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Insurance. Investments.

Talanx Capital Markets Day

Frankfurt, 18 November 2016

Agenda

I	Group Strategy	Herbert K. Haas
II	Group Financials	Dr. Immo Querner
	Retail Germany	
III	Strategy	Dr. Jan Wicke
IV	Financials	Barbara Riebeling
V	Bancassurance	Iris Kremers
VI	Life	Ulrich Rosenbaum
VII	P/C	Dr. Christoph Wetzel
VIII	Distribution	Wolfgang Hanssmann
IX	Key Essentials Retail Germany	Dr. Jan Wicke
X	Final Remarks	Herbert K. Haas

Agenda

Talanx Group – Major events in 2016

- 11 January 2016: to strengthen its international profile Industrial Lines now operates under the label “HDI Global SE”
- 18 January 2016: Talanx sells shares in C-Quadrat (contract signing – closing in June)
- 1 April 2016: opening of new HDI Global branch in Labuan, Malaysia, to foster growth strategy in ASEAN target region
- 15 September 2016: Talanx publishes its first Sustainability Report
- 10 October 2016: HDI German motor business goes online with a 100% straight-through processing and new policy system

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Talanx Group – 9M results

Summary of 9M 2016

€m, IFRS	9M 2016	9M 2015	Change
Gross written premium	23,749	24,355	(2%)
Net premium earned	19,134	19,246	(1%)
Net underwriting result	(1,168)	(1,288)	n/m
Net investment income	2,981	2,989	(0%)
Operating result (EBIT)	1,649	1,507	+9%
Net income after minorities	635	488	+30%
Key ratios	**9M 2016**	**9M 2015**	**Change**
Combined ratio non-life insurance and reinsurance	96.6%	96.9%	(0.3%)pts
Return on investment	3.5%	3.7%	(0.2%)pts
Balance sheet	**9M 2016**	**FY2015**	**Change**
Investments under own management	107,085	100,777	+6%
Goodwill	1,040	1,037	(0%)
Total assets	159,272	152,760	+4%
Technical provisions	111,409	106,832	+4%
Total shareholders' equity	14,532	13,431	+8%
Shareholders' equity	9,002	8,282	+9%

Comments

- GWP down by 2.5% y/y, dampened by currency effects. Adjusted for these, GWP remained nearly stable with Retail International achieving top-line growth
- Group combined ratio improved slightly to 96.6% (9M 2015: 96.9%) due to lower loss ratios in Industrial Lines (combined ratio: 98.0% vs. 9M 2015: 100.2%) and Non-Life Re (95.1% vs. 95.6%). Combined ratio in Retail Germany P/C (103.2% vs. 101.0%) was affected by KuRS costs (impact: 2.9%pts). Retail International's combined ratio (97.0% vs. 96.3%) was slightly up
- Group EBIT was significantly up. Even adjusted for the Q2 2015 goodwill writedown, EBIT in 9M 2016 nearly reached the previous year's level - despite significant burdens, e.g. costs for KuRS programme (~€50m vs. 9M 2015), lower – yet positive - currency results (~€110m), the Polish asset tax (~16m) and the accelerated amortisation of PVFP in Retail Germany Life (~€22m). The C-Quadrat disposal gain (~€27m) contributed positively in Q2 2016
- 9M 2016 ZZR allocation was €502m. ZZR stock is expected to go up to ~€2.2bn at year-end FY2016 (FY2015: €1.56bn)
- Shareholders' equity increased ytd to €9,002m, or €35.61 per share (FY2015: €32.76, Q2 2016: €34.23). NAV up to €31.49 per share (FY 2015: €28.66, Q2 2016: €30.14)

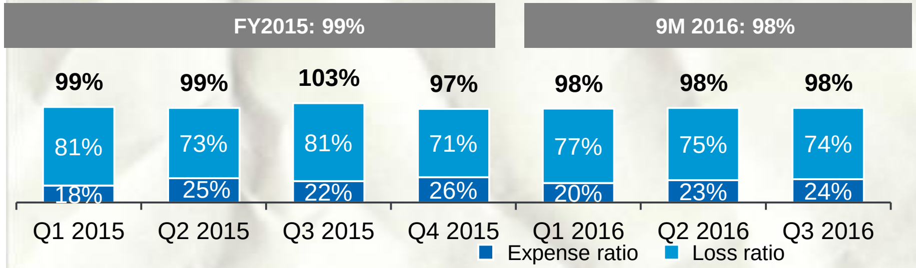
Improvement in Group combined ratio – EBIT of €635m despite various burdening factors

Industrial Lines – 9M results

P&L for Industrial Lines

€m, IFRS	9M 2016	9M 2015	Δ	Q3 2016	Q3 2015	Δ
Gross written premium	**3,390**	**3,434**	**(1%)**	**684**	**809**	**(15%)**
Net premium earned	1,630	1,581	+3%	547	560	(2%)
Net underwriting result	33	(4)	n/m	8	(17)	n/m
Net investment income	165	158	+4%	56	45	+24%
Operating result (EBIT)	**204**	**152**	**+34%**	**61**	**10**	**+610%**
Group net income	132	103	+28%	41	6	+683%
Return on investment (annualised)	2.8%	2.8%	0.0%pts	2.9%	2.3%	+0.6%pts

Combined ratio[1]



[1] Incl. net interest income on funds withheld and contract deposits

Comments

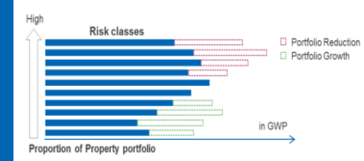
- 9M GWP 2016 slightly lower by 1.3% y/y, slightly dampened by currency effects (curr.-adj.:-0.5%). Positive effects from international markets (e.g. US and new business unit in Brazil), but overcompensated by dampening effects from re-underwriting measures (i.e. “Balanced Book”) and the withdrawal from Aviation business
- 9M 2016 retention rate slightly up to 52.9% despite higher cessions in Property
- Combined ratio improved (9M 2016: 98.0% vs. 9M 2015: 100.2%) due to a 3.2%pts lower loss ratio. Cost ratio up by 0.9%pts due to higher commission levels in growing global business. Large losses were well within the pro-rata large loss budget. Conservative reserving policy in 9M 2016 translates into a significantly lower run-off result
- 9M 2016 net investment result up, reflecting the positive impact from investment in alternative assets, while the extraordinary investment result was slighty lower y/y

Improved net underwriting result leads to higher profitability

Industrial Lines – Three initiatives to optimise performance

Strategic 3-element-programme

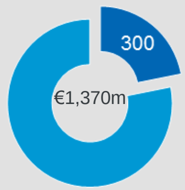
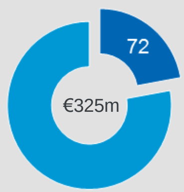
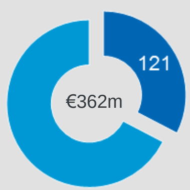
1 “Balanced Book” – raising profitability in our domestic market



2 Generating profitable growth in foreign markets

3 Establishing best-in-class efficiency and processes

Industrial Lines – 1 Portfolio optimisation: Status “Balanced Book”

	Portfolios under review (GWP)	Results from renewals (gross)		Portfolio improvement	
Property[1]		Negotiated Effects on premium Capacity	€303.7m - 8.4% - 21.7%	Premium to capacity ratio +25%[1,2]	Profitabilisation success above target ➔ further optimisation potential in 2016/17 (~€150m under review)
Marine[1]		Negotiated Effects on premium Capacity	€71.8m -5.3% -26.9%	Premium to capacity ratio +30%[1]	Profitabilisation success above target ➔ further optimisation potential in 2016/17 (~€25m under review)
Motor[3]		Negotiated Effects on premium Effect on losses[4]	€121m -10.1% ~ -14%	Expected improvement in loss ratio by FY2016 ≥ 3%pts[5]	Profitabilisation measures successfully completed ➔ back to business as usual

■ Premium negotiated

[1] In respect of portfolio under review
[2] Including effect of additional specific reinsurance measures
[3] German business only
[4] Expected, in terms of loss volume
[5] Assuming constant claims statistic; FY2015 loss ratio: 84.4% (gross)

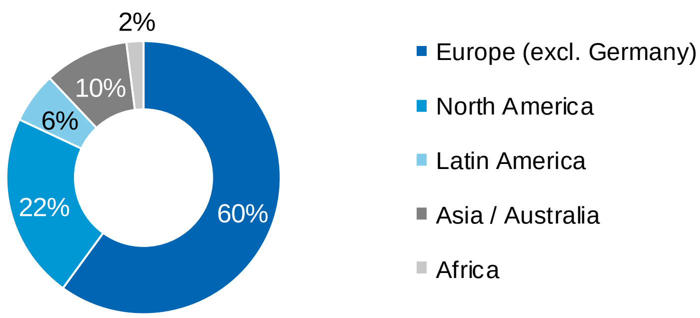
To lever the success of Balanced Book, Industrial Lines has started the broader initiative “Balanced Portfolio” with a particular focus on profitable mid-market clients across all lines of business to pro-actively improve the premium-exposure ratios and to better balance the portfolio

Industrial Lines – 2 International business: Overview

Key financials[1] (€m)

IFRS	2012	2013	2014	2015	9M 2015	9M 2016
Gross written premium[2]	1,744	2,066	2,281	2,563	2,041	2,005
Gross combined ratio	84%	83%	84%	82%	92%	77%
Gross cost ratio	17%	17%	18%	17%	17%	18%
Gross loss ratio	67%	66%	66%	65%	75%	59%

Split of GWP excl. Germany[2] (FY2015)



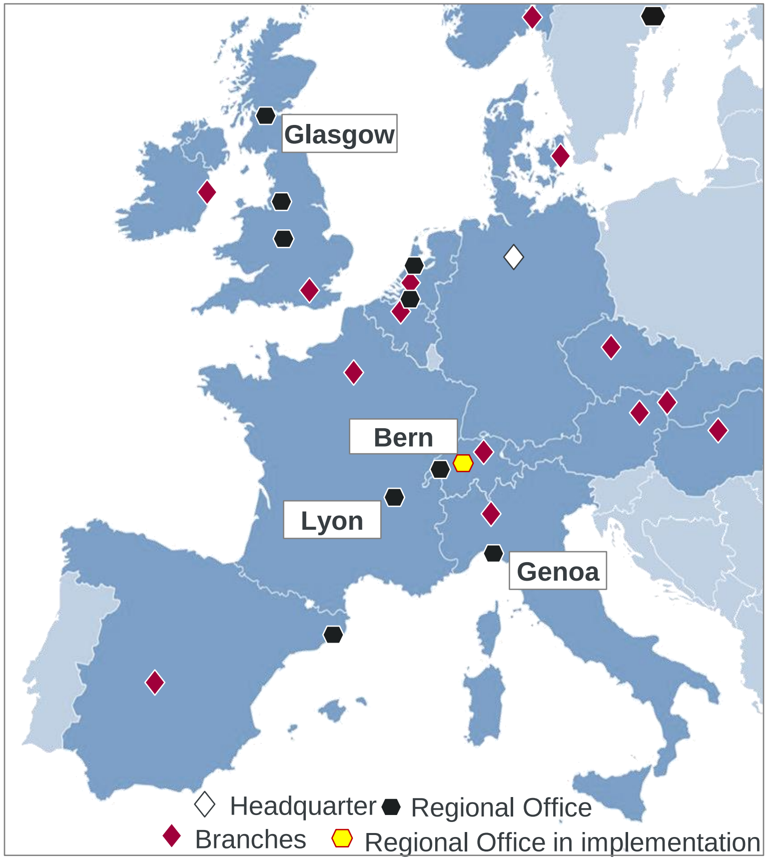
[1] Sum of branches and carriers unconsolidated according to Group IFRS; business outside Germany
[2] Consolidated figures

Comments

- International business delivers strong GWP growth (CAGR 2012-2015:+14%)
- Major proportion of GWP is generated in Europe and North America, while growth drivers mainly stem from increasing insurance demand in Asia and from positive base effects in Australia
- Labuan (Malaysia) business start in 2016, first significant premiums expected in 2017
- Low volatility in gross combined ratios, sustainably well below the 90% level
- Strong growth and positive results on the back of well-defined market strategies, professional underwriting and assignment of risk engineering

Outstanding growth accompanied by strong results in international business

Industrial Lines – 2 International growth: Capturing European mid-market via regional offices



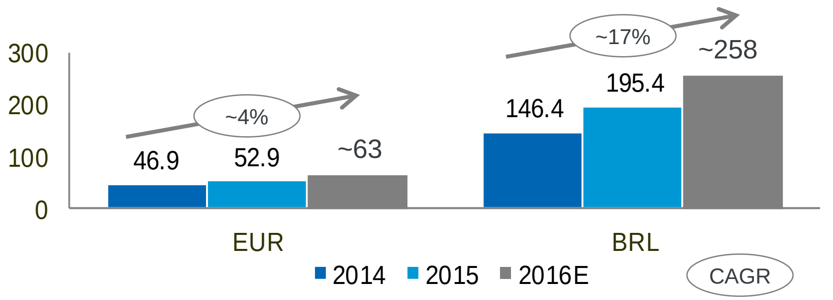
Comments

- Opening of regional offices in selected European markets to exploit significant additional growth potential from business with European mid-sized companies (SME / "Mittelstand")
- Ensuring customer proximity and full-range service to local industrial clients and regional ("second-tier") brokers
- Multiple regional offices in operation in Europe, as of 1 January 2016: Amsterdam, Antwerp, Barcelona, Birmingham, Lausanne, Manchester, …
- New openings 2016: Genoa (5/2016), Glasgow (6/2016), Lyon (10/2016)
- Openings of further regional offices planned, e.g. Bern (2017)

Widespread presence across Europe creates significant growth potential

Industrial Lines – 2 International growth: Brazilian carrier with outstanding organic growth

GWP development (IFRS, in €m and BRLm)



Market ranking 12/2015 vs. 05/2016[1]

Rank	Group	% market share	Net Combined Ratio
1	…	16.5	125.6
2	…	12.5	101.0
3	…	8.8	56.6
4	…	7.8	95.6
5	…	7	116.1
6	…	5.2	103.6
7	…	4.1	194.8
8	…	3.8	103.0
9	…	2.9	94.4
10	…	1.9	108.4
11	…	1.7	106.9
12	…	1.7	108.8
13	…	1.3	114.5
14	…	1.3	135.5
15	**HDI Global**	**1.2**	**167.1**

Rank	Group	% market share	Net Combined Ratio
1	…	13.6	102.7
2	…	10.6	105.5
3	…	10.1	54.3
4	…	9.1	99.4
5	…	6.4	120.7
6	…	5.8	102.3
7	…	3.9	157.8
8	**HDI Global**	**3.8**	**92.9**
9	…	3.8	126.1
10	…	2.8	94.7
11	…	1.8	117.0
12	…	1.7	112.4
13	…	1.6	103.1
14	…	1.5	98.5
15	…	1.4	127.0

Comments

- Just two years after its start, the Brazilian carrier HDI Global Seguros S.A. has established a strong presence in the local market
- Despite the macroeconomic headwind, the Brazilian carrier has generated significant profitable growth
- The market position improved significantly from rank 15 to 8 within one year
- At 92.9%, the Combined Ratio of HDI Seguros S.A. is second-best among the top ten players
- The target is to become a top-5 industrial insurer in Brazil via organic growth by 2018

[1] Source: SUSEP market ranking - Brazilian Carrier Industrial Lines, net combined ratios for local business only

HDI Global Seguros S.A., established in 2014, already positioned among the top-10 carriers in Brazil

Industrial Lines – 3 Process and systems excellence

E2E[1]

- Standardised front-end process for all lines of business and across all countries and divisions

one.BIZ

- Standardised IT processes for operations and claims for all lines of business and across all countries and divisions

one.DATA

- Daily updated data warehouse

[1] End-to-end optimisation underwriting

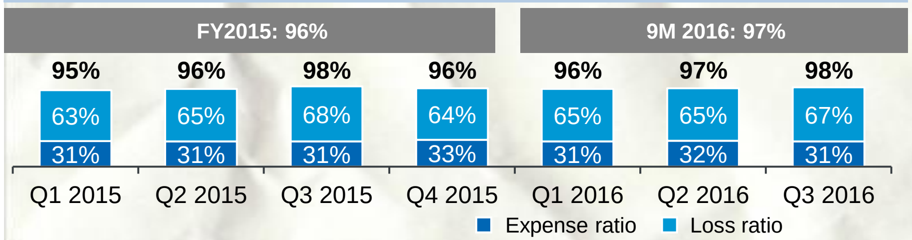
Implementing best-in-class processes and IT systems to support our growth agenda

Retail International – 9M results

P&L for Retail International

€m, IFRS	9M 2016	9M 2015	Change	Q3 2016	Q3 2015	Change
Gross written premium	**3,669**	**3,463**	**+6%**	**1,182**	**1,071**	**+10%**
of which Life	1,322	1,008	+31%	372	277	+34%
of which Non-Life	2,347	2,455	(4%)	811	793	+2%
Net premium earned	3,098	2,755	+12%	1,001	852	+17%
Net underwriting result	(4)	1	n/m	(11)	(18)	n/m
of which Life	(65)	(71)	n/m	(25)	(27)	n/m
of which Non-Life	61	72	(16%)	14	10	+44%
Net investment income	245	250	(2%)	92	83	+10%
Operating result (EBIT)	**163**	**174**	**(6%)**	**57**	**47**	**+20%**
Group net income	98	106	(8%)	33	28	+17%
Return on investment (annualised)	**3.7%**	**4.4%**	**(0.7%)pts**	**4.0%**	**4.2%**	**(0.2%)pts**

Combined ratio[1]



[1] Incl. net interest income on funds withheld and contract deposits

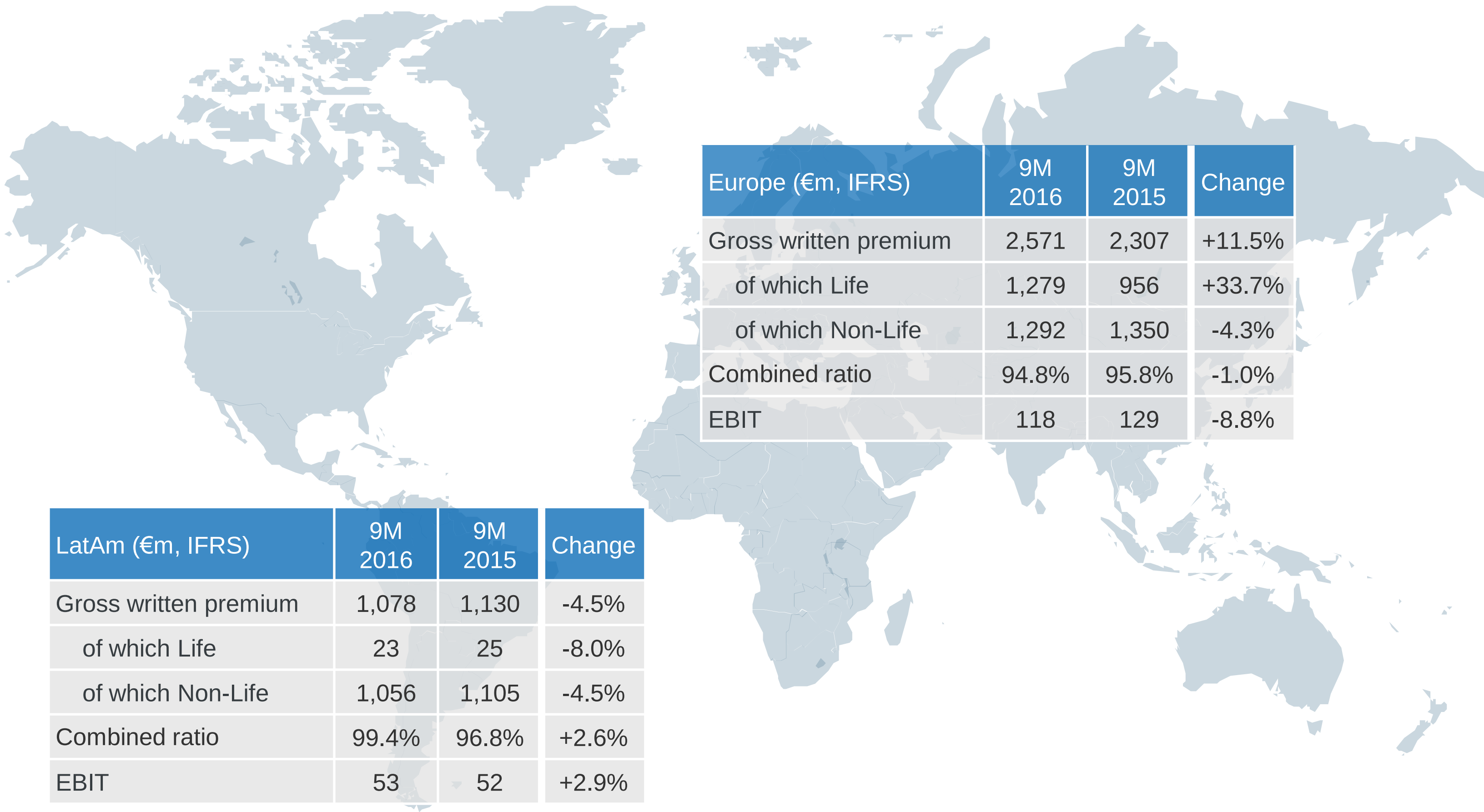
Comments

- 9M 2016 GWP up by 6.0% y/y despite currency headwinds mainly in Latin America (curr.-adj.:+11.9%), helped by a significant increase in single-premium Life business in Italy and the consolidation of CBA/Italy end of June 2016 (GWP impact: ~€100m). In Q3 2016, GWP grew by 10.4% (curr.-adj.:+11.7%)
- On a currency-adjusted basis, GWP in P/C grew by 2.8% in 9M 2016 y/y, backed by underlying growth in markets like Poland, Chile, Mexico or Turkey
- 9M 2016 combined ratio was up 0.7%pts y/y to 97.0% as business diversification led to a slightly higher cost ratio. Currency depreciation affects costs for spare parts and led to higher loss ratio, namely in Brazil and Mexico, only partially compensated by a better combined ratio in Chile. In Q3 2016, combined ratio for the segment improved by 0.5%pts y/y to 98.0%
- Moderate 9M 2016 EBIT decline despite negative currency translation effect (~€11m) and the additional asset tax charge in Poland (~€16m), only partially offset by a positive one-off in Brazil (~€8m)
- Turkey added €4.5m to 9M 2016 EBIT (9M 2015: €3.7m). Contribution from Chile[2] was €221m GWP (€181m) and ~€14m EBIT (€6.6m)

[2] Consolidated from 13 Feb 2015; "as-if" numbers for HDI Seguros S.A after merger (1 April 2016) with Magallanes Generales

9M 2016 EBIT decline fully explained by currency headwind and impact from asset tax in Poland

Retail International – 9M results by Region



Europe (€m, IFRS)	9M 2016	9M 2015	Change
Gross written premium	2,571	2,307	+11.5%
of which Life	1,279	956	+33.7%
of which Non-Life	1,292	1,350	-4.3%
Combined ratio	94.8%	95.8%	-1.0%
EBIT	118	129	-8.8%

LatAm (€m, IFRS)	9M 2016	9M 2015	Change
Gross written premium	1,078	1,130	-4.5%
of which Life	23	25	-8.0%
of which Non-Life	1,056	1,105	-4.5%
Combined ratio	99.4%	96.8%	+2.6%
EBIT	53	52	+2.9%

Retail International – Core Markets: 9M overview

Brazil

GWP growth (local currency)	-2.9%	
Combined ratio	102.4%	+3.4%pts
EBIT (€)	32.7m	-11.0%

Chile[1]

GWP growth (local currency)	+28.7%	
Combined ratio	90.6%	-2.1%pts
EBIT (€)	13.5m	+83.0%

Mexico

GWP growth (local currency)	+16.9%	
Combined ratio	95.7%	+3.4%pts
EBIT (€)	5.7m	+7.0%

Poland

GWP growth (local currency)	-9.9%	
o/w Life	-21.4%	
o/w Non-Life	-3.6%	
Combined ratio[2]	96.7%	+0.1%pts
EBIT (€)	73.7m	-16.1%
o/w Life	9.4m	-48.8%
o/w Non-Life	64.3m	-7.5%

Turkey

GWP growth (local currency)	+20.4%	
Combined ratio	102.5%	-0.2%pts
EBIT (€)	4.5m	+20.3%

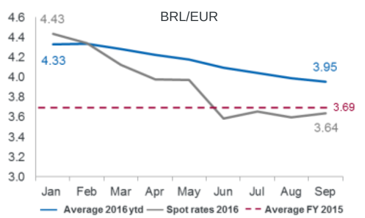
[1] Magallanes integrated in February 2015

[2] Combined ratio for Warta only

Most of our core markets in Retail International with business growth

Retail International – Brazil: Market environment

Devaluation of local currency



- On the back of the drop in oil & commodity prices and the overall sluggish GDP development, the BRL depreciated significantly in 2015. Since the beginning of the year, a turnaround, which is likely to translate into positive P&L impact in coming quarters, has materialised

Spare part prices increase

- As a consequence of currency depreciation, import inflation went up leading to spare part price increases (for imported cars by 23%) with a negative impact on loss ratios

Increase of theft claims in main regions

- Theft frequency rate reached the highest ever recorded figure for the market. HDI/BR’s motor portfolio was hit with 20% more stolen units in 6M2016 compared to last year. The increase in spare part prices supported the development of a black market. As a reaction to this development, some regions have introduced an obligation to use certified spare parts – with success

Retail International – Chile: Post-merger integration almost completed

Integration results

- Number of employees decreased by ~150 to ~815 by the end of 2016E (~-15%)
- Reduction in number of branches from 36 to 21 on track (~-42%)
- One brand policy “HDI” implemented
- Common organisational structure and compensation system
- New headquarter inaugurated end of September 2016. All central units now located in one building
- Integration IT and realisation of synergies on track

Today

Acquisition → **Integration Plan** → **Implementation Phase**

- Signing Dec 2014
- Closing Q1 2015
- Start implementation May 2015
- End of integration Q1 2017

Implementation will be completed by Q1 2017

Retail International – Poland: Market environment

Regulatory environment

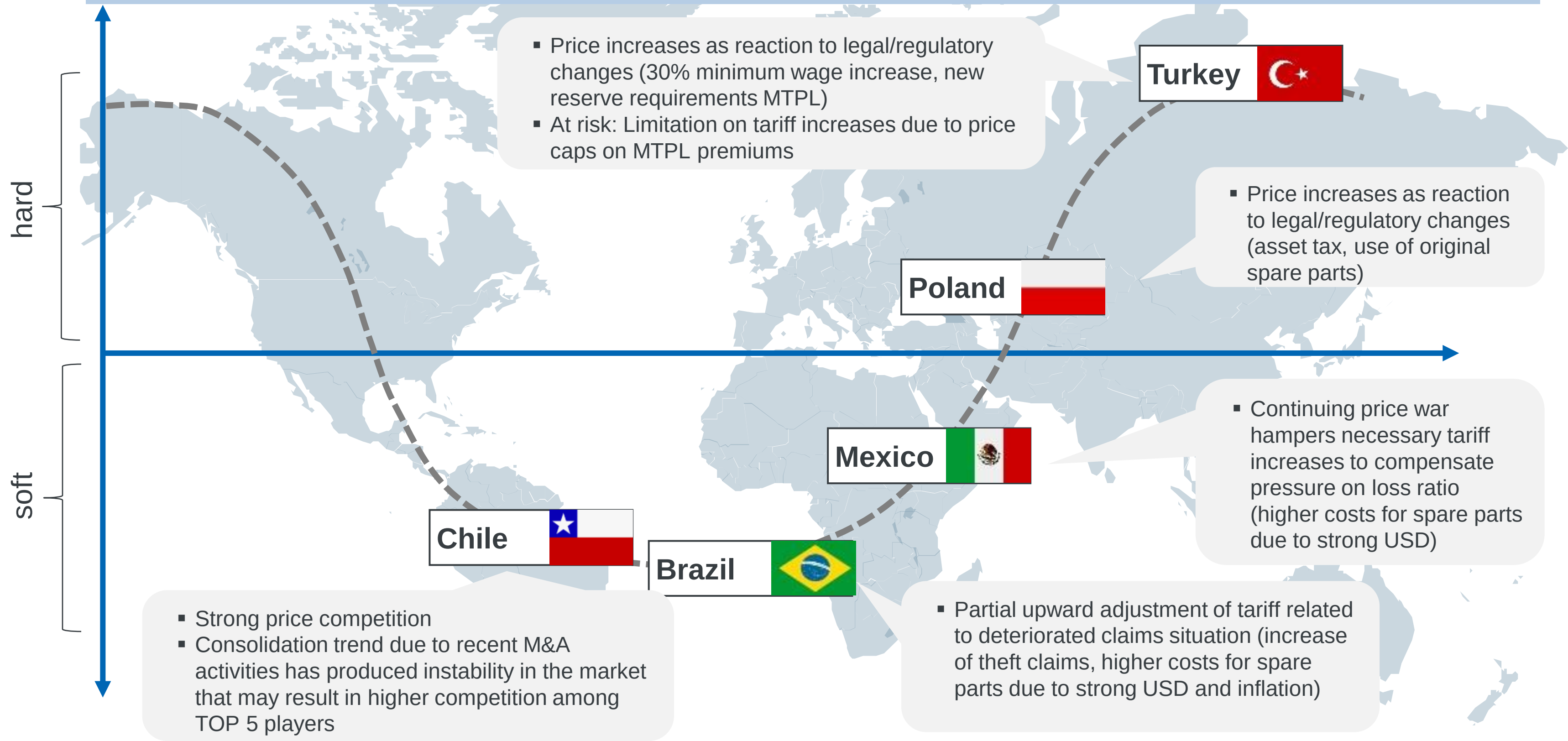
- **New asset tax**: Annual rate 0.44% on total assets of financial institutions (tax deductible: PLN 2bn calculated on group basis). In sum, the effect for 2016 will be around €22m for WARTA and Europa
- **New insurance act**: besides changes related to Solvency II, it also includes the reduction of surrender fees to 4% for new business as of January 2016
- **Tougher approach towards customer protection**: Office for Competition and Consumer Protection (UOKiK) is watching closely to ensure fair treatment of policyholders
- **Polish Mutual Insurance Company**: PZU set up TUW PZUW in 2015 with the aim to offer exclusive insurance for state owned companies, starting in 2016 (de facto: state monopoly)

Motor market

- The motor market is hardening. Acceleration of GWP growth in H2 2016 and 2017 expected as additional insurers are likely to raise prices. Technical results to recover
- Warta among the insurers with the best combined ratios, being in a position to exploit growth opportunities

Retail International – Cycle management: Status quo in Core Markets

Current status of motor market



Changes in regulation & jurisdiction result in hardening markets in CEE while LatAm is still in soft conditions

Retail International – Cycle management: Strategic initiatives in Core Markets

Brazil

- Behavioral economics to improve claims & service process
- HDI Digital & Recycle to optimise profitability
- Increase usage ratio of "Bate Prontos"

Combined Ratio in %:

2016E	2017E
~102.0	↘

Warta

- 360° sales management
- Pricing innovation „Warta Digital"
- Claims handling innovation „Warta Mobile"

Combined Ratio in %:

2016E	2017E
~96.0	→

Mexico

- Channel consolidation
- P&C diversification
- Pricing intelligence & Behavioral economics

Combined Ratio in %:

2016E	2017E
~95.0	→

Turkey

- Pro-active risk selection and ongoing price optimization in motor
- Cost management in claims handling
- Offer "best in class" IT processes

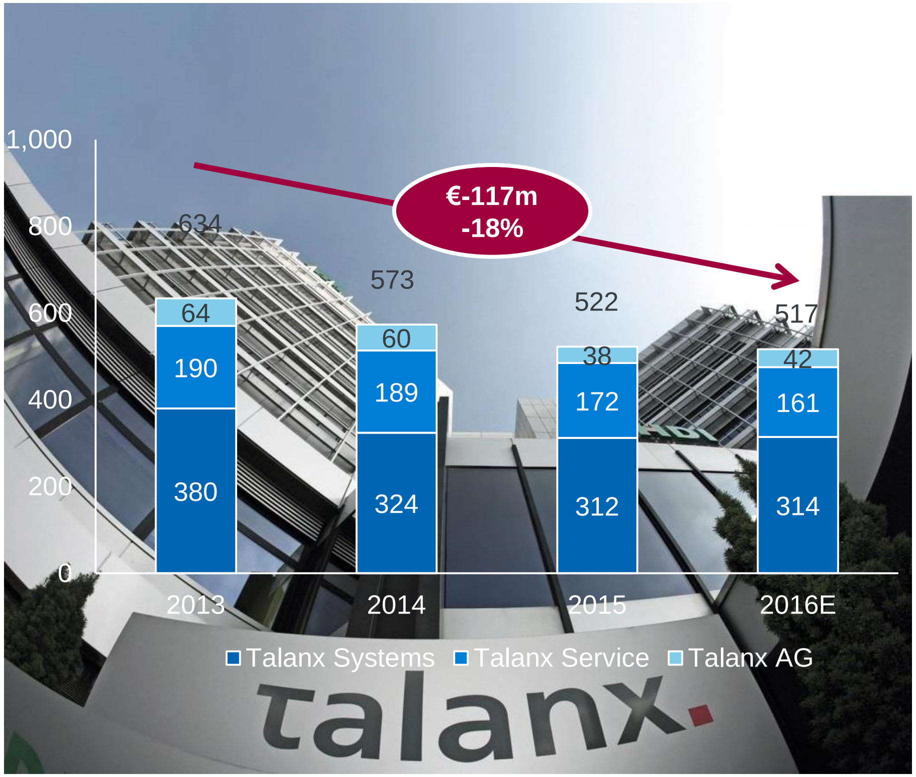
Combined Ratio in %:

2016E	2017E
~102.5	↘

Strategic initiatives as key drivers of Combined Ratio improvement – supported by transfer of best practices

Talanx Corporate Operations – Contributing to reduction in admin expenses

Admin expenses[1] in €m



Comments

- The admin expenses contain costs for back-office services provided to domestic Primary Insurance carrier
- The significant cost reduction is attributable to
  - reduction in employees
  - reduction in consulting fees
  - reduction of building and infrastructure costs

[1] Direct costs without interests, pension scheme and deductions

Material decline in costs of Corporate Operations strongly supports overall cost discipline in the Group

Outlook for Talanx Group 2017[1]

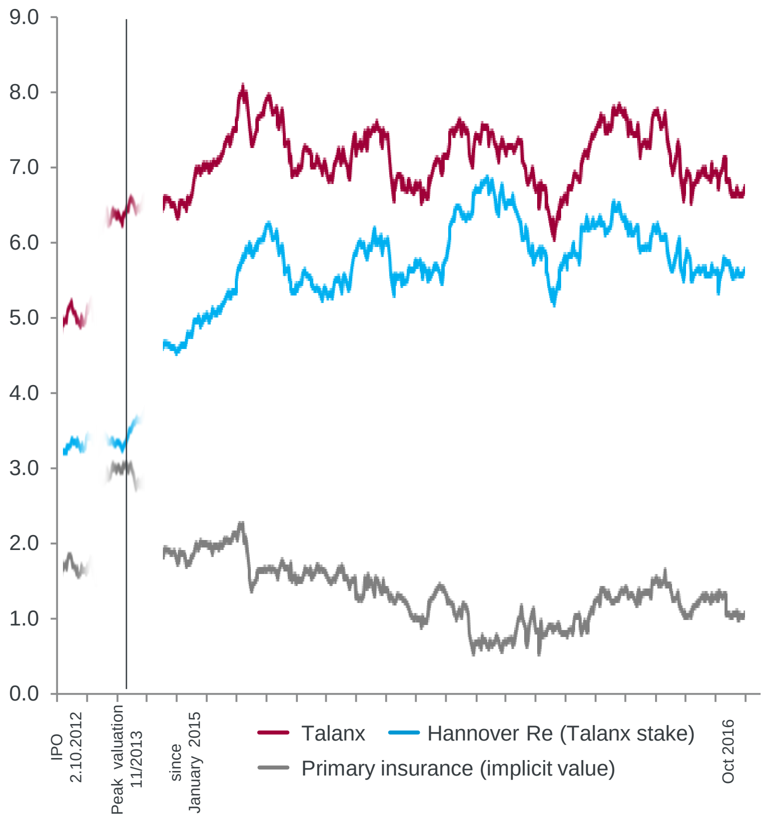
Gross written premium	**≥1 %**
Return on investment	**≥3.0%**
Group net income	**≥€750m**
Return on equity	**>8.0%**
Dividend payout ratio	**35-45% target range**

[1] The targets are based on a large loss budget of €290m (2016: €300m) in Primary Insurance, of which €260m (2016: €270m) in Industrial Lines. The large loss budget in Reinsurance stands at an unchanged €825m

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

Management ambition – Reducing the valuation discount on Primary Insurance

Implicit valuation Primary Insurance in €bn



Key measures

1 Industrial Lines:
- optimisation of domestic portfolios
- pushing profitable foreign growth
- process excellence

2 Retail International:
- continuing focused profitable growth

3 Retail Germany:
- consequent de-risking of our Life business
- forceful profitabilisation of our P/C business
- specific focus on investments in Digitalisation/IT

4 Corporate Operations / Holding:
- further cost reductions
- strict capital discipline

A comprehensive set of measures to raise the profitability in Primary Insurance

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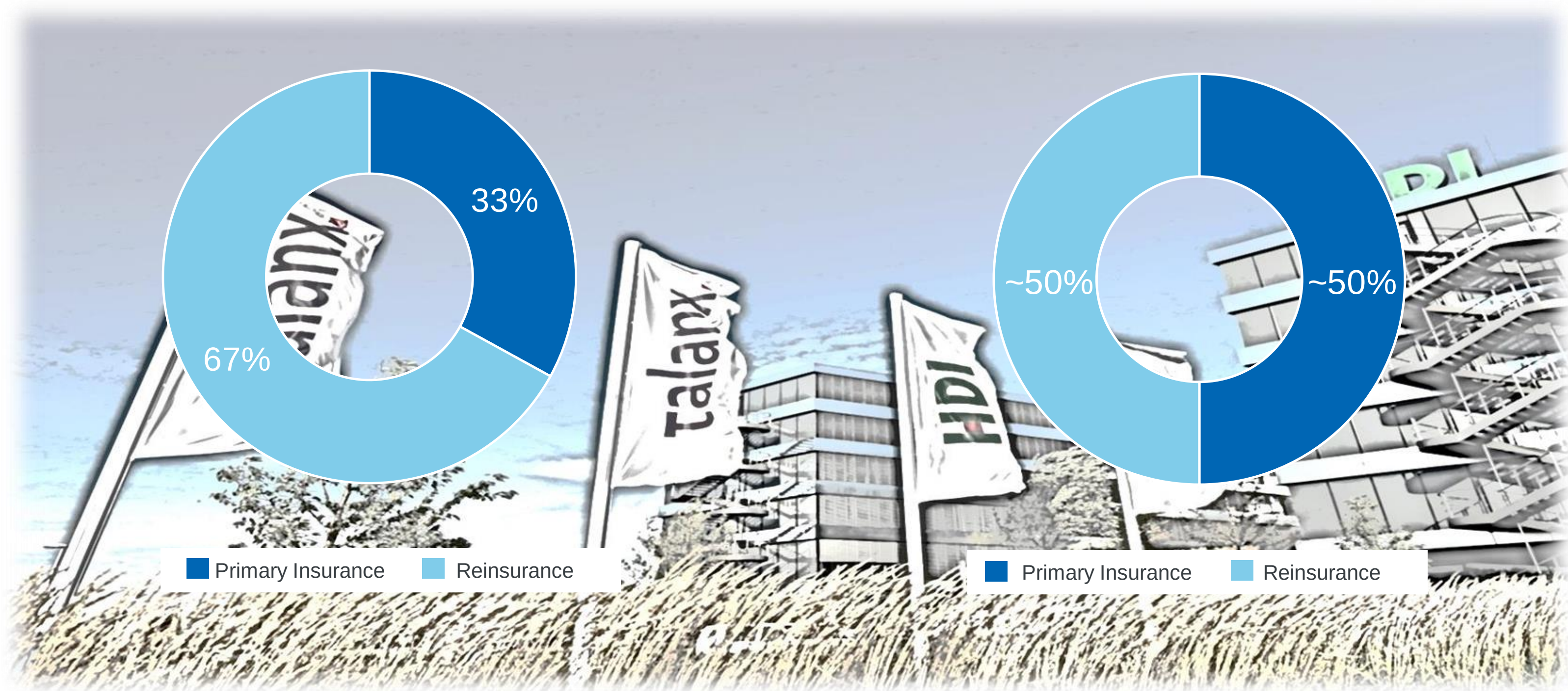
Management ambition – Earnings balance Primary Insurance vs. Reinsurance

EBIT 2015[1]

EBIT ambition by 2021[1]



[1] Adjusted for the 50.2% stake in Hannover Re

Profitability improvement in Primary Insurance to lead to a balanced EBIT split

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Key Messages

Despite the pronounced interest rate decline in 6M 2016, solvency ratios remain comfortably within our target range. The 6M 2016 shifts in ratios have been driven predominantly by “non-model“ movements

Our internal model TERM has also been approved as of 1 October, i.e. Q4 2016, on solo-entity level for our German Life carriers

Given the capitalisation levels and an estimated post 2016 net model change upside of more than 10%pts on solo-level from a move to a full internal model (including operational risk), we do not expect the need to inject any hard shareholders’ equity into the Life carriers over the forseeable future

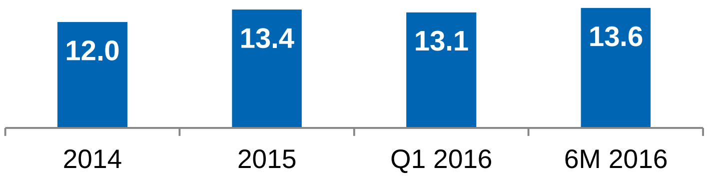
Talanx has made further progress in building up a diversified and relevant infrastructure portfolio – we expect a stock of more than €2bn in 2017 and our long-term “budget” is up to €5bn in infrastructure assets

Occupation of niche markets:
- Caplantic has set up a third-party infrastructure fund
- Talanx has co-founded Elinvar – a white-label platform digitising asset management processes

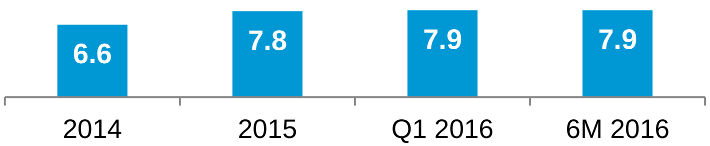
IFRS 4 Phase II and IFRS 9 will lead to a costly realignment of insurance accounting. Talanx intends to apply the “Deferral Approach” which aims at a simultaneous implementation of both regimes

Solvency II Update – Historic development of Solvency II Ratio

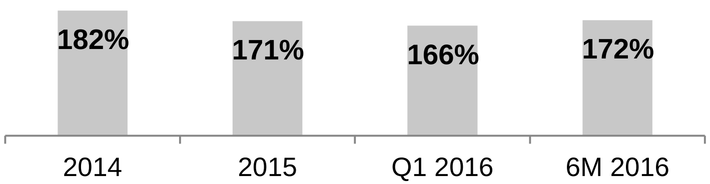
Eligible Own Funds (€bn)



Solvency Capital Required (€bn)



Solvency II Ratio



Comments

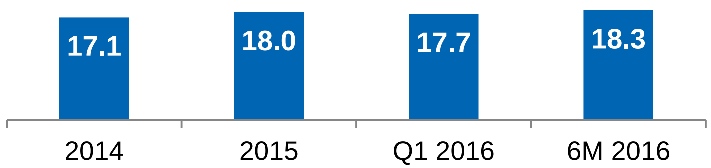
- Eligible Own Funds, i.e. Basic Own Funds (including hybrids and surplus funds as well as minority interests) with haircut on Talanx‘s minority holdings
- Compared to the Policyholder & Debt investor View (BOF CAR), the higher level of the SCR reflects the measurement of operational risks by means of the standard formula
- Due to the technical regulatory framework for the regulatory view (haircut) the decrease of SII Ratio is dampened compared to the Policyholder & Debt investor View (BOF CAR)

Note: In the entire presentation, calculations are based on a 99.5% confidence level including dynamic volatility adjustment. Figures shown on this slide do not contain any effects of transitional measures

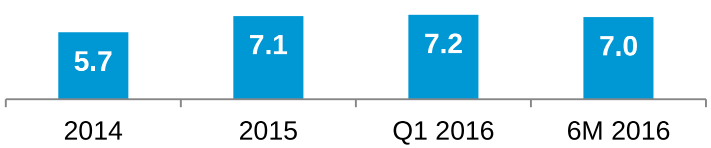
Despite the challenging capital market environment, the SII Ratio has proven robust in 6M 2016

Solvency II Update – Historic development of BOF CAR (Policyholder & Debt investor View)

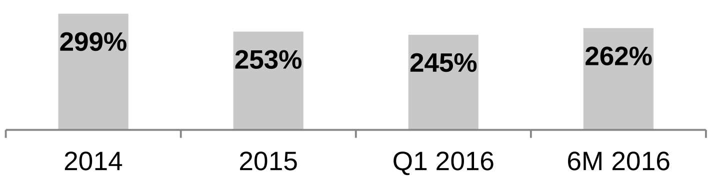
Basic Own Funds (€bn)



Solvency Capital Required (€bn)



Capital Adequacy Ratio (CAR)

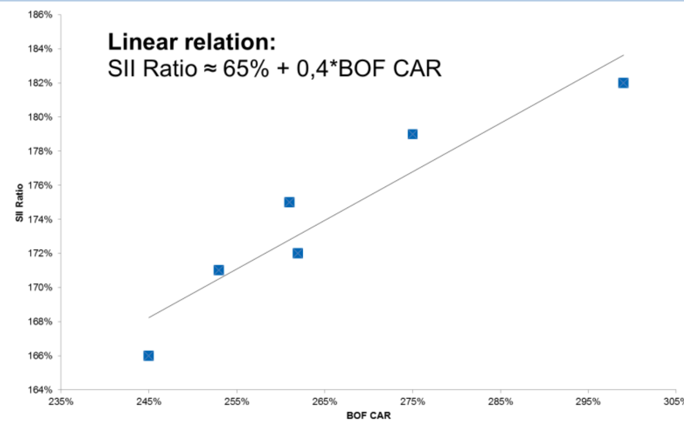


Comments

- Basic Own Funds (including hybrids and surplus funds as well as non-controlling interests)
- The respective CAR (99.5% confidence level) stands at a comfortable 262%
- This concept is used for risk budgeting and steering at Talanx as it best reflects the economic capital position of the Group

Figures shown on this slide do not contain any effects of transitional measures

Relationship of BOF CAR and SII Ratio[1]

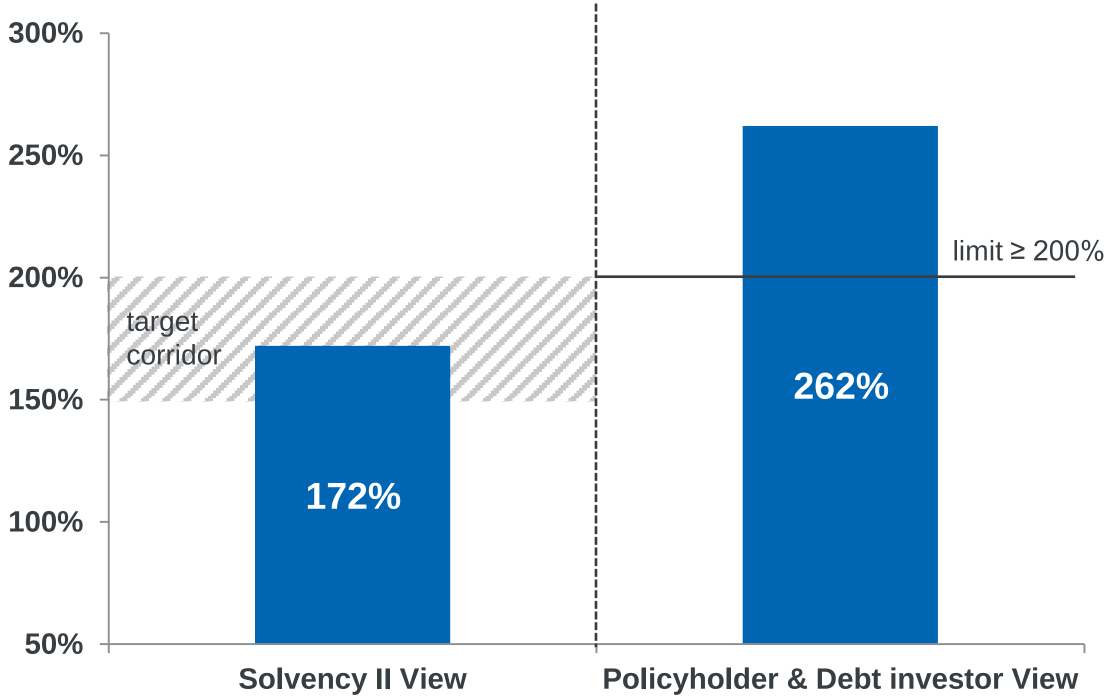


[1] Reference points are for the period from 2014 to 2016

Compared to Q1 2016 Own Funds are up by €600m, SCR is down by €200m. Nearly linear relationship between BOF CAR and Solvency II Ratio

Solvency II Update – Target capitalisation levels (as of 6M 2016)

Target capitalisation



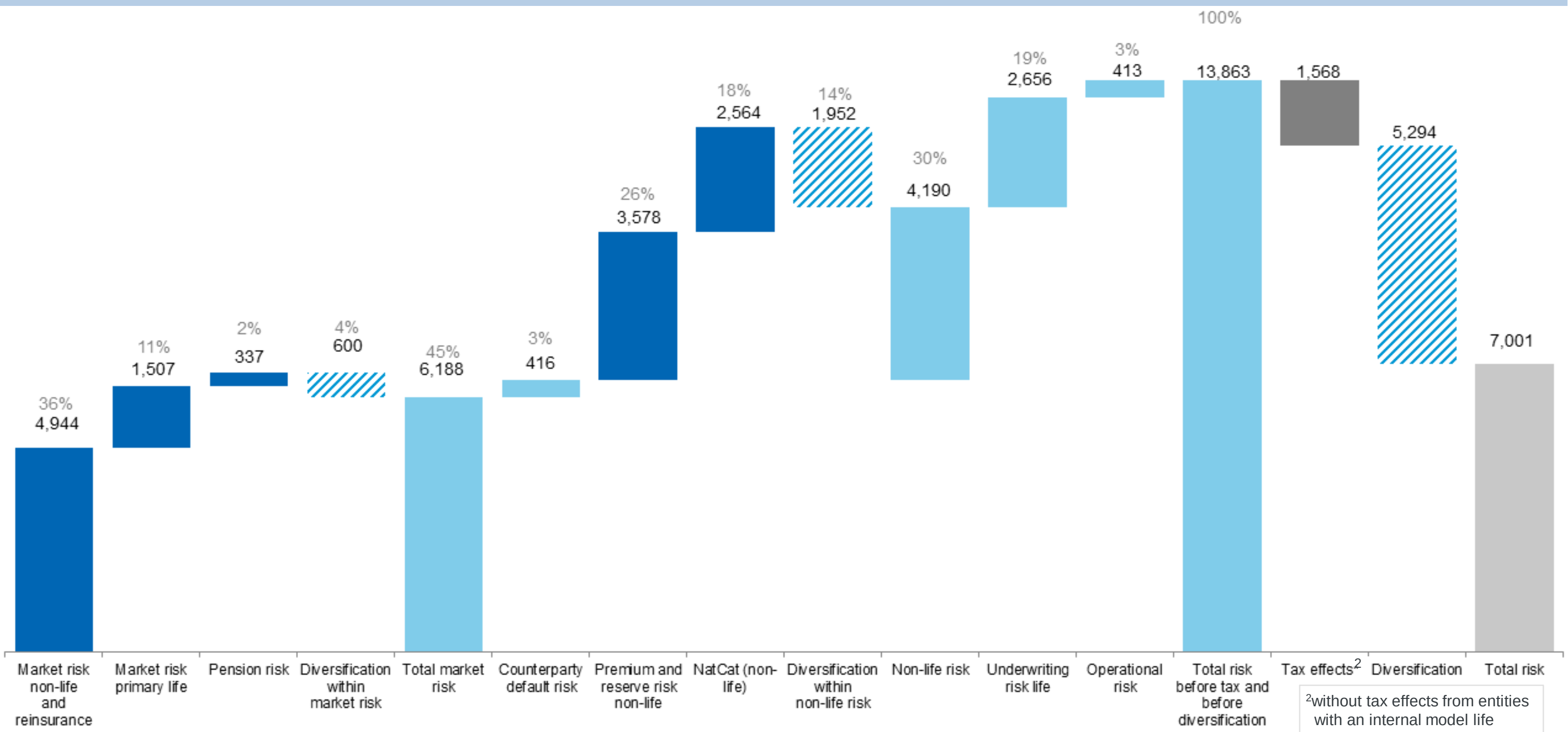
Comments

- For the Solvency II perspective, Talanx defines a target corridor of 150% to 200%
- For the Policyholder & Debt investor View, a minimum target of 200% is set. It reflects the concept that is used for risk budgeting and steering at Talanx as it best reflects the economic capital position of the Group
- Talanx is rewarded for having a convincing internal model by the so-called "M-Factor" in the S&P capital model
- In the Solvency II perspective, 79% of dividend payments do not negatively impact Own Funds as HDI V.a.G. as the regulated entity is the main beneficiary of Talanx dividends

Improved capitalisation quarter on quarter – well within our target range / above our target limit

Solvency II Update – Risk components (as of 6M 2016)

Risk components of Talanx Group (in €m)[1]



[1] Figures show risk categorisation of the Talanx Group including non-controlling interests. Solvency capital requirement determined according to 99.5% security level for the economic view, based on Basic Own Funds (BOF)

Decrease of SCR – market risk remains below 50% threshold

Solvency II Update – Features of the Talanx internal model

Where TERM may differ from other models

- Credit volatility also reflected in the calculations of the Own Funds (via FOG calculation)[1] in German Life ("MCEV") – as for interest rates and equity spread
- All sovereigns deemed to be credit risks (incl. Bunds!)
- Negative interest rates are allowed for both risk neutral ("MCEV") and real world distributions (SCR) Group-wide
- Pension liabilities modeled as if they were life insurance liabilities

- TERM is based on the so-called path-identical approach for NatCat and market risk[2]
- Central published figures do not contain transitionals[3], let alone post-Brexit "reset" transitionals
- Look-through approach in as much as possible – no so-called "repack structures"
- Partial internal model as far as operational risk is concerned. We target for a step-wise transition of partial into full internal models (i.e., incl. operational risk) starting in 2017
- CAR sensitivities reflect both the Own Funds and the SCR sensitivity. Moreover "quality hurts" the Own Funds sensitivities[4]

[1] Financial options and guarantees
[2] Pivotal entity-correlations are rather the activity-based outcome (rather than a a matrix of questionable premises) allowing a thorough analysis of (heavy) tail pathes as an important element of the group ORSA
[3] Group Solvency II Ratios including transitional: FY2015=224%. Q1 2016=218%. 6M 2016=224%
[4] "Quality hurts: the better the ingoing rating/the lower the ingoing spread, the longer the duration and thus the higher the spread sensitivity (c.p.)!"

Talanx's internal model takes a prudent approach that considers a variety of unfavourable scenarios that are not taken into account in standard models

Solvency II Update – Model approval process

Approval for internal model German Life

TARGO•VERSICHERUNG
Schutz und Vorsorge

HDI

PB Versicherungen
Partner der Postbank

neue leben
Willkommen Zukunft

Comments

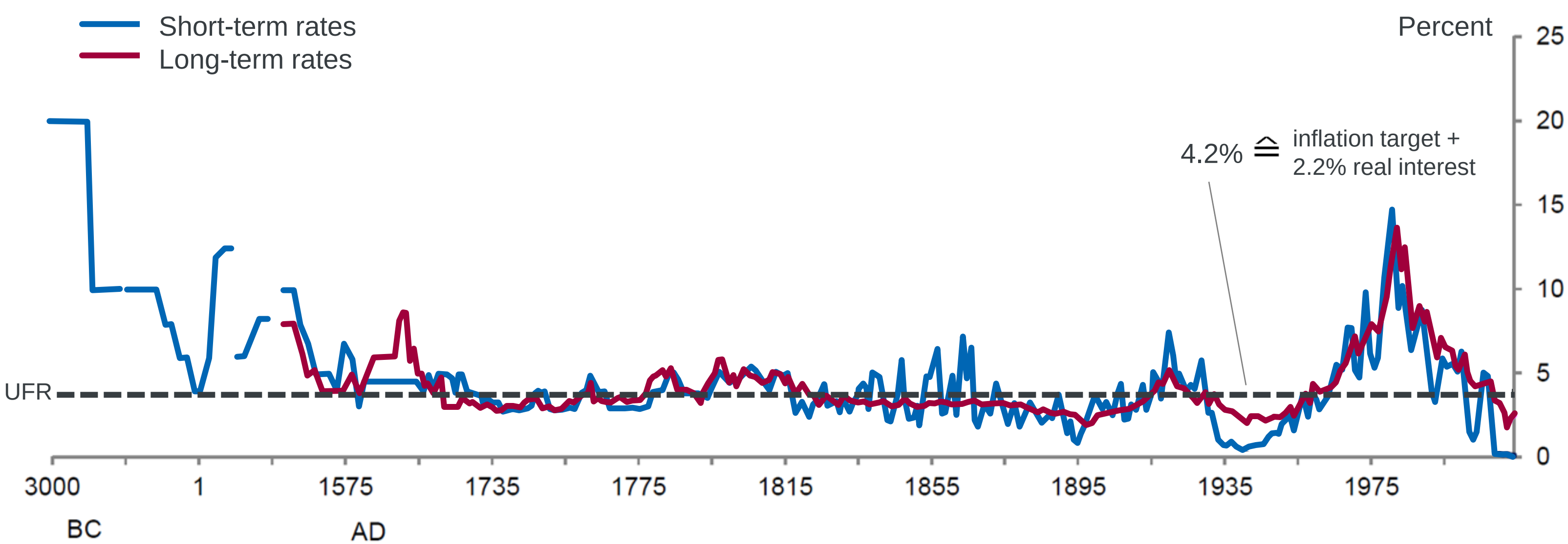
MODEL APPROVED
by German regulator BaFin
(as per 1st October 2016)

- Following last year‘s approval of the internal model on Group level, BaFin has also approved Talanx‘s internal model for its German Life carriers on solo-entity level
- This makes Talanx one of the frontrunners among the German insurance groups. BaFin approval may also be considered an external quality certification for our model
- The decision promotes capital efficiency and allows for a more risk-adequate steering of business
- German Life carriers have successfully applied for transitional, like most German Life insurance companies
- Based on an SCR-weighted average, the Solvency II Ratio for the German Life carriers stood at: FY2015 - 142% (367% incl. transitional), Q1 2016 - 115% (338% incl. transitional), 6M 2016 - 128% (364% incl. transitional)
- Given the capitalisation levels and an estimated post 2016 net model change upside of more than 10%pts on solo-level from a move to a full internal model (including operational risk), we do not expect the need to inject any hard shareholders’ equity into the Life carriers over the forseeable future

Model approval on solo-entity level raises capital efficiency, increases Own Funds under the regulatory view (via lower risk margins) and thus ultimately also benefits shareholders

Solvency II Update – Does the UFR of 4.2% look unreasonable in a long-term/historic context?

Historic short-term and long-term interest rates



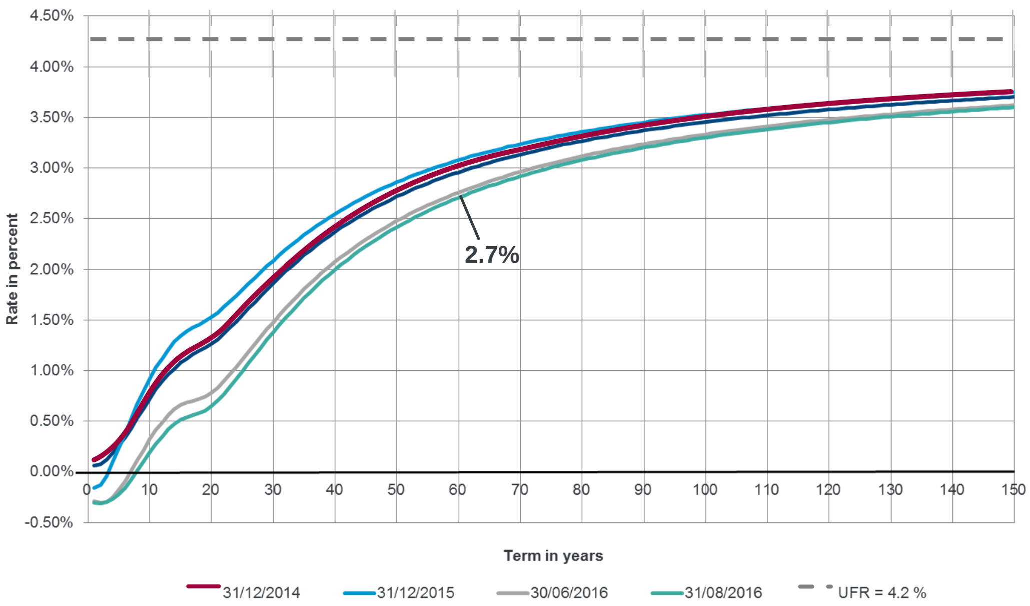
Sources of A. Haldane:: Homer and Sylla (1991); Heim and Mirowski (1987); Weiller and Mirowski (1990); Hills, Thomas and Dimsdale (2015); Bank of England; Historical Statistics of the United States Millenial Edition, Volume 3; Federal Reserve Economic Database. Notes: the intervals on the x-axis change through time up to 1715. From 1715 onwards the intervals are every twenty years. Prior to the C18th the rates reflect the country with the lowest rate reported for each type of credit: 3000BC to 6th century BC - Babylonian empire; 6th century BC to 2nd century BC - Greece; 2nd century BC to 5th century AD - Roman Empire; 6th century BC to 10th century AD - Byzantium (legal limit); 12th century AD to 13th century AD - Netherlands ;13th century AD to 16th century AD - Italian states. From the C18th the interest rates are of an annual frequency and reflect those of the most dominant money market: 1694 to 1918 this is assumed to be the UK; from 1919-2015 this is assumed to be the US. Rates used are as follows: Short rates: 1694-1717- Bank of England Discount rate;1717-1823 rate on 6 month East India bonds; 1824-1919 rate on 3 month prime or first class bills; 1919-1996 rate on 4-6 month prime US commercial paper ; 1997-2014 rate on 3month AA US commercial paper to non-financials. Long rates: 1702-1919 - rate on long-term government UK annuities and consols; 1919-1953, yield on long-term US government bond yields; 1954-2014 yield on 10 year US treasuries.

Source: Haldane, A.”Stuck” 30/06/2015, Bank of England

4.2% does not look overly optimistic “in the long run”

Solvency II Update – From the Ultimate Forward Rate (UFR) to the Solvency II interest rate curve

Solvency II interest rate curve (without VA[1])



Comments

- The UFR is a construct that is used to model the yield curve beyond 20 years. It makes equilibrium assumptions about future short-term interest rates and on that basis builds an arbitrage-free yield curve
- The UFR is used because there is no sufficiently deep, liquid and efficient market for maturities in the range of 20-60 years

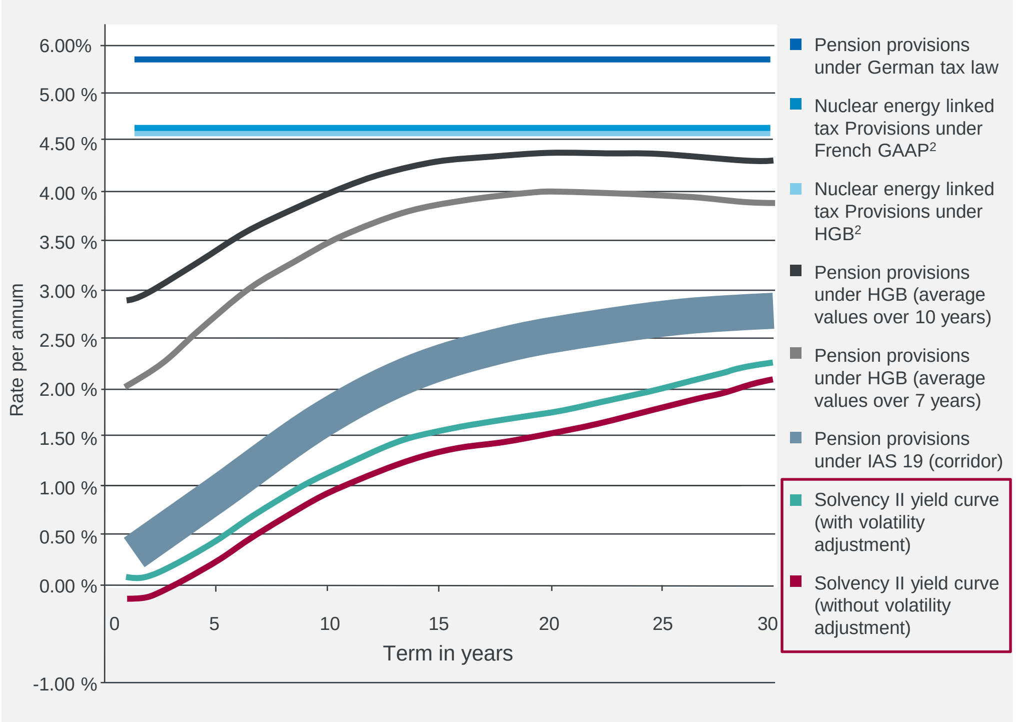
[1] Volatility Adjustment

The yield curve used for the measurement of the liabilities is much lower than the UFR. At all times, it is significantly lower than 4.2% - there is no discounting at 4.2%

talanx.

Solvency II Update – Putting things into perspective

Comparison of discount rates[1]



[1] Comparison of discount rates per 31/12/2015
[2] Values are only available per 31/12/2014
Sources: Bloomberg, EIOPA, Deutsche Bundesbank, Warth & Klein Grant Thornton

Comments

- The UFR is the basis of the generally accepted LTG (long-term guarantee) set of rules and corresponds to other equilibrium assumptions (e.g. CoE of 6%)
- It has to be applied and kept stable as all other Solvency II elements if SII is not meant to be excessively procyclical
- Thus, it is meant to be a term representing the historic unweighted memory of the economy
- Besides, the UFR reduces herd instinct and restricts the opportunity to “bet“ against a sector
- It does not yet allow for term premiums (according to EIOPA not even for 365 days!) although the very short end is artificially depressed because of banking liquidity regulation
- In addition, the UFR is based on unrealistically conservative mixing assumptions of different economies

Insurers work with comparatively conservative discount rates

Solvency II Update – UFR sensitivities

How does a lower UFR impact Talanx's Life carriers …[1]

Life without transitional (Solvency II Ratios)			
UFR unchanged	UFR at 4.0%	UFR at 3.5%	UFR at 3.0%
128%	122%	109%	93%

Life with transitional (Solvency II Ratios)			
UFR unchanged	UFR at 4.0%	UFR at 3.5%	UFR at 3.0%
364%	359%	346%	331%

Comments

- Even if the UFR went down to 3.5% the average Solvency II Ratio in Life clearly would remain well above 100% without the use of any transtitionals
- The broadly discussed UFR of 3.7% would correspond to a Solvency II Ratio between 110% and 120%
- With transitional, the SII Ratio would remain c.p. above 330% even if the UFR went down to 3.0%

…as well as the Group?[1]

Group without transitional (Solvency II Ratios)			
UFR unchanged	UFR at 4.0%	UFR at 3.5%	UFR at 3.0%
172%	171%	169%	166%

Comments

- On Group level a lower UFR has a very limited impact – even at 3.0% the Solvency II Ratio would only decrease by 6%pts
- If the transitional was used the ratio would remain significantly above 200% (3.0% UFR)
- The effect of lowering the UFR from 4.2% to 3.7% would be hardly visible in the Group context

[1] Calculations based on 6M 2016 figures, SCR-weighted average for German Life carriers

Even if the UFR is lowered to 3.7% Talanx's German Life carriers have a Solvency II Ratio well above 100%. Any adjustments are of minor importance to the Group's Solvency II Ratio

Solvency II Update – Key issues of EIOPA Own Funds stress test

Insurance stress test 2016 results[1] and assumptions

Group impact without transitional		
6M 2016	Low-for-long[2]	Double-hit[2]
172%	156%	160%

- Baseline, i.e. the pre-stress valuation of the balance sheet
- “Low-for-long“ focused on a prolonged low yield environment (UFR: 2.0%, Volatility Adjustment: 22bp)
- “Double-hit“, i.e. a negative market shock to asset prices combined with a low risk free rate (UFR: 4.2%, Volatility Adjustment: 141bp, widening of credit spreads for **all** government bonds **incl. Bunds** and corporate bonds ~ 200bp, market values of equities -33% and property -7%)

Comments

+ Uniform EU-wide stress test and thus differing from ECB stress test for banks that included country-specific stress scenarios
− Stress is applied on 99.5% “stress“
− Stress test is poorly timed as conversion to Solvency II is not yet finalised
  - Model approvals have not been given throughout the whole industry
  - Teething troubles of internal models as well as standard formula
  - Own Funds have not yet been audited
− Paradoxical stress scenarios since “double-hit“ scenario ignores “flight to quality“ into Bunds
− Stress scenarios are incomplete – no European sovereign (debt) crisis
− Stress test only considers selected solo entities leaving out groups

[1] Calculations based on 6M 2016 figures, [2]Stress test only applied for German Life carriers

Inappropriate timing of EIOPA stress test – publication of results in December 2016

Solvency II Update – The Solvency and Financial Condition Report (SFCR)

Solvency II and Pillar 3 reporting

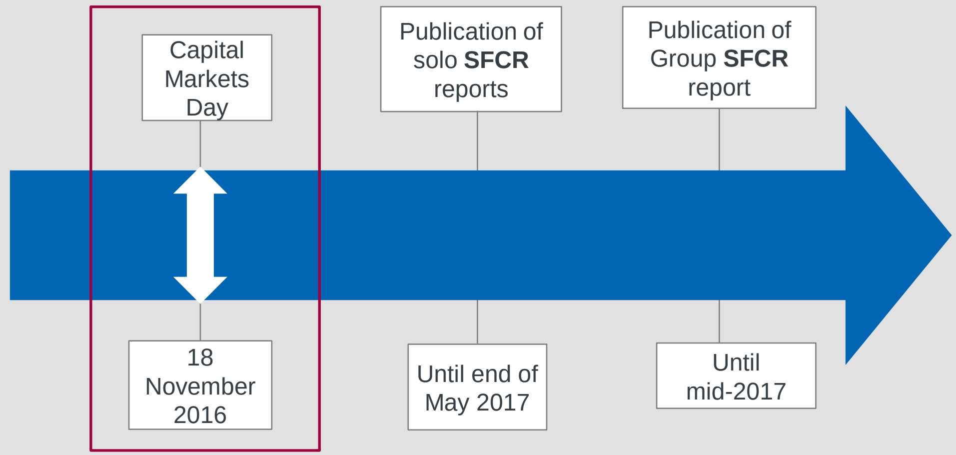
Solvency and Financial Condition Report (SFCR)

- SFCR aims to provide the general public with qualitative and quantitative information
- The content is widely determined by regulatory law

Target group

General public

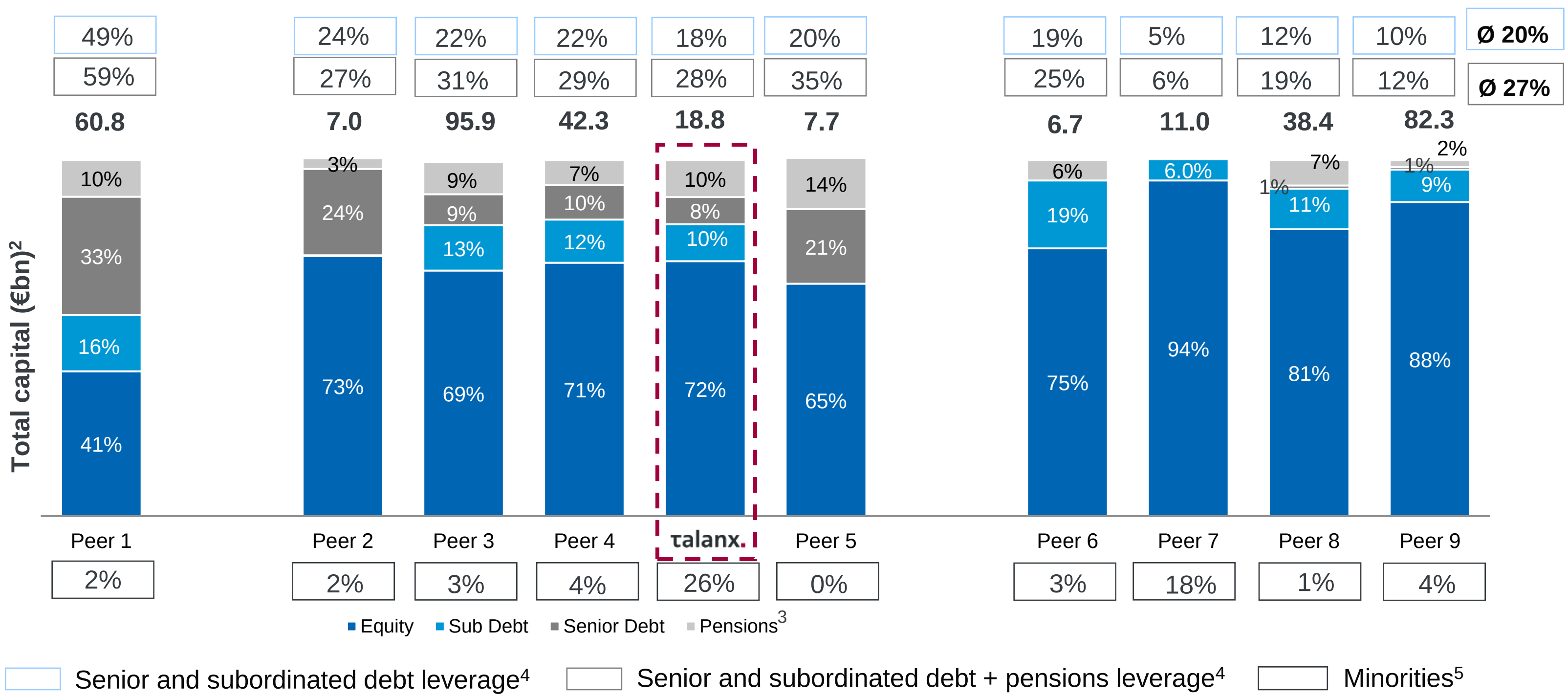
→ Concept of transparency



From mid-2017, Talanx will provide detailed risk-related information to the broader public in solo and Group SFCR reports. Open question: Will it be seen just as a "regulatory constraint" or a "value-generation proxy"?

Capital Management – Leverage level

Capital structure benchmarking[1]

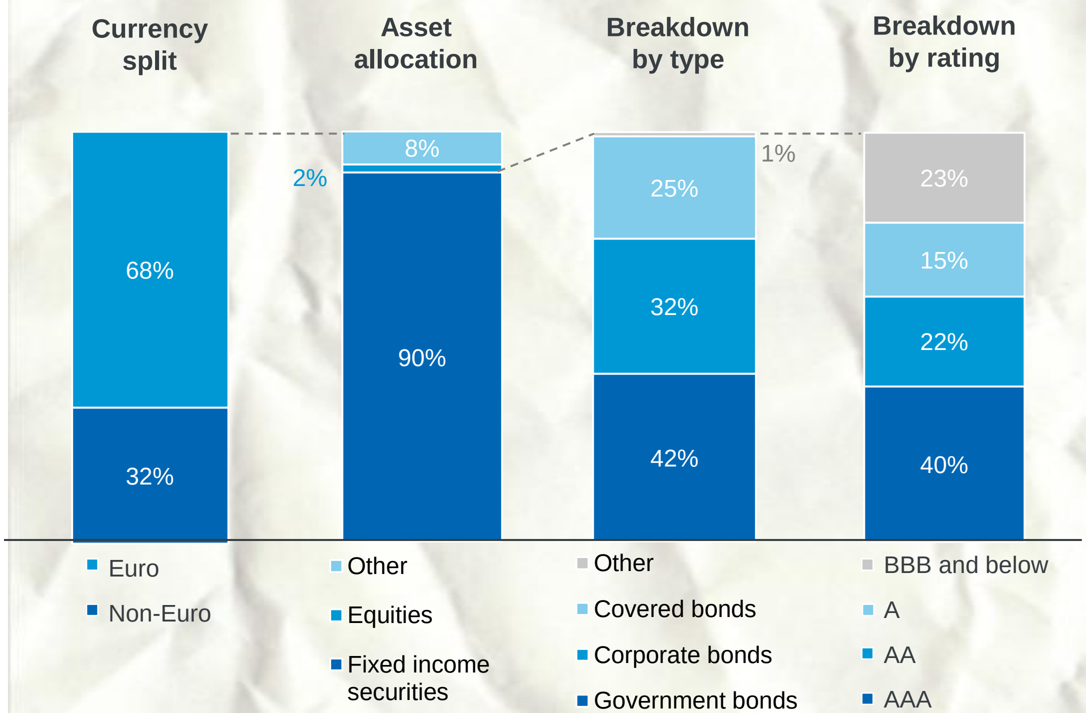


[1] Peer group consists of Allianz, AXA, Baloise, Generali, Mapfre, Munich RE, RSA, VIG, Zurich. Numbers as of FY15
[2] Defined as the sum of total equity (incl. min.), subordinated debt and senior debt
[3] Funded status of defined benefit obligation [4] Calculated in % of total capital [5] In %-points of total capital

Reasonable, but no excessive use of debt leverage, room for manoeuvre for Solvency II management

Investments – Breakdown of investment portfolio

Investment portfolio as of 30 Sept. 2016 | **Fixed-income-portfolio split**



Total: €107.1bn | **Total: €96.3bn**

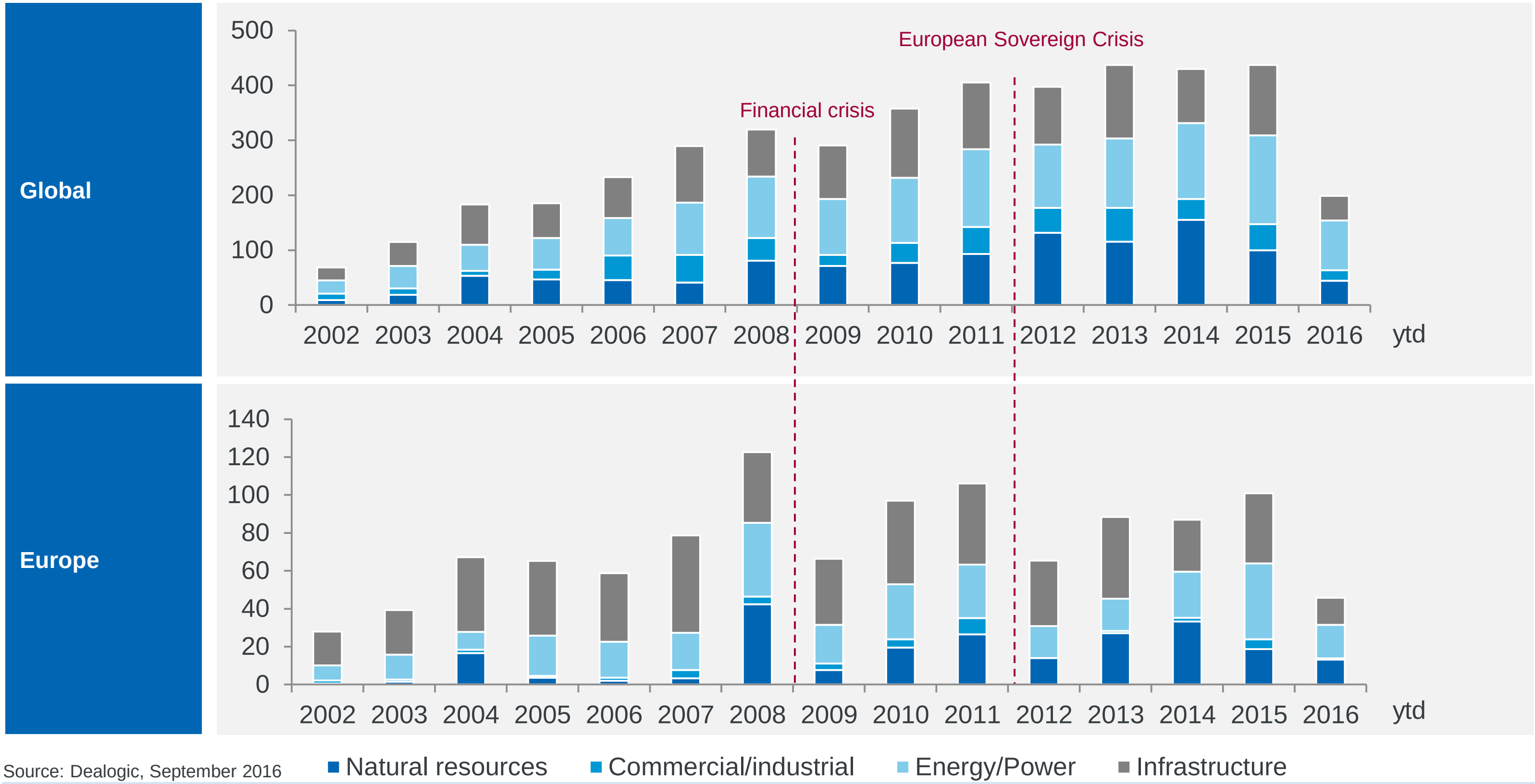
Comments

- Investments under own management up by 8.3% y/y to €107.1bn (Q3 2015: €98.9bn). This includes the ~€1.0bn from acquired CBA Vita/Italy (consolidation as of 30 June 2016)
- Investment portfolio remains dominated by fixed-income securities: 90% portfolio share in Q3 2016 (Q3 2015: 90%)
- Over 75% of fixed-income portfolio invested in "A" or higher-rated bonds – broadly stable over recent quarters (Q3 2015: 79%)
- 19% of "investments under own management" held in USD, 32% overall in non-euro currencies (Q3 2015: 31%)

Investment strategy unchanged – portfolio dominated by strongly rated fixed-income securities

Investments – Market trends

Volume trends in the infrastructure market in USDbn

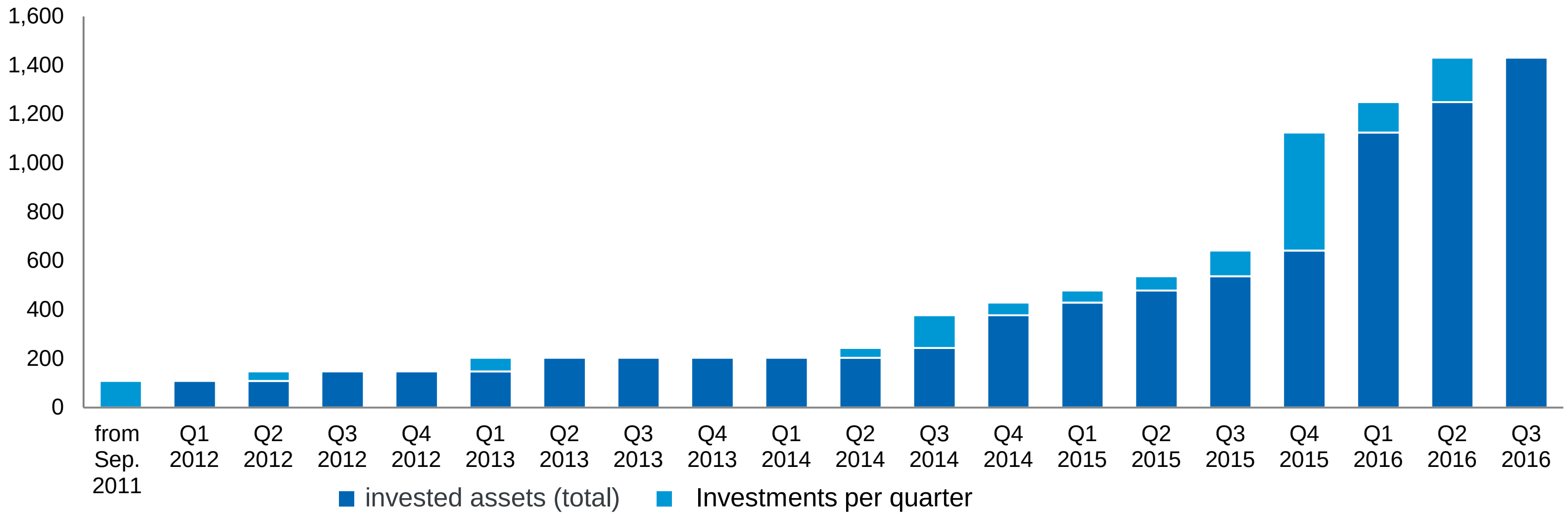


Source: Dealogic, September 2016

Talanx's small share of overall market leaves room to further build up infrastructure portfolio

Investments – Update on infrastructure investments

How Talanx's infrastructure portfolio develops in €m



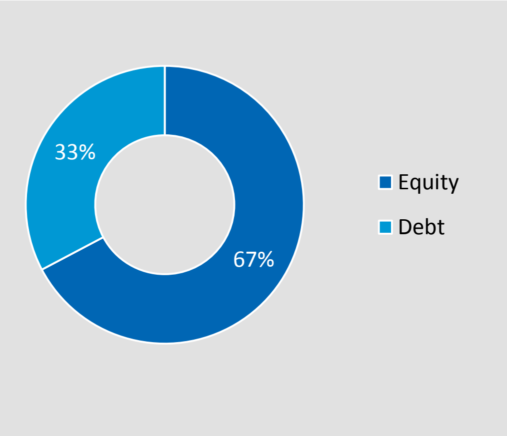
Comments

- Talanx has steadily built up its infrastructure portfolio – steady increase during the observation period
- Initial investments were made in autumn 2011 followed by slight growth until mid-year 2014
- Already more pronounced growth between year-end 2014 and year-end 2015 with a considerable increase in Q4 2015 due to "Gode Wind 1"
- Further investments in the following periods which are expected to continue in future as infrastructure is considered an attractive asset class

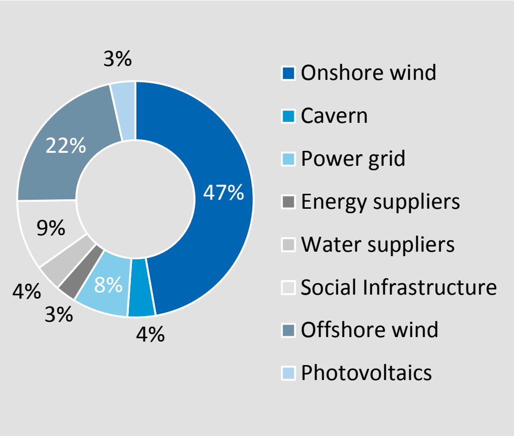
Infrastructure is steadily gaining importance amid a challenging capital market environment

Investments – Update on infrastructure investments

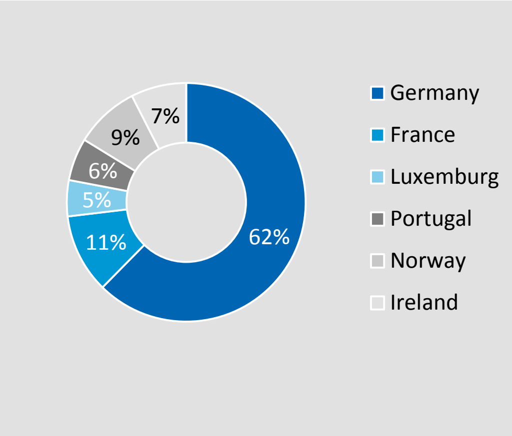
Equity vs. Fixed Income



Sector split



Regional split



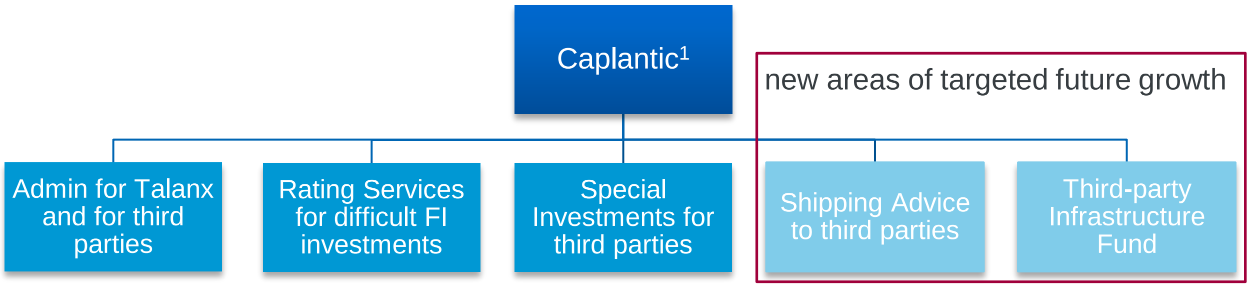
Comments

- More than two thirds of Talanx's infrastructure portfolio are equity investments
- Nearly 50% of investments can be attributed to "Onshore Wind"
- Significantly more than the half is invested in Germany followed by France (11%)

Talanx's infrastructure portfolio is dominated by renewable energies in Europe still with a focus on equity investments

Investments – Caplantic

Caplantic with a row of promising business lines



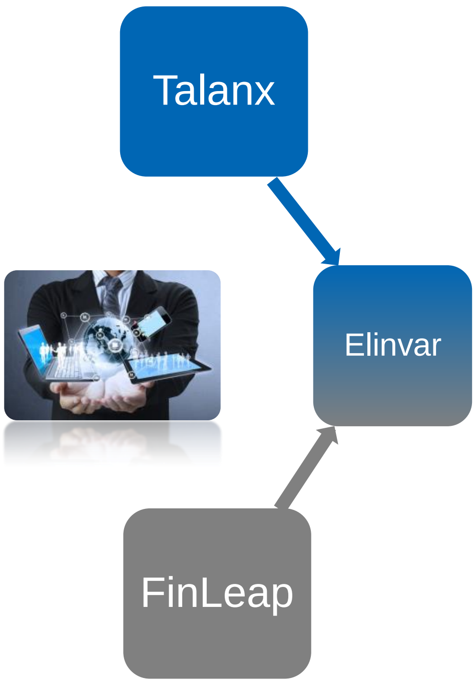
- Financial Solutions Segment very succesful in advising and completing ReCap transactions in the banking and hedge funds business. High demand driven by intention to free up regulatory capital (Basle III). Robust earnings with growth upside in the near and mid-term
- Rating Services for non-rated bonds as a complement of service packages for insurance companies based on the BaFin-accepted RSU Rating Services (German Landesbanks rating tool for project and corporate bonds)
- Institutional Private Equity Segment well-received in the market to invest along-side with Talanx's insurance business. Strong commitment to deliver best-in-class performance for insurers and pension funds, especially in Germany. Expectation of steady and continuous growth
- Shipping sector world-wide under heavy pressure. Shipping Advice Segment of Caplantic delivers monitoring and work-out experience, especially for banks based on the knowledge of Hamburg-based Offen Group. Near-term business upside expected
- Caplantic is about to launch a third-party Infrastructure Fund targeted at smaller investors that cannot participate in direct infrastructure investments. The fund can act as a co-investor with Talanx to finance larger infrastructure projects while following its proven and sophisticated investments processes. Regulatory environment expected to help creating demand

[1] NORD/LB and Talanx each have equal stakes of 45% in Caplantic - 10% are held by Bankhaus Lampe

Leveraging of Talanx's expertise to third parties – Mix of already successful business lines and promising areas of future growth

Investments – Elinvar: Talanx‘s newly established Berlin-based joint venture

Talanx and FinLeap co-founded Elinvar



- Elinvar is a white-label platform for the digitalisation of asset management – it provides a B2B2C integrated solution
    - fully licensed provider (subject to BaFin approval)
    - integrated execution of asset management strategies, automatic order creation & administration and digital customer relationship management
    - target groups are independent asset managers as well as private banks which can offer their asset management expertise digitally - under their own brand and individualised to their own content/with their own corporate design
    - operative start with the first partners is expected to be in spring 2017
- Talanx and FinLeap each hold 37.5% while the remaining 25% is held by the co-founding management & team[1]
- The core USP is to combine the investment know-how of established companies and the technological expertise of Elinvar

[1] Experienced founding team in Chris Bartz (previously Deutsche Bank, Dresdner Bank, MBS & Weberbank and FinLeap), Marco Neuhaus (previously Deutsche Bank, Merrill Lynch and Talanx Group) and Sebastian Böttner (previously UBS and J.P. Morgan as well as FinTech & AdTech companies)

Talanx continues to drive forward its digitalisation strategy adapting to megatrends

Technical Accounting topics – Audit reform

EU audit reform general provisions

Public Interest Entities (PIEs) have to implement European legal texts on audit and non-audit services from 17 June, 2016. Generally speaking, audit and advisory will from now on be conducted more separately. Two exemplary implications:

- Mandatory audit firm rotation for PIEs
- Additional restrictions on the provision of non-audit services by the statutory auditor to their audit clients

Implications for Talanx

- Talanx and Hannover Re hold participations in 16 EU member states and in Norway, which fall within the scope of this regulation
- The Group has to identify all PIEs within the group including their controlled undertakings and to establish the date when the entity became a PIE
- In early September, Talanx, HDI V.a.G. and Hannover Re jointly put the audit out to tender

01/09/2016	Q4 2016 / Q1 2017	Spring 2017	2018
Tender announcement	Shortlist and beauty contest	Likely recommendation to Supervisory Board/Share-holder meeting	New accounting firm to start auditing as of fiscal year 2018

PIEs are forced to realign their cooperations with auditors – Talanx is aiming for a 2018 solution

Technical Accounting topics – IFRS 4 Phase II and IFRS 9

General remarks

IFRS 4 Phase II[1]	IFRS 9
Mapping assets and liabilities from insurance contracts – other assets and liabilities remain unaffected	IAS 39 will be replaced by IFRS 9 which is characterised by a more principle-based approach
Provision of transparent, economically relevant and uniform information on insurance accounting which is predominantly regarded as a black box	Decrease in number of measurement categories on the asset side
Achieving a high degree of comparability	Allocation of categories depending on business model and cash flow
Comprehensive for all insurance and reinsurance contracts, based on fulfilment values on cash flows, using current assumptions and discount rates. For Primary Insurance and Reinsurance, Talanx is very likely to use the Premium Allocation Approach (PAA) for the entire P/C business	New impairment model: Expected Loss replaces Incurred Loss
Earliest possible mandatory effective date is 1 January 2020 (most likely 1 January 2021)	**Talanx intends to postpone IFRS 9 to the starting point of IFRS 4 in order to raise the share of market-price valued assets and liabilities ideally at the same point of time (Deferral-Approach).[2] Talanx qualifies for the deferral as the consolidated Group accounts are well above the 90% predominance criterion**

[1] IFRS 4 Phase II becomes IFRS 17 Insurance Contracts
[2] EFRAG is expected to finalise its endorsement advice in November 2016

IFRS 4 Phase II and IFRS 9 require a holistic approach

Technical Accounting topics – IFRS 4 Phase II

Further remarks on IFRS 4 Phase II[1]

- Significant influence on existing processes, IT systems and data granularity
- According to several interviewed companies, costs to implement IFRS 4 Phase II as a group-wide project amount to 20%-250% of the cost of Solvency II. Double-digit € million amount for Talanx
- Unit of account provides that insurance contracts are grouped on the basis of similar risk and profitability – however, a granular level of aggregation does not reflect how the insurance business is managed
- In general, the new framework is somewhat contradictory which is, for instance, reflected by the scope of the "Variable Fee Approach" (VFA)
  - Cliff effects between economically similar products must be avoided
  - Reinsurance ceded should be accounted for in a manner consistent with underlying business to which it relates
- Other issues raising concerns:
  - First tests suggest serious concerns regarding clarity, consistency and operationality of the new standard
  - Derivatives used to mitigate financial market risk
  - Recognition of changes in estimates

[1] Source: Peer- and industry-association-"speak"

While very expensive the current life-proposal is highly ambiguous/un-operational and maybe insufficient to overcome the accounting mismatch. Will it serve stakeholder interest?

Agenda

I	Group Strategy / Outlook	Herbert K. Haas
II	Group Financials	Dr. Immo Querner
	Retail Germany	
III	Strategy	Dr. Jan Wicke
IV	Financials	Barbara Riebeling
V	Bancassurance	Iris Kremers
VI	Life	Ulrich Rosenbaum
VII	P/C	Dr. Christoph Wetzel
VIII	Distribution	Wolfgang Hanssmann
IX	Key Essentials Retail Germany	Dr. Jan Wicke
X	Final Remarks	Herbert K. Haas

Key Messages

Retail Germany stands for 21% of Talanx's GWP and 47% of its assets under own management. It adds Life exposure to the Talanx Group which is overall strongly geared to P/C business

Retail Germany has a strong and highly committed management team with an excellent professional track-record in handling challenges and in turning businesses around

Management initiatives and the central strategic programme KuRS focus on optimising the position in Bancassurance and on turning HDI around. Based on a customer-centric, sustainable and stable business model, we target for a material improvement of the risk-return profile for shareholders

KuRS combines three substantial strategic pillars: a new Life strategy, a new P/C strategy and investments in Digitalisation/IT in combination with ongoing cost management

KuRS is the by far largest initiative with ~€330m of investments and a targeted cost cutting of ~€240m. Targeted strategic investments comprise overall ~€420m. This includes ~€90m for Voyager4life targeting at a joint IT Life platform

All interim goals have been met. In 2017, the KuRS programme savings are likely to first-time exceed costs on EBIT level

Retail Germany targets for a sustainable EBIT contribution of at least €240m from 2021 onwards

Overview – Group Structure

Retail Germany within Talanx Group

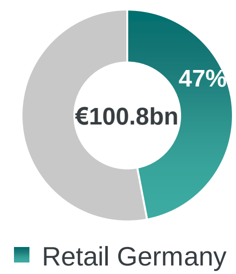
talanx.

- Industrial Lines
- Retail Germany (Life, P/C)
  - HDI
    - HDI Lebensversicherung
    - HDI Versicherung
    - HDI Vertriebs AG
  - Bancassurance
    - TARGO Lebensversicherung AG
    - TARGO Versicherung AG
    - PB Lebensversicherung AG
    - PB Versicherung AG
    - neue leben Lebensversicherung AG
    - neue leben Unfallversicherung AG
    - LifeStyle Protection Lebensversicherung AG
    - LifeStyle Protection Versicherung AG
- Retail International
- Reinsurance (Non-Life, Life/Health)

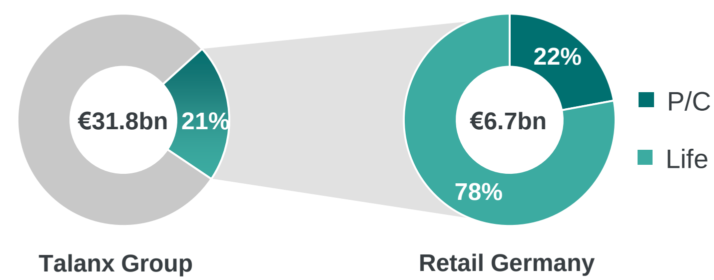
Note: overview of risk carriers, excluding pension funds. In the entire presentation, the abbreviation BA stands for Bancassurance

Share of Business and business volumes

Assets under own Management 2015



Gross written premiums 2015



Retail Germany accounts for 47% of the assets under own management and 21% of gross written premiums of Talanx Group

Overview – Capital market assessment

Comments on German Life insurance

"Can pension funds and life insurance companies keep their promises?"
OECD[1]

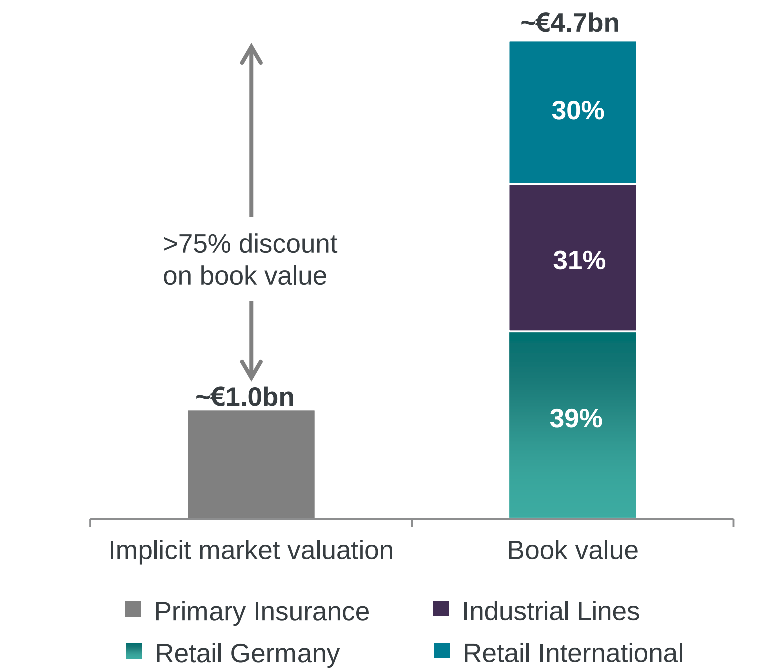
"… interest rates will remain the No. 1 risk Euro-pean life insu-rers face …"
Standard & Poor's[2]

"Low interest rates put pressure on German life insurance."
Fitch[3]

"Risks in the life insurance sector"
Deutsche Bundesbank[4]

[1] OECD, Business and Finance Outlook; 2015, [2] Standard & Poor's; Lower-For-Longer Interest Rates: Assessing The Risk To Europe's Life Insurers. October 2015; [3] Fitch; German Life Insurance Dashboard - Autumn 2015, January 2016; [4] Deutsche Bundesbank; Financial Stability Review 2015

Implicit valuation of Talanx's Primary Insurance



The implicite market valuation of Talanx's Primary Insurance reflects Talanx's market cap minus the value of Talanx's Hannover Re stake. In this analysis, Primary Insurance also contains Corporate Operations and Consolidation. Book values reflect 9M 2016 numbers, market prices are as of 31 October 2016

Valuation also reflects the material challenges for the German Life insurance industry

Overview – Management Board

Board & responsibilities

HDI | Bancassurance | Life | P/C

CEO

Dr. Jan Wicke

- 20 years' experience in the financial industry in various management functions, before CFO at W&W AG
- CEO of the Retail Germany Division and Board Member at Talanx AG since 2014

Finance & Risk Management

Barbara Riebeling

- Almost 30 years' experience in the financial industry
- Various management functions at Talanx, currently Board member of HDI Life and Non-Life insurance

Bancassurance

Iris Kremers

- Over 20 years' experience in the financial sector
- Various management functions within the Talanx Group; currently CEO of TARGO, PB and neue leben

Life & Asset Management

Ulrich Rosenbaum

- Over 30 years' experience in the financial sector
- Various management functions within the Talanx Group; currently Board member of HDI Life and of the pension funds

P/C

Dr. Christoph Wetzel

- 25 years' experience in the financial sector as a consultant and in management functions, e. g. at Baloise and McKinsey
- Board member of Retail Germany since 2015

Distribution & Marketing

Wolfgang Hanssmann

- Over 25 years' experience in the financial sector in various management functions, e. g. at AXA
- Board member of Talanx Retail Germany since 2015

Divisional level

Bancassurance	Life & Asset Management	P/C	Distribution & Marketing
Bancass. operations	Life operations	Non-Life operations	Brokers/ Agents
Distribution & marketing	Products	Products	B2B cooperations
	Company pension schemes		Brands

Comments

- Realignment of Retail Germany Management Board and divisional directors has been concluded early 2016
- Responsibilities have been separated between "Life" and "Property/Casualty" reducing management complexity and sharpening the operational focus
- New structure ensures unambigous responsibility for different lines of business
- In application of IFRS 8, Life and P/C have started to report separate P&Ls with 6M 2016

Retail Germany with a strong and highly committed management team that has an excellent professional track-record in handling challenges and in turning businesses around

Starting Point – Market position

Market position Germany Life (2015)

in €bn

		GWP	Market share
1.	Allianz	16.77	19.1%
2.	Generali	11.01	12.5%
3.	RuV	5.55	6.3%
4.	**Talanx**	5.01	5.7%
5.	Ergo	4.22	4.8%
6.	Zürich	4.05	4.6%
7.	Debeka	3.54	4.0%
8.	AXA	3.34	3.8%
9.	VK Bayern	2.95	3.4%
	thereof BA	2.93	3.3%
10.	Alte Leipziger	2.35	2.7%
11.	Nürnberger	2.33	2.6%
12.	Provinzial NW	2.30	2.6%
13.	W & W	2.08	2.4%
	thereof HDI	2.08	2.4%
14.	Sparkassen Vers.	1.83	2.1%
15.	Volkswohl-Bund	1.40	1.6%

Market position Germany P/C (2015)

in €bn

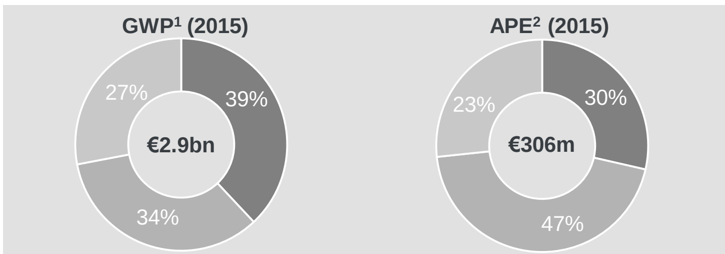
		GWP	Market share
1.	Allianz	9.38	12.6%
2.	RuV	5.03	6.8%
3.	HUK	4.50	6.0%
4.	AXA	4.20	5.6%
5.	Generali	3.61	4.8%
6.	Ergo	3.43	4.6%
7.	VK Bayern	2.32	3.1%
8.	LVM	2.11	2.8%
9.	Gothaer	1.87	2.5%
10.	Provinzial NW	1.77	2.4%
11.	DEVK	1.74	2.3%
12.	VHV	1.70	2.3%
13.	W & W	1.65	2.2%
14.	**Talanx**	1.51	2.0%
15.	SV Konzern	1.45	1.9%
	thereof HDI	1.36	1.8%
	thereof BA	0.14	0.2%

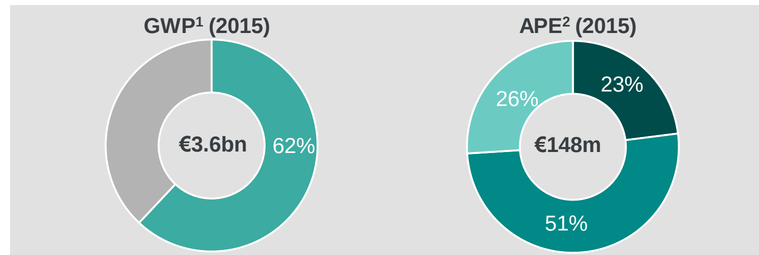
Retail Germany with a TOP-5 position in Life and among TOP-15 in German Non-Life

Starting Point – Business lines and brands

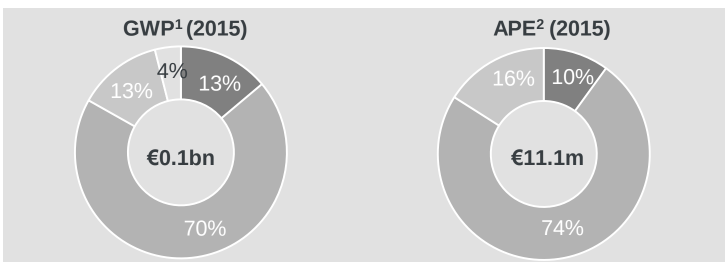
	Bancassurance (BA)	HDI
Profile	▪ Strategic focus on credit life insurance and annuities business ▪ Talanx sells through bancassurance channels of major players from two of the three pillars of the German banking market (private and public sector banks)	▪ Life: focus on commercial pension business, disability insurance and hybrid products (Two Trust) ▪ P/C: offering full product spectrum of non-life insurance products ▪ Distribution through various external channels as well as own branches and tied agents

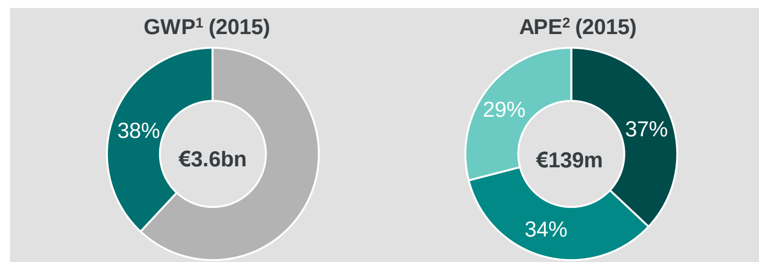
Life





P/C





▪ neue leben ▪ TARGO ▪ PB ▪ LifeStyle Protection

▪ Life ▪ P/C

▪ Exclusive/Direct ▪ Broker ▪ Cooperations

[1] Gross written premiums (GWP) incl. saving parts; [2] Annual Premium Equivalent (APE)

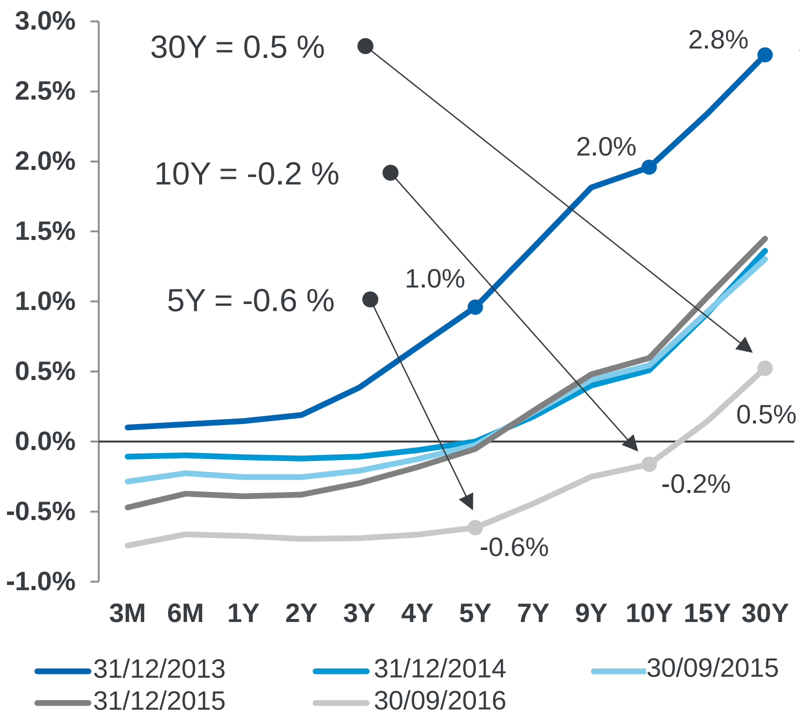
Due to different starting points, focus on optimising Bancassurance and on turning HDI around

talanx.

Starting Point – Challenges in the German insurance market

Capital Markets

Yield curve for German government bonds



Regulatory framework

Increasing requirements

New

Solvency II	▪ Advanced solvency requirements for insurers ▪ Applicable since 1 January 2016
Solvency I	▪ Remains applicable where Solvency II does not apply (e.g. pension funds)
Statutory accounting (HGB)	▪ Statutory accounting requirements of the German Commercial Code; still in force (since 1 January 1900)
IFRS	▪ Relevant for issuers of equity and/or bonds

Regulatory reporting

reporting

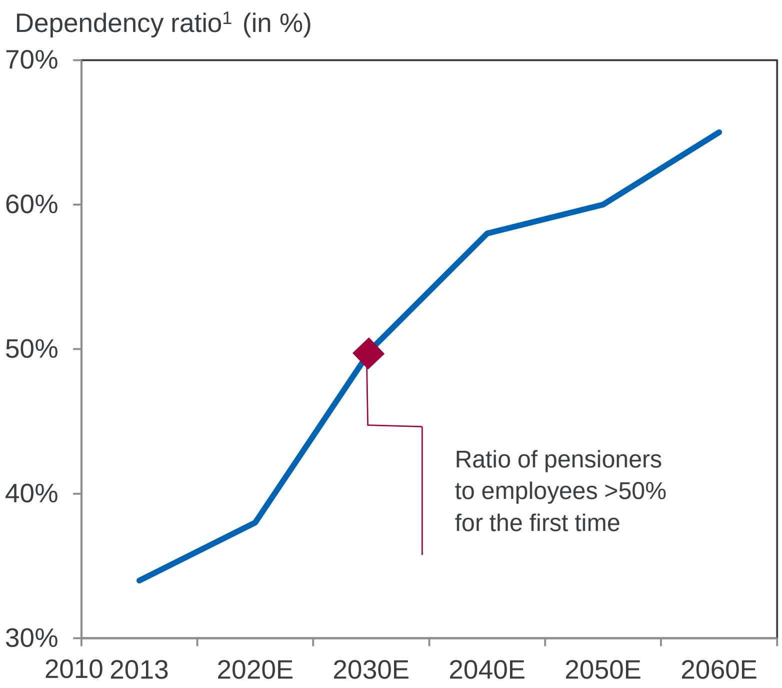
German insurance sector affected by various, heterogeneous and growing regulatory and reporting requirements

German insurances have to fundamentally alter their business models

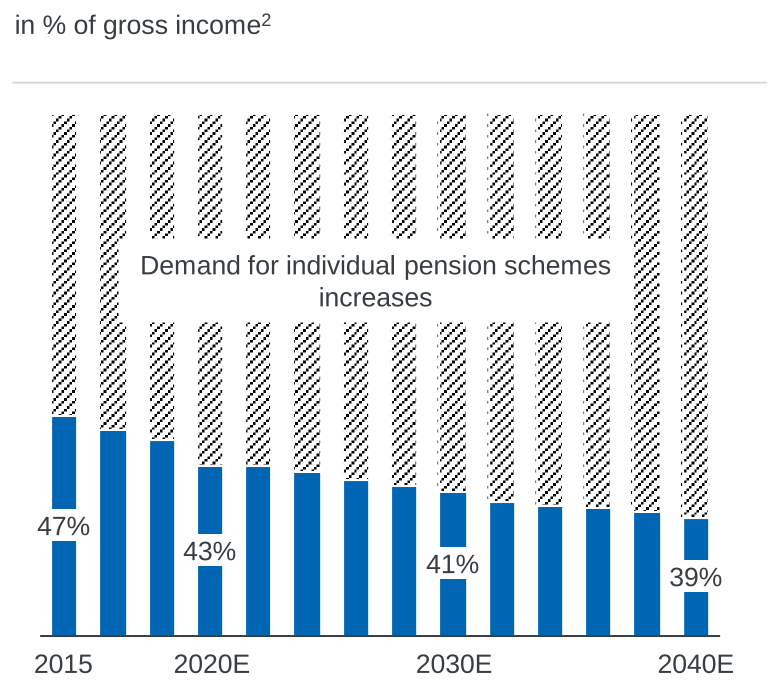
talanx.

Starting Point – Market opportunities in Life

Demographic change



Statutory pension level



[1] The dependency ratio shows the percentage of pensioners relative to employees in Germany. Source: Bundeszentrale für politische Bildung (Federal Agency for Civic Education), Data report 2016; [2] Pension level from public retirement system (“Rente”) for an average earner with 47 “earnings points” (Entgeltpunkte). Source: prognos/GDV (German Insurance Association), Rentenperspektiven 2040

Retirement provision market promises significant growth potential in Germany

Starting Point – Capturing opportunities in Life

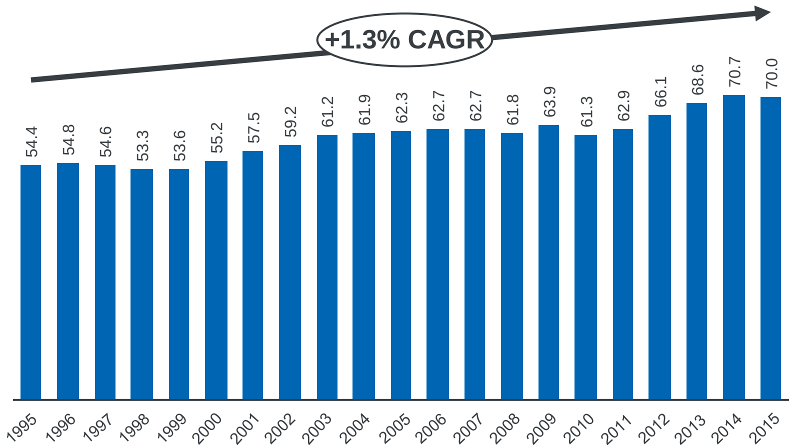
Business lines	Market opportunities	Strengths of Retail Germany
Company pension schemes[1]	GWP in €bn 2014: 16 2025E: 20 +1.7% CAGR	▪ Excellent and outstanding product range from core business to outsourcing/funding ▪ Retail Germany: TOP-5 provider (number of contracts >1.0m)[3] ▪ Internal service provider Talanx PensionsManagement AG
Capital-efficient products[1]	2014: 18 2025E: 38 +9.6% CAGR	▪ Broad range of hybrid, index-linked and unit-linked products ▪ HDI is the third largest provider of fund policies (number of contracts >1.0m)[4]
Biometry[1]	2014: 14 2025E: 22 +5.2% CAGR	▪ HDI is a TOP-10 provider of disability insurance (number of contracts ~0.4m)[4] ▪ Innovative services (e.g. electronic risk check at point of sale) and effective processes in claims management
Credit Life insurance[2]	GWP in €m 2014: 73 2015: 73 +0.4%	▪ Strong market position in Germany; New business growth of ~+7% in 2015 ▪ Growth potential due to Bancassurance distribution channels and cooperation (e.g. with HypoVereinsbank)

[1] Source: Oliver Wyman; Versicherungen 2025; under the assumption of an unaltered legal framework for company pensions
[2] GDV Rundschreiben 06/2016 [3] Source: map report No. 850-852 [4] Source: map report No. 879

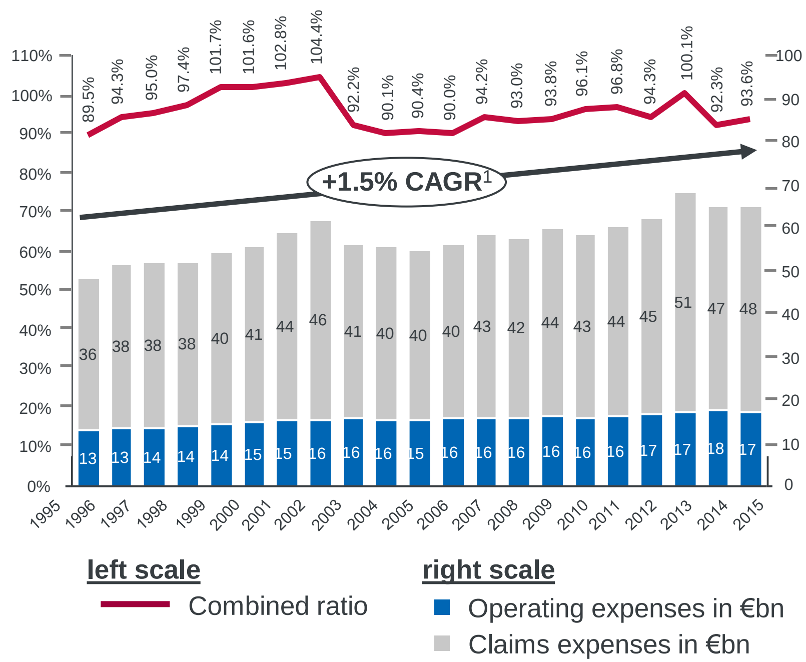
Excellent prospects to benefit from expected future market growth in Life

Starting Point – Market opportunities in P/C

GWP in €bn (HGB)



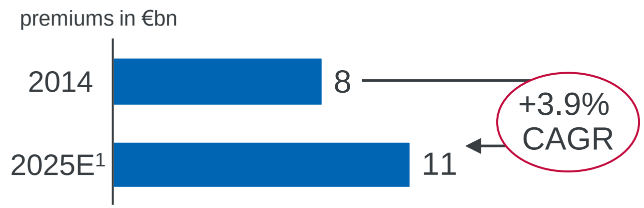
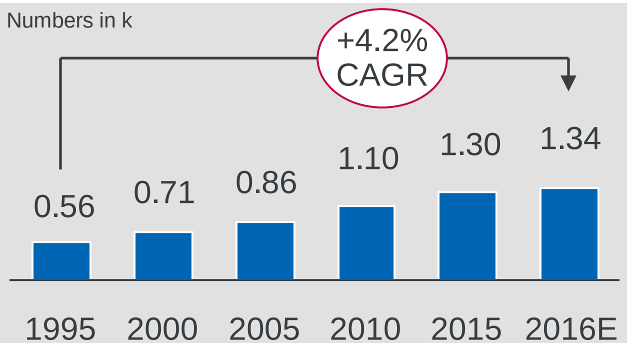
Combined ratio, claims and costs (HGB)



[1] CAGR relates to the sum of claims and operating expenses for the period 1995-2015
Source: GDV (German Insurance Association)

Continuously growing and profitable Non-Life market

Starting Point – Capturing opportunities in P/C

Business lines	Market opportunities[1]	Strengths of Retail Germany
SMEs		▪ Solutions for nearly all lines of business ▪ Long-standing experience in multi-line products („HDI compact“)
Target groups/ self-employed professionals[2]		▪ Leading market position for specific target groups[2] ▪ Top 5 market position with market share > 20% ▪ Excellent reputation for its products and its underwriting services
Claims		▪ Long experience and high competence in claims settlement and -services – especially for complex claims ▪ HDI Network (SSV) – e.g. cooperation with Mercedes

[1] Bundesverband freie Berufe (German association of self-employed prof.), internal research

[2] E.g. Doctors, tax consultants, architects, engineers, lawyers

Excellent conditions for Retail Germany to participate in expected future market growth in P/C

Strategic Initiatives – Overview

Objectives

Customer centricity – Sustainability – Stability

Improvement of risk-return profile

Strategic initiatives

I Implementation of new Life strategy

II Implementation of new Non-Life strategy

III Investments in Digitalisation/IT and ongoing cost management

Financials KuRS

Strategic investments of overall ~€420m for KuRS and Voyager4life

Cost Reduction:	Investments:	Period:
~€240m	~€330m	2015 – end-2020

Our strategic initiatives target a customer-centric, sustainable and stable business model operating at a materially improved risk-return profile from a shareholder perspective

I Strategic Initiatives – Implementation new Life Strategy (HDI + BA)

Strategic focus

New business

- **Fundamental shift from** traditional guarantee to capital-efficient offers to optimise the **product mix**

In-force management

- **Reduce future guarantees** and manage customer behaviour in line with legal and regulatory guidelines

Digitalisation/IT

- **Process optimisation:** Implementation of only one operational platform for Retail Germany (Voyager4life) and implementation of the **Digital Road-Map**

Asset management

- **Leverage the Group's capabilities to further improve** the risk-adequate asset management strategy

Objectives

- Establishing a stable and reliable business model in the German Life market
- Writing profitable new business while exploiting future growth opportunities
- Minimising imminent losses targeting maximum capital preservation for shareholders
- De-risking of life insurance portfolios to improve solvency ratios throughout the "transitional" period

Focus on de-risking the back-book while establishing a stable, reliable and efficient platform to exploit future growth opportunities

II Strategic Initiatives – Implementation new P/C Strategy (HDI)

Strategic focus

Modernisation	Claims management	Selective growth
▪ **Getting the basics right**: State of the art IT platform and modern technology ▪ **Digitising the business model**	▪ **Becoming a TOP-3 player** for professional claims handling including third-party-services	▪ **SME** sector, **professionals** and **direct** businesses ▪ **New products** and intensive **sales activities**

Objectives

- **Gradual implementation of Non-Life strategy** will focus on stabilisation, but aims to return HDI back to growth from 2019 onwards
- **24/7 service** of the highest quality and speed based on a modernised IT
- **Continuous optimisation of E2E processes** including **profitable direct and multi-accessability**
- Perception as a **dynamic and fast-acting retail insurer**

Focus on efficiency and processes supplemented by selective growth initiatives

III Strategic Initiatives – Investments in Digitalisation/IT

Need for Digitalisation

Changing customer behaviour and demands

New risks offer business opportunities (e.g. cyber policies)

Necessity to **reassess risks**

Increasing **process efficiency**

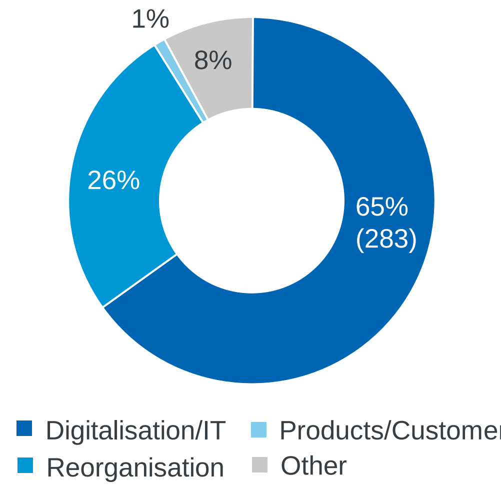
Advantages of **pricing flexibility**

Strategic rationale

- Retail Germany uses different approaches to implement the **Group-wide digi-strategy**
- Internally, the unit "Talanx Systems" has set up a **digitalisation lab** which focuses on main drivers (e.g. platform strategies)
- In addition, there is a **best practice exchange** among the different units in Talanx Group
- The fintech and insurtech scene is covered via a **strategic partnership** with the Silicon-Valley-based accelerator **"Plug and Play" -** and via London-based "Startupbootcamp" by Retail International

Investments

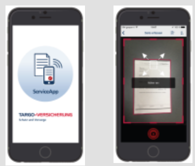
- **65% of the entire strategic budget** (~€420m, KuRS plus Voyager4life) will be invested in Digitalisation/IT improvements until 2020



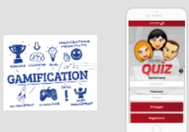
Top-management attention on innovation and digitalisation – explicit Group-wide and Retail-Germany-focused strategy

III Strategic Initiatives – Investments in Digitalisation/IT

Bancassurance



Smart Capture@BA



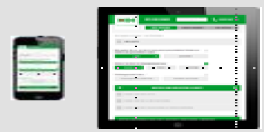
Digitalisation of our sales support

Online evaluations by our customers

Central unit "Bancassurance.digital"

HDI

"HDI bAVnet"; awarded by Google (~20k contracts already registered[1])



"SAM" claims app (>3k claims already reported via APP[1])

Self-service portal (going live October 2016)

"TORAS" advanced analytics tool

[1] As of October 2016

Digitalisation initiatives include the full value chain from sales to operations

III Strategic Initiatives – Ongoing cost management

Focus

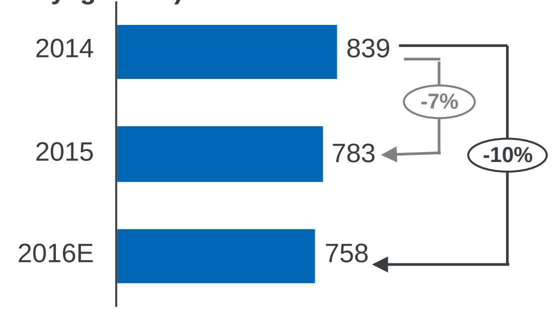
HDI
Catch up with the market

BA
Strengthen excellent market position

Operational

- „Day-to-day" savings/cost cutting
- Required cost reduction of ~€240m to catch up with the market
- Material investments and costs for redundancies
- Negotiations with Works Council successfully concluded

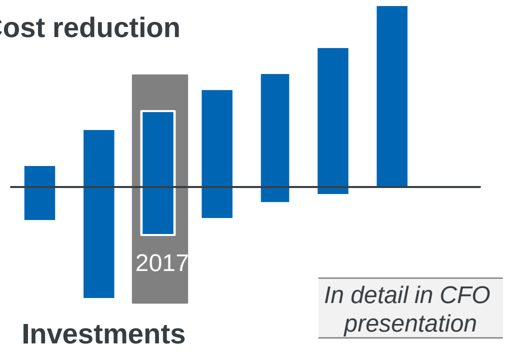
Costs 2016 (excl. costs for KuRS/ Voyager4life)



Strategic

- Objective: process reorganisation (lean approach)
- Need for significant investments, especially in IT
- Investments will result in sustainable cost reductions
- Initial increase in costs due to necessary investments

Cost reduction



In detail in CFO presentation

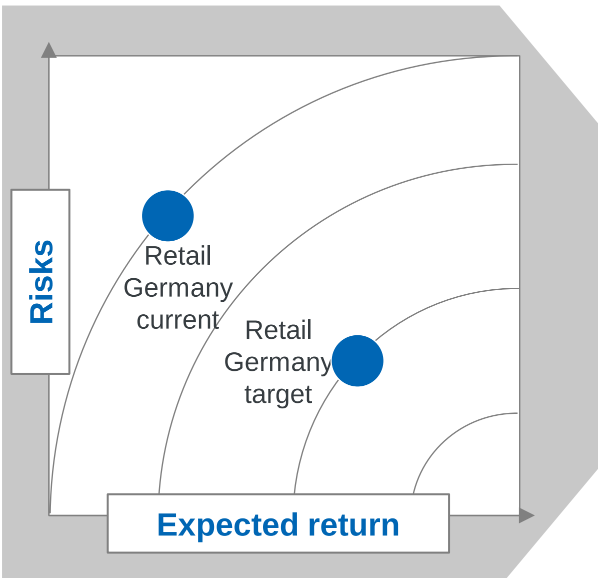
The strategic initiatives follow a clearly defined path and have already led to first measurable results

Conclusion – Target Model 2020

	Life: BA	Life: HDI	P/C: HDI	
New business	▪ Streamlined, profitable and capital- efficient product ▪ Balanced portfolio with reduced guarantees		▪ Perception as dynamic and fast acting insurance company	Moderni-sation
In-force manage-ment	▪ Continued, active in-force management		▪ 24/7 service with a level of highest quality and speed, based on a modernised IT	
	▪ Balanced insurance collective		▪ TOP3 player for professional claims handling including third-party-services	Claims manage-ment
Digitali-sation/IT	▪ Harmonised and standardised IT landscape (Voyager4life) and Digital Road Map		▪ Selective growth from SMEs, self-employed professionals and direct business	Selective growth
Asset manage-ment	▪ Leverage group capability for risk-adequate Asset Management strategy		▪ Enabling direct business and multi-accessibility	
	▪ Modernised, streamlined IT, automated processes and competitive cost ratios			

Target Model 2020 is the essential step in sustainably improving the divisional profitability

Overall – Improvement of risk-return profile



Operational management

Retail Germany will strengthen its competitive position by using the following levers:

- Fundamental shift in new business
- Active in-force management
- Ongoing cost management
- Restructuring HDI sales and P/C business
- Selective growth in profitable segments

ongoing

Balanced capital management

- Managing the trade-off between Group-wide capital efficiency and adequate Solvency II Ratios
- Due to uncertain duration of low interest rate period, volatile SII Ratios have to be expected
- By using transitional measures, Retail Germany gets additional time to build up necessary capital buffers to rebalance its portfolio
- Talanx Group holds „stand-by“ capital to eventually cover capital needs of Life insurance carriers of Retail Germany

monitoring

Strategic investments in total will strengthen the competitive position and improve the risk-return profile

Outlook – Milestones

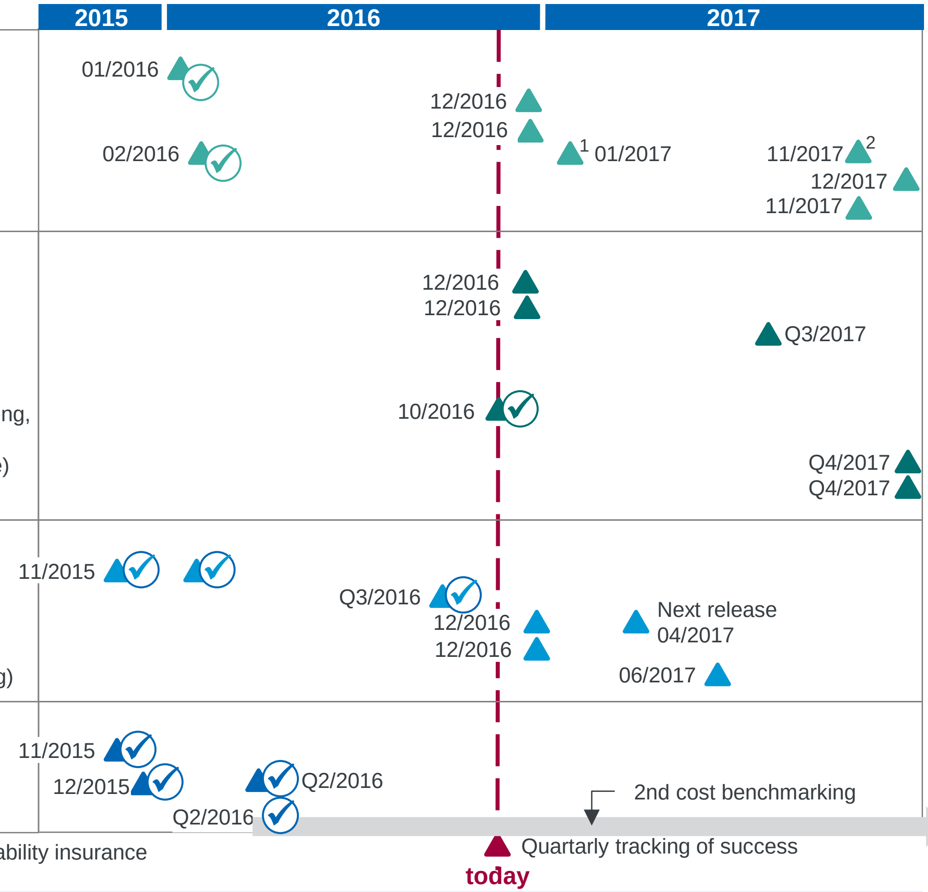
Life
- Introduction of „modern classic“
- Stop active distribution of traditional Life insurance products
- In-force Management – reducing future guarantees
- Implementation of one operational IT platform
- Digitalisation business transactions (Project Stereo)
- Full access for employees to „HDI bAVnet“

P/C - Consolidation
- Optimisation of Retail Business (HUS)
- Concepts for migration of SMEs and professionals
- Transfer of claims systems (Project Compass)

P/C - Modernisation
- IT Release I (entire digital E2E process car insurance: e.g. tariffing, claims, offer & procurement)
- IT Release II (Update of entire digital E2E process car insurance)
- Product concepts for SMEs and self-employed professionals

Distribution and marketing
- Installing modern web pages for tied agents
- Implemention of digital contact points for tied agents
- Renovating our sales-software for retail business (HUS)
- Optimisation of accounting for sales partner
- Homogenisation of supply systems (e.g. printing und dispatching)

Costs
- Decision of cost reduction measures
- Starting point negotiation with Works Council
- On-going cost management (including tracking of success)



[1] Postbank Life: Fully automatic policy issuing for HDI occupational disability insurance
[2] Postbank Life: new business e.g. for risk insurance

Significant milestones for steering and tracking our programme in place

Conclusion – First selected results

	Bancassurance	HDI
Life	▪ Successful launch of a **new capital-efficient product** in 01/2016 with fast time-to-market – simultaneous implementation for HDI and BA carriers ▪ Active in-force management with expected total benefits of more than €200m (statutory gross profit) until 2024 ✓ ✓	
P/C	▪ Increasing business with **accident insurance** (TARGO +48 % y/y in APE; neue leben + 97% APE) ✓ ▪ Expanding business via **„TARGOBANK Autobank“**[1]	▪ **Growth in target segment** corporate business (new business - tied agents +4% y/y, broker/cooperation +84%, 9M 2016) ✓ ▪ Linkage to **Daimler claims network** as one of the first insurance companies
General	▪ **Exclusive cooperation** in Q3/2016 with HypoVereinsbank to strengthen credit life insurance ✓	▪ Ongoing **digitalisation** of distribution (relaunch hdi.de, pilot: Digital Agent); about 12.5k new policies via HDI.de and check.24 ✓

[1] Finance business for automobiles with ancillary products for credit life and motor insurance

▶ **KuRS has already reached first important milestones, proving that the programme is well on track**

Targets

Targets Retail Germany

Gross premium growth (p.a.)	≥ 0%
Life	~ 0%
P/C	≥ 3%
Cost cutting initiatives to be implemented by end of 2020	~ €240m
Combined ratio 2021[1]	≤ 95%
Life new business: share of traditional life products by 2021 (new business premium)	≤ 25%
P/C: Growth in Property & Liability to SMEs and self-employed professionals by 2021[2]	≥ 25%
EBIT contribution (targeted sustainably from 2021)	≥ €240m

[1] Talanx definition: incl. net interest income on funds withheld and contract deposits
[2] Compared to base year 2014

Talanx targets for a combined ratio of ~96% until 2019 in Primary Insurance

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

Agenda

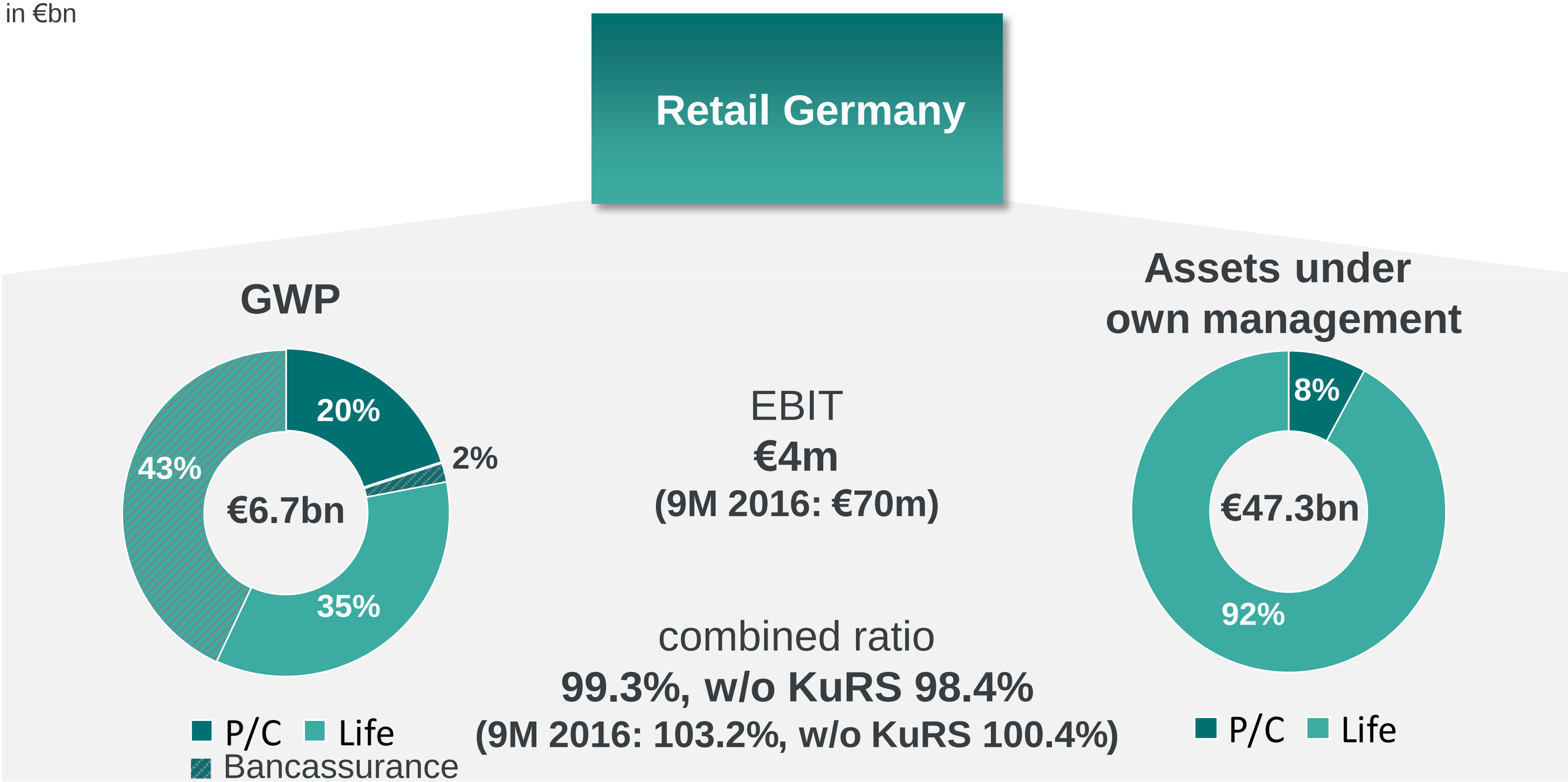
Key Messages

- Strategic focus to grow business with SMEs and self-employed professionals and in capital-efficient Life products - GWP expected to grow slightly from the 2016E-level of ~€6.3bn
- Strategic programme KuRS well on track, cost cutting initiatives to be fully implemented by end of 2020
- Solvency II: internal model for all solo entities approved by German regulator Bafin as of 1 October 2016
- Solvency ratios to benefit from in-force management, growth focus on capital-efficient products and from the targeted inclusion of operational risk into internal model
- Final agreement with Works Council to reduce staff successfully closed
- Retail Germany targets for a sustainable EBIT contribution of at least €240m from 2021 onwards

Overview – Key financials at a glance

Key financials 2015

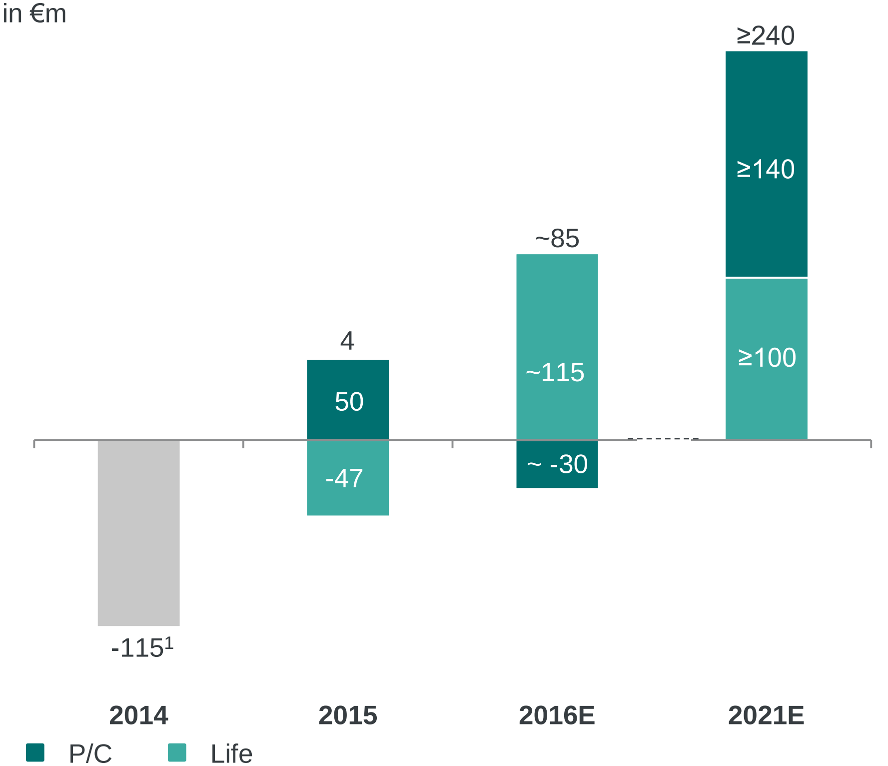
in €bn



Life business dominates GWP contribution and assets under management – more than half of Life GWP contribution from Bancassurance

Development of operating profit

EBIT development



¹ Separate EBIT figures for Life and P/C Segments only available from FY2015 onwards

Comments

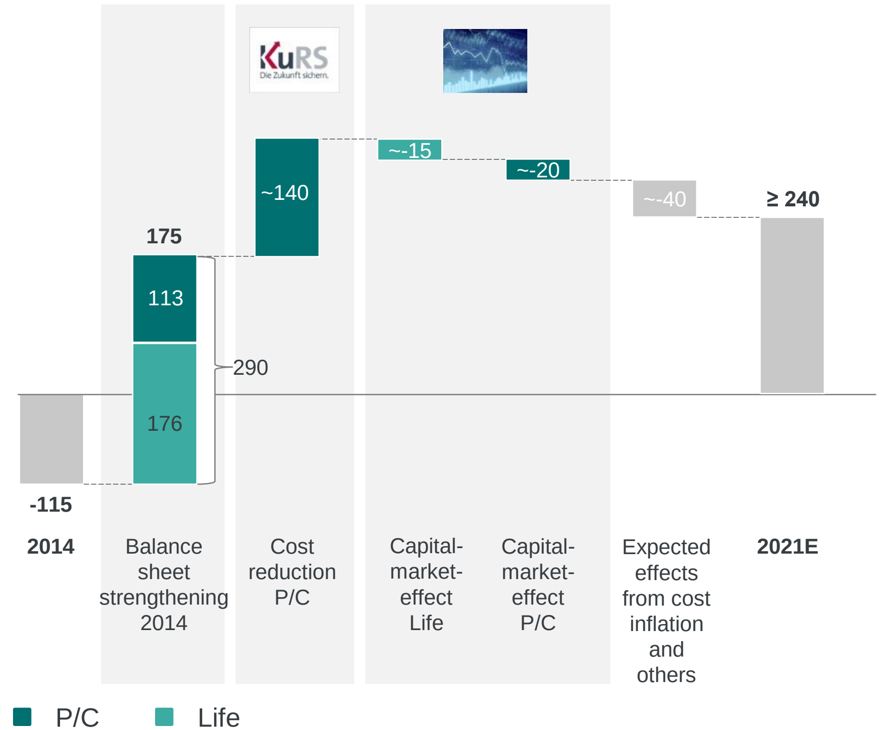
- Negative 2014 EBIT due to balance sheet strengthening measures of ~€290m (P/C: €113m, Life: €176m), reported in Q4 2014. Excluding these effects, the adjusted EBIT stood at €175m in 2014
- 2015 EBIT include €54m cost impact from strategic programme KuRS (€13m in underwriting result, €41m in "other result") as well as the €155m impairment on the complete goodwill in Life
- For 2016 EBIT we expect ~€73m cost impact in P/C from KuRS, still overcompensating the planned synergies in P/C segment (€58m)
- For the coming periods, the P/C segment is expected to increasingly benefit from the efficiency measures of KuRS and the growth focus on profitable products. The Life segment is expected to contribute a positive, but slightly lower EBIT result – given the low-interest rate environment
- From 2021 onwards, Retail Germany targets a sustainable EBIT contribution of at least €240m

KuRS essential to turn HDI around and to maintain the excellent position in Bancassurance – Sustainable Divisional EBIT contribution target of at least €240 million from 2021 onwards

Drivers of operating profit

EBIT development

in €m



Comments

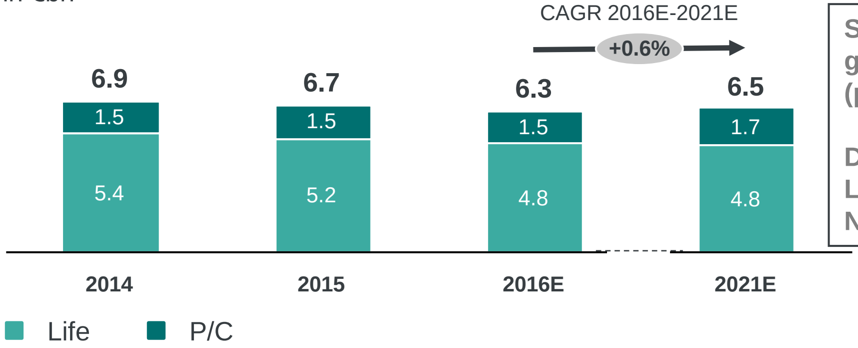
- Adjusted for the balance-sheet-strengthening measures, the adjusted 2014 EBIT for Retail Germany was €175m
- KuRS is expected to contribute a positive ~ €140m p.a. from cost reduction in P/C (note that there is no significant positive impact from cost savings in Life for the shareholder due to the policyholder participation in the Life segment)
- The interest-environment is likely to weigh on investment returns with an expected effect of ~€15m in Life and ~€20m in P/C
- Even when assumed cost inflation of 2% p.a. is taken into account, Retail Germany expects EBIT of more than €240m on a sustainable basis from 2021 onwards

Positive KuRS effects more than compensate negative effects from low interest-rate environment

Gross premium development

Development of GWP (by segment)

in €bn

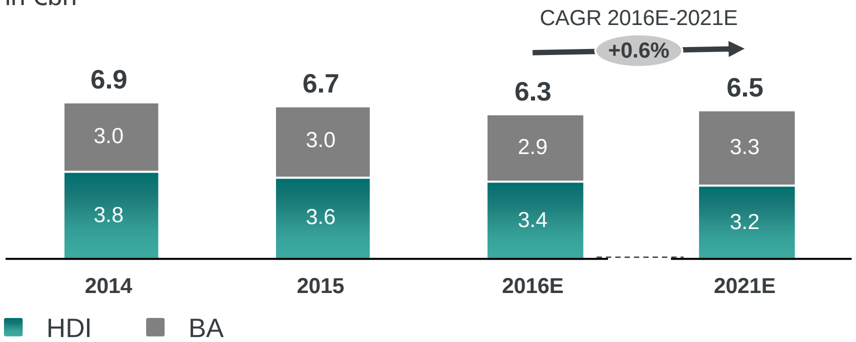


Strategic GWP growth targets (p.a.):

Division ≥ 0%
Life ~0%
Non-Life ≥ 3%

Development of GWP (by carrier)

in €bn



Comments

- Decline of Life GWP mainly due to reduction of single-premium business, a high number of matured Life contracts and stringent in-force management
- P/C premiums have remained broadly stable despite profitability measures in Motor, the largest line within the P/C segment
- P/C set to grow from 2016 to 2021, while Life premiums likely to show some bottoming-out
- Bancassurance business expected to drive growth over coming periods, predominantly as an effect of growth e.g. from Credit Life business
- Clear business focus on profitable growth

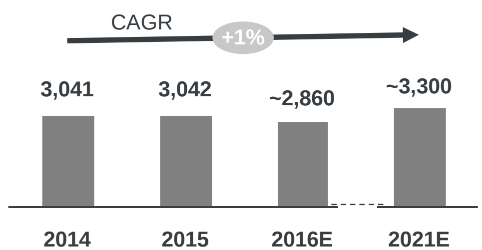
Focus on profitable and growing business lines expected to lead to a stabilisation of GWP

Growth drivers for GWP

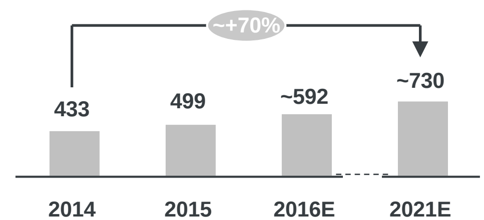
GWP – Bancassurance

in €m

Bancassurance total



…thereof Credit Life business[1]



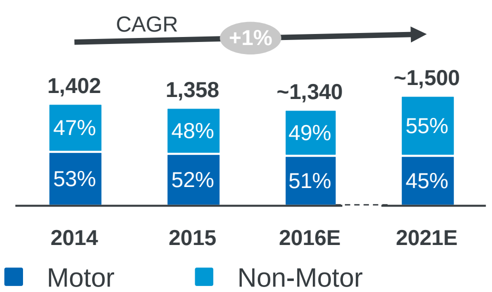
Comments

- GWP in Bancassurance expected to grow moderately
- Credit Life business expected to deliver sustainable growth

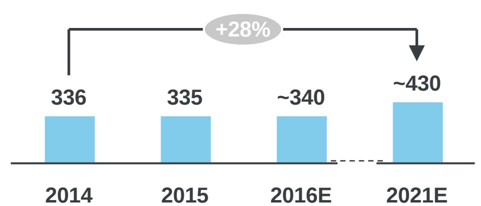
GWP – HDI P/C

in €m

HDI total



…thereof SMEs/self-employed professionals



Comments

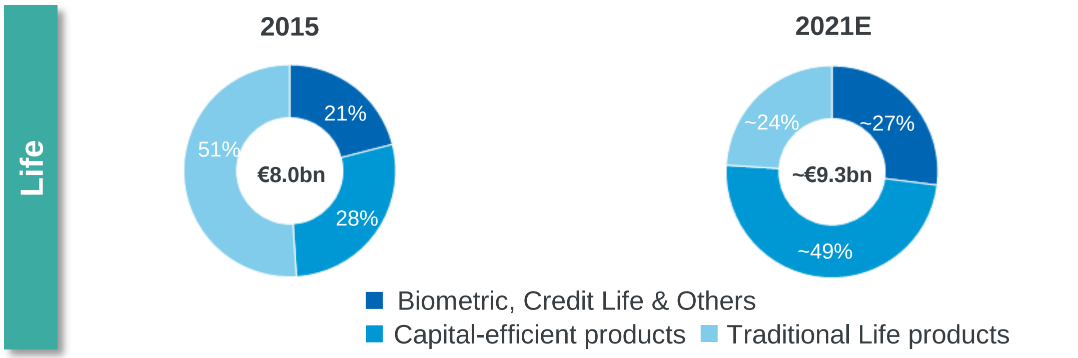
- Profitability measures in Motor with a negative GWP impact until 2016. Motor line expected to further reduce its premium share due to above-average growth in Property and Liability business with SMEs and self-employed professionals
- Strategic target to grow GWP for SMEs and self-employed professionals ≥25% by 2021[2]

[1] Includes unemployment insurance; [2] Compared to base year 2014

Credit Life business and business with SMEs and self-employed professionals expected to become the main growth drivers

Development of new business

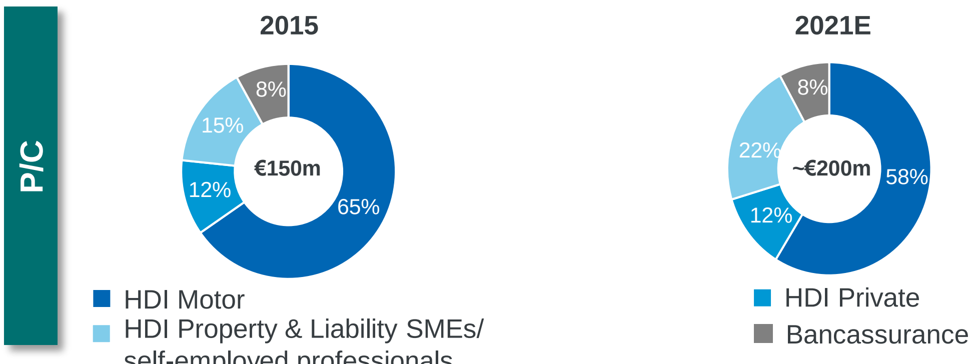
New business premium by product



Comments

- In Life, increased focus on capital- efficient products and biometric risk as well as Credit Life and payment protection products
- New business premium in Life expected to grow to €9.3bn by 2021
- Strategic target to reduce the share of traditional Life products in new business to below 25% by 2021

Split of new annual gross premium by business line



Comments

- Increased focus on SMEs and self-employed professionals
- Profitable growth in Retail Germany, especially in Motor supported by direct channel (i.e. digital distribution)

Focus on biometric and capital-efficient products in Life and on SMEs and self-employed professionals in P/C should lead to a significant shift in product mix

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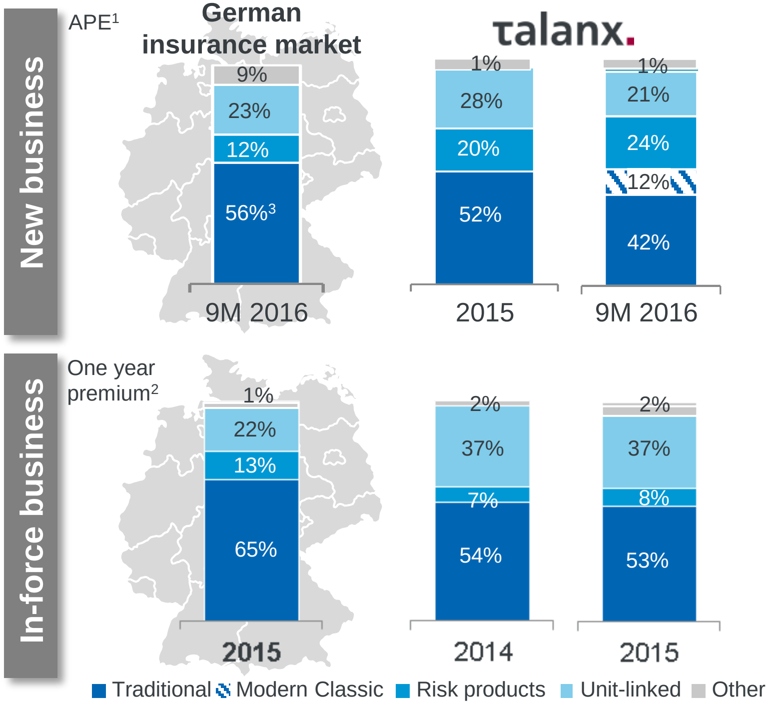
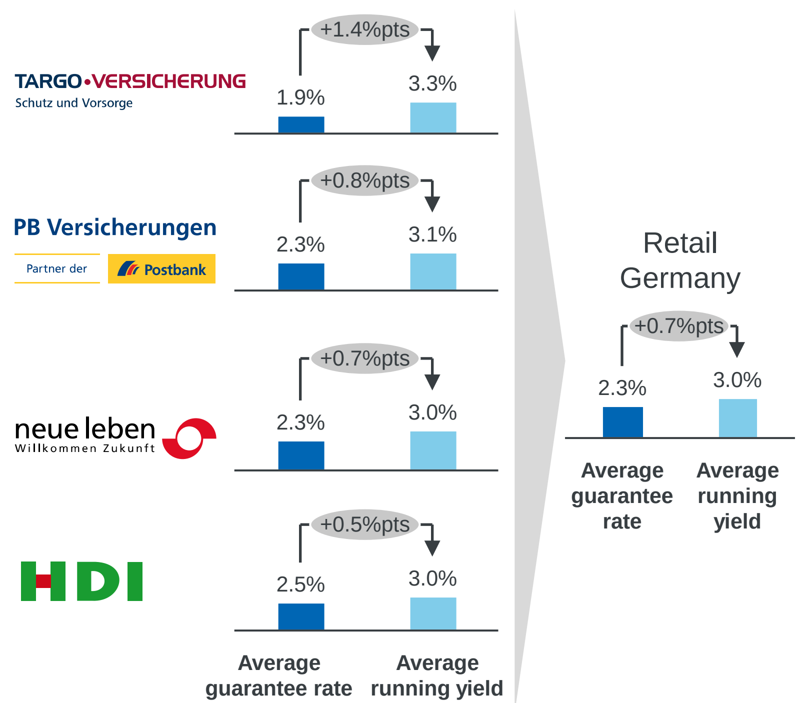
Life portfolio overview

Life insurance portfolio



Business in force 2016E

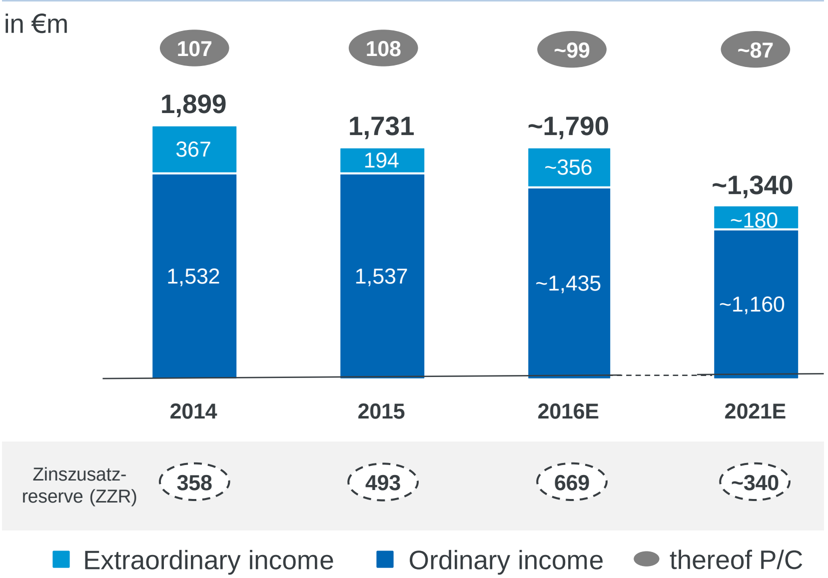


[1] Home saving risk insurance re-grouped into traditional products
[2] Other collective insurances re-grouped into traditional products
[3] GDV data do not provide for a split between capital-efficient and classical guarantee business
Source: GDV (German Insurance Association), Talanx

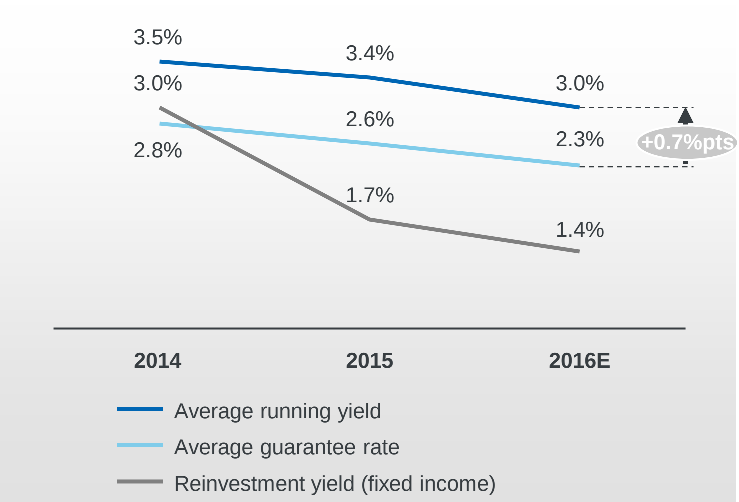
Consistently higher share of unit-linked life contracts compared to market – positive investment spreads for all life carriers

Investment income

Investment income trend



Investment returns in Life business



Comments

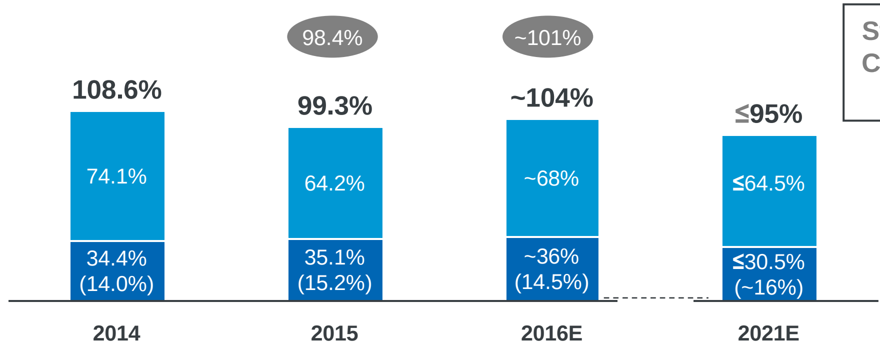
- Average running yield remains above average Life portfolio guarantee rate
- Continued low-interest environment leads to:
  - P/C business: sharpening focus on profitability in underwriting
  - Life business: lower ordinary interest income and also higher ZZR contributions

Excellent asset management is key to maintaining the positive investment spread while keeping credit risks at an acceptable level

Technical results

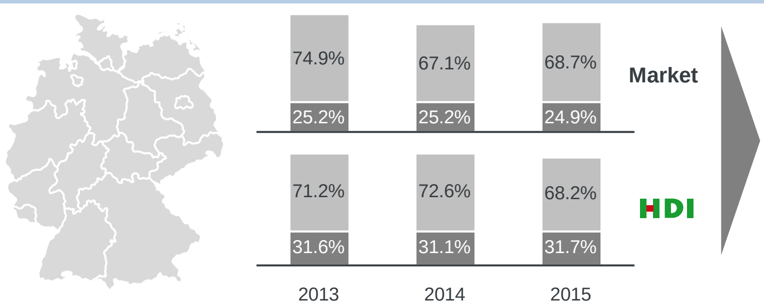
Combined Ratio (IFRS, net)

Strategic target
Combined ratio
≤ 95%



■ Loss ratio ■ Expense ratio (in brackets: thereof commission ratio)
⬬ Combined ratio without KuRS programme costs

Combined Ratio HDI vs. German Market (local GAAP, gross)



Loss ratio at market level, expense ratio to be improved

■ Loss ratio ■ Expense ratio

Comments

- In 2014, the loss ratio was negatively impacted by balance-sheet-strengthening measures of ~€113m (7.7%pts loss ratio impact)
- In 2015, the combined ratio was negatively affected by €13m costs for KuRS, reflecting a negative impact of ~0.9%pts (loss ratio: +0.2%pts, cost ratio: +0.7%pts). By contrast, the loss ratio benefited from lower large-sized losses and a positive run-off result (~€30m)
- The loss ratio of HDI's P/C business is already on market level (German GAAP)
- In 2016, KuRS implementation costs (~€40m) and above-average NatCat losses are expected to weigh on the combined ratio. The 2021 ratio target of ≤95% is attainable despite higher distribution costs due to the structural shift towards Bancassurance and Non-Motor business

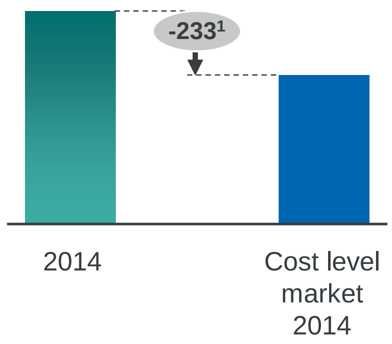
Loss ratio at market level - substantial reduction in costs planned to reduce the combined ratio to target level of ≤95%

Cost benchmarking and strategic targets

Cost benchmark (IFRS)

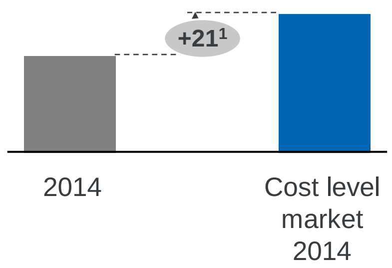
in €m

HDI



Strategic target: Reaching market level

Bancassurance



Strategic target: Maintaining excellent market position

Comments

- **Within Retail Germany, HDI is the restructuring case.** The benchmark analysis shows a cost gap of ~€230m compared to competitors
  - **Ambition: Reaching market level in terms of cost ratio,** in combination with superior pricing and **excellent claims management services**

- **Bancassurance** is not only in an **excellent market position, but is also positioned as a cost leader**
  - **Ambition: Maintaining and strengthening its strong position -** also in case of a persistently low-interest rate environment

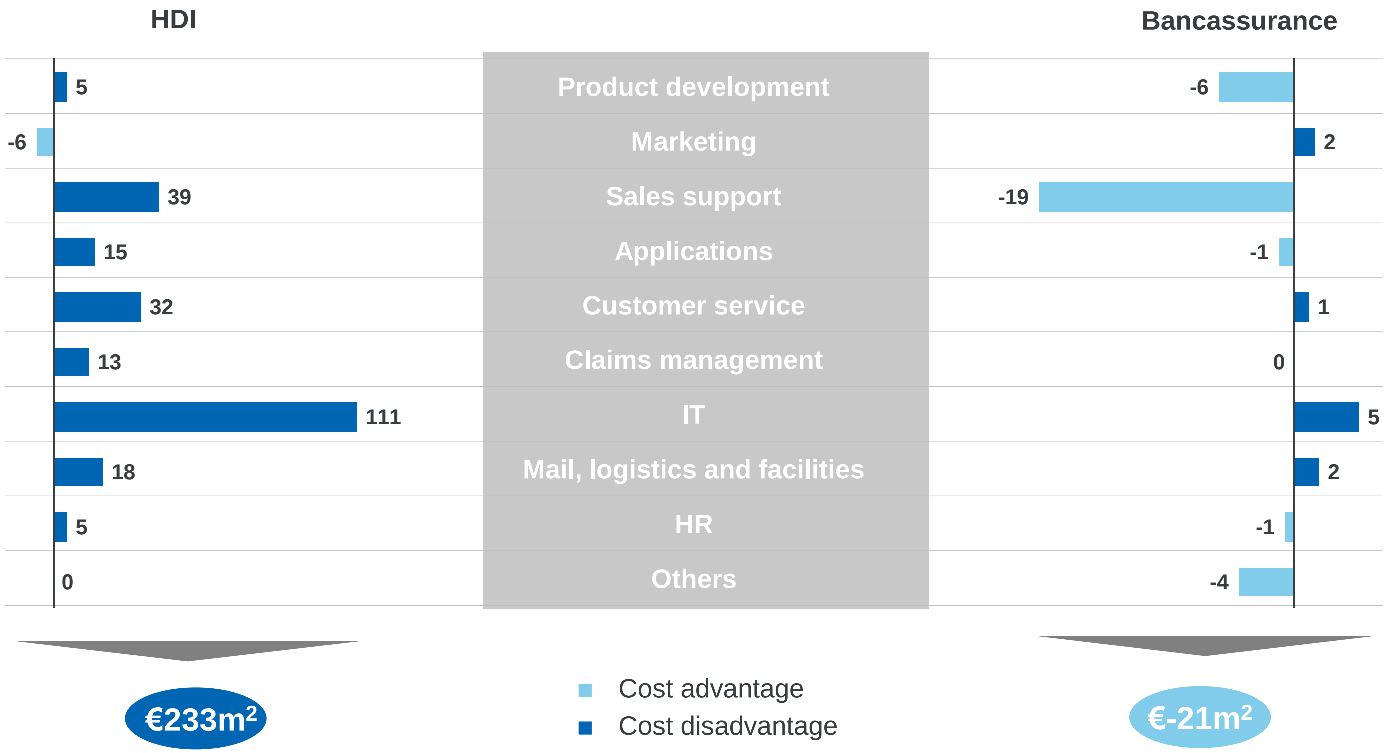
[1] Excluding project costs

HDI unit with a focus on strategic cost reduction to catch up with the market – Bancassurance with strategic goal to strengthen its excellent market position

Cost management

Cost benchmark by functions[1]

in €m



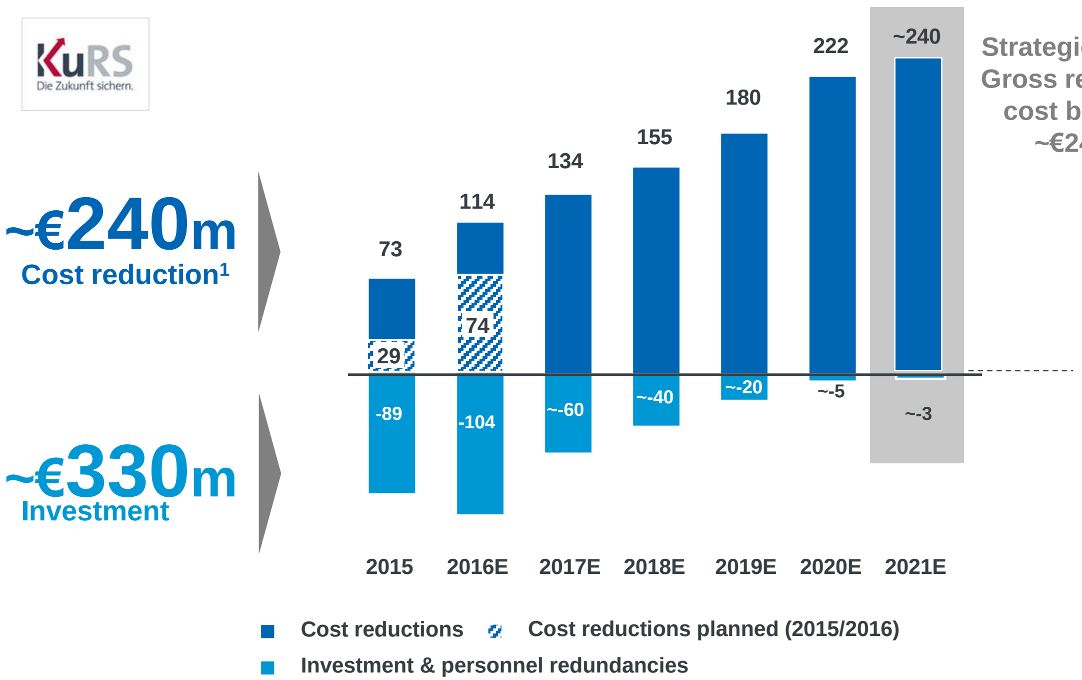
[1] Based on FY2014 figures [2] Figures exclude project costs

Benchmark analysis identified a cost gap of ~€230m at HDI, mainly from IT, sales support & customer services – Bancassurance with a cost advantage compared to peers

KuRS programme – Investment and cost reduction targets

Estimated project costs and savings

in €m



[1] Cost reduction before Inflation

Comments

- Targeted strategic investments for KuRS are expected to be ~€330m
- The related cost saving target is ~€240m p.a.
- Both numbers refer to Life and P/C business in sum
- Target is to implement all initiatives in full by the end of 2020 with the full cost benefit to be reached in 2021

Strategic investment of ~€330m targeted at restructuring HDI (catching up with market) and optimising BA (strengthening excellent market positions)

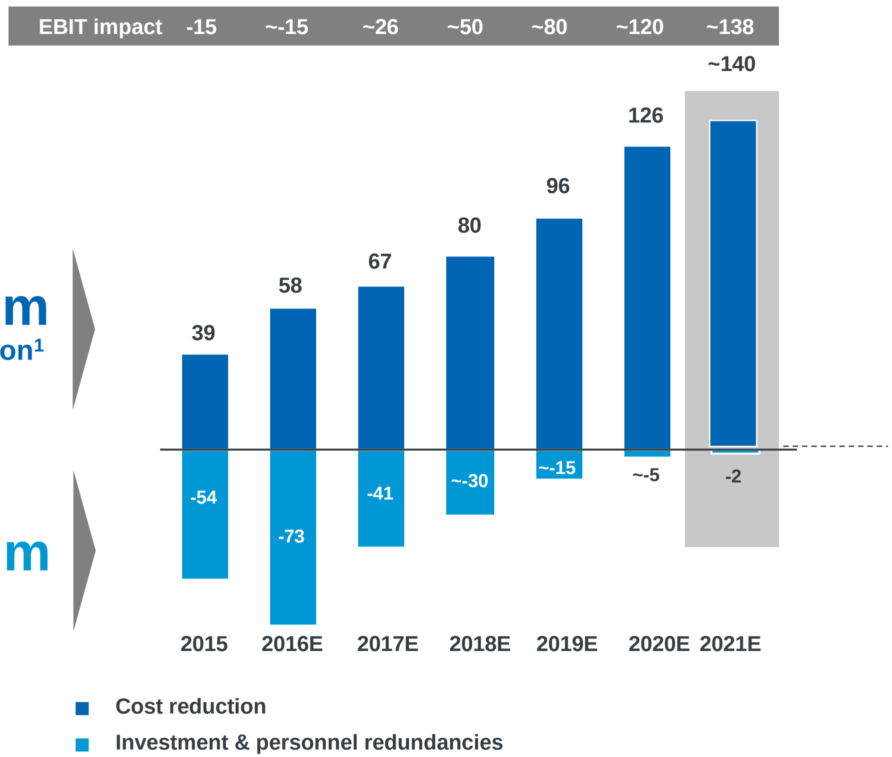
KuRS programme – Investment and cost reduction targets P/C

Estimated project costs and savings in P/C

in €m

~€140m
Cost reduction[1]

~€230m
Investment



[1] Cost reduction before Inflation

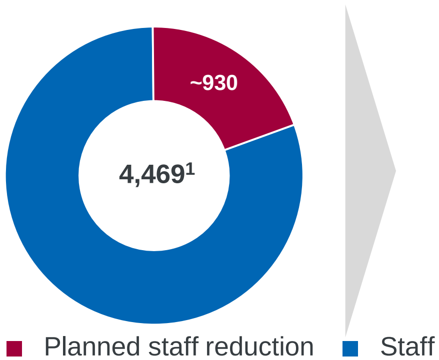
Comments

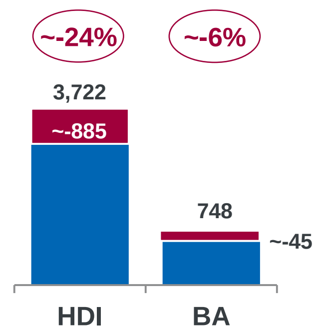
- Cumulative costs for KuRS in P/C are expected to account for ~€230m
- More than half of all project costs are expected to have been booked until end-2016
- The expected costs for personnel redundancies have been covered until mid-2016
- In 2017, the KuRS programme savings are likely to exceed costs on EBIT level for the first time
- From 2017 onwards, the improvement in EBIT is expected to visibly progress year by year

From 2017 onwards, the EBIT contribution of KuRS is expected to be positive

Planned Staff Reduction

Staff (FTE) reduction

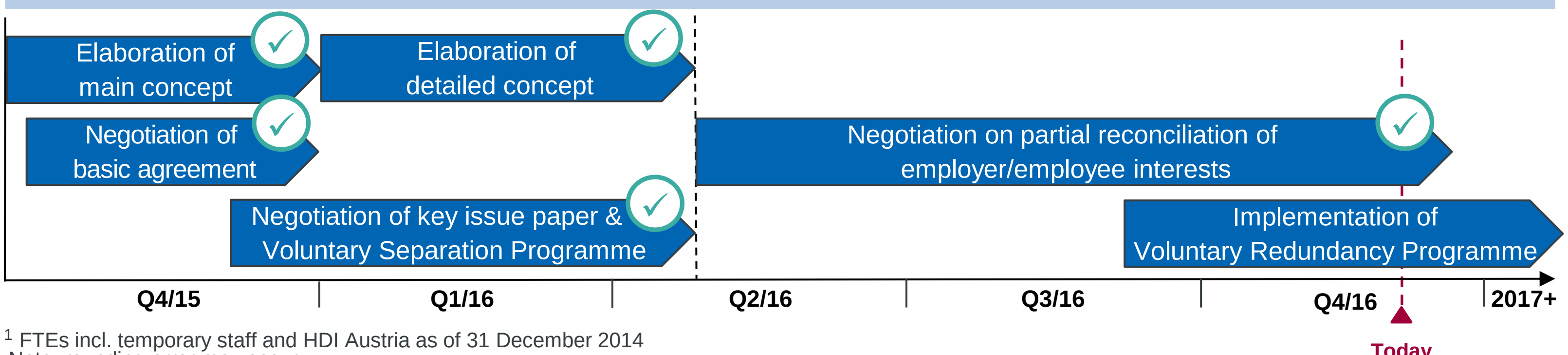




Comments

- Achieved milestones within the negotiation process with the Works Council
  - Key Issue Document - Mutual agreement on socially-responsible reduction of 930 in number of FTEs by 2020
  - “Voluntary Redundancy Programme” supports mutual agreements on staff reduction
- Successful negotiations on partial reconciliation of employer/employee interests
- Staff reduction focused on HDI, minor optimisation measures in Bancassurance

Milestones

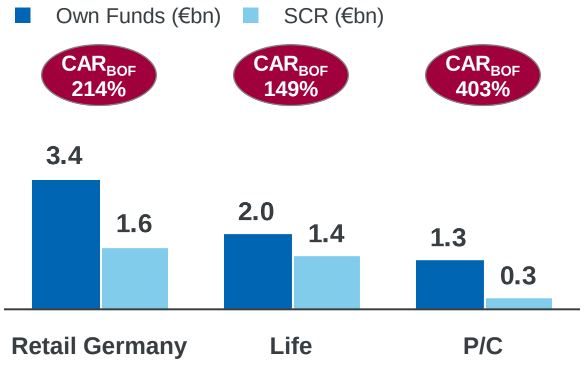


[1] FTEs incl. temporary staff and HDI Austria as of 31 December 2014
Note: rounding error may occur

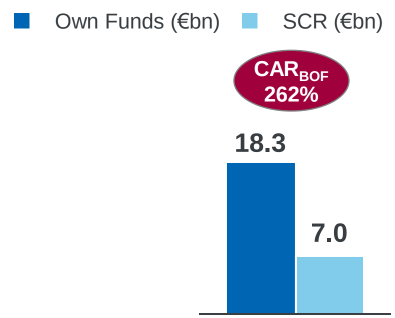
Agreement with Works Council successfully negotiated – planned staff reduction of ~24% at HDI

Solvency Position (I) – BOF CAR by segment

Retail Germany – TERM 6M 2016 (€bn)



Talanx Group – TERM 6M 2016 (€bn)



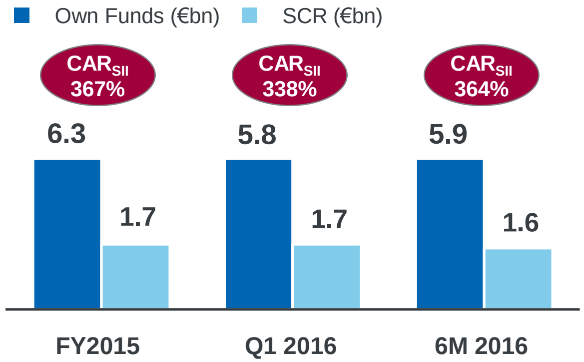
Comments

- TERM includes the internal models of the Life and P/C carriers of Retail Germany
- Basic Own Funds (BOF) include hybrids and surplus funds as well as non-controlling interests. The concept is used within the overall Group for risk budgeting and steering as it best reflects the Group's economic capital position
- In this concept, the Solvency Capital Requirement (SCR) is calculated on the basis of the full internal model, i.e. including operational risk
- The Volatility Adjustment has been approved by BaFin with a favourable effect on coverage ratios. TERM has also been approved as of 1 October, i.e. Q4 2016, on solo-entity level for our German Life carriers
- Both segments (Retail Germany Life and P/C) cover the capital requirements

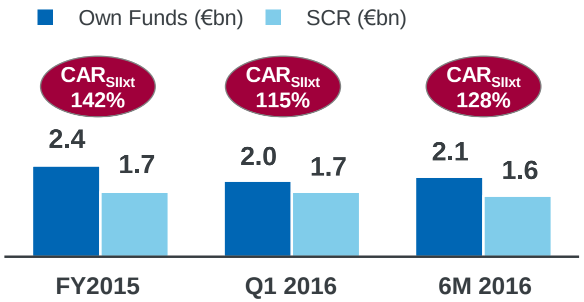
Both segments cover the capital requirements

Solvency Position (II) – Solvency II Ratios in Life

Solvency II Ratios in Life



Solvency II Ratios in Life – w/o transitional



Comments

MODEL APPROVED by German regulator BaFin (as per 1st October 2016)

- Following last year‘s approval of the internal model on Group level, BaFin has also approved Talanx‘s internal model for its German Life carriers on solo-entity level
- The decision promotes capital efficiency and allows for a more risk-adequate steering of business
- German Life carriers have successfully applied for transitional, like most German Life insurance companies
- Transitional measures have been taken by all life carriers to increase the level of eligible own funds or reduce the solvency capital requirements:
  - expanding the biometrics business (credit life, disability)
  - focus on capital-efficient products (“modern classic“)
  - improving the cost and profitability pattern
  - de-risking the investment
  - active in-force management

Note: Capital Adequacy Ratios are based on an SCR-weighted average for the German Life carriers

Internal model allows for capital-efficient and risk-adjusted steering on Group and on solo level

Targets

Targets Retail Germany

Gross premium growth (p.a.)	≥ 0%
Life	~ 0%
P/C	≥ 3%
Cost cutting initiatives to be implemented by end of 2020	~ €240m
Combined ratio 2021[1]	≤ 95%
Life new business: share of traditional life products by 2021 (new business premium)	≤ 25%
P/C: Growth in Property & Liability to SMEs and self-employed professionals by 2021[2]	≥ 25%
EBIT contribution (targeted sustainably from 2021)	≥ €240m

[1] Talanx definition: incl. net interest income on funds withheld and contract deposits
[2] Compared to base year 2014

Talanx targets for a combined ratio of ~96% until 2019 in Primary Insurance

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

Summary

	Financial initiatives	Achievements
Life	Managing the trade-off between capital efficiency and adequate Solvency II ratios & further improving the capital position of Retail Germany	Successful implementation of the internal model for solo Life entities ✓
Non-Life	Enhancing profitability by investing in Digitalisation/IT to reach a combined ratio of 95% at most in 2021	2016E combined ratio >100%, but impacted by costs from KuRS programme ✗
Operations	Cost reduction target of ~€240m p.a. by 2021	Above €100m cost reduction expected to be achieved by the end of 2016 – ahead of plan ✓
Human Resources	Staff reduction by 930 FTEs	Successfully negotiated agreement with Works Council ✓

EBIT contribution (targeted sustainably year-by-year from 2021) of ≥ €240m

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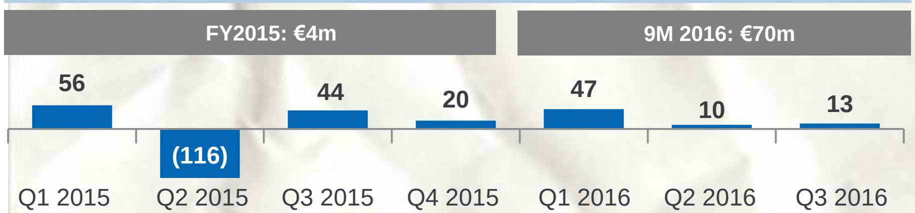
Appendix
9M 2016 Performance – Retail Germany

Segments – Retail Germany

P&L for Retail Germany

€m, IFRS	9M 2016	9M 2015	Δ	Q3 2016	Q3 2015	Δ
Gross written premium	**4,776**	**5,143**	**(7%)**	**1,430**	**1,475**	**(3%)**
of which Life	3,515	3,864	(9%)	1,149	1,185	(3%)
of which Non-Life	1,261	1,279	(1%)	281	291	(3%)
Net premium earned	3,606	4,062	(11%)	1,152	1,273	(9%)
Net underwriting result	(1,239)	(1,201)	n/m	(426)	(361)	n/m
of which Life	(1,205)	(1,190)	n/m	(425)	(357)	n/m
of which Non-Life	(33)	(11)	n/m	(1)	(4)	n/m
Net investment income	1,402	1,351	+4%	466	403	+15%
Operating result (EBIT)	**70**	**(16)**	**n/m**	**13**	**44**	**(70%)**
Group net income	39	(73)	n/m	15	31	(51%)
Return on investment (annualised)	3.8%	3.9%	(0.1%)pts	3.8%	3.4%	+0.4%pts

EBIT (€m)



Comments

- Starting with 6M 2016 reporting, the Life and P/C segments in the German Retail business report separately. In addition, we continue to show the aggregated numbers for the Division
- 9M 2016 GWP -7% lower, predominantly due to a premium decline in Life - consistent with the targeted phase-out of traditional guarantee business and the intended reduction in single-premium business. GWP development in P/C is down by ~1.5%, mainly due to the continued profitabilisation in Motor
- Net investment income is up by ~4%, predominantly due to higher extraordinary gains in Retail Germany Life to finance ZZR. Moderate decline in ordinary investment result of ~2% is reflecting the low-interest rate environment
- Cost impact from strategy programme KuRS affected the Division by a total of ~€75m (Q3 2016: €16m). The impact on the 9M EBIT was €52m (Q3 2016: €12m). Adjusted for the impact from KuRS and the 2015 goodwill writedown, the 9M 2016 EBIT was ~€122m, i.e. somewhat down y/y – fully explained by the faster amortisation of PVFP (~€22m)

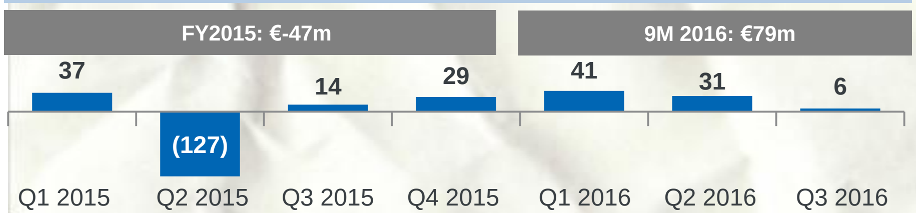
9M 2016 significantly positive despite KuRS burden and impact from PVFP amortisation

Segments – Retail Germany Life

P&L for Retail Germany Life

€m, IFRS	9M 2016	9M 2015	Δ	Q3 2016	Q3 2015	Δ
Gross written premium	**3,515**	**3,864**	**(9%)**	**1,149**	**1,185**	**(3%)**
Net premium earned	2,558	2,994	(15%)	794	897	(11%)
Net underwriting result	(1,205)	(1,190)	n/m	(425)	(357)	n/m
Net investment income	1,333	1,276	4%	443	376	18%
Operating result (EBIT)	**79**	**(76)**	**n/m**	**6**	**14**	**(59%)**
EBIT margin	3.1%	(2.6%)	5.7%	0.7%	1.5%	(0.8%)
Investments under own Management	46,775	43,617	7%	46,775	43,617	7%
Return on investment (annualised)	4.0%	4.0%	(0.0%)pts	3.8%	3.5%	(0.3%)pts

EBIT (€m)



Comments

- Targeted phase-out of traditional and single premium business leads to lower GWP, also impacted by a base effect on the back of spill-over effects from the strong 2014 into 2015. Credit life insurance business with significant growth impetus
- €23m cost impact from strategic programme KuRS (incl. €15m restructuring costs in "other result") – completely compensated in the EBIT by a lower RfB contribution due to policyholder participation
- Investment result up, mainly due to higher extraordinary gains to finance ZZR
- 9M 2016 ZZR allocation of €502m (9M 2015: €362m; 6M 2016: €295m). Total ZZR stock reached €2.06bn, expected to rise to ~€2.2bn until year-end
- 9M 2016 EBIT impacted by an accelerated and more conservative amortisation of PVFP (~€22m impact in Q3 2016), but above the 9M 2015 EBIT, even when also adjusting for last year's goodwill impairment (€155m in Q2 2015)

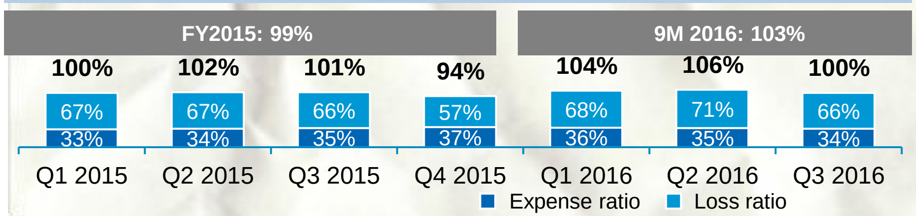
EBIT impacted by an accelerated PVFP amortisation, but still ahead of the 9M 2015 EBIT - even when also adjusting for the full goodwill impairment in Q2 2015

Segments – Retail Germany P/C

P&L for Retail Germany P/C

€m, IFRS	9M 2016	9M 2015	Δ	Q3 2016	Q3 2015	Δ
Gross written premium	**1,261**	**1,279**	**(1%)**	**281**	**291**	**(3%)**
Net premium earned	1,049	1,068	(2%)	358	376	(5%)
Net underwriting result	(33)	(11)	n/m	(1)	(4)	n/m
Net investment income	69	75	(8%)	21	27	(21%)
Operating result (EBIT)	**(9)**	**60**	**n/m**	**7**	**30**	**(75%)**
EBIT margin	(0.9%)	5.6%	(6.5%)	2.1%	8.1%	(6.0%)
Investments under own Management	3,934	3,876	1%	3,934	3,876	1%
Return on investment (annualised)	2.4%	2.6%	(0.2%)pts	2.2%	2.6%	(0.4%)pts

Combined ratio[1]



[1] Incl. net interest income on funds withheld and contract deposits

Comments

- 9M 2016 GWP 1.5% lower y/y (down -3.4% y/y in Q3 2016). Gross premiums still negatively impacted by profitabilisation measures in Motor. Positive effects from growth in SMEs and self-employed professionals, in unemployment insurance and from the promising start of the digital distribution ("direct business") in Motor
- 9M combined ratio was slighty impacted by storms (in 6M 2016) and €30m costs for KuRS programme (Q3 impact was €12m, 3.5%pts impact). Adjusting for KuRS, the combined ratio reached 100.4% (9M 2015: 100.6%). In Q3 2016, significant improvement in KuRS adjusted combined ratio (96.9% vs. 99.7%) due to 3.3%pts lower adj. cost ratio
- Net investment income down, mainly reflecting low interest rate levels. RoI was just slightly down to 2.4% (9M 2015: 2.6%)
- 9M 2016 EBIT burdened by €22m final personnel redundancy costs for KuRS, booked in the "other result" in 6M 2016

KuRS investments and slightly higher loss ratio due to NatCat events explain EBIT decline

Agenda

I	Group Strategy	Herbert K. Haas
II	Group Financials	Dr. Immo Querner
	Retail Germany	
III	Strategy	Dr. Jan Wicke
IV	Financials	Barbara Riebeling
V	**Bancassurance**	**Iris Kremers**
VI	Life	Ulrich Rosenbaum
VII	P/C	Dr. Christoph Wetzel
VIII	Distribution	Wolfgang Hanssmann
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X	Final Remarks	Herbert K. Haas

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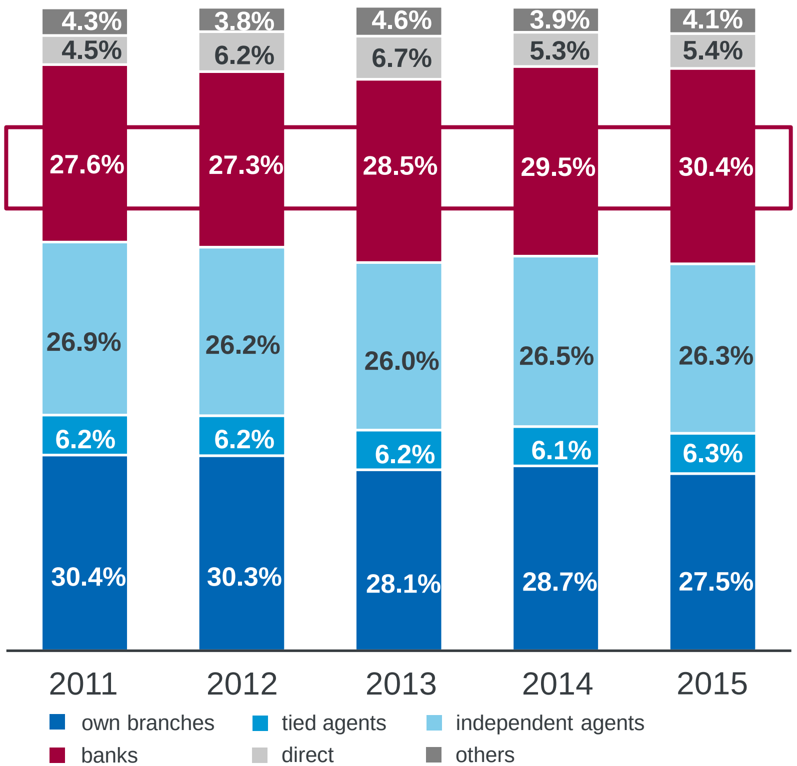
Key Messages

- Bancassurance is an important cornerstone for Retail Germany's success
- Its business concept builds on the idea of creating win-win-situations for all partners involved – with long-term cooperation agreements
- Each banking partner has its specific characteristics. All reach a broad customer base and have diversified distribution channels
- Bancassurance is efficient and profitable. There is scope to further reduce cost ratios by digitalisation and automation
- Bancassurance contributes significantly to the success of Retail Germany. Despite the pressure on investment income, we see some upside from the €115m EBIT achieved in FY2015
- The focused and profitable Bancassurance product portfolio is oriented towards partners' and customers' needs. LifeStyle Protection is a promising new area of growth
- The strategic focus of Bancassurance is on leveraging and optimising its excellent market position

Bancassurance sales channels in Germany

New business (APE) by sales channel[1]



[1] Source: Towers Watson; Survey of distribution channels in Life, 2016

Banks as insurance sales channel

In FY2015, Bancassurance contributed ~€370m commissions to its bank partners[2]

- Banks have been a well-established sales channel for insurance products for many years
- Banks sell insurance products either through their own skilled employees or through specialists of the insurance companies
- Insurance products fit well into a comprehensive financial services concept
- Selling insurance contracts generates an attractive commission income for banks
- With business model of banks under pressure from interest margins and regulatory requirements, we see a rising relevance and strategic interest to team up with insurance companies

[2] Including profit share agreements, according to German GAAP

The banking sales channel is the leading sales channel for life insurance products

Retail Germany's major Bancassurance cooperation agreements

	TARGOBANK	Sparkasse	Postbank
Description	▪ TARGOBANK (founded in 1926) is a subsidiary of Crédit Mutuel banking group focusing on simple, attractive bank products, excellent customer service and sustainable business; leading in customer credit business ▪ It combines the advantages of a service-oriented direct bank with competent advice in the branches or at the home of the customer	▪ The business model reflects their founding mission: acting with a local presence in a customer-oriented and responsible manner. The first German savings bank was founded in 1778 ▪ High product quality and reliable advisory are of specific importance for savings banks' customers	▪ Postbank Group is one of Germany's largest financial service providers (founded 1909), having a focus on business with retail clients and small and medium-sized companies ▪ Postbank stands by its reliability and outstanding reachability across all channels
Client access	▪ More than 360 locations in over 200 cities; multi-channel strategy ▪ About 7,000 employees ▪ Around 4 million customers	▪ 413 savings banks ▪ 14,451 branches ▪ 233,742 employees ▪ More than 50 million customers	▪ More than 1,000 branches ▪ 3,000 mobile financial advisers acting also online, by telephone or at home ▪ 19,000 employees ▪ Around 14 million customers
Figures	▪ Pre-tax profit: €430m ▪ Total assets: ~€14bn	▪ Pre-tax-profit: n/a ▪ Total assets: ~€1,150bn (cumulated)	▪ Pre-tax profit: €582m ▪ Total assets: ~€150bn
Cooperation	**Cooperation agreement until 2025**	**Cooperation agreements[1] until 2019/2024, or for unlimited periods; exclusive and non-exclusive agreements**	**Cooperation agreement until 2022**

Source: Company websites; figures as of 31.12.2015

[1] Agreements with over 100 savings banks, including 12 of the 15 largest savings banks

We cooperate with successful partners, reaching a broad customer base in the German banking market via diversified banking distribution channels

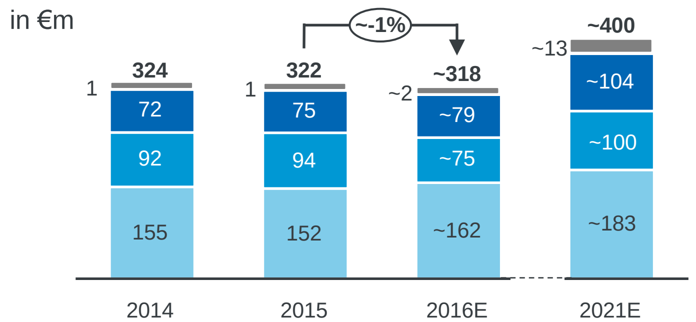
Retail Germany's exclusive insurance companies

	TARGO•VERSICHERUNG	neue leben Versicherungen	PB Versicherungen Partner der Postbank
Description	▪ Best practice Bancassurance business model with highly automated processes in the back office ▪ 100% subsidiary of Talanx	▪ Supra-regional insurance company for saving banks with a focused product portfolio (especially life) ▪ 67.5% subsidiary of Talanx	▪ Serving Postbank as a reliable partner supporting Postbank's innovative digital strategy ▪ 100% subsidiary of Talanx
Product portfolio	▪ Credit life insurance ▪ Capital-efficient annuity insurance ▪ Index policy ▪ Classical annuity insurance with risk coverage (capital-forming and funeral costs insurance) ▪ Riester pensions ▪ Accident insurance **Well-balanced overall product mix: High profitability due to risk products incl. credit life, developing distribution of non-life products**	▪ Credit life insurance ▪ Capital-efficient hybrid annuity insurance ("aktivplan") ▪ Capital-efficient annuity insurance ▪ Immediate annuity insurance ▪ Classical annuity insurance with risk coverage (funeral costs insurance) ▪ Riester pensions ▪ Accident insurance **Traditionally high product quality: Increasing share of capital-efficient and credit life products**	▪ Credit insurance life ▪ Capital-efficient annuity insurance ▪ Immediate annuity insurance ▪ Unit-linked annuity insurance ▪ Classical annuity insurance with risk coverage (funeral costs insurance) ▪ Riester pensions ▪ Accident insurance **Focused product portfolio: Selling of easy-to-explain products as packages, increasing share of credit life products**

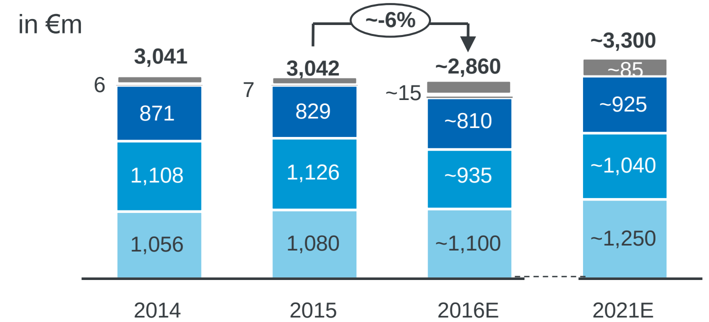
Delivering profitable products and tailor-made support to further strengthen the successful cooperations

Bancassurance risk carriers – Operating development

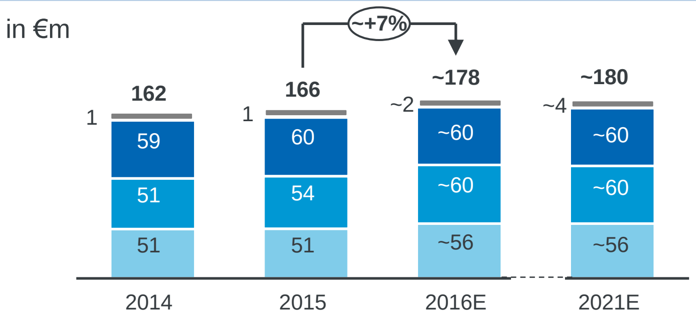
Development of APE, IFRS



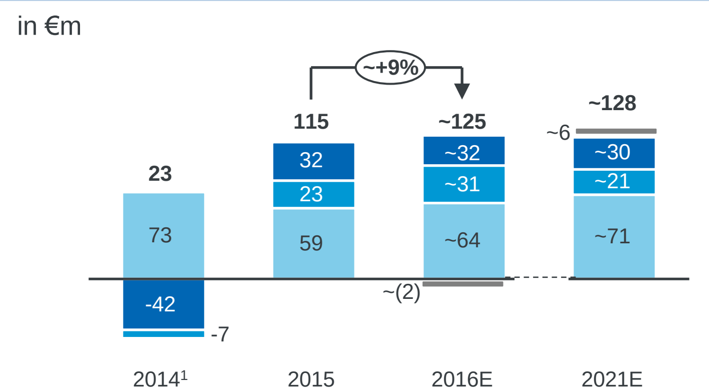
GWP development, IFRS



Cost development, German GAAP



EBIT development, IFRS



■ PB ■ neue leben ■ TARGO ■ LifeStyle Protection

[1] FY2014 EBIT impacted by balance sheet strengthening measures of ~€96m

Bancassurance contributes significantly to the success of Retail Germany

Strategic initiatives in Bancassurance – Overview

Customer Centricity – Sustainability – Stability

Strategic initiatives

Implementation of the new Life strategy

New business | **In-force Management** | **Digitalisation/IT** | **Asset Management**

Investment in Digitalisation/IT and ongoing cost management

Project LEGO to further improve the BA business model and prepare for extension / renewal of cooperation contracts

Financials

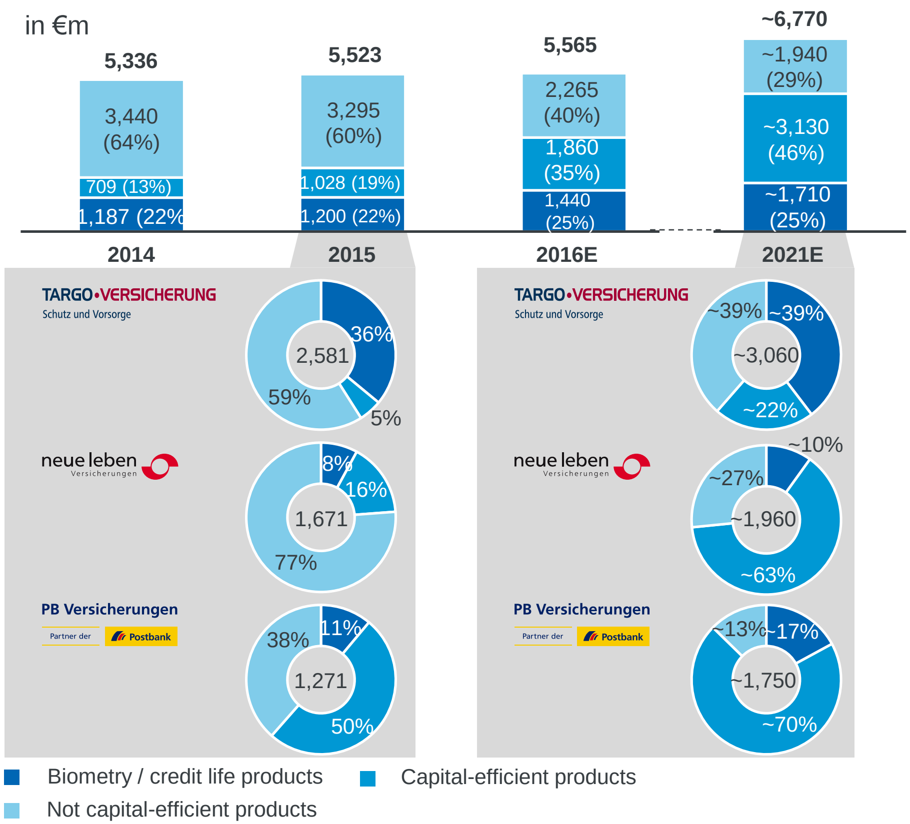
	Cost Reduction[1]	Investments[1]	Period
KuRS	~€13m p.a.	~€12m	2015 – end 2020
Voyager4life	~€18m p.a.	~€93m	2016 - 2025

[1] No direct impact from Voyager4life initiative on Retail Germany's P&L due to policyholder participation; P&L impact from KuRS limited to effects in P/C business

KuRS targets to further optimise Bancassurance's profitable market position in a sustainable way

New business – Transformation of the product mix

Life new business premiums (German GAAP)



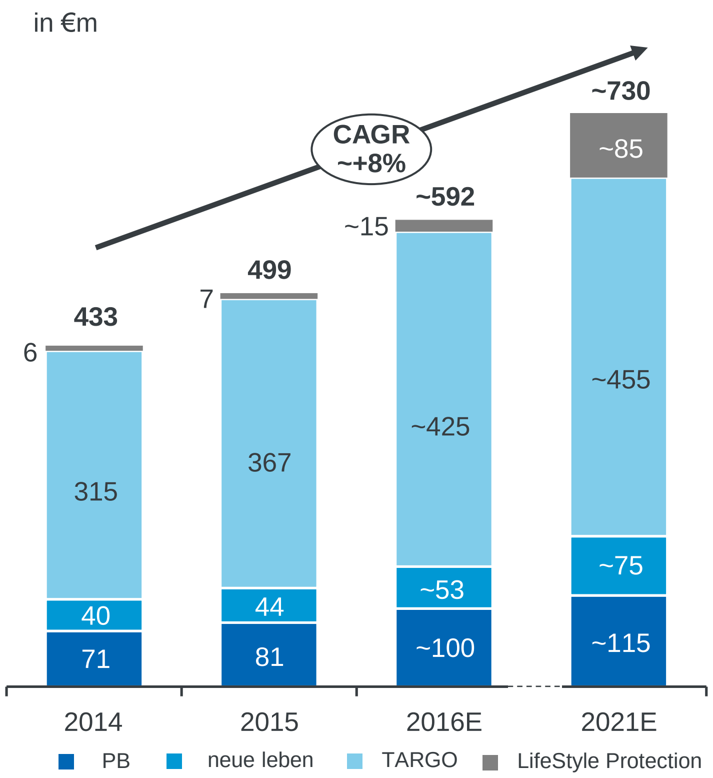
Transformation of the product mix

- In the current low interest rate environment, classical annuity products are successively replaced by capital-efficient products
- The sales force also focuses on risk and biometric products
- A lean and focused product portfolio is key
- A sound and stringent sales management closely coordinated with the cooperation partners is essential

We transform our product portfolio consequently and fast

New business – Growth in credit life insurance

GWP credit life insurance[1]



Comments

- The constant growth in credit life insurance products is one basis for the transformation of the product portfolio
- Credit life insurance offering is fully integrated into the banks' credit systems and available via all distribution channels. Bancassurance participates directly from the growth of the credit markets
- We continuously improve credit life products to meet future needs
- The new LifeStyle protection business is likely to become an additional growth driver, expected to contribute ~€85m GWP by FY2021
- Roughly one out of three German households use installment credits for consumer goods – 25% of these are distributed via digital channels[2]. Bancassurance is prepared to use this market potential by its existing and by new partners in its LifeStyle Protection business
- As a consequence, an average growth rate of ~8% p.a. looks likely for Bancassurance

[1] Incl. unemployment insurance; [2] According to Gesellschaft für Konsumforschung GfK (a leading German consumer research company)

Exploiting further growth opportunities in credit life insurance products

Further growth through LifeStyle Protection

LifeStyle Protection

Business model

- LifeStyle Protection – two new insurance companies
- Cooperation partners mainly from banks/near-banks, but also from industries, e.g. automotive, energy and retail
- Development of individual credit life insurance products as well as easy-to-understand lifestyle products, focusing on mass-market and profitable non-life products
- Expanding existing cooperation agreements and adding new cooperation agreements expected to contribute ~€85m GWP by FY2021
- Other Bancassurance entities within Retail Germany will be supported by specific know-how for lifestyle products and a specialised IT system
- The LifeStyle Protection business will also act as an incubator for innovative digital insurance models with a specialised IT system

Lifestyle insurance products/services

- Mortgage insurance, home warranty, rent deposit insurance, rental cover
- Invoice protection (e.g. electricity bills)
- Device protection, extended warranties
- New value indemnity and leasing gap
- Credit life insurance (consumer loans/commercial loans), credit cards, receivables on current accounts
- Financial protection for cashless payments
- Insurance products for credit cards (e.g. travel insurance)

Current cooperation agreements

- LifeStyle Protection reinsures credit life insurance products sold through **DKB – Deutsche Kreditbank AG**[1] since 2011
- LifeStyle Protection has offered a credit life product for **HypoVereinsbank**[2] since July 2016

[1] In cooperation with Credit Life AG [2] In cooperation with ERGO

Additional growth from innovative insurance solutions and new cooperation agreements

Digital transformation of the Bancassurance business model

Digital services

Digital distribution

Digital automated processes

New digital business models

Digital education

Digital roadmap

Digtial horizons

Online sales & service

Offering business online

- Integration into the partner's online banking systems
- Additional online distribution for all products, e.g. for TARGO's new device protection product
- Customer self-service, e.g. via smart capture
- Online rating tool ("eKomi")
- Gamification tool for sales training purposes (e.g. neue leben quiz app)

Individual product and service offerings

Increasing number of attractive digital offers for partners and customers

- Developing an accident insurance product with online sales, processing and individual pricing
- Intergenerational care model, organised via a digital community ("Postbank family")

Digital integrated ecosystem

Bancassurance as a fully-integrated service

- Complete digitalisation of all Bancassurance products and processes
- Integrated application for customers to manage their (maturing) insurance contracts according to their individual preferences

Digital maturity

Banking + Bancassurance + Digitalisation (products, processes and services) = Opportunities

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Summary

Highly profitable business benefiting from the focused business model and its relatively young portfolios

Growing importance for banks in a low-yield environment to compensate for earnings decline elsewhere ("win-win")

Product innovation, digitalisation and new offers, e.g. from LifeStyle Protection, create promising growth opportunities

Bancassurance is an innovating business unit, creating new applications and being attractive for new business partners

Bancassurance relies on its experienced and dynamic team, with the proven entrepreneurial culture ("Entrepreneurs within the enterprise")

Agenda

I	Group Strategy	Herbert K. Haas
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Key Messages

- Retail Germany has implemented a comprehensive set of measures in response to the challenges in Life – addressing asset management, new products, in-force business and Digitalisation/IT
- Liability cash flows in German Life are covered for the next 15-20 years in Bancassurance and in HDI Life
- The resilience of our carriers benefits from the early active investment decision to extend asset duration to well above market average
- Average guarantee rates are expected to decline to 1.4% (2015: 2.8%) in HDI Life and 1.1% (2.5%) in Bancassurance by 2021 - likely to keep investment spreads positive
- There has already been a significant and visible shift in the new business profile
- Active in-force management with expected total benefits of more than €200m (statutory gross profit) until 2024
- Focus on digitalisation projects in services, processes and distribution – strong market response for lighthouse project bAVnet – efficiency potential from Voyager4life

Challenges to the Life business and Retail Germany's responses

Challenges in Life

- Capital Markets
- Guarantees
- Costs

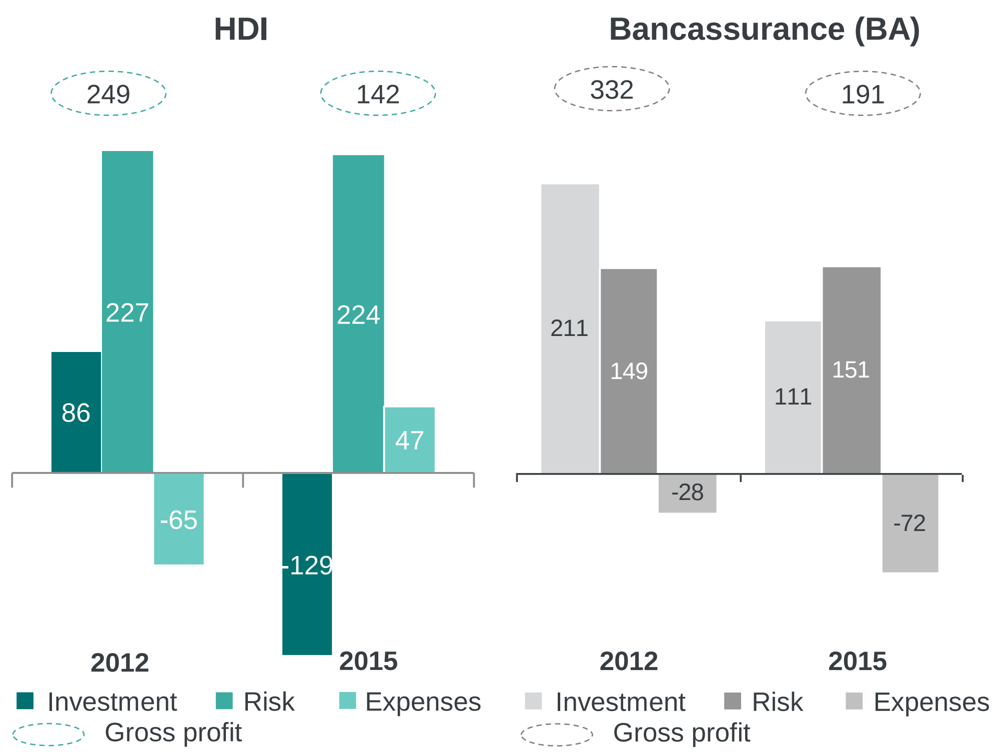
Retail Germany's responses

- I Asset management strategy
- II New products
- III In-force management
- IV Digitalisation/IT

Broad-based and connected business responses

Life Profit Distribution

Statutory gross profit split by sources (€m)



Comments

- Profit distribution is the statutory basis of the minimum contribution to the premium refund reserve (Mindestzuführung)
- The chart indicates the results from the different actuarial calculation bases
- In 2015, the expense result of HDI was positively affected by a €118m one-off effect from consortium business. The adjusted cost result stood at €-71m

Given the decline in investment result (although supported to some extent by the realisation of unrealised capital gains), risk and expense results have become increasingly important

I Investment Strategy – Pillars of the asset management strategy

Investment income is a key factor for …	… and has to meet the following requirements
Fulfilment of underwriting liabilities (actuarial interest rate)	Active duration management
Supporting sales / distribution (surplus participation)	Technical liabilities are covered at all times
	Regulatory requirements from HGB, IFRS and Solvency II have to be taken into account
Payout to shareholders (dividend)	Selective de-risking when appropriate

Strong focus on cash-flow matching and controlling investment risks

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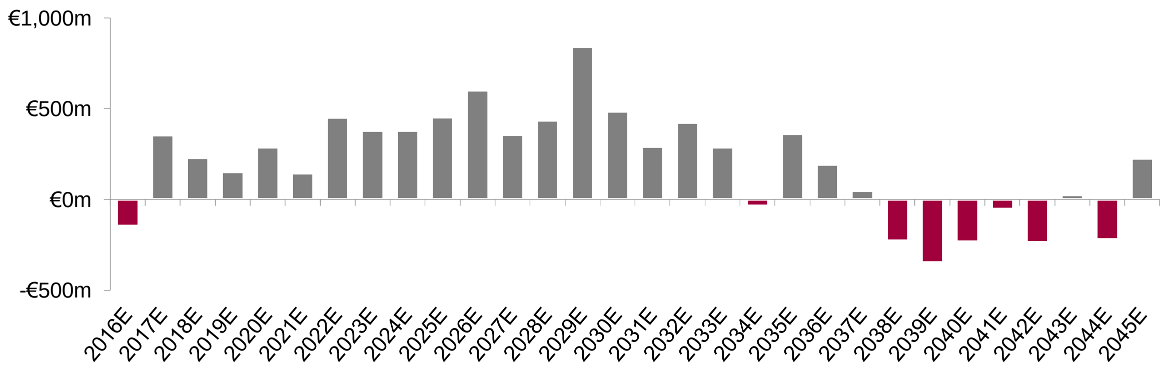
I Asset Management Strategy – Asset-liability diagrams as of 30 June 2016

HDI Life insurance

Bancassurance



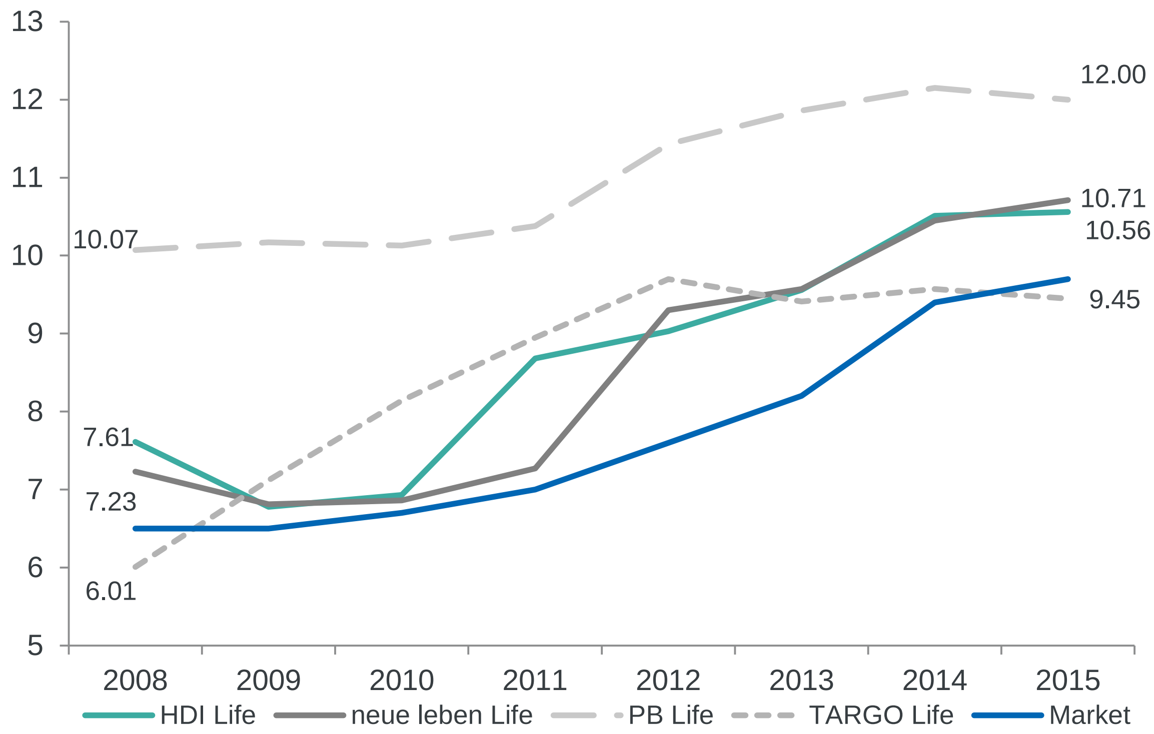
Comments

- The asset-liability diagrams illustrate the expected difference between revenues (premiums, investment income etc.) and expenses (claims, surrender values etc.) for the portfolio excluding new business
- For HDI Life and for the bancassurance carriers, the net amounts are expected to be positive for the next 15 to 20 years

Liability cash flows are covered for the next 15 to 20 years

I Asset Management Strategy – Modified duration of Retail Germany's Life carriers compared to the industry

Modified Duration



Source: Market data according to GDV (German Insurance Association)

Comments

- Modified duration is a measure of the price sensitivity of a bond or of a bond portfolio to interest rate movements
- In 2010, Retail Germany started to actively increase the duration of the bond portfolios in its German Life carriers
- As a consequence, duration is above market levels for three out of its four carriers
- The lower duration in Targo Life reflects its different business focus

Duration has been actively extended since 2010

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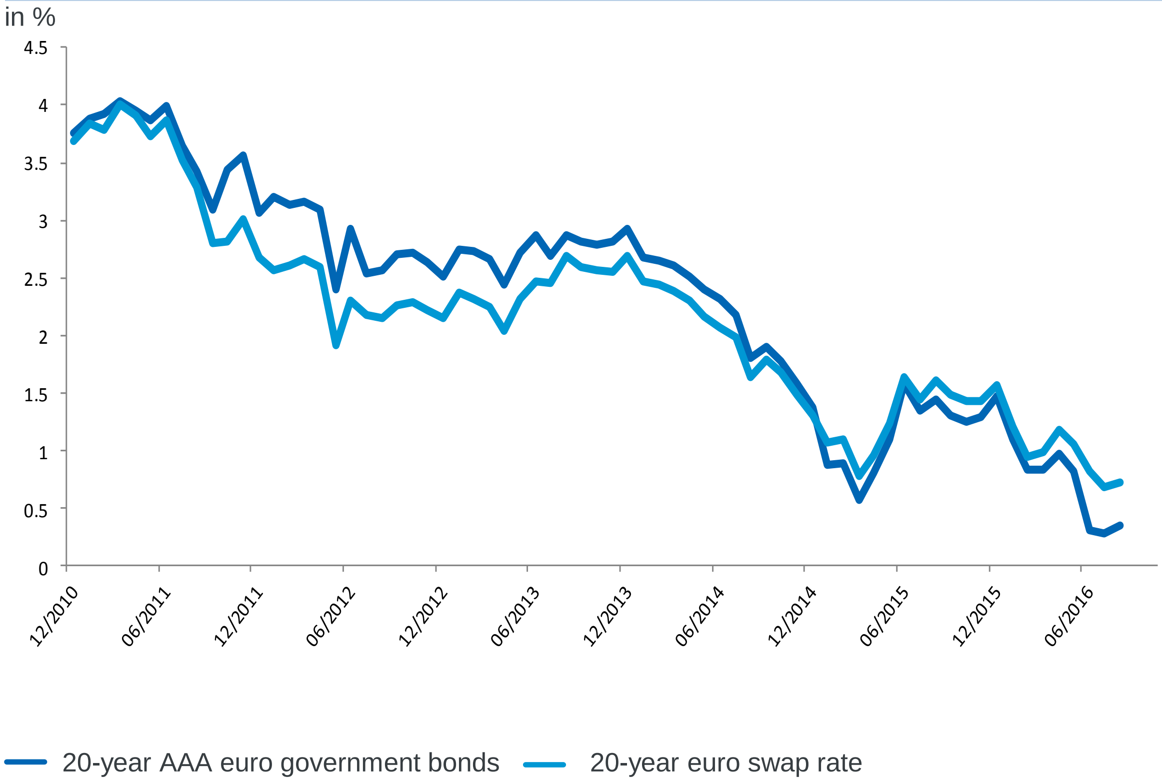
I Asset Management Strategy – Development of the 20-year AAA euro government benchmark yield

Development of 20-year euro government and swap rates



AAA euro government bonds now include Germany, Netherlands, Luxembourg

Comments

- The significant and steady decline in yields has continued ytd
- The forward rates of the 20 Y AAA euro government bonds are the basis of our short and mid-term forecast

Significant yield decline since 2010

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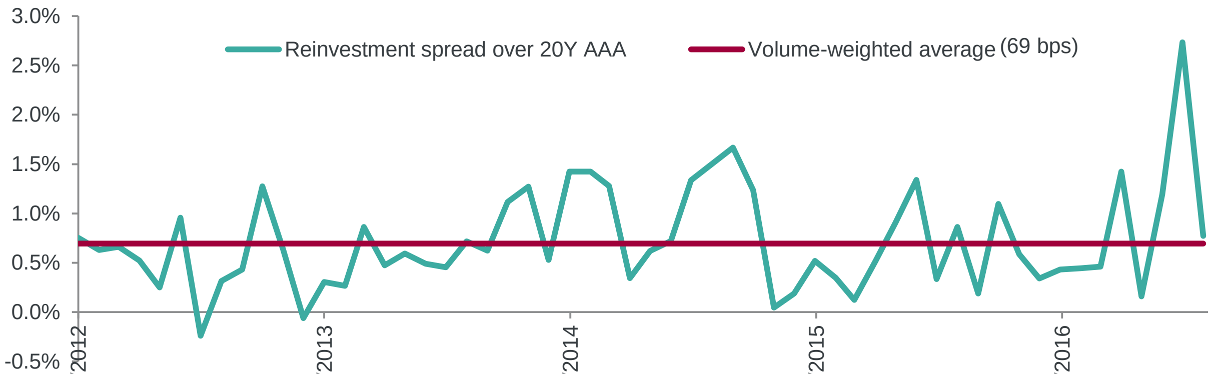
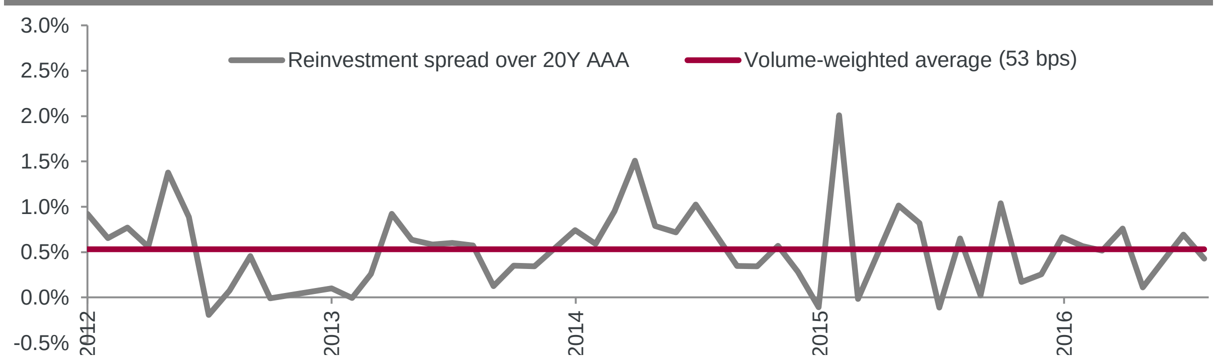
I Asset Management Strategy – Sufficient investment income despite low interest level

HDI Life insurance



Bancassurance



All numbers refer to German GAAP (HGB)

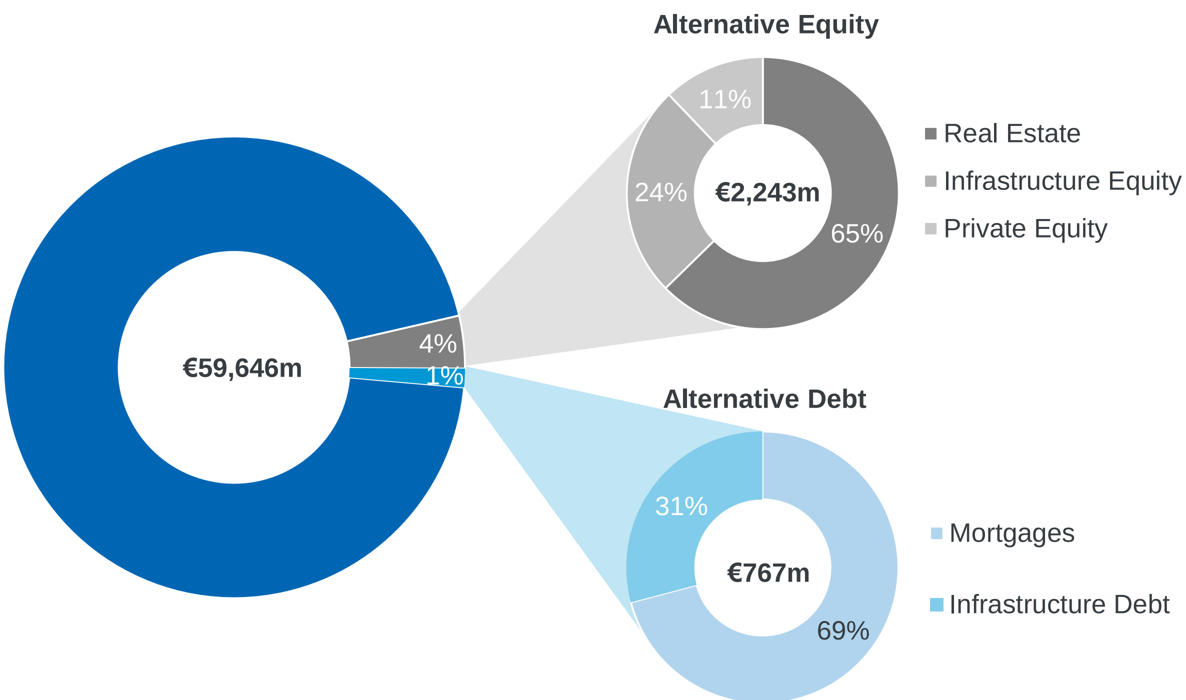
Comments

- Since 2012, an average fixed-income reinvestment spread of 69 bps (HDI), respectively 53 bps (BA) over the 20-year AAA euro government benchmark has been achieved
- For reasons of prudence, we assume a lower spread of 40 bps in the coming years

The obtained spread over 20-year AAA euro government bonds has reached 50-70 bps since 2012 – well above the budgeted 40 bps

I Asset Management Strategy – Competitive advantage in alternative investments through specialised know-how

Investment Portfolio (market values, 9M 2016)[1]



Comments

- Long-term, high-quality fixed-income assets are purchased as the core investment
- A yield pickup has been achieved by adding alternative investments with an amount of €2.9bn, managed by our specialists at Talanx Asset Management
- Investments have been made in the following areas: solar parks, wind farms, caverns, water utilities, court buildings

[1] The investment portfolio comprises the market value of the assets under own management for both Life as well as P/C in Retail Germany

Retail Germany has invested 5% in alternative assets

I Asset Management Strategy – Case Study: Investments in 9M 2016

Reinvestment Yields

Alternative Asset	Return Expectations Current Yield
Real Estate	2.5%
Infrastructure Equity	5.0%
Private Equity	4.5%
Mortgages	2.0%
Infrastructure Debt	3.0%

Reinvestment yield Retail Germany (in €m)	Actual 9M 2016	
	Amount	Yield
HDI Life	1,446.5	1.54%
Bancassurance	1,539.9	1.32%
Retail Germany Life	**2,986.4**	**1.43%**

Comments

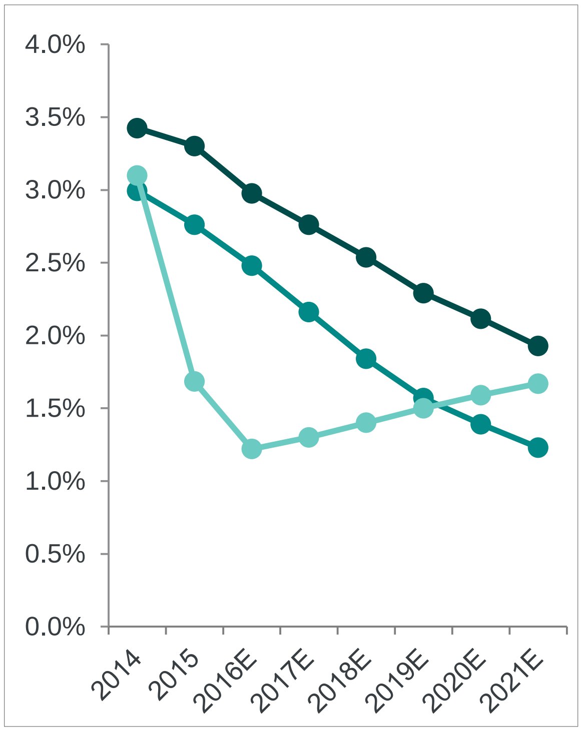
- Our return assumptions are based on a expected return for various alternative asset classes of between 2 and 5%
- In 9M 2016, the reinvestment yield in our German Life business stood at 1.32% in Bancassurance and 1.54% in HDI Life

All numbers refer to German GAAP (HGB)

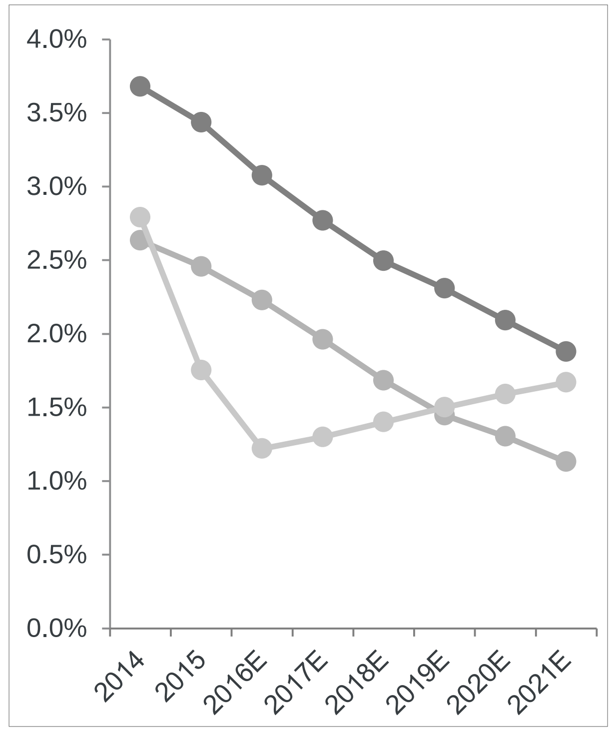
In 9M 2016, Retail Germany has achieved a reinvestment yield of 1.43% in Life

I Asset Management Strategy – Comparison of average running yields versus average guarantee rates

HDI Life



Bancassurance



avg. running yields — avg. guarantee rates (incl. ZZR) — reinvestment yield (fixed income)

All numbers refer to German GAAP (HGB)

Comments

- The implicit market expectation for 20-year AAA euro government bonds plus 40 bps is taken as the assumed reinvestment yield for 2016 - 2021 in the two diagrams - e.g. 1.22% for 2016
- The fixed-income reinvestment yield in 9M 2016 was higher at 1.32% for Bancassurance and at 1.54% for HDI Life

Based on these assumptions, the average running yields will be sufficient to finance the guarantees for policyholders

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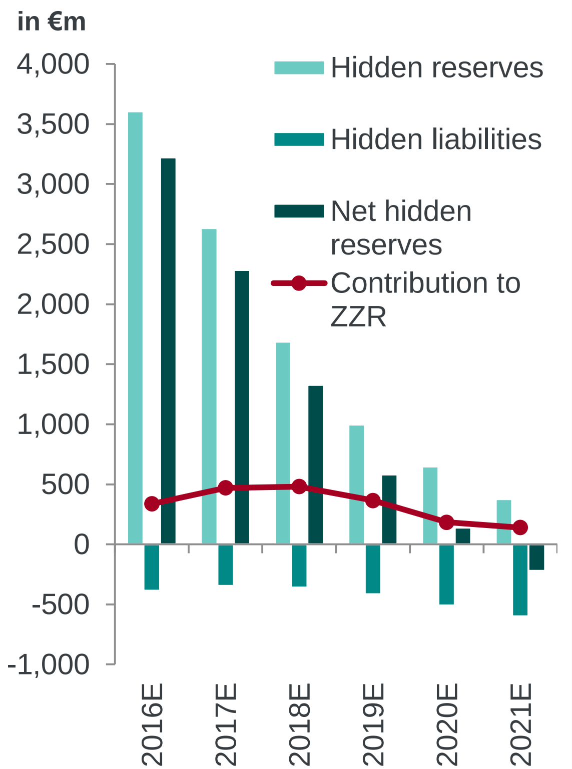
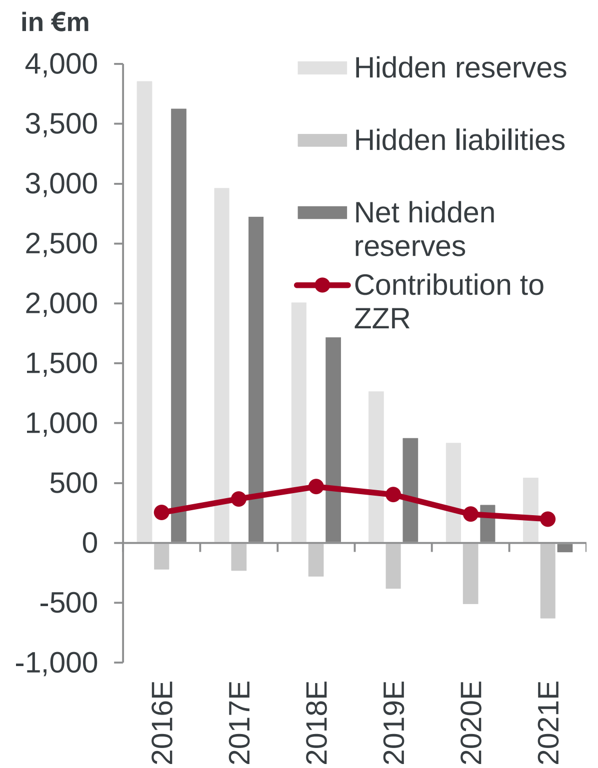
I Asset Management Strategy – Increase in Zinszusatzreserve versus unrealised capital gains

HDI Life



Bancassurance



Comments

- We expect unrealised capital gains to decrease in coming years due to
  - increasing interest rates and
  - the realisation of unrealised capital gains
- In our calculations, the remaining unrealised capital gains are high enough to finance the contributions to ZZR in the period under consideration

All numbers refer to German GAAP (HGB), only on-balance-sheet reserves

Unrealised capital gains can be used to finance the contributions to the ZZR

Summary – Asset Management Strategy

- Strong focus on cash flow matching and controlling investment risks
- Liability cash flows are covered for the next 15 to 20 years
- Duration has been actively extended since 2010
- The obtained spread over 20-year AAA euro government bonds has exceeded the budgeted 40 bps since 2012
- Competitive advantage in alternative investments through special expertise
- Based on our assumptions, average running yields are sufficient to finance the guarantees for policyholders
- Unrealised capital gains can be used to finance the Zinszusatzreserve

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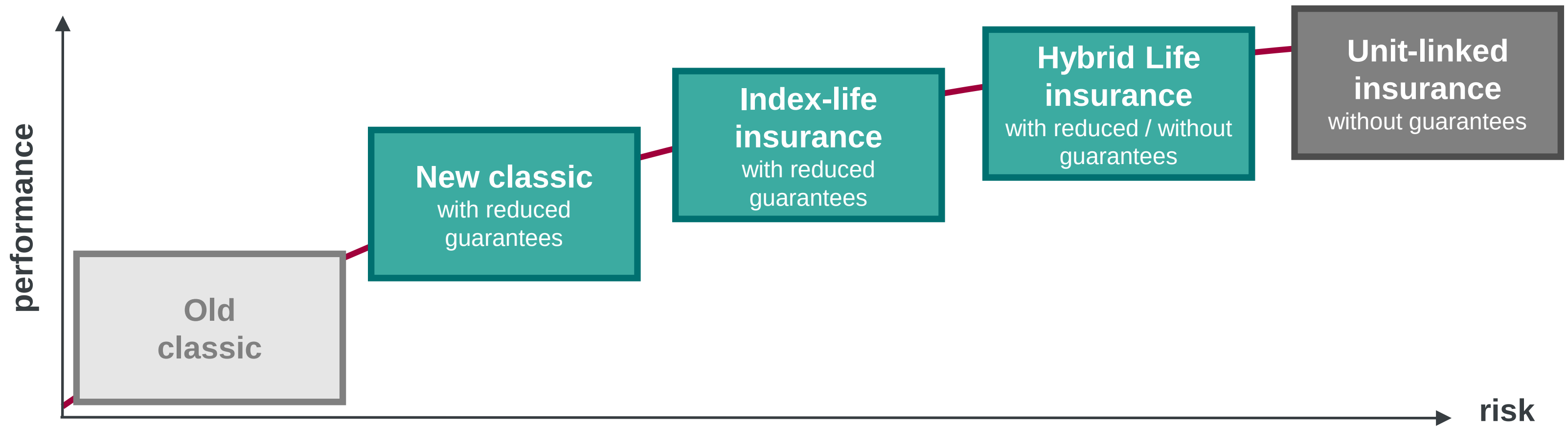
II New products – The Life product landscape

Customer perception



Old classic	New classic	Index-life insurance	Hybrid Life insurance	Unit-linked insurance
▪ Replacement of traditional Life insurance products almost completed for most Retail Germany risk carriers ▪ Small residual amounts of business will be ceased in due course	▪ No guaranteed return during the contract term, max. gross-premium guarantee at maturity ▪ Higher surplus bonus participation compared to old classic products	▪ No guaranteed return, max. gross-premium guarantee ▪ Surplus bonuses are invested in equity indices	▪ No guaranteed return, arbitrary guarantee up to gross-premium guarantee ▪ Higher return oppor-tunities for the customer due to value protection fund & free fund investment	▪ Only guaranteed annuity factor on total capital at maturity ▪ Higher return opportunities for the customer due to free fund investment

Customers expect products with lower risks and …

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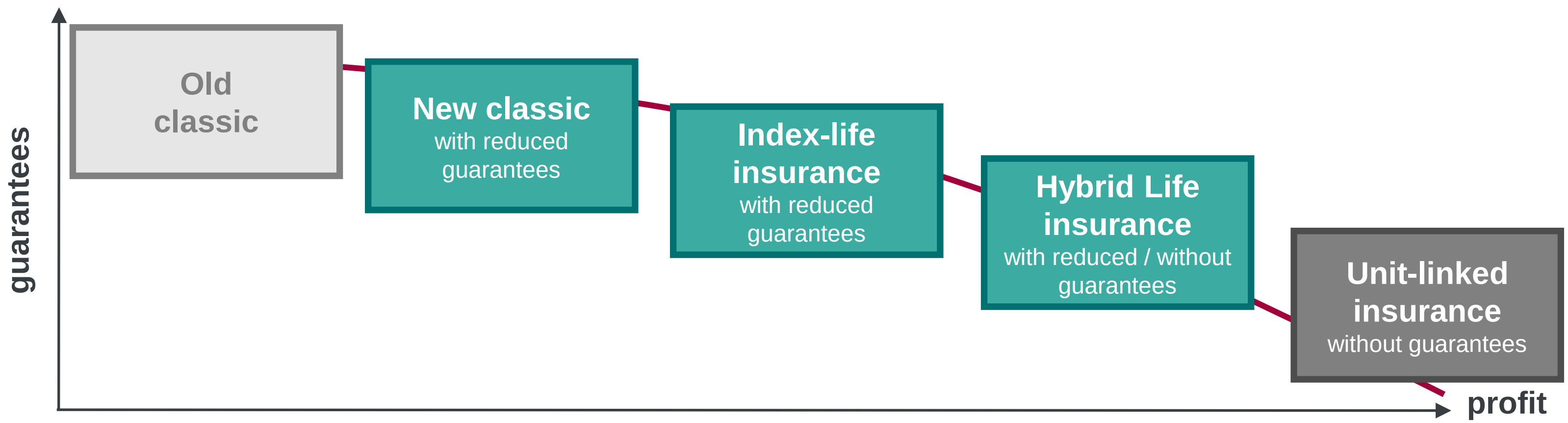
II New products – The Life product landscape

Shareholder perception



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...shareholders expect products with higher profit and lower guarantees

II New products – Target Life product landscape

		2016		2017
HDI		Corporate pension “New classic“ ✓	Additional module for occupational disability in disability insurance ✓	reduction of the guarantees of TwoTrust products in the course of the discount rate adjustment
		Index life ins. “TwoTrust Selekt“ in Austria ✓		Product launch of hybrid life ins. with cost-optimised fund “TwoTrust Fokus“
		Traditional life insurance products ✓		Unit-linked insurance with cost-optimised etf funds
TARGO		Private annuity insur-ance “New classic“ ✓	Private index-linked annuity „DAX ® Garant“ ✓	Relaunch Investment annuity – 100% united-linked
		Traditional private annuity insurance ✓		Riester in the variant as a static hybrid
		Basic annuity insurance ✓		
PB	PB Riester annuity hybrid PB basic annuity ✓	PB private annuity “New classic“ ✓	PB private annuity “DWS ICPPI”“ ✓	
		PB private annuity “unit-linked” ✓	PB Riester traditional annuity ✓	
neue leben		“New classic” hybrid aktivplan including additional disability insurance/additional accident insurance/ nursing option ✓	private annuity hybrid “aktivplan privat“(old) ✓	Extension of “New classic”- Aktivplan - basic, - Riester & - private annuity
			Traditional private annuity insurance ✓	Riester annuity (hybrid and traditi-onal) annuity hybrid basic annuity (hybrid and traditional)

Product launch | Delisting | ✓ Completed

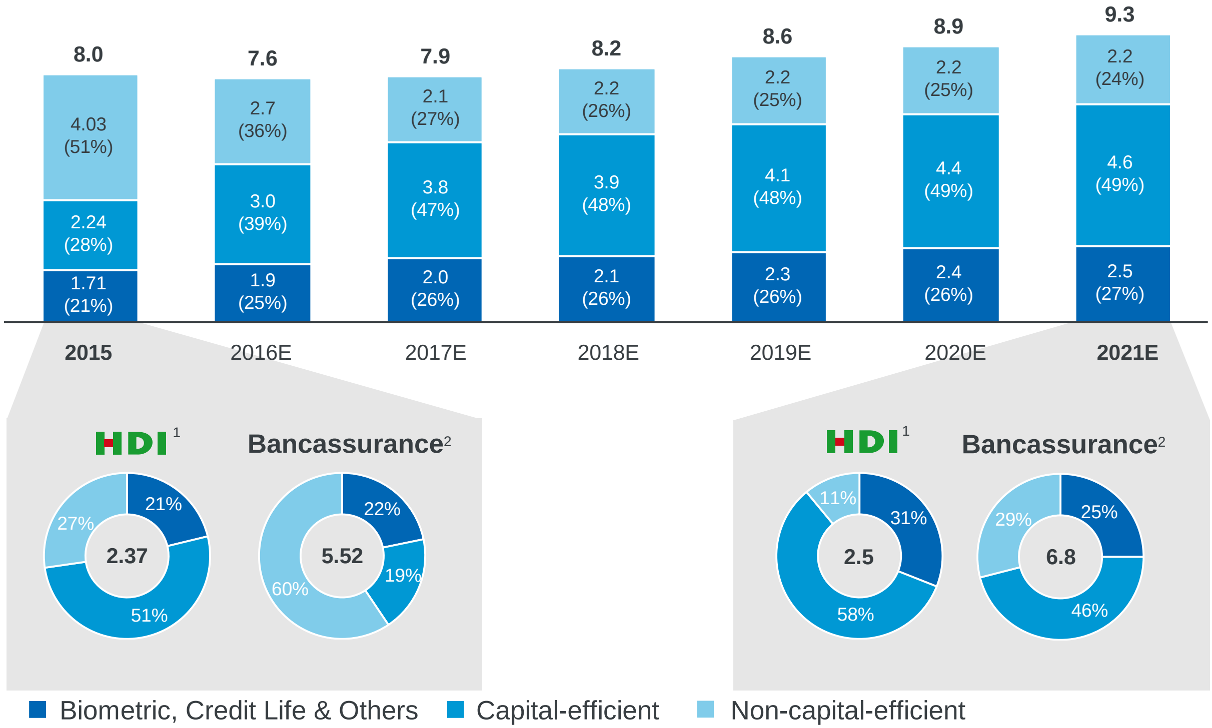
Future Portfolio

- Replacement of traditional Life insurance products
- Development of the new capital-efficient product “New classic“
- Pushing biometric, risk and Bancassurance credit life insurance products
- Promotion of unit-linked life insurance
- Already completed in 2015: significant reduction of single-premium business

Concentration on capital-efficient, biometric and credit life products

II New products – First positive results

New business premiums Retail Germany (IFRS, in €bn)



Comments

- The replacement of non-capital efficient products in our new business has already led to a material shift in business mix
- 39% of new business in 2016 is expected to be in capital-efficient products
- The share of non-capital efficient products in coming years reflects dynamic premium increases in the stock of policies

[1] Only HDI Life (excluding HDI Pensionskasse)

[2] PB Life, Targo Life and nl Life

Focus on limiting the share of non-capital-efficient products to below 25%

III In-force management – Goal to increase portfolio profitability via three core elements

In-force management: the three core elements

Improve fee revenues

Analysis of fee management in line with insurance cover

Reduce future guarantees

- **Customer behaviour management**

  Analysis of customer behaviour to optimise guaranteed obligations

- **Technique / Methods**

  Adjustment of actuarial interest rate in line with insurance cover

Major customer relations

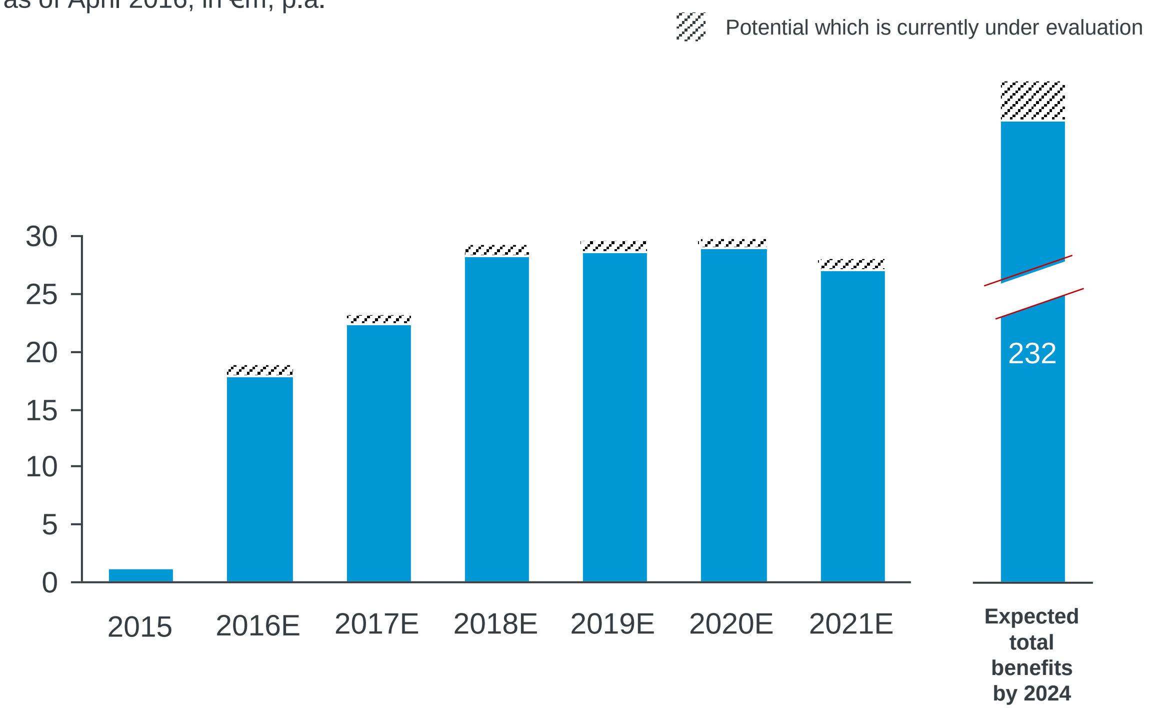
Individual measures in contractual relationships with consortium partners and major costumers

Implementation of the measures will be customer-oriented, fair and accompanied by continuous legal and reputational reviews

III In-force management essential for Life insurance companies

Business case for measures currently planned in Retail Germany

as of April 2016, in €m, p.a.



Comments

- Collection of contractually agreed fees from technical changes has been implemented and first benefits have already been realised for HDI Life
- Key benefit driver for HDI Life is the previously described adjustment of the actuarial rate to 1.25% for premium increases and annuitisation
- A significant part of the benefits for Bancassurance is due to the adjustment of the actuarial rate for future premiums in the regulated portfolio of neue Leben Pensionskasse (BaFin approval issued)

Present value benefit
Rz. = actuarial interest rate

Note: Benefits for all life risk carriers of Retail Germany. Numbers are based on assumptions relating to customer behaviour and future market developments. Accordingly, realised benefits may differ from expected values.

The measures will be managed and monitored on an ongoing basis to realise the maximum potential benefits

Summary – New Products and In-force Management

- Goal is to develop capital-efficient products by meeting the needs of our stakeholders (customers and shareholders)
- Pushing biometric, risk and Bancassurance credit life insurance products
- Fundamental shift from traditional guarantee to capital-efficient offers targets product-mix optimisation for all life-carriers
- In-force management reduce future guarantees and manage customer behaviour in line with legal and regulatory guidelines
- Active in-force management with expected total benefits of more than €200m (statutory gross profit) until 2024

IV Digitalisation/IT – The strategic Voyager4life project aims to consolidate the IT landscape of all Life insurance companies

Project goals

- The Voyager4life project is building the joint IT life platform for all four life risk carriers in Retail Germany (i.e. PB Life, neue leben Life, TARGO Life and HDI Life), the bancassurance accident insurers and neue leben Pensionskasse
- The basis is HDI Life's existing application landscape with the Kolumbus / GPO[1] system, which manages more than 2.3 million contracts
- Orientation towards long-term goals of the Talanx Group
- Milestones for main life carriers:
  - completion new business in 2020
  - completion portfolio transfer in 2025

Project benefits

- Shutdown of IT system landscapes
- No more maintenance & updating of old systems
- No need to implement regulatory changes at various times
- No need to pay for multiple product developments
- Synergies due to harmonisation in product development, technology and management
- Efficiency improvements in administration

[1] Geschäftsprozessoptimierung (Business process optimisation)

In the long run, the project aims to result in a cost saving of approx. €18m p.a.

IV Digitalisation/IT – Digital roadmap

Digital roadmap	Project examples	Comments
Digital services Integration of customers into the value-added chain	HDI bAVnet; 2015 DIGITALER LEUCHTTURM Versicherung	▪ Enabling employers and brokers to manage company pension contracts digitally and efficiently
Digital distribution Online sales flow for EU/BU products	vers.diagnose; M&MOFFICE	▪ New electronic underwriting services at the point of sale
Digital automated processes New technologies for individual offers	Voice; E-Mail	▪ End-to-end process automation via digital communication services
New digital business models Creation of new business ideas	EULG	▪ New digital business model to sell company pension contracts

Competitive position will be improved by communication with our customers and by efficient services

IV Digitalisation/IT – Changing customer needs determine communication for B2B as well as for B2B2C business

Necessary changes

Digitalisation / automation of communi-cations and service processes are key factors for future success in the market

Our action fields

- Step-by-step development into an omni-channel-enabled organisation 
- Rigorous focus on strategically prioritised customer wishes
- Elimination of 'silos' as a result of overarching management in Life customer service
- Understandable and transparent communications – objectively measurable
- Overarching process-based thinking and responsibility
- Systematic process analysis based on Six Sigma methodology with the aim of achieving an automation rate of more than 60%

We combine digitalisation, automation and individual customer service

IV Digitalisation/IT – Schematic representation of our future workflow

Receipt | **Pre-Qualification** | **Prioritisation and Routing** | **Processing**

Receipt
- Voice
- E-Mail
- Written
- Video, Mobile, Social Media, etc.

Pre-Qualification
- Voice Portal
- smartFix and GEOSS

Prioritisation and Routing

GENESYS

Central Contact Center

Workforce Management | **Intelligent Workload**

- Human resource planning
- Routing of calls and correspondence
  - Sorting of customer requests by priority
  - Skill-based routing

Customer wishes

Prioritisition

etc..

Processing
- Department 1
- Department 2
- …
- Automation and Robotic

Within the next 5 years, we aim to reduce our administration costs by approx. €5.5m p.a.

Conclusion
First selected results – Retail Germany Life

Investment strategy

- Decent reinvestment yield of 1.43% for Retail Germany in 9M 2016
- Liability cash flows in German Life are covered for the next 15 – 20 years

New products

- The four carriers launched their new capital-efficient products successfully: 39% of new business in 2016 is expected to be in capital-efficient products compared to 28% in 2015
- Significant reduction of single-premium business already in 2015

In-force management

- Lowering of guarantee rates to 1.25% for all contracts with relevant clauses
- Until mid-2016, the initiatives had generated a positive effect of more than €17m (statutory gross profit) for Retail Germany Life

IT/Digitalisa-tion

- Rollout HDI bAVnet (already approx. 20k contracts on this platform) and winner of the "Digitaler Leuchtturm" innovoation award
- Launch and enlargement of electronic BU (disability) risk assessment at the point of sale as one of the first Life insurers in the market

Agenda

I	Group Strategy	Herbert K. Haas
II	Group Financials	Dr. Immo Querner
	Retail Germany	
III	Strategy	Dr. Jan Wicke
IV	Financials	Barbara Riebeling
V	Bancassurance	Iris Kremers
VI	Life	Ulrich Rosenbaum
VII	P/C	Dr. Christoph Wetzel
VIII	Distribution	Wolfgang Hanssmann
IX	Key Essentials Retail Germany	Dr. Jan Wicke
X	Final Remarks	Herbert K. Haas

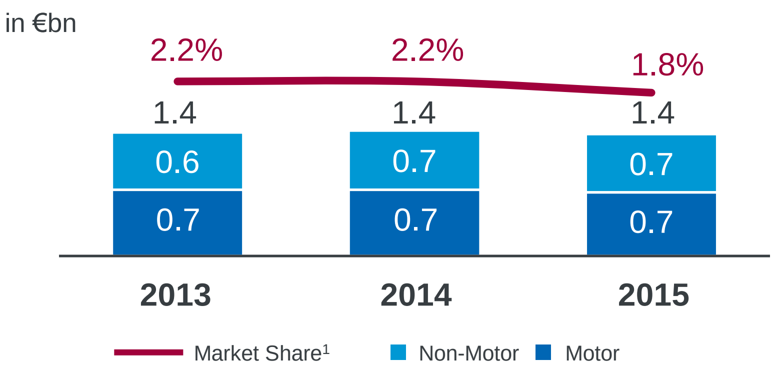
Key Messages

- HDI P/C with a market share of 1.8% in 2015 and a combined ratio ~6%pts above market average
- High cost ratio due to IT legacy systems and complex process structure
- Strategic initiatives with a focus on efficiency and processes supplemented by selective growth initiatives
- **I** Modernisation: Digitalising the business by implementing a state-of-the-art IT platform and a modern technology, leading to lower costs and increased customer satisfaction
- **II** Claims management: Goal to become a TOP-3 player for professional claims handling in the German insurance market
- **III** Selective growth in SMEs, self-employed professionals and from direct business driven by new products and intensive sales activities – contributing a cumulative ~€135m (FY2015-2021E)
- **IV** Focus Topic Digitalisation: Measures to improve customer retention and to grow in the online direct business – a broad variety of new applications and services is to be launched
- Targeting an EBIT of at least €140m for Retail Germany P/C by FY2021[1]

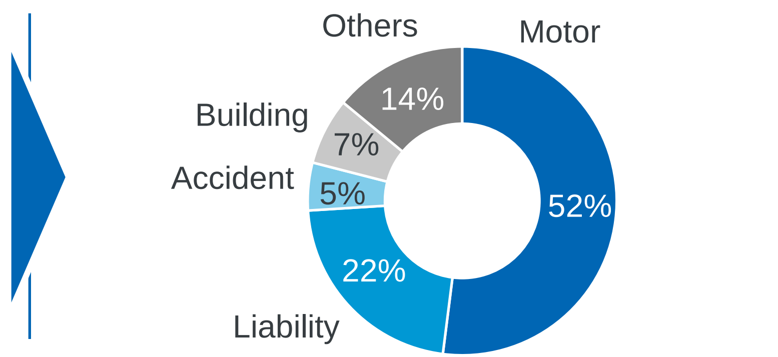
[1] Thereof ≥€30 from Bancassurance P/C business

Portfolio structure and operating performance

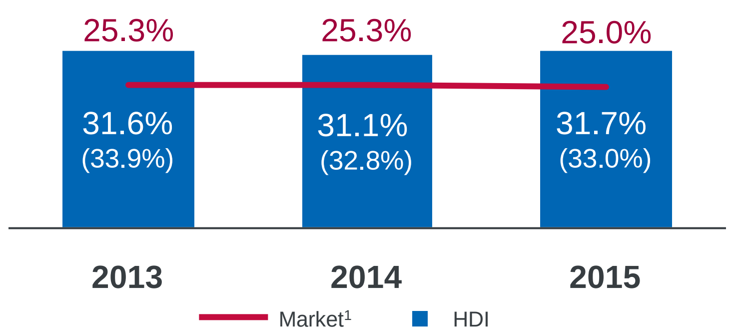
GWP development



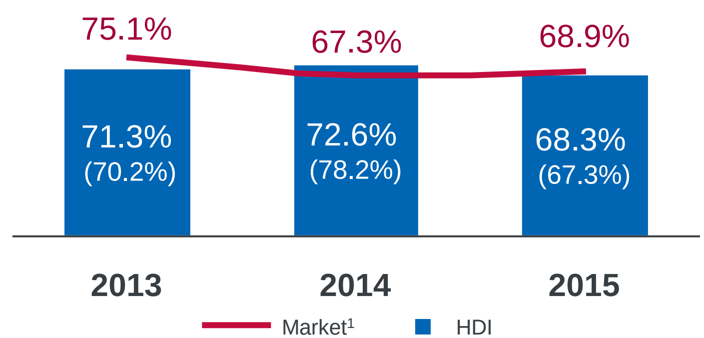
GWP shares by business line (FY2015)



Cost ratio² (local GAAP, gross)



Loss ratio² (local GAAP, gross)



¹ Source: GDV; ² numbers in brackets show IFRS numbers on a net basis

HDI P/C with a market share of 1.8% in 2015 and a combined ratio ~6%pts above market average

External and internal challenges

	External	Internal
Profitability	▪ Increased competition due to (potential) market entry of non-insurance companies, e.g. banks, OEMs, fintechs and due to limited profits in Life business ▪ Ongoing cost pressure due to - increasing regulatory requirements (e.g. Solvency II) - decreasing investment results - a softening P/C market in Germany	▪ Loss ratio is broadly in line with the market, cost ratio is above market level ▪ Low level of standardisation of business processes and automated processes ▪ Small share of non-motor insurance means some dependency on motor business with structurally higher combined ratio
Growth	▪ Increasing demand for transparency and simplicity ▪ Polarisation between customers with a high demand for advisory and price-conscious customers ▪ Increasing share of direct and “research-online-purchase-offline” (“RoPo”) customers ▪ Increasing digitalisation of the business	▪ Historically low satisfaction levels of customers and sales partners as a result of former problems in business processes ▪ Wide and complex product range ▪ Loss of market share[1] especially due to necessary profit enhancement measures in Motor and Property lines

[1] According to number of contracts

High cost ratio due to IT legacy systems and a complex process structure

Target model 2020

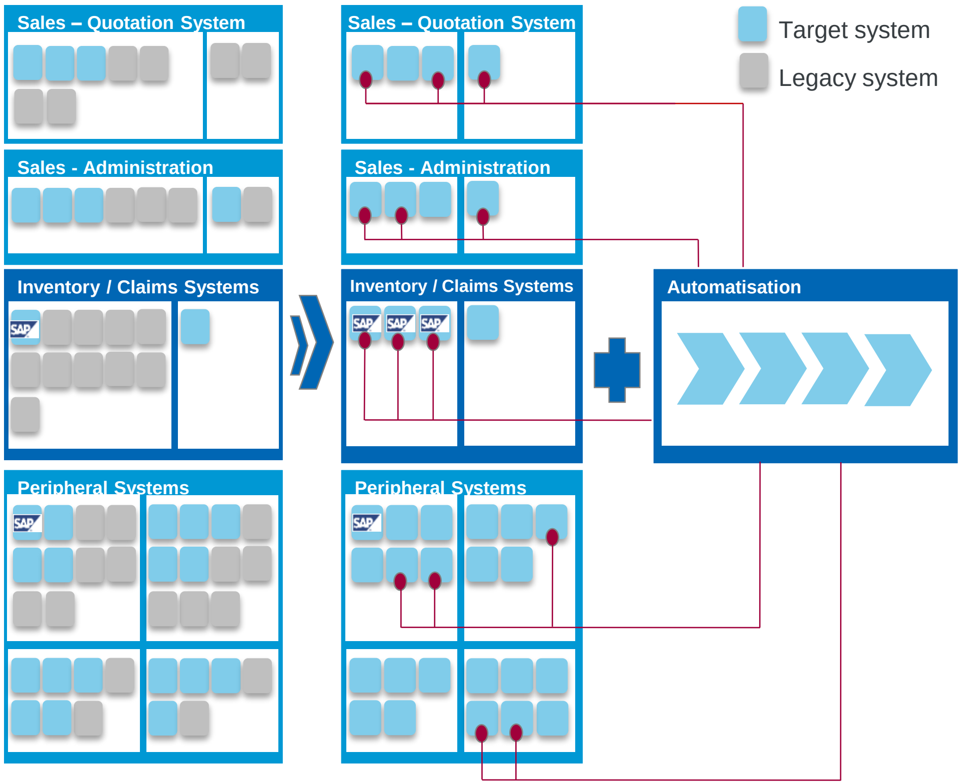
Targets

- I — Modernisation: Build a state-of-the-art IT
- I — Offer modular, standardised products with reduced complexity – comprehensive set of services for sales partners and customers
- I — Achieve competitive cost ratios
- II — TOP-3 player for professional claims handling in the German market
- III — Growth contribution from SMEs/self-employed professionals and direct business
- IV — Focus on digitalisation – leading to direct business and multi-accessibility

Target model 2020: Build an agile retail insurer with a state-of-the-art IT platform and excellent claims services

I Modernisation – New IT platform

IT application platform



Comments

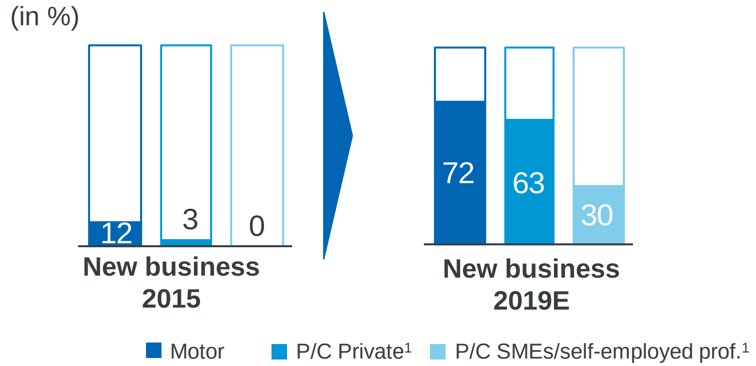
- Currently outdated technology and a variety of systems
- Reduction in number of applications in the customer-focused process chain from 63 today to 34 in the target IT platform
- Focus on a few strategic partners and concentration on standard applications of the market
- Reduction in complexity and interfaces via standardisation of the IT landscape
- Conversion to a modern technology
- Modern SAP-based system
- Investments of ~€230m[1] in IT, processes and digitalisation
- Reduction in inventory management system from seven (2016) to only one SAP system

[1] Investments in Bancassurance P/C business are negligible

Implementation of a state-of-the-art IT platform enables processes to be automated and digitalised

I Modernisation – Optimisation of business processes

Rate of full automation processing



Measures

- Harmonisation of the processes
- Optimisation of back-office handling processes (operations, sales, etc.)
- Reduction in the vertical range of manufacture in the customer-focused end-2-end processes
- Optimisation of performance monitoring

Targeted development (Operations only)

Objectives

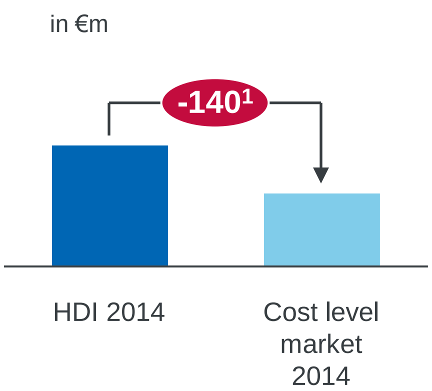
- Significant increase in automation rates
- Significant cost reduction
- Increase in productivity and flexibility, faster time-to-market

[1] Non-Motor business is split up into P/C Private business and P/C SMEs/self-employed professionals business

Increasing automation levels is the important pre-condition for cost reduction and higher customer satisfaction

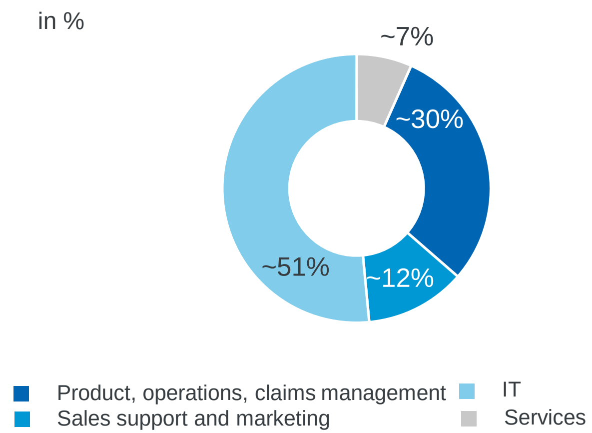
I Modernisation – Development of cost ratio

Cost benchmarking

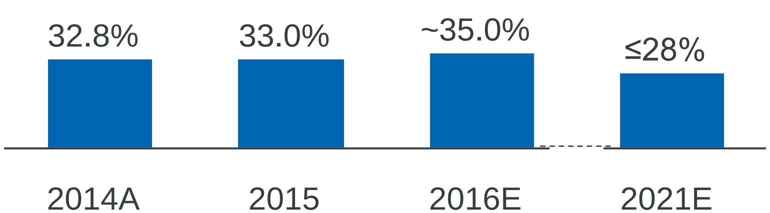


Strategic target market level

Targeted cost reduction by function



Cost ratio in HDI P/C – IFRS, net



[1] Excluding project costs

HDI P/C: Cost reduction of approximately ~€140 million expected from end FY2020 onwards

II Claims management

Examples for KPIs

Motor TPL, claims payments vs. benchmark[1]

-5.5%
Best in class

Motor TPL, steering rates vs. benchmark[1]

+2.5%pts
Best in class

Building insurance (fire), claims payments vs. average[1]

-2.7%
Best in class

One of the major providers of commercial lines in Germany for tax consultants and medical doctors

Targets 2020

Customer satisfaction	TOP 5
Effectiveness	TOP 5
Efficiency	Costs in line with market

Main USPs in the field of claims

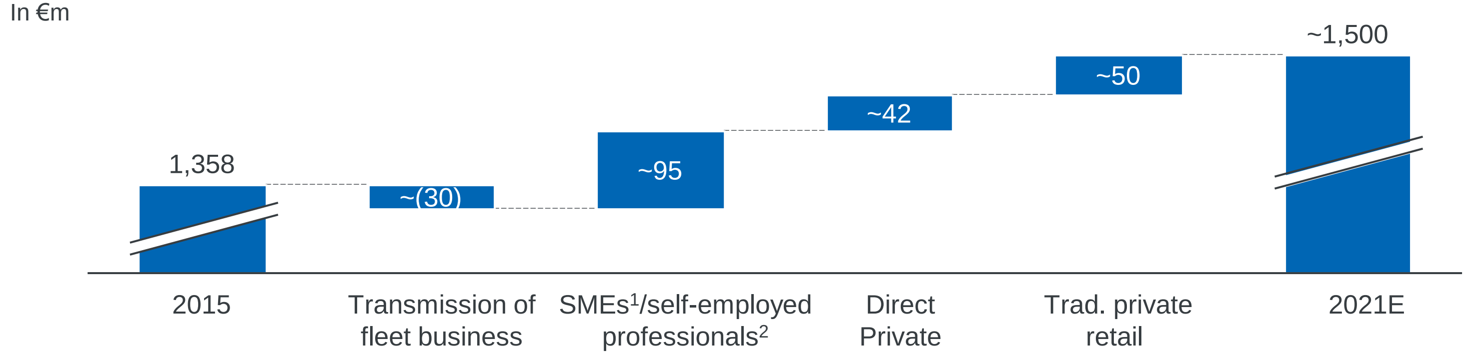
- Multi-channel communication with 24/7 availability
- Own first-class claims service network with nationwide approx. 660 partner garages and around 770 Mercedes-Benz dealers in Motor
- Specialised claims handling depending on the type of claim: Easy and quick handling of simple claims, specialised handling for more complex claims
- Claims representative team for complex claims settlements in Non-Motor retail insurance
- Unique central competence center for P/C SMEs/self-employed professionals with more than 100 specialists, in three special departments for Health Care, Financial Loss Liability, Planning Liability

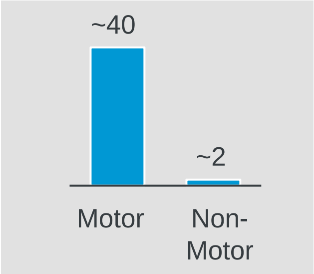
[1] Source: Finalta 2014 Benchmarking

Becoming a top-3 player in the German market for professional claims handling is the key target

III Selective growth in SMEs, self-employed professionals and direct business

Drivers of GWP development



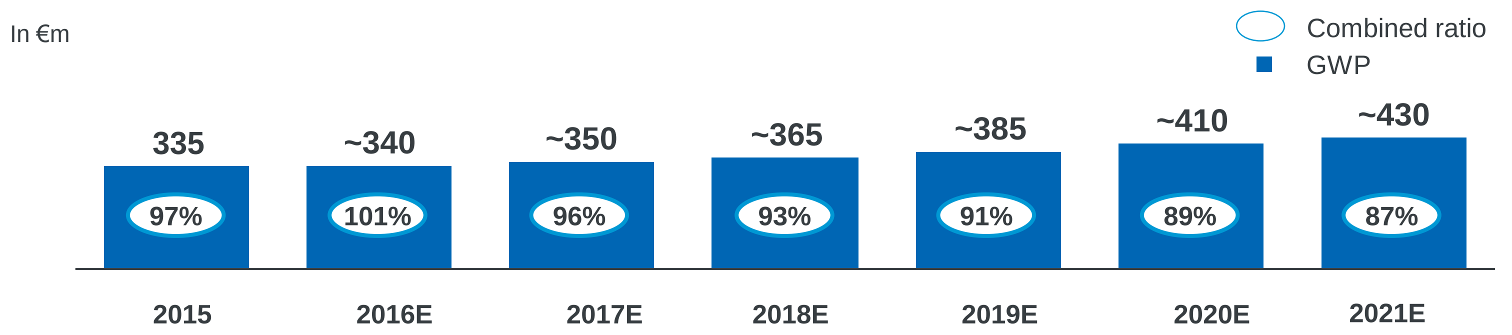


[1] SMEs: In Retail Germany defined as corporates with revenues of up to €5m (€20m for corporates with trading business)
[2] Only Non-Motor business

GWP growth of ~€135 million in SMEs, self-employed professionals and direct business by 2021

III Selective growth in SMEs and self-employed professionals

GWP development for SMEs[1] and self-employed professionals (Non-Motor), IFRS



Mile-stones

- 2015: Pilot test: New sales approach in one of the five target industries (7/2015)
- 2016E:
  - Stronger focus on **marketing activities** on SMEs
  - **Cross-selling** campaign on self-employed professional clients
  - **Launch of specific products** for architects and engineers as well as for tax advisers and auditors (“Professional Liability”)
- 2017E:
  - Introduction of a **modular product portfolio**
  - Improved processes services by complete redesign of the value chain
  - **Rollout of sales and marketing activities** for target professionals
- 2018E: New businesses processed by new **IT platform (SAP)**
- 2019E: Complete contract pool fully migrated towards IT platform

Target: Perception of HDI insurance as a top insurer of SMEs

[1] SMEs: In Retail Germany defined as corporates with revenues of up to €5m (€20m for corporates with trading business)

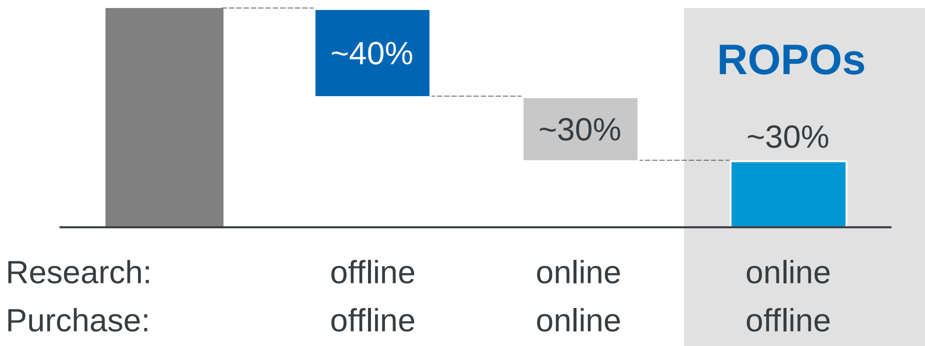
Growth in SMEs/self-employed professionals due to new products and intensive sales activities

talanx.

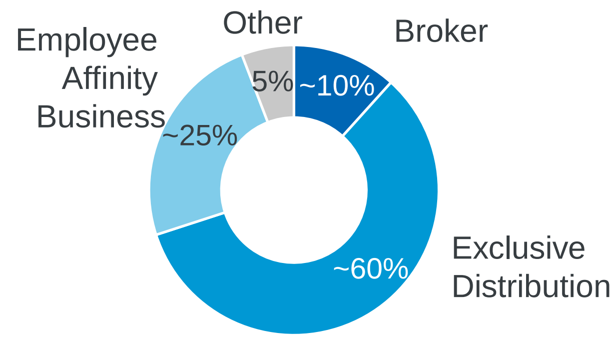
IV Focus Topic Digitalisation – Customer interface and operations

New motor contracts by point of contact (2015)[1]

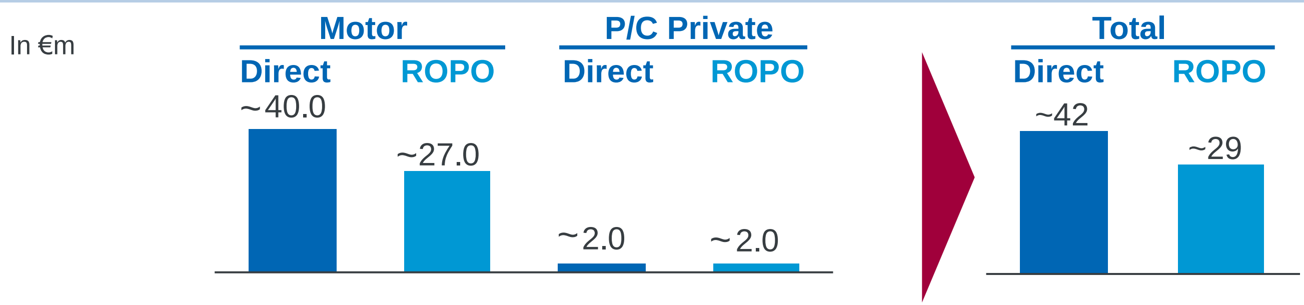
Share of ROPOs (research online, purchase offline) in motor in 12/2015



New motor business by channel



Drivers of GWP growth – direct and ROPO business (2015 – 2021E)



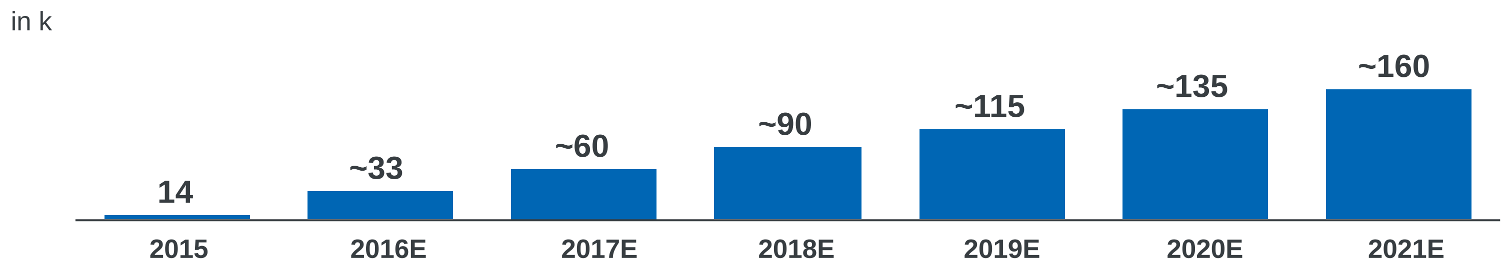
[1] GDV, Talanx AG

Digitalisation supports customer acquisition and customer retention in offline channel and growth in the online direct business

talanx.

IV Focus Topic Digitalisation – Launch of new online applications

Online contract growth



Mile-stones

- Redesign and new online products for motor on HDI.de and integration into Check24, launched: 10/2015
- TORAS[1] – real time analysis and reporting tool on all online activities for direct sales in real time (launched: 11/2015)

- Point of contact ("PoC") call-me-back (recall service), launched 2/2016
- Motorcycle insurance on Check24, launched 03/2016
- New motor insurance online product (incl. new automatic processes, new policy system, integration into Check24 and FondsFinanz); launched 10/2016
- Customer self-service portal for customers of the new online product, launched 10/2016
- PoC chat to end-users in application route on HDI.de, launched 11/2016
- Ongoing further development of TORAS application

- New online product for Household line on HDI.de and integration in Check24; planned for 4/2017
- New online product for Private Liability planned for 7/2017

[1] TORAS stands for Talanx Operational Reporting, Analysis and Controlling System

Launch of new online applications and services for Motor as well as TORAS implementation support growth in the online direct market

TORAS

About TORAS

- Unique, central tool for assess the performance of online marketing, application line and service offer
- Customer's journey though the digital application process becomes visible. Customer actions easier to guide by means of artificial intelligence
- Advice and products/services will become a function of the user characteristics and the estimated customer value

Main functions

- Registration of relevant customer data for the offer of mass market insurance solutions, e.g. in Motor
- Using and processing of user's activities during his/her website session with a self-learning algorithm
- Preparing and suppling data for all relevant analysis, supporting calculation of a concrete offer
- Enrichment of user input with backend data and meta data in real time processing
- Centralised and automated decision making for optimal product advice and optimal premium levels

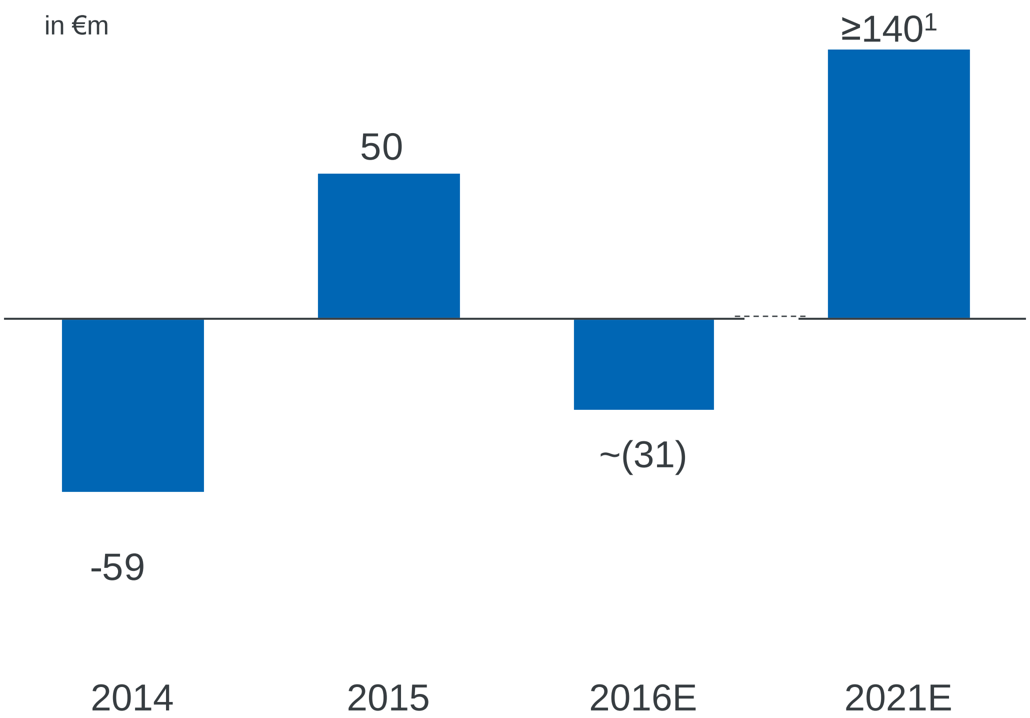
Benefits

- Raising conversion rates in real time
- Increasing effectiveness of marketing measures
- Optimising customer acquisition and retention rates
- Increasing customer satisfaction
- Enhancing productivity with a reliable and innovative automation process for mass market products (e.g. Motor)
- Assessment of individual price elasticities ("behavioural pricing") to lead to improved pricing and lower combined ratios

Significant value contribution from new and innovative tool TORAS, using artificial intelligence

Retail Germany P/C – Earnings development

Retail Germany P/C: EBIT development



Targets

- Growth in SMEs and self-employed professionals by 2021: **≥ 25%**
- Gross reduction cost base in P/C by 2021: **~€140m**
- Combined ratio 2021[2]: **≤ 95%**

[1] Thereof ≥€30m from Bancassurance P/C business
[2] Talanx definition: incl. net interest income on funds withheld and contract deposits

Retail Germany P/C: We target an EBIT of at least €140m by FY2021

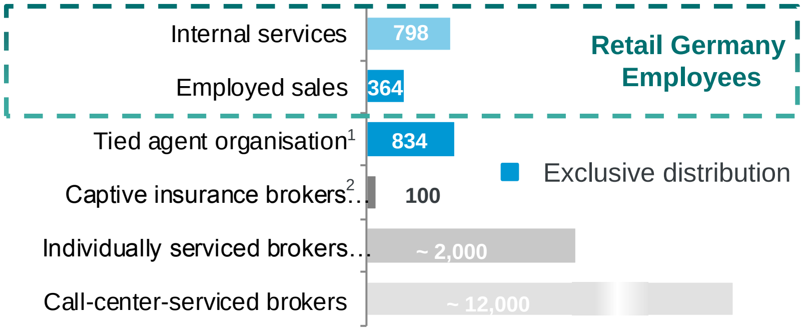
Agenda

Key Messages

- Completely new set-up for HDI distribution
- Streamlining the HDI sales organisation by 330 FTEs
- Implementation of a modern IT infrastructure, supporting an efficient, customer-centric and profitable sales organisation
- In P/C, increasing focus on SMEs and self-employed professionals, expected to add ~€95m additional GWP by 2021
- In Life, significant contribution to growth from products e.g. in biometry and from additional digital distribution channels
- Establishing direct sales with focus on the online product range and on marketing

HDI distribution unit – Facts and figures 2015

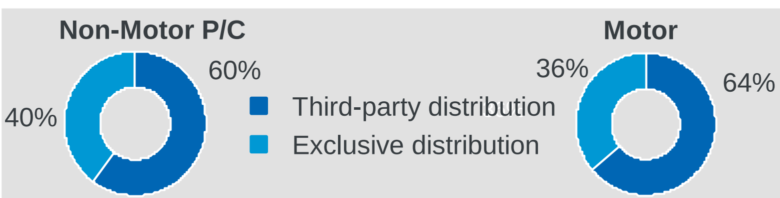
Structure of HDI distribution unit



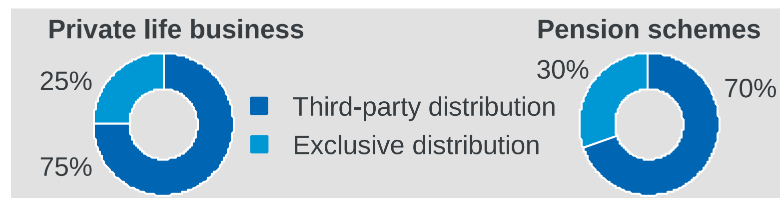
Comments

- ~4.3m customers serviced by a well-diversified mix of exclusive and third-party distribution, contributing ~€140m additional GWP (P/C) and €146m APE (Life) in FY2015
- No dependence on specific distribution channels, improved flexibility in terms of incentive strategies
- Multiple access channels and care facilities addressing altered customer expectations
- Cross-selling opportunities between Life and P/C products
- Customer acquisition approach aligned to customer needs

Contribution to P/C business (GWP)[3]



Contribution to Life business (GWP)[3]



- Exclusive distribution provides an "all-round" consulting and high-quality customer service
- The broker sales unit provides comprehensive B2B and interdisciplinary care of brokers and multiple agents
- Further enhancement of new motor distribution approach via internet (start end of 2015)
- Overall, exclusive distribution and third-party complement each other to form an optimum concept, i.e. a presence in all distribution channels and optimum use of all access routes to the customer

[1] Independent sales representatives according to § 84 HGB (German GAAP) including their employed agents; [2] About 20 brokers, who make up 90% of the whole business with captive insurance brokers; [3] Excluding Bancassurance

Well-diversified set-up, meeting customer needs and optimising distribution power

Key challenges for HDI sales organisation

Cost gap

- HDI recognised a total cost gap of ~€230m. Of this, €39m was allocated to HDI's distribution unit

I Restructuring HDI sales organisation

Market environment

- Traditional structures in sales and in infrastructure are not appropriate anymore
- Customers are becoming "hybrid", expecting contact flexibility, consulting and services
- Sales partners expect digital processing and individually designed solutions

II Implementing modern IT, services & digitalisation

Lack of growth

- Rather low market shares within SMEs

But:
- "HDI" brand with strong reputation and USPs
- #4 provider of company pension schemes in Germany[1]
- Well-positioned among self-employed professionals

III Focussing on profitable & growing markets

Lack of digital sales channel

- Customers increasingly use analogue and digital access channels – and expect multiple access options to contact their insurer ("Hybrid Customer")

IV Building a digital direct channel

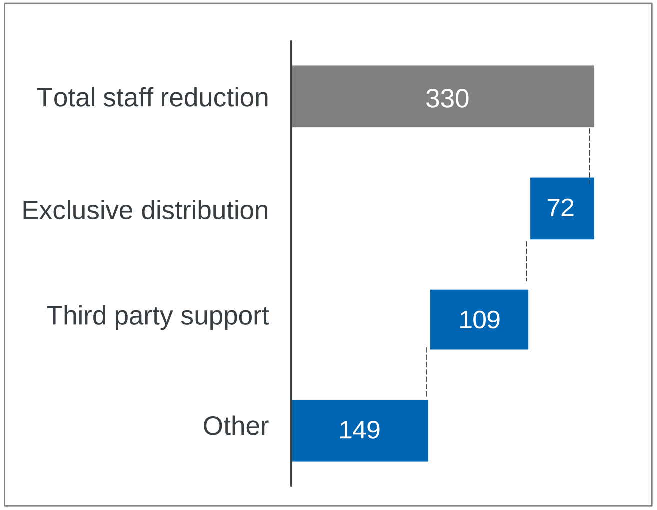
[1] Note: By number of contracts, according to Map Report 2014

All main challenges are addressed by appropriate and promising solutions

I Restructuring HDI sales organisation

- **Clear focus on efficiency gains - strict centralisation and automation of management and service functions**
- **Achieving staff reduction of 40% without major loss of distribution power by 2020**
- **Significant increase in sales partners' and customers' satisfaction**

Reduction of 330 FTE (~40%) by end of 2020



Reduce sales locations

Abolish complex reporting structures – reduce number of interfaces

Implement centralised underwriting services

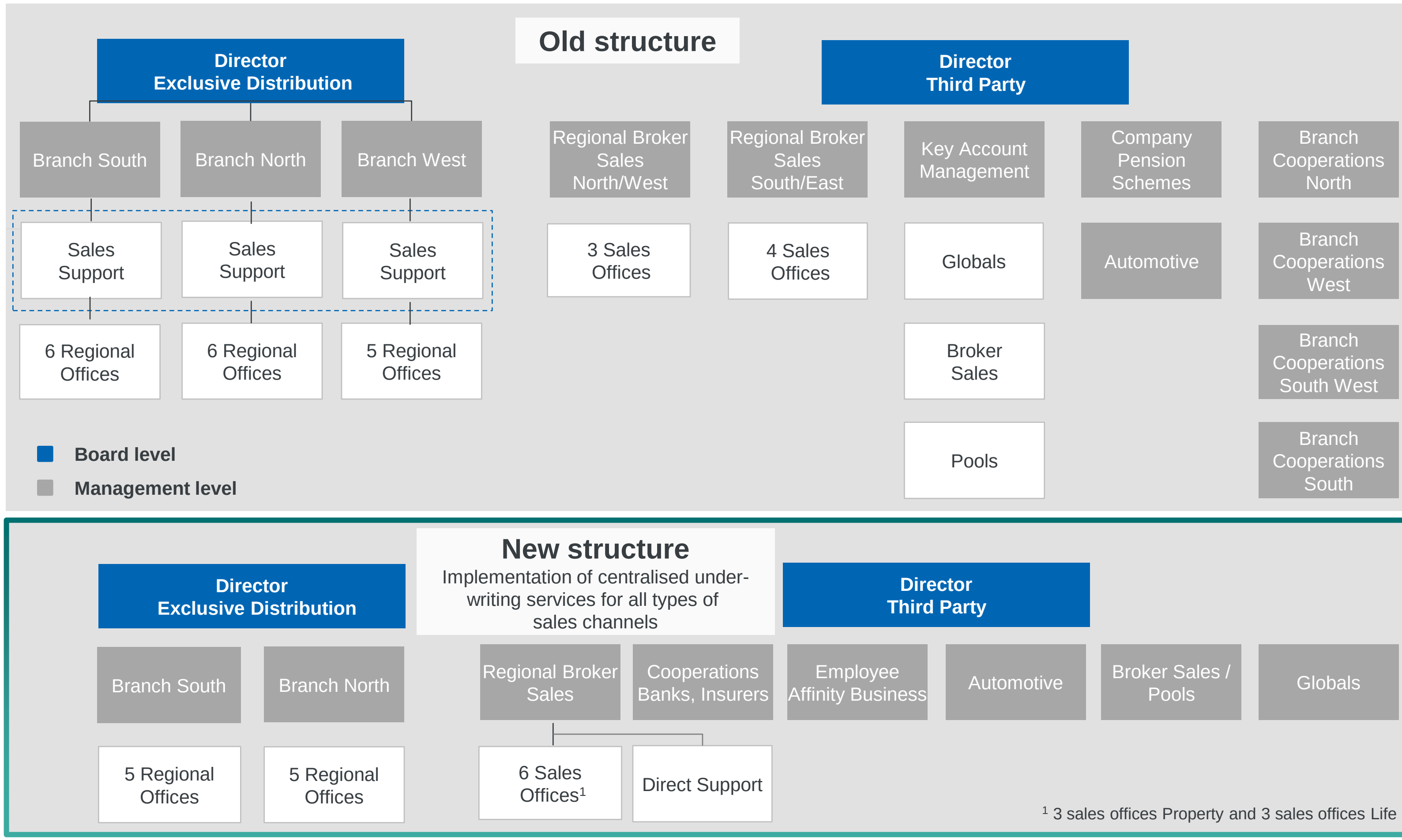
Steering by profit-oriented management targets

Focus on the customer

Increase net production time

Key focus on efficiency gains, reduction of costs and increasing productivity

I Restructuring HDI sales organisation



II Implementing modern IT, services and digitalisation

- **Implementation of a state-of-the-art IT infrastructure enabling fully digitalised product information, offering and processing**
- **High overall share of fully-automated processing - enabling ~40% reduction in FTE by FY2020**
- **Automation and digitalisation to support the goal of annual cost savings of €39m by the end of FY2020**

New CRM system provides all relevant customer/contract data across all lines and products to sales people - tied agents and direct sales units are able to immediately calculate effects on their remuneration

User-friendly consulting tool including chat, video chat and co-browsing functions - introduction in all distribution channels

Fully automated end-to-end-processing, enhanced by electronic delivery of application data to operational service interface – e.g. over 70% of Motor business in P/C expected to be processed fully electronically by 2019

Implementation of **straight-through processing** for contract tariffs, offers and application services leads to higher user friendliness and higher conversion rates

Launch of new “**HDI corporate homepage**” and **personalised websites** for tied agents

New IT infrastructure allows sales force to work more efficiently – enabling a significantly reduced total workforce

III Focussing on profitable & growing markets

	A SMEs	B Self-employed professionals	C Company pension schemes and biometric solutions
Status quo	▪ **Market shares** in the low single digits across all relevant industries[1] ▪ **"Target industries" approach launched end of 2015**	▪ **Market leader** in medical doctors and tax consultants[2] ▪ **Long-term experience**, e.g. in long-tail liability business, **leads to strong reputation** – positive customer awareness for consulting, claims management	▪ **#4 provider** of **company pension schemes** in Germany[3] ▪ **# 1 ratings**[1] in acceptance and benefit ratios for **biometric solutions**
Strategic focus	▪ **Intensify cooperation with "HDI Global"** for business opportunities ▪ **Increase product attractiveness** e.g. by offering product bundles ▪ **Target to become TOP-5 commercial lines insurer** in selected industries by 2020	▪ **Qualified broker relationship management** with key players ▪ **Expanding cooperation** with various industrial associations ▪ **Benefitting from increased risk diversification** and significant economies of scale	▪ **Offering additional digital services,** e.g. new applications such as "EULG[5]", i.e. an easy-to-handle tool for tax-optimised deferred compensation products ▪ **Intelligent extent of product range**, e.g. income protection product

[1] Source: MORGEN & MORGEN; May 2016
[2] Source: Statista (Federal Statistical Office), IfB (Institute of self-employed prof.), Talanx AG
[3] By number of contracts, according to Map Report, 2014
[4] Winner of "Digitaler Leuchtturm 2015" award by German newspaper Süddeutsche Zeitung and Google
[5] Original name: "Entgeltumwandlung leicht gemacht" by xbaV-consulting software

Clear and consistent strategy for profitable growth in target markets

A Focussing on profitable & growing markets – SMEs

Market environment

Market share and position[1]

- Significant growth potential in SMEs – HDI set to optimise the use of existing skills to expand market shares from a relatively low level (largely low single-digit market shares)

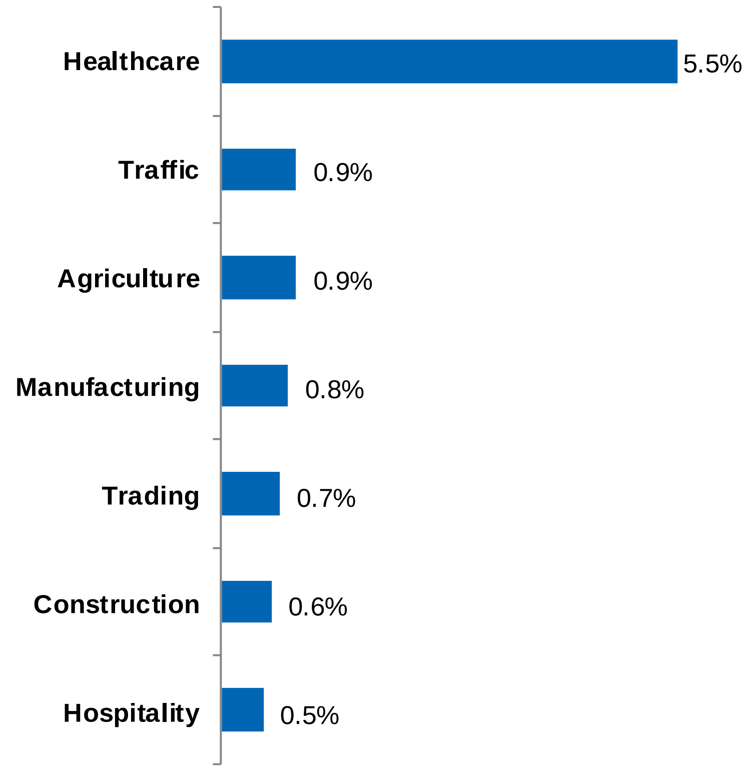
Distribution strategy

- Retail Germany underwriting responsibility for corporates with revenues of up to €5m (€20m for corporates with trading business) – otherwise underwriting competence of Industrial Lines
- Exclusive distribution: Focus on metal processing, real estate, wholesale and IT, due to below-average competition, lower market-entry risk and existing specific underwriting expertise within the Group
- Brand and advertising strategy aimed at target industries
- Aim to increase coverage of brokers' company portfolio

Growth driver

- Significant growth potential, also backed by low market share, high reputation and sector know-how in the Group
- Acquisition of broker portfolios as a win-win-situation for Retail Germany and brokers (reduction of liability and consulting risk)

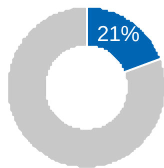
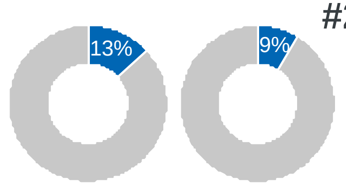
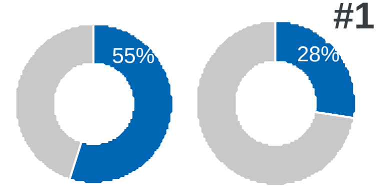
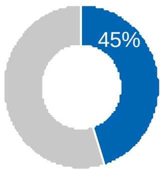
Market shares in selected industries[1]



[1] Market shares are calculated on the basis of the number of contracts with SMEs in relation to the total number of SMEs in Germany. Sources: Statista (Federal Statistical Office), IfB (Institute of self-employed professionals), Talanx AG

Goal to grow GWP from SME by at least 50% by 2021

B Focussing on profitable & growing markets – Self-employed professionals

	Lawyers	Architects & Engineers	Auditors & Tax Consultants	Medical Doctors[2]
Market share and position[1]	#4 	#2 	#1 	#1 
Distribution strategy	▪ **Strong reputation among** lawyers; **selective growth potential** in Liability line due to expandable market shares ▪ **High cross-selling potential**, mainly into Property line	▪ **Strong reputation and USPs** e.g. for mechanical engineers ▪ **Attractive positioning** for larger accounts	▪ **High level of know-how** (e.g. in tax legislation and industry trends, claims management) ▪ Cooperation with German Tax Consultants Association ▪ High attractiveness due to above-average premium levels	▪ **Business mainly via brokers** ▪ **Limited number of competitors**, particularly in medical liability ▪ **Above-average growth potential**, e.g. in property - still room for selective growth
Growth driver	▪ Selective growth in **small and mid-sized accounts –** typically providing above-average profitability	▪ Focus on **mid-sized architecture firms** and engineers	▪ Focus on **cross-selling campaigns** to drive Property lines	▪ **Further rising market share,** e.g. benefitting from some competitors' run-off

Comments

- **High level of expertise across all areas of the value chain gives sales partners a competitive advantage**
- **Consistent exploitation of "industry-expertise"** and strong reputation within target segments – main focus on defending strong market position in Liability
- Cross-selling mainly among Liability clients **to drive growth in Property line**

[1] Market position and market shares are calculated on the basis of the number of professional liability contracts in relation to the number of self-employed professionals, Source: IfB (Institute of self-employed professionals), Talanx AG
[2] Note: Number of medical doctors calculated as general medical doctors incl. specialists in private surgeries; in HDI and cooperation partner portfolio

Room to further increase market share despite leading market positions

C Focussing on profitable & growing markets – Company pension schemes and biometric products

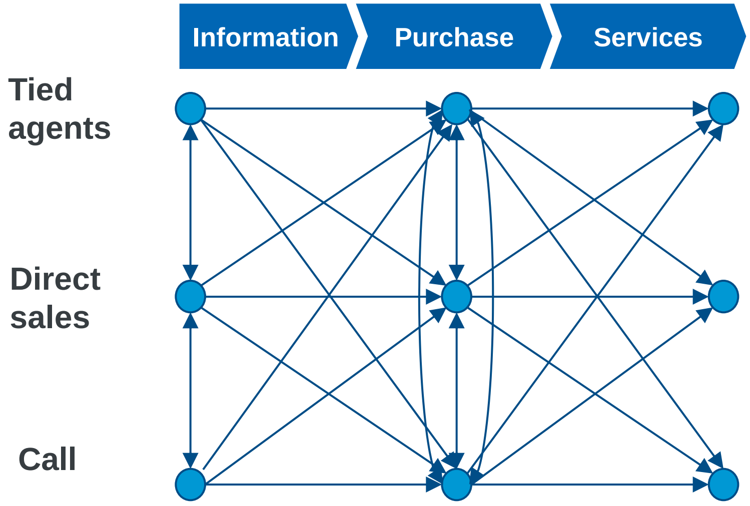
	Biometric products	Company pension schemes
	Market position[1]: #10	**Market position[1]: #4**
Distribution strategy	▪ **Strong reputation** in the market due to high quality and service levels ▪ **Best-in-class product and service ratings as a basis for competent customer consultancy** ▪ **Ratios above market average**, e.g. #1 on overall & competence rating in disability insurance quotas[2] - 84.6% acceptance ratio ▪ **Significant market potential**: Two out of three households without insurance[3]	▪ **Strong expertise in corporate pension market** - competences rated "excellent"[4] ▪ **Focus on innovative and reliable service,** e.g. Talanx Pensionsmanagement AG ▪ Innovation leadership: **online-based corporate pension management (bAVnet**), winner of "Digitaler Leuchtturm 2015" award[5]
Growth driver	▪ Keeping strong reputation and market position by **continuous improvement of product portfolio** (e.g. income protection offer) and innovative digital services at the POS ("M-Check", "e-Check") ▪ **Target group and access routes concept** (professionals and banking partners) for every sales channel ▪ **Concentration on qualified brokers** reduces lawsuits	▪ **Developing additional digital services**, e.g. enhancement of the excellent bAV.net services through direct access possibilities for sales partners ▪ **Key focus on ROI**, capital-efficient products and pension scheme portfolio due to low interest rate environment

[1] By number of contracts; source: Map Report; 2014
[2] Source: MORGEN & MORGEN, 2016
[3] Source: Magazine €uro, August 2016
[4] Source: Institut für Vorsorge und Finanzplanung, 10/2014
[5] Awarded by German newspaper Süddeutsche Zeitung and Google

Differentiated marketing approach across all sales channels – supported by digitalisation

IV Building a digital direct channel

Combining the benefits of different sales channels



Market situation

- **Rising share of active digital customers** in Germany (around 78% by 2019[1])
- Increasing preference to communicate via **multiple access channels** - analogue and digital
- **Hybrid customers** younger than the population average with an above-average income

Strategic focus

- **Expanding direct sales** to broaden online product range and exploit opportunity of different levels in willingness to pay (e.g. by customer-dependent pricing)
- **Expanding digital distribution**, mainly in Motor, Personal Liability insurance and Household insurance - targeting additional premiums of about €8.5m by 2017
- **Integrated digital consultancy and transaction platform** expected to be launched end of 2017 – avoid isolated solutions
- **Benefitting from growth effects** via digital channel without risk of channel conflicts (**"Multi channel agreement"**)
- Marketing strategy includes **strengthening of HDI brand** mainly via sponsoring and digital (internet, mobile) as well as performance-based marketing (incl. SEO, SEM)

[1] Source: Bain & Company, Deutscher Versicherungsreport 2014

Pooling traditional and digital distribution channels to minimise channel conflicts

Summary – Completely new set-up for HDI distribution

Due to changing conditions in the industry and in customer behaviour as well as HDI's above-average cost ratio, HDI distribution unit has initiated comprehensive measures with the goal of achieving a strong market position in the future by…

I Restructuring HDI sales organisation

- Increasing productivity and efficiency
- Reducing costs to below the market average
- Streamlining organisational structure towards the benchmark structure for a multi-channel player

II Implementing modern IT, services & digitalisation

- Reducing complexity of the IT landscape
- Creating a CRM agency system and a new homepage landscape
- Launch of remote consulting

III Focussing on profitable & growing markets

- Growing profitable corporate insurance business
- Maintaining and improving positions in the upper echelons of the market
- Focussing on biometric products and company pension schemes in Life insurance
- Building a modern direct channel

IV Building a digital direct channel

- Expanding direct sales focussing on commodity products (e.g. Motor, Personal Liability and Household insurance)
- Further developing the online product range (e.g. self-service components, customised modular products)
- Strengthening digital brand awareness and performance marketing capabilities (e.g.HDI.de, campaigns via Google or Facebook)

A comprehensive set of measures to develop a state-of-the-art HDI sales platform capable of generating growth in a challenging market environment

Agenda

I	Group Strategy	Herbert K. Haas
II	Group Financials	Dr. Immo Querner
	Retail Germany	
III	Strategy	Dr. Jan Wicke
IV	Financials	Barbara Riebeling
V	Bancassurance	Iris Kremers
VI	Life	Ulrich Rosenbaum
VII	P/C	Dr. Christoph Wetzel
VIII	Distribution	Wolfgang Hanssmann
IX	Key Essentials Retail Germany	Dr. Jan Wicke
X	Final Remarks	Herbert K. Haas

Key Essentials Retail Germany

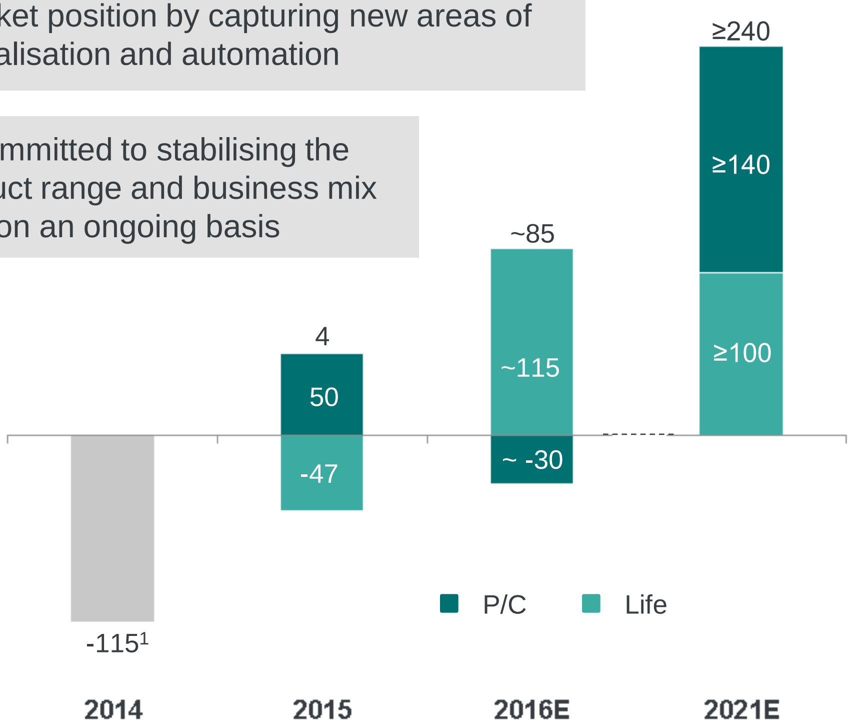
Retail Germany is successfully optimising its risk-return profile. It aims to make an EBIT contribution of at least €240m a year on a sustainable basis from 2021. Both HDI and Bancassurance will contribute to it

Within BA, we aim to strengthen the excellent market position by capturing new areas of growth and by further reducing cost ratios via digitalisation and automation

Despite the capital market environment, we are committed to stabilising the Life business by fundamentally changing the product range and business mix as well as by actively managing in-force business on an ongoing basis

HDI P/C is making excellent progress in turning around the business by investing significantly in IT, processes and digitalisation to improve its competitive position and deliver significant positive results again

The KuRS programme is performing as planned. All interim goals have been met. All measures will be put in place by end-2020



EBIT development (in €m)

[1] Separate EBIT figures for Life and P/C Segments only available for FY2015 onwards

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Final remarks – Key take-aways

- Strong commitment of Talanx's management team to raise the profitability in our Primary Insurance divisions
- Retail Germany is very well on track to improve the efficiency and profitability of our German retail operations. From 2021 onwards, the division targets for an EBIT contribution of at least €240m sustainably year-by-year
- Similarly, all key projects in Industrial Lines and in Retail Internationals are well on track
- Ambition to achieve a balanced EBIT contribution from Primary Insurance and Reinsurance (adjusted for Talanx's 50.2% stake in Hannover Re) by 2021
- Save the date: In addition to our quarterly calls, we will provide further update on all our key projects on our upcoming Capital Markets Day on 23 November 2017 in London

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