrie AG, HDI-Gerling Industrie AG 2002-2010 incl. GKA (industrial lines) in 2002-2006

In Industrial Lines, Talanx has consistently delivered low combined ratios with low volatility over the cycle

Industrial Lines – Momentum by business line

Industrial Lines

	Volume	Profitability
Property + Engineering	↗	+
Liability	↗	+
Motor	↑	+
Marine	↗	+
Accident	↗	+
Aviation	↗	+ / –

Industrial Lines expects both, growth and increasing profitability

Industrial Lines – In a nutshell

A leading, well respected insurer with extraordinary strong bonds with its German blue-chip and Mittelstand clients

Recognition as a leading European industrial lines insurer

Strong growth especially internationally

Proprietary global network is key success factor

Ideally positioned to grow with clients

High number of lead mandates allowing for attractive profitability levels

Sophisticated underwriting, risk management and claims handling skills executed in an effective, hands-on management style

Attractive cost structure

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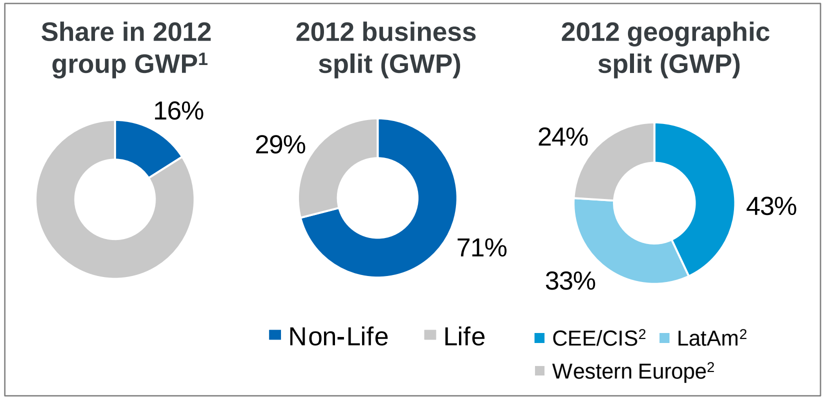
Content

Retail International – Overview

Key figures



Key financials (€m)	2009	2010	2011	2012
Gross written premium	1,827	2,233	2,482	3,260
Net premium earned	1,403	1,738	1,862	2,620
Net underwriting result	(99)	(136)	(43)	2
Net investment income	121	151	159	281
Operating result (EBIT)	(42)	27[3]	54	107
Combined ratio (net) in %	*102.5*	*105.2*	*99.3*	*96.2*
# of employees	4,688	4,641	5,024	8,627

Highlights

- In 2012 Retail International was active in 15 countries outside Germany with a focus on Latin America (LatAm) and CEE
- P&C: strong growth with focus on growth driver motor insurance
- Life: significant growth potential with focus on risk business
- Strong organic growth pattern with organic GWP growth 2012 of 8% y/y in focus regions LatAm and CEE (LatAm: 14%; CEE: 5%)
- Disciplined M&A track record
- Export of the successful bancassurance model

[1] Based on total GWP adjusted for 50.2% stake in Hannover Re
[2] CEE/CIS including Turkey and Russia; LatAm including Mexico; Western Europe including Italy, Austria, Liechtenstein and Luxembourg
[3] EBIT 2010 after income allowance from Talanx AG (before income allowance: EBIT 2010 = €-41m)

Focus on major growth markets in Latin America and CEE

Retail International – Management team

Torsten Leue

- Chairman of the management board

20 years of experience in insurance

Sven Fokkema

- Business development CEE/CIS

20 years of experience in international insurance business and M&A

Matthias Maak

- Business development Latin America
- Brand management
- Best practice

More than 30 years of experience in international insurance business

Oliver Schmid

- Controlling
- Risk management
- Accounting / tax
- Investments
- Reinsurance

More than 20 years of experience in insurance/ re-insurance business

Strong and experienced management team reflecting focus on target regions

Retail International – Strategy tiGROW

Focus on emerging markets

- Profitable growth: focus resources on LatAm/CEE
  "Among top 10 international investors in growth regions LatAm/CEE"

- Core markets Brazil, Mexico, Poland and Turkey

- Presence in other markets in focus regions mainly owing to profitable, defendable niche positions; in case not defendable, divestment

- Diversification
  – Export B2B expertise (e.g. bancassurance) into international markets
  – Within life, focus on personal risk business

Retail International – In LatAm rank 13, in CEE rank 4

Foreign investor ranking, LatAm/CEE

LatAm

Rank	Group	2011 GWP in € m
1	Mapfre	7,333
2	Zurich	4,675
3	MetLife	3,429
4	Liberty Mutual	2,691
5	CNP	2,399
6	Allianz	1,986
7	HSBC	1,794
8	MCS	1,682
9	Generali	1,640
10	AXA	1,621
	…	
13	talanx.	1,044
	…	
15	talanx.	969
	…	

CEE

Rank	Group	2011 GWP in € m
1	VIG	4,626
2	Allianz	4,200
3	Generali	3,938
4	talanx.	2,799
5	KBC Group	1,589
6	AXA	1,500
7	MetLife	1,259
8	Uniqa	1,240
9	Groupama	1,088
10	Ergo	1,071
11	ING	1,000
	...	
13	talanx.	756
	...	

Source: Talanx internal analysis of annual reports

2011 „pro-forma“ GWP numbers adjusted for 2012 acquisitions

Retail International – Strategic alliance with Meiji Yasuda

Timeline of the cooperation

- November 2010: Meiji Yasuda Life and Talanx sign agreement on capital and business alliance
- June 2012: Joint acquisition of Europa[1]
- July 2012: Joint acquisition of warta.
- December 2012: Legal merger of non-life entities (warta.)
- H2 2013: Legal merger of life entities (warta.[2])

[1] Share of Meiji Yasuda 33.46%
[2] Current Meiji Yasuda shareholding of 25.00% in Warta, to go down to 24.26% with the targeted merger of life entities

Meiji Yasuda at a glance

MEIJI YASUDA

- Mutual insurance company headquartered in Tokyo and formed in 2004 by the merger of Meiji Life Insurance and Yasuda Mutual Life
- Second largest life insurance company in Japan[3], operating in Asia, Europe and North America
- Assets of JPY 29.7 trillion (~ €270bn[4]) and premiums of JPY 5.2 trillion (~ €47bn[4]) as of 31 March 2012
- Cooperation with Talanx:
  - Long-term strategic agreement (min. 15 years) as co-financial investor for common growth opportunities in focus regions LatAm and CEE
  - Two out of six seats in supervisory board of Talanx International

[3] According to ranking by premium income of Japanese life insurance association as of March 2012
[4] Converted at exchange rate of JPY/EUR 109.8 as of 31 March 2012

Long term strategic alliance to invest jointly in growth markets

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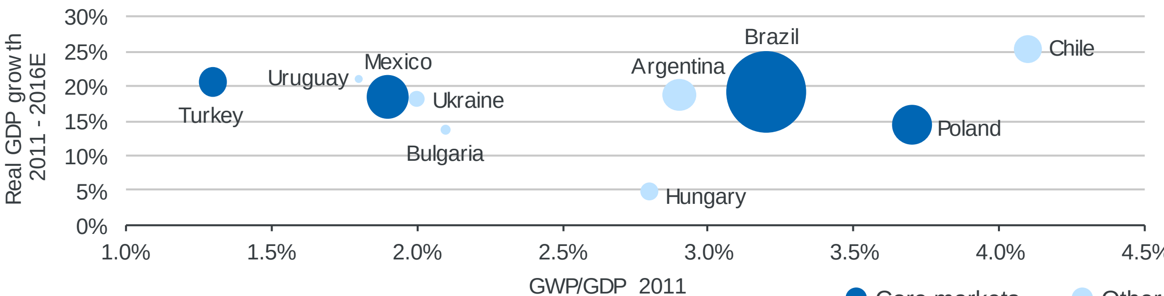
Retail International – Emerging markets presence

Retail International emerging markets presence

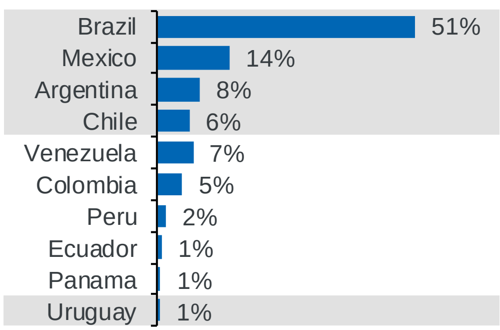


For comparison: Germany	
Real GDP growth 2011 – 2016E	6.0%
GWP/GDP 2011	6.8%

Core markets   Other Retail International markets
Bubble size refers to GWP in respective markets

Source: IMF World Economic Outlook, January 2012; Swiss Re Sigma (3/2012)

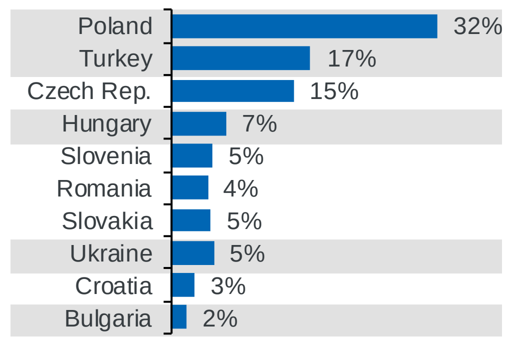
LatAm[1] – Country in % of region GWP



Core markets represent 65% of LatAm[1]

Retail International markets represent 80% of LatAm[1]

CEE[2] – Country in % of region GWP



Core markets represent 49% of CEE[2]

Retail International markets represent 63% of CEE[2]

Source: Swiss Re Sigma (3/2012)
Note: selected countries, grey shading indicates Retail International presence
[1] LatAm insurance market defined as LatAm and the Caribbean incl. Mexico; total GWP of $154.3bn as of 2011
[2] CEE insurance market defined as CEE and Turkey excluding Russia; total GWP of $59.4bn as of 2011

Presence in largest markets provides access to majority of regions' premiums and profit pools

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Retail International – LatAm and CEE core markets

Market trends and drivers in core markets

		Brazil	Mexico	Poland	Turkey
Insurance markets		▪ Largest insurance market in LatAm with 51% of region's GWP[1] ▪ Low non-life insurance penetration (1.5% of GDP in 2011)[1] ▪ High growth expected, especially in motor due to growing middle class wealth	▪ Second largest insurance market in LatAm with 14% of region's GWP[1] ▪ Low non-life insurance penetration (1.1% of GDP in 2011)[1] ▪ Growth in GWP fuelled by GDP growth (3.5% p.a. 2011-2016E)	▪ Largest insurance market in CEE with 32% of region's GWP[1] ▪ Low overall insurance penetration (3.7% of GDP in 2011)[1] ▪ High expected GDP growth of resilient economy drive further demand for insurance products	▪ Second largest insurance market in CEE with 17% of region's GWP[1] ▪ Low overall insurance penetration (1.3% GDP in 2011)[1]
Key drivers	**Growth**	▪ Growth in non-life GWP in line with market 2011-2012 ▪ Leverage superior business model ▪ Large sales network incl. bancassurance with HSBC and large broker network	▪ Growth primarily driven by motor ▪ Acquisition of Metropolitana (mainly non-life)	▪ Anorganic growth via acqui-sitions of Warta and Europa ▪ Second largest insurer after acquisitions ▪ Market share incl. acquisi-tions increased from 17.6% in 2011 to 20.2% in 2012	▪ Economy continues to drive GWP growth ▪ Above-market growth in non-life GWP (38% vs. 18% of market from 2011 to 2012) ▪ Strong growth in non-motor (GWP +62%)
	Profitability	▪ Ability to manage profitability through superior underwriting and sales management ▪ Good investment result due to high interest rate environment	▪ Superior underwriting model transferred from Brazil (best practice approach)	▪ Softening cycle in motor: expected decrease of average market prices ▪ Balanced portfolio ▪ Post-merger integration of Warta on track ▪ Combined ratio Warta around 95%	▪ End of soft cycle in motor with market-wide price increases in 2012 ▪ Clean-up project "Push for Profit" (mainly MTPL) ▪ Re-pricing MTPL (increase average premium +41%) ▪ Diversification: increase of non-motor portfolio share to 31%

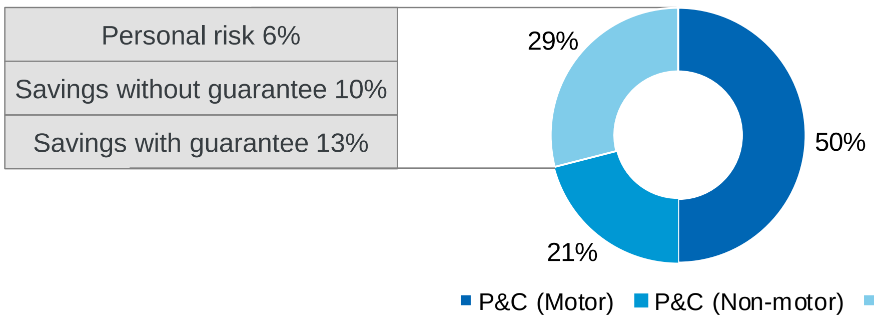
[1] Based on Swiss Re Sigma (3/2012)

Well positioned for sustainable profitable growth in LatAm and CEE

Retail International – Segment breakdown

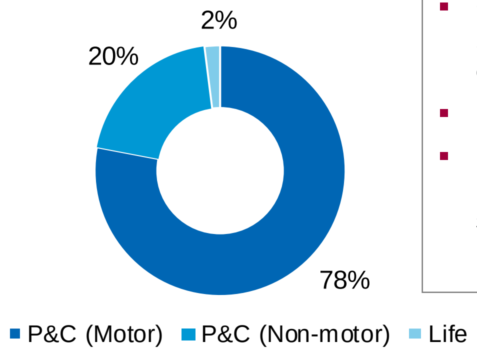
Retail International GWP split

Total GWP 2012: €3.3bn



LatAm

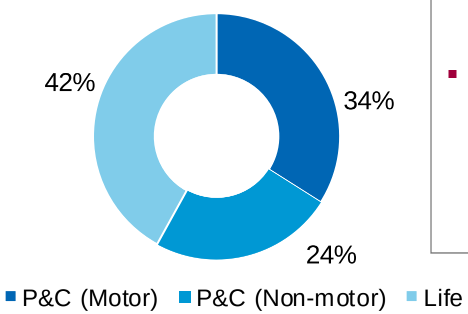
Total GWP 2012: €1.1bn



- GWP growth 2012 of 20% y/y in local currency (12% in €)
- Focus on non-life
- No focus on regulated pension schemes and health

CEE

Total GWP 2012: €1.4bn



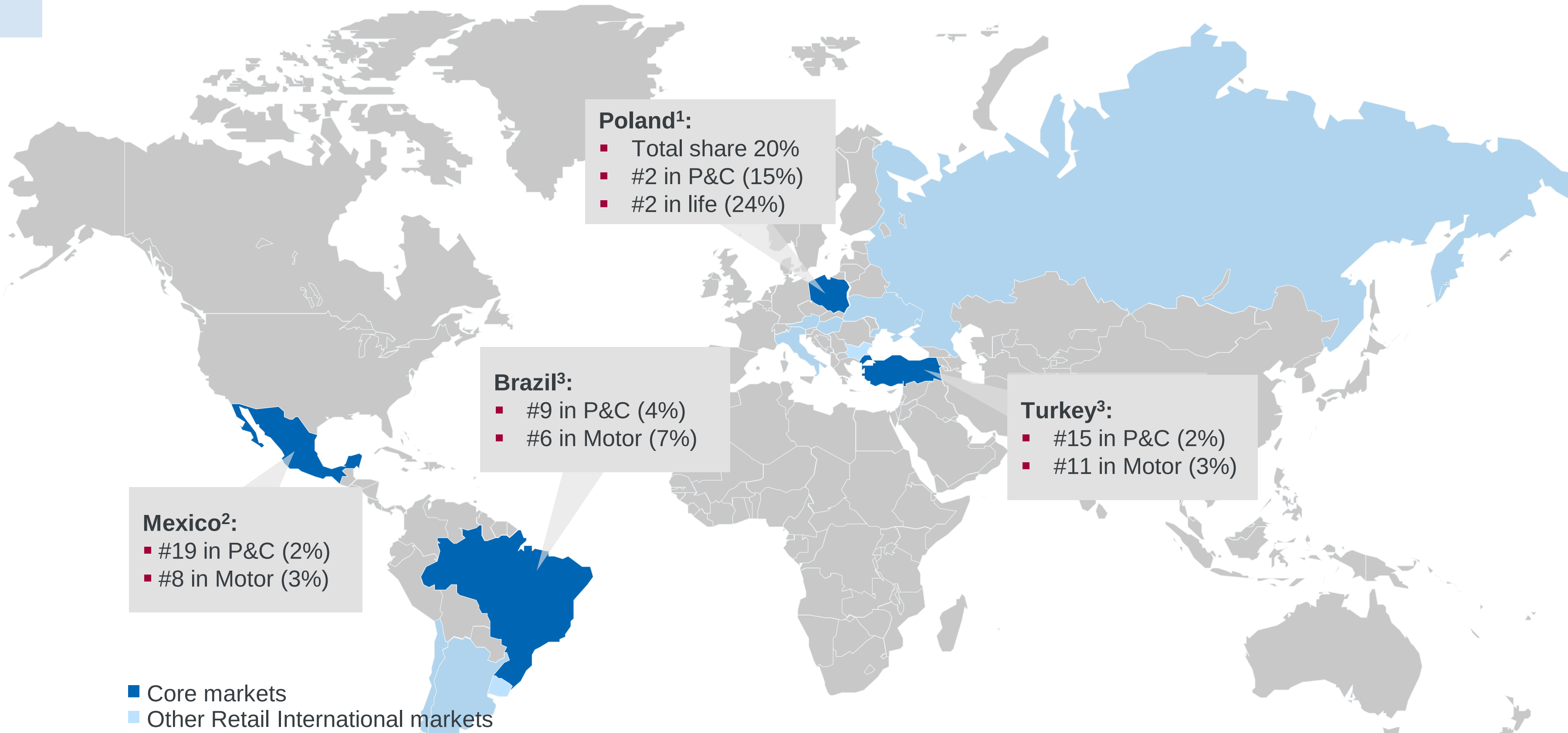
- GWP growth 2012 of 88% y/y in local currency (86% in €)
- Well-balanced portfolio of non-life and life insurance

International portfolio weighted towards non-life

Retail International – Building on core markets

Key M&A activities in core markets with a multi-brand strategy

Retail International – Positioning in core markets



[1] 2012 GWP ranking according to Polish regulator based on local GAAP
[2] 2012 pro-forma including Metropolitana
[3] 2011 GWP ranking according to local Associations of Insurance and based on local GAAP

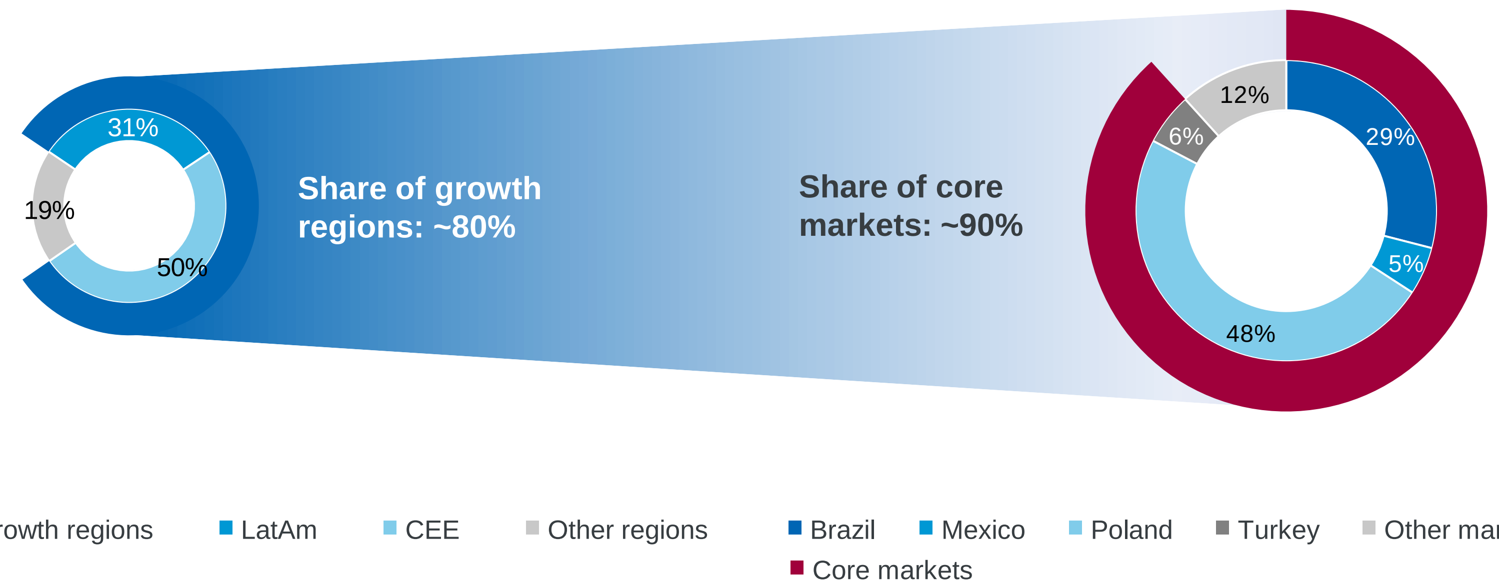
Retail International is well-positioned in the largest insurance markets in LatAm and CEE

Retail International – Focused international presence

Double-digit GWP growth planned for 2013

Strong GWP contribution from growth regions LatAm and CEE[1]

Focus within growth regions[1]



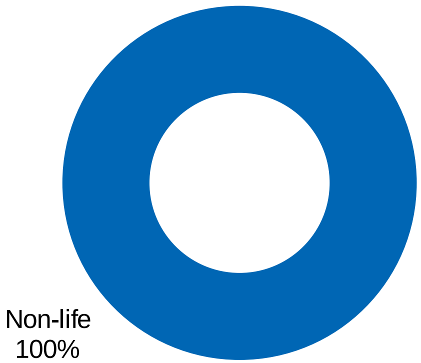
[1] Target split for 2013

Retail International strengthening presence in major growth markets in LatAm and CEE

Retail International – Brazil

Key financials of selected Retail International markets – Brazil

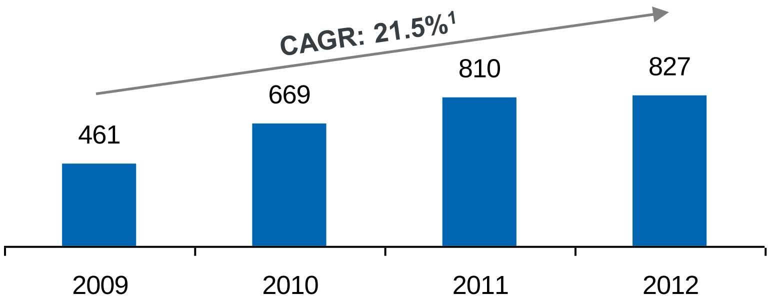
GWP split 2012



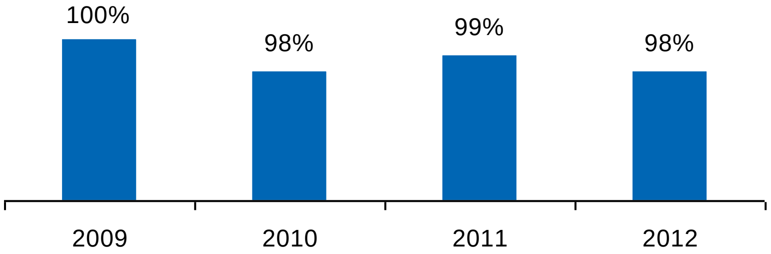
- Present since 1979 starting with industrial business
- Nationwide presence (65 branches, ~14,000 brokers)
- Bancassurance agreement with HSBC (2005)
- Superior operational model
- Combined ratio 2012 around 98%
- EBIT 2012 €37m

GWP development (€m)

GWP growth 2012 of 11% y/y in local currency



Combined ratio development



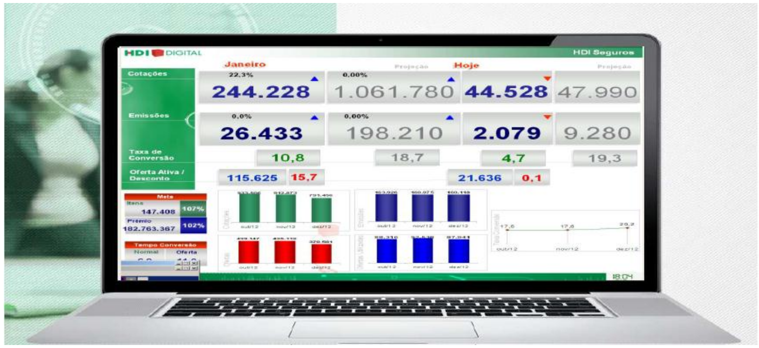
[1] CAGR 2009-12 in local currency: 17.4%

Proven success story for building a long-term profitable business

talanx.

Retail International – Brazil: superior technical platform for intermediaries

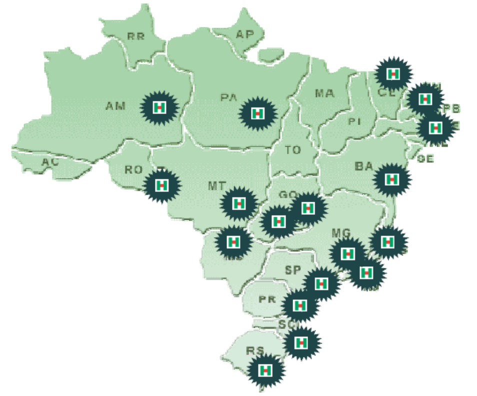
Overview



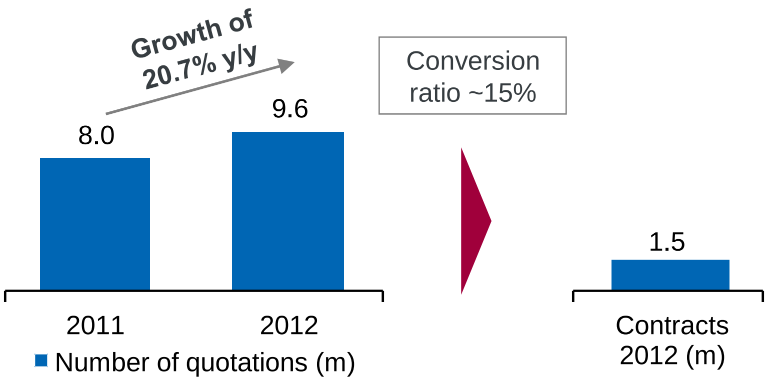
Key facts

- Behavioural underwriting approach
- 100% of ~14,000 brokers on line
- More than 9.6 m quotations in 2012
- Improved conversion ratio of ~15%
- Online monitoring of quotation and conversion performance
- Online updating of quotation and conversion projections

Nationwide coverage



Number of quotations and contracts

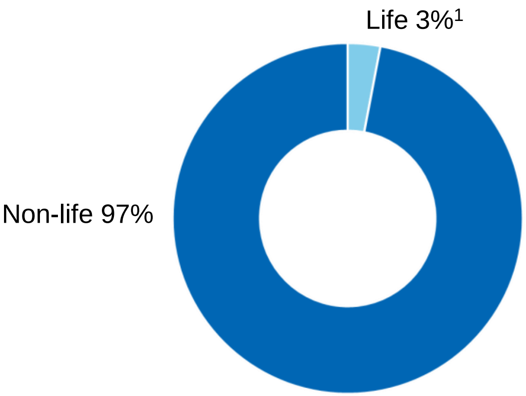


Efficient online sales tool boosts GWP growth in Brazil

Retail International – Mexico

Key financials of selected Retail International markets – Mexico

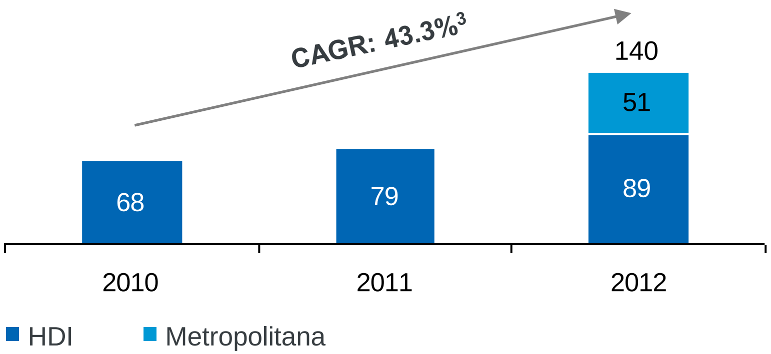
GWP split 2012



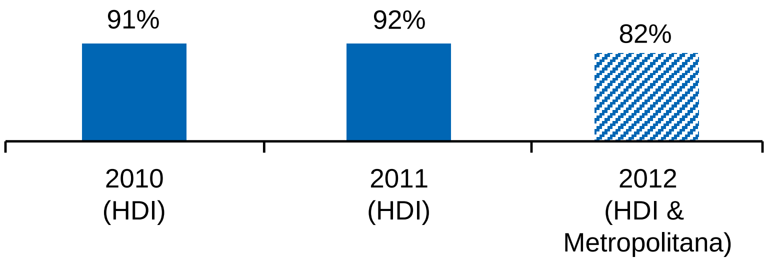
- Market entry H2 2009 via acquisition of Genworth Seguros
- Acquisition of Metropolitana[2] in 2012
- Combined ratio for both entities at 82% in 2012, expected around 90% in 2013
- EBIT 2012 over €20m

[1] Sale of life portfolio expected to be completed in Q4 2013
[2] Acquisition closed in Jan-12; purchase price €77m; legal merger as of 1 January 2013
[3] CAGR 2010-2012 in local currency: 44.5%

GWP development (€m)



Combined ratio development

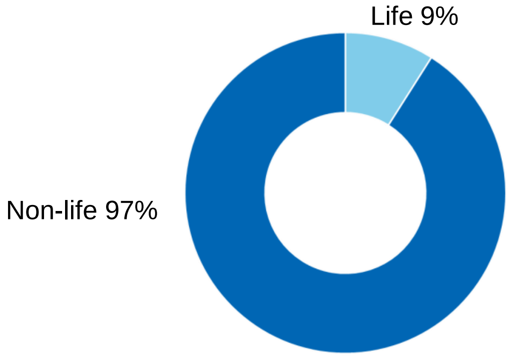


Potential for a success story similar to Brazil – Implementation in progress

Retail International – Turkey

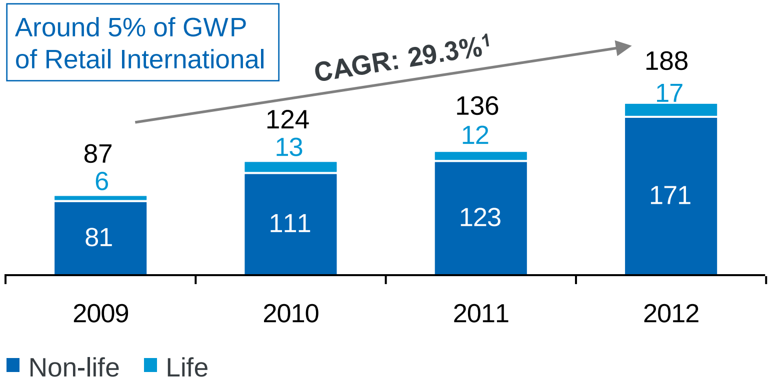
Key financials of selected Retail International markets – Turkey

GWP split 2012

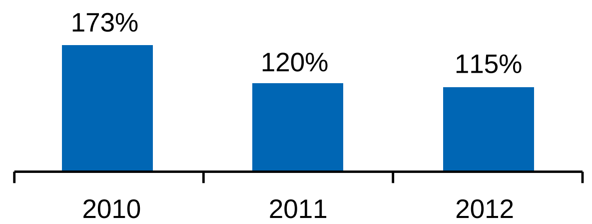


- Market entry 2006 via acquisition of Ihlas Sigorta
- End of soft cycle (MTPL) with price increases in 2012
- Clean-up project "Push for Profit" on track (2012 figures):
  - GWP increase in motor (average premium MTPL +41.3%)
  - Strong GWP growth in non-motor (+62.3%; increase of non-motor portfolio share by 4.6%pts to 31.3%)
- Combined ratio ~106% (interim target), close to break-even
- EBIT break-even expected 2014
- Investment return: 7% (in local currency)

GWP development (€m)



Combined ratio[2] development



[1] CAGR 2009-12 in local currency: 32.2%
[2] Only HDI/TR non-life (excl. CiV Hayat)

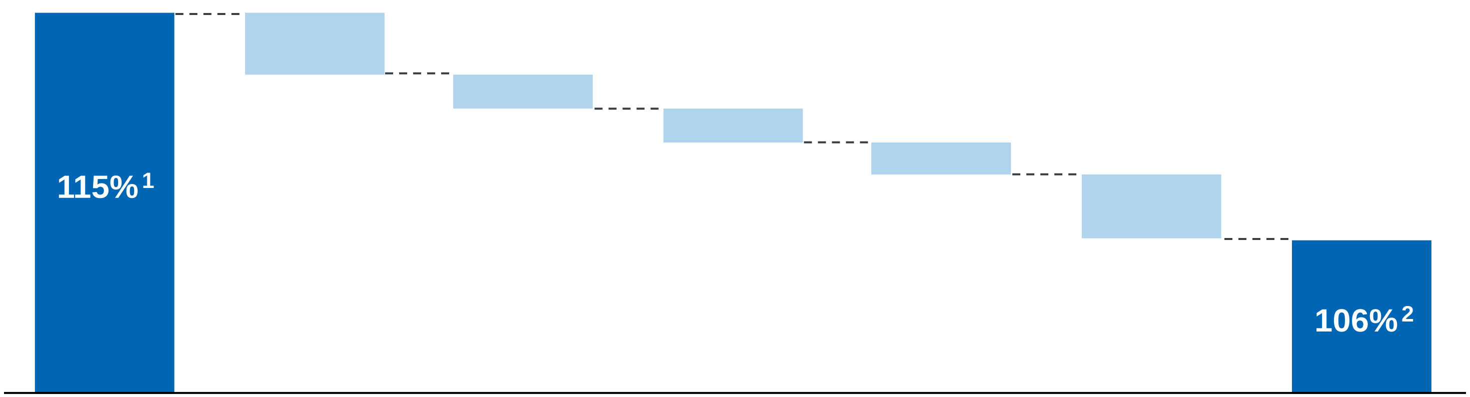
Building up sustainable platform in large and fast growing market

Retail International – HDI Turkey: „Push for Profit“ project

HDI Sigorta business case: combined ratios 2012/2013 (IFRS)

Interim target for 2013

Combined Ratio 2012 (IFRS)	1 Diversi-fication	2 Claims	3 Sales	4 Costs	5 Pricing	Combined Ratio 2013 (IFRS) with „Push for Profit“
	▪ GWP growth in non-motor +62% ▪ Increase of non-motor portfolio share by 5%pts to 31%	▪ Segmentation of claims ▪ Partnering with repair shops	▪ Broker share increased from 5% to 12% ▪ Clean-up of unprofitable agents	▪ Cost savings about €2m	▪ Increase of average premium MTPL +41% ▪ Behavioral pricing implementation	

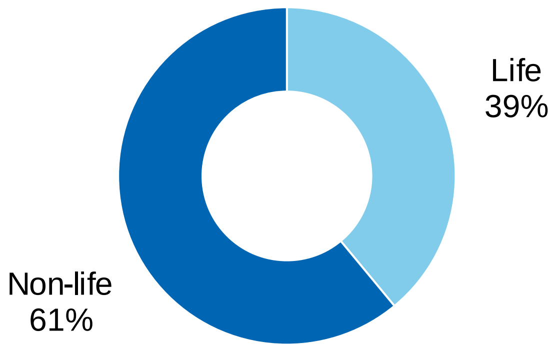


[1] Combined ratio (IFRS) for total non-life
[2] Before recognition of investment income and other non-technical results.
Source: HDI Sigorta business case „Push for Profit“, Oliver Wyman analysis

Retail International – Poland

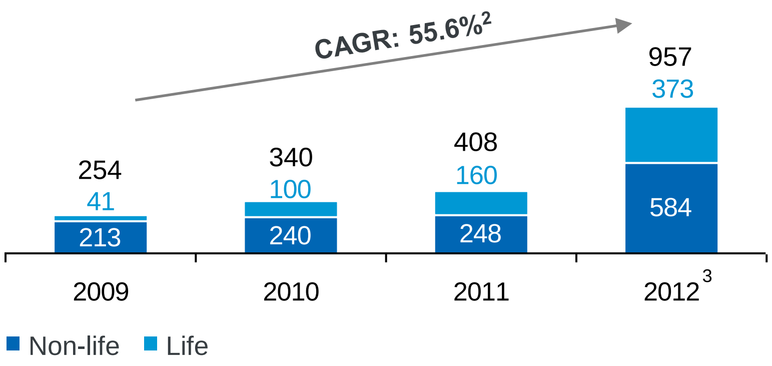
Key financials of selected Retail International markets – Poland

GWP split 2012[1]

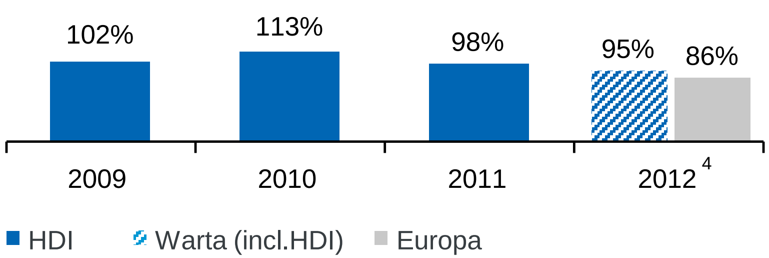


- Market entry in 2002
- Major acquisitions Warta and Europa in Q2 and Q3 2012
- Balanced non-life/life portfolio
- Talanx's final shareholding in Warta: 75.74%
- Talanx's shareholding in Europa: 50.0% + 1 share

GWP development (€m)



Combined ratio development



[1] GWP split 2013 plan: 67% Non-Life; 33% Life
[2] CAGR 2009-12 in local currency: 54.0%
[3] Incl. Warta (six months) and Europa (seven months)
[4] Includes effect of initial consolidation of Warta and Europa

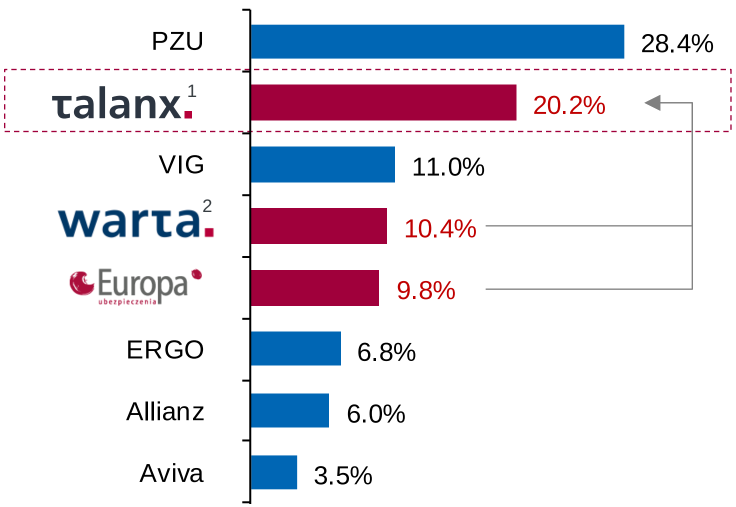
Low combined ratios of Warta and Europe improve Retail International's combined ratio

talanx.

Retail International – Acquisitions in Poland

Now #2 Polish Insurance Group

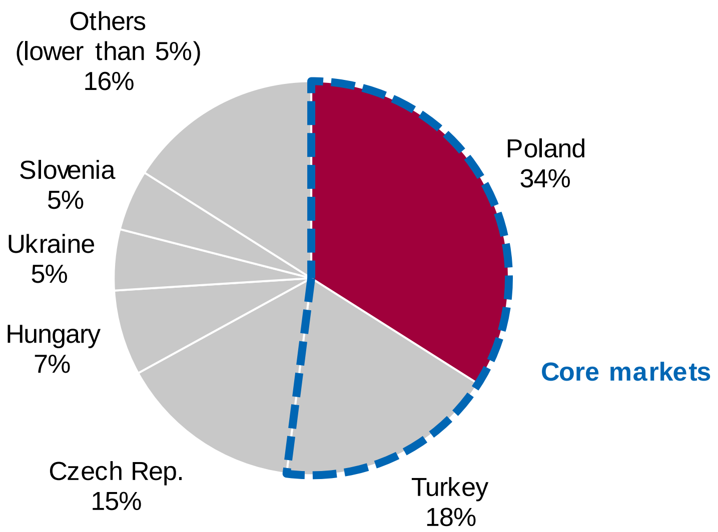
Total GWP market share, Poland 2012 (incl. deposit premiums)



[1] talanx pro-forma share in 2011: 17.6%
[2] Including HDI-Gerling Poland Life
Source: KNF, based on local GAAP

Poland is the largest market in CEE

CEE insurance markets[3] by GWP 2012



[3] Defined as CEE including Turkey, excluding Russia: total GWP of US$57.1bn in 2012
Source: estimate based on Swiss Re Sigma (3/2012)

Retail International – Warta: implementation phase well underway

Warta integration project “BEST” (BE Stronger Together) in implementation phase

Phase 1	Phase 2	Phase 3
Integration plan	**Detailed design/planning**	**Implementation**
Signing, 19 Jan 2012	Approval of integration plan, 20 April 2012	Closing of acquisition, 1 July 2012

t

3 July 2012
Common management team in place

10 July 2012
S&P raised Warta’s Counterparty Credit and Insurer Financial Strength Rating from BBB+ to A

28 December 2012
Legal merger Warta and HDI non-life

Phase 1
- Integration sponsors ✓
- Organizational set-up first level ✓
- IT target systems ✓
- Brand decision ✓
- Internal and external communication plan ✓

Phase 2
- Organizational set-up second level ✓
- Brand positioning ✓
- Closing of deal with KBC ✓
- Transfer of 30% stake to Meiji Yasuda ✓

Phase 3
- Warta re-branding ✓
- Legal merger of non-life entities ✓

Next steps / progress:
- Implementation of organisational changes (functional structure, centralized operations, multi-channel distribution)
- Launch of implementation projects in IT (common IT, P&C architecture from HDI, life system from Warta)
- Legal merger of life entities

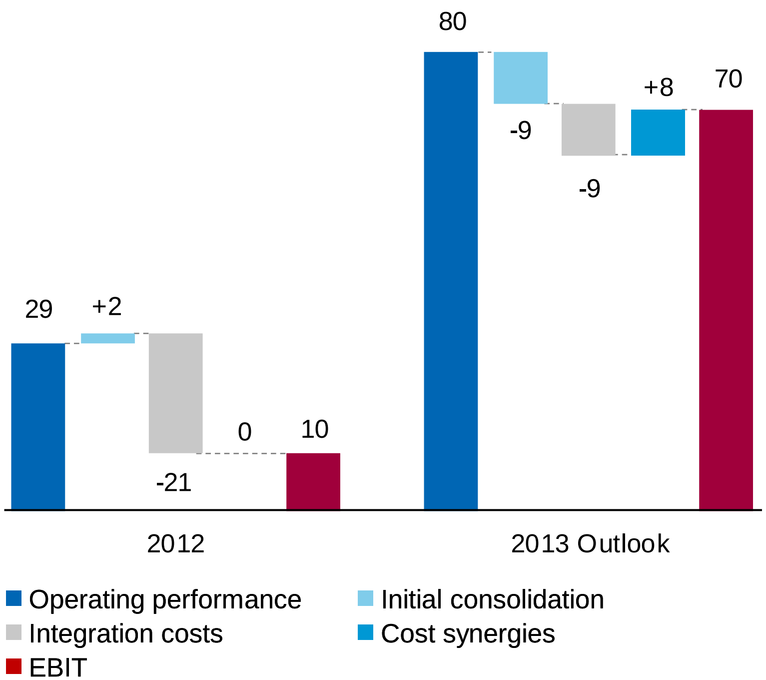
Post-merger integration much faster than expected

talanx.

Retail International – Warta: strong EBIT growth

EBIT

Warta EBIT (IFRS, €m)



Comments

- Purchase price Warta €770m[1] for 100% (closing 1 July 2012: NAV: €473m)
- Negative initial consolidation effects (mainly from write-off of intangible assets) of ~€27m until 2015E
- Total integration costs of €40m (75% digested by 2013)
- Annual cost synergies[2] at a run-rate of ~€30m as from 2016 at the latest
- Combined ratio expected around 95% in 2013

[1] Not including €72m NAV adjustment as per closing
[2] Not including capital and revenue synergies

Low double-digit EBIT growth rate in the mid-term after 2013

Retail International – Warta: re-branding

Re-branding as highlight of post-merger integration and start of implementation

WARTA

- Re-branding was carried out simultaneously throughout the country
- 1,600 agencies and 500 vehicles rebranded by end-2012
- 1.2 m leaflets and 33,500 posters
- Presence in 4 main TV channels / commercials with 132 m hits in the internet
- Key results:
  - Significant increase of brand awareness from 66% to 78%
  - Purchase intent of life and non-life products up to 15-17%

Successful re-branding while preserving brand equity

Retail International – In a nutshell

Focused on growth markets: LatAm and CEE

Leading market positions in the main markets in these regions (Brazil, Mexico, Poland and Turkey)

2012: strong organic growth with further improved Combined Ratio, well below 100%

Leverage group B2B expertise (bancassurance)

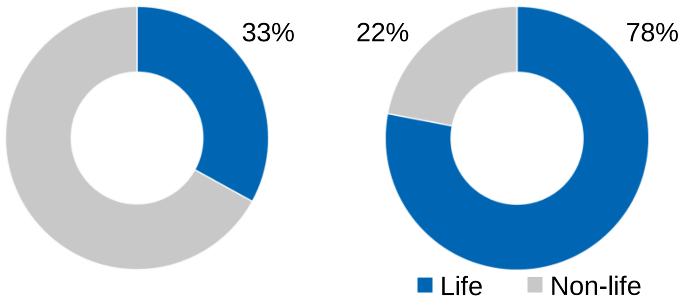
Track record of disciplined M&A (bilateral processes preferred)

Content

Retail Germany – Overview

Key figures

Share in 2012 group GWP[1] **2012 business mix (GWP)**



Key financials (€m)	2009	2010	2011	2012
Gross written premium	6,614	6,823	6,710	6,829
Net premium earned	5,158	5,502	5,461	5,501
Net underwriting result	(945)	(1,631)	(1,258)	(1,423)
Net investment income	1,207	1,577	1,530	1,621
Operating result (EBIT)	209	(44)	110	98
Combined ratio (net)[2] in %	*99.2*	*104.2*	*101.6*	*100.6*

Highlights

- Leading positions in German Life and P&C
- Excellent customer access through innovative distribution strategy
  - B2B focussed specialised distribution channels
  - Unrivalled client access in German bancassurance
  - Specialist know-how and market leader in employee affinity business
  - Superior access to leading brokers

[1] Based on total GWP adjusted for 50.2% share in Hannover Re
[2] Including interest income on funds withheld and contract deposits

Strong German retail insurance business – more than 70% from B2B distribution channels

Retail Germany – Management team

Dr. Heinz-Peter Roß

- Chairman of the management board
- Since 2009 with HDI Leben/Talanx
- 2002 – 2009: board member of AXA responsible for German private clients business

Markus Drews

- Sales (CSO)
- Since 2010 with HDI Leben/Talanx
- Various sales positions in AXA, Deutsche Bank, db-leben/Deutscher Herold and Debeka

Gerhard Frieg

- Product management & marketing
- Since 2010 with HDI Leben/Talanx
- Over 20 years with MLP thereof 15 years as board member e.g. responsible for product purchase

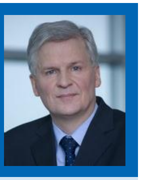
Iris Klunk

- Bancassurance
- Since 1997 with Talanx Group
- Positions in TARGO and PB Versicherungen, Magyar Posta, neue leben, Talanx Deutschland Bancassurance

Barbara Riebeling

- Finance (CFO)
- Since 1988 with Talanx Group
- Positions in TARGO Versicherungen and Credit Life

Ulrich Rosenbaum



- Risk Management (CRO)
- Since 1985 with Talanx Group
- Positions in PB Versicherungen, TARGO Versicherungen, neue leben

Jörn Stapelfeld

- Operations (COO)
- Since 2010 with HDI Leben/Talanx
- Various positions in Generali/Volksfürsorge, e.g. CEO Generali Lebensversicherung, Deputy CEO Generali Versicherung

Strong leadership team based on internal professionals and recent hires with a proven execution track-record

Retail Germany – Division breakdown

Retail Germany

Bancassurance

- Strategic focus on credit risk protection and annuities business
- Talanx cooperates through bancassurance agreements with two of the three pillars of the German banking market (private and public sectors)

TARGO·VERSICHERUNG | PB Versicherungen Partner der Postbank | neue leben Versicherungen | Credit Life International

Life

- Focus on corporate pension business, disability insurance and hybrid products (Two Trust)
- Non-bancassurance life business distributed through various external channels as well as own branches

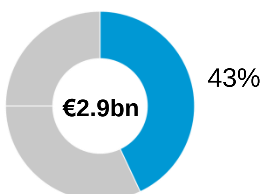
HDI

P&C

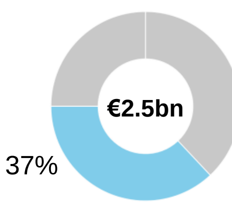
- Offers full product spectrum of P&C insurance products
- Distribution through various external channels as well as own branches, with focus on B2B business

HDI

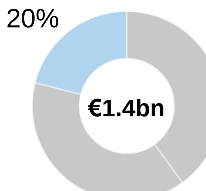
Share in 2012 segment GWP



Share in 2012 segment GWP



Share in 2012 segment GWP

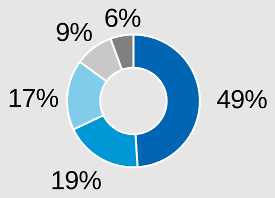


Multi-brand, multi-channel and high-penetration approach to customers

Retail Germany – Business mix & market positions

Business mix (P&C vs. life)

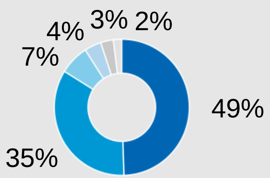
P&C GWP by line (2012)



Total: €1,530m

Motor, Casualty, Property, Accident, Others

Life GWP by line (2012)



Total: €5,299m

Traditional Life, Unit-linked, Credit protection, Term life, Occupational disability, Others

Retail Germany market positions

Market position in the German primary insurance market measured in GWP 2011

Life (€bn)			P&C (€bn)		
1	Allianz	15.7	1	Allianz	8.9
2	Generali	10.8	2	R+V	4.1
3	ERGO	5.7	3	HUK-Coburg	3.4
4	R+V	5.6	4	Generali	3.0
5	talanx.	5.2	5	ERGO	2.7
6	AXA	4.5	6	AXA	2.3
7	Zurich	3.9	7	Zurich	2.2
8	Debeka	3.4	8	VKB	1.9
9	VKB	2.5	9	LVM	1.7
10	Nürnberger	2.3	10	talanx.[1]	1.5

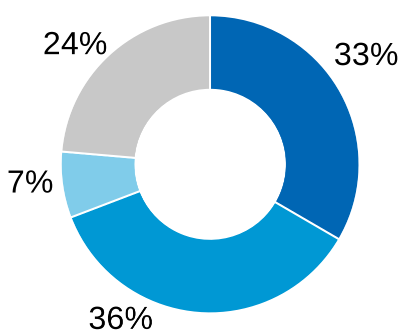
Source: GDV and own analysis
[1] GWP threshold of €5m for inclusion in Retail Germany (>€5m included in Industrial Lines)

Leading market positions and a well diversified business mix

Retail Germany – Distribution channels

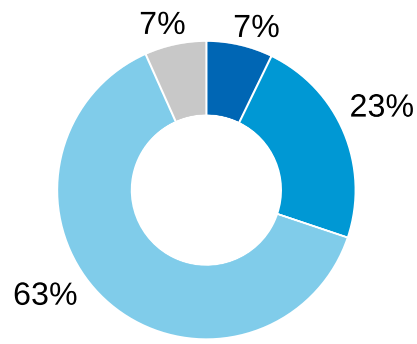
Distribution mix P&C

Total APE 2012: €192m[1]



Distribution mix life

Total APE 2012: €500m



- Tied agents
- IFAs/ agents/ brokers
- Bancassurance
- Cooperation

Cooperation

Top 5 partners

Banc-assurance

IFAs/agents/ broker

Top 5 brokers

Tied agents

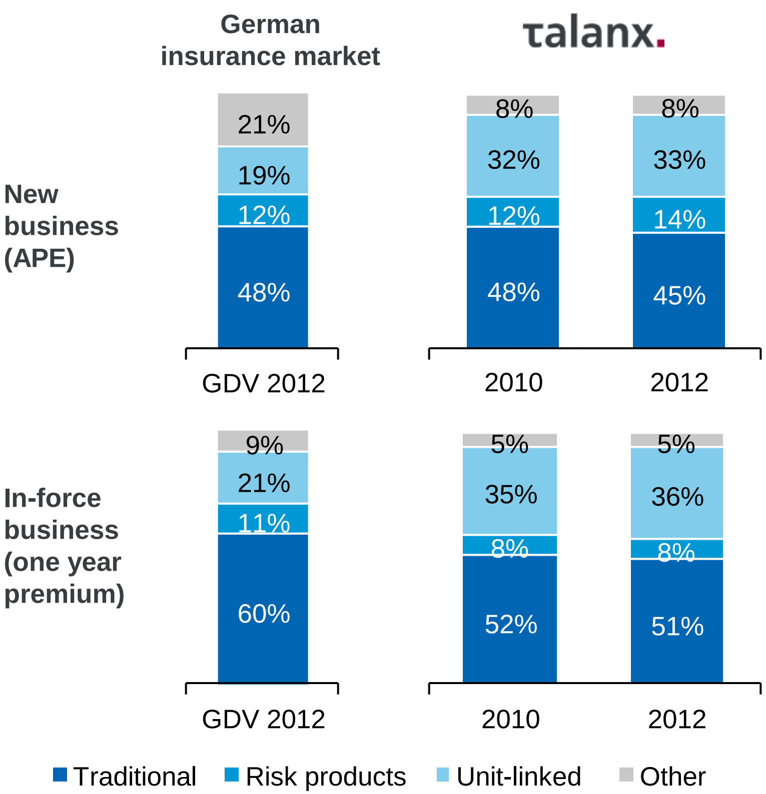
- 82 own branches with ~190 advisors
- Agency network

[1] P&C APE defined as annualised premium of newly concluded contracts (excl. substitutes, premium adjustments and continuation of free of premium contracts)

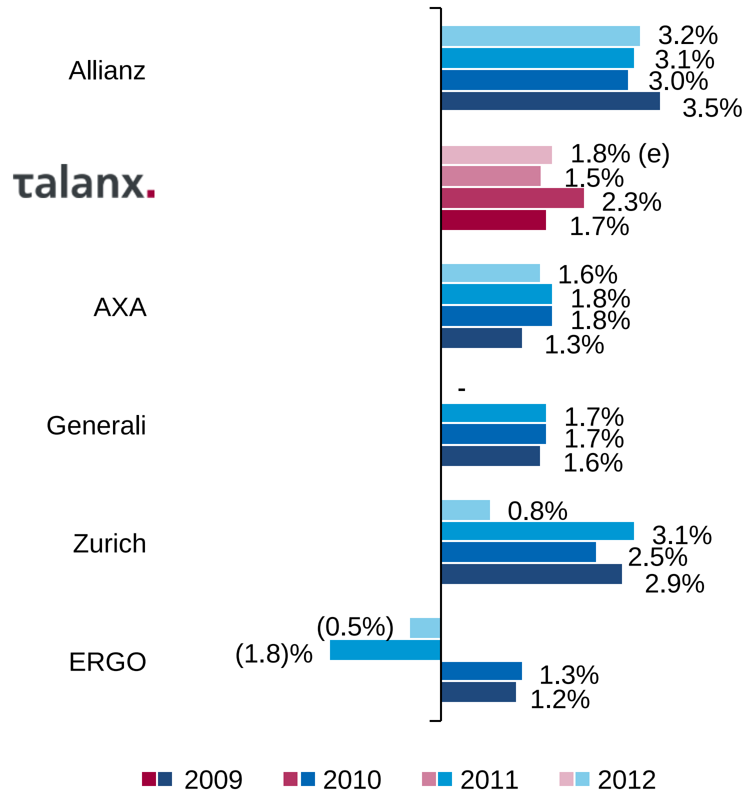
Life distribution dominated by bancassurance, P&C by own distribution and brokers

Retail Germany – Life portfolio overview

Breakdown of life insurance portfolio



New business margins

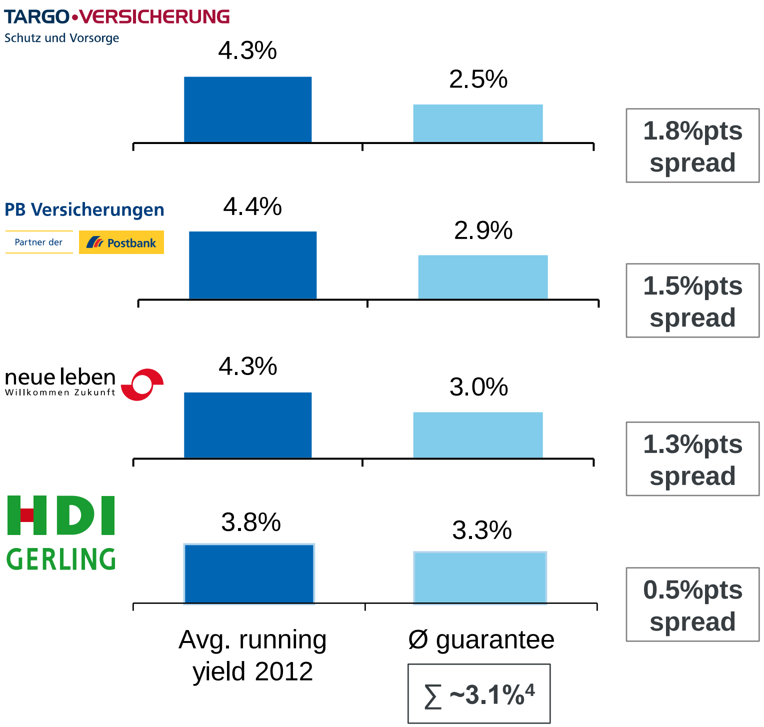


Source: GDV, annual reports

Retail Germany compares well with peers in the profitability of newly written German life business

Retail Germany – Life: guarantees and yields

Business in force[1]



Statutory gross profit split 2012 by sources[2]

Investment result	Risk result (after reinsurance)	Cost and other result	Gross surplus[3]
€54.5m	€79.6m	€12.0m	€146.0m
€91.3m	€41.9m	€(14.0)m	€119.2m
€75.6m	€30.7m	€9.7m	€116.0m
€75.2m	€250.0m	€(76.1)m	€249.1m

[1] Based on total policy reserves 2012
[2] Local GAAP
[3] Gross surplus before profit split with banking partner at Targo Lebensversicherung AG
[4] Weighted average of TARGO Leben, PB Leben, neue leben und HDI Leben

Solid buffer to withstand the challenges of a longer-lasting low interest rate environment

Retail Germany – Life: de-risking measures to secure guaranteed rates

Selected measures implemented

- ✓ **Reduction of profit participation –** Future decisions will remain sensitive to achievable investment yields
- ✓ **Healthy ZZR –** Reserves based on a 3.5% interest rate and thus higher than regulatorily required
- ✓ **Swaption Bonds –** Ensure high yields without depletion of the company's equity through derivatives; bought on strategic high level with all receiver bonds fixed on low level
- ✓ **Pre-Purchases –** Lead to an extension of maturity and duration and thus improving current investment income in future years; regulatory limits fully exploited for HDI Lebensversicherung and neue leben
- ✓ **Cash Flow Matching –** Approximate matching of liquid cash flows of assets and liabilities to optimise ALM

In addition to measures above, internal scenario analysis supports resilience for Retail Germany‘s traditional life business

Pro-active approach additionally strengthens Talanx's German life business

Retail Germany – Product innovations in Life

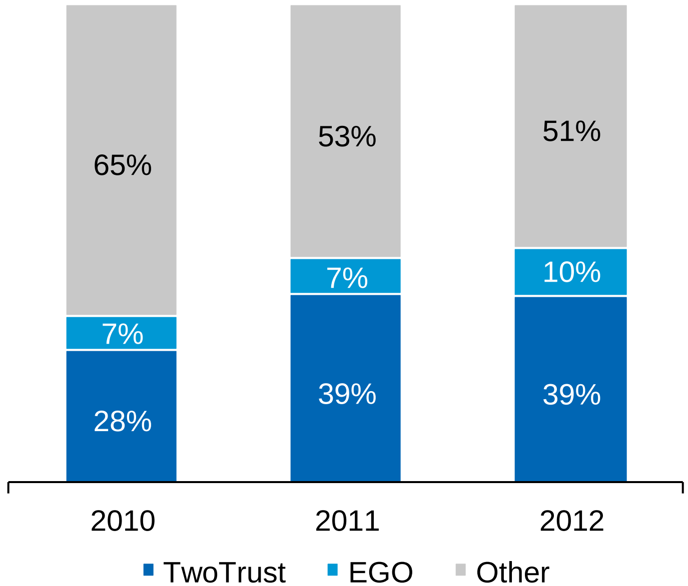
Selected product innovations

EGO

- Disability insurance with individual and risk-adequate classifications (7 risk groups)
- Streamlined application process making use of enhanced IT systems
- Increased competitiveness due to adequate pricing

TwoTrust

- Unit-linked life insurance with customisable premium guarantee, automatic increase of guarantee, ability to switch and lock-in
- Choice between ‘Rendite Plus’ and ‘Multi Asset’ investment portfolios



✓ **Reduced dependency on traditional reserve fund**

✓ **Capital markets-oriented guarantee concepts**

Product leadership in life fostered by continuous product innovations

talanx.

Retail Germany – Bancassurance business model

Bancassurance by Talanx

Highest possible integration

"You won't recognise it's Talanx inside"

Branding

Use of partners' corporate design

TARGO BANK → TARGO•VERSICHERUNG Schutz und Vorsorge

Postbank → PB Versicherungen Partner der Postbank

Sparkasse → neue leben Willkommen Zukunft

IT system

Integration into external (marketing) and internal (distribution & sales) systems

Distribution

Individual coaching of sales force depending on distribution channels

Long-term agreements without cross-shareholdings in banks

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Retail Germany – Bancassurance cooperation with savings banks

neue leben Willkommen Zukunft

Bancassurance partnerships with largest German Savings Banks

Rank[1]	"Sparkasse"	Partnership	Total Assets (in € '000s)	Branches
1	Hamburger Sparkasse	●	39.466.736	196
2	Sparkasse KölnBonn	◐	29.615.567	150
3	Kreissparkasse Köln	●	25.206.112	215
4	Frankfurter Sparkasse	●	17.872.310	84
...				
6	Sparkasse Hannover	●	12.845.262	114
7	Stadtsparkasse Düsseldorf	●	12.123.113	71
8	Nassauische Sparkasse	●	11.930.800	225
...				
10	Die Sparkasse Bremen AG	●	10.703.519	86
11	Sparkasse Pforzheim Calw	◐	10.538.422	156
...				
13	Sparkasse Aachen	◐	9.856.762	101
14	Kreissparkasse Ludwigsburg	◐	9.666.459	118
15	Mittelbrandenburgische Sparkasse	●	9.659.157	147

● Shareholder in neue leben or Pensionskasse ◐ Non-exclusive partner

- Talanx has a partnership with 12 of the Top 15 savings banks; in total Talanx works together with more than 100 savings banks throughout Germany
- 8 of these (non)-exclusive partners are also minority shareholders in neue leben
- Following the acquisition of neue leben, Talanx has systematically
  - improved cooperation with existing minority shareholders
  - signed up additional savings banks as non-exclusive partners
- For non-exclusive partners neue leben's products complement and partly replace products from traditional savings bank partner insurers

[1] Ranked by total assets as of 2011 based on ranking of DSGV (German savings banking association)

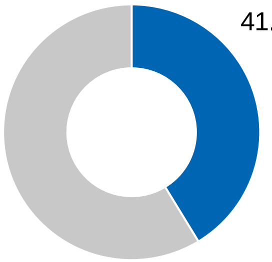
Talanx is able to grow in the saturated German market based on superior distribution access and product offering

Retail Germany – Bancassurance best practice and blueprint

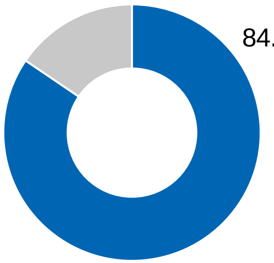
Bancassurance: highly efficient and profitable distribution channel

Degree of automation (2012)

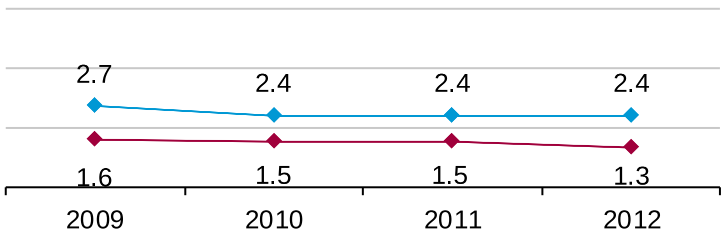
Degree of automation in policy registration on Retail Germany level[1]



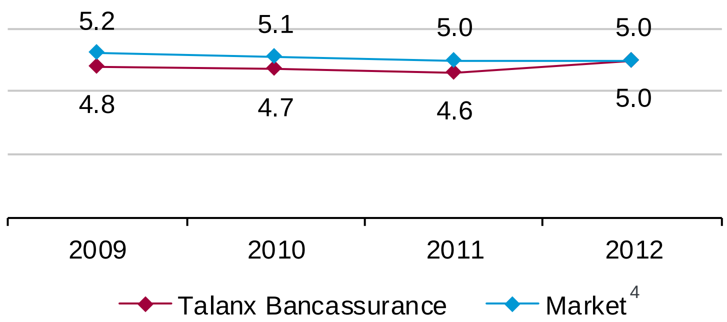
Share of direct policy insurance



Development admin cost ratio[3] (%)



Development acquisition cost ratio[3] (%)



[1] Based on bancassurance entities
[2] TARGO Versicherung
[3] In percent of new premium sum insured
[4] Based on GDV market figures

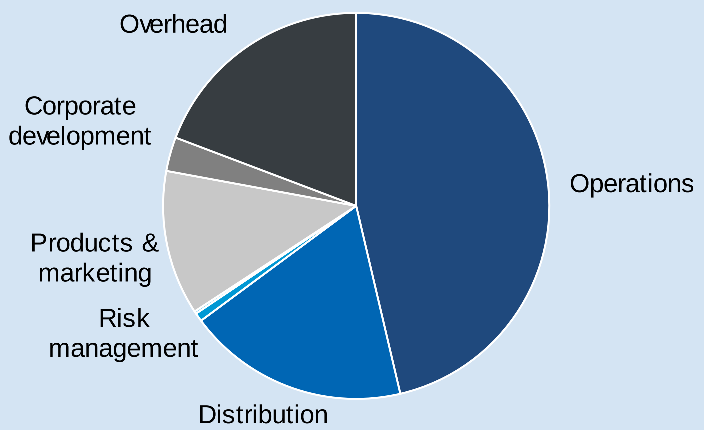
High degree of automation (straight through processing) and integration with banks leads to cost ratios significantly below market

Retail Germany – Restructuring programs

Overview of current restructuring programs in Retail Germany

	Gross effect on operating result[1]
WIR	~€140m
Fokus	~€25m
TOP	~€80m
	~€245m

Mid-term cost reduction targets

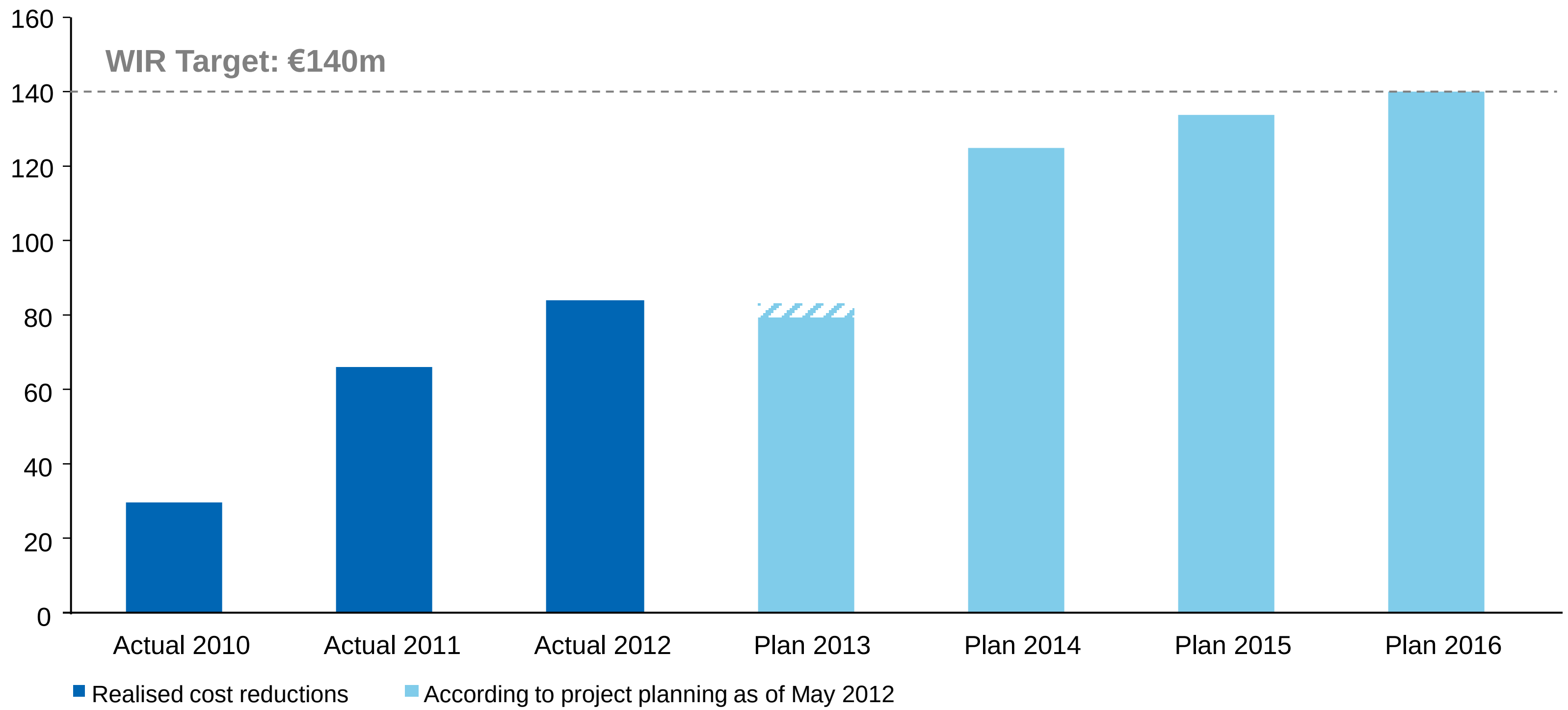


[1] Based on 2009 cost base; pre-tax savings, before policyholder attribution

Mid-term cost saving potential of ~€245m[1]

Retail Germany – Status WIR: ahead of original plan

Development of savings on direct costs (€m)



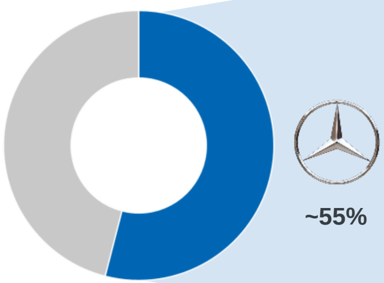
Source: Business Case Cost Programme; without investment costs and protection from dismissal

WIR program implementation on track to deliver total ~€140m run-rate saving p.a. by 2016 (before taxes and policyholders' share). Annual savings of €84m realised until 2012

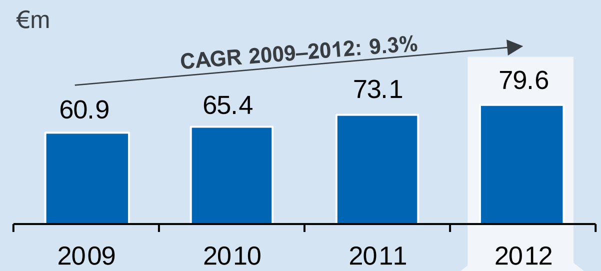
Retail Germany – Cooperation with Daimler (overview)

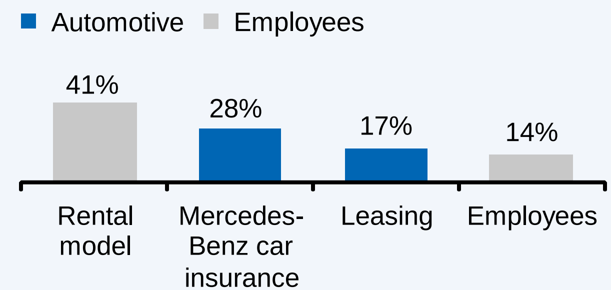
Total OEM cooperation GWP

Total GWP: €62m



Insurance program at Mercedes-Benz[2]





- **Rental model**: car rental contract for employees of Daimler AG; including insurance
- **Mercedes-Benz car insurance**
- **Leasing**: exclusive bundling product (leasing and insurance)
- **Employees**: Mercedes-Benz motor insurance with special conditions

Main themes of the cooperation

- Integration of **new technologies** into insurance business model (e.g. telematic, driving assistance, security systems)
- Daimler aims to reduce insurance partners
  Talanx to **expand cooperation internationally**
- **Further integration into Talanx** units (exp. Industrial lines)

Example: CARE&DRIVE

- Since 1 January 2010, HDI and Mercedes-Benz maintain a cooperation for optimal claim settlement
- Care & Drive aims at mitigating conflicts during the settlement process (between customers, workshops and insurers, especially regarding the evaluation of the damage event) and providing transparent and quick processes to increase customer satisfaction

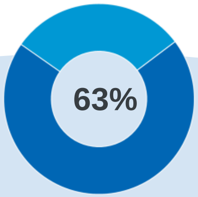
[1] Motor insurance in the business segment Automotive
[2] Motor insurance in the business segment Automotive and employees

OEM cooperation: an innovative solution to increasingly complex and difficult markets

Retail Germany – Employee affinity business

Excellence in B2B2C channels

Market leader in employee affinity business



DAX 30 companies with active relationship to Talanx's employee affinity business

● New in 2012

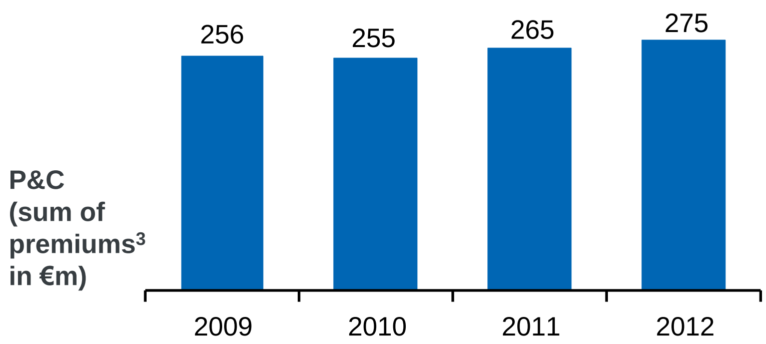
Comments

- Employee affinity business important pillar of Retail Germany
- More than 1.3 million contracts from relationships with DAX 30 companies accounting for two thirds of Talanx's total employee affinity contracts – Continental and Beiersdorf have been added recently to DAX client list
- Cost advantages through close collaboration with other divisions and IT
- Additional growth by further leveraging Industrial Lines customer contacts – potential identified and roll-out plan put in place
- Products include e.g. corporate pensions and disability insurance in life and motor, accident, legal expense and household insurance in P&C

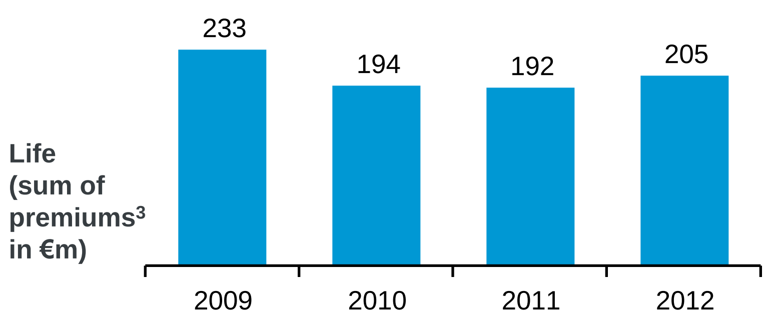
Retail Germany actively markets its products to Industrial Lines' core customer base: German blue chips and Mittelstand companies

Retail Germany – Employee affinity business

Affinity business



Only HDI Versicherung AG



HDI Lebensversicherung AG and HDI Pensionskasse AG

Comments

P&C

- With a volume of €275m employee affinity business has a 19.5% share of Retail Germany (€1,412m)
- 74% of the total employee affinity business is generated with the TOP 10 relationships (among them eight DAX companies)
- Penetration rate[1] of the TOP 10 relationships amounts to 41.4%, cross-selling-rate is at 13%[2], goal is to increase this ratios significantly

Life

- In 2012 new business amounts to €205m net sum of premiums[3] which corresponds to an increase of 6.8% (2010: 5.6%)
- TOP 10 business relationships contribute 55.5% of new business volume of total employee affinity new business
- Focus on consolidation of sales channels and cross-selling to generate growth

[1] # of current customers in % of total potential customers (sum of active employees, retired employees, relatives)
[2] Customers that have a motor and another P&C contract with Talanx
[3] Annual premium times duration

Close business relationship with DAX 30 companies ensures significant contribution in life and non-life business

Retail Germany – „HDI Full Service Package“

Usual market approach

Non life market with high competitiveness.

- Low product bundling:
  Ø 1.8 products per customer
- Non life clients with at least 2-3 different insurers
- Cooperation partners are focused on product ratings and best price offers
- Cooperations are based on short time periods

New SwissLife Select market approach

SwissLife Select

SwissLife Select (former AWD) and Retail Germany form a partnership on a WIN-WIN basis alongside the value chain.

Product bundle

- Special SwissLife Select-coverage offer with „umbrella solution”[1]
- High competitive pricing

Process enhancement bundle

- Sales and services processes of SwissLife Select and Retail Germany are linked together via „black box processing“
- SwissLife Select offers termination management

Sales / Marketing bundle

- Retail Germany provides sales material and complete product bundle
- Strong technical connection from application form to contract and after sales services

Benefits for Retail Germany and cooperation partner

Unique processes and sales bundle that creates a higher share of the market, reduces time to market and increases the share of the customer on a long term basis.

Benefits for Retail Germany

- Strengthening existing cooperations (e.g. SwissLife Select)
- Acquisition of new partners on a unique basis

[1] umbrella solution = difference coverage

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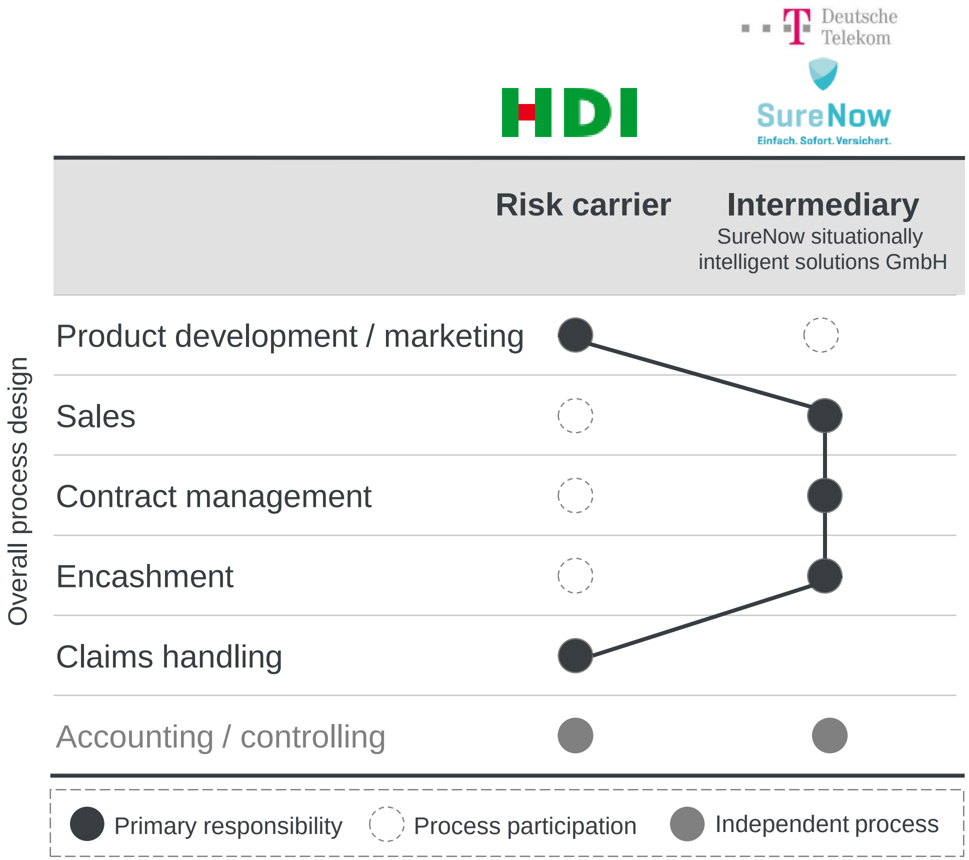
Retail Germany – Innovative mobile sales approach

- Mobile solutions offer a new way in targeting clients and developing markets
- Core competencies of Retail Germany as an insurance expert are linked with the telecommunications expertise from Deutsche Telekom
- Thus an excess value for Deutsche Telekom (product, claims handling) and Retail Germany (contract management, encashment and sales via App) is created
- Solution is based on a Deutsche Telekom platform offering “one time insurances” via App access



Optimal involvement of core competences of the sales partner

Retail Germany – Growth areas

	Life	P&C
Leverage existing franchise/ expertise	▪ Bancassurance ▪ Corporate pension business ▪ Affinity business	▪ Automotive ▪ Affinity business
Profitable market segments	▪ Disability insurance (“EGO”): **strong increase of new business since re-launch in 2009** ▪ Unit-linked (“Two Trust”): **strong position in unit-linked in Germany for regular premium products**	▪ Products for specialised professions (e.g. medical, technical science, accountants, tax advisors, lawyers): **build on leading market positions with medical professionals and accountants/tax advisors/lawyers**
	Focus on profitable & innovative growth niches	**Focus on profitable growth in a competitive market**

Building on actual strengths lays the foundation for future growth

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Retail Germany – Strategy

Focus on profitable segments

- Expansion of market share with a view to improving profitability
- Elimination of cost disadvantages
- Establishing clear and simple organisational structures
- Closer client focus

Retail Germany – Momentum by business line

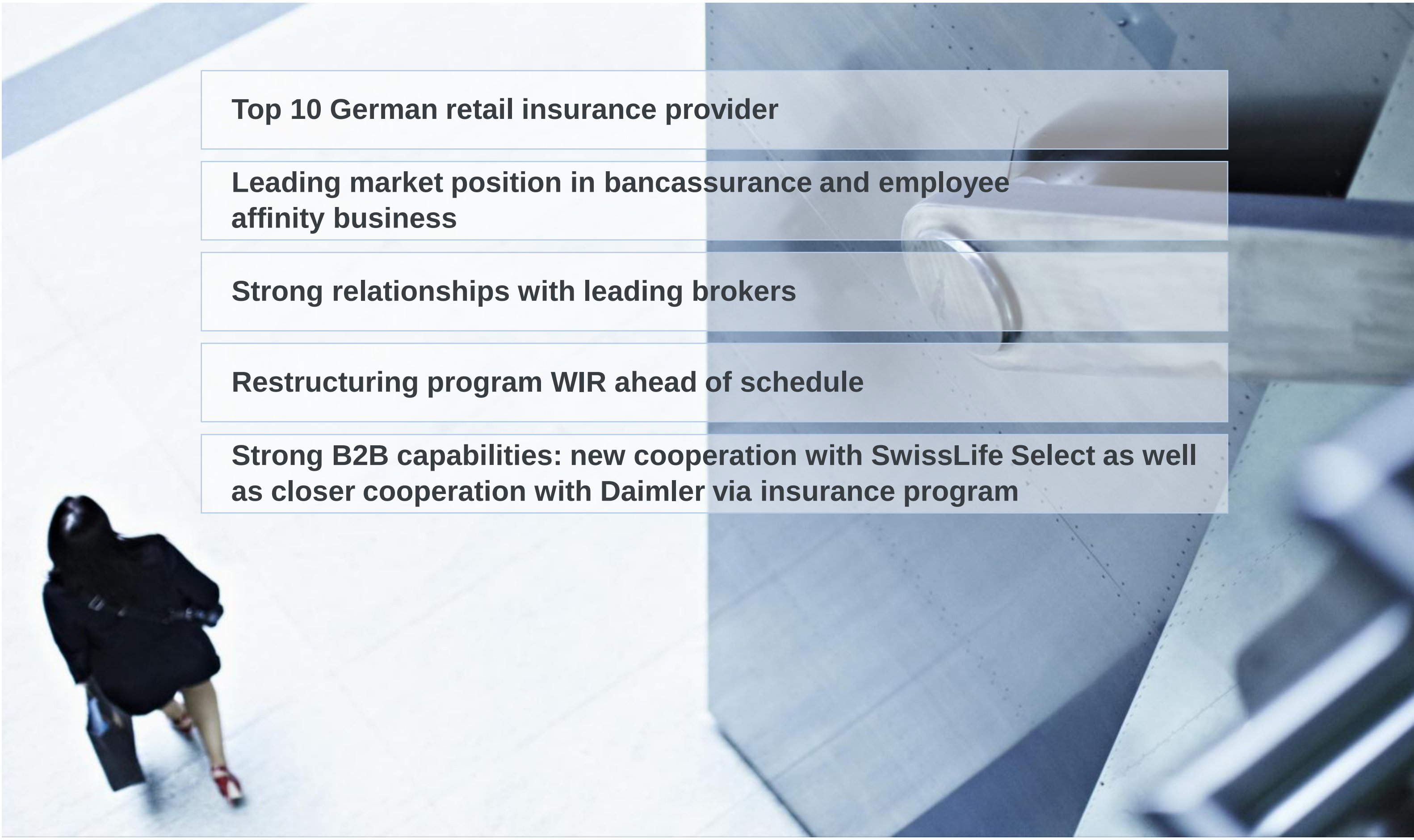
Retail Germany

		Volume	Profitability
Products life	Traditional life[1]	↘	+ / −
	Unit-linked[1]	→	+ / −
	Credit Protection	↗	+
	Term life	→	+
	Occupational disability	↑	+
Products P&C	Motor	↘	+
	Casualty	↗	+
	Property	↗	+
	Accident	→	+

[1] Positive / negative profitability depends on risk carrier

Rigorous focus on profitability improvement

Retail Germany – In a nutshell



Top 10 German retail insurance provider

Leading market position in bancassurance and employee affinity business

Strong relationships with leading brokers

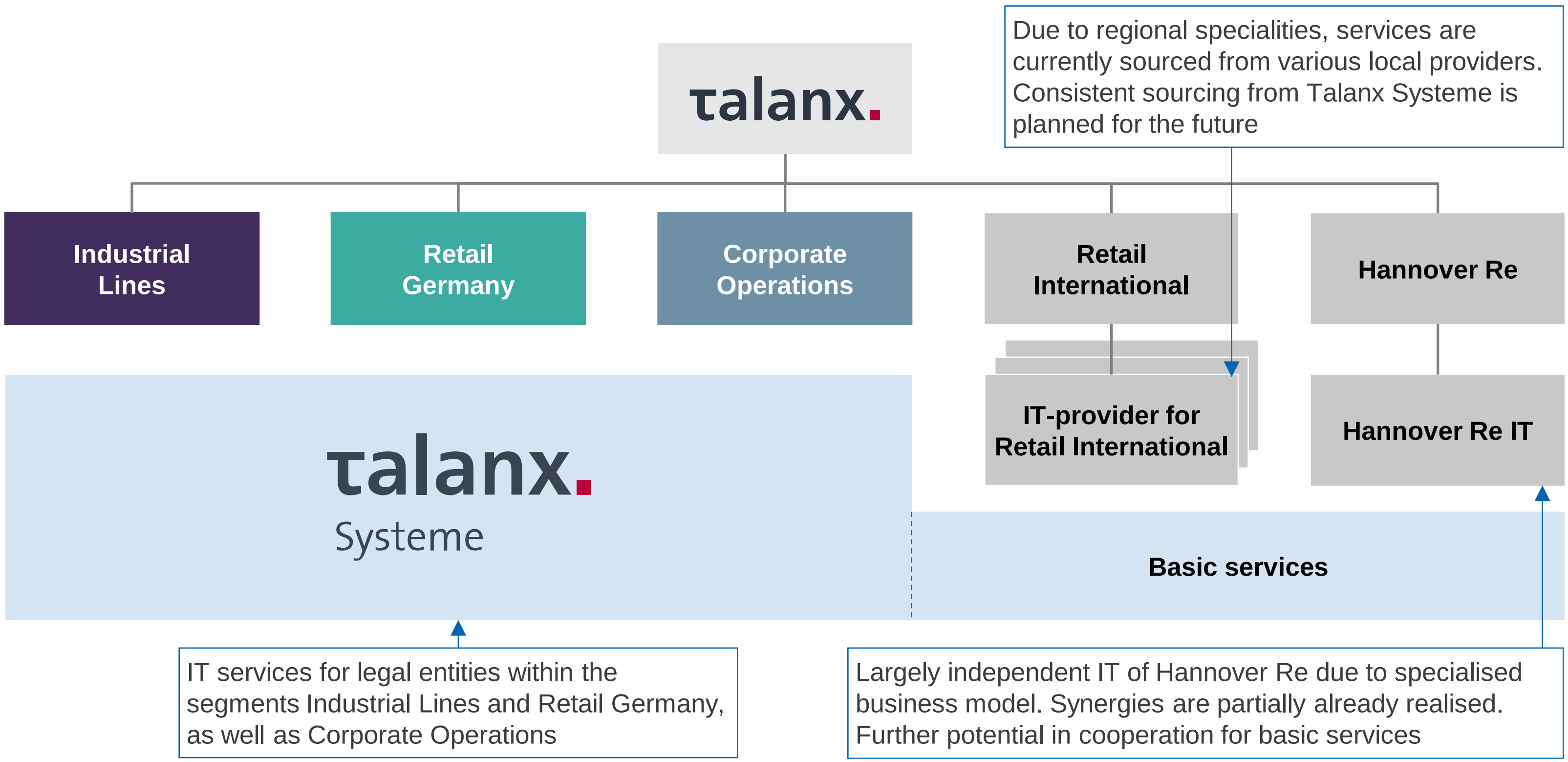
Restructuring program WIR ahead of schedule

Strong B2B capabilities: new cooperation with SwissLife Select as well as closer cooperation with Daimler via insurance program

Content

IT restructuring – Talanx Systeme

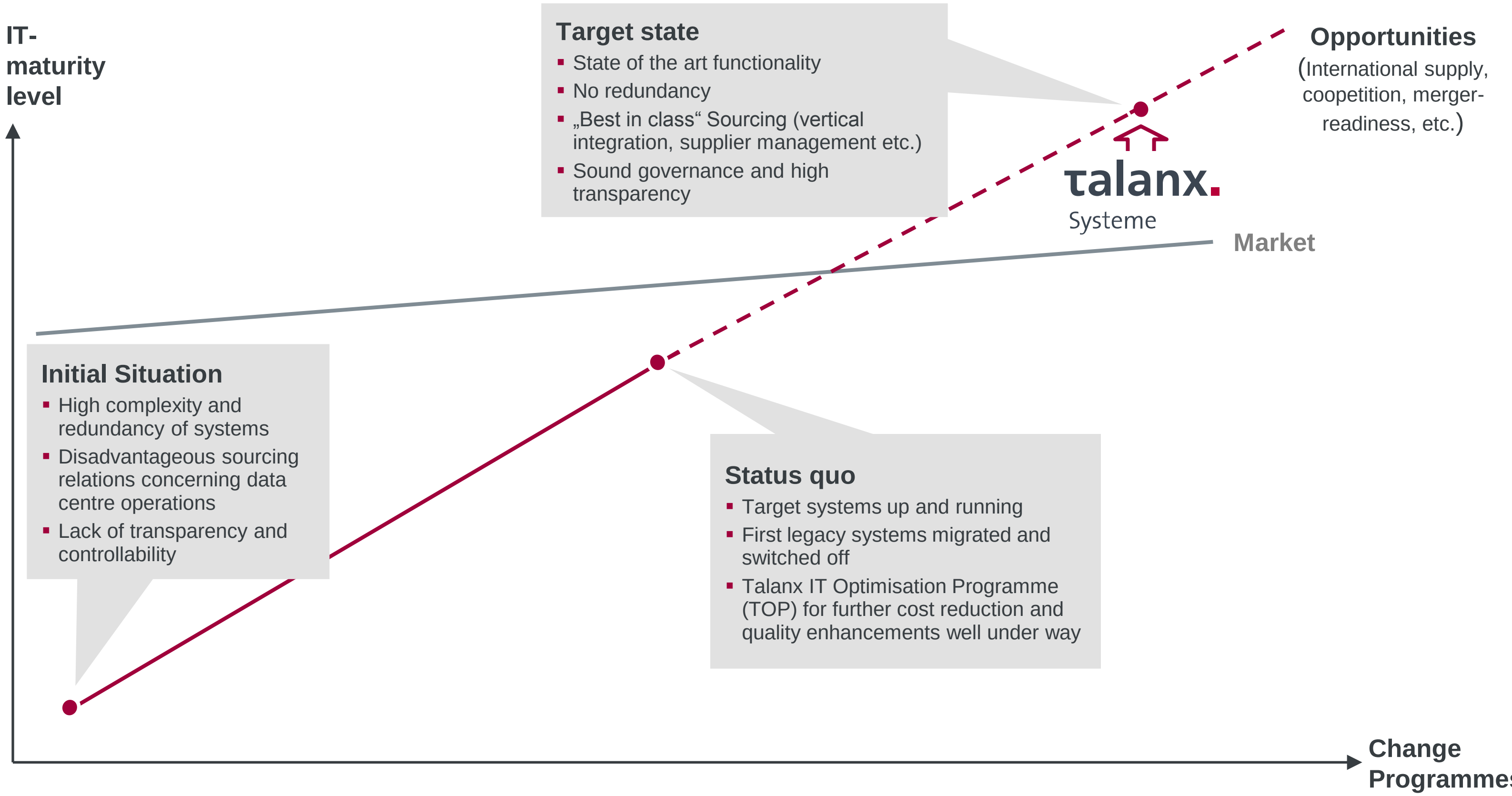
Overview of service relationship



Talanx Systeme provides the full range of IT services for Talanx's German primary insurance carriers and group functions

IT restructuring – Talanx Systeme (continued)

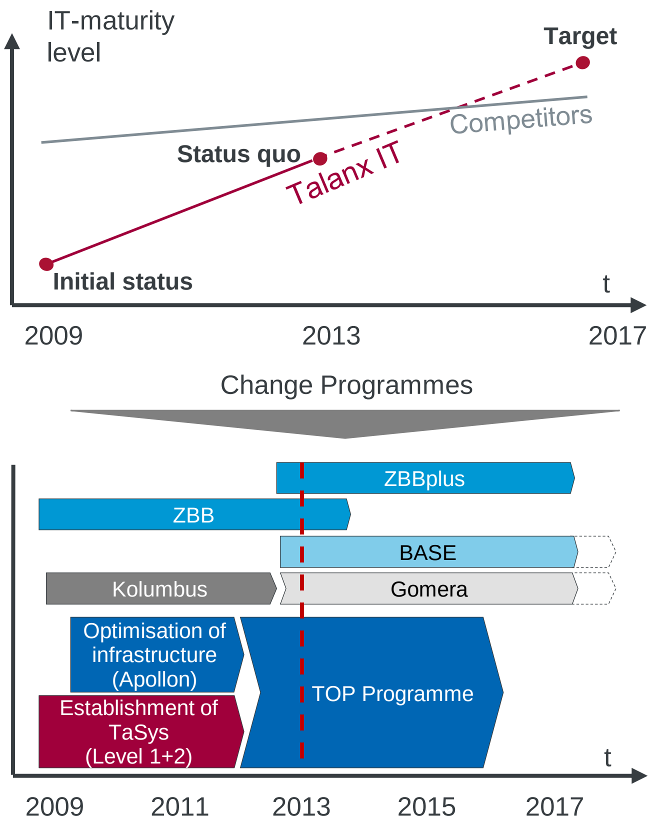
Substantial optimisation of cost and quality well under way



Talanx IT to be transformed to a competitive advantage by effective measures

IT restructuring – Talanx Systeme (continued)

Maturity level and roadmap of Talanx IT



Comments

1 Competitive IT organisation

- Realisation of significant cost cutting and optimisation measures through the TOP programme
- The service-oriented alignment of the IT organisation will be enhanced in a staggered process

2 Modernisation of application environment

- With the programmes ZBB / ZBB plus, BASE and Gomera, Talanx IT makes a decisive contribution towards the on-going industrialisation of the Talanx Group
- New divisional requirements on and essential segment related projects will be implemented through these programmes

3 Optimisation of IT operations

- The value creation will be standardised and automated (industrialisation)
- The service quality, stability and performance of IT operations will be improved

The evolution of Talanx IT to become a competitive advantage will be achieved through multi-stage and sustainable Change Programmes

IT restructuring – Talanx Systeme (continued)

Talanx IT-Optimization Programme (TOP)

TOP

Contents

- Substantial reduction of annual IT costs of more than €100m targeted across all Talanx divisions via
  - **Application Development**: e.g. further systems consolidation and increase in productivity
  - **IT-Operations**: e.g. abandonment of BS2000 mainframe operation
  - **Cross-Section/Governance**: e.g. Optimization of supplier base and vendor management
- This compares with an annual IT budget of ~€390m in 2012. We expect total implementation costs of ~€80m. 90% of cost savings are still to come
- Further development of the TaSys organisation as an important success prerequisite to achieve competitiveness
- Implementation of target costing to ensure annual cost saving

In order to reduce the cost gap, Talanx Systeme implements sustainable optimisation measures in all IT components

IT restructuring – Talanx Systeme (continued)

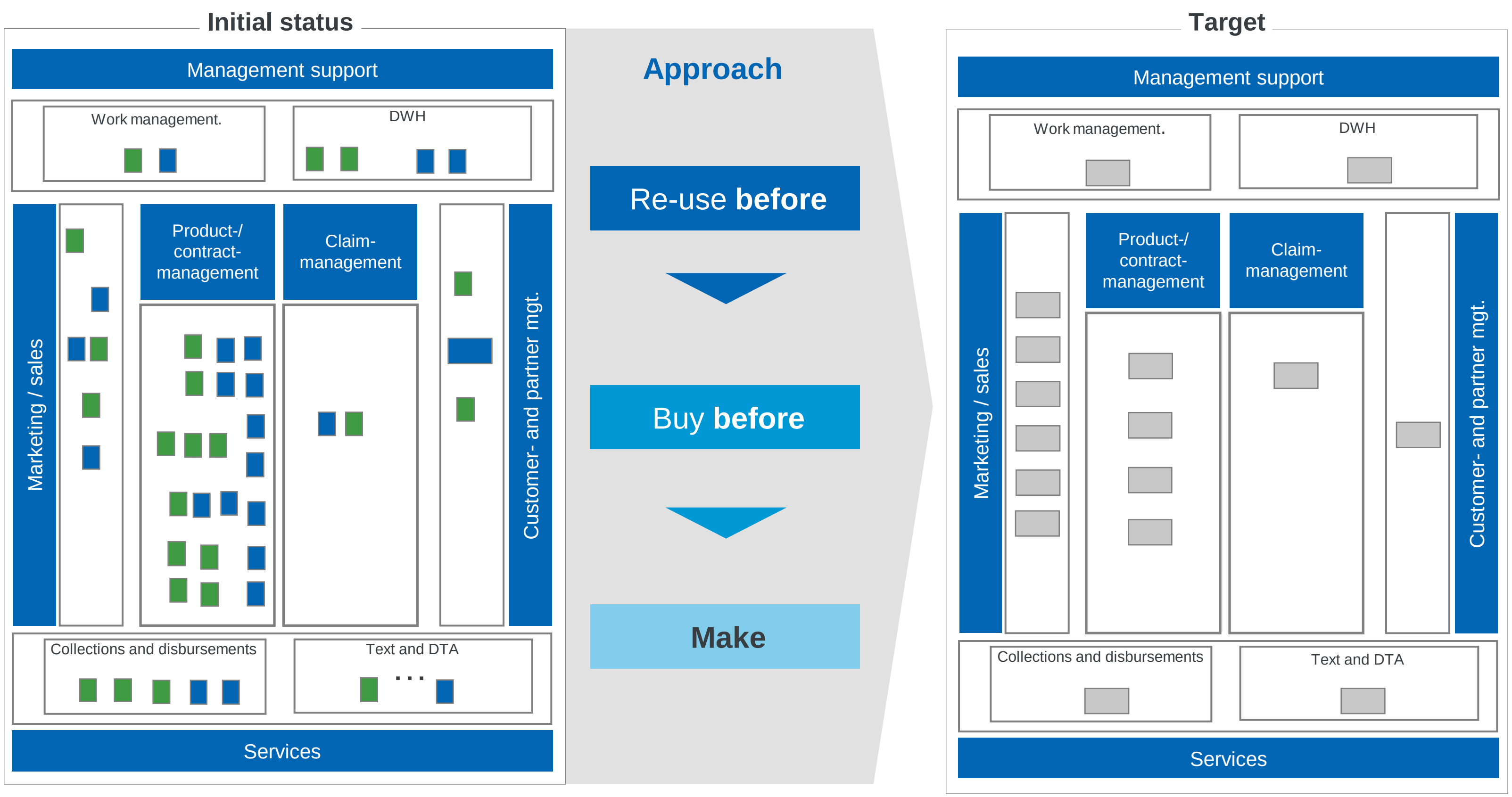
Talanx application landscape to be completely modernized

	Targets	Content	Status
"Zielbebauung plus" (target IT landscape) – non-life	▪ Reduction of complexity and redundancy of the IT landscape to adapt faster to changing requirements ▪ Higher level of automation and group wide data consistency	▪ Standardised policy management system (SAP) ▪ Fully integrated workflow management system ▪ Standardised cash management system (SAP)	▪ Main target systems (e.g. SAP Policy Management) up and running ▪ Adjustments to cover new functional requirements
Kolumbus/ GOMERA life	▪ Data migration into new IT system ▪ Enhancement of data quality ▪ Realisation of cost synergies	▪ Transfer of insurance data sets including required clean-ups / corrections ▪ Analysis of potential mergers of tariffs ▪ Organisation of legacy portfolio run-off	▪ Successful migration of major legacy systems ▪ Further systems consolidation initialized
BASE (=Bancassurance Simple and Excellent)	▪ Optimization of bancassurance processes and systems ▪ Business enhancements and reduction of it-complexity	▪ Standardisation of back office processes ▪ System consolidation (e.g. policy management)	▪ Project set-up ▪ Implementation of TaSys-Solutions in analysis

Further efficiency enhancements through additional IT projects

IT restructuring – Talanx Systeme (continued)

IT-restructuring of P&C system landscape



Reliance on standard software to ensure compatibility of systems and to increase overall IT-efficiency

IT restructuring – Talanx Systeme (continued)

Talanx applies an advanced IT-sourcing strategy allowing flexible vertical integration and relies on established strategic partners

Application layer

Management

- Accounting / controlling **SAP FI/CO**
- HR management **SAP HCM**
- Consolidation **Tagetik**

Core Insurance

- Policy management Retail Germany **SAP FS-PM**
- Re-insurance clearing **SAP FS-RI**

Supporting Functions

- Procurement **SAP MM**
- Collection & disbursement **SAP FS-CD**
- Investment management **Simcorp Dimension**

Additional **In-House development** (e.g. policy management industrial lines, claims management, workflow management)

Middleware/data management layer

- Middleware **IBM Websphere**
- Workflow and content management **IBM Filenet P8**
- Business intelligence **IBM Cognos**

Infrastructure layer

- Mainframe **External operation**
- Networks (LAN, WAN) **External operation**
- User Help Desk **Internal operation**

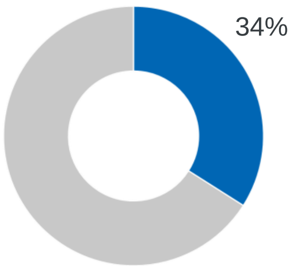
Young, modern software inventory and highly variable infrastructure costs

Content

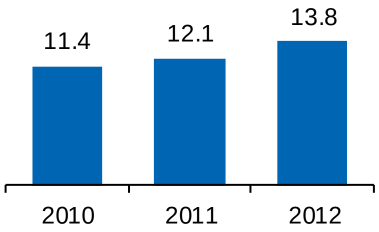
Reinsurance – Overview

Key figures

Share in 2012 group GWP[1]



GWP development (total, €bn)



Key financials (€m)	Non-life			Life / health		
	2010	2011	2012	2010	2011	2012
Gross written premium	6,339	6,826	7,717	5,090	5,270	6,058
Net premium earned	5,394	5,961	6,854	4,654	4,789	5,426
Net investment income	721	845	945	508	513	685
Operating result (EBIT)	880	599	1,092	284	218	291
Combined Ratio (net)[2] in %	**98.2**	**104.3**	**95.8**	**n.m.**	**n.m.**	**n.m.**

Highlights

- Strong market positioning – Third-largest global reinsurer
- Top rating (S&P: AA-; A.M. Best: A+) ensures attractive new business
- Consistently among the most profitable reinsurers globally
- Cost leader
- Strong growth track record
- Strong risk management both qualitative and quantitative
- Conservative investment policy
- Very good diversification (across business lines life / non-life as well as geographically)
- Lower volatility due to improved diversification
- Strong cash generation

[1] Based on total GWP adjusted for 50.2% share in Hannover Re
[2] Incl. expenses on funds withheld and contract deposits

Hannover Re is one of the largest and most profitable reinsurers globally

Reinsurance – Management team

Ulrich Wallin

- Chairman of the management board
- Group risk management
- Auditing
- Human resources
- Corporate communications
- Corporate development
- Business opportunity management
- Controlling

André Arrago

- Non-Life Reinsurance: catastrophe business, facultative business, global non-life treaty reinsurance

Claude Chèvre

- Life and health reinsurance: Africa, Asia, Australia/New Zealand, Latin America, Western and South Europe

Jürgen Gräber

- Coordination of worldwide non-life reinsurance and specialty reinsurance

Dr. Klaus Miller

- Life and health reinsurance: North America, Northern, Central and Eastern Europe, UK and Ireland; longevity solutions

Dr. Michael Pickel

- Group legal services, compliance; run-off solutions; non-life reinsurance: Germany, North America

Roland Vogel

- Asset management; facility management; finance and accounting; information technology

Top management with superior reinsurance and capital markets expertise

Reinsurance – Strategy

Strategy: overview

- We seek to **strengthen** and further **expand** our **position** as a **leading, globally operating reinsurer**, delivering **profits above the sector average**

- Our **growth and profitability targets**
  - IVC: based on our Economic Capital Model (ECM), we aim to achieve a profit in excess of the cost of capital
  - Minimum return on equity (RoE) of 750 basis points (bps) above "risk free"[1]
  - One of the most profitable reinsurers worldwide
  - Increase the IFRS post-tax profit as well as the value of the company – including dividends – by double-digit margins every year
  - Premium growth on a long-term basis above market-average

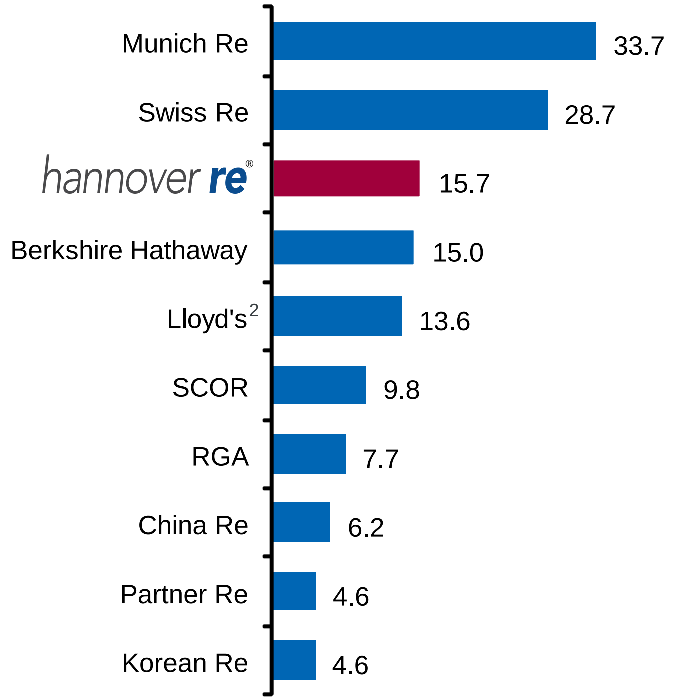
- Share price to **outperform** weighted **Global Reinsurance Index** over a 3-year rolling period

[1] Risk-free rate is defined as the 5-year rolling average of the 10-year German government bond yield

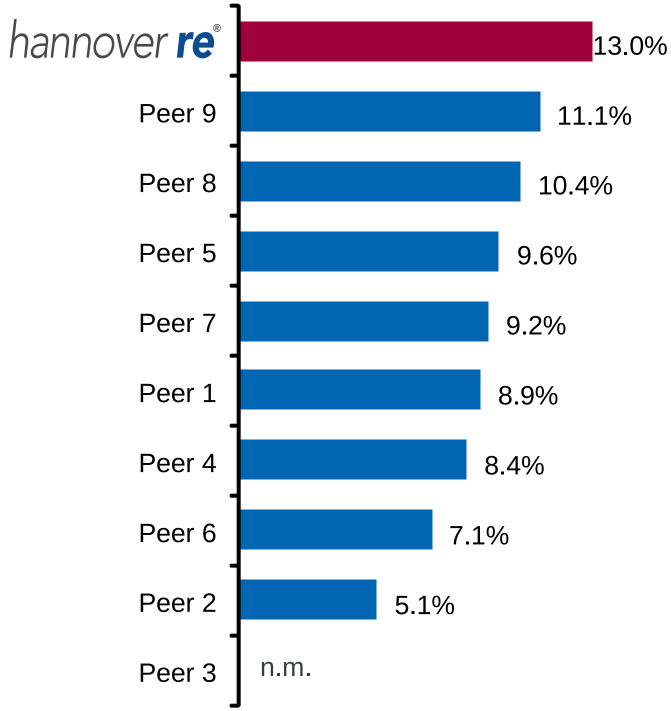
Our overriding target: expand our position and deliver profits above the sector average

Reinsurance – Ranking by GWP and RoE

Premium ranking by GWP 2011 (in US$bn)[1]



Reinsurers by avg. RoE (2008-2012)[3]



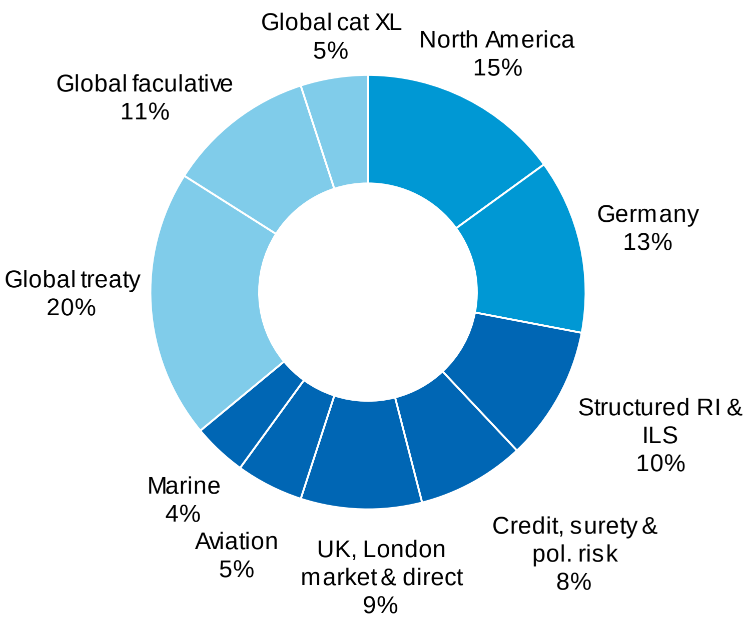
[1] Reinsurance or reported reinsurance activities
[2] Reinsurance only
[3] Ranking consists of Top 10 of Global Reinsurance Index (GloRe) with more than 50% reinsurance business

Hannover Re: market leadership by profitability

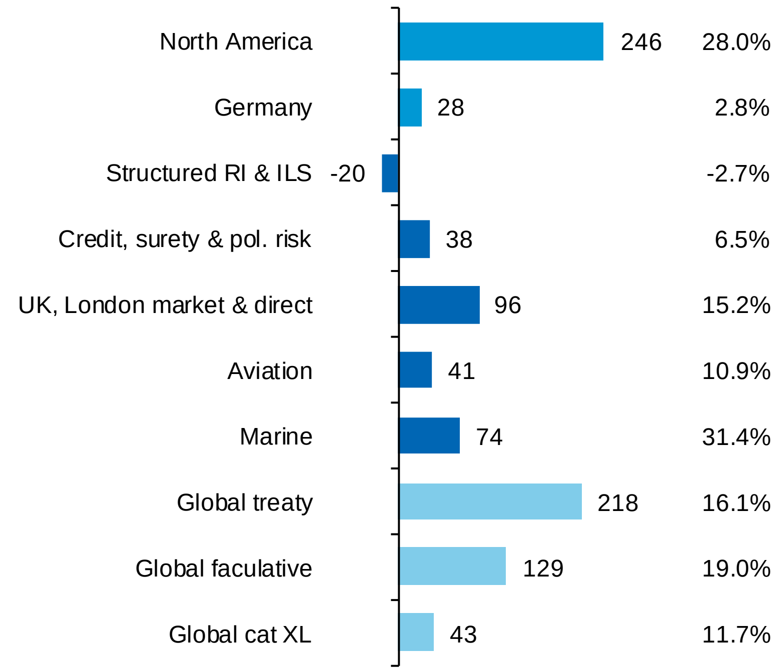
Reinsurance – Portfolio overview

Non-life reinsurance

Total GWP 2012: €7,717m



Growth GWP 2012 vs. 2011: +13.1%



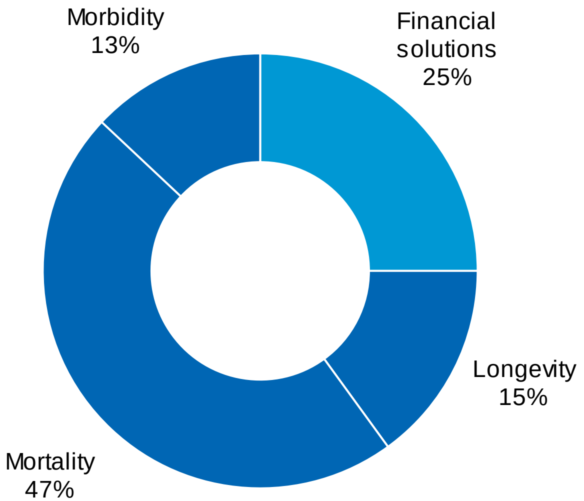
Target markets | Specialty lines | Global R/I

Selective and focused growth

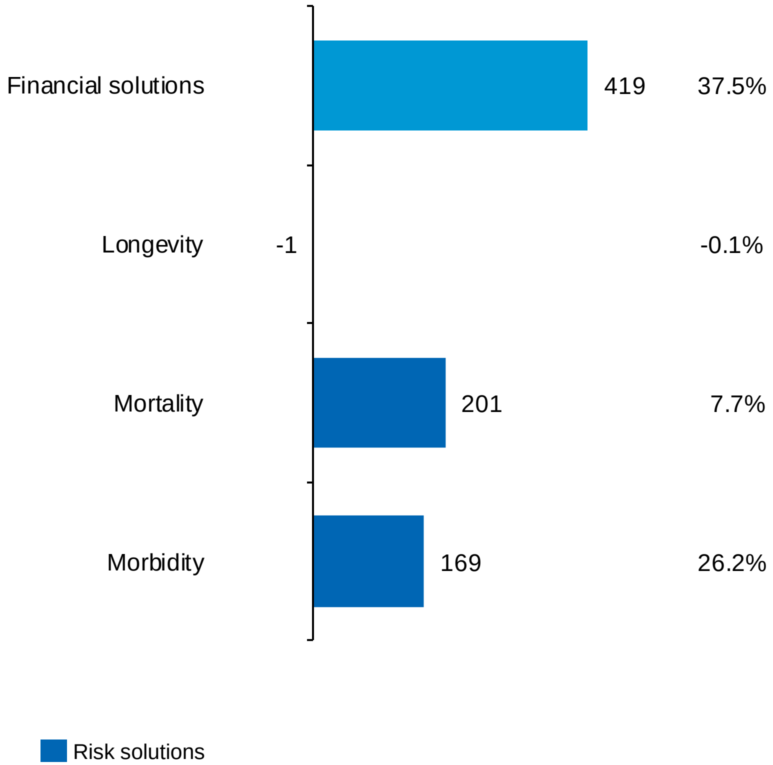
Reinsurance – Portfolio overview

Life and health reinsurance

Total GWP 2012: €6,058m



Growth GWP 2012 vs. 2011: +14.9%



Well diversified portfolio

Reinsurance – Geographical reach

Present in all continents

Reinsurance – Profitability

Hannover Re defends no. 1 position in RoE ranking

	2008		2009		2010		2011		2012		2008 – 2012	
Company	**RoE**	**Rank**	**RoE**	**Rank**	**RoE**	**Rank**	**RoE**	**Rank**	**RoE**	**Rank**	**Ø RoE**	**Rank**
Hannover Re	**(4.1 %)**	**9**	**22.4 %**	**3**	**18.2 %**	**1**	**12.8%**	**1**	**15.6%**	**3**	**13.0 %**	**1**
Peer 9, Bermuda, non-life	(0.4 %)	7	24.4%	2	18.1 %	2	(2.4 %)	8	15.9 %	2	11.1 %	2
Peer 8, US, life and health	6.5 %	2	12.6%	5	12.9 %	3	10.1 %	2	9.9 %	8	10.4 %	3
Peer 5, Bermuda, composite	1.1 %	5	25.9%	1	11.5 %	4	(7.6 %)	10	16.9 %	1	9.6 %	4
Peer 7, France, composite	8.9%	1	10.2%	7	10.1 %	6	7.5%	4	9.1 %	9	9 2 %	5
Peer 1, Germany, composite	6.5 %	3	11.8%	6	10.7%	5	3.1 %	6	12.6 %	7	8.9 %	6
Peer 4, US, non-life	4.8 %	4	9.9 %	8	7.1 %	8	4.9 %	5	15.2%	4	8.4 %	7
Peer 6, Bermuda, non-life	(0.4 %)	6	14.6%	4	9.9 %	7	(1.3%)	7	12.9 %	6	7.1 %	8
Peer 2, Switzerland, composite	(3.3 %)	8	2.3%	10	3.6 %	10	9.6 %	3	13.2 %	5	5.1 %	9
Peer 3, US, non-life	(31.8%)	10	2.7%	9	5.8 %	9	(4.4 %)	9	5.8 %	10	(4.4 %)	10

Source: data based on company data, own calculation
List shows the Top 10 of the Global Reinsurance index (GloRe) with more than 50% reinsurance business

Aim to be among the top 3 reinsurers also achieved for 2012

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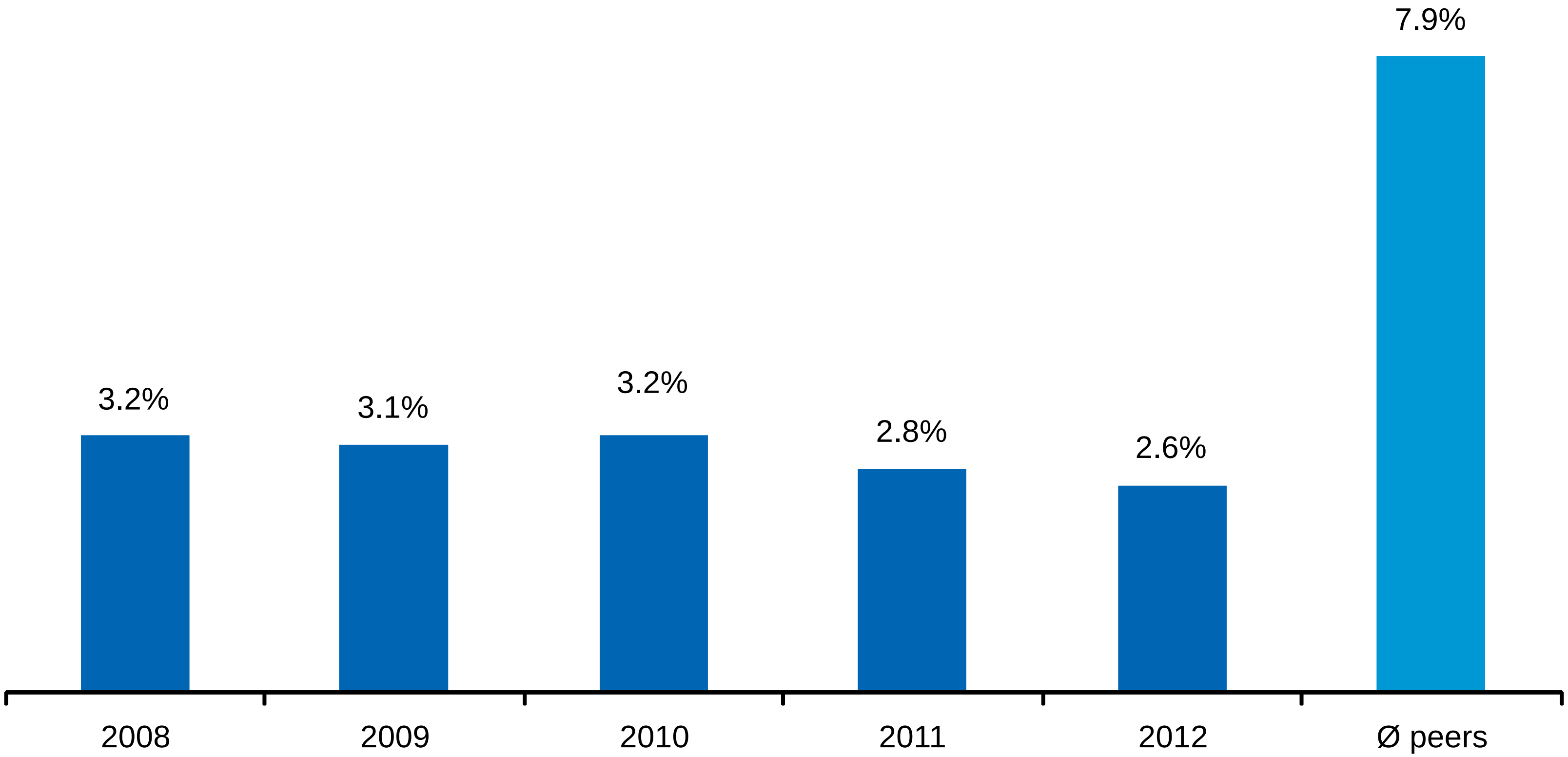
Reinsurance – Cost leadership further strengthened

Administrative expense ratio[1]

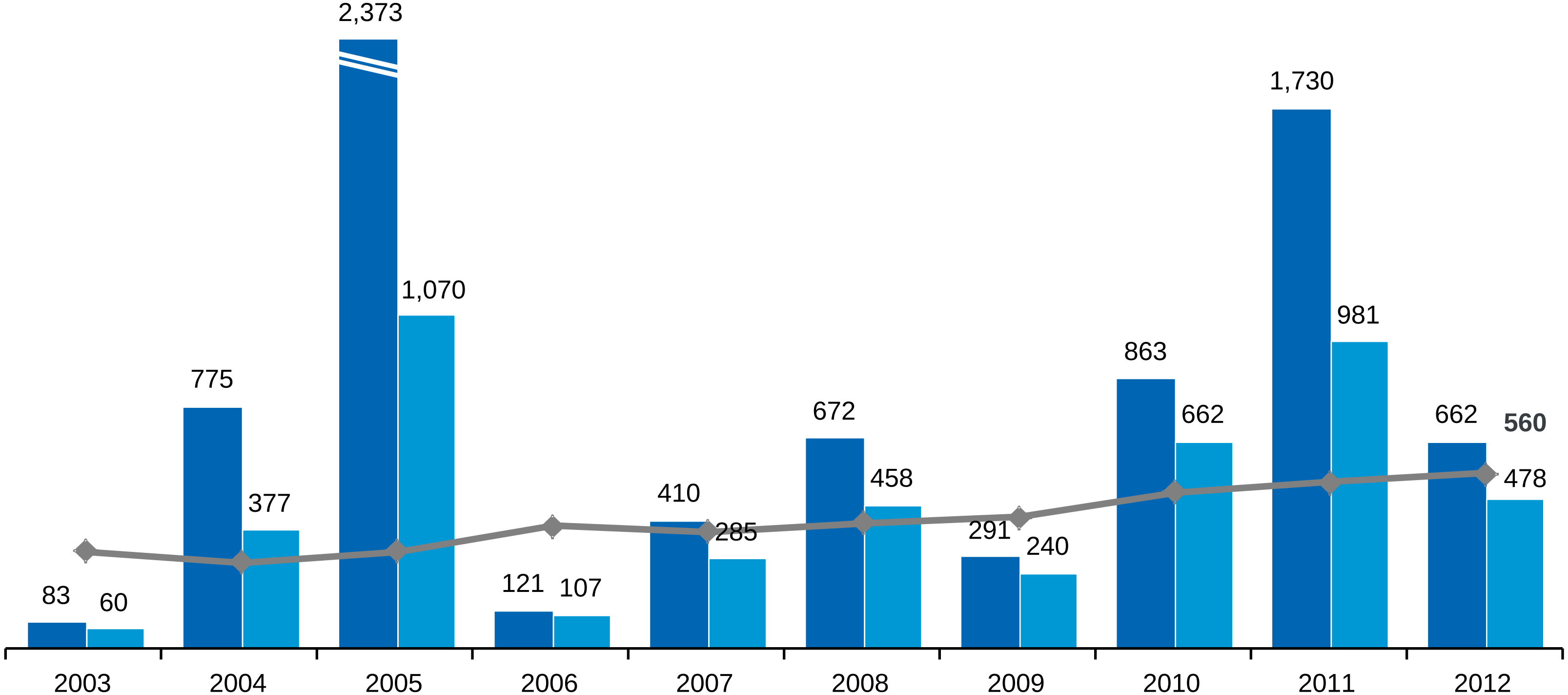


[1] Administrative expenses + other technical expense (in % of net premium earned)

Decreasing administrative expense ratio aided by top line growth

Reinsurance – Major losses since 2003

Natural and man-made catastrophe losses[1]



Natural and man-made catastrophe losses in % of non-life premium[2]	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Gross	1%	10%	34%	2%	8%	13%	5%	14%	25%	9%
Net	1%	7%	20%	2%	6%	11%	5%	12%	16%	7%

Gross   Net   Expected net catastrophe losses

Natural catastrophes and other major losses in excess of €10m gross (until 31 Dec 2011: in excess of €5m gross)

2003 – 2006 adjusted to new segmentation

Reinsurance – Major losses 2012

Catastrophe losses[1] in €m	Date	Gross	Net
Earthquake Italy	20 May	44.2	44.1
Earthquake Italy	29 May	22.4	22.4
Draught USA	July	56.5	43.3
Typhoon "Haikui", Taiwan	2 Aug	13.3	13.3
Hurricane "Isaac", USA	24 - 31 Aug	13.1	6.8
Hurricane "Sandy", USA	24 Oct - 1 Nov	340.9	257.5
6 Natural catastrophes		**490.4**	**387.4**
Costa Concordia	13 Jan	132.7	53.3
1 Fire claim		10.4	10.4
2 Marine claims		28.4	26.7
10 Major losses		**661.9**	**477.8**

[1] Natural catastrophes and other major losses in excess of €10m gross

Hurricane "Sandy" dominates large loss list

Reinsurance – Strategic agenda and initiatives

Reinsurance strategic agenda

Goals	Measurement of success
Value creation per share of at least 10%	Book value growth per share and dividend per share
Increase business volume in excess of the market average	Premium growth in comparison to peer group
Achieve a profit in excess of the cost of capital based on internal economic capital model	IVC > 0
Achieve a return on equity according to IFRS of at least 750 bps above the risk-free interest rate	Return on equity
Continuously pay an attractive dividend to shareholders	Continuous dividend yield above peers

Key growth initiatives

Non-Life

- Efficient cycle-management
- Expansion into emerging markets
- Central underwriting combined with local capabilities

Life

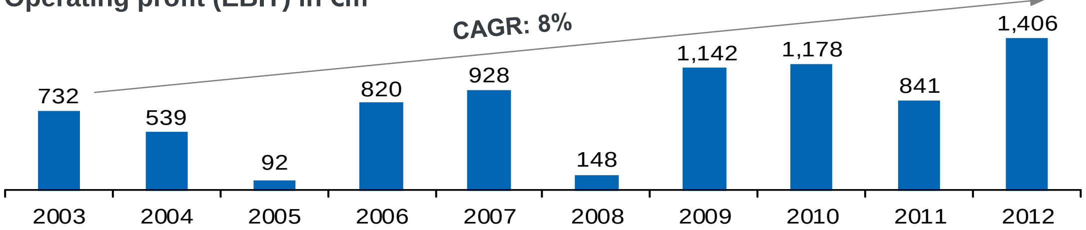
- Expand senior citizen products in developed markets
- Expansion into US risk protection market
- Increase local presence in Asian growth markets

Expand position as a leading and successful reinsurer

Reinsurance – Continuous improvement in value per share

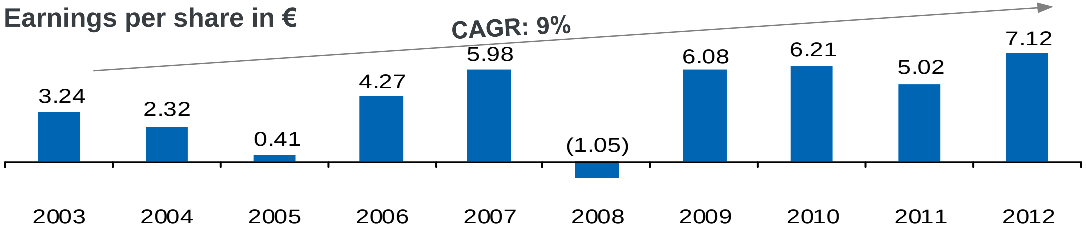
hannover re

Operating profit (EBIT) in €m[1]



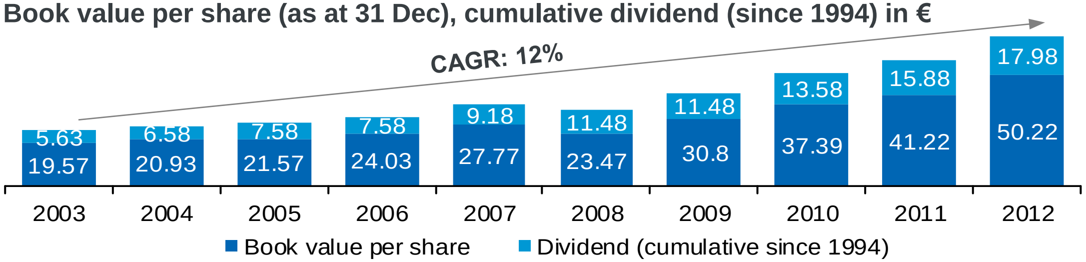
EBIT increased by 67% in 2012

Earnings per share in €



Record earnings per share in 2012

Book value per share (as at 31 Dec), cumulative dividend (since 1994) in €



Highest book value per share ever as at 31 Dec 2012

[1] 2001-2003 US GAAP, from 2004 IFRS, 2009 figures restated

Source: Hannover Re annual report

Successful track-record with a record-year 2012

Reinsurance – Targets achieved

Business group	Key figures	Strategic targets	2012	
Group	Return on investment[1]	≥3.5%	4.1%	✓
	Return on equity	≥10%[2]	15.6%	✓
	Earnings per share growth (y/y)	≥10%	41.6%	✓
	Value creation per share[3]	≥10%	26.9%	✓
Non-life reinsurance	Gross premium growth[4]	3% – 5%	13.1%	✓
	Combined ratio[5]	≤98%	95.8%	✓
	EBIT margin[6]	≥10%	15.9%	✓
Life and health reinsurance	xRoCA[7]	≥2%	5.2%	✓
	Gross premium growth[8]	5% – 7%	14.9%	✓
	Value of New Business (VNB) growth	≥10%	n.a.	
	EBIT margin[6] financing and longevity business	≥2	2.7%	✓
	EBIT margin[6] mortality and morbidity business	≥6%	7.1%	✓
	xRoCA[7]	≥5%	2.4%	

[1] Excl. inflation swap and ModCo
[2] Risk-free rate is defined as the 5-year rolling average of the 10-year German government bond yield
[3] Growth of book value + paid dividends
[4] In average throughout the cycle
[5] Incl. expected net major losses of €560m.
[6] EBIT/net premium earned
[7] Excess return on the allocated economic capital
[8] Organic growth only

Reinsurance – Outlook 2013

Gross written premium (GWP)	**~+5%**
▪ **Non life reinsurance[1]**	**~+3% – +5%**
▪ **Life and health reinsurance[1 2]**	**~+5% – +7%**
Return on investment[3 4]	**~+3.4%**
Group net income[3]	**~€800m**
Dividend pay-out ratio[5]	**35% – 40%**

[1] At unchanged f/x rates

[2] Organic growth

[3] Subject to no major distortions in capital markets and/or major losses in 2013 not exceeding ~€625m.

[4] Excluding effects from inflation swaps

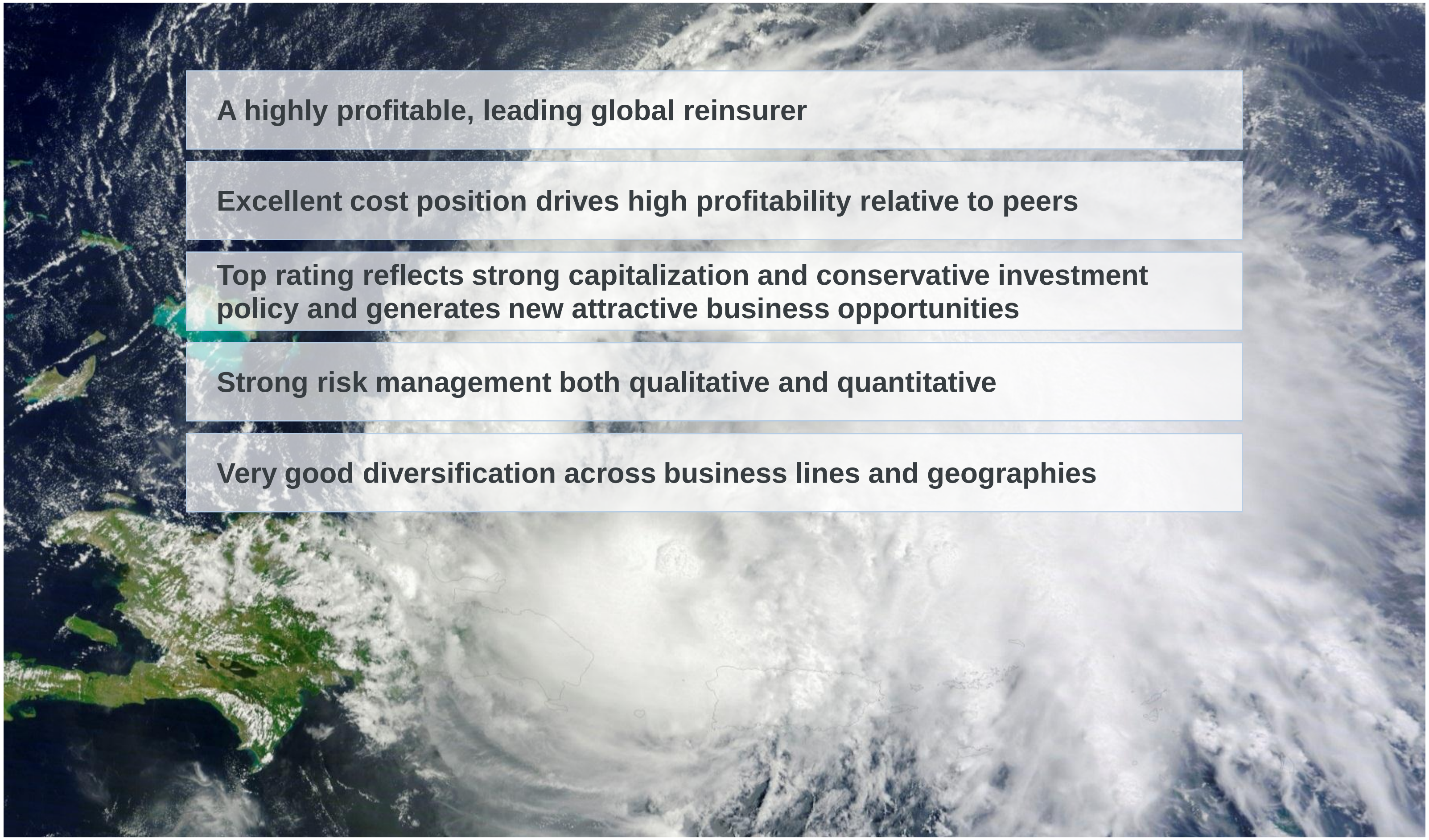
[5] Related to group net income according to IFRS

Reinsurance – Momentum by geography and business line

		Lines of business	Volume	Profitability
Non-life	**Target markets**	North America[1]	↗	+
		Germany[1]	↘	+ / −
	Specialty markets	Marine (incl. energy)	↗	+
		Aviation	↗	+
		Credit, surety & political risks	→	+
		Structured R/I & ILS	→	+ / −
		UK, London market & direct	↘	+ / −
	Global R/I	Global treaty	→	+ / −
		Global cat XL	↗	+
		Global facultative	↗	+
Life and Health	**Financial solutions**	Financial Solutions	↗	+
	Risk solutions	Longevity	↗	+
		Mortality	↗	+
		Morbidity	↗	+

[1] All lines of business except those stated separately

Reinsurance – In a nutshell



- **A highly profitable, leading global reinsurer**
- **Excellent cost position drives high profitability relative to peers**
- **Top rating reflects strong capitalization and conservative investment policy and generates new attractive business opportunities**
- **Strong risk management both qualitative and quantitative**
- **Very good diversification across business lines and geographies**

Content

Disclosure timeline 2013 – Reports & conferences

Capital Markets Day
Today

Interim report
Q1 2013

Publication of SCR and MCEV reports

April

1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

May

		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

June

					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

Analyst workshop on economic capital and MCEV
(London)

August

			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

November

				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

Interim report
Q2 2013

Interim report
Q3 2013

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Questions which the Talanx CFO would raise as an analyst

1	**How have you organised your institutional investment management process?**
2	**What should we know about the third-party business of TAM?**
3	**How does your investment portfolio look like?**
4	**Which return on investment can be achieved?**
5	**How to best re-invest assets?**
6	**How do you manage your capital base and optimise your funding costs?**
7	**Which run-off result can reasonably be expected?**
8	**Do you face any impact from IAS19 adjustments? If any, which?**

1 Investment Manager – Unique group integration supporting superior B2B customer access model

Talanx Asset Management (TAM) – Overview

- **Core business**: asset management services for the entire Talanx Group (incl. Hannover Re) for investments (capital markets, money markets, real estate and alternative assets) including all relevant administration services (SAA, TAA, risk management, middle- & back office) – €84.1bn investments under own management per year-end 2012
- **Third-party business** (private clients and institutions investors) based on existing product range and service know-how, exploiting economies of scale – €9.7bn of funds per year-end 2012

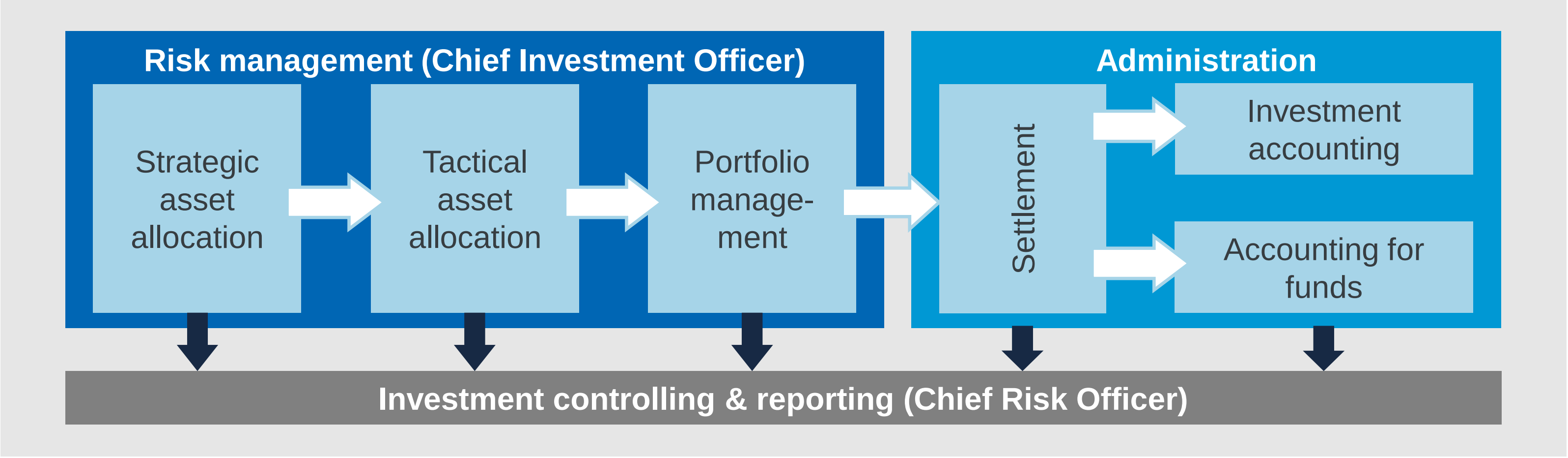
Business segment	Customers / markets	Market positioning	Products	Distribution channels
Proprietary	Talanx and its subsidiaries	Captive business	Investment decisions & services	Captive business
Private clients	German retail investors	Public funds	Fixed income and multi asset funds	Talanx and selected other channels
Institutional investors	Small and medium insurers, banks, etc.	Niche offering of AM outsourcing	Special funds & admin. services	Direct customer approach

Talanx Asset Management offers the full range of asset management services for the entire Talanx Group and for third-party clients

1 Investment Manager – Unique group integration supporting superior B2B customer access model (cont'd)

Talanx Asset Management (TAM) for Talanx Group

- While operating insurance carriers are responsible for strategic asset allocation, TAM supports strategy development and implements tactical asset allocation and portfolio management
- Investment strategy is the result of a permanent interaction of TAM and the operating entities
- TAM is fully compliant with Solvency II requirements and has a high sentiment on quality standards of risk management and control processes: TAM is certified through SAS 70/ISAE 3402 Report since 2010
- Fees to group companies are based on fair market pricing



Asset allocation process in close cooperation between TAM and the operating insurance carriers

2 Third-party business

Business volume AmpegaGerling

Mutual funds	60 funds *thereof 44 White Label*	€3.4bn
Special funds	38 funds	€6.3bn
Wealth management	12 mandates	€4.1bn
	Total volume	**€13.8bn**

Thereof third-party

Retail clients		€3.3bn
Institutional clients		€2.8bn
	Total volume (44%)	**€6.1bn**
Cost-income-ratio		*70%*

Third-party offering based on existing product and service expertise

- ✓ **Profitable growth with the aim to diversify distribution**
- ✓ **Focused acquisition of assets to increase revenue base, product portfolio and access to distribution channels**
- ✓ **Enhancement of (qualitative) administrative competence**

Overview third-party business

Business segments	Retail clients	Institutional clients
Customers/ markets	Focus on existing internal and external distribution channels	Small / mid-sized insurers, funds of funds, pension funds, banks
Market postioning	Service offering according to core competencies Outsourcing of functions not relevant for Talanx group (e.g. stock picking)	Niche player, offering outsourcing services for insurers' asset management
Products	Focus on fixed income and funds of funds, as well as administration of third-party mutual funds	Special funds and administrative services
Products	Proprietary distribution channels of Talanx insurance entities, banks with open architecture, wealth manager, funds of funds, White Label	Direct approach (also in cooperation with Hannover Re), participation in tenders

TAM successfully levers its platform and capacity for third-party business

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2 Third-party business – Cooperation with C-Quadrat

White Label customer references

C QUADRAT the fund company

JOHANNES FÜHR Vermögensverwaltung

Lingohr & Partner ASSET MANAGEMENT GMBH

ZANTKE Asset Management

Relationship between Talanx Asset Management and C²

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C QUADRAT the fund company

Equity participation 25.1%

Dividends

Fund administration Talanx Asset Mgt.

Administration fee

Portfolio management c²

Portfolio management fee

Investment of C² in AIG funds

Net fee

Equity participation 50%

Distribution of funds

Equity participation 50%

Distribution of funds

Ampega C-Quadrat Fondsmarketing GmbH

RoI of 47%
(accumulated 2010-2012)

Note C-Quadrat Investment AG: WKN A0HG3U, ISIN AT0000613005

Highly profitable business partnership and investment

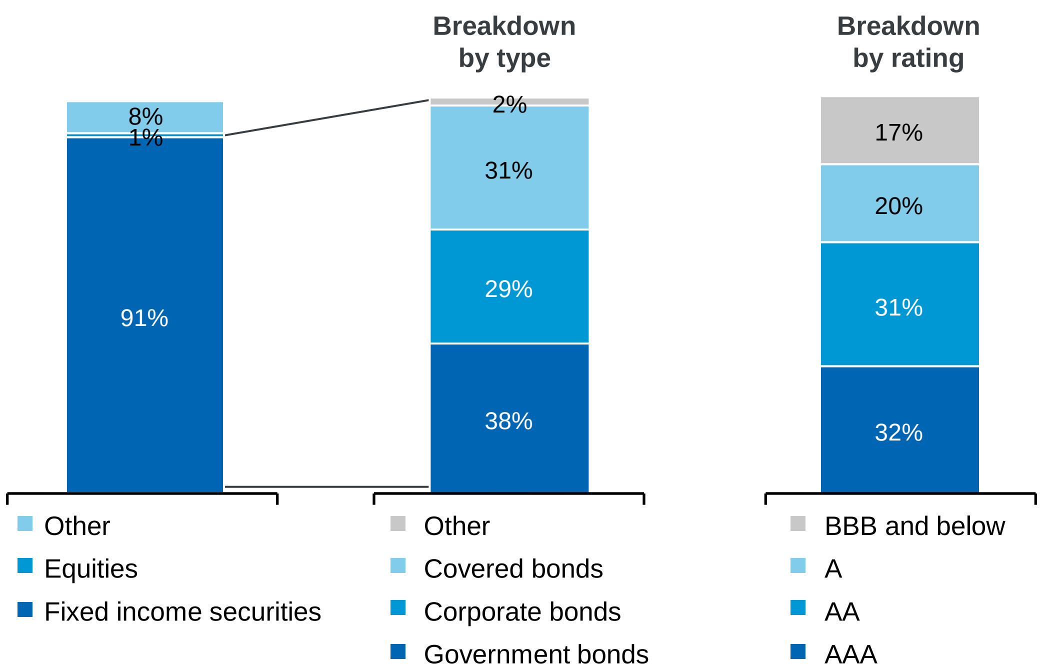
3 Investment Portfolio – Breakdown of Talanx's investment portfolio

Asset allocation

Total: €84.1bn

Fixed-income-portfolio split as of 31 Dec 2012

Total: €76.2bn



Comments

- Asset allocation mix has been largely unchanged
- Investment in equities stable at low level of ~1%
- Well-balanced mix of fixed-income investments in government, corporate and covered bonds
- Share of A or higher-rated fixed-income securities remains constant at 83%

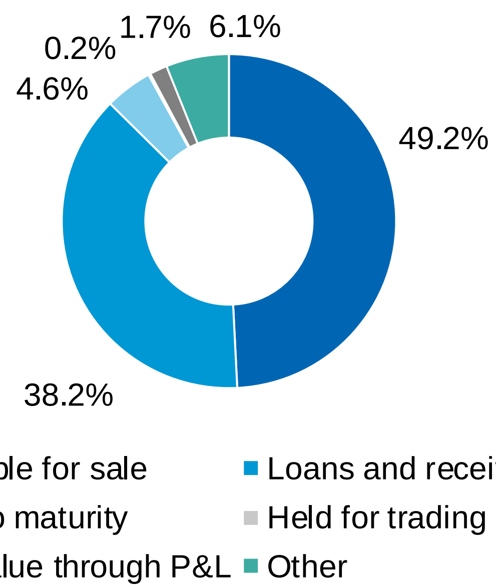
[1] Includes government and semi-government entities part of which are guaranteed by the Federal Republic of Germany, other EU countries or German federal states

Conservative investment style unaltered

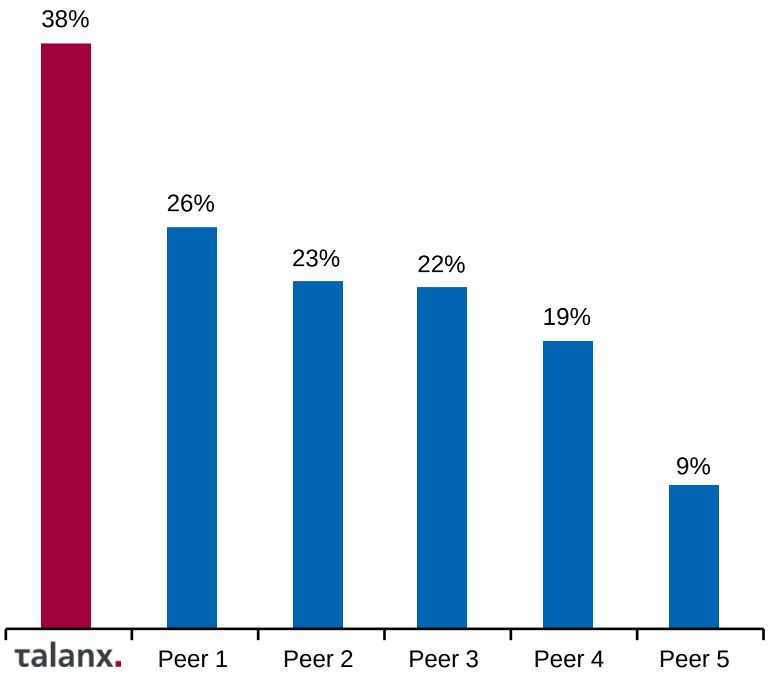
3 Investment Portfolio – Breakdown of investment portfolio (cont'd)

IFRS Category

Total 2012: €84.1bn (investments under own management)



Benchmarking assets in L&R category[1,2]

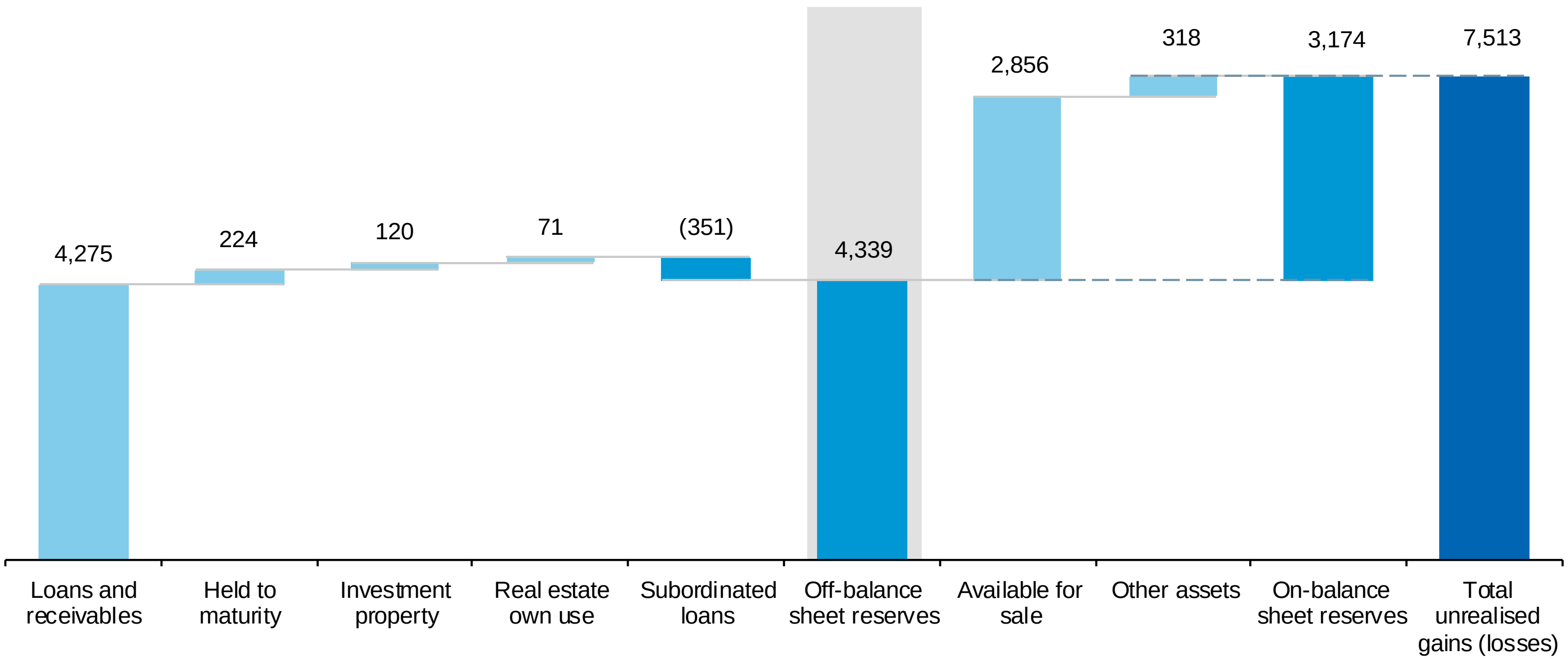


[1] Loans and receivables in % of total investments
[2] Peers group consists of Allianz, Axa, Generali, Munich RE, Zurich

High share of assets in Loans and Receivables

3 Investment Portfolio – Unrealised capital gains

Unrealised capital gains and losses as of 31 December 2012 (€m)

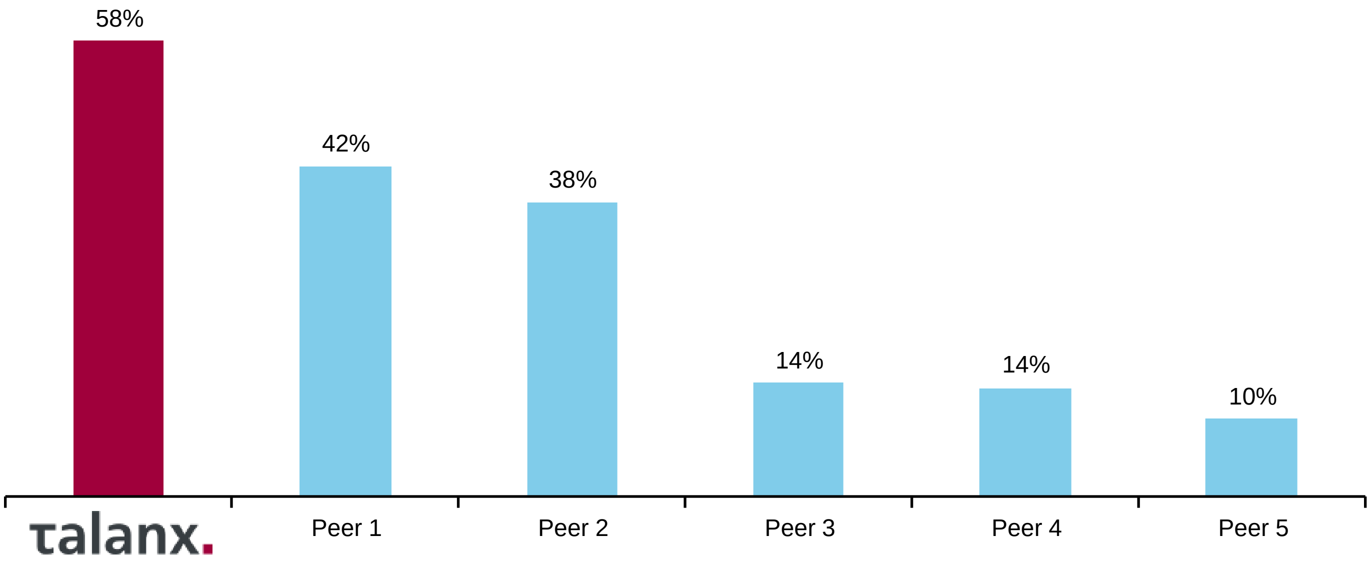


Δ market value vs. book value

Talanx's off-balance sheet reserves stand at above €4.3bn end of December 2012

3 Investment Portfolio – Unrealised capital gains vs. peers

Off-balance sheet unrealised capital gains in % of shareholders' equity[1,2]



[1] Off-balance sheet unrealised gains include the components as shown on the previous page
[2] Peer group consists of Allianz, Axa, Generali, Munich RE, Zurich

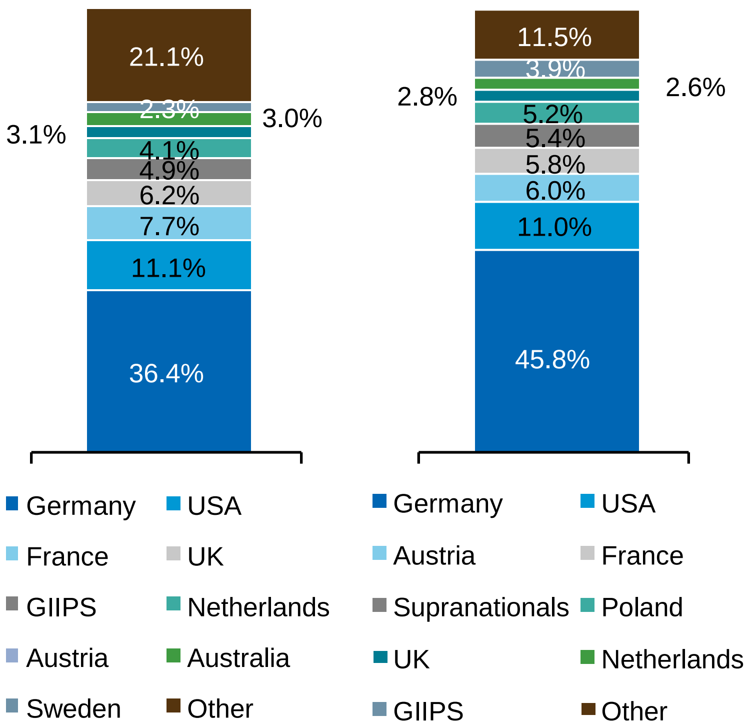
High share of unrealised capital gains outside P&L and balance sheet

3 Investment Portfolio – Geographic exposure

Geographic exposure

Total investments
Total market value 2012:
€87.6bn

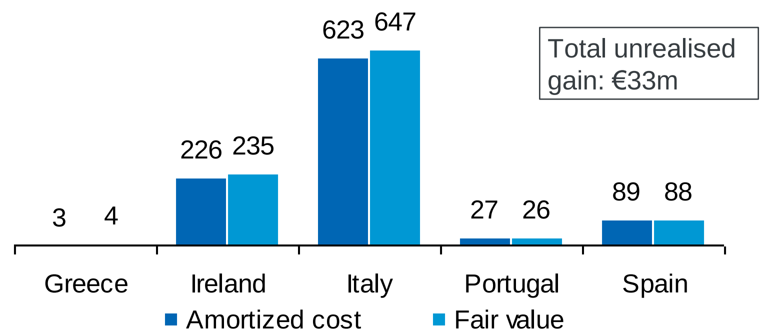
Government exposure
Total market value 2012:
€25.8bn



GIIPS exposure

€m	Government bonds		Corporate bonds				
GIIPS exposure (31 Dec 2012)	Sovereign	Semi-sovereign	Financial	Corporate	Covered	Other	Total
Greece	4	-	-	-	-	-	5
Ireland	235	-	14	29	162	188	628
Italy	647	-	420	279	961	-	2,307
Portugal	26	-	-	1	8	-	35
Spain	88	254	90	231	522	-	1,185
Total	**1,000**	**254**	**524**	**540**	**1,653**	**188**	**4,159**

Total: €967m (amortized cost), €1,000m (fair value)



Majority of investments in Germany and other highly rated economies

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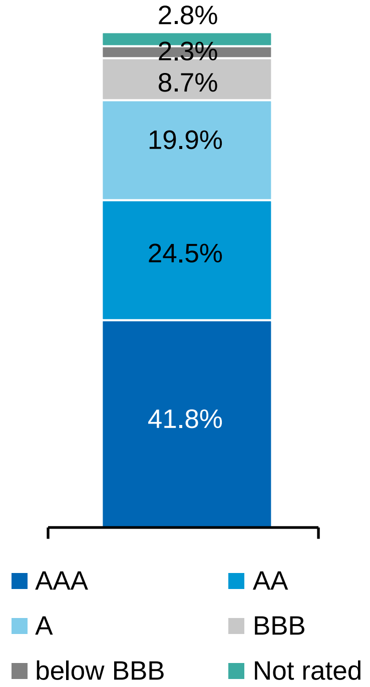
3 Investment Portfolio – Exposure to banks

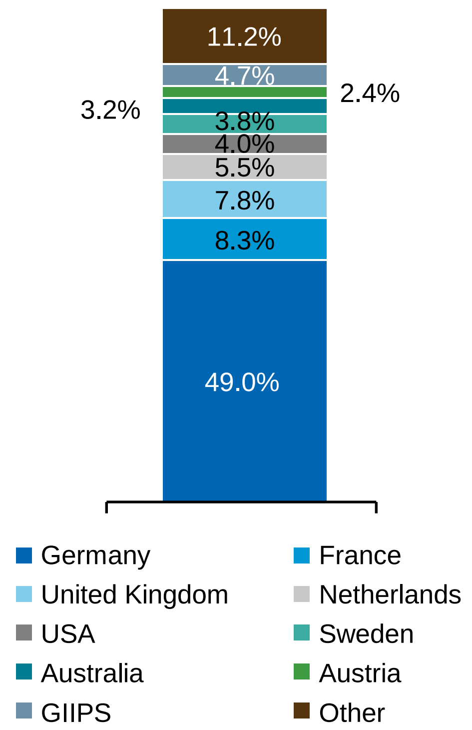
Breakdown by rating

Total market value 2012: €46.9bn



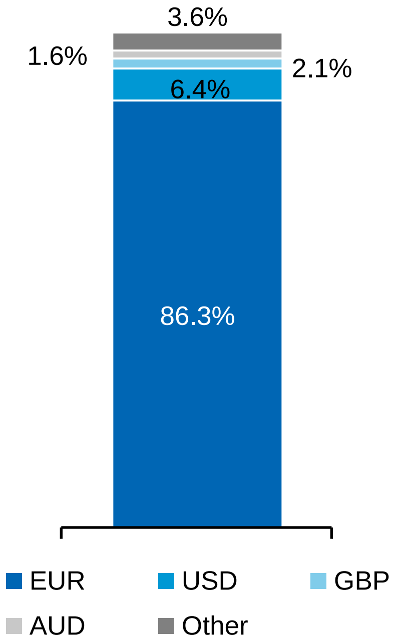
Breakdown by country

Total market value 2012: €46.9bn



Breakdown by currency

Total market value 2012: €46.9bn



Note: bank exposure contains unsecured as well as covered bonds

Dominance of highly rated euro-denominated bonds in Talanx's bank bond portfolio

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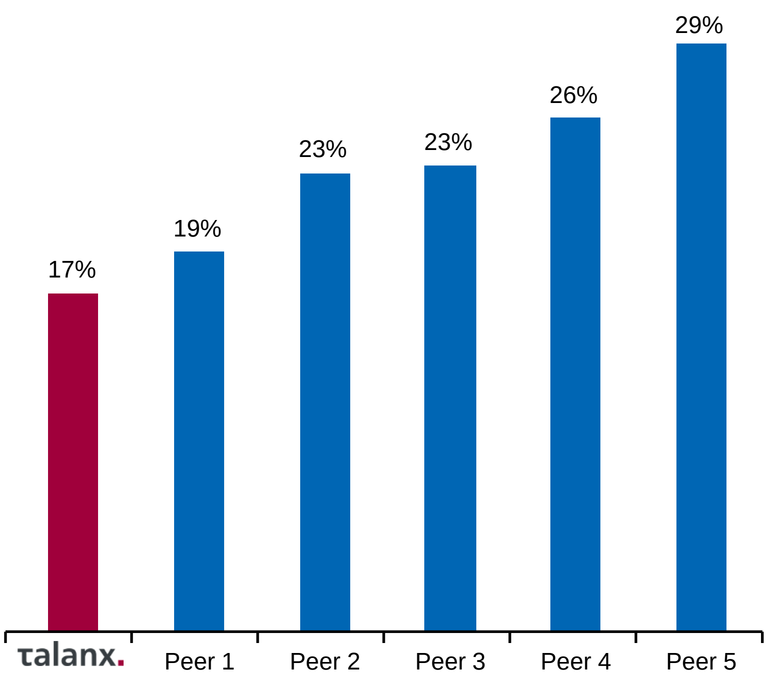
3 Investment Portfolio – Low valuation risks

Benchmarking Level 3 assets[1]



Comments

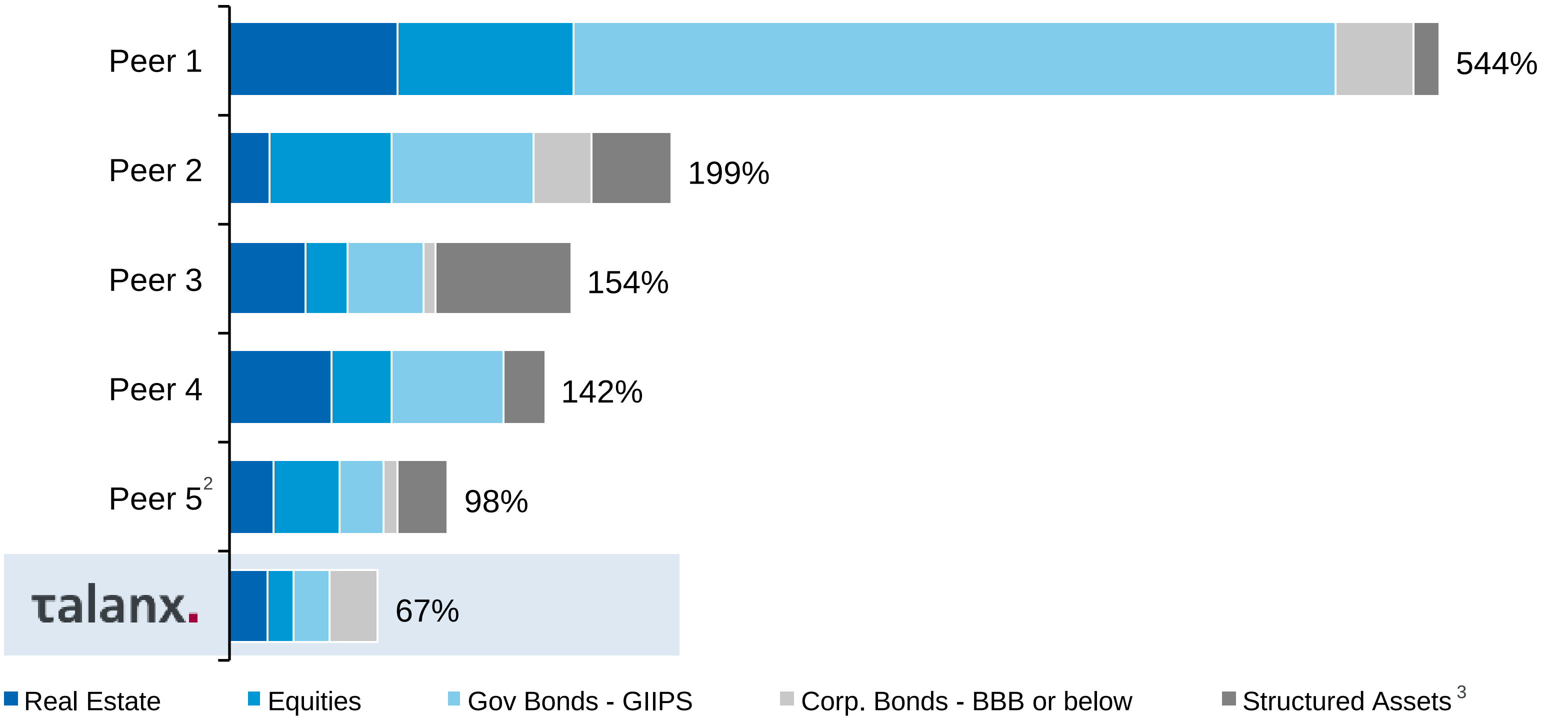
- IFRS 7 requires financial instruments that are recognised at fair value to be assigned to a three-level fair-value hierarchy
- Level 3 uses input data which is not based on observable market data
- At year-end 2012, Talanx allocated 4% of financial assets measured at fair value to this category. This compares with 37% at Level 1 (unadjusted quoted prices for identical assets and liabilities in active markets) and 59% at Level 2 (measurement using inputs that are based on observable market data and are not allocated to Level 1)
- The low share of Level 3 assets relative to other categories in the fair value hierarchy as well as to peers underlines the transparency of Talanx's balance sheet

[1] Level 3 assets divided by TNAV incl. min excl. goodwill and other intangible assets (other than intangibles stemming from insurance activities)
[2] Peers group consists of Allianz, Axa, Generali, Munich RE, Zurich

Conservative investment portfolio with low share of Level 3 assets

3 Investment Portfolio – Gearing to risky assets

Conservative investment strategy – Gearing[1] of "risky" assets in 2012

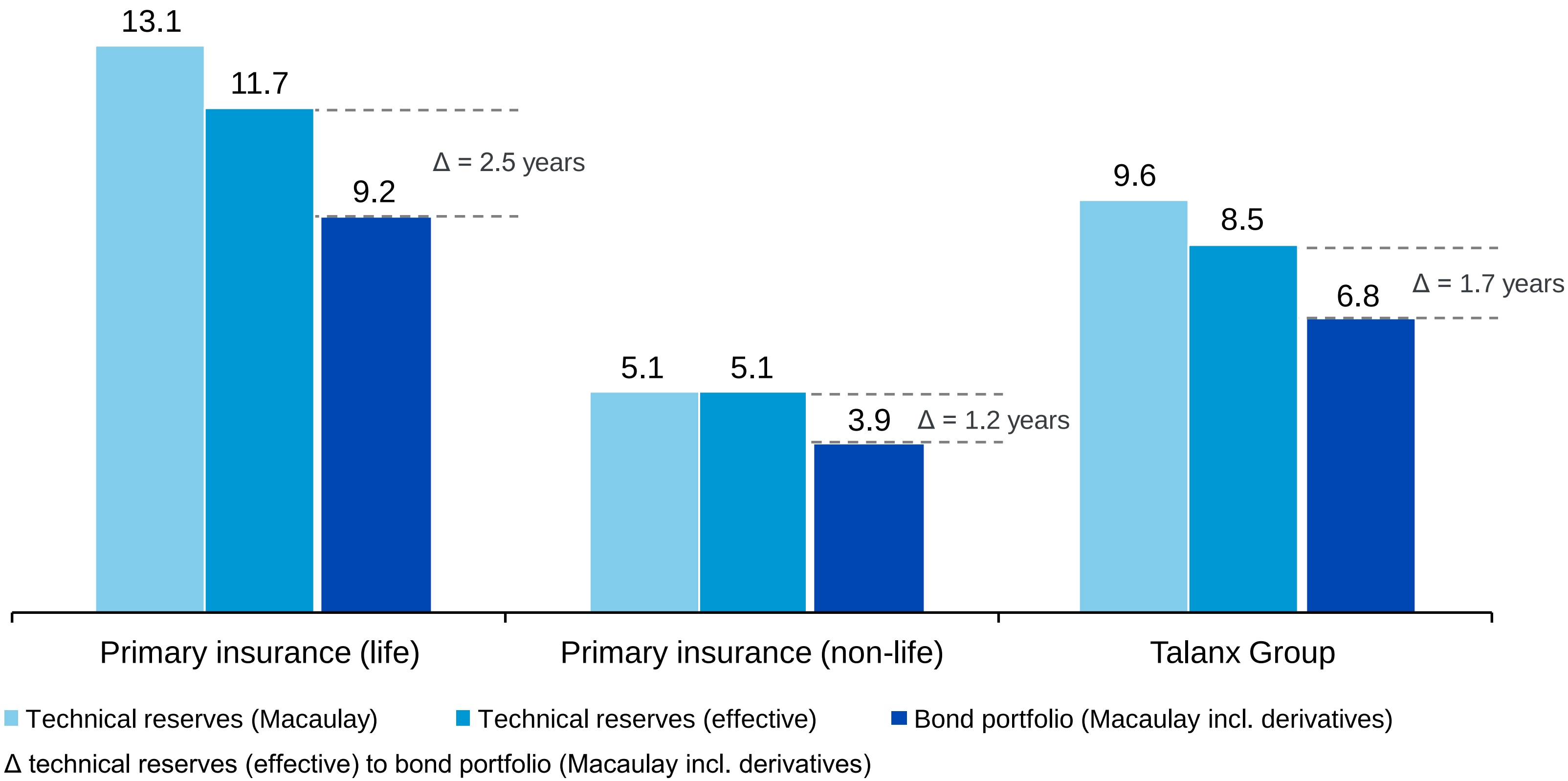


[1] Calculated as exposure to risky asset classes in % of shareholders' equity (excluding minorities; goodwill / other intangibles assets have not been deducted)
[2] Rating profile of corporate bonds not announced
[3] Includes structured assets such as US ABS, MBS, etc.
Peer group consist of Allianz, AXA, Generali, Munich RE, Zurich

Conservative manager of investment risks

3 Investment Portfolio – Asset-Liability-Management

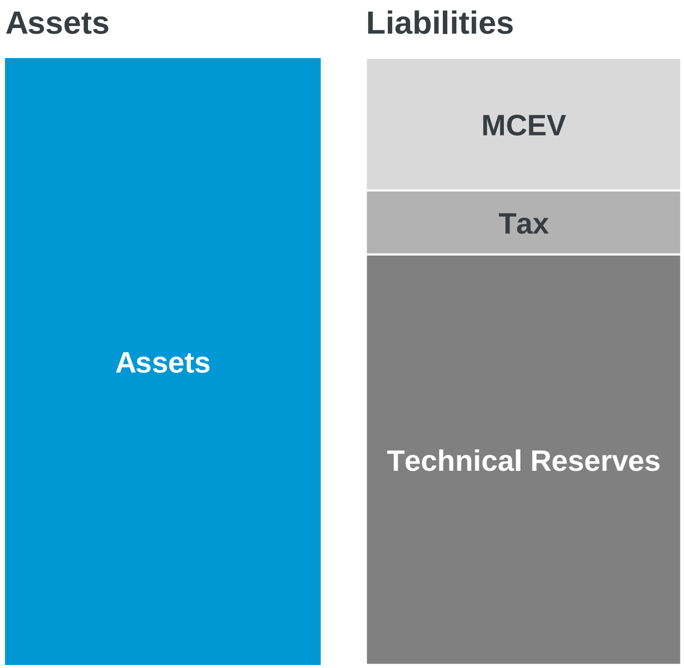
Preliminary duration match of bond portfolio and technical reserves 2012 (years)



Talanx employs a conservative duration matching approach

3 Investment Portfolio – Asset-Liability-Management

Economic Balance sheet (stylised)



Comments

- TERM (Talanx Entreprise Risk Management) - consistent and "economic" definition of effective duration:

$$\frac{\Delta TR}{\Delta i} = \frac{\Delta A}{\Delta i} - \frac{\Delta Tax}{\Delta i} - \frac{\Delta MCEV}{\Delta i}$$

TR = technical reserves

A = assets

i = interest rate

Δi = very small increase of interest rate

This reflects inter alia

- Management rules as implemented in the certified CFO Forum compliant MCEV calculation
- Burden sharing with the fiscal authorities
- Market consistent representation of the asset duration

Effective duration also basis for the day-to-day high frequency ALM radar screen

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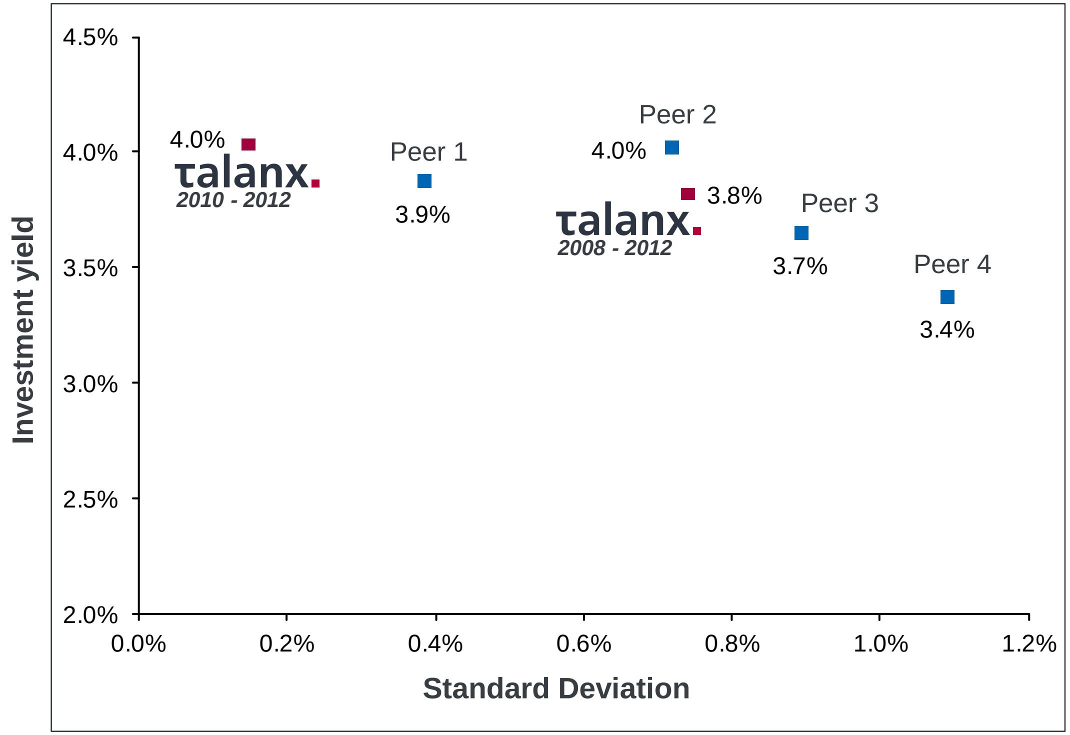
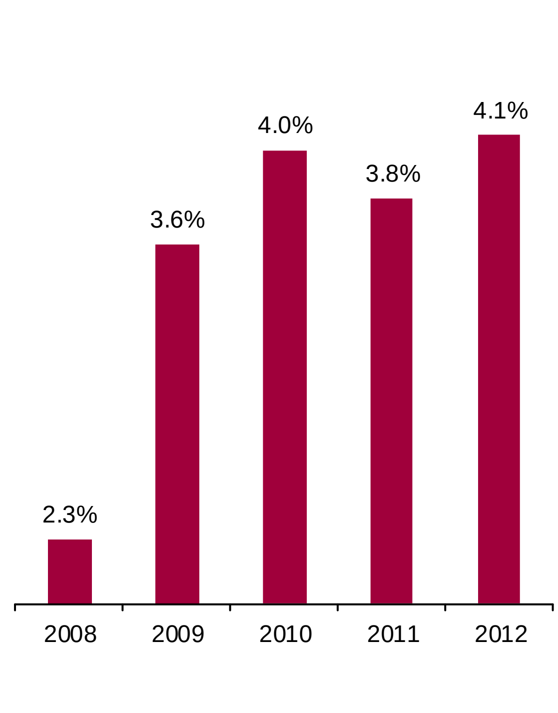
4 Return on investment – Low volatility in investment yields

Investment result: median investment yield vs. peers[1]



Talanx investment yields



[1] Median total investment result 2008 – 2012; for consistency, total investment return is calculated incl. interest on deposits from reinsurance
[2] Peer group consists of,AXA, Generali, Munich RE, Zurich

Talanx compares well with peers on investment return and volatility

4 Return on investment – Composition of investment yield

Total investment yield Talanx Group

€m	2011	2012
Ordinary investment yield	**4.0%**	**4.0%**
thereof current investment yield from interest	*3.7%*	*3.7%*
thereof profit/loss from shares in associated companies	*n.m.*	*0.0%*
Realised net gains on investments	0.4%	0.5%
Write-ups/write-downs on investments	*(0.2)%*	*(0.1)%*
Unrealised net gains/losses on investments	*0.0%*	*0.2%*
Investment expenses	(0.2)%	(0.2)%
Total yield on investments under own management	**4.0%**	**4.3%**
Yield on investment contracts	**n.m.**	**0.5%**
Yield on funds withheld and contract deposits	**2.7%**	**2.6%**
Total investment yield	**3.8%**	**4.1%**

Comments

- In 2012, Talanx achieved a return on investments under own management of 4.3%
- Ordinary investment income makes up the majority share. In 2012, it contributed 4.0%pts to the overall return on investment
- Both realised as well as unrealised capital gains also contributed visibly to the 2012 return on investment
- We largely refrain from such extraordinary contribution in our return on investment outlook of ~3.5% in 2013

Ordinary investment income key driving force of Talanx's return on investment

5 Re-investment of assets – Current yields

Re-investment yields by segments

	2012
Industrial Lines	3.7%
Retail International	5.9%
Retail Germany	3.3%
Non-life	3.3%
Life	3.3%

Comments

- In 2012, Talanx has achieved re-investment yields of well above 3% in all its primary insurance divisions
- This has not been accompanied by higher risk-taking. In the course of 2012, the share of bonds with a rating of “A” or better has only slightly decreased from 86% to 83%
- International growth pays off, in particular for Retail International, which operates in regions with a more favourable interest rate and yield environment
- Investment opportunities in alternative assets such as infrastructure help improving the yield and the risk-return profile of new investments

Solid re-investment yields in a challenging interest rate environment

5 Re-investment of assets – Opportunities in infrastructure investments

Top 3 current infrastructure investments

	Volume	Timing	Yield p.a.[1]
Amprion	€109m	2011 *(25-year-contract)*	~7% p.a.
IVG caverns	€55m	2013 *(25-year-contract)*	~5.4% p.a.
Enovos	€40m	2012 *(25-year-contract)*	~12% p.a.

Infrastructure assets still represent **less than 1%** of investments under own management, but are an **increasingly important addition** to our investment portfolio.

Generally, investments in infrastructure assets can be conducted as **multi-asset / fund-of-funds** investments, or **single-asset investments**

Investment criteria for infrastructure assets

Criteria	Characteristics of infrastructure investments
Long-term, stable cash flows	Long-term concessions, regulated pricing, low price elasticity
Low volatility	Monopolistic structures, high barriers to entry
Inflation protection	Proceeds linked to CPI
Diversification	Low correlation with fixed income, stocks and real estate

Risk-averse investment approach: typically, **indirect investments** to **leverage** fund management **expertise** in this area, to **avoid liability and reputational risks** and to **achieve good diversification**.

In case of **direct investment** opportunities, we **prefer co-investments** to **lever the experience of sector experts**.

[1] Targeted yield

Infrastructure investments provide portfolio diversification at attractive yields

5 Re-investment of assets – Case Study: IVG Kavernenfonds II

€55m invested in Q1 2013

Highlights of investment

Manager & team

- Established manager of caverns since 40 years
- Independent owner of caverns in Germany
- Established key team since 6 years (avg.)
- Exclusive technical cavern know-how
- Exclusive pool of cavern users / tenants

Track record

- € 5 billion IVG-owned properties & develops
- € 15.4 billion institutional & private funds
- € 1.1 billion caverns

IVG Kavernenfonds I

- € 800 million equity; € 1.5 billion gross assets
- 58 existing caverns & 12 under development

Strategy & portfolio

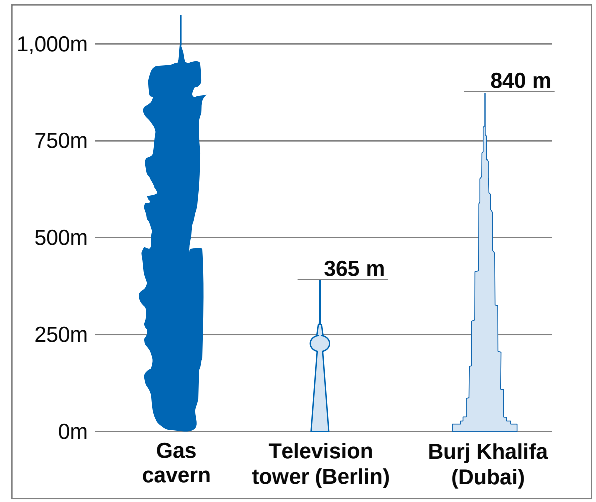
- Attractive seed portfolio of core infrastructure assets
- 1 oil & 6 gas caverns in northern Germany
- Single country & sector & asset category
- 100% pre-let
- Top tenants
- Lease term for oil cavern = 10 years
- Lease term for gas cavern >29 years
- Unlimited fund term (>25 years)
- Technical asset life of caverns ca. 100 years
- No leverage (LTV 0%)

Attractive risk-return-profile with gross IRR of ~6%
(higher return with lower / similar standard deviation compared to long-term bonds or real estate)

Caverns

Caverns are used as **underground storage** for **gas, oil**, etc. to **balance extraction / demand differences** and **enhance security of supply**.
These **natural or man made** underground capacities represent a **cost efficient way for mass storage** of energy sources.

Exemplary illustration of cavern capacity



Attractive investment backed by extensive internal due diligence on top of external investment advise

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6 Capital / liquidity management – Overview

Organisational overview

Capital markets | Banks

capital/ liquidity ↓ | ↑ dividend/ interests

Treasury
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- Subordinated bonds
- Senior bonds
- Equities
- Convertibles
- Credit lines

Comments

- One central function for capital and liquidity management
- Secure a comfortable level of liquidity at Talanx AG
- Active capital and liquidity management
- Know-how centre for capital market instruments
- Central steering of all capital markets processes in the group
- Financing of group companies at-arms-lengths
- Cost reduction in consequence of concentration of all bank relations in one function
- FX / interest rate hedging
- Investment of liquidity buffers

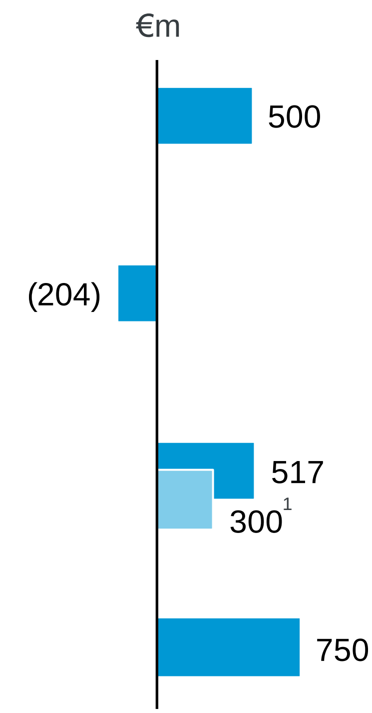
Realisation of efficiency and scale effects through central state-of-the-art treasury function

6 Capital / liquidity management – Recent market funding

Latest capital market transactions (excluding Hannover re)

2012 → 2013

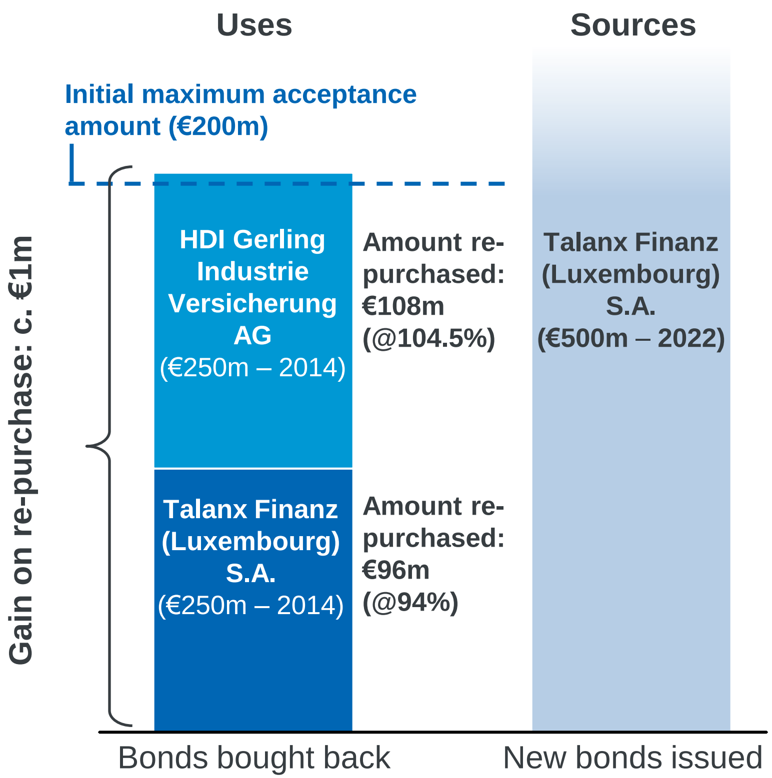
		€m
Subordinated bond 8.367%, 30-NC-10	Strengthening of capitalisation	500
Liability management exercise	Reduction of external debt	(204)
IPO	Financing of organic and inorganic growth and partially repay amounts outstanding under two credit facilities	517 300[1]
Senior unsecured bond 3.125%, 10 years	Refinancing of internal debt	750



[1] Conversion of the Tier 1 Meiji Yasuda bond

"Merton-rich" capital market funding established by liquid traded instruments in major market segments

6 Case study: successful liability management exercise



Eligibility	Bonds bought back	New bonds issued
STANDARD & POOR'S	✗	✓
Solvency II	✗	✓

Liability Management Exercise

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Buyback of outstanding bonds in the amount of €204m

April 2012

Excellence in execution	Interest > initial acceptance amount	Gain on transaction of c. €1m	✓
Internal rate of return (IRR)	HG-I Talanx Finanz	4.63% 6.94%	✓
Optimisation of capital structure	Bonds not eligible in S&P/Solvency II capital regimes	Capacity replaced by Talanx Finanz new Tier II Bond	✓

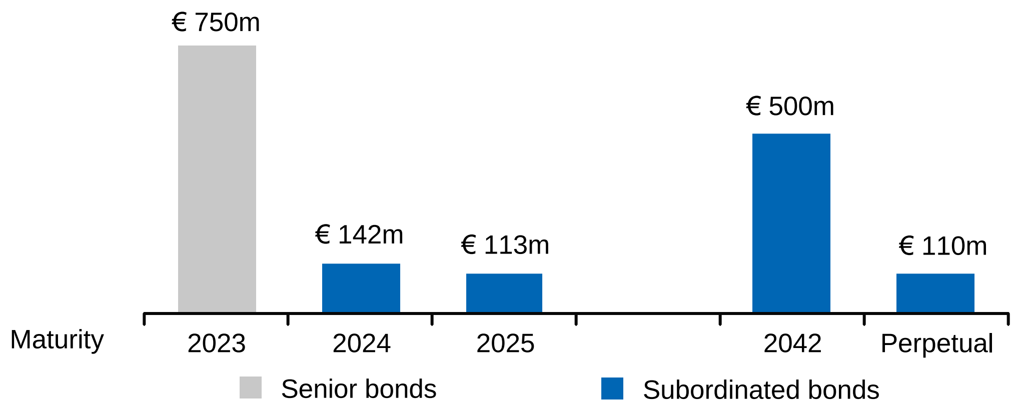
Active liquidity management exploiting current market environment

6 Capital / liquidity management – Bonds' maturity profile

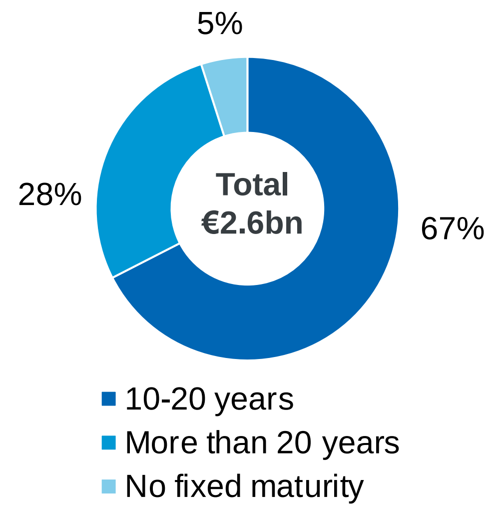
Maturity profiles of subordinated liabilities

External bonds[1]

	10y	20-NC-10	20-NC-10	30-NC-10	Perp-NC-10
First call		2014	2015	2022	2015
Coupon	3.125%	7.000%	4.500%	8.367%	6.750%
Issuer[2]	Talanx AG	HDI-Industrie	Talanx Finanz	Talanx Finanz	HDI-Leben



Total subordinated liabilities

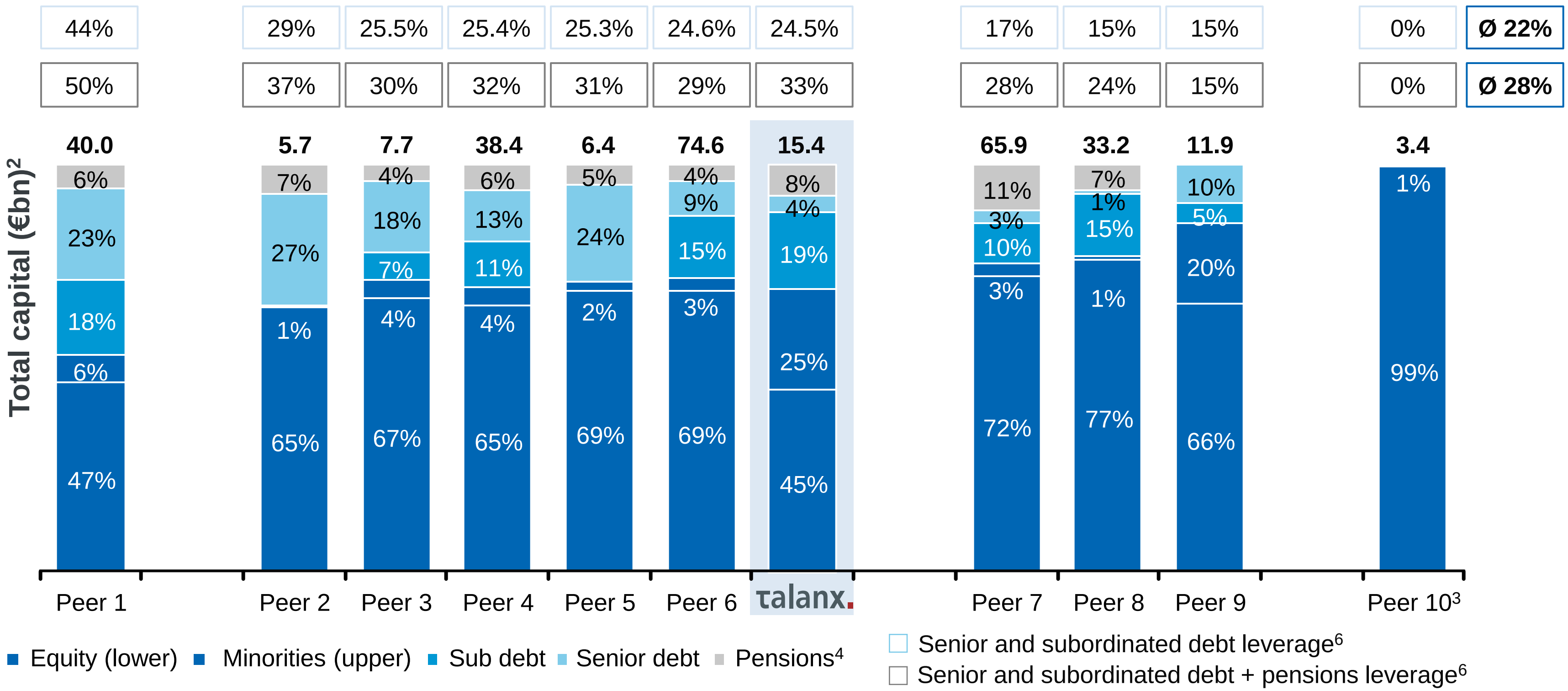


[1] Outstanding, publicly held volume of external bonds (as of 31/03/2013, €m); excluding Hannover Re
[2] "HDI-Industrie" refers to HDI-Gerling Industrie Versicherung AG, "Talanx Finanz" refers to Talanx Finanz (Luxemburg) S.A., "HDI-Leben" refers to HDI-Gerling Lebensversicherung AG

Long-term funding structure

6 Capital / liquidity management – Capital structure

Capital structure benchmarking[1,5]



[1] Percentages in columns may not add up to 100% due to rounding

[2] Defined as the sum of total equity (incl. min.), subordinated debt and senior debt

[3] Defined benefit assets not separated

[4] Funded status of defined benefit obligation

[5] Peer group consist of Allianz, AXA, Baloise, Generali, Mapfre, Munich RE, PZU, RSA, VIG, Zurich

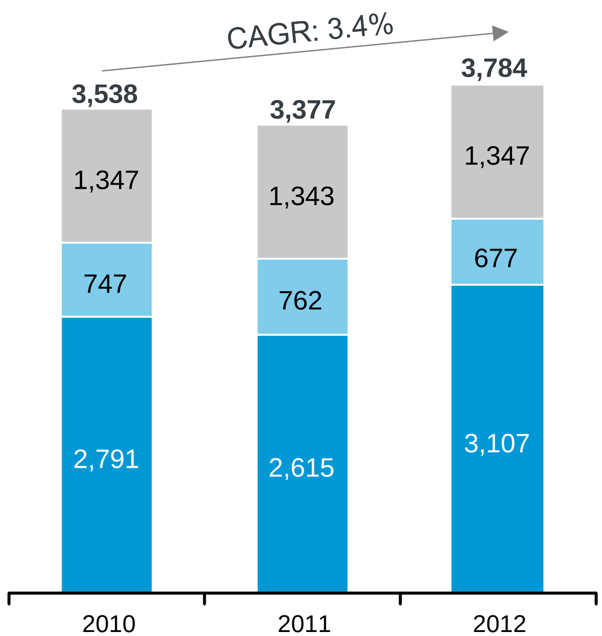
[6] Calculated in % of total capital

Reasonable, but no excessive use of debt leverage

6 Capital / liquidity management – Capital structure (cont'd)

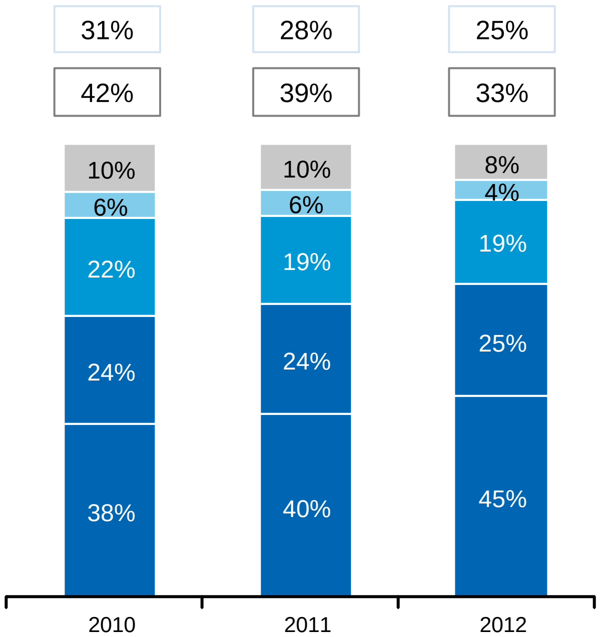
Capital structure development

Senior & subordinated debt + pensions (€m)



■ Sub debt ■ Senior debt ■ Pensions

Senior & subordinated debt + pensions leverage



■ Equity ■ Minorities ■ Sub debt ■ Senior debt ■ Pensions
□ Senior and subordinated debt leverage
□ Senior and subordinated debt + pensions leverage

Reduction of leverage into target area

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7 Reserving policy – Run-off results strength in primary insurance

Primary insurance segments

Figures in EUR million	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Loss and loss adjustment expense reserve	**3,971**	**4,297**	**4,989**	**5,941**	**6,051**	**6,417**	**6,325**	**6,418**	**6,957**	**7,027**	**7,191**
Cumulative payments for the year in question and previous years											
One year later	869	627	769	1,158	990	1,385	981	1,194	1,366	1,563	
Two years later	1,237	1,027	1,288	1,710	1,685	1,724	1,576	1,810	2,178		
Three years later	1,530	1,404	1,692	2,173	1,841	2,135	2,025	2,431			
Four years later	1,806	1,732	2,057	2,253	2,146	2,513	2,955				
Five years later	2,069	2,033	2,115	2,513	2,471	2,955					
Six years later	2,309	2,033	2,332	2,762	2,867						
Seven years later	2,258	2,218	2,558	2,829							
Eight years later	2,374	2,411	2,829								
Nine years later	2,537	2,666									
Ten years later	2,760										
Loss and loss adjustment expense reserve (net) for the year in question and previous years, plus payments made to date toward the original reserve											
At the end of the year	3,971	4,297	4,989	5,941	6,051	6,417	6,325	6,418	6,957	7,027	7,191
One year later	4,022	4,032	4,666	5,303	5,594	6,090	5,830	6,285	6,610	6,649	
Two years later	3,780	3,907	4,534	5,354	5,345	5,336	5,248	6,060	6,378		
Three years later	3,760	3,986	4,665	5,240	4,979	5,416	5,530	5,863			
Four years later	3,862	4,161	4,630	4,952	4,980	5,531	5,409				
Five years later	4,046	4,147	4,475	4,924	5,084	5,428					
Six years later	3,982	4,053	4,452	5,055	5,024						
Seven years later	3,935	4,063	4,606	5,038							
Eight years later	3,931	4,181	4,594								
Nine years later	3,981	4,173									
Ten years later	3,962										
Change over the previous year of the final loss reserve[2] = run-off result	**19**	**–11**	**4**	**5**	**43**	**43**	**18**	**76**	**35**	**146**	**Σ378**
In %	**—**	**—**	**—**	**—**	**1**	**1**	**—**	**1**	**1**	**2**	

- In 2012, the group posted a positive run-off result in its primary insurance divisions of €378m

Positive run-off result in primary insurance from 9 out of 10 business years

7 Reserving policy – Run-off results strength in re-insurance

Non-life reinsurance segments

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Figures in EUR million											
Loss and loss adjustment expense reserve	**12,523**	**13,187**	**12,659**	**13,325**	**16,574**	**12,814**	**13,674**	**14,013**	**15,257**	**16,699**	**17,308**
Cumulative payments for the year in question and previous years											
One year later	2,351	3,379	4,189	1,569	2,567	2,511	2,985	2,812	2,490	3,173	
Two years later	5,185	6,909	5,335	3,583	4,316	4,319	4,638	4,060	4,152		
Three years later	7,845	7,629	6,315	4,734	5,648	5,446	5,407	4,895			
Four years later	8,479	8,369	7,096	5,856	6,456	6,005	6,004				
Five years later	9,039	8,963	7,891	6,488	6,858	6,447					
Six years later	9,478	9,608	8,353	6,809	7,203						
Seven years later	10,048	9,957	8,627	7,082							
Eight years later	10,317	10,179	8,836								
Nine years later	10,474	10,358									
Ten years later	10,614										
Loss and loss adjustment expense reserve (net) for the year in question and previous years, plus payments made to date toward the original reserve											
At the end of the year	12,523	13,187	12,659	13,325	16,574	12,814	13,674	14,013	15,257	16,699	17,308
One year later	10,831	12,810	13,379	14,350	12,363	12,479	13,485	13,919	14,563	16,377	
Two years later	10,630	13,291	14,428	10,996	11,951	12,101	12,703	12,826	14,079		
Three years later	10,966	14,241	11,847	10,567	11,706	11,917	12,690	12,228			
Four years later	11,643	12,219	11,466	10,455	11,519	11,718	12,182				
Five years later	10,219	12,018	11438	10,285	10,961	11,359					
Six years later	10,307	12,076	11,288	9,746	10,683						
Seven years later	10,395	11,932	11,790	9,543							
Eight years later	10,283	12,439	11,657								
Nine years later	11,290	12,347									
Ten years later	11,208										
Change over the previous year of the final loss reserve[1] = run-off result	82	10	41	70	75	81	149	90	–114	–162	Σ322
In %	1	—	—	1	1	1	1	1	–1	–1	

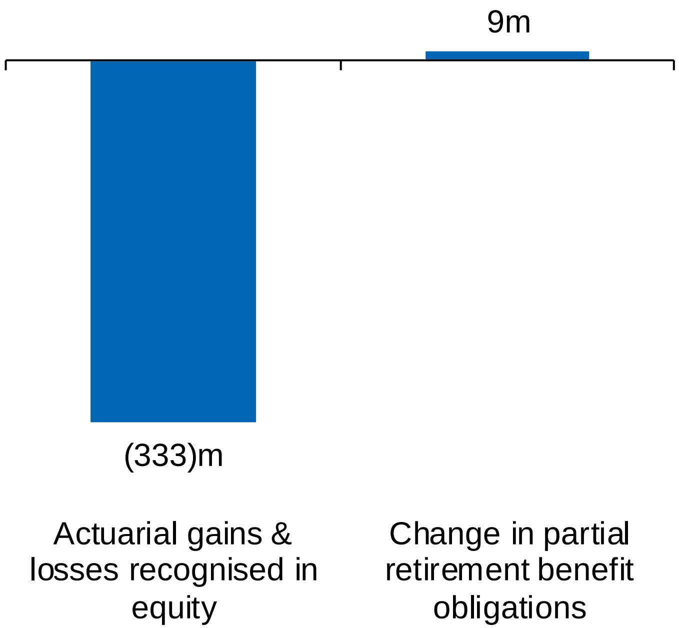
- In 2012, the group posted a positive run-off result in its non-life reinsurance division of €322m

Highly positive run-off result with different time pattern

8 Pension accounting – Recognition of actuarial gains and losses (IAS 19)

Effects on equity (€m)

The effects shown below have a (net) negative impact on Talanx's Solvency I margin of 9%. Solvency I ratio was 225% as of 2012 and would have been reduced by the effects shown below to 216%



Comments

- In June 2011 the IASB published amendments to IAS 19 (Employee Benefits) which were ratified by the EU on 5 June 2012
- The key amendment is the abolishment of the "corridor method": future actuarial gains and losses must now be accounted for fully under "Other Comprehensive Income" in shareholders' equity
- Moreover, calculation of the net interest income from so-called plan assets will be determined based on the discount rate rather than on the expected rate of return; past service cost is recognised immediately
- In terms of partial retirement benefit obligations, additions are no longer to be accumulated in full upon the completion of the contract, but proportionately over the working period of the recipient

For additional information please refer to pp. 142/143 in the Annual Report 2012

Limited impact from IAS19 amendments

Content

Talanx credentials in summary

EXCELLENCE

- B2B expertise as USP
- Strong integration of all divisions
- Focus on underwriting

SOUNDNESS

- Strong solvency ratios
- State-of-the-art capital management
- TERM in final BaFin application process

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GROWTH

- Strategy for Industrial Lines, Retail International and Re
- Focus on growth regions
- Intelligent combination of organic and bolt-on

PROFITABILITY

- Top-line growth from presence in growth markets
- Efficiency gains in Germany and cost synergies in Poland and Mexico
- Strategic increase of retention rate

Mid-term target matrix

Segments	Key figures	Strategic targets
Group	Return on equity	≥ 750 bps above risk free[1]
	Group net income growth	~ 10%
	Dividend payout ratio	35 - 45%
	Return on investment[2]	≥ 3.5%
Industrial Lines	Gross premium growth[3]	3 - 5%
	Combined ratio	≤ 96%
	EBIT margin[4]	≥ 10%
	Retention rate	60 - 65%
Retail Germany	Gross premium growth	≥ 0%
	Combined ratio (non-life)	≤ 97%
	New business margin (life)	≥ 2%
	EBIT margin[4]	≥ 4.5%
Retail International	Gross premium growth[3]	≥ 10%
	Combined ratio (non-life)	≤ 96%
	Value of New Business (VNB) growth	5 - 10%
	EBIT margin[4]	≥ 5%
Non-life reinsurance	Gross premium growth	3 - 5%
	Combined ratio	≤ 96%
	EBIT margin[4]	≥ 10%
Life & health reinsurance	Gross premium growth[3]	5 - 7%
	Value of New Business (VNB) growth	≥ 10%
	EBIT margin[4] financing and longevity business	≥ 2%
	EBIT margin[4] mortality and health business	≥ 6%

[1] Risk-free rate is defined as the 5-year rolling average of the 10-year German government bond yield
[2] Derived from actual asset duration. Currently ~ 6.5 years, therefore the minimum return is the 13-year average of 13-year German government bond yield. Annually rolling
[3] Organic growth only; currency neutral
[4] EBIT/net premium earned
Note: growth targets are on p.a. basis

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