



**tal anx.**

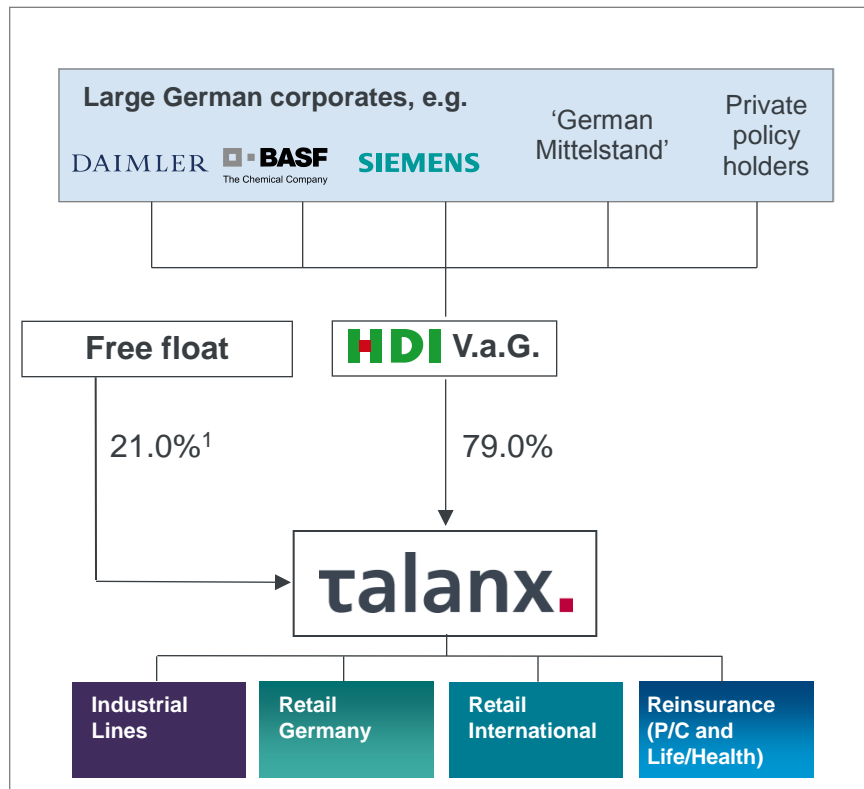
Insurance. Investments.

## Investor Presentation

Dr. Immo Querner, CFO  
London/Dublin, December 2016

# Founded as a lead insurer by German corporates

## Group structure



<sup>1</sup> Including employee shares and stake of Meiji Yasuda (below 5%)

## History

|      |   |
|------|---|
| 1903 | Foundation as 'Haftpflichtverband der deutschen Eisen- und Stahlindustrie' in Frankfurt |
| 1919 | Relocation to Hannover  |
| 1953 | Companies of all industry sectors are able to contract insurance with HDI V.a.G.        |
| 1966 | Foundation of Hannover Rückversicherungs AG   |
| 1991 | Diversification into life insurance   |
| 1994 | IPO of Hannover Rückversicherung AG   |
| 1998 | Renaming of HDI Beteiligungs AG to Talanx AG  |
| 2001 | Start transfer of business from HDI V.a.G. to individual Talanx subsidiaries            |
| 2006 | Acquisition of Gerling insurance group by Talanx AG                                     |
| 2012 | IPO of Talanx AG  |
| 2014 | Listing at Warsaw Stock Exchange  |



**Strong roots: originally founded by German corporate clients; HDI V.a.G still key shareholder**

# Four divisions with a strong portfolio of brands



Integrated international insurance group following a multi-brand approach

# International footprint and focussed growth strategy

## International presence



- Total GWP: €31.8bn (2015)
- 2015 GWP: 49% in Primary Insurance (2014: 53%), 51% in Reinsurance (2014: 47%)
- Group wide presence in >150 countries
- ~21,900 employees in 2015

## International strategy by divisions

### Industrial Lines

- Local presence by own risk carriers, branches and partners create efficient network in >130 countries
- Key target growth regions: Latin America, Southeast Asia/India, Arabian Peninsula

### Retail International

- Target regions: CEE (incl. Turkey) and Latin America
- # 2 insurer in Poland<sup>2</sup>
- # 5 motor insurer in Brazil<sup>2</sup>
- # 2 motor insurer in Chile<sup>2</sup>
- # 9 motor insurer in Mexico<sup>2</sup>

### Reinsurance

- Global presence focussing on Western Europe, North- and South America as well as Asia
- ~5.000 customers in >150 countries

<sup>1</sup> By branches, agencies, risk carriers, representative offices

<sup>2</sup> Source: local regulatory authorities, Talanx AG

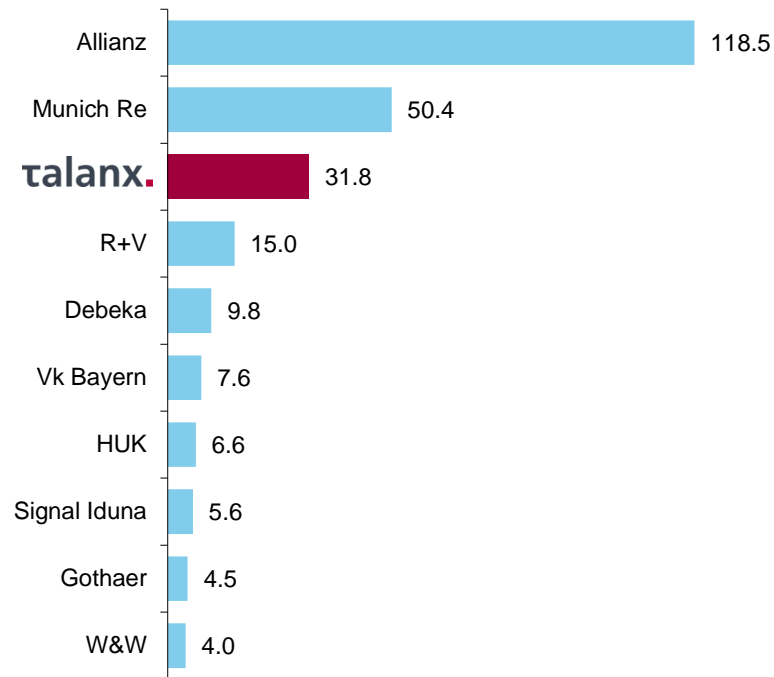


**Global network in Industrial Lines and Reinsurance – leading position in retail target markets**

# Among the leading European insurance groups

## Top 10 German insurers

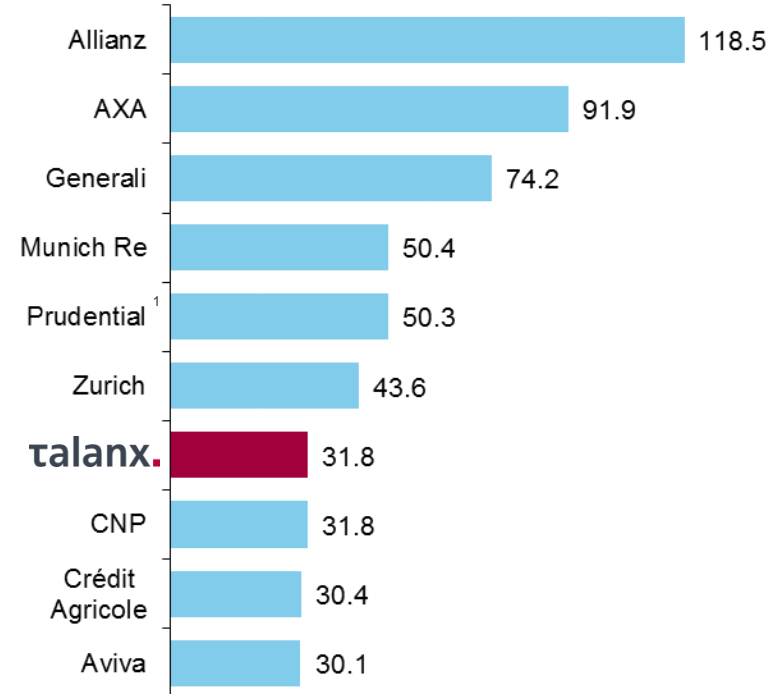
German insurers by global GWP (2015, €bn)



<sup>1</sup> Gross Earned Premiums

## Top 10 European insurers

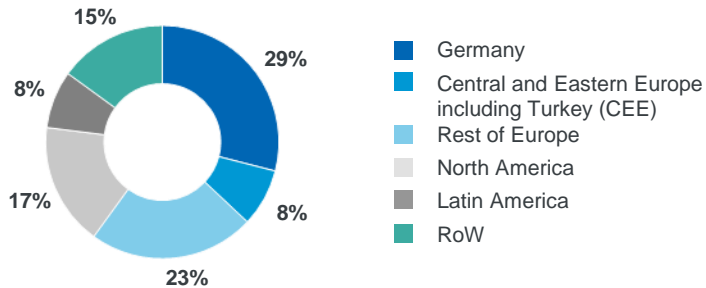
European insurers by global GWP (2015, €bn)



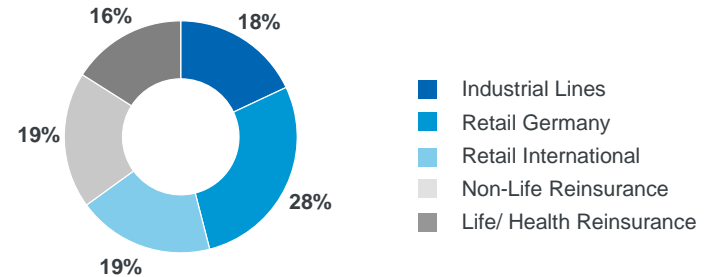
**Third-largest German insurance group with leading position in Europe**

# Regional and segmental split of GWP and EBIT

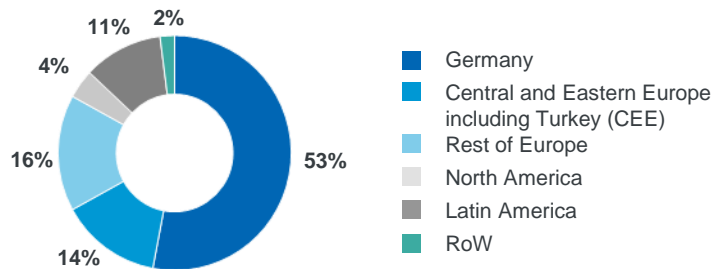
**GWP by regions 2015 (consolidated Group level)**



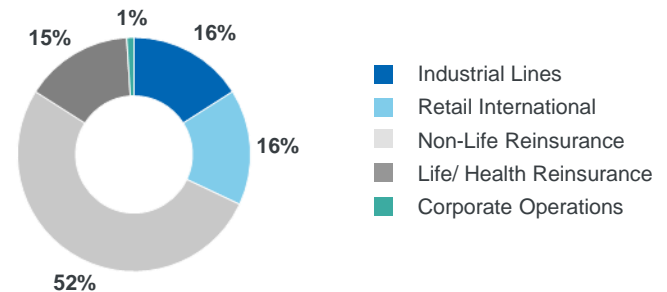
**GWP by segments 2015<sup>1</sup>**



**GWP by regions 2015 (Primary Insurance)**



**EBIT by segments 2015<sup>1,2</sup>**



<sup>1</sup> Adjusted for the 50.2% stake in Hannover Re

<sup>2</sup> Calculation excludes Retail Germany, which contributes an additional EBIT of €3m due to goodwill impairment of €155m; Corporate Operations and Consolidation line have a negative effect of €48m on Group EBIT



**Well diversified sources of premium and EBIT generation**

# B2B competence as a key differentiator

## Strategic focus on B2B and B2B2C

### Industrial Lines

- Core focus on corporate clients with relationships often for decades
- Blue-chip client base in Europe
- Capability and capacity to lead international programs

### Retail Germany

- Market leader in Bancassurance
- Market leader in employee affinity business

### Retail International

- ~35% of segment GWP generated by Bancassurance
- Distribution focus on banks, brokers and independent agents

### Reinsurance

- Typically non-German business generated via brokers

**Unique strategy with clear focus on B2B business models**

## Excellence in distribution channels<sup>1</sup>

### Bancassurance



### Automotive



### Brokers



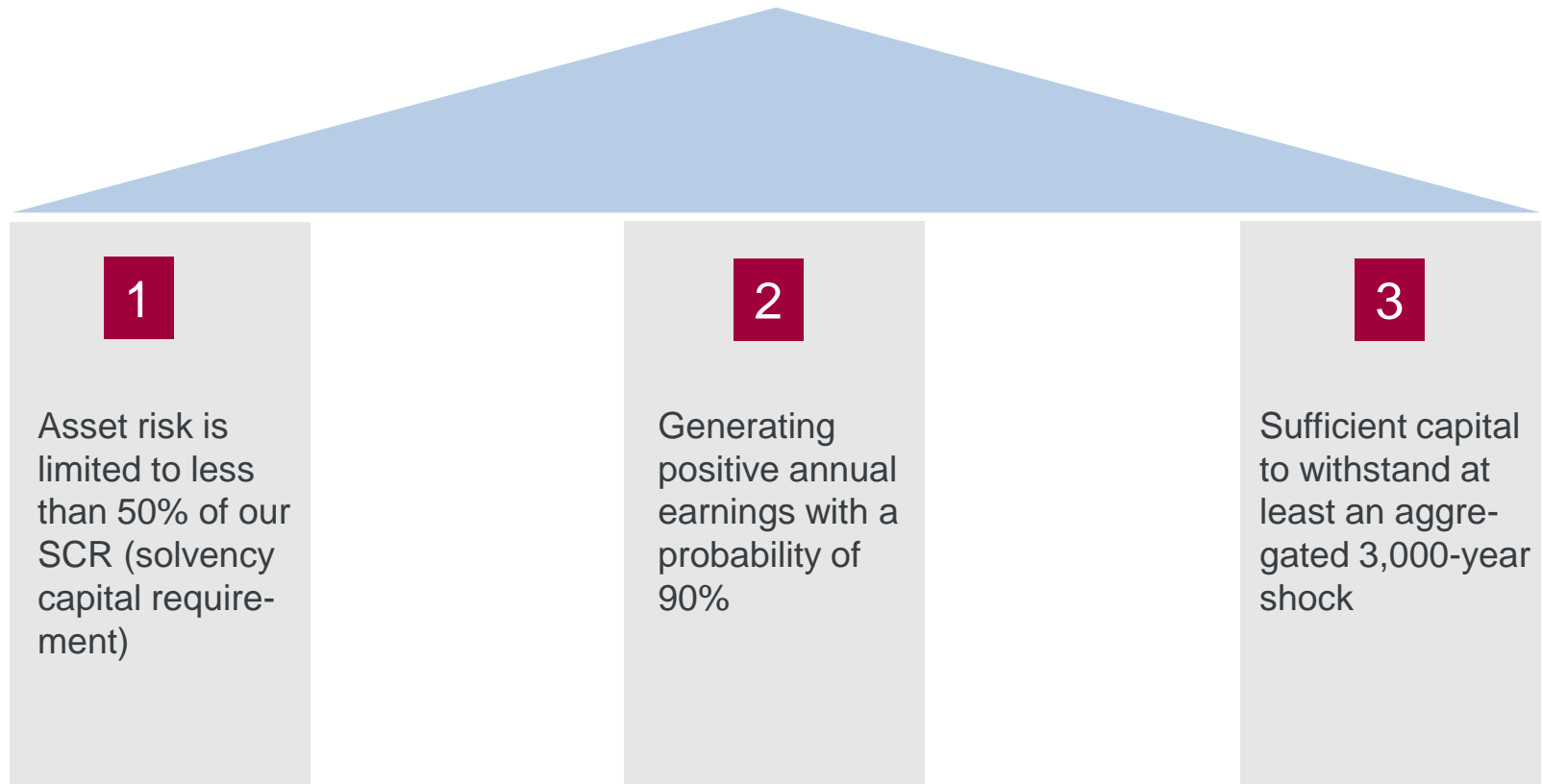
### Employee affinity business



<sup>1</sup> Samples of clients/partners

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

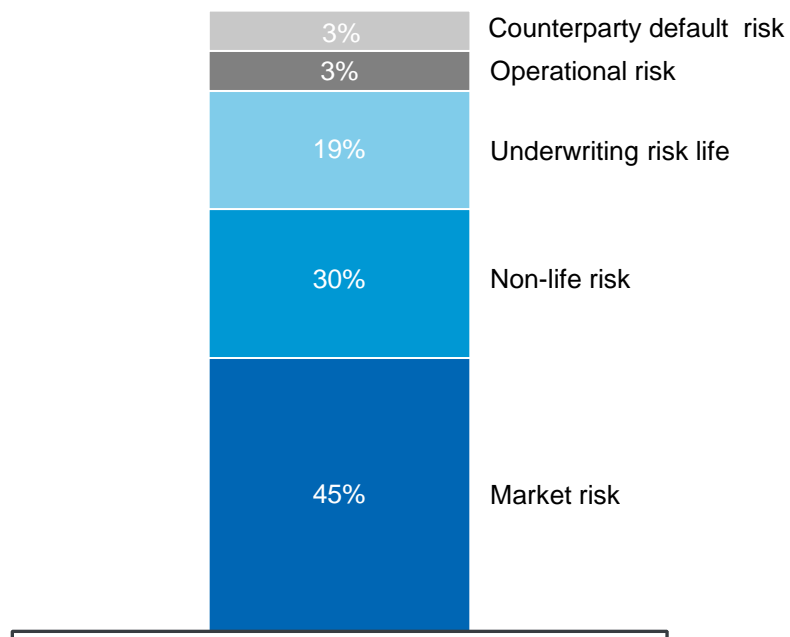
# Key Pillars of our risk management





## 1

## Focus on insurance risk

Risk components of Talanx Group<sup>1</sup>

## Comments

- Total market risk stands at 45% of solvency capital requirements, which is comfortably below the 50% limit
- Self-set limit of 50% reflects the dedication to primarily focus on insurance risk
- Non-Life is the dominating insurance risk category, comprising premium and reserve risk and NatCat
- Equities ~2% of investments under own management
- Nearly 80% of fixed-income portfolio invested in “A” or higher-rated bonds – broadly stable over recent quarters

<sup>1</sup> Figures show risk categorisation, in terms of solvency capital requirements, of the Talanx Group in the economic view (based on Basic Own Funds) as of Q1 2016



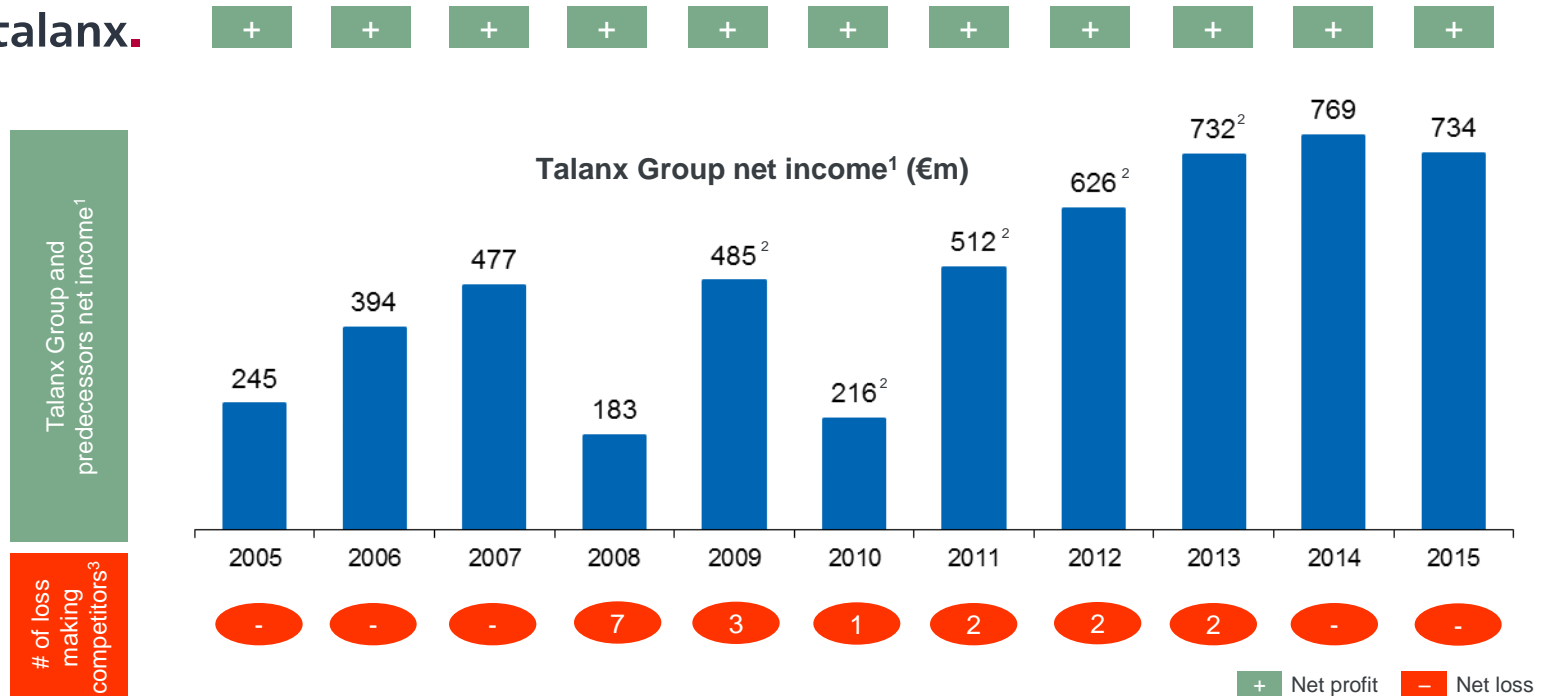
**Market risk sensitivity (limited to less than 50% of solvency capital requirement) is deliberately low**

## 2

# Diversification of business model leads to earnings resilience

## Talanx Group net income

**talanx.**



<sup>1</sup> Net income of Talanx after minorities, after tax based on restated figures as shown in annual reports (2005–2015 according to IFRS)

<sup>2</sup> Adjusted on the basis of IAS 8

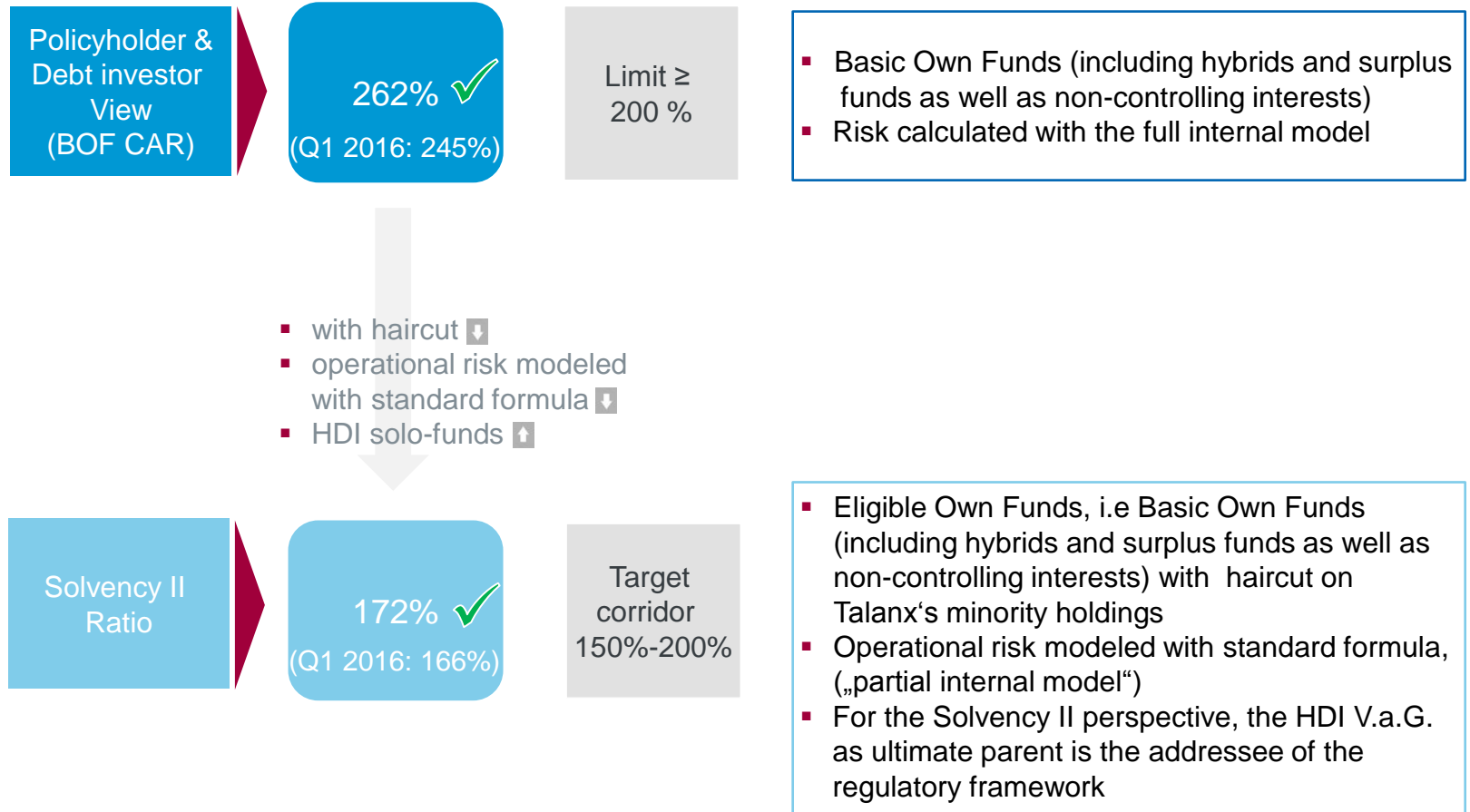
<sup>3</sup> Top 20 European peers, each year measured by GWP; on group level; IFRS standards

Source: Bloomberg, annual reports



**Robust cycle resilience due to diversification of segments**

### 3 TERM results 6M 2016 – Capitalisation perspectives



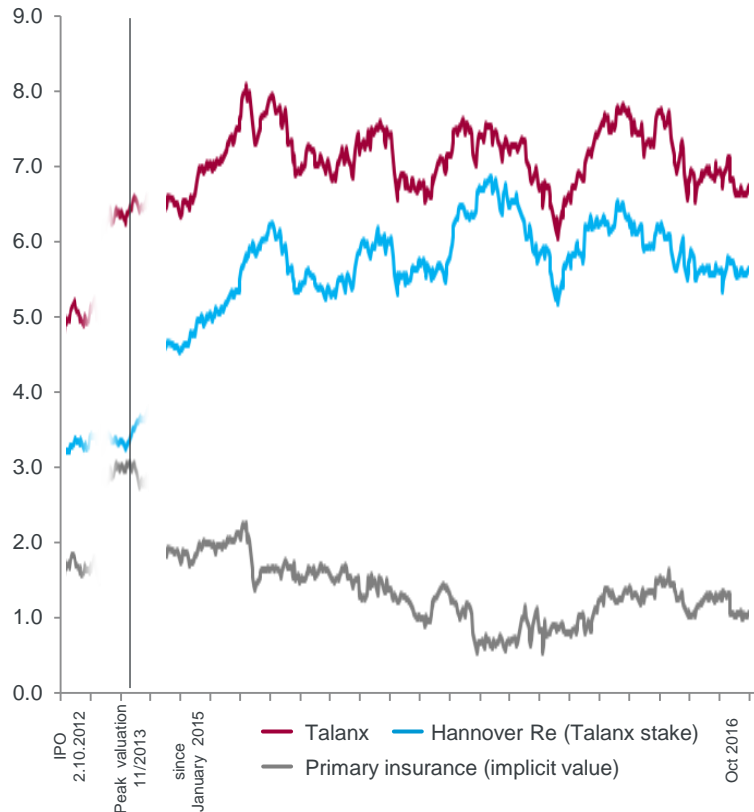
Note: In the entire presentation, calculations of Solvency II Capital Ratios are based on a 99.5% confidence level, including volatility adjustments yet without the effect of applicable transitionals.



**Talanx continuously shows a comfortable capital position from all angles**

# Management ambition – Reducing the valuation discount on Primary Insurance

## Implicit valuation Primary Insurance in €bn



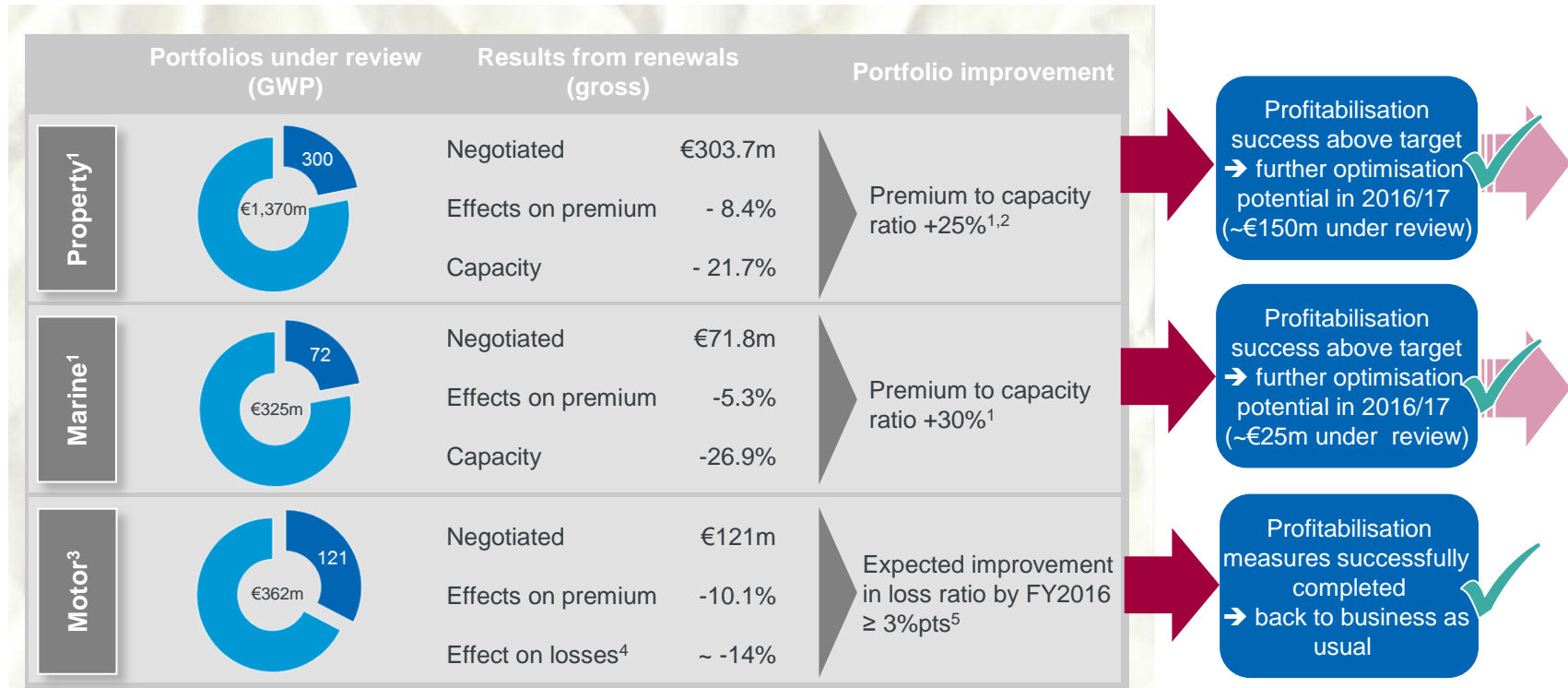
## Key measures

- 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**

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



■ Premium negotiated

<sup>1</sup> In respect of portfolio under review

<sup>3</sup> German business only

<sup>5</sup> Assuming constant claims statistic; FY2015 loss ratio: 84.4% (gross)

<sup>2</sup> Including effect of additional specific reinsurance measures

<sup>4</sup> Expected, in terms of loss volume

▶ **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**

# Retail Germany - Key Messages from Capital Markets Day 2016

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

# Retail Germany – KuRS programme: Investment and cost reduction targets

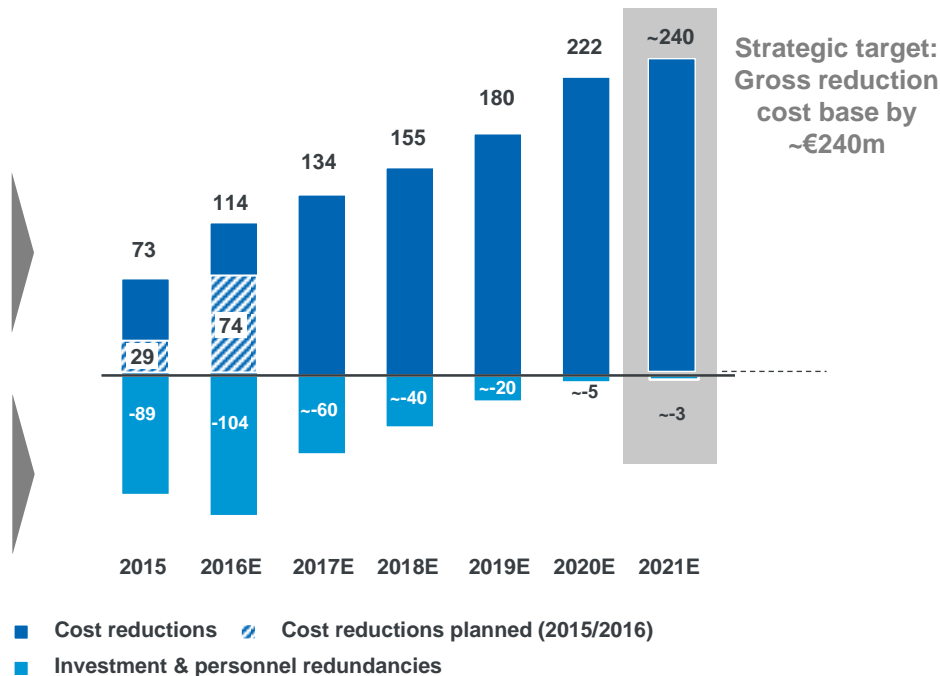
## Estimated project costs and savings

in €m



**~€240m**  
Cost reduction<sup>1</sup>

**~€330m**  
Investment



<sup>1</sup> Cost reduction before Inflation

## Comments

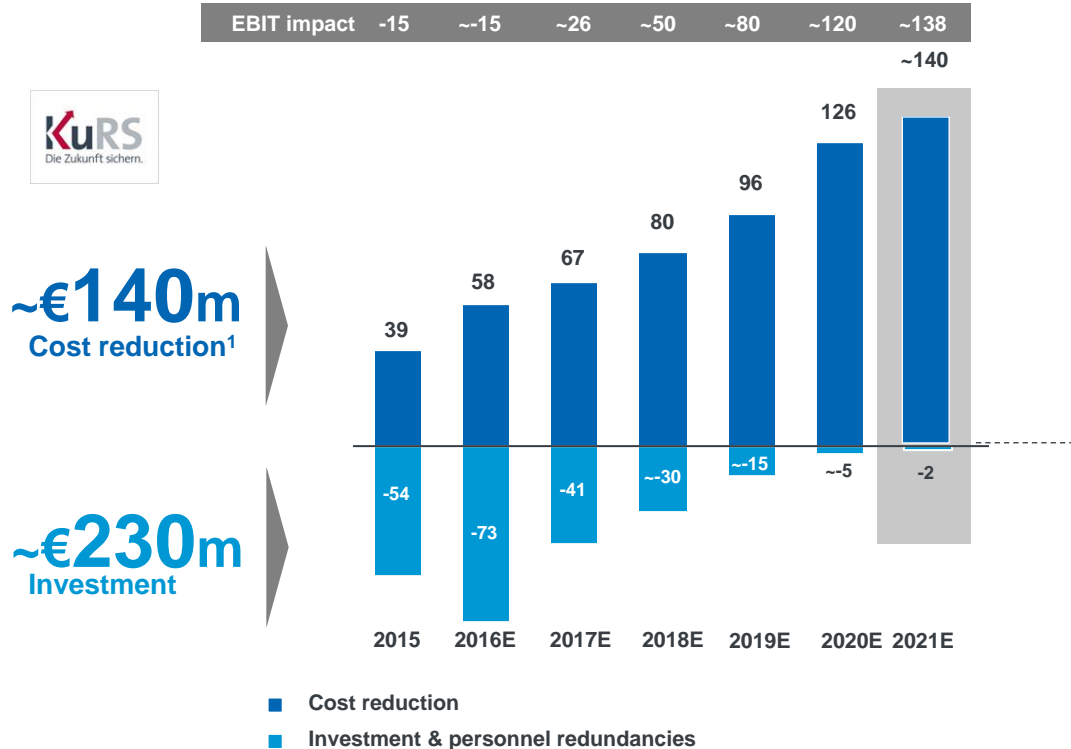
- Targeted strategic investments for KuRS are expected to be ~€330m
- The related cost saving target is ~€240m p.a.
- Both numbers refer to Life and P/C business in sum
- Target is to implement all initiatives in full by the end of 2020 with the full cost benefit to be reached in 2021

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

# Retail Germany – KuRS programme: Investment and cost reduction targets P/C

## Estimated project costs and savings in P/C

in €m



<sup>1</sup> Cost reduction before Inflation

## Comments

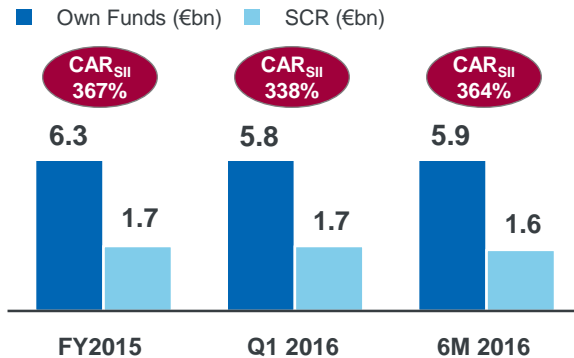
- Cumulative costs for KuRS in P/C are expected to account for ~€230m
- More than half of all project costs are expected to have been booked until end-2016
- The expected costs for personnel redundancies have been covered until mid-2016
- In 2017, the KuRS programme savings are likely to exceed costs 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**

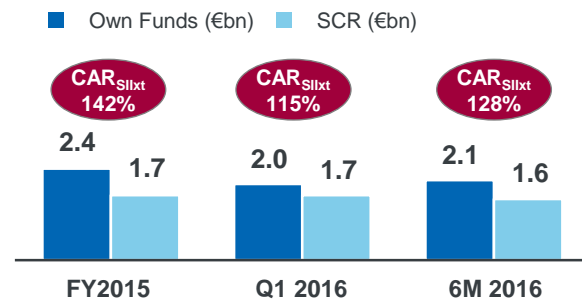


# Retail Germany – Solvency II Ratios in Life

## Solvency II Ratios in Life



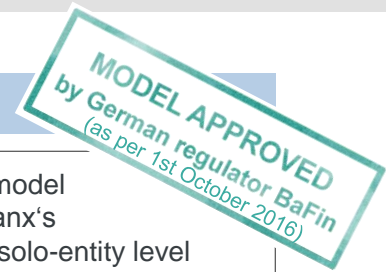
## Solvency II Ratios in Life – w/o transitional



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

## Comments

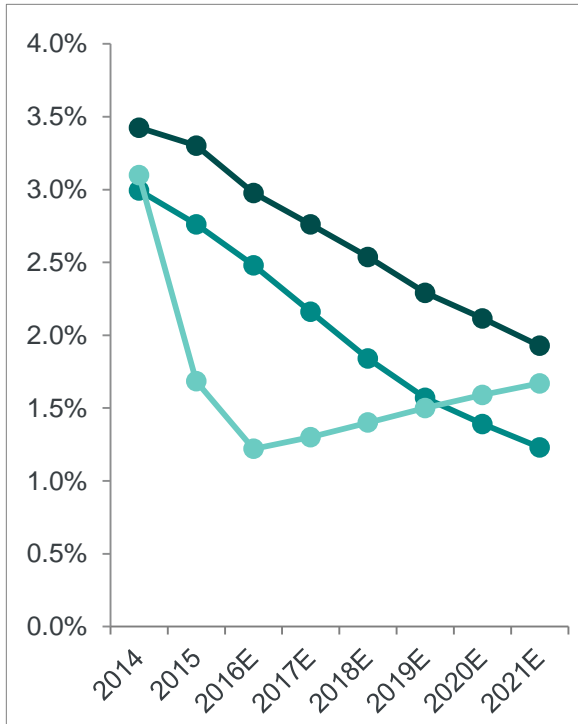
- Following last year's approval of the internal model on Group level, BaFin has also approved Talanx's internal model for its German Life carriers on solo-entity level
- The decision promotes capital efficiency and allows for a more risk-adequate steering of business
- German Life carriers have successfully 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



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

# Retail Germany – Asset Management Strategy: Comparison of average running yields versus average guarantee rates

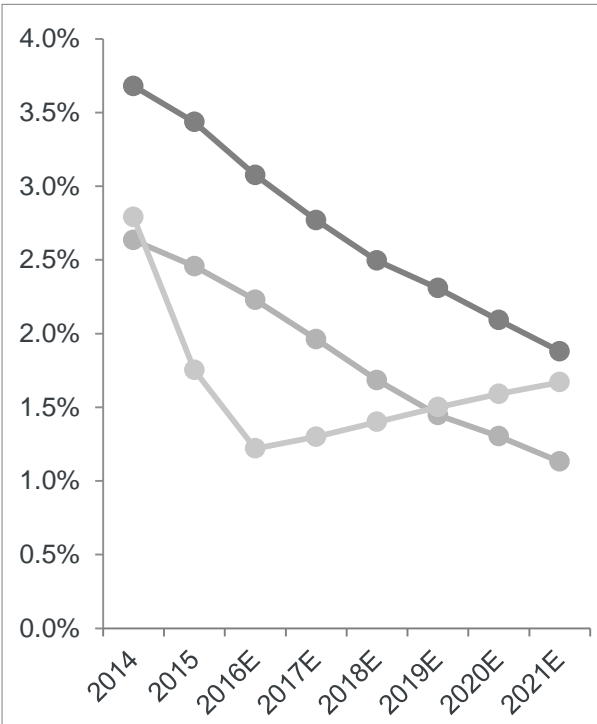
## HDI Life



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

All numbers refer to German GAAP (HGB)

## Bancassurance



## 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**

# Retail Germany – Targets from Capital Markets Day 2016

## 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 <sup>1</sup>   | ≤ 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 <sup>2</sup> | ≥ 25%   |
| EBIT contribution (targeted sustainably from 2021)   | ≥ €240m |

<sup>1</sup> Talanx definition: incl. net interest income on funds withheld and contract deposits

<sup>2</sup> 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)**

# 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%   |

## Poland

|                             |        |          |
|-----------------------------|--------|----------|
| GWP growth (local currency) | -9.9%  |          |
| o/w Life                    | -21.4% |          |
| o/w Non-Life                | -3.6%  |          |
| Combined ratio <sup>2</sup> | 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%    |

## Chile<sup>1</sup>

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

## Turkey

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

## Mexico

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

<sup>1</sup> Magallanes integrated in February 2015

<sup>2</sup> Combined ratio for Warta only



Most of our core markets in Retail International with business growth

# 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 %:**  
 ~102.0  
 2016E 2017E

## Warta

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

**Combined Ratio in %:**  
 ~96.0  
 2016E 2017E

## Mexico

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

**Combined Ratio in %:**  
 ~95.0  
 2016E 2017E

## 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 %:**  
 ~102.5  
 2016E 2017E

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

# Outlook for Talanx Group 2016<sup>1</sup>

|                       |  |
|-----------------------|--|
| Gross written premium | stable   |
| Return on investment  | ≥3.0%  |
| Group net income      | ≥€750m  |
| Return on equity      | >8.5%  |
| Dividend payout ratio | 35-45% target range  |

<sup>1</sup> The targets are based on a large loss budget of €300m in Primary Insurance, of which €270m in Industrial Lines. From FY2016 onwards, table includes large losses from Industrial Liability line, booked in the respective FY. The large loss budget in Reinsurance stands at €825m (2015: €690m)



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

# Outlook for Talanx Group 2017<sup>1</sup>

|                       |                     |
|-----------------------|---------------------|
| 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 |

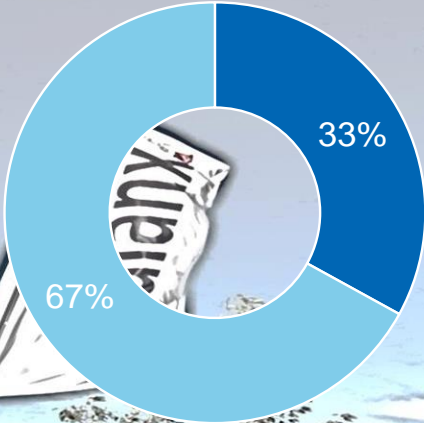
<sup>1</sup> The targets are based on a large loss budget of €290m (2016: €300m) in Primary Insurance, of which €260m (2016: €270m) in Industrial Lines. The large loss budget in Reinsurance stands at an unchanged €825m



**Targets are subject to no large losses exceeding budget (cat),  
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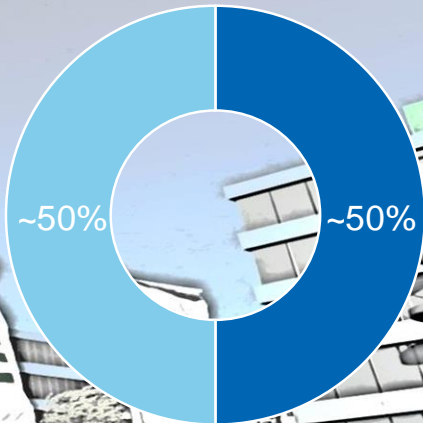
# Management ambition – Earnings balance Primary Insurance vs. Reinsurance

EBIT 2015<sup>1</sup>



■ Primary Insurance ■ Reinsurance

EBIT ambition by 2021<sup>1</sup>



■ Primary Insurance ■ Reinsurance

<sup>1</sup> Adjusted for the 50.2% stake in Hannover Re

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



## Summary - Investment highlights

Global insurance group with leading market positions and strong German roots

Leading and successful B2B insurer

Value creation through group-wide synergies

New profitability measures implemented in Industrial Lines and Retail Germany

Dedication to focus on insurance rather than market risks

Commitment to continuously fulfill a „AA“ capital requirement by Standard & Poor's

Dedication to pay out 35-45% of IFRS earnings to shareholders

- 9M 2016 -

## An overall robust set of 9M results



9M 2016 Group net income increased to €635m (9M 2015: €488m). When adjusting for last year's goodwill impairment of €155m in line with the 9M 2015 results



The Group's combined ratio slightly improved from 96.9% (9M 2015) to 96.6%. In addition, Non-Life Reinsurance and Industrial Lines both stayed well within their respective pro-rata large loss budgets



The shareholders' equity increased by €720m ytd to €9,002m or €35.61 per share. NAV up to €31.49 per share. 9M 2016 RoE stood at 9.8%, above target level



Talanx slightly raises its 2016 Outlook for the Group net income to "at least €750m" (from "around €750m")

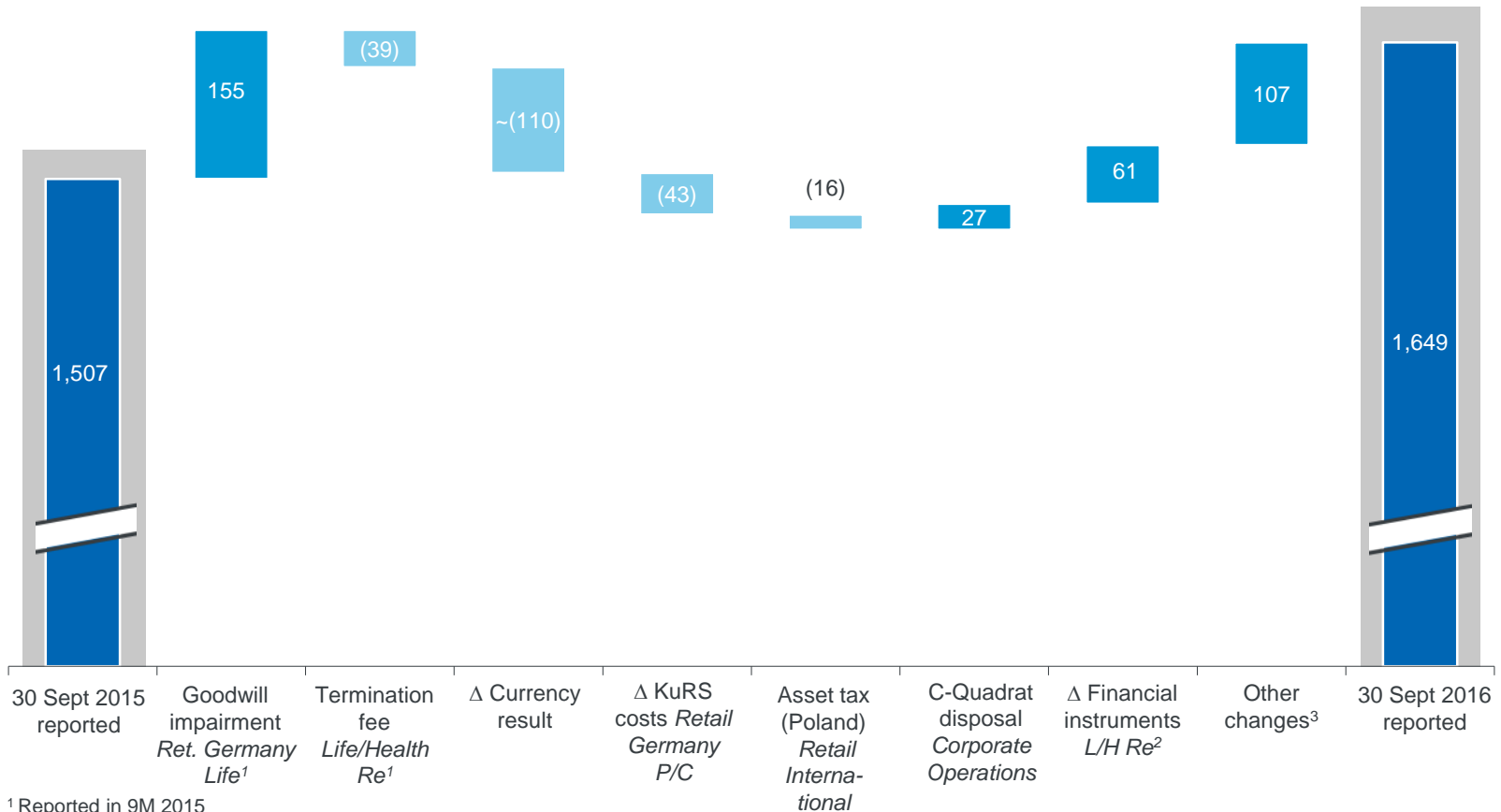


From today's perspective, Talanx expects a comparable FY2017 result as for the current year. As a consequence, the Group net income target for FY2017 also stands at "at least €750m"



# 9M 2016 – Drivers of change in Group EBIT

in €m



<sup>1</sup> Reported in 9M 2015

<sup>2</sup> Incl. fees from letters of credit ("LOC")

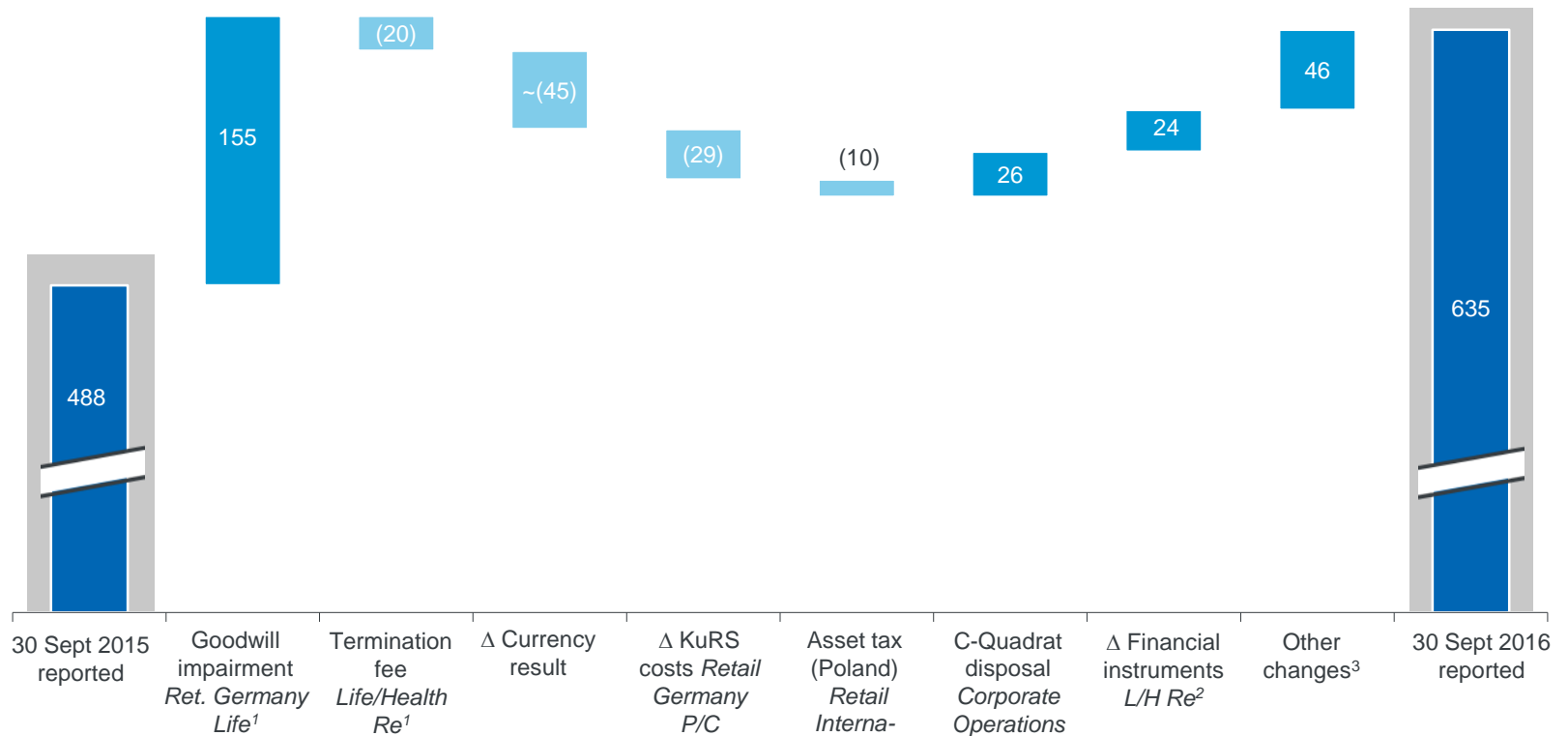
<sup>3</sup> From operating performance, incl. minor other effects



**Currencies and programme costs for KuRS strongly affect EBIT comparison**

# I 9M 2016 – Drivers of change in Group net income

in €m



<sup>1</sup> Reported in 9M 2015

<sup>2</sup> Incl. fees from letters of credit ("LOC")

<sup>3</sup> From operating performance, incl. minor other effects



**Currencies and programme costs for KuRS strongly affect net income comparison**

# I 9M 2016 results – Key financials

## 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 (~€43m 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 – net income of €635m despite various burdening factors

# I Large losses<sup>1</sup> in 9M 2016

| €m, net                                     |                | Primary Insurance | Reinsurance    | Talanx Group   |
|---|----------------|-------------------|----------------|----------------|
| Earthquake; Taiwan                          | February 2016  | 3.8               | 19.9           | 23.7           |
| Hail storm; Texas                           | April 2016     | 8.4               | -              | 8.4            |
| Earthquake; Japan                           | April 2016     | 3.7               | 24.5           | 28.2           |
| Earthquake; Ecuador                         | April 2016     | 1.2               | 55.5           | 56.7           |
| Wild fire; Canada                           | April/May 2016 | -                 | 125.3          | 125.3          |
| Storm „Elvira“; Germany, France, Austria    | May 2016       | 15.3              | 12.7           | 28.0           |
| Storms; Germany                             | June 2016      | 14.2              | 7.7            | 21.9           |
| Flood; China                                | June/July 2016 | 0.5               | 13.0           | 13.5           |
| <b>Total NatCat</b>                         |                | <b>47.1</b>       | <b>258.6</b>   | <b>305.7</b>   |
| Transport                                   |                | 0.0               | 50.2           | 50.2           |
| Fire/Property                               |                | 92.6              | 62.1           | 154.7          |
| Credit                                      |                | -                 | 22.3           | 22.3           |
| <b>Total other large losses</b>             |                | <b>92.6</b>       | <b>134.6</b>   | <b>227.2</b>   |
| <b>Total large losses</b>                   |                | <b>139.8</b>      | <b>393.2</b>   | <b>533.0</b>   |
| 9M pro-rata large loss budget               |                | 225.0             | 620.8          | 845.8          |
| <b>Impact on Combined Ratio (incurred)</b>  |                | <b>3.0%pts</b>    | <b>6.6%pts</b> | <b>5.0%pts</b> |
| Total large losses 9M 2015                  |                | 287.4             | 436.4          | 723.9          |
| Impact on Combined Ratio (incurred) 9M 2015 |                | 6.2%pts           | 7.3%pts        | 6.8%pts        |

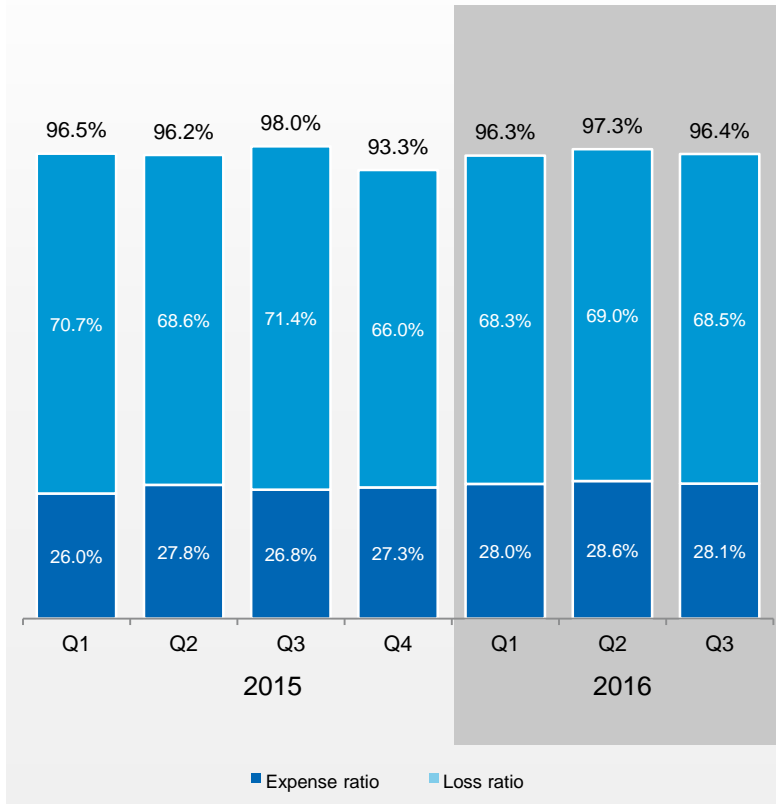
<sup>1</sup> Definition „large loss“: in excess of €10m gross in either Primary Insurance or Reinsurance

Note: 9M 2016 Primary Insurance large losses (net) are split as follows: Industrial Lines: €123m; Retail Germany: €17m; Retail International: €0m; Group Functions: €0m; from FY2016 onwards, the table includes large losses from Industrial Liability line, booked in the respective FY. The latter also explains the stated increase in the large loss budget for Primary Insurance by €10m for FY2016.

- Group 9M 2016 large loss burden of €533m, significantly below 9M 2015 level (9M 2015: €724m) and also well below pro-rata large loss budget (€846m)
- 9M 2016 large loss burden of €140m in Primary and €393m in Reinsurance
- Main impact resulting from Canada wild fires (€125m), earthquakes (Japan, Ecuador, Taiwan) and storms in Central Europe, reported already with 6M 2016 results
- Q3 2016 turned out a loss-light quarter in Reinsurance and in Primary Insurance

# I Combined ratios

## Development of net combined ratio<sup>1</sup>



## Combined ratio<sup>1</sup> by segment/selected carrier

|                                      | 9M 2016       | 9M 2015       | Q3 2016       | Q3 2015       |
|--------------------------------------|---------------|---------------|---------------|---------------|
| <b>Industrial Lines</b>              | <b>98.0%</b>  | <b>100.2%</b> | <b>98.4%</b>  | <b>103.0%</b> |
| <b>Retail Germany P/C</b>            | <b>103.2%</b> | <b>101.0%</b> | <b>100.3%</b> | <b>100.8%</b> |
| <b>Retail International</b>          | <b>97.0%</b>  | <b>96.3%</b>  | <b>98.0%</b>  | <b>98.5%</b>  |
| HDI Seguros S.A., Brazil             | 102.4%        | 98.9%         | 103.1%        | 100.5%        |
| HDI Seguros S.A., Mexico             | 95.7%         | 92.2%         | 99.0%         | 95.0%         |
| HDI Seguros S.A., Chile <sup>2</sup> | 90.6%         | 92.7%         | 90.2%         | 102.8%        |
| TUiR Warta S.A., Poland              | 96.7%         | 96.6%         | 98.3%         | 98.0%         |
| TU Europa S.A., Poland               | 82.7%         | 84.7%         | 83.6%         | 85.3%         |
| HDI Sigorta A.Ş., Turkey             | 102.5%        | 102.7%        | 102.5%        | 102.6%        |
| HDI Assicurazioni S.p.A., Italy      | 93.6%         | 95.7%         | 92.6%         | 101.6%        |
| <b>Non-Life Reinsurance</b>          | <b>95.1%</b>  | <b>95.6%</b>  | <b>94.5%</b>  | <b>95.8%</b>  |

<sup>1</sup> Incl. net interest income on funds withheld and contract deposits

<sup>2</sup> Incl. Magallanes Generales; merged with HDI Seguros S.A. on 1 April 2016

**▶ Apart from Retail Germany - burdened by KuRS implementation costs -, combined ratios in all non-life segments well below the 100% level**



# I Q3 2016 results – Key financials

## Summary of Q3 2016

| €m, IFRS  | Q3 2016 | Q3 2015 | Change    |
|---|---------|---------|-----------|
| Gross written premium                             | 7,322   | 7,528   | (3%)      |
| Net premium earned                                | 6,324   | 6,495   | (3%)      |
| Net underwriting result                           | (384)   | (437)   | n/m       |
| Net investment income                             | 1,019   | 952     | +7%       |
| Operating result (EBIT)                           | 585     | 492     | +19%      |
| Net income after minorities                       | 234     | 177     | +32%      |
| Key ratios  | Q3 2016 | Q3 2015 | Change    |
| Combined ratio non-life insurance and reinsurance | 96.4%   | 98.0%   | (1.6%)pts |
| Return on investment                              | 3.6%    | 3.5%    | 0.1%pts   |
| Balance sheet                                     | 9M 2016 | FY 2015 | 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

- Q3 2016 GWP down by 2.7% y/y, partly due to currency effects (curr.-adj.: -1.1%). Lower GWP in Industrial Lines (impacted by effects from re-underwriting measures) and in Life/Health Re could not be fully compensated by significant premium growth in Retail International (+10.4%; curr.adj.: 11.7%) and Non-Life Reinsurance (+6.2%; +7.5%)
- Combined ratio on Group level improved significantly to 96.4% (Q3 2015: 98.0%) driven by lower loss ratios in all segments, only partially compensated by an overall slightly higher cost ratio
- Q3 2016 EBIT up by ~€90m y/y despite a ~€40m lower currency result in the „other result“. Driver of profitability was net underwriting result. The latter was due to the pleasing combined ratio, which was even burdened by an above-average RfB contribution resulting from higher extraordinary capital gains in Retail Germany Life
- Net income improved by ~€55m, somewhat helped by a lower tax rate



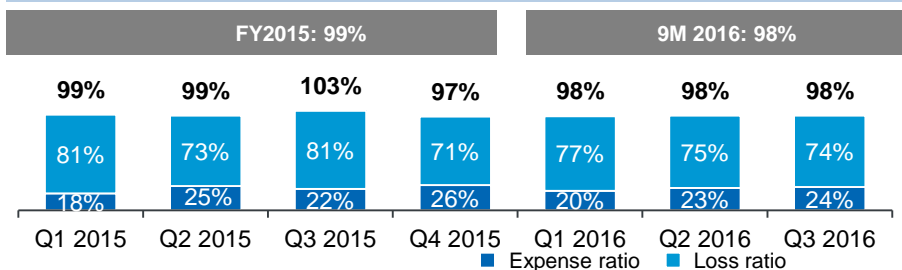
**Significant increase in Q3 2016 EBIT mainly due to improvement in the underwriting result**

## II Segments – Industrial Lines

### P&L for Industrial Lines

| €m, IFRS                          | 9M 2016      | 9M 2015      | Δ           | Q3 2016    | Q3 2015    | Δ            |
|-----------------------------------|--------------|--------------|-------------|------------|------------|--------------|
| <b>Gross written premium</b>      | <b>3,390</b> | <b>3,434</b> | <b>(1%)</b> | <b>684</b> | <b>809</b> | <b>(15%)</b> |
| 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%         |
| <b>Operating result (EBIT)</b>    | <b>204</b>   | <b>152</b>   | <b>+34%</b> | <b>61</b>  | <b>10</b>  | <b>+610%</b> |
| 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<sup>1</sup>



### Comments

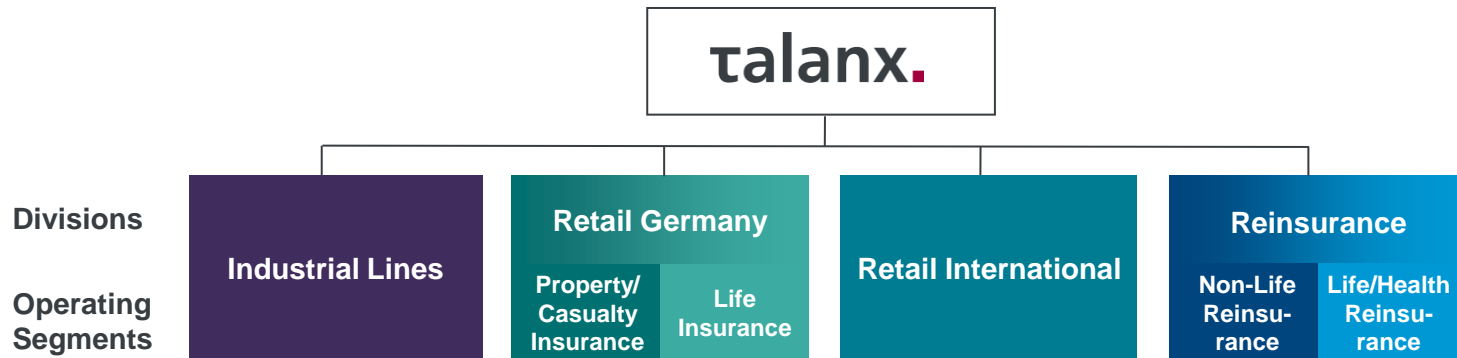
- 9M GWP 2016 slightly lower by 1.3% y/y, slightly dampened by currency effects (curr.-adj.: -0.5%). Positive effects from international markets (e.g. US and new business unit in Brazil), but overcompensated by dampening effects from re-underwriting measures (i.e. “Balanced Book”) and the withdrawal 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 slightly lower y/y

<sup>1</sup> Incl. net interest income on funds withheld and contract deposits

**Improved net underwriting result leads to higher profitability**

## New Segmentation in Retail Germany

- The responsibilities within the Retail Germany Division have been separated between “Life” and “Property/Casualty”. As a consequence, applying IFRS 8, both segments will report separate P&Ls (incl. EBIT) starting with the 6M 2016 reporting<sup>1</sup>
- In addition, Talanx will continue to show the former segment “Retail Germany” as the aggregated division
- Talanx insurance activities are now subdivided into six, rather than the previous five reportable segments

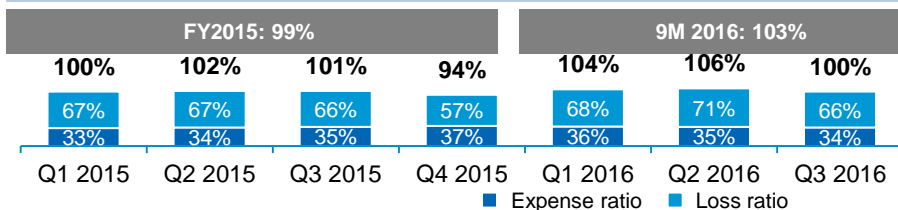


- Retail International continues to act as one single segment including life and non-life activities. To further raise transparency, Talanx has started to show regional P&Ls (incl. EBIT) in the status report

<sup>1</sup> The (very limited) effects of the interaction between the two new segments in the “Retail Germany” division are now eliminated in the Group’s consolidation line. Under the former segmentation, interaction between “Life” and “Non-Life” business has been eliminated within “Retail Germany”. We provide historical numbers for the new segments and the division “Retail Germany” in the “Appendix” section of this presentation.

## P&amp;L for Retail Germany P/C

| €m, IFRS                          | 9M 2016      | 9M 2015      | Δ           | Q3 2016    | Q3 2015    | Δ            |
|-----------------------------------|--------------|--------------|-------------|------------|------------|--------------|
| <b>Gross written premium</b>      | <b>1,261</b> | <b>1,279</b> | <b>(1%)</b> | <b>281</b> | <b>291</b> | <b>(3%)</b>  |
| 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%)        |
| <b>Operating result (EBIT)</b>    | <b>(9)</b>   | <b>60</b>    | <b>n/m</b>  | <b>7</b>   | <b>30</b>  | <b>(75%)</b> |
| 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<sup>1</sup>

<sup>1</sup> Incl. net interest income on funds withheld and contract deposits



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

## Comments

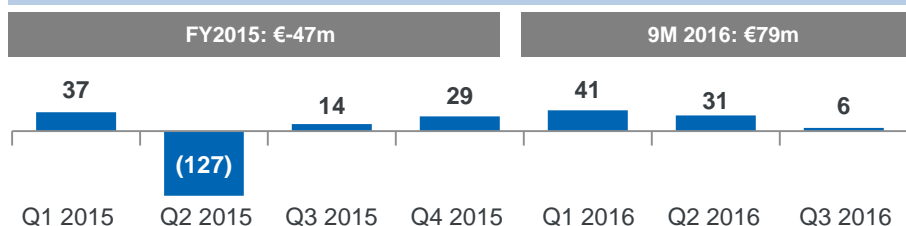
- 9M 2016 GWP 1.5% lower y/y (down -3.4% y/y in Q3 2016). Gross premiums still negatively impacted by profitabilisation measures in Motor. Positive effects from growth in SMEs and self-employed professionals, in unemployment insurance and from the promising start of the digital distribution (“direct business”) in Motor
- 9M combined ratio was slightly 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

## II Segments – Retail Germany Life

### P&L for Retail Germany Life

| €m, IFRS                          | 9M 2016      | 9M 2015      | Δ           | Q3 2016      | Q3 2015      | Δ            |
|-----------------------------------|--------------|--------------|-------------|--------------|--------------|--------------|
| <b>Gross written premium</b>      | <b>3,515</b> | <b>3,864</b> | <b>(9%)</b> | <b>1,149</b> | <b>1,185</b> | <b>(3%)</b>  |
| 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%          |
| <b>Operating result (EBIT)</b>    | <b>79</b>    | <b>(76)</b>  | <b>n/m</b>  | <b>6</b>     | <b>14</b>    | <b>(59%)</b> |
| 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)

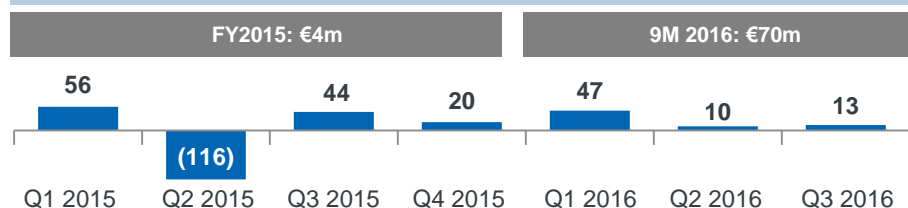


**EBIT impacted by an accelerated PVFP amortisation, but still ahead of the 9M 2015 EBIT - even when also adjusting for the full goodwill impairment in Q2 2015**

## P&amp;L for Retail Germany

| €m, IFRS                          | 9M 2016      | 9M 2015      | Δ           | Q3 2016      | Q3 2015      | Δ            |
|-----------------------------------|--------------|--------------|-------------|--------------|--------------|--------------|
| <b>Gross written premium</b>      | <b>4,776</b> | <b>5,143</b> | <b>(7%)</b> | <b>1,430</b> | <b>1,475</b> | <b>(3%)</b>  |
| 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%         |
| <b>Operating result (EBIT)</b>    | <b>70</b>    | <b>(16)</b>  | <b>n/m</b>  | <b>13</b>    | <b>44</b>    | <b>(70%)</b> |
| 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)

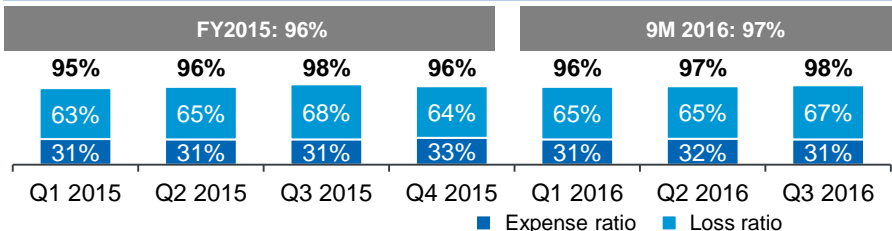
▶ 9M 2016 significantly positive despite KuRS burden and impact from PVFP amortisation

## II Segments – Retail International

### P&L for Retail International

| €m, IFRS                          | 9M 2016      | 9M 2015      | Change           | Q3 2016      | Q3 2015      | Change           |
|-----------------------------------|--------------|--------------|------------------|--------------|--------------|------------------|
| <b>Gross written premium</b>      | <b>3,669</b> | <b>3,463</b> | <b>+6%</b>       | <b>1,182</b> | <b>1,071</b> | <b>+10%</b>      |
| 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%             |
| <b>Operating result (EBIT)</b>    | <b>163</b>   | <b>174</b>   | <b>(6%)</b>      | <b>57</b>    | <b>47</b>    | <b>+20%</b>      |
| Group net income                  | 98           | 106          | (8%)             | 33           | 28           | +17%             |
| Return on investment (annualised) | <b>3.7%</b>  | <b>4.4%</b>  | <b>(0.7%)pts</b> | <b>4.0%</b>  | <b>4.2%</b>  | <b>(0.2%)pts</b> |

### Combined ratio<sup>1</sup>



### 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 core markets Poland, Chile, Mexico and 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 ratios, 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<sup>2</sup> was €221m GWP (€181m) and ~€14m EBIT (€6.6m)

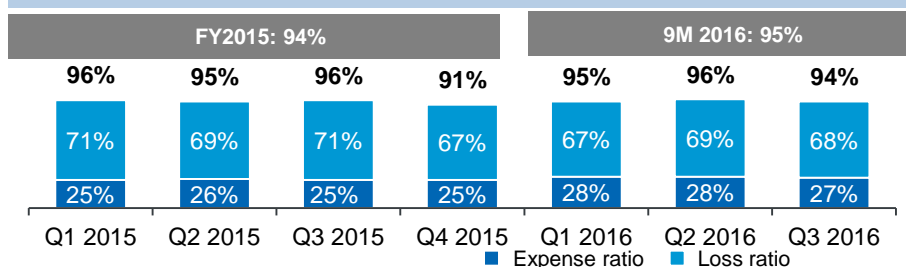
<sup>1</sup> Incl. net interest income on funds withheld and contract deposits

<sup>2</sup> 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**

## P&amp;L for Non-Life Reinsurance

| €m, IFRS                       | 9M 2016    | 9M 2015    | Change      | Q3 2016    | Q3 2015    | Change      |
|--------------------------------|------------|------------|-------------|------------|------------|-------------|
| Gross written premium          | 7,121      | 7,319      | (3%)        | 2,494      | 2,347      | +6%         |
| Net premium earned             | 5,925      | 5,965      | (1%)        | 2,086      | 2,071      | +1%         |
| <b>Net underwriting result</b> | <b>274</b> | <b>248</b> | <b>+10%</b> | <b>109</b> | <b>81</b>  | <b>+35%</b> |
| Net investment income          | 663        | 689        | (4%)        | 232        | 252        | (8%)        |
| <b>Operating result (EBIT)</b> | <b>917</b> | <b>975</b> | <b>(6%)</b> | <b>337</b> | <b>359</b> | <b>(6%)</b> |
| Group net income               | 301        | 320        | (6%)        | 114        | 114        | +0%         |
| Return on investment           | 2.8%       | 3.1%       | (0.3%)pts   | 2.9%       | 3.4%       | (0.5%)pts   |

Combined ratio<sup>1</sup><sup>1</sup>Incl. net interest income on funds withheld and contract deposits<sup>2</sup> EBIT margins reflect a Talanx Group view

## Comments

- 9M 2016 GWP declined by 2.7% y/y (adjusted for currency effects: -1.5%); growth mainly from US and structured Reinsurance, reduced volume from China motor business and specialty lines. Currency-adjusted, 9M 2016 net premium earned up by 0.9%
- Major losses of €393m, well below budget of €621m for 9M 2016
- Positive run-off as expected, no extraordinary effects in Q3 2016
- Satisfactory ordinary investment income
- Other income and expenses unremarkable, 9M 2015 benefitted from positive currency effects
- 9M 2016 EBIT margin<sup>2</sup> of 15.5% (9M 2015: 16.3%) well above target



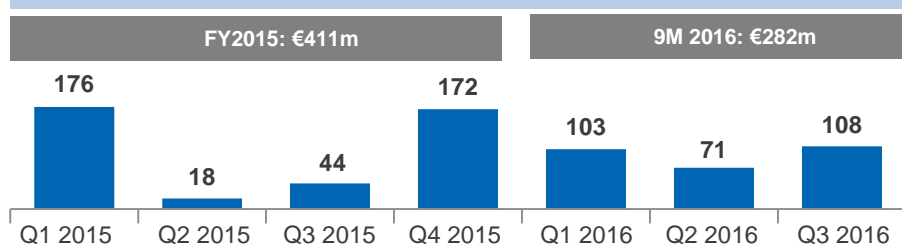
**Premium development in line with selective underwriting approach**



## P&amp;L for Life/Health Reinsurance

| €m, IFRS                       | 9M 2016      | 9M 2015      | Change      | Q3 2016     | Q3 2015      | Change       |
|--------------------------------|--------------|--------------|-------------|-------------|--------------|--------------|
| Gross written premium          | 5,334        | 5,627        | (5%)        | 1,678       | 2,013        | (17%)        |
| Net premium earned             | 4,841        | 4,864        | (0%)        | 1,513       | 1,739        | (13%)        |
| <b>Net underwriting result</b> | <b>(237)</b> | <b>(334)</b> | <b>n/m</b>  | <b>(61)</b> | <b>(118)</b> | <b>n/m</b>   |
| Net investment income          | 494          | 542          | (9%)        | 173         | 176          | (2%)         |
| <b>Operating result (EBIT)</b> | <b>282</b>   | <b>238</b>   | <b>+18%</b> | <b>108</b>  | <b>44</b>    | <b>+145%</b> |
| Group net income               | 102          | 84           | +21%        | 39          | 15           | +160%        |
| Return on investment           | 4.0%         | 4.7%         | (0.7%)pts   | 4.9%        | 4.4%         | +0.5%pts     |

## EBIT (€m)



<sup>1</sup> EBIT margin reflects a Talanx Group view

**Significantly increased earnings contribution from L/H Reinsurance**

## Comments

- 9M 2016 GWP -5.2%; adjusted for currency effects: -2.0%, reduced premium due to discontinued large-volume treaties in Australia and China, partly offset by growth from UK Longevity
- Net premium earned grew by 2.8% on currency-adjusted basis
- Improved technical result in line with expectation
- Ordinary investment income in line with expectation (Q1 2015 affected by positive one-off of €39m)
- Decreased impact from positive currency effects in other income
- 9M 2016 EBIT margin<sup>1</sup> of 5.8% (9M 2015: 4.9%) for the segment

# Net investment income

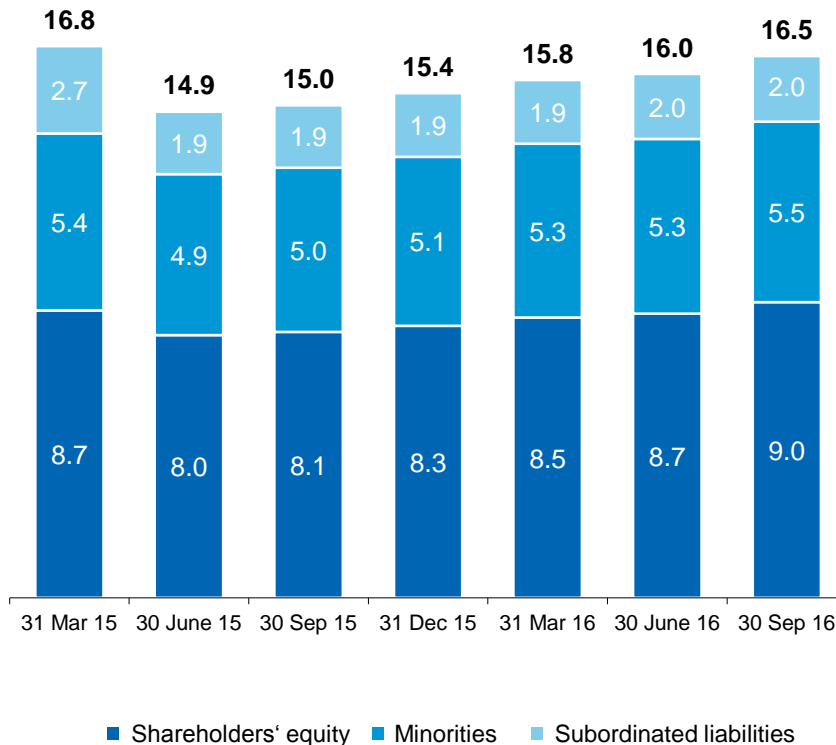
| Net investment income Talanx Group                             |              |              |              |              |            |              | Comments   |
|--|--------------|--------------|--------------|--------------|------------|--------------|--|
| €m, IFRS   | 9M 2016      | 9M 2015      | Change       | Q3 2016      | Q3 2015    | Change       |  |
| <b>Ordinary investment income</b>                              | <b>2,441</b> | <b>2,531</b> | <b>(4%)</b>  | <b>802</b>   | <b>831</b> | <b>(3%)</b>  | <ul style="list-style-type: none"> <li>Ord. investment income reflects the decline in interest income - and on 9M 2016 basis - the negative base effect from the one-off payment following a withdrawal from a US-transaction (~€39m) in L/H Reinsurance in Q1 2015</li> <li>Realised investment net gains increased by ~17% y/y to €547m in 9M 2016, mainly due to higher realised gains in Retail Germany to finance ZZR (9M 2016 allocation: €502 vs. 9M 2015: €362m).</li> <li>Somewhat higher writedowns on investments in 9M 2016 y/y mainly in Q2 2016 due to lower equity prices. Base effect from Q1 2015, which had been impacted by a 50% impairment of the bond position in Heta Asset Resolution (mid double-digit €m amount) – to be largely unwound in Q4 2016</li> <li>ROI of 3.5% just slightly lower y/y (9M 2015: 3.7%) and well above the FY2016 outlook of “at least 3.0%”</li> <li>ModCo derivatives: €0m (9M 2015: €-19m); in Q3 2016: €1m (Q3 2015: €-13m); no impact from inflation swaps as these have been terminated in FY2015 (9M 2015: €-14m; Q3 2015: €0m)</li> </ul> |
| thereof current investment income from interest                | 2,055        | 2,176        | (6%)         | 681          | 720        | (5%)         |  |
| thereof profit/loss from shares in associated companies        | 5            | 8            | (42%)        | 2            | 2          | +36%         |  |
| Realised net gains/losses on investments                       | 547          | 466          | +17%         | 216          | 122        | +77%         |  |
| Write-ups/write-downs on investments                           | (138)        | (123)        | +12%         | (34)         | (28)       | +20%         |  |
| Unrealised net gains/losses on investments                     | 59           | (12)         | n/m          | 16           | (12)       | n/m          |  |
| Investment expenses  | (174)        | (160)        | +9%          | (55)         | (56)       | (2%)         |  |
| <b>Income from investments under own management</b>            | <b>2,735</b> | <b>2,702</b> | <b>+1%</b>   | <b>946</b>   | <b>857</b> | <b>+10%</b>  |  |
| <b>Income from investment contracts</b>                        | <b>7</b>     | <b>6</b>     | <b>+12%</b>  | <b>1</b>     | <b>2</b>   | <b>(45%)</b> |  |
| <b>Interest income on funds withheld and contract deposits</b> | <b>238</b>   | <b>281</b>   | <b>(15%)</b> | <b>71</b>    | <b>93</b>  | <b>(23%)</b> |  |
| <b>Total</b>   | <b>2,981</b> | <b>2,989</b> | <b>(0%)</b>  | <b>1,018</b> | <b>952</b> | <b>+7%</b>   |  |

**▶ 9M 2016 ROI at 3.5% - just slightly below the 9M 2015 level and well above the FY2016 target of “at least 3.0%”**



# Equity and capitalisation – Our equity base

## Capital breakdown (€bn)



## Comments

- Compared to the end of FY2015, shareholders' equity increased by ~€720m to €9,002 million at the end of Q3 2016. The FY2015 dividend payout in May (€329m) has been more than compensated by the net income (€635m) and by the positive change in OCI (€423m), the latter predominantly due to lower interest rates
- Book value per share stood at €35.61 compared to €31.96 in Q3 2015 and €32.76 in FY 2015, while NAV per share was €31.49 (Q3 2015: €27.87, FY2015: €28.66)
- Neither book value per share nor NAV contain off-balance sheet reserves. These amounted to €534m (see next page) or €2.11 per share (shareholder share only). This added up to an adjusted book value of €37.72 per share and an adj. NAV (excluding goodwill) of €33.60

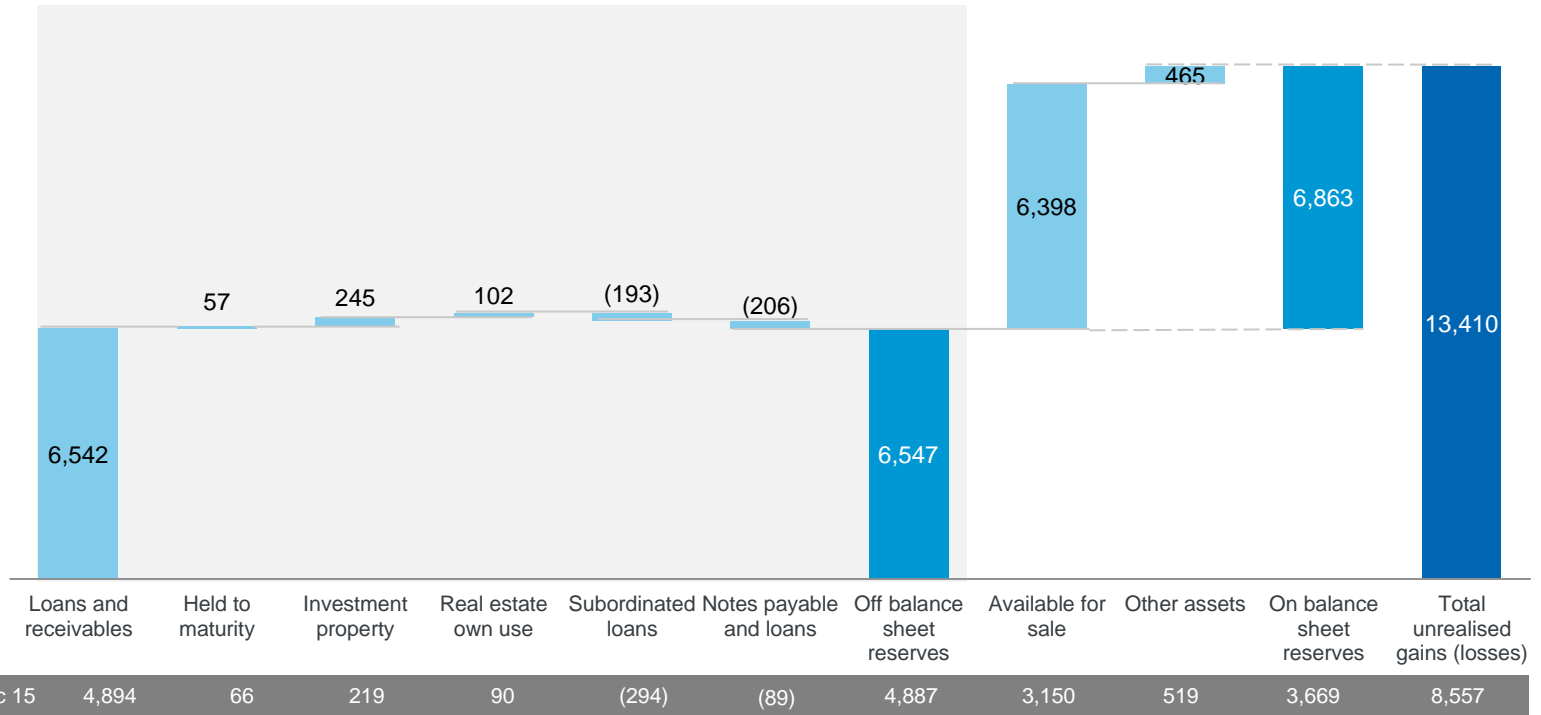


Shareholders' equity up by ~€720m compared to end of FY2015



# Equity and capitalisation – Unrealised gains

## Unrealised gains and losses (off and on balance sheet) as of 30 September 2016 (€m)



### Δ market value vs. book value

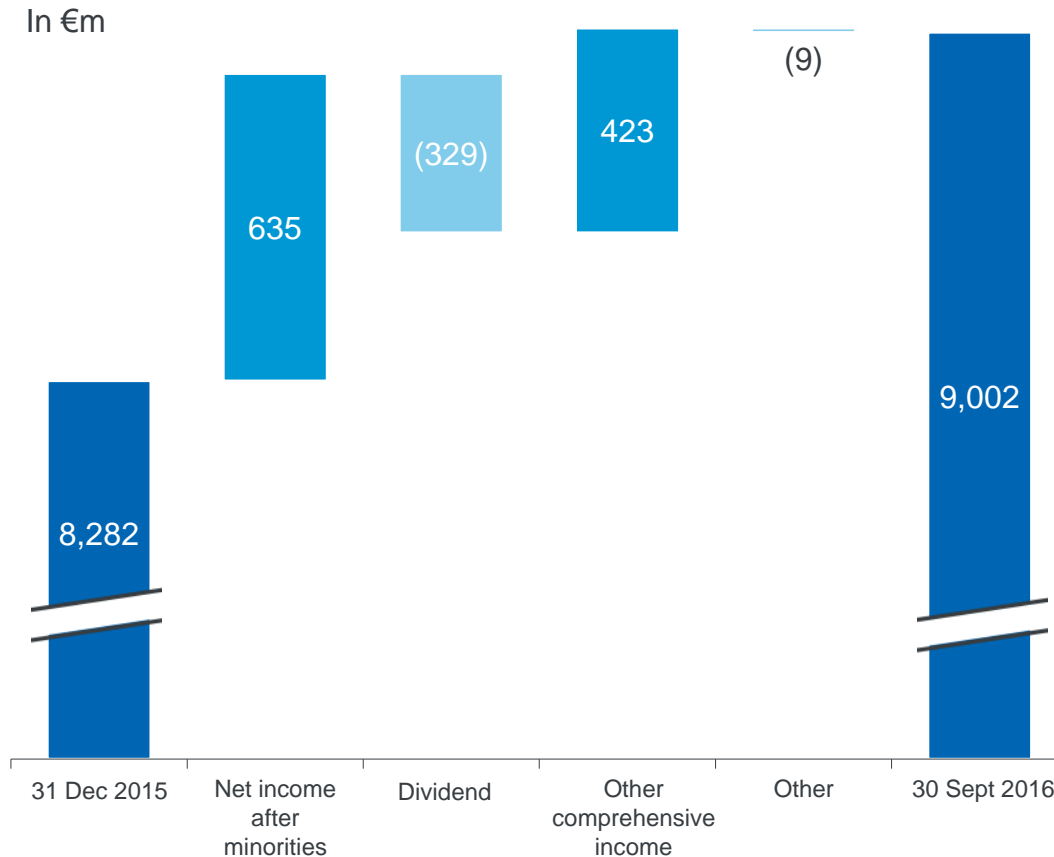
Note: Shareholder contribution estimated based on FY2015 profit sharing pattern



**Off-balance sheet reserves of ~€6.5bn – €534m (€2.11 per share) attributable to shareholders (net of policyholders, taxes & minorities)**



# Equity and capitalisation – Contribution to change in equity



## Comments

- At the end of September 2016, shareholders' equity stood at €9,002m or €35.61 per share
- This was above the level at the end of FY2015 (€8,282m or €32.76 per share) predominantly driven by the 9M 2016 Group net income and the positive OCI movement - well above the dividend payout in May 2016
- At the end of Q2 2016, the Solvency II Ratio (Regulatory View) stood at a good 172 (FY2015: 171; Q1 2016: 166) percent (HDI Group level). Based on Basic Own Funds, so taking the full internal model into account, Talanx's capitalisation was 262 (FY2015: 253; Q1 2016: 245) percent – all numbers before transitionals



**Shareholders' equity up to €9,002m or €35.61 per share**

# A Mid-term Target Matrix

| Segments   | Key figures   | Strategic targets (2015 - 2019)             |          |
|--|---|---|----------|
| <b>Group</b>                                     | Gross premium growth <sup>1</sup>                                 | 3 - 5%                                      |          |
|  | Return on equity  | ≥ 750 bps above risk free <sup>2</sup>      |          |
|  | Group net income growth   | mid single-digit percentage growth rate     |          |
|  | Dividend payout ratio   | 35 - 45%                                    |          |
|  | Return on investment  | ≥ risk free + (150 to 200) bps <sup>2</sup> |          |
| <b>Primary Insurance</b>                         | <b>Industrial Lines</b>   | Gross premium growth <sup>1</sup>           | 3 - 5%   |
|  |   | Retention rate                              | 60 - 65% |
|  | <b>Retail Germany</b>   | Gross premium growth                        | ≥ 0%     |
|  | <b>Retail International</b>                                       | Gross premium growth <sup>1</sup>           | ≥ 10%    |
|  | Combined ratio <sup>3</sup>                                       | ~ 96%                                       |          |
| EBIT margin <sup>4</sup>                         | ~ 6%  |   |          |
| <b>Non-Life Reinsurance<sup>7</sup></b>          | Gross premium growth <sup>6</sup>                                 | 3 - 5%                                      |          |
|  | Combined ratio <sup>3</sup>                                       | ≤ 96%                                       |          |
|  | EBIT margin <sup>4</sup>  | ≥ 10%                                       |          |
| <b>Life &amp; Health Reinsurance<sup>7</sup></b> | Gross premium growth <sup>1</sup>                                 | 5 - 7%                                      |          |
|  | Average value of New Business (VNB) after minorities <sup>5</sup> | > € 90m                                     |          |
|  | EBIT margin <sup>4</sup> financing and longevity business         | ≥ 2%  |          |
|  | EBIT margin <sup>4</sup> mortality and health business            | ≥ 6%  |          |

<sup>1</sup> Organic growth only; currency-neutral

<sup>2</sup> Risk-free rate is defined as the 5-year rolling average of the 10-year German government bond yield

<sup>3</sup> Talanx definition: incl. net interest income on funds withheld and contract deposits

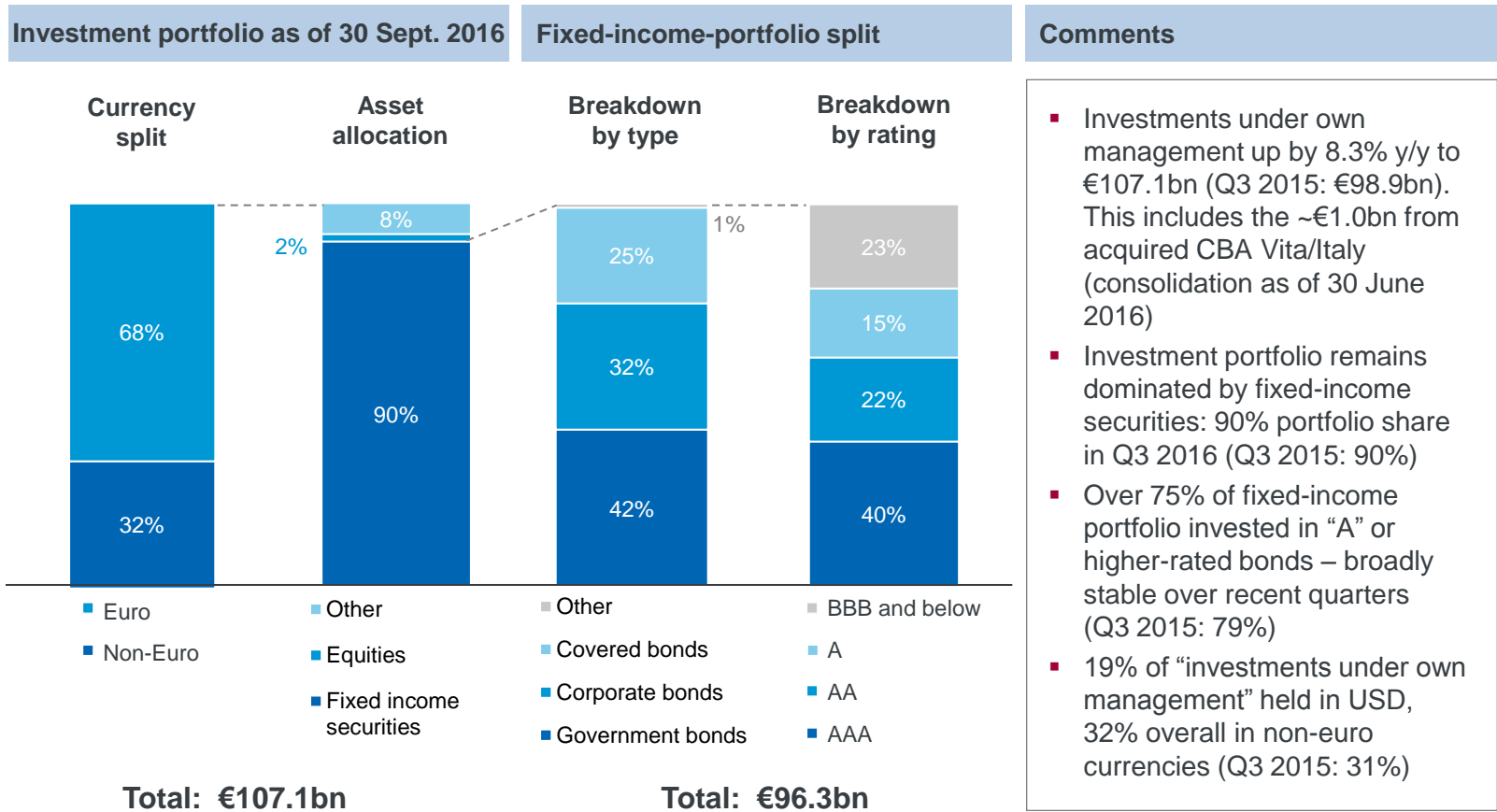
<sup>4</sup> EBIT/net premium earned, <sup>5</sup> Reflects Hannover Re target of at least €180m

<sup>6</sup> Average throughout the cycle; currency-neutral, <sup>7</sup> Targets reflect Hannover Re's targets for 2015-2017 strategy cycle

Note: growth targets are based on 2014 results. Growth rates, combined ratios and EBIT margins are average annual targets



# 9M 2016 Additional Information – Breakdown of investment portfolio



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

## Q3 2016 Additional Information – Details on selected fixed income country exposure

### Investments into issuers from countries with a rating below A-<sup>1</sup> (in €m)

| Country  | Rating | Sovereign    | Semi-Sovereign | Financial    | Corporate    | Covered    | Other      | Total        |
|--|--------|--------------|----------------|--------------|--------------|------------|------------|--------------|
| Italy  | BBB    | 2,231        | -              | 839          | 644          | 327        | -          | 4,041        |
| Spain  | BBB+   | 800          | 446            | 283          | 451          | 335        | -          | 2,316        |
| Brazil   | BB     | 227          | -              | 95           | 330          | -          | 9          | 661          |
| Mexico   | BBB+   | 100          | 6              | 34           | 286          | -          | -          | 426          |
| Hungary  | BB+    | 386          | -              | 3            | 8            | 7          | -          | 404          |
| Russia   | BB+    | 103          | 5              | 95           | 152          | -          | -          | 354          |
| South Africa                                   | BBB-   | 172          | 7              | 14           | 49           | -          | 7          | 249          |
| Portugal                                       | BB+    | 34           | -              | 3            | 61           | 17         | -          | 115          |
| Turkey   | BBB-   | 23           | 5              | 25           | 22           | 3          | -          | 79           |
| Greece   | CCC    | -            | -              | -            | -            | -          | -          | -            |
| Other BBB+                                     |        | 46           | 5              | 59           | 78           | 3          | -          | 191          |
| Other BBB                                      |        | 81           | 42             | 49           | 46           | -          | -          | 217          |
| Other <BBB                                     |        | 126          | 17             | 77           | 140          | 3          | 320        | 678          |
| <b>Total</b>                                   |        | <b>4,329</b> | <b>534</b>     | <b>1,575</b> | <b>2,270</b> | <b>688</b> | <b>336</b> | <b>9,732</b> |
| In % of total investments under own management |        | 4.0%         | 0.5%           | 1.5%         | 2.1%         | 0.6%       | 0.3%       | 9.1%         |
| In % of total Group assets                     |        | 2.7%         | 0.3%           | 1.0%         | 1.4%         | 0.4%       | 0.2%       | 6.1%         |

<sup>1</sup> Investment under own management

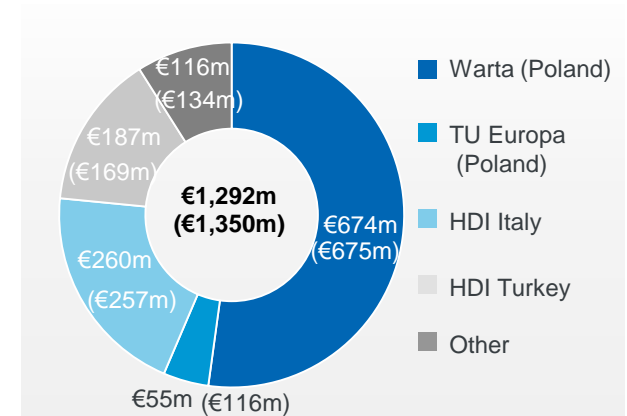


# Retail International Europe: Key financials

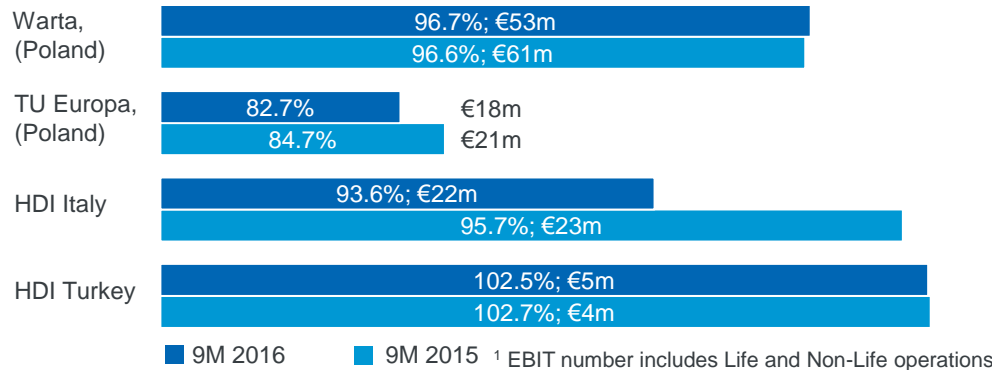
## P&L for Retail International Europe

| €m, IFRS                       | 9M 2016      | 9M 2015      | Δ           | Q3 2016    | Q3 2015    | Δ          |
|--------------------------------|--------------|--------------|-------------|------------|------------|------------|
| <b>Gross written premium</b>   | <b>2,571</b> | <b>2,307</b> | <b>12%</b>  | <b>773</b> | <b>662</b> | <b>17%</b> |
| Net premium earned             | 2,136        | 1,825        | 17%         | 664        | 549        | 21%        |
| Net underwriting result        | (10)         | (28)         | n/m         | 8          | 18         | (56%)      |
| Net investment income          | 173          | 182          | (5%)        | 65         | 60         | 9%         |
| <b>Operating result (EBIT)</b> | <b>118</b>   | <b>129</b>   | <b>(9%)</b> | <b>42</b>  | <b>39</b>  | <b>8%</b>  |

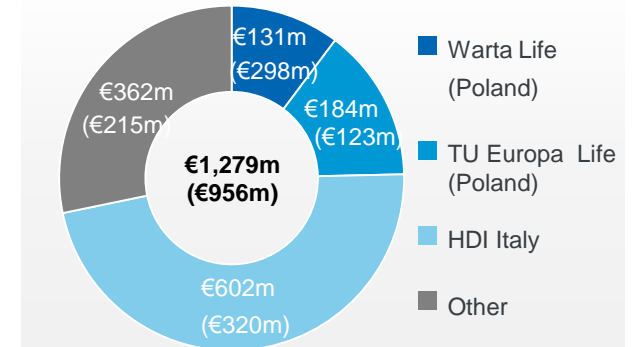
## GWP split by carriers (P/C), 9M 2016



## Combined ratio and EBIT<sup>1</sup> by selected carrier, 9M 2016



## GWP split by carriers (Life), 9M 2016



**EBIT impacted by asset tax in Poland and lower investment income**

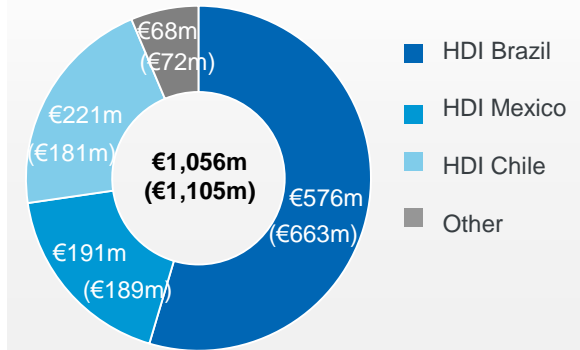


# Retail International LatAm: Key financials

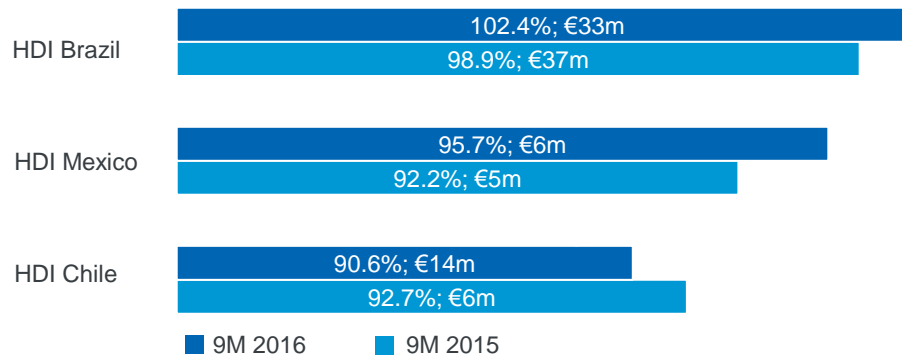
## P&L for Retail International LatAm

| €m, IFRS                | 9M 2016 | 9M 2015 | Δ     | Q3 2016 | Q3 2015 | Δ      |
|-------------------------|---------|---------|-------|---------|---------|--------|
| Gross written premium   | 1,078   | 1,130   | (5%)  | 402     | 400     | 1%     |
| Net premium earned      | 961     | 926     | 4%    | 336     | 302     | 11%    |
| Net underwriting result | 6       | 30      | (81%) | (2)     | 1       | (377%) |
| Net investment income   | 73      | 69      | 5%    | 27      | 23      | 14%    |
| Operating result (EBIT) | 53      | 52      | 2%    | 20      | 10      | 100%   |

## GWP split by carriers (P/C)

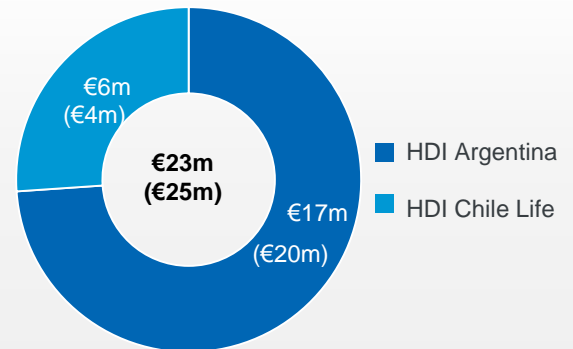


## Combined ratio and EBIT<sup>1</sup> by selected carrier



<sup>1</sup> EBIT number includes Life and Non-Life operations

## GWP split by carriers (Life)



**EBIT negatively impacted by currency depreciation in a number of Latin American markets**

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