

PERFORMANCE AND RESULTS

2018

9M 2018 Results
12 November 2018

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All segments except Industrial Lines contribute to significantly higher operating result

EBIT (+33%) and Group net income (+10%) well above their respective 9M 2017 levels

Significant improvement in three out of four divisions - only Industrial Lines burdened by large losses and by frequency losses

Industrial Lines' "20/20/20" initiative ahead of plan

Group net income Outlook of ~EUR 700m for FY2018 with the targeted dividend payout at least equal to last year's EUR 1.40 per share

Group net income Outlook for 2019 at ~EUR 900m significantly up despite the continuous headwind from investment returns in the euro-zone

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 - Additional Information 9M 2018
 - Risk Management

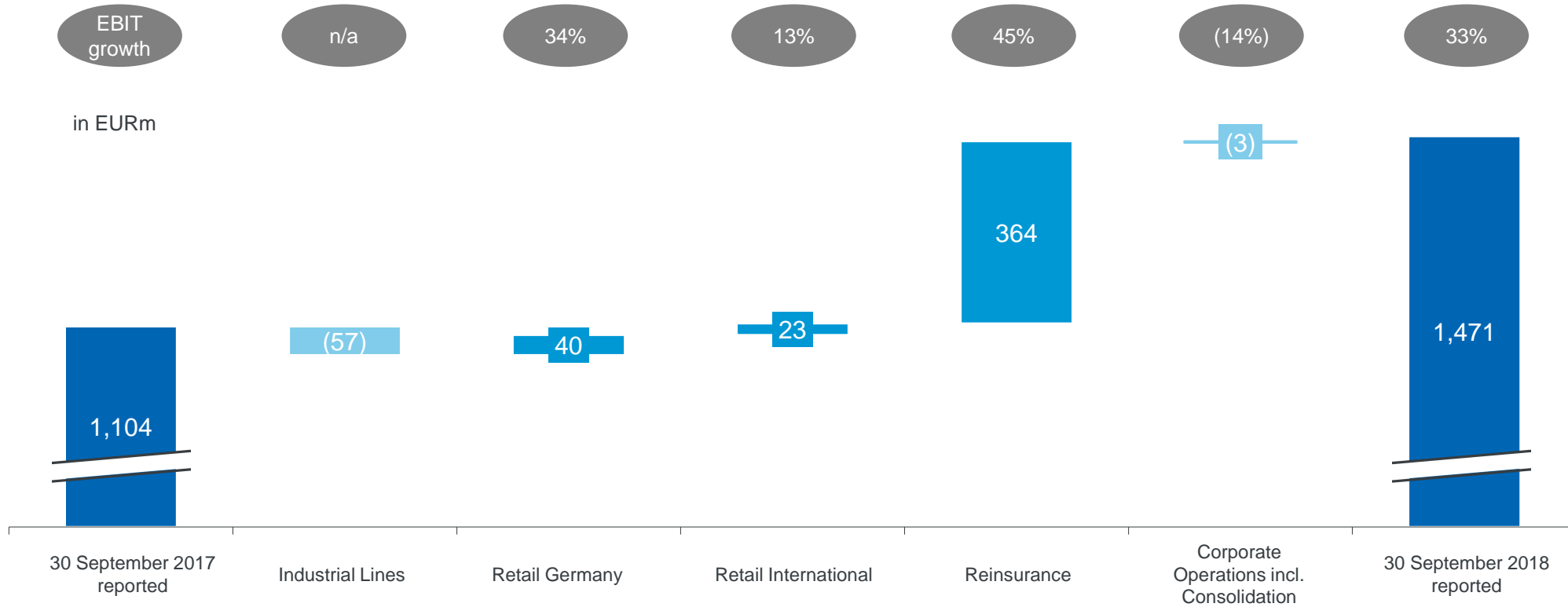
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9M 2018 results – Key financials

EURm	9M 2018	9M 2017	Delta	Comments
Gross written premium (GWP)	27,091	25,239	+7%	▶ Despite currency headwind, strong growth momentum continues. Currency-adjusted, GWP up by 11%
Net premium earned	21,841	20,285	+8%	
Net underwriting result	(1,423)	(2,120)	+33%	▶ Group combined ratio materially improved; also supported by positive base effect from 2017 ("HIM")
t/o P/C	163	(384)	n/a	
t/o Life	(1,585)	(1,736)	+9%	
Net investment income	2,900	3,311	(12%)	▶ All segments with decline in extraordinary investment result
Other income / expenses	(6)	(87)	+93%	▶ EBIT decline in Industrial Lines significantly overcompensated by higher EBIT in all other divisions
Operating result (EBIT)	1,471	1,104	+33%	
Financing interests	(128)	(111)	(15%)	
Taxes on income	(401)	(191)	(110%)	
Net income before minorities	942	802	+17%	▶ Impacted by higher tax rate and higher share of minorities
Non-controlling interests	(454)	(358)	(27%)	
Net income after minorities	488	444	+10%	
Combined ratio	98.6%	103.1%	(4.5%)pts	▶ Higher tax rate, mainly from US tax reform and from the previous year's tax benefits on the equity disposal gains in Reinsurance
Tax ratio	29.8%	19.2%	+10.6%pts	
Return on equity	7.5%	6.7%	+0.8%pts	
Return on investment	3.3%	3.9%	(0.6%)pts	

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9M 2018 – Divisional contribution to change in Group EBIT



▶ Reinsurance main driver for EBIT improvement – all divisions except Industrial Lines improved

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Q3 2018 results – Key financials

EURm	Q3 2018	Q3 2017	Delta	Comments
Gross written premium (GWP)	8,331	7,686	+8%	▶ Top-line growth up in Q3 despite currency headwind. Currency-adjusted, GWP up by 11%
Net premium earned	7,406	6,835	+8%	
Net underwriting result	(675)	(1,180)	(43%)	
t/o P/C	(110)	(616)	+82%	
t/o Life	(565)	(565)	+0%	
Net investment income	893	1,226	(27) %	▶ Lower realisation of capital gains, in particular in Retail Germany and in Reinsurance (base effect from equity disposal gains in Reinsurance in Q3 2017)
Other income / expenses	41	(67)	n/a	
Operating result (EBIT)	259	(21)	n/a	▶ Negative EBIT in Industrial Lines significantly overcompensated by positive EBIT in all other divisions
Financing interests	(44)	(37)	(19%)	
Taxes on income	(44)	76	n/a	
Net income before minorities	171	18	>100%	
Non-controlling interests	(120)	(37)	(>100%)	
Net income after minorities	51	(19)	n/a	▶ Significantly above Q3 2017
Combined ratio	102.1%	114.4%	(12.3%)pts	▶ Q3 2018 burdened by Industrial Lines; Q3 2017 “HIM”
Tax ratio	20.4%	(129.1%)	n/a	
Return on equity	2.4%	(0.9%)	+3.3%pts	▶ Higher taxes namely in Retail Germany and in Reinsurance due to one-off effects in 2017
Return on investment	3.0%	4.4%	(1.4%)pts	

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Large losses¹ in 9M 2018 (in EURm)

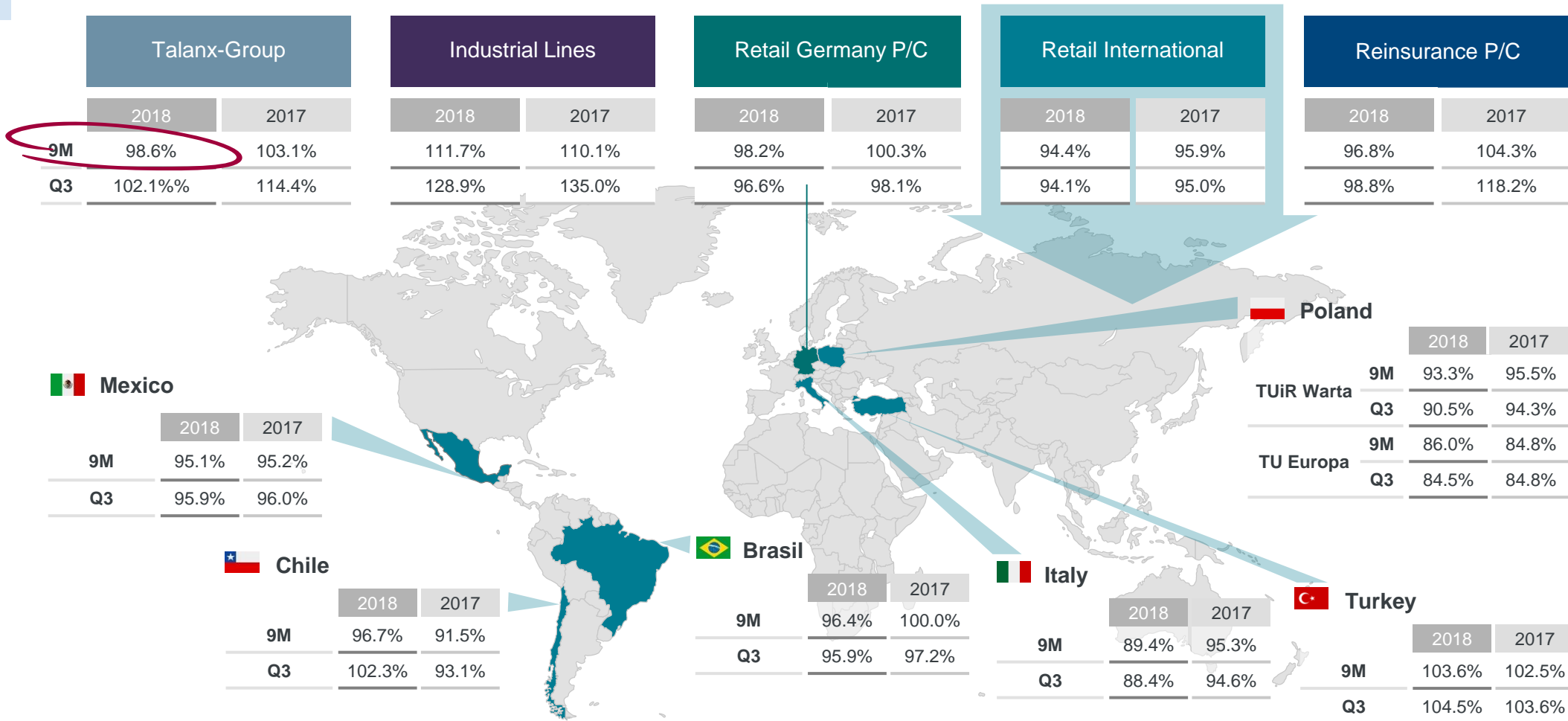
Net losses Talanx Group in EURm, 9M 2018 (9M 2017)	Industrial Lines	Retail Germany	Retail International	Σ Primary Insurance	+	Reinsurance	=	Talanx Group
Winter Storm <i>Friederike</i>	15.5	11.6	0.1	31.7		32.1		63.8
Earthquake Papua New Guinea	9.1			9.1		13.0		22.1
Cyclone <i>Mekunu</i> , Oman	4.1			4.1		9.4		13.4
Typhoon <i>Prapiroon</i> , Japan						54.2		54.2
Wildfire California						8.6		8.6
Typhoon <i>Jebi</i> , Japan	0.8			0.8		103.3		104.2
Typhoon <i>Mangkhut/Guam</i> , Philippines/China	8.5			8.5		5.2		13.8
Hurricane <i>Florence</i> , USA	15.6			15.6		39.6		55.2
Typhoon <i>Trami</i>						22.2		22.2
Storm <i>Wilma</i> , Germany	7.3			7.3				7.3
Sum NatCat	61.0 (214.4)	11.6 (8.8)	0.1 (3.4)	77.2 (226.6)		287.6 (818.0)		364.8 (1,044.6)
Fire/Property	199.1			199.1		53.7		252.8
Credit						23.3		23.3
Other	6.7			6.7				6.7
Sum other large losses	205.9 (100.7)	0.0 (0.0)	0.0 (0.0)	205.9 (100.7)		77.0 (76.3)		282.9 (176.9)
Total large losses	266.8 (315.1)	11.6 (8.8)	0.1 (3.4)	283.0 (327.3)		364.6 (894.3)		647.6 (1,221.5)
Impact on CoR	14.0%pts (17.9%pts)	1.1%pts (0.8%pts)	0.0%pts (0.1%pts)	5.2%pts (6.4%pts)		4.5%pts (13.2%pts)		4.8%pts (10.3%pts)
Pro-rata large loss budget	195	18.0	6.0	225		629		854
Impact on CoR - pro-rata large loss budget	10.2%pts (11.1%pts)	1.7%pts (1.4%pts)	0.2%pts (0.1%pts)	4.2%pts (4.2%pts)		7.9%pts (9.2%pts)		6.4%pts (7.1%pts)
FY large loss budget	260	24.0	8.0	300		825		1,125

¹ Definition "large loss": in excess of EUR 10m gross in either Primary Insurance or Reinsurance

Note: additional 9M 2018 Primary Insurance large losses (net) in Corporate Operations: EUR 4.5m; since FY2016 reporting onwards, the table includes large losses from Industrial Liability line, booked in the respective FY

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Combined Ratios



Note: Turkey numbers are excluding Liberty Sigorta

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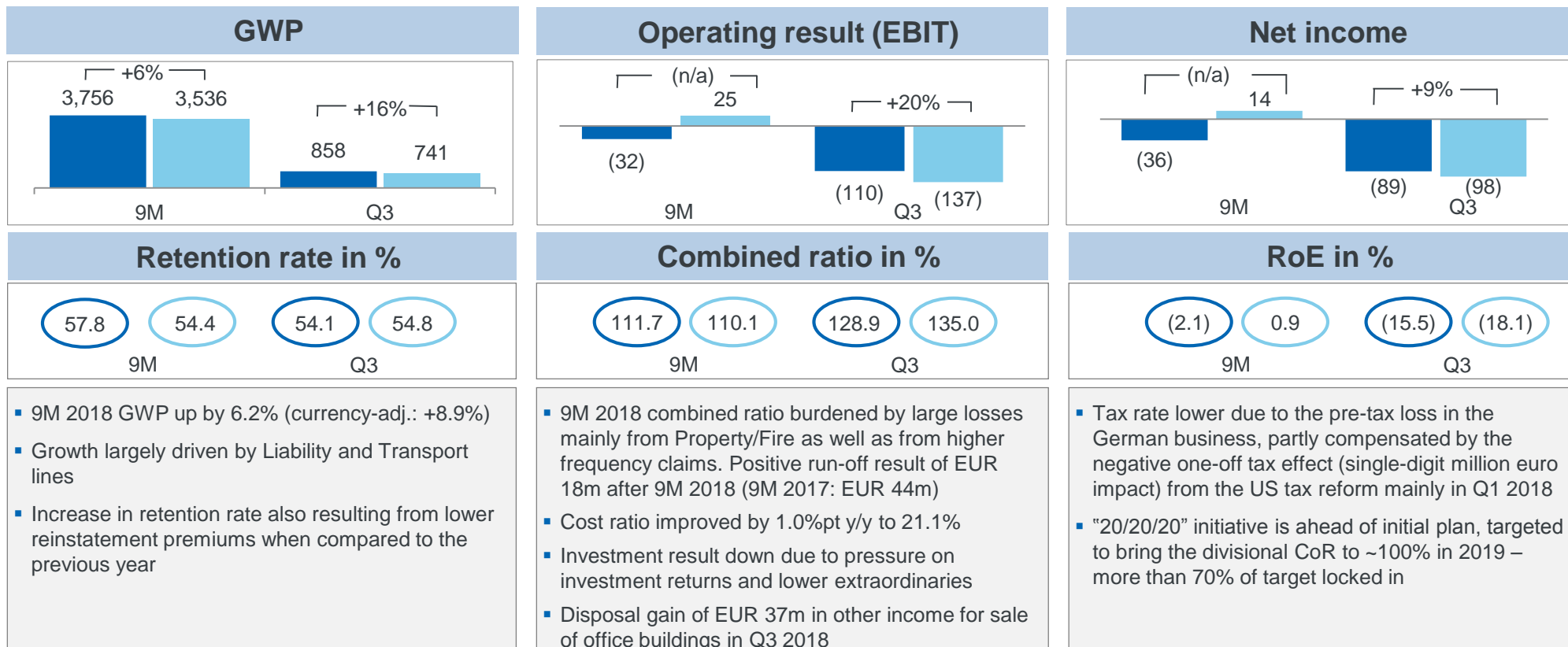
Appendix

Mid-term Target Matrix

Additional Information 9M 2018

Risk Management

2 Segments – Industrial Lines



EURm, IFRS ■ 2018 ■ 2017

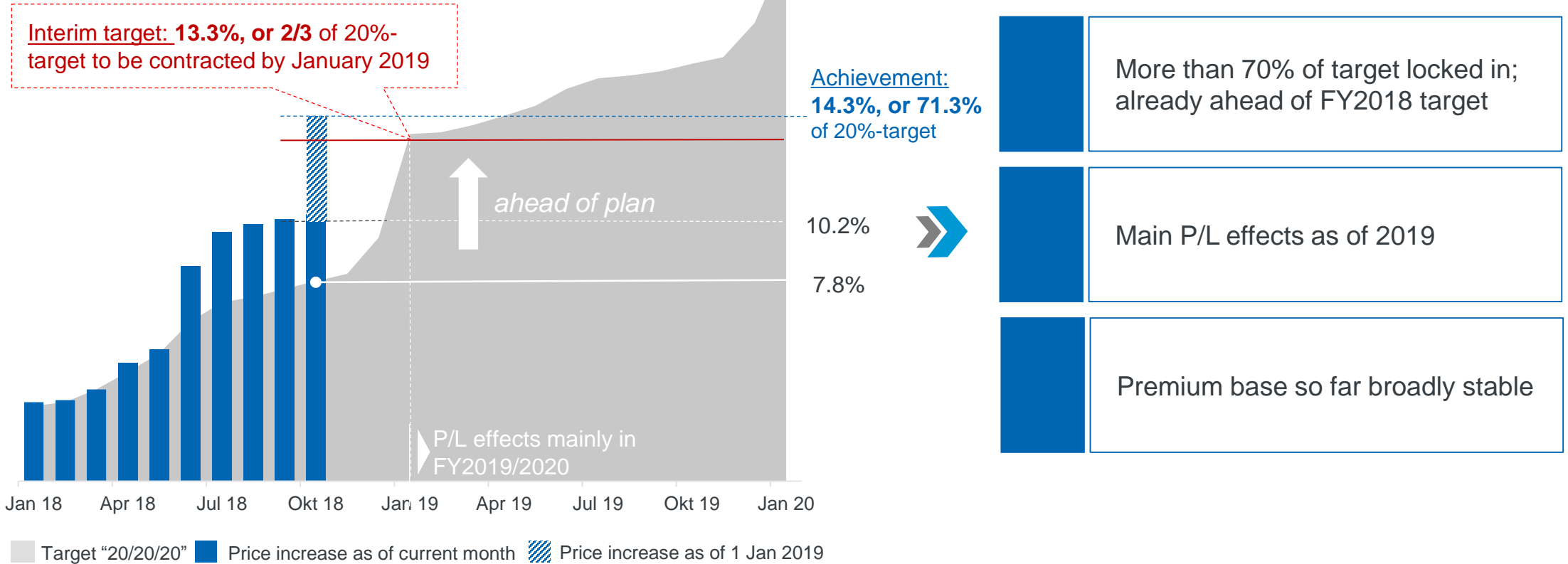
▶ Dissatisfying combined ratio burdened by large losses and by higher frequency claims in Property business

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“20/20/20” initiative ahead of plan – More than 70% of target locked in

“20/20/20” initiative update

Price increase: contracted vs target as of 8 November 2018

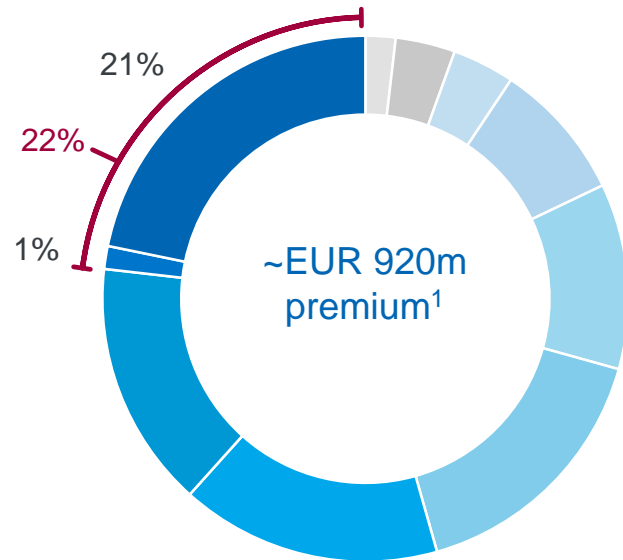


Note: 20% price increase in 2020 derives from 15% premium increase + 5% premium-equivalent measures. Refers to renewed business only

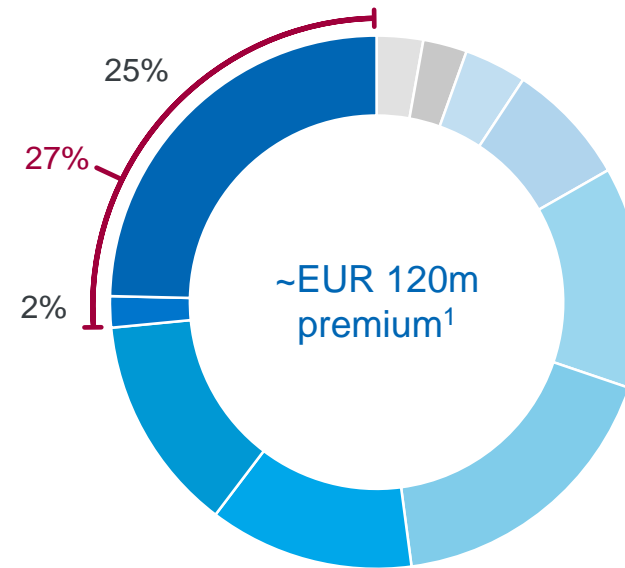
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“20/20/20” initiative - Risk classes point towards improved risk profile

Portfolio prior to restructuring



Dropped business

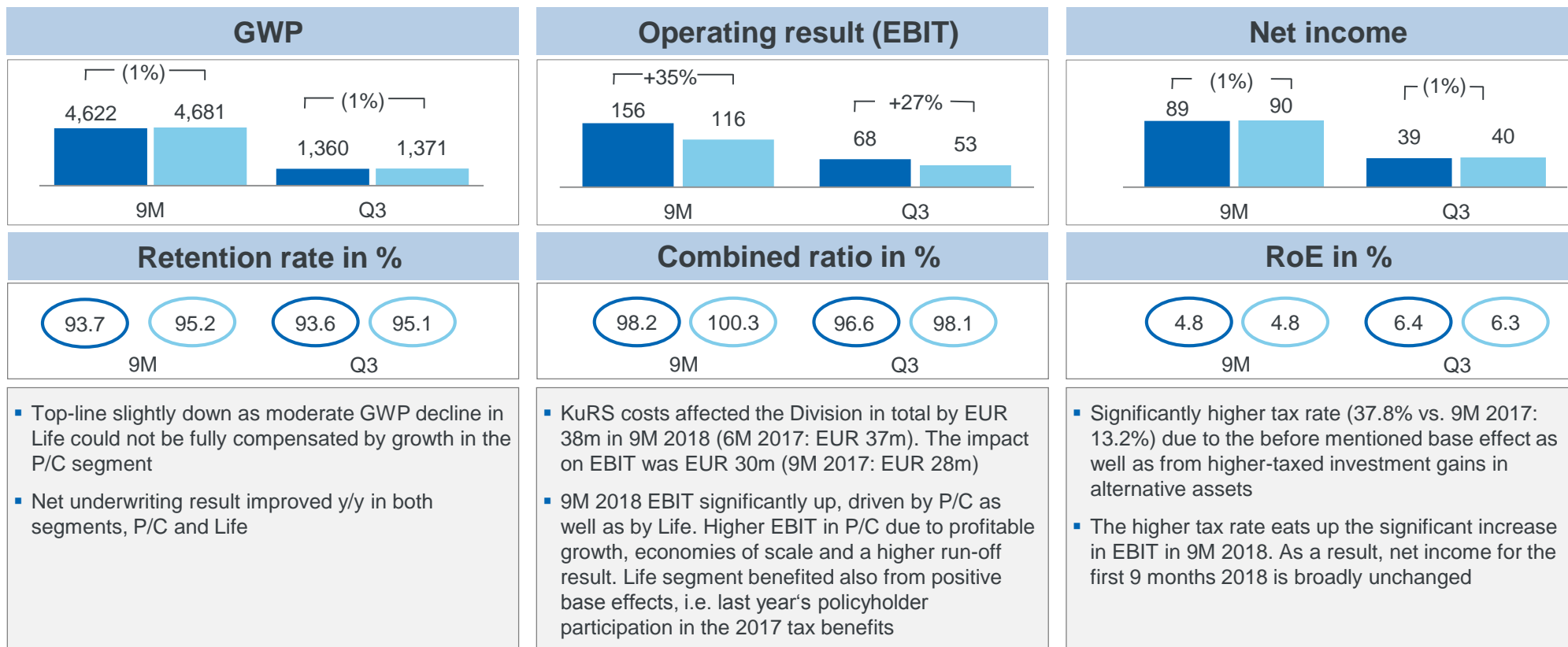


Risk classes

Low 1 2 3 4 5 6 7 8 9 10 High

¹ Defined as GWP excluding fronting and internal sessions

2 Segments – Retail Germany Division

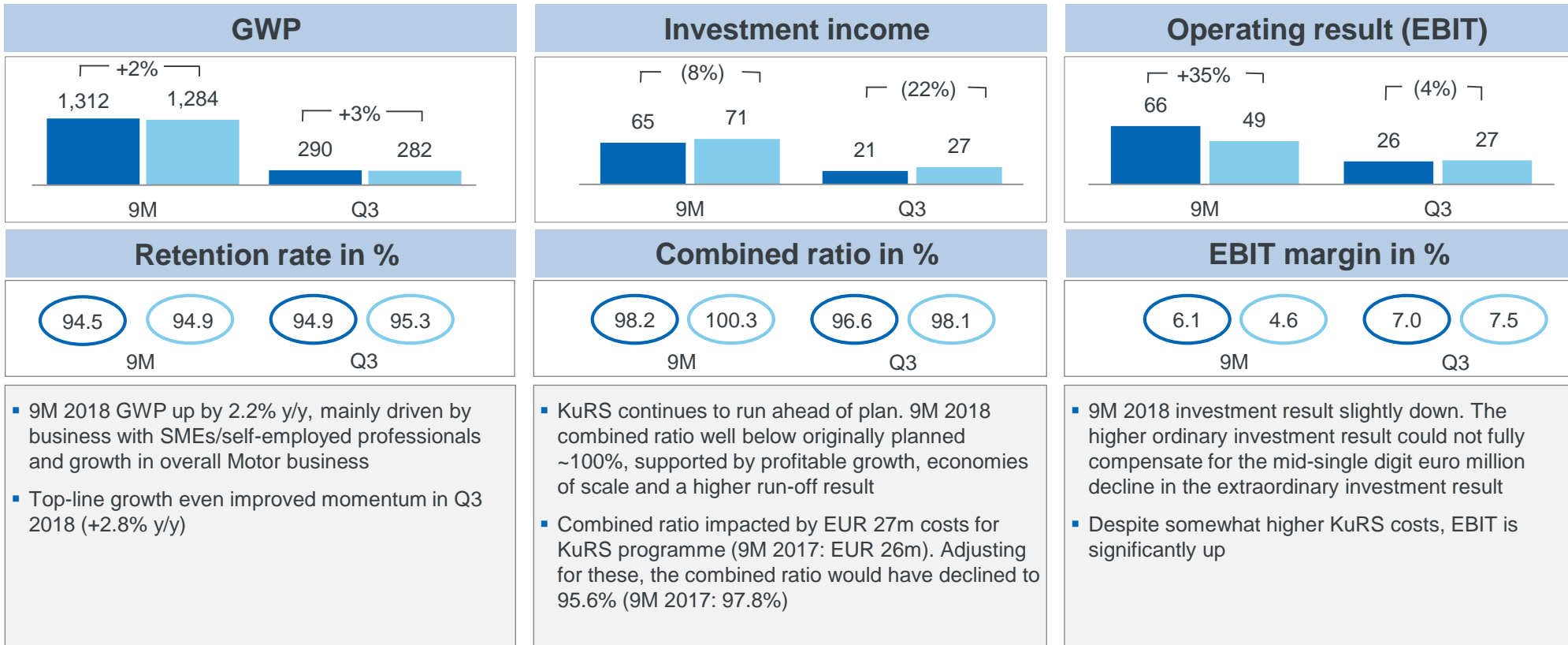


EURm, IFRS ■ 2018 ■ 2017

► 9M EBIT significantly up, driven by P/C as well as by Life – KuRS remains ahead of plan

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Segments – Retail Germany P/C

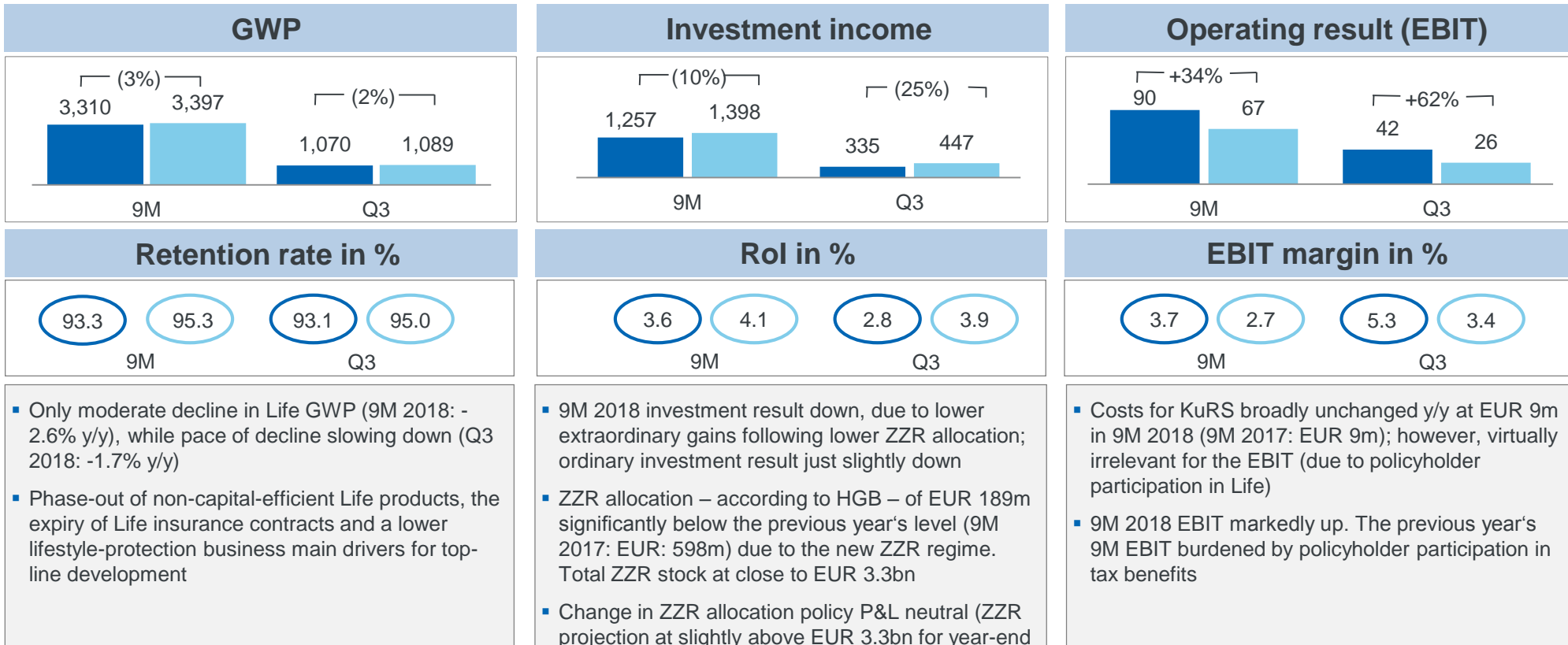


EURm, IFRS ■ 2018 ■ 2017

▶ Top-line growth and improved combined ratio main drivers for EBIT growth – KuRS ahead of plan

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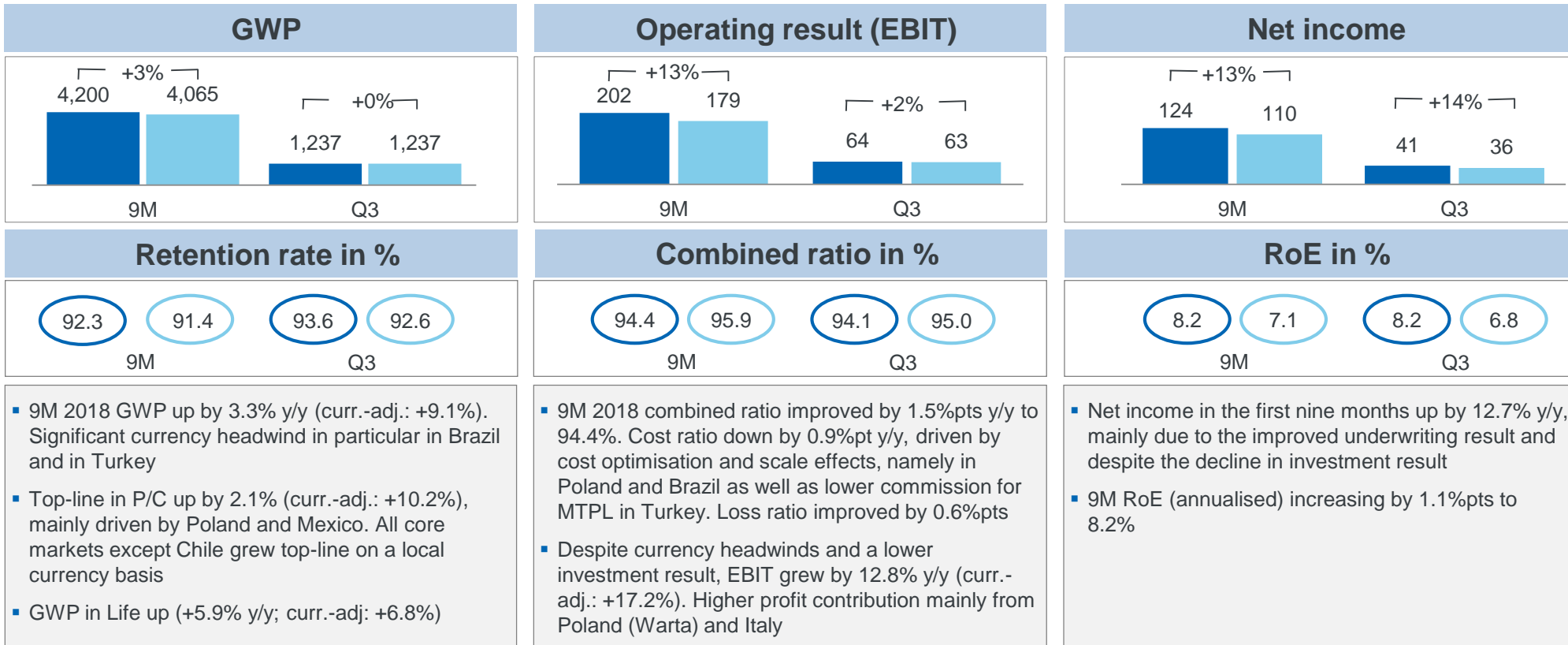
Segments – Retail Germany Life



EURm, IFRS ■ 2018 ■ 2017

▶ Lower ZZR contribution in 9M 2018 – EBIT significantly improved

2 Segments – Retail International

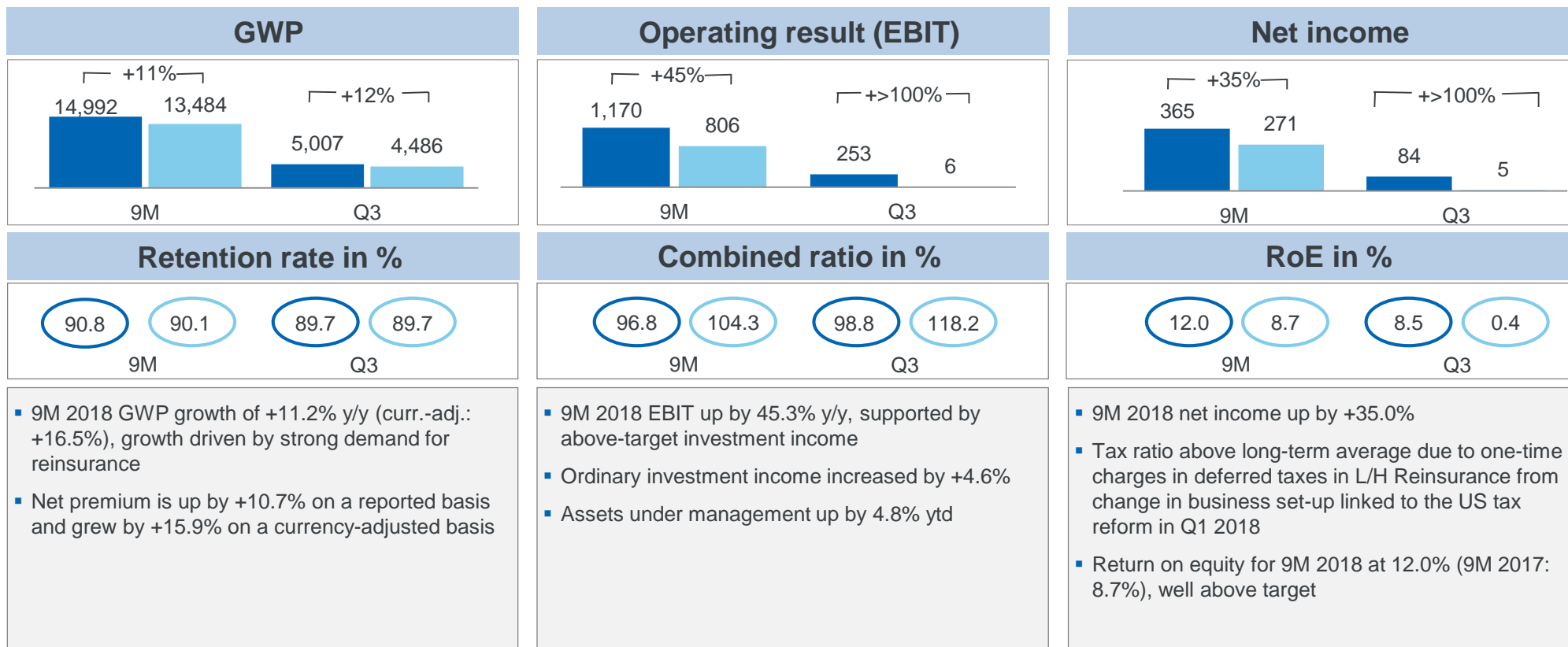


EURm, IFRS ■ 2018 ■ 2017

Note: Due to industrial action, the 9M 2018 reporting for HDI Chile has been carried out on the basis of the figures for the first 8 months 2018 only

▶ EBIT and net income significantly up, mirroring the further improvement in combined ratio

2 Segments – Reinsurance Division



EURm, IFRS ■ 2018 ■ 2017

▶ RoE well above target, despite impact from recaptures in L/H Reinsurance – Guidance for 2018 reconfirmed

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3 Net investment income

Net investment income Talanx Group

EUR m, IFRS	9M 2018	9M 2017	Change
Ordinary investment income	2,566	2,518	+2%
thereof current investment income from interest	2,026	2,025	+0%
thereof profit/loss from shares in ass. companies	4	13	(65%)
Realised net gains/losses on investments	485	889	(45%)
Write-ups/write-downs on investments	(124)	(137)	+10%
Unrealised net gains/losses on investments	5	45	(88%)
Investment expenses	(184)	(171)	+8%
Income from investments under own management	2,748	3,145	(13%)
Income from investment contracts	(1)	(2)	(48%)
Interest income on funds withheld and contract deposits	153	168	(9%)
Total	2,901	3,311	(12%)

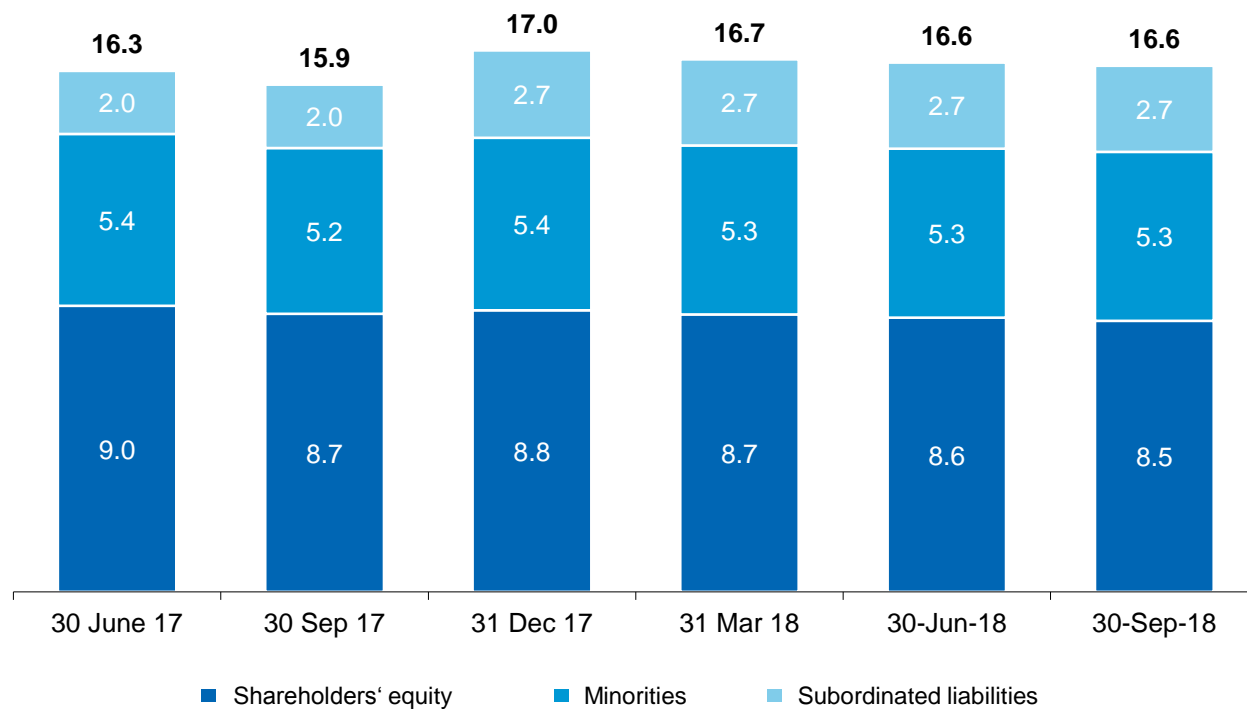
Comments

- Ordinary investment income slightly up. This is driven by higher investment results mainly from private equity, while current investment income from interest remained broadly stable
- Realised net investment gains down by EUR 404m y/y to EUR 485m in 9M 2018, partly as a result of lower extraordinary gains in Retail Germany due to the new ZZR regime; there was also a significant base effect from previous year's equity disposal gains in Reinsurance (EUR 225m). 9M 2018 ZZR allocation significantly lower at EUR 189m (9M 2017: 598m)
- 9M 2018 RoI down to 3.3% (9M 2017: 3.9%), predominantly driven by markedly lower realised gains
- Lower writedowns in investments, largely due to positive base effects from 9M 2017
- Primary Insurance will remain structurally burdened by the interest environment due to its higher share in euro investments and the higher portfolio duration. Explicitly no plans to deviate from our low-beta strategy

 No plan to deviate from our low-beta strategy – 2019 RoI expected to decrease to “around 2.7%”

3 Equity and capitalisation – Our equity base

Capital breakdown (EUR bn)



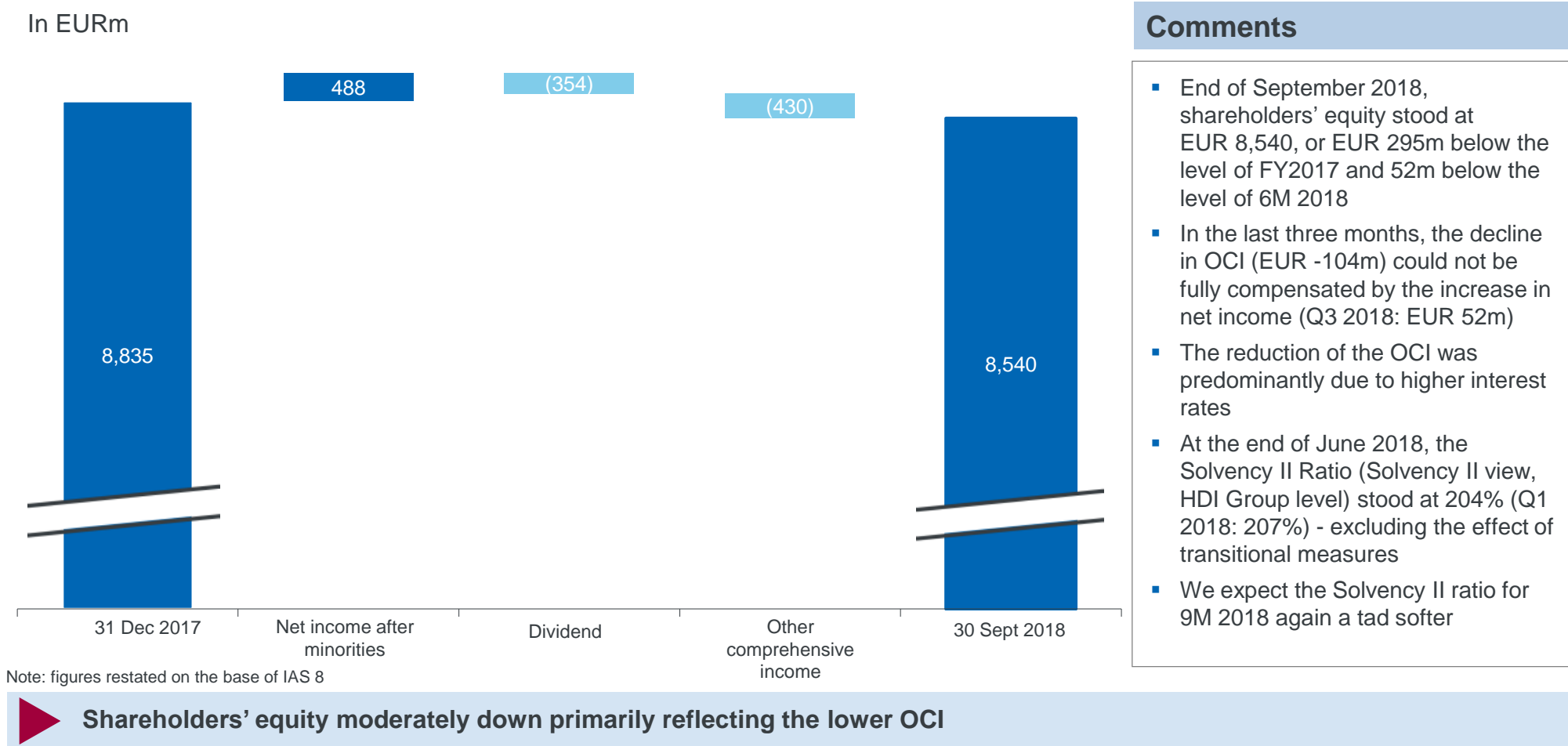
Note: figures restated on the base of IAS 8

Shareholders' equity at EUR 8,540m, or EUR 33.78 per share

Comments

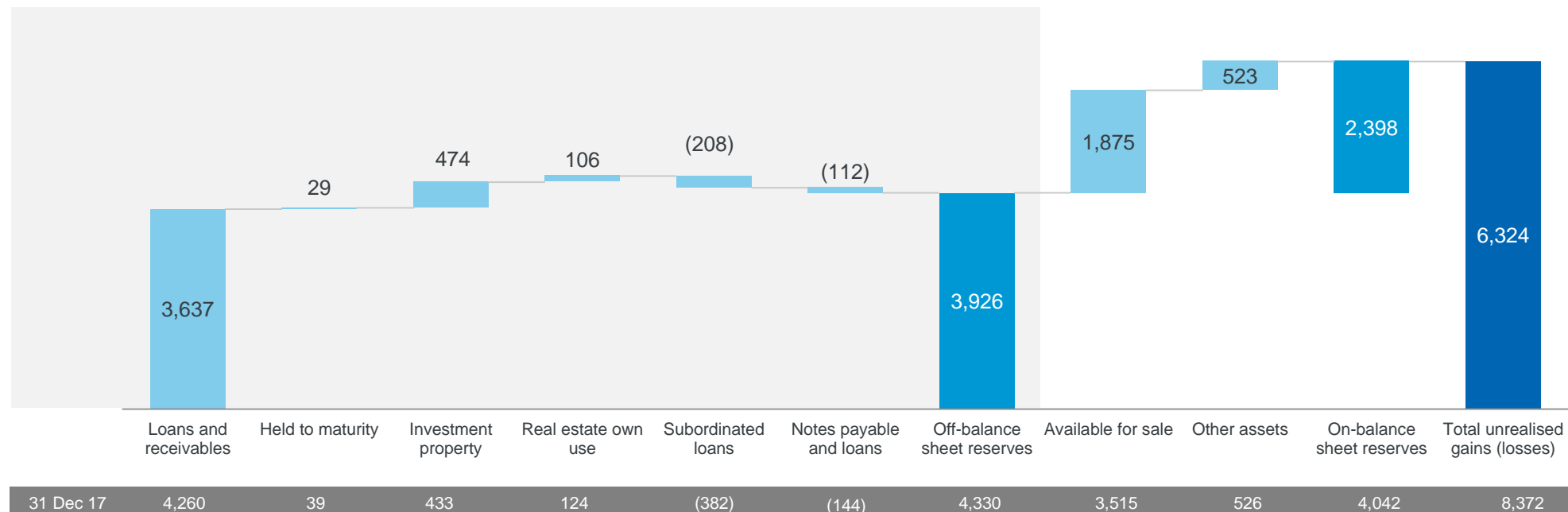
- Shareholders' equity down vs. 6M 2018 due to a decline in OCI, resulting from increase in bond yields and higher spreads in some markets
- At the end of 9M 2018, book value per share was EUR 33.78 (6M 2018: EUR 33.99), NAV (excl. goodwill) per share was EUR 29.57 (EUR 29.79)
- Off-balance sheet reserves amounted to ~EUR 3.9bn, or EUR 1.35 per share (shareholder share only)
- 9M 2018 RoE (annualised) stands at 7.5% - 2018 RoE Outlook of ~8.0%

3 Equity and capitalisation – Contribution to change in equity



3 Equity and capitalisation – Unrealised gains

Unrealised gains and losses (off- and on-balance sheet) as of 30 September 2018 (EURm)



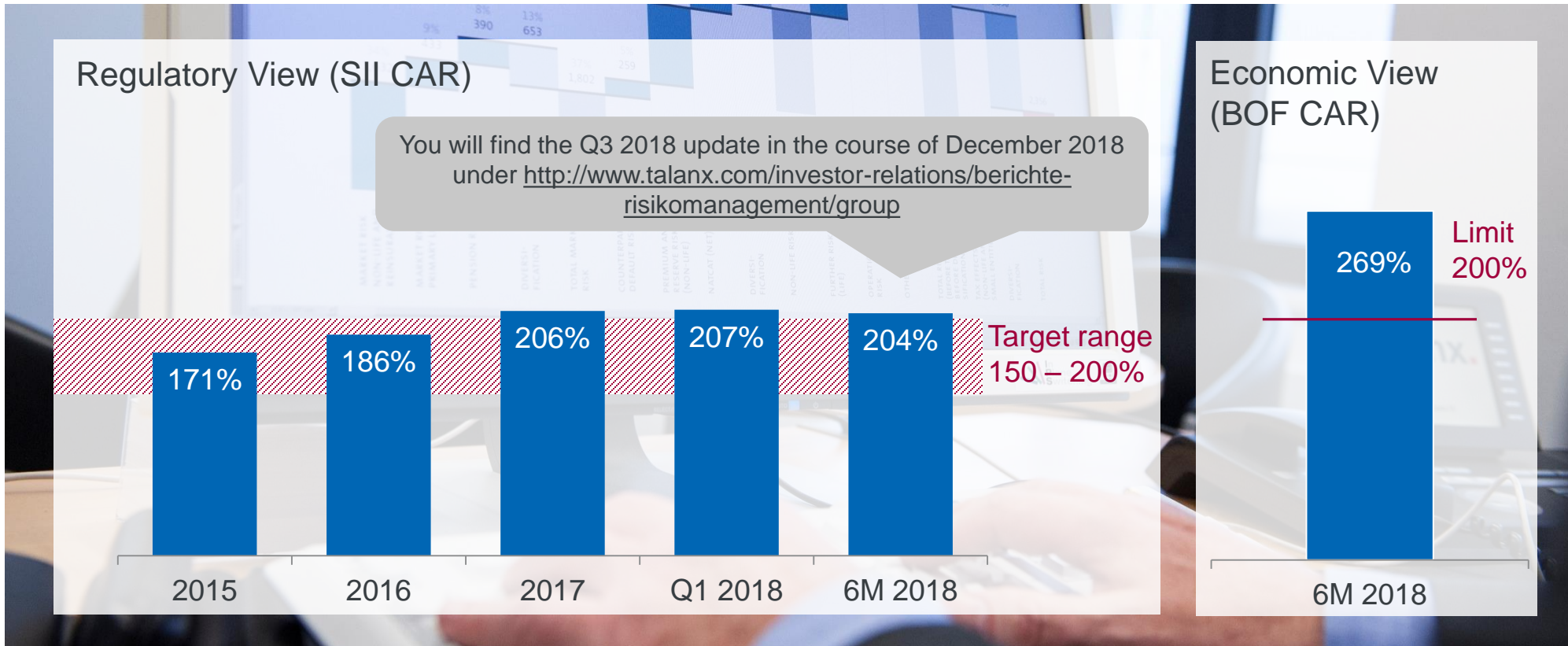
Δ market value vs. book value

Note: Shareholder contribution estimated based on historical profit sharing pattern

▶ **Off-balance sheet reserves of ~ EUR 3.9bn – EUR 341m (EUR 1.35 per share) attributable to shareholders (net of policyholders, taxes & minorities)**

3 Risk management – Solvency II capital

Development of Solvency II capitalisation



Note: Solvency II ratio relates to HDI Group as the regulated entity. The chart does not contain the effect of transitional measures. Solvency II ratio including transitional measures for Q2 2018 was 246% (FY2017 253%)

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4 Outlook 2018 for Talanx Group

Gross written premium	▶	>5%
Return on investment	▶	≥3.0%
Group net income	▶	~700 EURm
Return on equity	▶	~8.0%
Dividend payout ratio	▶	EUR 1.40 min. DPS for FY2018

Note: The 2018 Outlook is based on a large loss burden for Q4 2018 in the Primary Insurance that will not significantly exceed a quarterly budget. All targets are subject to no large losses exceeding the large loss budget, no turbulences on capital markets and no material currency fluctuations

4 Outlook 2019 for Talanx Group

Gross written premium	▶	~4%
Return on investment	▶	~2.7%
Group net income	▶	~900 EURm
Return on equity	▶	~9.5%
Dividend payout	▶	35-45% DPS at least stable y/y

Note: The 2019 Outlook is based on a large loss budget of EUR 315m (2018: EUR 300m) in Primary Insurance, of which EUR 278m in Industrial Lines. The large loss budget in Reinsurance stands at EUR 875m (2018: EUR 825m). All targets are subject to no large losses exceeding the large loss budget, no turbulences on capital markets and no material currency fluctuations

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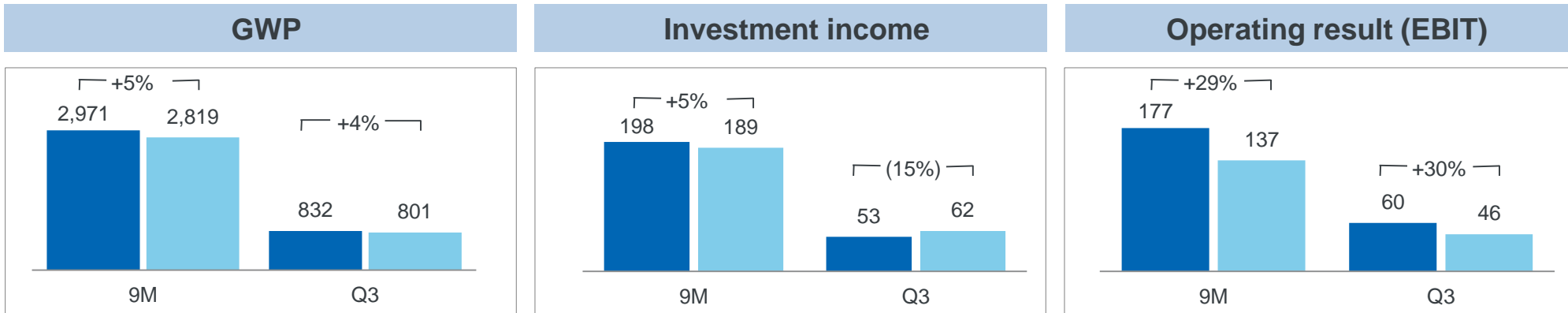
Mid-term target matrix

Targets	Return on equity  High level of profitability ≥ 800bp above risk-free rate	EPS growth  Profitable growth ≥ 5% on average p.a.	Dividend payout ratio  Sustainable & attractive payout 35% - 45% of IFRS earnings DPS at least stable y/y
	Strong capitalisation Solvency II target ratio 150 - 200%	Market risk limitation (low beta) Market risk ≤ 50% of Solvency Capital Requirement	High level of diversification targeted 2/3 of Primary Insurance premiums from outside Germany
	Constraints		

Note: Targets are relevant as of FY2019. EPS CAGR until 2022 (base level: original Group net income Outlook of -EUR 850m for 2018). The risk-free rate is defined as the 5-year rolling average of the 10-year German Bund yield. Targets are subject to large losses staying within their respective annual large-loss budgets as well as no major turmoil on currency and/or capital markets

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9M 2018 Additional Information – Retail International Europe: Key financials



EURm, IFRS ■ 2018 ■ 2017

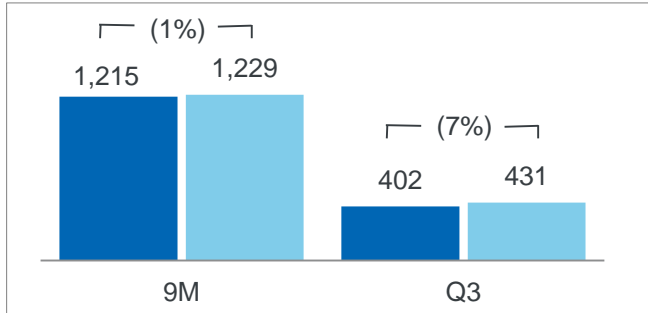


▶ **Top-line up by 5% - EBIT improvement driven by Poland and Italy**

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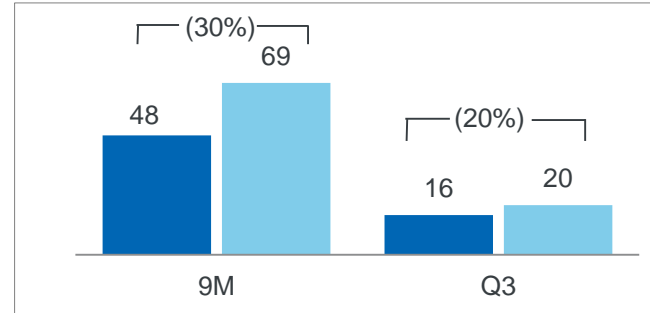
9M 2018 Additional Information – Retail International LatAm: Key financials

GWP

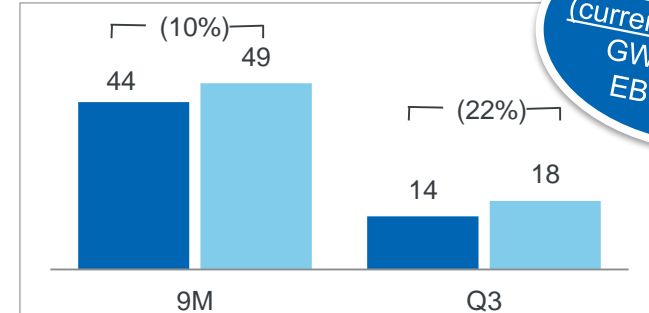


EURm, IFRS ■ 2018 ■ 2017

Investment income

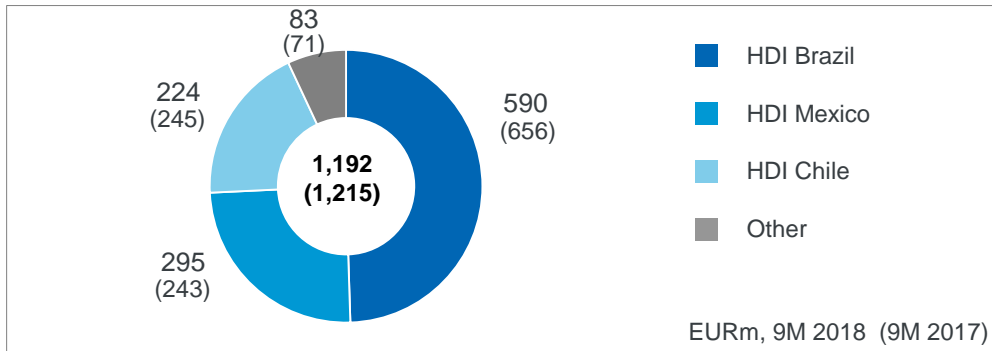


Operating result (EBIT)

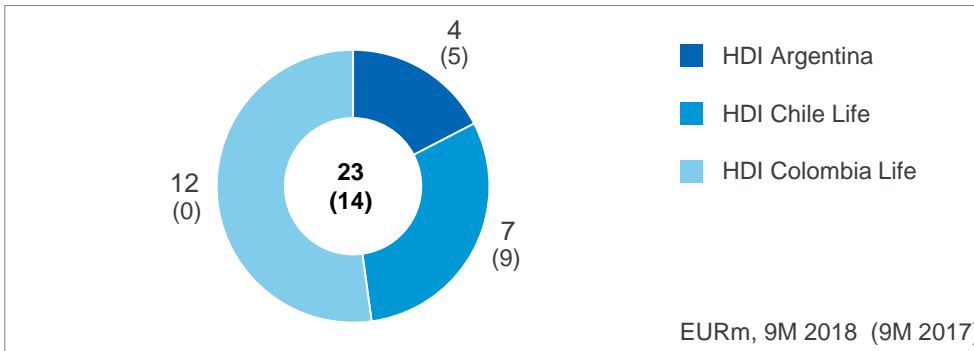


9M 2018
(currency adjusted)
GWP: +13%
EBIT: +5%

GWP split by carriers (P/C)



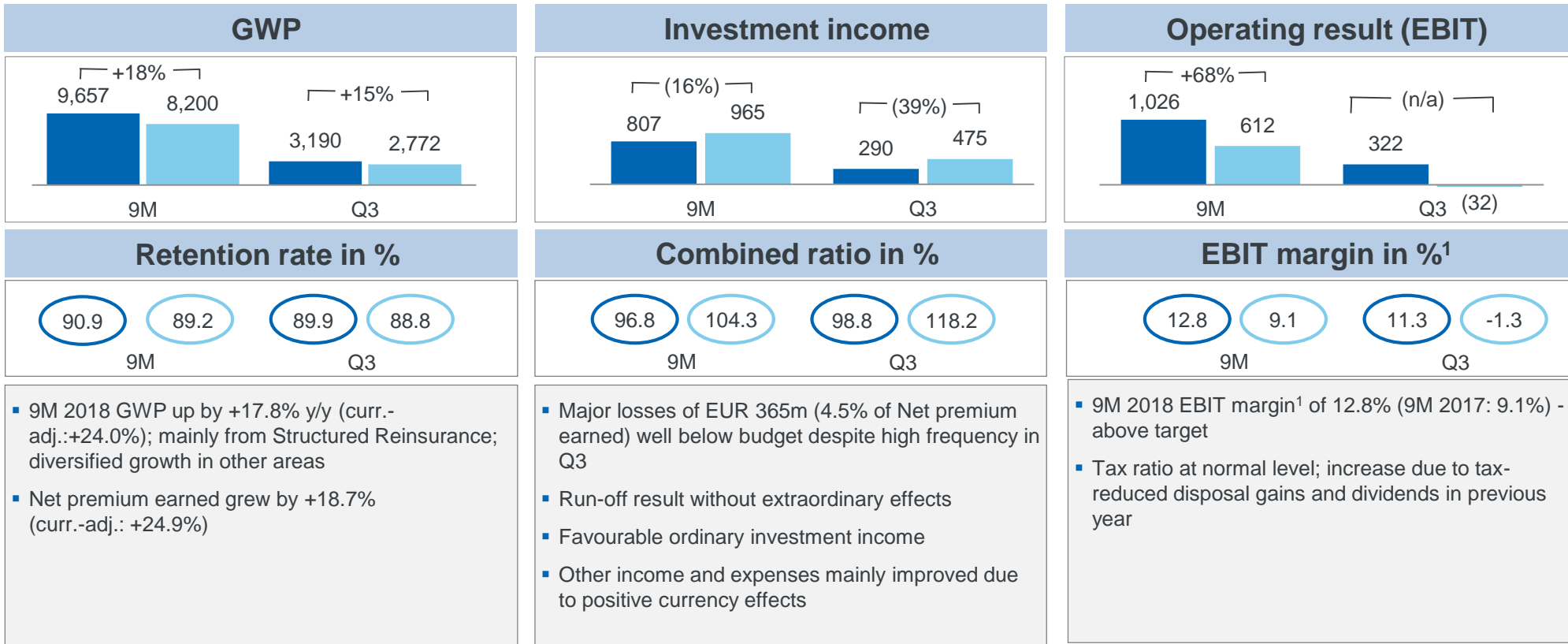
GWP split by carriers (Life)



► Currency effects and decline in interest rates burdening EBIT in LatAm – EBIT up 6% in local currencies

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9M 2018 Additional Information – Segment P/C Reinsurance

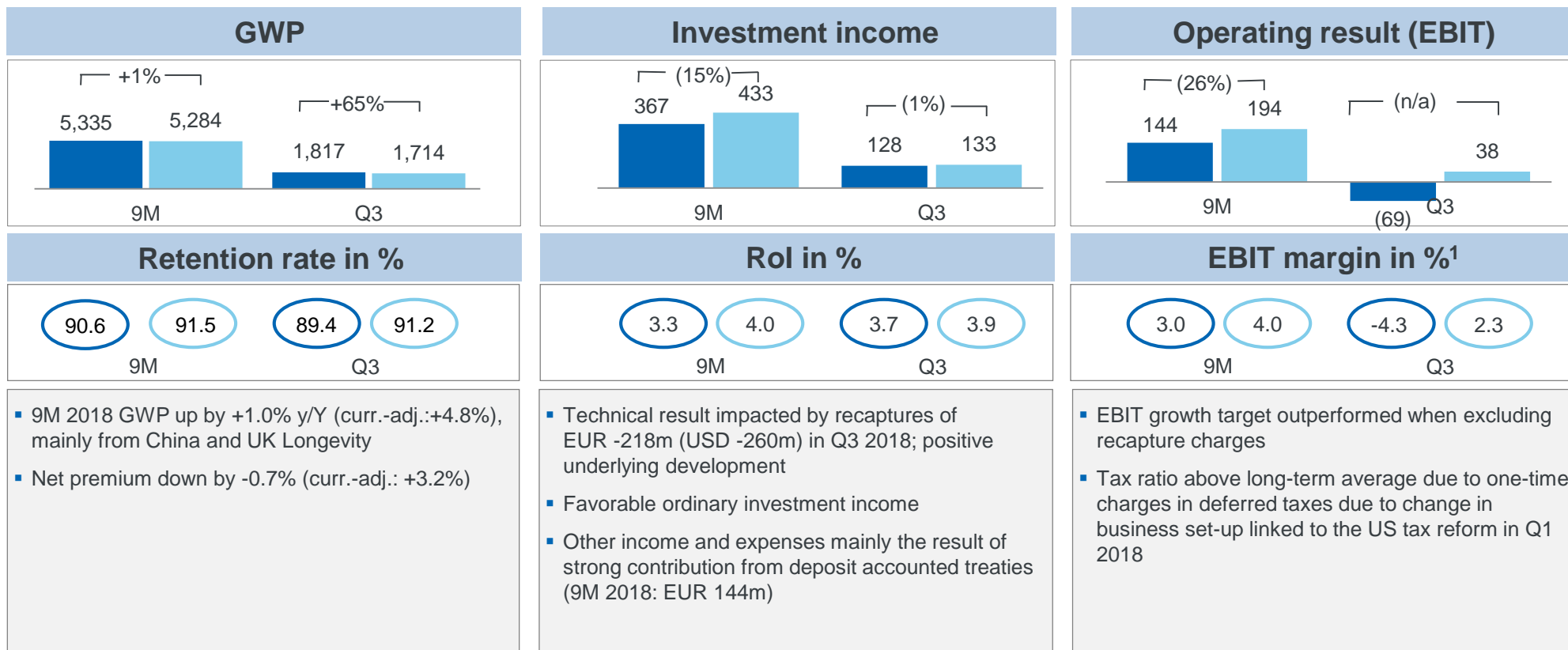


¹ EBIT margin reflects a Talanx Group view
 EURm, IFRS ■ 2018 ■ 2017

▶ Good profitability supported by underwriting result and investment result

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9M 2018 Additional Information – Segment Life/Health Reinsurance



¹ EBIT margin reflects a Talanx Group view
 EURm, IFRS ■ 2018 ■ 2017

▶ Good underlying profitability partly mitigates negative effects from in-force management in US mortality

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9M 2018 Additional Information – Segments

	Industrial Lines			Retail Germany P/C			Retail Germany Life		
EURm, IFRS	9M 2018	9M 2017	Change	9M 2018	9M 2017	Change	9M 2018	9M 2017	Change
P&L									
Gross written premium	3,756	3,536	+6%	1,312	1,284	+2%	3,310	3,397	(3%)
Net premium earned	1,910	1,764	+8%	1,075	1,049	+2%	2,443	2,493	(2%)
Net underwriting result	(224)	(179)	(25%)	21	2	>+100%	(1,151)	(1,310)	+12%
Net investment income	183	203	(10%)	65	71	(8%)	1,257	1,398	(10%)
Operating result (EBIT)	(32)	25	n/a	66	49	+35%	90	67	+34%
Net income after minorities	(36)	14	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Key ratios									
Combined ratio non-life insurance and reinsurance	111.7% ¹	110.1%	+1.6%pts	98.2% ²	99.8%	(1.6%)pts	-	-	-
Expense ratio	21.1%	22.1%	(1.0%)pts	35.5%	35.7%	(0.2%)pts	-	-	-
Loss ratio	90.6%	88.1%	+2.5%pts	62.7%	64.1%	(1.4%)pts	-	-	-
Return on investment	3.0%	3.5%	(0.5%)pts	2.2%	2.4%	(0.2%)pts	3.6%	4.1%	(0.5%)pts

¹ Q3 2018 combined ratio: 128.9% (Q3 2017: 135.0%), expense ratio: 21.2% (23.7%), loss ratio: 107.7% (111.2%)

² Q3 2018 combined ratio: 96.6% (Q3 2017: 96.7%), expense ratio: 34.8 (34.0%), loss ratio: 61.8% (62.7%)

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6M 2018 Additional Information – Segments

	Retail International			P/C Reinsurance			Life/Health Reinsurance			Group		
EURm, IFRS	9M 2018	9M 2017	Change	9M 2018	9M 2017	Change	9M 2018	9M 2017	Change	9M 2018	9M 2017	Change
P&L												
Gross written premium	4,200	4,065	+3%	9,657	8,200	+18%	5,335	5,284	+1%	27,091	25,239	+7%
Net premium earned	3,650	3,422	+7%	8,016	6,754	+19%	4,758	4,788	(1%)	21,841	20,285	+8%
Net underwriting result	58	31	+87%	230	(306)	n/a	(356)	(363)	+2%	(1,423)	(2,120)	+33%
Net investment income	243	255	(5%)	807	965	(16%)	367	433	(15%)	2,900	3,311	(12%)
Operating result (EBIT)	202	179	+13%	1,026	612	+68%	144	194	(26%)	1,471	1,104	+33%
Net income after minorities	124	110	+13%	n/a	n/a	n/a	n/a	n/a	n/a	488	444	+10%
Key ratios												
Combined ratio non-life insurance and reinsurance	94.4% ¹	95.9%	(1.5%)pts	96.8% ²	104.3%	(7.5%)pts	-	-	-	98.6% ³	103.1%	(4.5%)pts
Expense ratio	28.0%	29.0%	(1.0%)pts	30.5%	28.1%	2.4%pts	-	-	-	29.1%	28.0%	1.1%pts
Loss ratio	66.3%	66.9%	(0.6%)pts	66.6%	76.5%	(9.9%)pts	-	-	-	69.7%	75.2%	(5.5%)pts
Return on investment	3.2%	3.6%	(0.4%)pts	3.3%	4.0%	(0.7%)pts	3.3%	4.0%	(0.7%)pts	3.7%	3.9%	(0.2%)pts

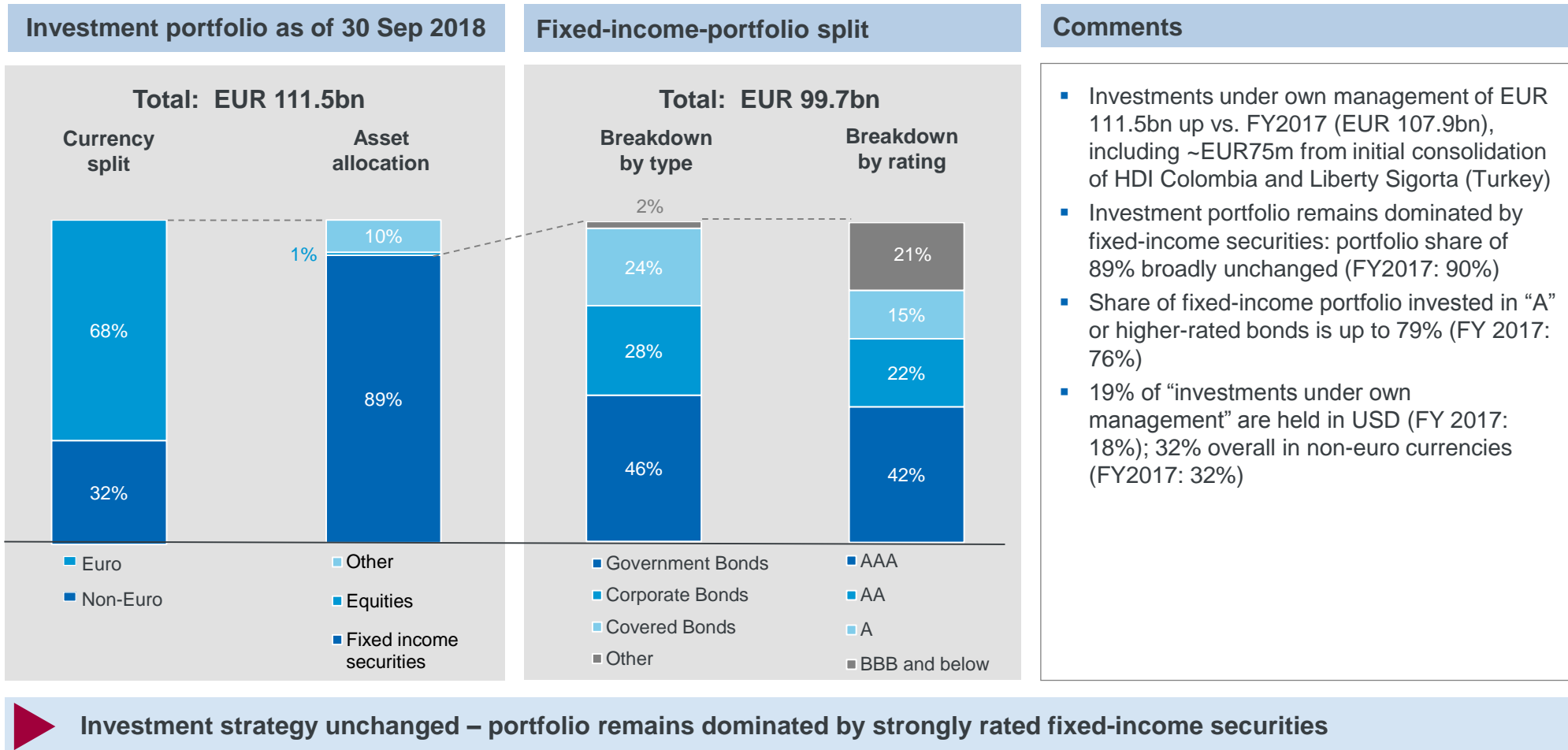
¹ Q3 2018 combined ratio: 94.1% (Q3 2017: 95.0%), expense ratio: 27.5% (27.7%), loss ratio: 66.5% (67.3%)

² Q3 2018 combined ratio: 98.8% (Q3 2017: 118.2%), expense ratio: 29.1% (27.0%), loss ratio: 70.1% (91.7%)

³ Q3 2018 combined ratio: 102.1% (Q3 2017: 114.4%), expense ratio: 28.1% (27.3%), loss ratio: 74.2% (87.4%)

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9M 2018 Additional Information – Breakdown of investment portfolio



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9M 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	2,251	-	550	543	453	-	3,798
Brazil	BB-	233	-	46	304	-	4	587
Mexico	BBB+	100	7	54	236	-	-	397
Hungary	BBB-	499	-	2	11	26	-	539
Russia	BBB-	222	16	27	148	-	-	413
South Africa	BB+	182	-	8	46	-	3	238
Portugal	BBB-	37	-	11	49	20	-	117
Turkey	BB	9	-	21	31	3	-	64
Other BBB+		13	-	33	65	-	-	111
Other BBB		146	6	104	65	-	0	344
Other <BBB		171	27	109	145	-	230	681
Total		3,864	55	965	1,667	502	236	7,290
In % of total investments under own management		3.5%	0.1%	0.9%	1.5%	0.5%	0.2%	6.5%
In % of total Group assets		2.4%	0.0%	0.6%	1.0%	0.3%	0.1%	4.4%

1 Investment under own management

5 Financial Calendar and IR contacts



- **18 March 2019**
Annual Report 2018
- 9 May 2019
Annual General Meeting
- 9 May 2019
Quarterly Statement as at 31 March 2019



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

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Guideline on Alternative Performance Measures - For further information on the calculation and definition of specific Alternative Performance Measures please refer to the Annual Report 2017 Chapter "Enterprise management", pp. 25 and the following, the "Glossary and definition of key figures" on page 290 as well as our homepage http://www.talanx.com/investor-relations/ueberblick/midterm-targets/definitions_apm.aspx