PERFORMANCE AND RESULTS

2018

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Insurance. Investments.

Q1 2018 Results

11 May 2018

Torsten Leue, CEO
Dr. Immo Querner, CFO

Overall good Q1 underpins FY2018 Group net income Outlook of ~EUR 850m

- + Retail International and Reinsurance with strong start into the new year
- + Retail Germany fully on track to deliver on its "KuRS" targets – P/C growing, CoR <100%
- − Industrial Lines: volatile Q1 run-off results and dissatisfying performance of German Fire business
- + Solvency II ratio at year-end 2017 at 206% - above upper end of target range
- + HDI Global Specialty: HDI Global's and Hannover Re's joint venture to focus on growing and margin-rich Specialty business

Agenda

1 Q1 2018 results – Key financials

EURm	Q1 2018	Q1 2017	Delta
Gross written premium (GWP)	**10,560**	**9,752**	**8%**
Net premium earned	6,989	6,698	4%
Net underwriting result	-430	-415	-4%
t/o P/C	119	135	-12%
t/o Life	-548	-550	0%
Net investment income	1,063	1,011	5%
Other income / expenses	-41	-20	-105%
Operating result (EBIT)	**592**	**576**	**3%**
Financing interests	-41	-36	-14%
Taxes on income	-163	-142	-15%
Net income before minorities	388	398	-2%
Non-controlling interests	-170	-160	-6%
Net income after minorities	**218**	**238**	**-8%**
Combined ratio	97.0%	96.3%	0.7%pts
Tax ratio	29.6%	26.3%	3.3%pts
Return on equity	9.9%	10.4%	-0.5%pts

Comments

- Q1 2018 GWP grew by 8.3% despite strong currency headwind. Currency-adjusted, top-line up by 14.1%
- All operating divisions – except Industrial Lines - contribute to EBIT growth. Industrial Lines' Q1 burdened by volatile run-off results and dissatisfying performance of German Fire business
- One-off effects from the US tax reform
- Higher share of profits attributable to minorities, namely in the Reinsurance Division and at Warta
- Overall good Q1 underpins FY 2018 Group net income Outlook of ~EUR 850m
- Slight deterioration of Group combined ratio driven by Industrial Lines

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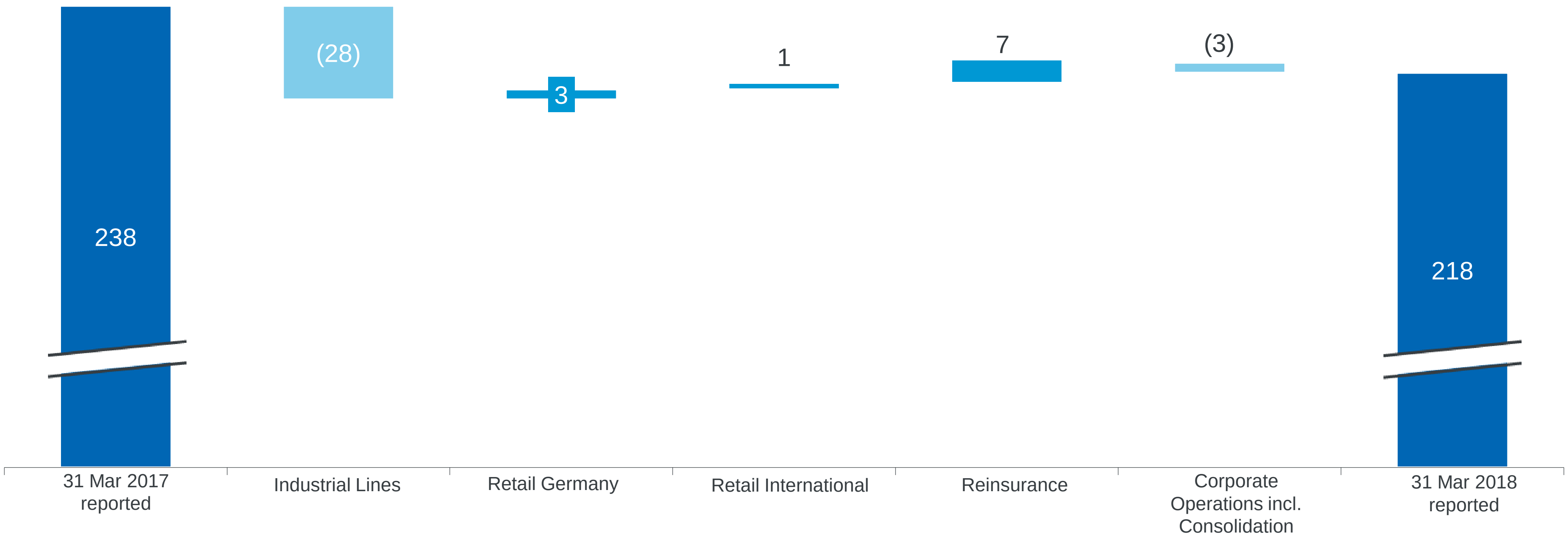
1 Q1 2018 – Divisional contribution to change in Group net income

in EURm



Note: figures restated on the base of IAS 8

Industrial Lines down y/y – all other operating divisions with an improved net income contribution

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Large losses[1] in Q1 2018 (in EURm)

NatCat	Primary Insurance	Reinsurance	Talanx Group
Storm	27.2 (Hurricane "Friederike")	31.5 (Hurricane "Friederike")	58.7 (Hurricane "Friederike")
Earthquake	7.6 (Papua New Guinea)	-	7.6 (Papua New Guinea)
Total NatCat	34.8	31.5	66.3

Man-made	Primary Insurance	Reinsurance	Talanx Group
Fire/Property	22.7	19.0	41.7
Credit	-	22.9	22.9
Other	6.7		6.7
Total Man-made	29.4	41.9	71.3

Total large losses	Primary Insurance	Reinsurance	Talanx Group
	64.2 (19.2)	**73.4** (133.7)	**137.6** (152.9)

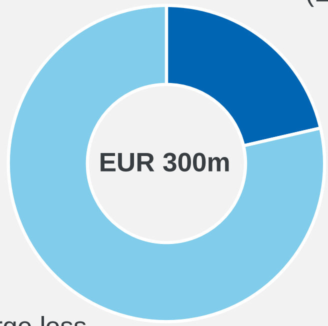
Q1 2018 (Q1 2017)

1 Definition "large loss": in excess of EUR 10m gross in either Primary Insurance or Reinsurance
Note: Q1 2018 Primary Insurance large losses (net) are split as follows: Industrial Lines: EUR 48.8m; Retail Germany: EUR 11.8; Retail International: EUR 0.1m, Corporate Operations: EUR 3.5m; since FY2016 reporting onwards, the table includes large losses from Industrial Liability line, booked in the respective FY. The Q1 budget for large losses stands at EUR75m in Primary Insurance and at EUR167m in Reinsurance. By consequence, Primary Insurance and Reinsurance have both remained within their budgets, implying an extra cushion – also when compared to last year' Q1 – for the remainder of the year

Large loss budget in Q1 2018

Primary Insurance

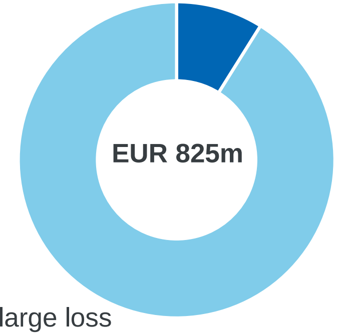
EUR 64.2m
(EUR 19.2m)



Pro-rata large loss budget: EUR 75m

Reinsurance

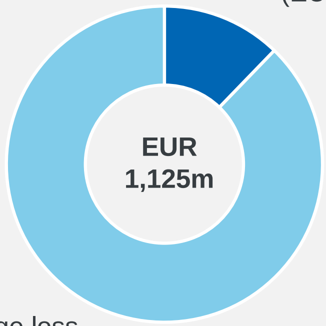
EUR 73.4m
(EUR 133.7m)



Pro-rata large loss budget: EUR 167m

Talanx Group

EUR 137.6m
(EUR 152.9m)



Pro-rata large loss budget: EUR 242m

	Primary Insurance	Reinsurance	Talanx Group
Impact on large loss ratio (incurred)	**3.7%pts** (1.2%pts)	**3.0%pts** (6.2%pts)	**3.3%pts** (4.0%pts)
	budgeted 4.3%pts	budgeted 6.9%pts	budgeted 5.8%pts

FY large loss budget   thereof used budget
Q1 2018 (Q1 2017)

Large losses within the respective pro-rata budgets

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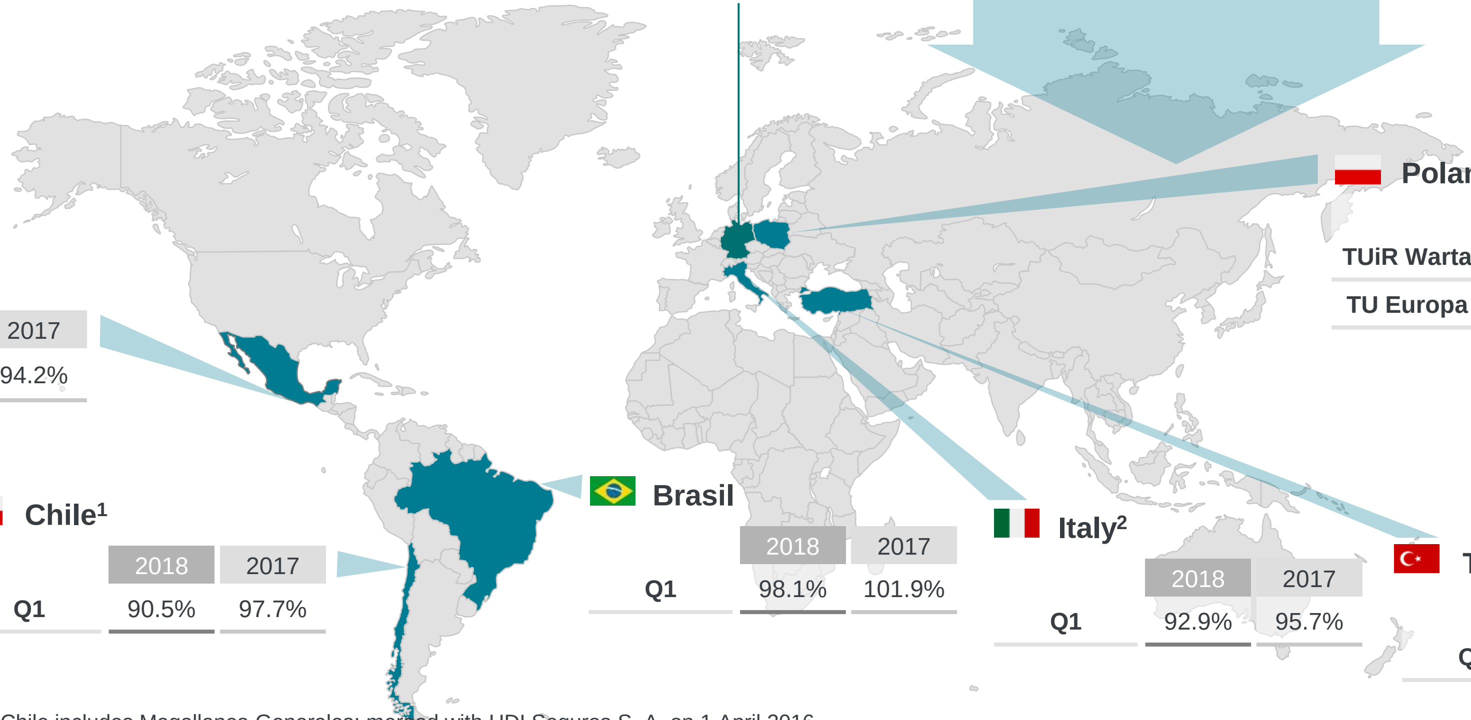
1 Combined Ratios

	Talanx Group 2018	Talanx Group 2017	Industrial Lines 2018	Industrial Lines 2017	Retail Germany P/C 2018	Retail Germany P/C 2017	Retail International 2018	Retail International 2017	Reinsurance P/C 2018	Reinsurance P/C 2017
Q1	97.0%	96.3%	102.3%	96.5%	99.0%	101.7%	94.9%	96.6%	95.9%	95.6%



Poland

		2018	2017
TUiR Warta	Q1	94.8%	95.6%
TU Europa	Q1	88.8%	87.1%

Mexico

	2018	2017
Q1	94.0%	94.2%

Chile[1]

	2018	2017
Q1	90.5%	97.7%

Brasil

	2018	2017
Q1	98.1%	101.9%

Italy[2]

	2018	2017
Q1	92.9%	95.7%

Turkey

	2018	2017
Q1	102.8%	102.1%

1 HDI Seguros S.A., Chile includes Magallanes Generales; merged with HDI Seguros S. A. on 1 April 2016
2 Incl. InChiaro (P/C); merged with HDI Italy on 29 June 2017

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1 HDI Global Specialty: HDI Global and Hannover Re launch a joint growth initiative in specialty business

Bundling the know-how of HDI Global and Hannover Re in the **fast-growing and high-margin** specialty business

HDI Global Specialty as **joint venture** with more than EUR 1bn gross written premium and potential for significant organic growth

Focused addressing and expansion of specialty-activities within the Group (e.g. D&O, political risks, sports, energy, aviation)

Profit contribution to HDI Global and Hannover Re is expected to be higher for both entities as of 2019 than within the current structure

Planned start: 1 January 2019

HDI Global Specialty: the joint venture

Realignment per January 2019

HDI Global

cash purchase price of approx. EUR 100m

hannover re

Specialty
- D&O
- Sports
- Aviation

~EUR 300m GWP

HDI Global Specialty

„Specialty insurance solutions – customized“

Shareholding structure:

HDI Global	hannover re
~50.2%	~49.8%

inter hannover

~EUR 900m GWP

to be fully consolidated at HDI Global

New company with
Inter Hannover as nucleus
with more than EUR 1bn premium

HDI Global Specialty: establishing the platform for future growth

HDI Global

hannover re®

Strengthening of market position and knowledge-sharing with Inter Hannover

Development of new growth potentials and diversification

Strategic focus on reinsurance

Growth opportunities via HDI Global's network and released capital

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Focus on particularly profitable and attractive market segments

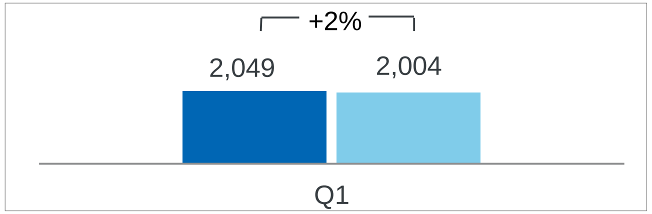
Increase in value via organic growth synergies

Agenda

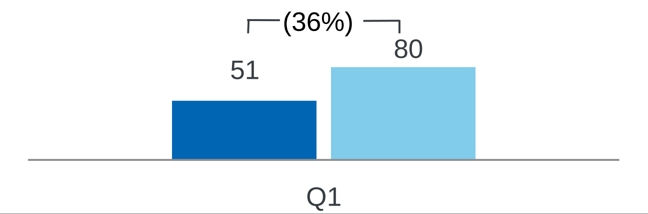
2

Segments – Industrial Lines

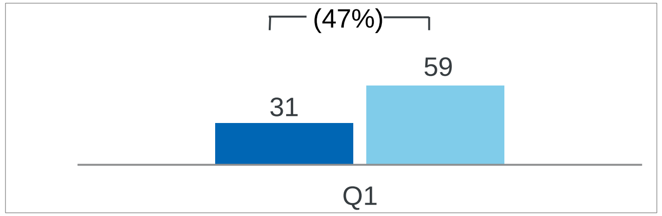
GWP



Operating result (EBIT)



Group net income



Retention rate in %

60.3 | 56.4
Q1

Combined ratio in %

102.3 | 96.5
Q1

RoE (ann.) in %

5.5 | 10.9
Q1

- Q1 2018 GWP up by 2.2% (currency-adj.: +5.6%)
- Growth driven by international business, mainly from the UK and the Netherlands; GWP in Germany benefited from new business, but also some positive pricing effects
- Increase in retention rate driven by Property line, the lower reinstatement premium and the structural effect from higher growth in Motor

- Q1 2018 combined ratio burdened by volatile Q1 run-off results and by dissatisfying performance of German Fire line
- Cost ratio improved by 0.4%pts y/y to 20.2% despite ongoing IT-infrastructure investments
- Q1 2018 investment result stable ordinary investment result up, helped by private equity investments; extra-ordinary investment result normalised vs. above-average level in Q1 2017

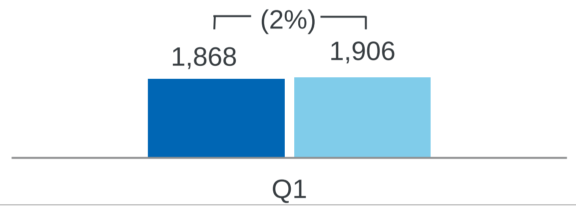
- Net income significantly down y/y, driven by the lower technical result as well as by the increase in the tax rate (from 24.1% to 36.6%).
- The latter was driven by the single-digit million euro impact from the US tax reform as well as from some negative base effect when compared to Q1 2017

EURm, IFRS ■ **2018** ■ **2017**

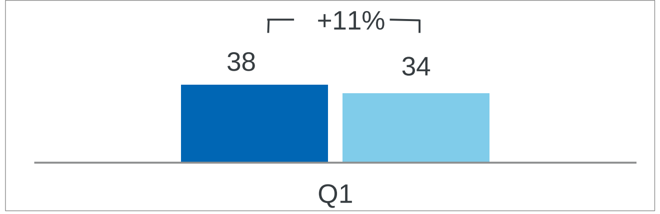
Volatile Q1 run-off results and dissatisfying performance of German Fire business

2 Segments – Retail Germany Division

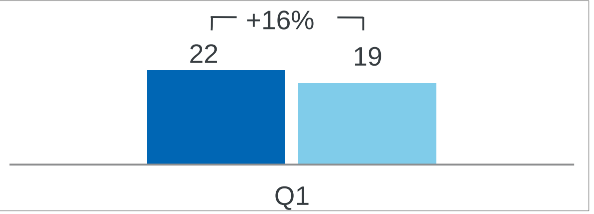
GWP



Operating result (EBIT)



Group net income



Retention rate in %

93.8 95.3
Q1

Combined ratio in %[1]

99.0 101.7
Q1

RoE (ann.) in %

3.7 3.0
Q1

- Top-line slightly down. GWP decline in Life business could not be fully compensated by pleasing growth in P/C segment
- Net underwriting result in P/C further improved y/y
- Decline in technical Life result mainly reflects the higher RfB contribution mirroring the funding of the ZZR

- KuRS costs affected the division in total by EUR 9m in Q1 2018 (Q1 2017: EUR 12m), the impact on EBIT was EUR 6m (Q1 2017: EUR 9m)
- EBIT markedly up, driven by the P/C segment, which benefited from less frequency claims and from lower costs for the KuRS programme

- Improvement in net income was driven by the higher EBIT and was also helped by the somewhat lower tax rate
- Retail Germany is well on track to further increase its profitability - as targeted

EURm, IFRS ■ **2018** ■ **2017**

1 Adjusted for KuRS costs; reported combined ratios are Q1 2018: 97.4%, Q1 2017: 99.2%

Division on track to reach KuRS targets

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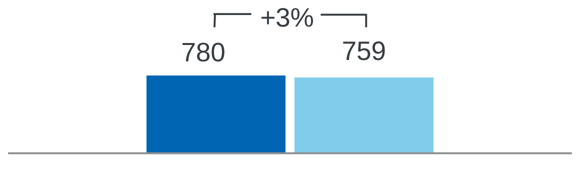
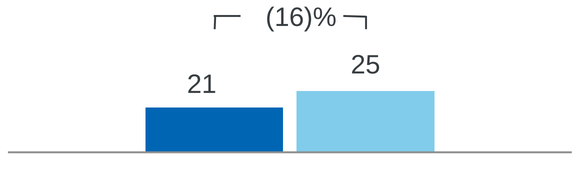
2 Segments – Retail Germany P/C

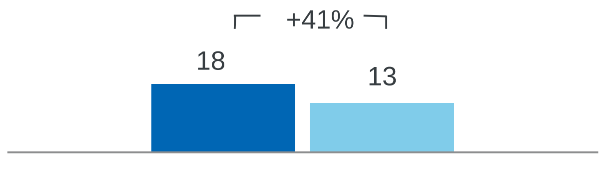
GWP



Investment income



Operating result (EBIT)



Retention rate in %

94.5 95.0
Q1

Combined ratio in %[1]

99.0 101.7
Q1

EBIT margin in %

5.2 3.8
Q1

- GWP up by 2.8% y/y. This represents the sixth consecutive quarter with top-line growth
- Main growth contribution from business with SMEs/self-employed professionals and digital motor business

- Q1 2018 combined ratio with significant improvement, benefiting from less frequency claims, a higher run-off result and lower KuRS costs
- Large losses from storm “Friederike“ above the pro-rata large-loss budget
- Combined ratio was impacted by EUR 6m costs for KuRS programme (Q1 2017: EUR 8m). Adjusting for these, the combined ratio would have declined to 97.4% (Q1 2017: 99.2%)

- Q1 investment result down, predominantly due to lower extra-ordinary investment result; ordinary investment result broadly stable
- Top-line growth and decline in combined ratio were the key catalysts for EBIT improvement

EURm, IFRS ■ **2018** ■ **2017**

1 Adjusted for KuRS costs; reported combined ratios are Q1 2018: 97.4%, Q1 2017: 99.2%

P/C segment growing at a combined ratio (incl. KuRS effects) of below 100%

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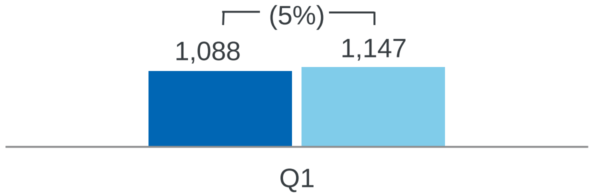
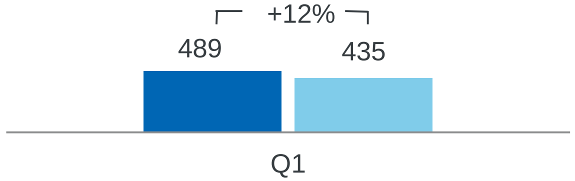
Segments – Retail Germany Life

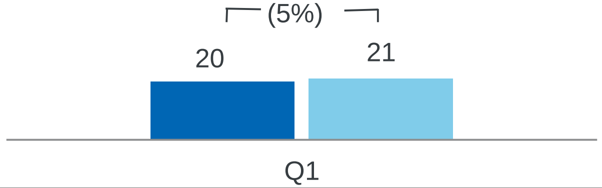
GWP



Investment income



Operating result (EBIT)



Retention rate in %

93.2 95.5

Q1

RoI in %

4.2 3.9

Q1

EBIT margin in %

2.4 2.5

Q1

- Decline in Life GWP continued, driven by phase-out of non-capital-efficient Life products
- GWP decline reflect less single-premium business, but also expiry of Life insurance contracts

- Q1 2018 investment result up, due to higher extraordinary gains, predominantly to finance the ZZR
- ZZR allocation – according to HGB – of EUR 238m (Q1 2017: EUR: 207m). Total ZZR stock reached EUR 3.3bn
- Underwriting result down by -12%, mainly mirroring policyholder participation in investment gains

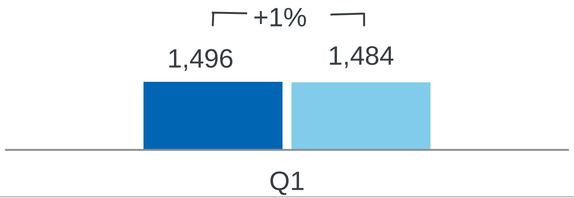
- Costs for KuRS broadly unchanged at EUR 3m in Q1 2018, but virtually irrelevant for the EBIT (due to policyholder participation in Life)
- EBIT roughly unchanged

EURm, IFRS ■ **2018** ■ **2017**

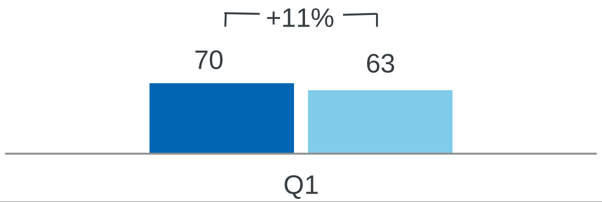
Accepting decline in non-capital-efficient business to improve profitability

Segments – Retail International

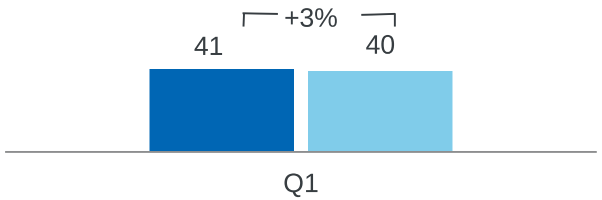
GWP



Operating result (EBIT)



Group net income



Retention rate in %

91.3 89.9

Q1

Combined ratio in %

94.9 96.6

Q1

RoE (ann.) in %

8.2 7.6

Q1

- Q1 2018 GWP up by 0.9% y/y (curr.-adj: +4.8%). Currency burden in particular from Brazil and Turkey, but also from other LatAm markets
- GWP in P/C business strongly up (curr.-adj.: +9.1%), mainly driven by Poland and Mexico
- GWP in Life slightly down (curr.-adj: -2.5%), mainly due to single-premium business in Italy

- Q1 2018 combined ratio improved by 1.7%pts y/y. Cost ratio down by 1.6% (Q1 2018: 28.0%); successful cost optimisation measures and scale effects, namely in Poland and Brazil. Loss ratio stable at 66.9%
- EBIT significantly up 11% y/y; higher profit contribution mainly from Poland and Italy. Turkey with EBIT increase despite challenging environment

- Net income in the first three months up by 2.5% y/y
- Profit increase despite the impact of the higher tax rate (up from 25.0% to 27.8%) and the higher share of profits attributable to minorities, namely at Warta

EURm, IFRS ■ **2018** ■ **2017**

Note: figures restated on the base of IAS 8

Top-line up despite currency headwind – profits growing even stronger

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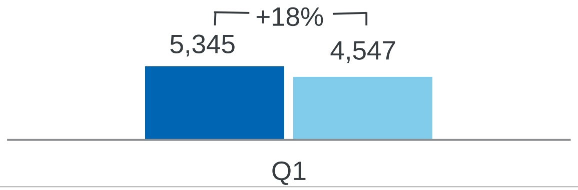
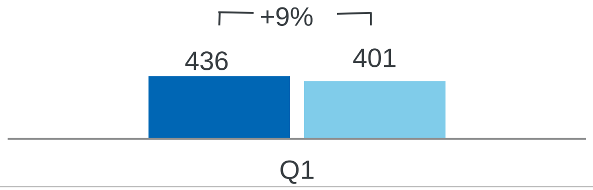
Segments – Reinsurance Division

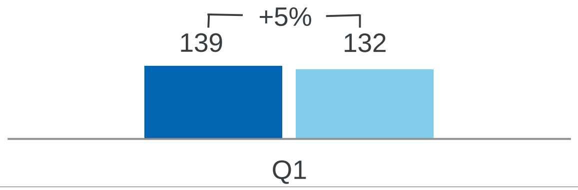
GWP



Operating result (EBIT)



Group net income



Retention rate in %

	2018	2017
Q1	91.3	89.6

Combined ratio in %

	2018	2017
Q1	95.9	95.6

RoE (ann.) in %

	2018	2017
Q1	13.5	12.0

- Q1 2018 GWP up +17.6% y/y (curr.-adj.: +27.5%), driven by a few large P/C transactions
- Underlying top-line growth in L/H Reinsurance from Asia and UK
- Net premium is up by +7.0% on a reported basis (curr.-adj.: +16.1%)

- Q1 2018 EBIT up by 8.7% y/y, supported by strong underwriting result from both business groups and above-target investment income
- Stable ordinary investment income, realised gains up due to slightly changed investment strategy
- Return on investment stands at 3.4%, significantly exceeds target

- Q1 2018 net income up by 5%
- High one-off tax burden due to reorganisation in Life/Health Reinsurance segment following US tax reform
- Return on equity at 13.5%, well above minimum target

EURm, IFRS ■ **2018** ■ **2017**

Favourable start to 2018 – EBIT up by 8.7% y/y

Agenda

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3 Net investment income

Net investment income Talanx Group

EUR m, IFRS	Q1 2018	Q1 2017	Change
Ordinary investment income	**851**	**867**	**(2%)**
thereof current investment income from interest	675	705	(4%)
thereof profit/loss from shares in ass. companies	3	5	(35%)
Realised net gains/losses on investments	264	137	+92%
Write-ups/write-downs on investments	(42)	(32)	n/m
Unrealised net gains/losses on investments	(6)	25	n/m
Investment expenses	(59)	(54)	n/m
Income from investments under own management	**1,008**	**943**	**+7%**
Income from investment contracts	**(0)**	**(1)**	**n/m**
Interest income on funds withheld and contract deposits	**55**	**69**	**(20%)**
Total	**1,063**	**1,011**	**+5%**

Comments

- Ordinary investment income down by -1.8%. Effects from low-interest rate environment were not fully compensated by higher investment results from infrastructure and private equity
- Realised net investment gains up by EUR 127m y/y to EUR 264 in Q1 2018 - to a large extent used to finance ZZR. Q1 2018 ZZR allocation: EUR 238m (Q1 2017: 207m). P/C Reinsurance segment also reported increase in realised gains vs. Q1 2017
- Q1 2018 RoI reached 3.7% (Q1 2017: 3.5%), supported by somewhat higher realised gains
- Increase in writedowns resulting from equities, from funds in real estate and in private equity as well as from regular depreciation in real estate

Q1 2018 RoI at 3.7% - driven by a broadly stable ordinary investment income and by somewhat higher realised gains

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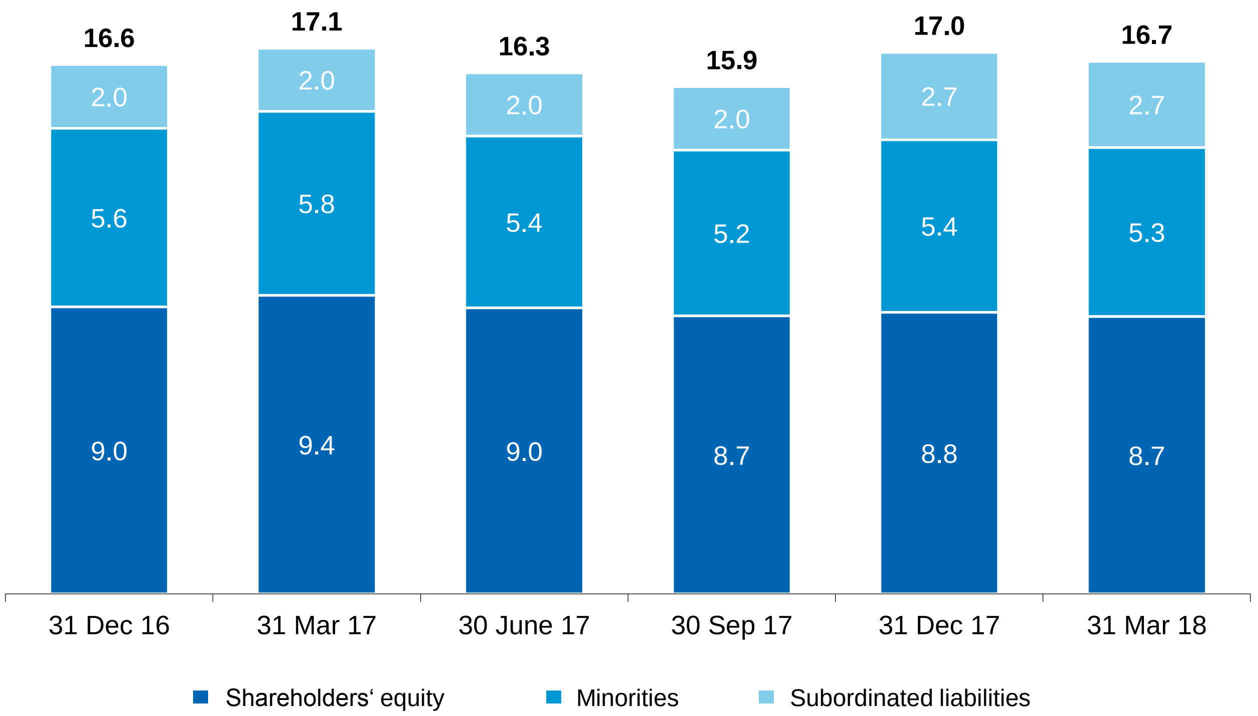
3 Equity and capitalisation – Our equity base

Capital breakdown (EUR bn)



Note: figures restated on the base of IAS 8

Comments

- Shareholders’ equity is down y/y and vs. FY2017, predominantly due to the decline in OCI
- At the end of Q1 2018, book value per share was EUR 34.37 (Q1 2017: EUR 37.06), NAV (excl. goodwill) per share was EUR 30.19 (EUR 32.86)
- Off-balance sheet reserves amounted to EUR 4.2bn, or EUR 1.20 per share (shareholder share only)

Shareholders’ equity at EUR 8,688m, or EUR 34.37 per share

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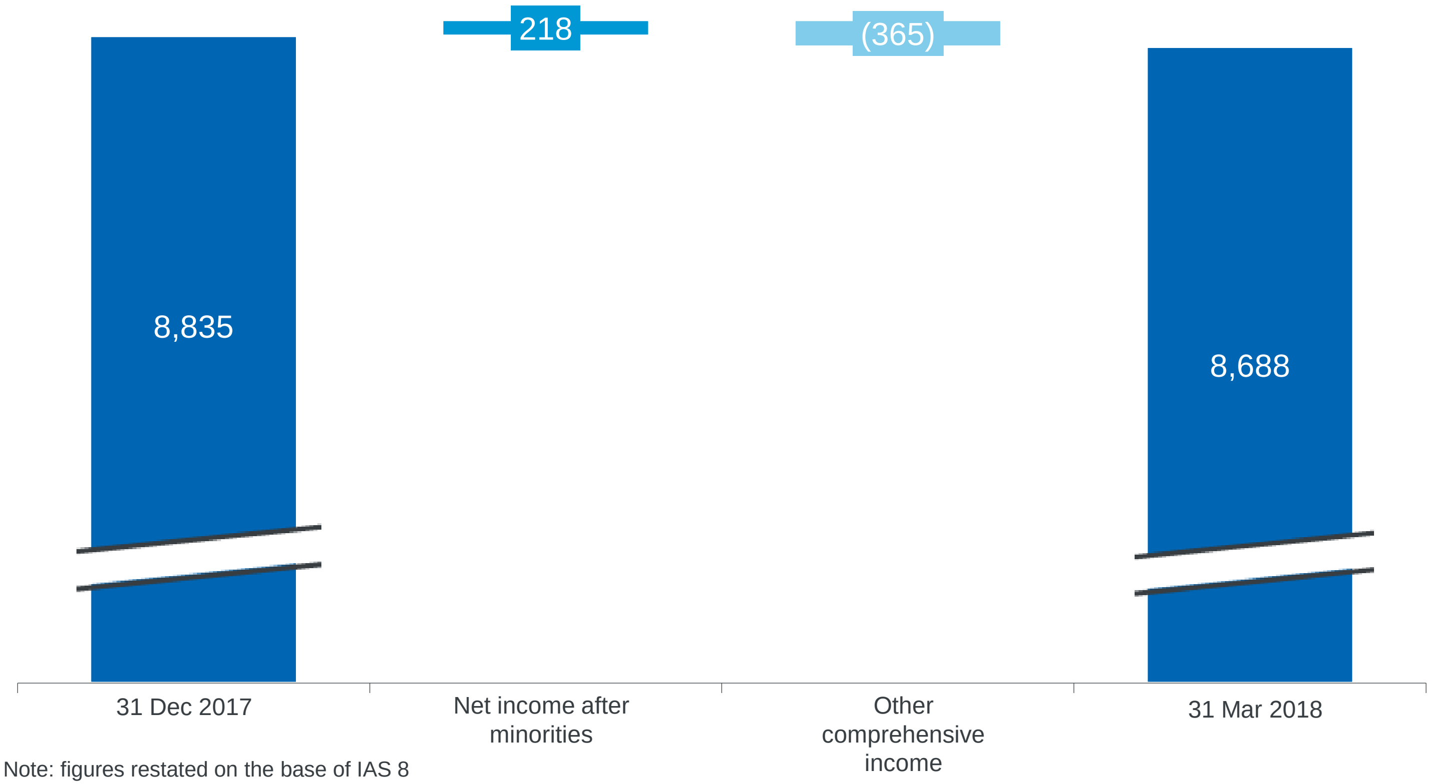
Equity and capitalisation – Contribution to change in equity

In EURm



Note: figures restated on the base of IAS 8

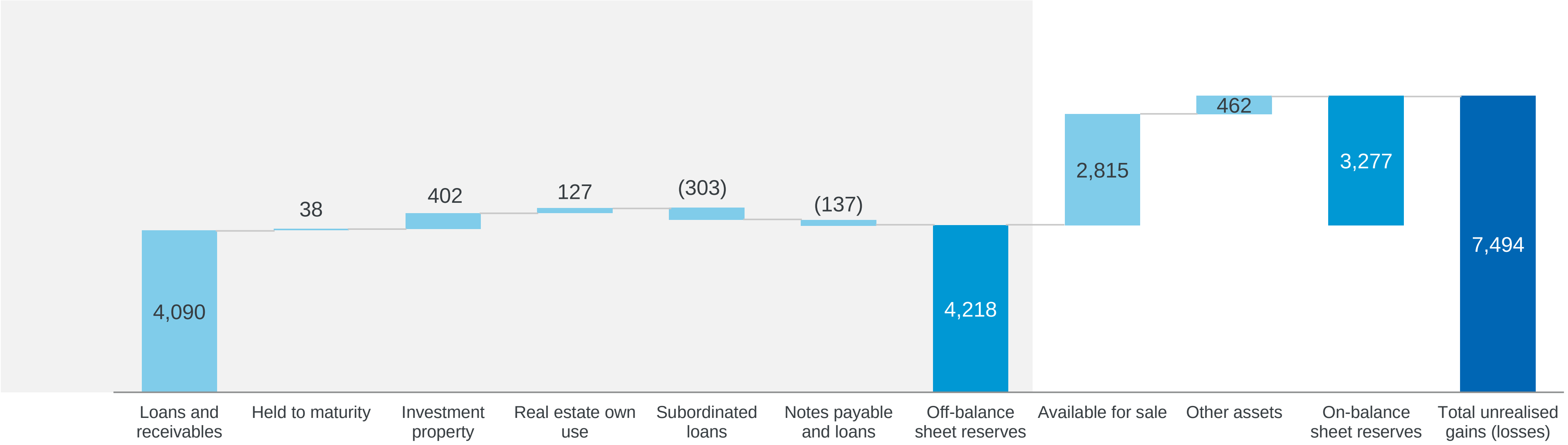
Comments

- At the end Q1 2018, shareholders' equity stood at EUR 8,688m, or EUR 147m below the level of FY2017
- The reduction of the OCI was due to higher yields as well as from currency effects
- At the end of FY 2017, the Solvency II Ratio (Solvency II view, HDI Group level) stood at 206% (9M 2017: 190%) - excluding the effect of transitional measures
- We expect the Solvency II ratio for Q1 2018 to be broadly stable

Shareholders' equity slightly down reflecting the lower OCI

Equity and capitalisation – Unrealised gains

Unrealised gains and losses (off- and on-balance sheet) as of 31 March 2018 (EURm)



31 Dec 17	4,260	39	433	124	(382)	(144)	4,330	3,515	526	4,042	8,372

Δ market value vs. book value

Note: Shareholder contribution estimated based on FY2015 profit sharing pattern

Off-balance sheet reserves of ~ EUR 4.2bn – EUR 302m (EUR 1.20 per share) attributable to shareholders (net of policyholders, taxes & minorities)

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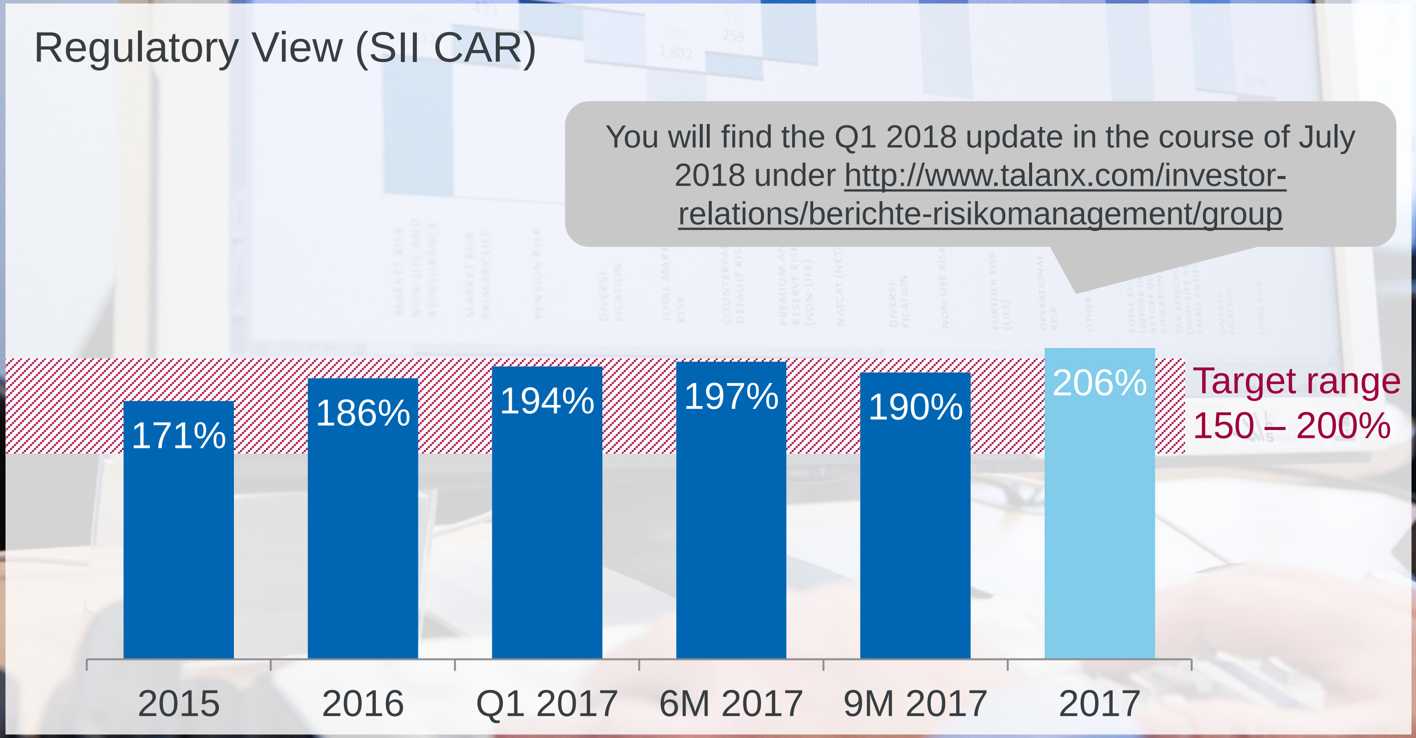
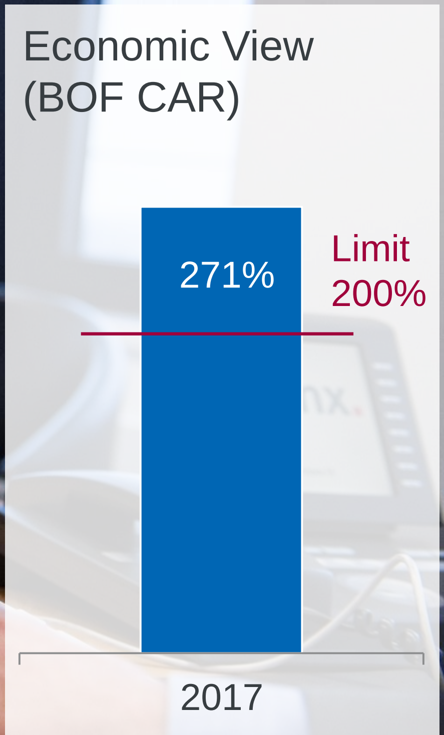
Risk management – Solvency II capital

Development of Solvency II capitalisation





Note: Solvency II ratio relates to HDI V.a.G. as the regulated entity.The chart does not contain the effect of transitional measures
Solvency II ratio including transitional measures for FY2017 was 253% (FY2016 236%)

Agenda

4 Outlook 2018 for Talanx Group[1]

Gross written premium	> 5%
Return on investment	≥3.0%
Group net income	~850 EURm
Return on equity	~9.0%
Dividend payout ratio	35-45% target range

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

1 The targets are based on an large loss budget of EUR 300m (2017: EUR 290m) in Primary Insurance, of which EUR 260m in Industrial Lines. The large loss budget in Reinsurance stands at EUR 825m

Agenda

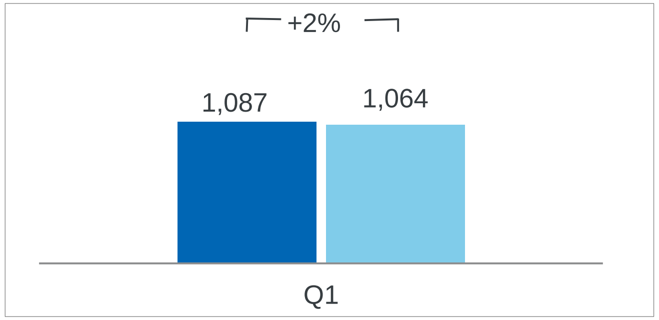
5 Mid-term target matrix & current status

Segments	Key figures	Strategic targets (2015 - 2019)	2017	2015-2017[9]
Group	Gross premium growth[1]	3 - 5%	7.5% ✓	4.0% ✓
	Return on equity	≥ 750 bps above risk free[2]	7.5% [≥8.3%]	9.0% [≥8.5%] ✓
	Group net income growth	mid single-digit percentage growth rate	(25.5%)	(4.4%)
	Dividend payout ratio	35 - 45%	52.7% ✓	45.1% ✓
	Return on investment	≥ risk free + (150 to 200) bps[2]	4.0% [≥2.3 – 2.8%] ✓	3.7% [≥2.5 – 3.0%] ✓
Primary Insurance: Industrial Lines	Gross premium growth[1]	3 - 5%	5.2% ✓	2.5%
	Retention rate	60 - 65%	55.2%	53.5%
Primary Insurance: Retail Germany	Gross premium growth[1]	≥ 0%	(2.9%)	(4.0%)
Primary Insurance: Retail International	Gross premium growth[1]	≥ 10%	10.5% ✓	9.2%
Primary Insurance	Combined ratio[3]	~ 96%	101.2%	99.1%
	EBIT margin[4]	~ 6%	4.1%	4.4%
P/C Reinsurance[7,8]	Gross premium growth[6]	3 - 5%	18.7% ✓	8.8% ✓
	Combined ratio[3]	≤ 96%	99.8% ✓	96.0% ✓
	EBIT margin[4]	≥ 10%	12.5% ✓	15.6% ✓
Life & Health Reinsurance[7,8]	Gross premium growth[1]	5 - 7%	1.4%	2.1%
	Average value of New Business (VNB) after minorities[5]	≥ EUR 110m	EUR 183m ✓	EUR 301m ✓
	EBIT margin[4] financing and longevity business	≥ 2%	13.2% ✓	11.2% ✓
	EBIT margin[4] mortality and health business	≥ 6%	0.0%	2.3%

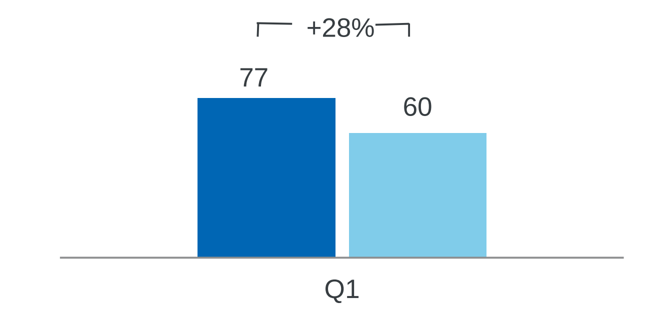
1 Organic growth only; currency-neutral; CAGR; 2 Risk-free rate is defined as the 5-year rolling average of the 10-year German government bond yield; 3 Talanx definition: incl. net interest income on funds withheld and contract deposits; 4 EBIT/net premium earned, 5 Reflects Hannover Re target of at least EUR 220m; 6 Average throughout the cycle; currency-neutral; 7 Targets reflect Hannover Re's targets for 2015-2017 strategy cycle; 8 For 2018, Hannover Re has stated a new EBIT growth target of ≥5%. By contrast, it does not state EBIT margin targets by reporting category anymore; 9 Growth rates calculated as 2014 – 2017 CAGR; otherwise arithmetic mean; Note: growth targets are based on 2014 results. Growth rates, CoR and EBIT margins are average annual targets

5 Q1 2018 Additional Information – Retail International Europe: Key financials

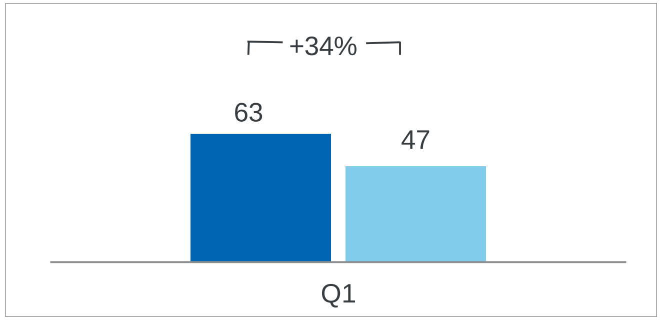
GWP



Investment income



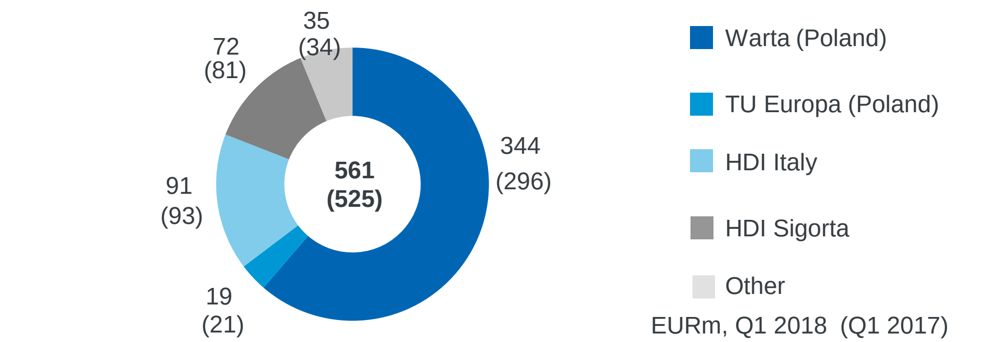
Operating result (EBIT)



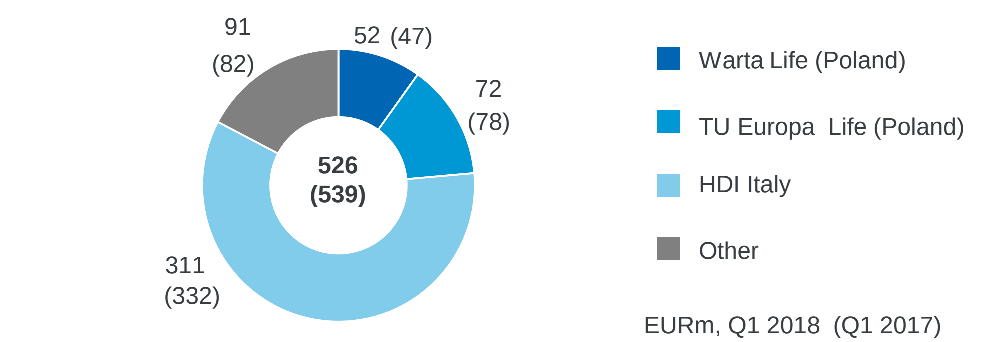
EURm, IFRS **2018** **2017**

Note: figures restated on the base of IAS 8

GWP split by carriers (P/C)



GWP split by carriers (Life)



Q1 2018 with significant improvement in EBIT

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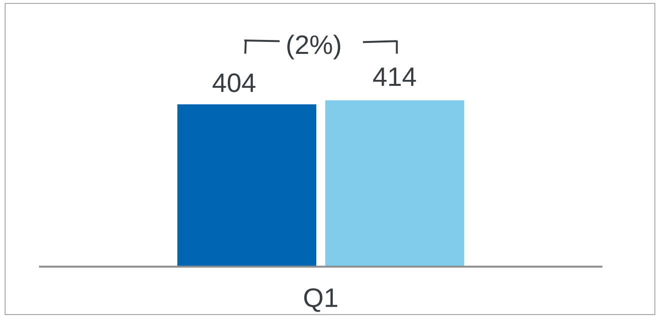
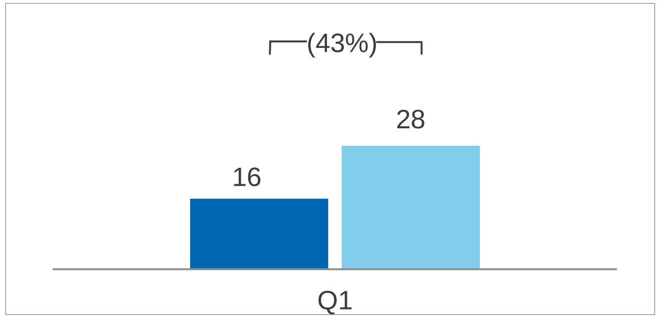
Q1 2018 Additional Information – Retail International LatAm: Key financials

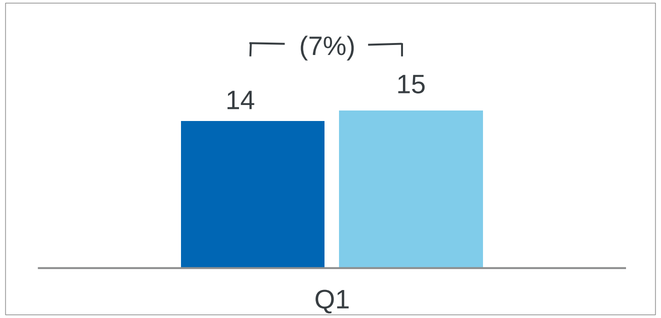
GWP



Investment income



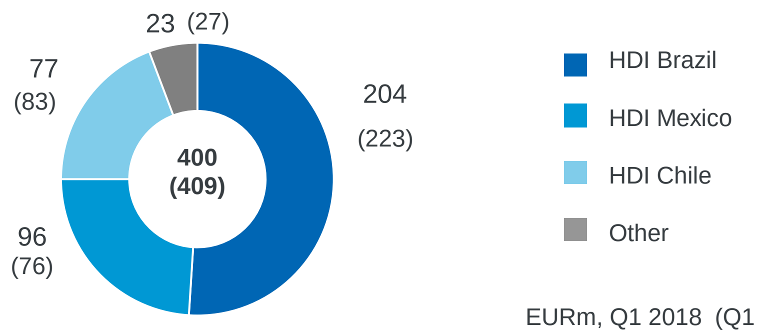
Operating result (EBIT)



EURm, IFRS **2018** **2017**

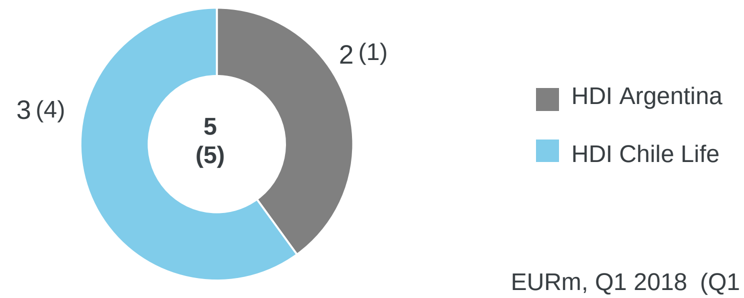
Note: figures restated on the base of IAS 8

GWP split by carriers (P/C)



EURm, Q1 2018 (Q1 2017)

GWP split by carriers (Life)

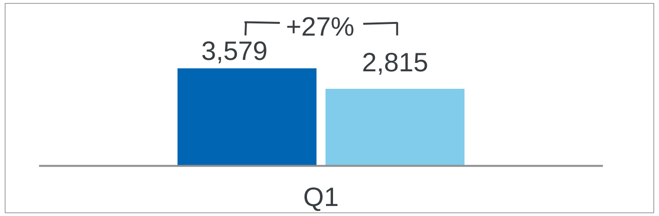


EURm, Q1 2018 (Q1 2017)

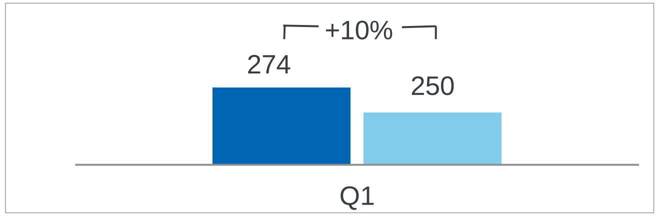
Rather stable EBIT level in euro-terms despite headwinds from currencies and interest rates

Q1 2018 Additional Information – Segment P/C Reinsurance

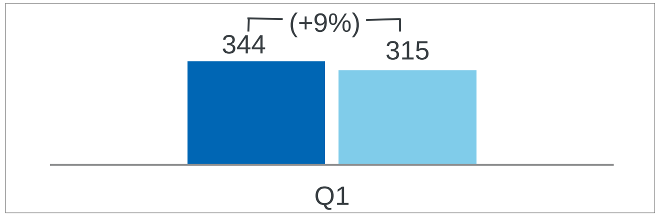
GWP



Investment income



Operating result (EBIT)



Retention rate in %

91.6 88.6

Q1

Combined ratio in %

95.9 95.6

Q1

EBIT margin in %[1]

14.2 14.6

Q1

- Q1 2018 GWP up by +27.1% y/y (curr.-adj.:+38.8%); particular strong growth in Structured Reinsurance and Worldwide Treaty; further growth in other business lines
- Net premium earned grew by +12.0% (curr.-adj.: +22.4%)

- Major losses of EUR 73m below budget for Q1 2018 (3.0% of NPE)
- Unchanged policy regarding setting of loss reserves
- Satisfactory ordinary investment income and positive contribution from realised gains

- Q1 2018 EBIT margin[1] of 14.2% (Q1 2017: 14.6%)
  - well above target

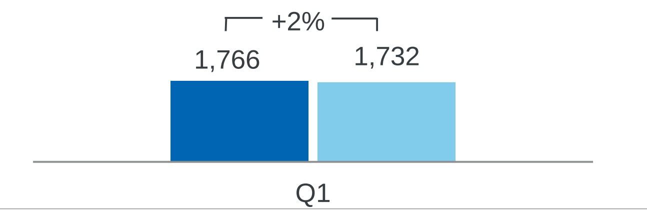
1 EBIT margin reflects a Talanx Group view

EURm, IFRS ■ **2018** ■ **2017**

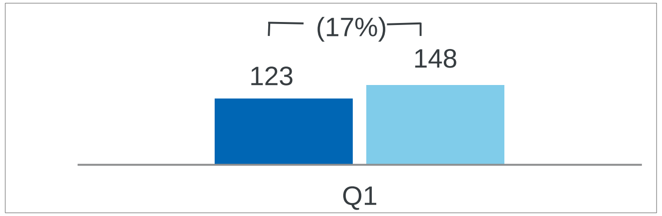
Increased underwriting result and strong investment income

Q1 2018 Additional Information – Segment Life/Health Reinsurance

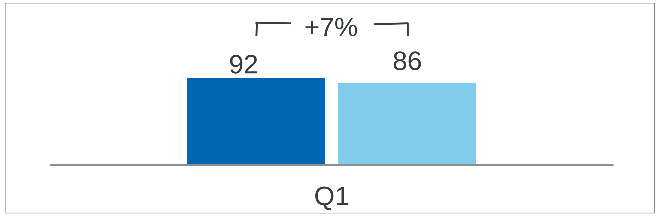
GWP



Investment income



Operating result (EBIT)



Retention rate in %

	2018	2017
Q1	90.7	91.3

RoI in %

	2018	2017
Q1	3.1	3.6

EBIT margin in %[1]

	2018	2017
Q1	5.9	5.5

- Q1 2018 GWP up by 2.0% y/y (curr.-adj.: +9.2%), mainly driven from Asia and United Kingdom
- Net premium earned up by 0.1% (curr.-adj.: +7.4%)

- Improved technical result driven by better morbidity experience
- Stable ordinary investment income
- Other income is lower due to currency effects; contribution from deposit accounted treaties of EUR 45m (Q1 2017: EUR 47m)

- Targeted EBIT growth of +5% achieved
- Tax ratio above the above long-term average due to changes in business set-up linked to the US tax-reform

1 EBIT margin reflects a Talanx Group view

EURm, IFRS ■ **2018** ■ **2017**

Pleasing EBIT growth - US mortality result better than expected

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5 Q1 2018 Additional Information – Segments

EURm, IFRS	Industrial Lines			Retail Germany P/C			Retail Germany Life		
	Q1 2018	Q1 2017	Change	Q1 2018	Q1 2017	Change	Q1 2018	Q1 2017	Change
P&L									
Gross written premium	2,049	2,004	+2%	780	759	+3%	1,088	1,147	(5%)
Net premium earned	583	552	+6%	345	340	+2%	807	844	(5%)
Net underwriting result	-13	19	n/m	3	-6	n/m	-467	-416	n/m
Net investment income	68	69	0%	21	25	(17%)	489	435	+12%
Operating result (EBIT)	51	80	(36%)	18	13	+41%	20	21	(7%)
Net income after minorities	31	59	(47%)	n/a	n/a	n/m	n/a	n/a	n/m
Key ratios									
Combined ratio non-life insurance and reinsurance	102.3%	96.5%	5.8%pts	99.0%	101.7%	(2.7%)pts	-	-	-
Expense ratio	20.2%	20.6%	(0.4%)pts	35.6%	36.7%	(1.1%)pts	-	-	-
Loss ratio	82.1%	75.9%	6.2%pts	63.4%	65.0%	(1.6%)pts	-	-	-
Return on investment	3.5%	3.5%	0.0%pts	2.1%	2.5%	(0.4%)pts	4.2%	3.9%	0.3%pts

5 Q1 2018 Additional Information – Segments

EURm, IFRS	Retail International			P/C Reinsurance			Life/Health Reinsurance			Group		
	Q1 2018	Q1 2017	Change	Q1 2018	Q1 2017	Change	Q1 2018	Q1 2017	Change	Q1 2018	Q1 2017	Change
P&L												
Gross written premium	1,496	1,483	+1%	3,579	2,815	+27%	1,766	1,732	+2%	10,560	9,752	+8%
Net premium earned	1,251	1,217	+3%	2,425	2,166	+12%	1,574	1,573	+0%	6,989	6,698	+4%
Net underwriting result	15	7	+103%	91	91	+1%	-56	-114	n/m	-430	-415	n/m
Net investment income	92	87	+6%	274	250	+9%	123	148	(17%)	1,063	1,011	+5%
Operating result (EBIT)	70	63	+12%	344	315	+9%	92	86	+7%	592	576	+3%
Net income after minorities	41	40	+5%	n/a	n/a	n/m	n/a	n/a	n/m	218	238	(9%)
Key ratios												
Combined ratio non-life insurance and reinsurance	94.9%	96.6%	(1.7%)pts	95.9%	95.6%	0.3%pts	-	-	-	97.0%	96.3%	0.7%pts
Expense ratio	28.0%	29.6%	(1.6%)pts	27.9%	27.8%	0.1%pts	-	-	-	27.5%	27.9%	(0.4%)pts
Loss ratio	66.9%	66.9%	0.0%pts	68.3%	68.0%	0.3%pts	-	-	-	69.7%	68.6%	1.1%pts
Return on investment	3.6%	3.7%	0.1%pts	3.5%	3.0%	0.5%pts	3.1%	3.6%	(0.5%)pts	3.7%	3.5%	0.2%pts

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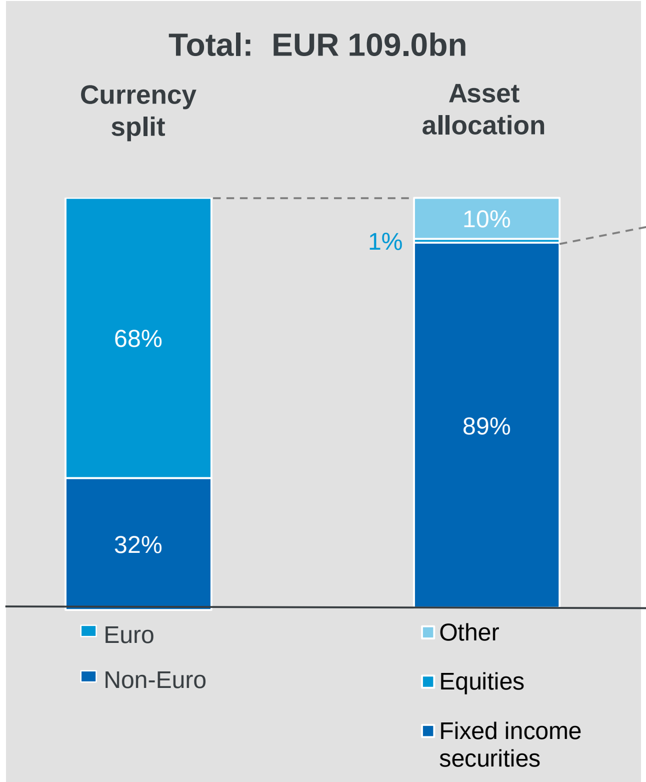
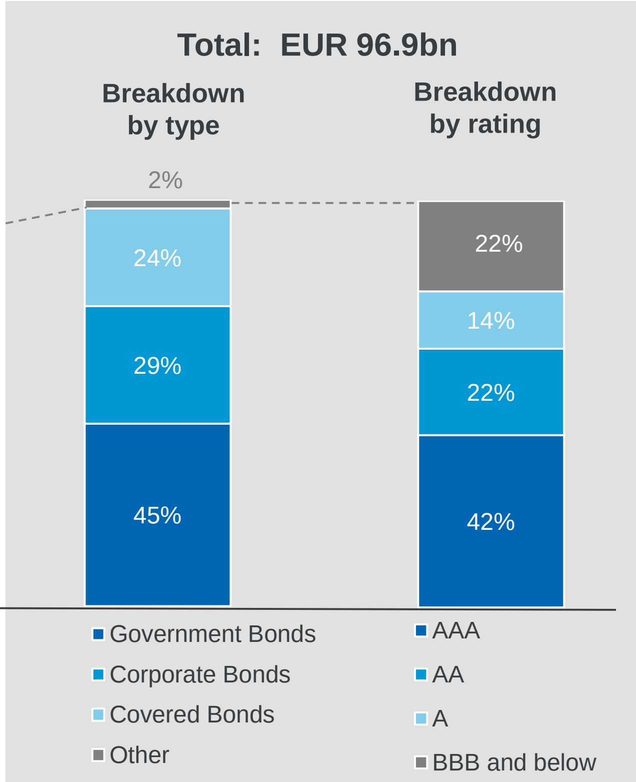
Q1 2018 Additional Information – Breakdown of investment portfolio

Investment portfolio as of 31 Mar 2018



Fixed-income-portfolio split



Comments

- Investments under own management of 109.0bn slightly up vs. FY2017 (EUR 107.9bn)
- Investment portfolio remains dominated by fixed-income securities: portfolio share of 89% broadly unchanged (FY2017: 90%)
- Share of fixed-income portfolio invested in “A” or higher-rated bonds is slightly up to 78% (FY 2017: 76%)
- An unchanged 18% of “investments under own management” held in USD, despite a stronger euro. 32% overall in non-euro currencies (FY2017: 32%)

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

5 Q1 2018 Additional Information – Details on selected fixed-income country exposure

Investments into issuers from countries with a rating below A-[1] (in EURm)

Country	Rating	Sovereign	Semi-Sovereign	Financial	Corporate	Covered	Other	Total
Italy	BBB	2,318	-	565	590	480	-	**3,953**
Brazil	BB-	228	-	52	327	-	7	**614**
Mexico	BBB+	122	7	36	201	-	-	**366**
Hungary	BBB-	519	-	0	9	27	-	**555**
Russia	BBB-	201	15	29	204	-	-	**450**
South Africa	BB+	144	-	55	40	-	4	**243**
Portugal	BBB-	24	-	11	68	31	-	**133**
Turkey	BB	19	-	15	27	3	-	**64**
Other BBB+		13	-	30	61	-	-	**104**
Other BBB		74	20	51	39	-	-	**185**
Other <BBB		196	32	97	148	-	180	**653**
Total		3,858	75	942	1,712	541	191	**7,319**
In % of total investments under own management		3.5%	0.1%	0.9%	1.6%	0.5%	0.2%	**6.7%**
In % of total Group assets		2.4%	0.0%	0.6%	1.1%	0.3%	0.1%	**4.5%**

1 Investment under own management

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5 Risk Management – Essentials

- **FY2017 Solvency II Ratio (excluding transitional) improved to 206% (FY2016: 186%) and is expected to be broadly stable in Q1 2018**
- **Nearly 90% of Eligible Own Funds in Solvency II View are covered by unrestricted Tier 1 capital.
Tier 1 coverage of SCR has further improved and stands at a strong 185%**
- **Stresses on interest rates, NatCat and equities have only little impact on Solvency II Ratio – in comparison higher level of sensitivity to credit spreads**

Note: In the entire presentation, calculations of Solvency II Capital Ratios are based on a 99.5% confidence level, including volatility adjustments without the effect of applicable transitional – if not explicitly stated differently

Risk Management
TERM 2017 results – Capitalisation perspectives

Economic view (BOF CAR)	271% (2016: 264%)	Limit ≥ 200 %	▪ Basic Own Funds (including hybrids and surplus funds as well as non-controlling interests) ▪ Risk calculated with the full internal model
Solvency II Ratio (without transitional)[1]	206% (2016: 186%)	Target corridor 150%-200%	▪ Eligible Own Funds, i.e. Basic Own Funds (including hybrids and surplus funds as well as non-controlling interests) with haircut on Talanx‘s minority holdings ▪ Operational risk modeled in Primary Insurance Group with standard formula, ("partial internal model") ▪ For the Solvency II perspective, the HDI V.a.G. as ultimate parent is the addressee of the regulatory framework for the Group

- with haircut ⬇
- operational risk in Primary Insurance Group modeled with standard formula ⬇
- HDI solo-funds ⬆

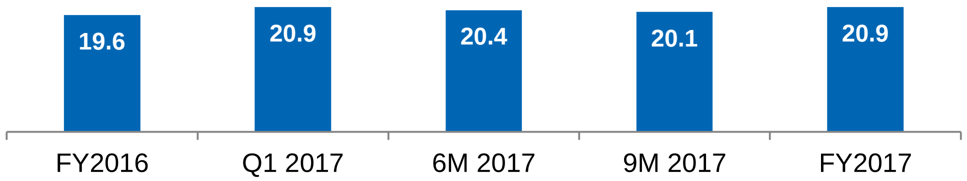
1 Group Solvency II Ratios including transitional (i.e. Regulatory View): FY2017: 253%; FY2016: 236%

Note: Calculations of Solvency II Capital Ratios are based on a 99.5% confidence level, including volatility adjustments and excluding the effect of applicable transitional – if not explicitly stated differently

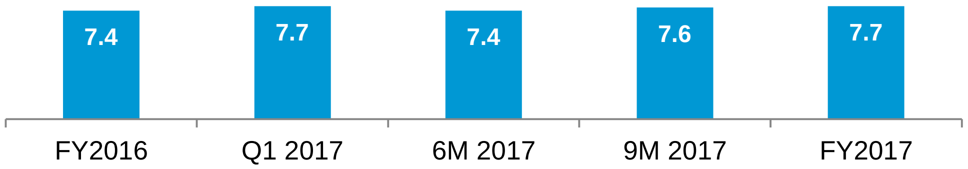
Comfortable capital position from all angles – significant improvement compared to the previous year

Risk Management
TERM 2017 – Result History Economic View

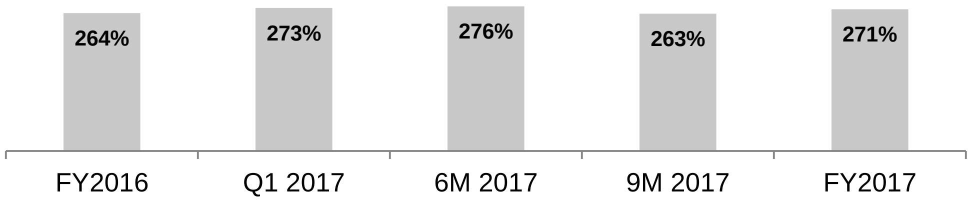
Basic Own Funds (EURbn)



Solvency Capital Required (EURbn)



Capital Adequacy Ratio (CAR)



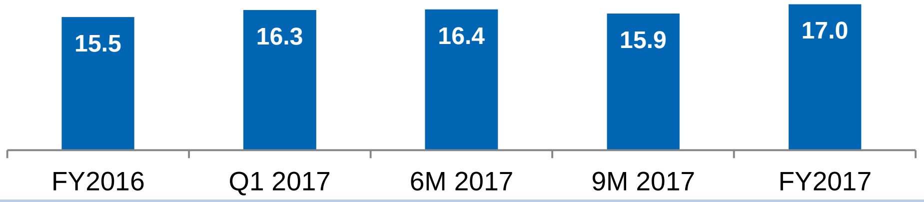
Comments

- 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 271%, up 7%pts compared to FY2016
- This concept is used for risk budgeting and steering at Talanx as it best reflects the economic capital position of the Group
- Significant increase in Basic Own Funds overcompensate the moderate increase in SCR y/y

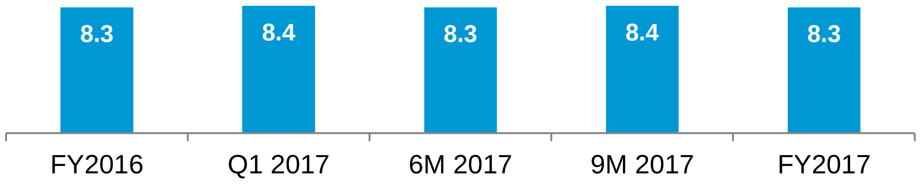
In the Economic View, capital adequacy ratio (BOF CAR) is up by 7%pts y/y

Risk Management
5 TERM 2017 – Result History Regulatory View

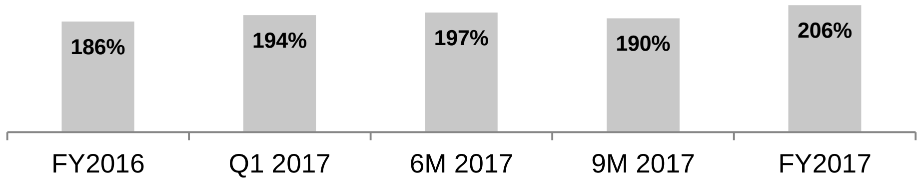
Eligible Own Funds (EURbn)



Solvency Capital Required (EURbn)



Solvency II Ratio (excl.transitional)



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 Economic View (BOF CAR), the higher level of the SCR reflects the measurement of operational risks in the by means of the standard formula in the Primary Insurance Group
- Improvement of Solvency II Ratio was driven by a strong increase of Eligible Own Funds – including the effect of the hybrid bond issue in November 2017 (EUR 750m) and retained earnings

Solvency II Ratio materially improved by 20%pts on the back of higher Eligible Own Funds

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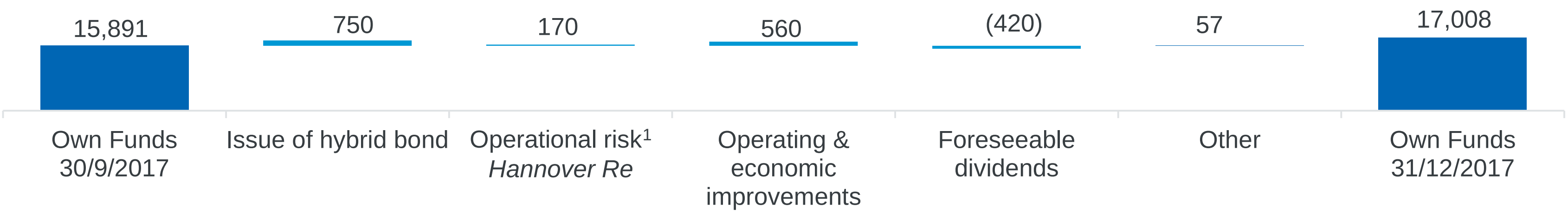
Risk Management
TERM 2017 – Development Solvency II capital since Q3 2017

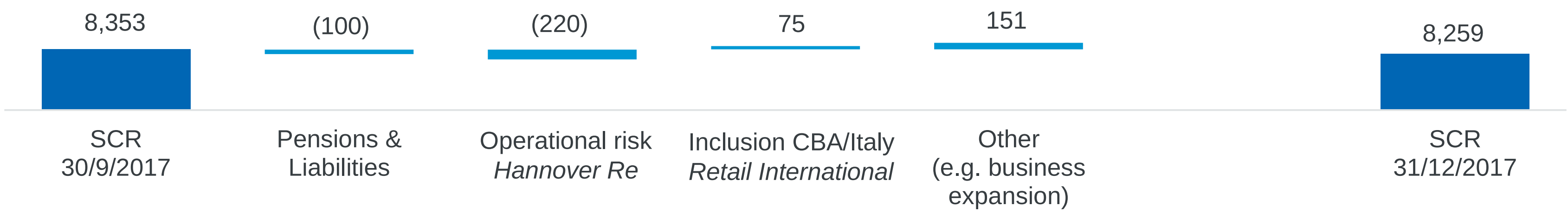
Development of Eligible Own Funds

in EURm



Development of Solvency Capital Required (SCR)

in EURm

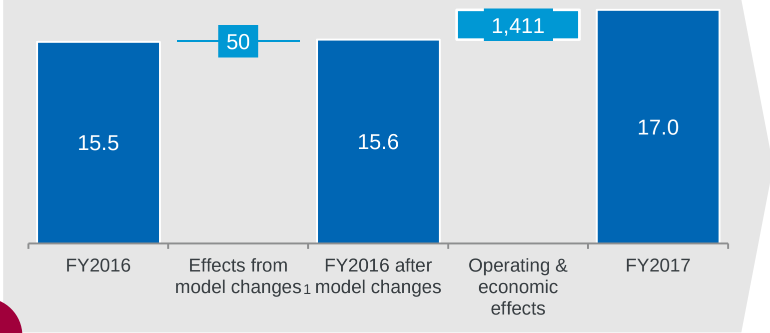


[1] Including minorities „haircut“

Compared to the Q3 2017 Solvency II figures, Eligible Own Funds are up, SCR slightly down

Risk Management
TERM 2017 – Analysis of Change (Regulatory View)

Eligible Own Funds (EURbn, delta: EURm)



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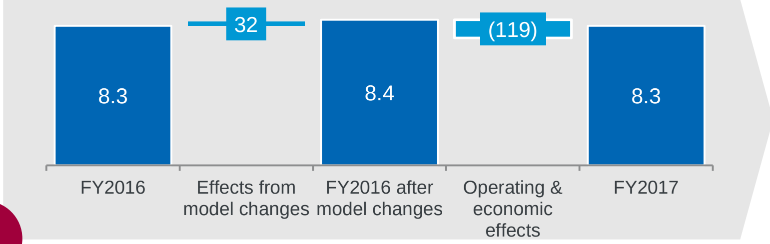
Solvency Cap. Required (EURbn; Delta: EURm)



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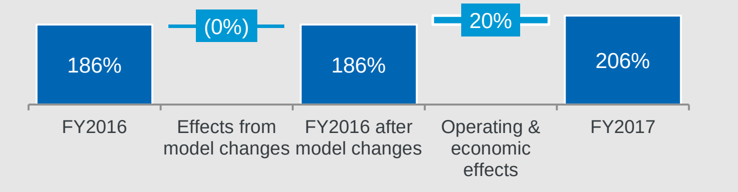
Capital Adequacy Ratio (CAR)



Model change effects

- Model extension for Operational risk in Reinsurance Division

Operating & economic effects

- Issue of EUR 750m hybrid bond
- Increase in interest rate development
- Improved business development, in particular in Segment Retail International
- Higher reserve risk (NatCat)
- Higher pay-out ratio

Model change effects

- Model extension for Operational risk in Reinsurance Division
- Model change for pension liabilities
- Several minor model changes
- Model inclusion CBA Vita/correlations Italy

Operating & economic effects

- Reduction of equity investment by Reinsurance Division
- Increase in business exposure planned by Reinsurance Division leading to higher underwriting risk
- Increase in interest rates leads to a lower SCR of German Life entities

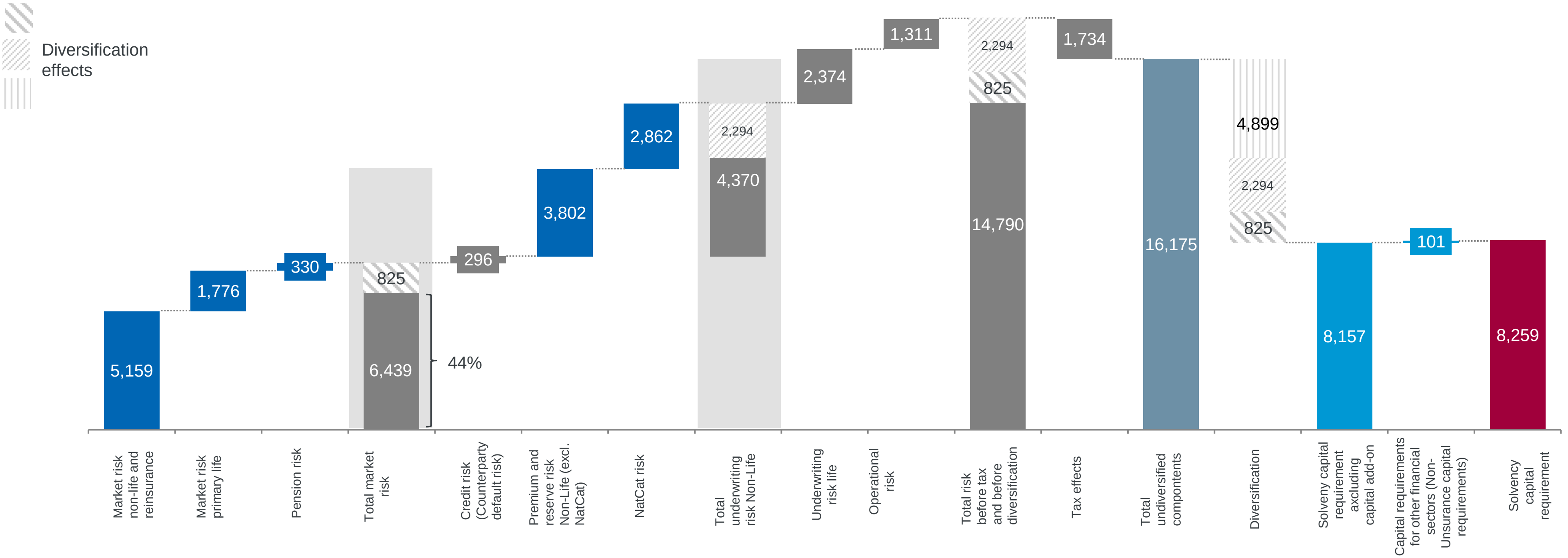
Note: Calculations of Solvency II Capital Ratios are based on a 99.5% confidence level, including volatility adjustments and excluding the effect of applicable transitional – if not explicitly stated differently

- detrimental impact
- moderately negative impact
- favourable impact

[1] Incl. minorities „haircut"

TERM 2017 - SCR split into components (Regulatory View)

Risk components of HDI Group[1] (EURm)



[1] Figures show risk categorisation of the HDI Group including non-controlling interests. Solvency capital requirement determined according to 99.5% security level for the Regulatory View, based on Eligible Own Funds (EOF)

[2] Total market risk of 44% of total risk in Regulatory View; 45% according to Economic View

Significant diversification between risk categories – market risk remains well below 50% threshold

TERM 2017 – From IFRS equity to Eligible Own Funds

Talanx level | HDI level | Terminology

in EURm

IFRS total equity	**14,246**
Goodwill & Intangible assets	-1,995
Valuation adjustments	4,784
Surplus funds (before minorities)	1,625
Excess of assets over liabilities (EAoL)	**18,661**
Subordinated liabilities (before minorities)	2,921
Own shares	0
Foreseeable dividends & distributions	-730
Basic own funds (Talanx)	**20,851**
HDI V.a.G. (extension from Talanx Group to HDI Group)	1,564
Basic own funds (HDI)	**22,415**
Total of non-available own fund items	-5,513
Other	-18
Ancillary own funds	0
Own funds for FCIIF, IORP and entities included	123
Total available own funds (AOF)	**17,008**
Effects from tiering restrictions	0
Total eligible own funds (EOF)	**17,008**

BOF CAR = 20,851 / 7,702 = 271% (BOF/SCR_{BOF}) → Economic View

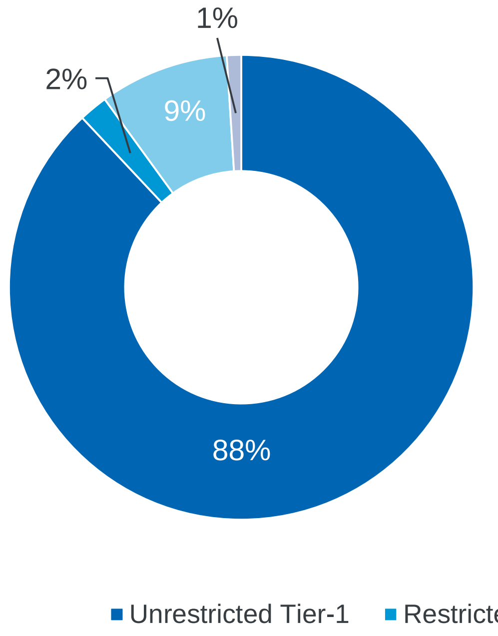
SII Ratio = 17,008 / 8,259 = 206% → Regulatory View (excl. transitional)

FCIIF – Financial Credit Institutions and Investmend Firms
IORP – Insitutions for Occupational Retirement Provisions

Haircut on minorities and HDI solo funds mark the key difference between both own funds concepts

Risk Management
TERM 2017 – Solvency II Perspective - Tiering

Capital tiering



Solvency II Ratio 206%
of which
Tier-1-coverage 185%pts
Tier-2-coverage 19%pts
Tier-3-coverage 2%pts

Comments

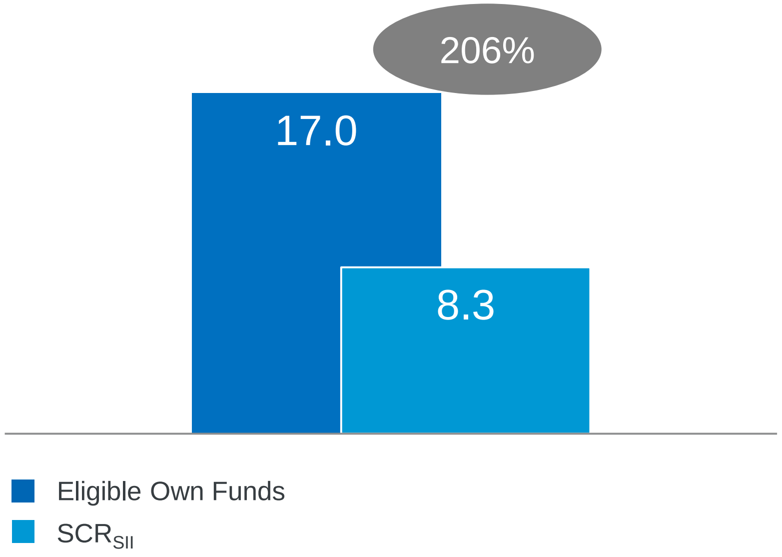
- The capital tiering reflects the composition of Own Funds under the Solvency II Perspective
- The vast majority of Eligible Own Funds consists of unrestricted Tier-1. The overall Tier-1 coverage (unrestricted and restricted) reflects 90% of our capital. The tiering of Talanx compares well with sector peers
- Tier-2 mainly consists of subordinated bonds issued by Talanx Finance and Hannover Finance

The strong Solvency II Ratio dominated by unrestricted Tier-1 capital

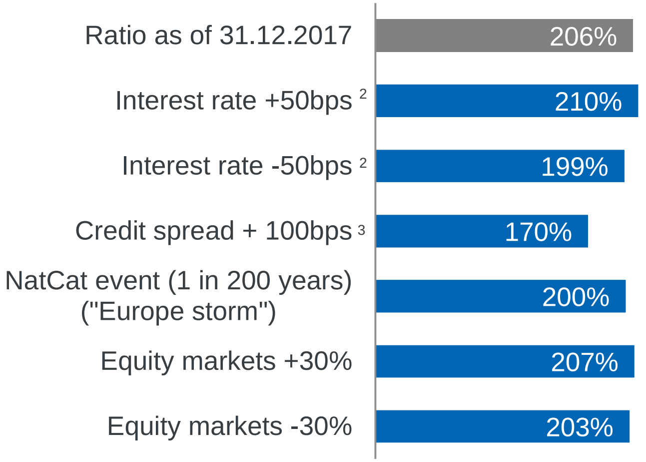
Risk Management
TERM 2017 – Sensitivities of Solvency II Ratio

Regulatory View (excl. transitional)

in EURbn



Estimation of stress impact[1]



1 Estimated solvency ratio changes in case of stress scenarios (stress applied on both Eligible Own Funds and capital requirement, approximation for loss absorbing capacity of deferred taxes)
2 Interest rate stresses based on non-parallel shifts of the interest rate curve based on EIOPA approach
3 The credit spreads are calculated as spreads over the swap curve (credit spread stresses include stress on government bonds)

Stresses on interest rates, NatCat and equities have only little impact on Solvency II Ratio – in comparison higher level of sensitivity to credit spreads

5 Financial Calendar and Contacts

- **13 August 2018**
  Interim Report as at 30/06/2018
- **23 October 2018**
  Capital Markets Day
- **12 November 2018**
  Quarterly Statement as at 30/09/2018

From left to right: *Marcus* Sander (*Equity & Debt IR),* Anna Färber (*Team Assistant),* Carsten Werle (*Head of IR),* Alexander Zessel (*Ratings*), Shirley-Lee Inafa (*Roadshows & Conferences, IR webpage*), Nicole Tadje (*Strategic IR & Projects*), Hannes Meyburg (*Ratings);* not in the picture: Wiebke Großheim (*maternity leave)*

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