



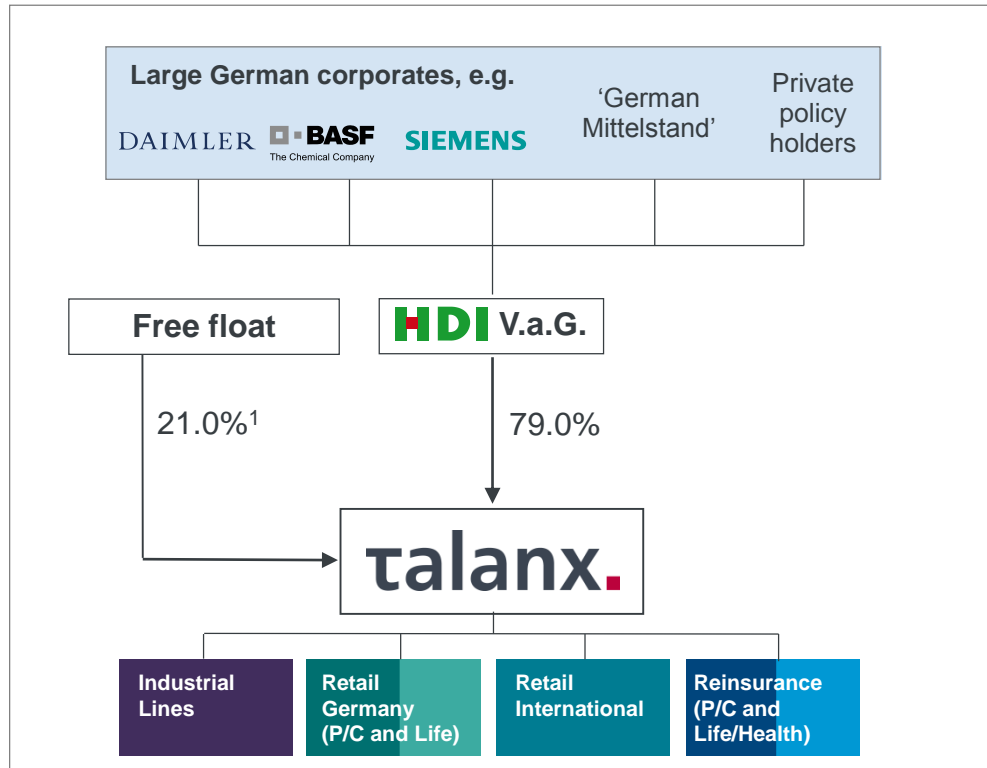
**talanx.**  
Insurance. Investments.

## Roadshow Vienna

Marcus Sander, CFA, Senior Investor Relations Manager  
6 September 2017

# Founded as a lead insurer by German corporates

## Group structure



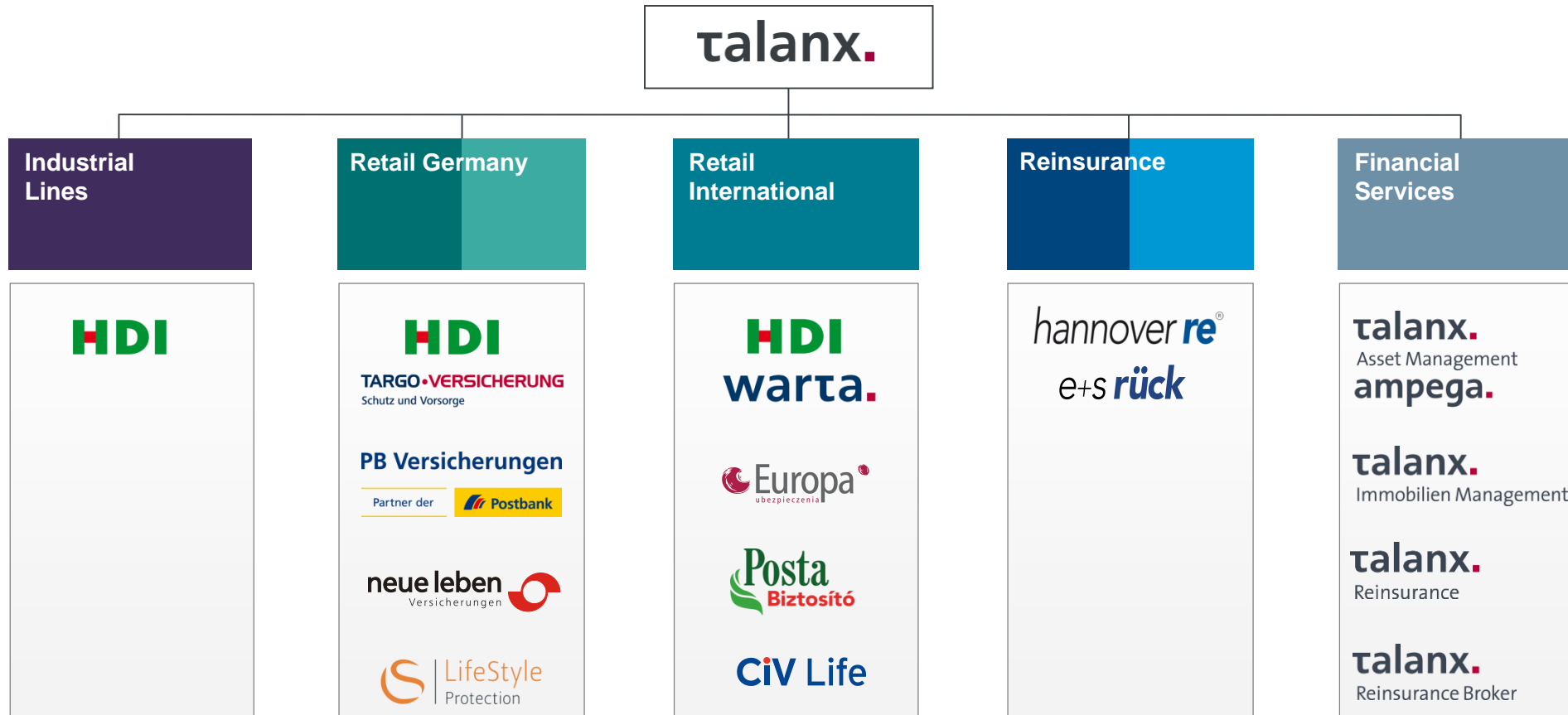
<sup>1</sup> Including employee shares and stake of Meiji Yasuda (below 5%)

## 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 Rückversicherungs-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**

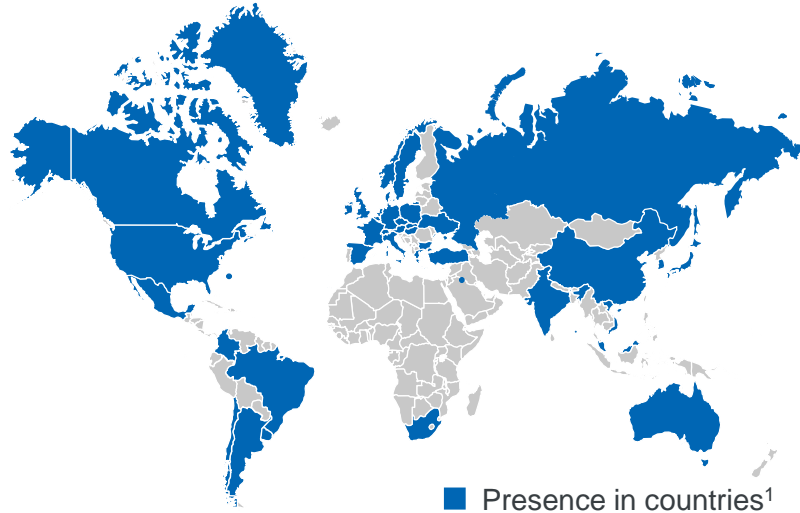
# Four divisions with a strong portfolio of brands



▶ Integrated international insurance group following a multi-brand approach

# International footprint and focussed growth strategy

## International presence



- Total GWP: €31.1bn (2016)
- 2016 GWP: 50% in Primary Insurance (2015: 49%), 50% in Reinsurance (2015: 51%)
- Group wide presence in >150 countries
- 20,039 employees (FTE) in 2016

## 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 motor insurer in Poland<sup>2</sup>
- # 5 motor insurer in Brazil<sup>2</sup>
- # 3 motor insurer in Chile<sup>2</sup>
- # 7 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

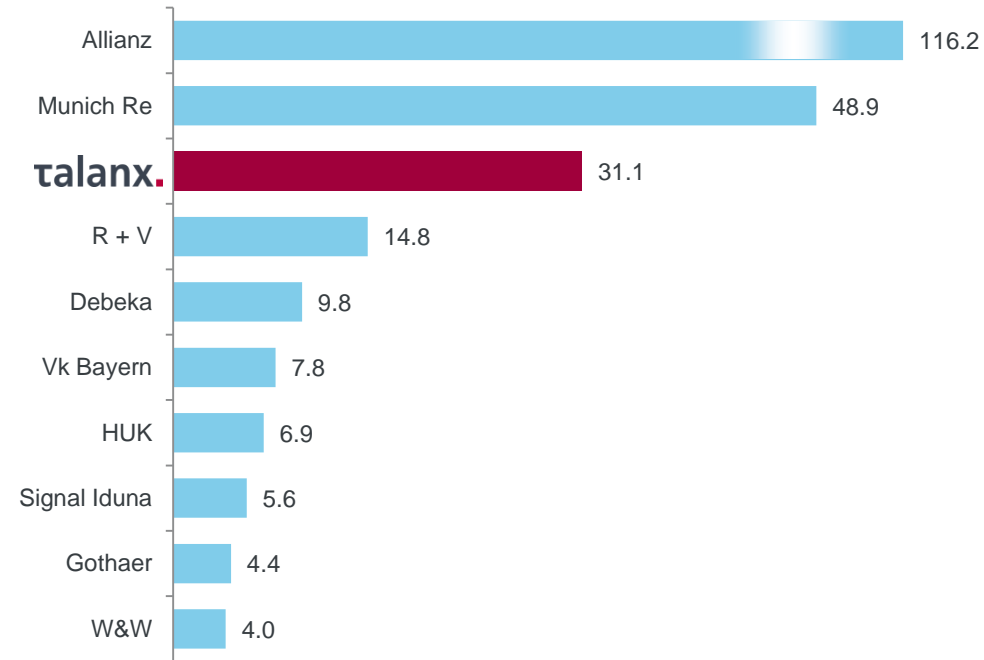
<sup>2</sup> Source: local regulatory authorities, Talanx AG

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

# Among the leading European insurance groups

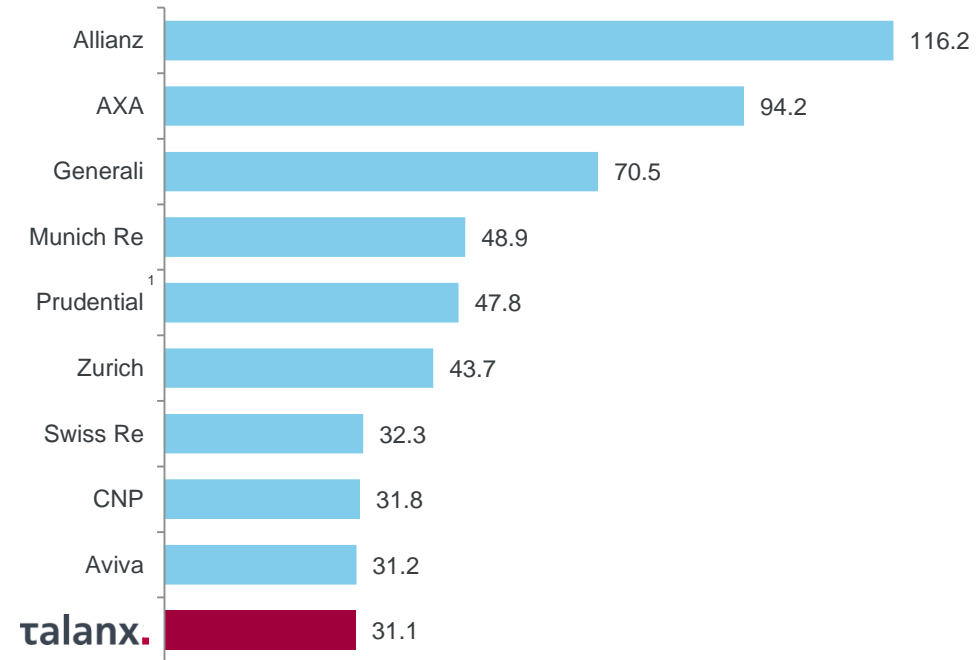
## Top 10 German insurers

German insurers by global GWP (2016, €bn)



## Top 10 European insurers

European insurers by global GWP (2016, €bn)

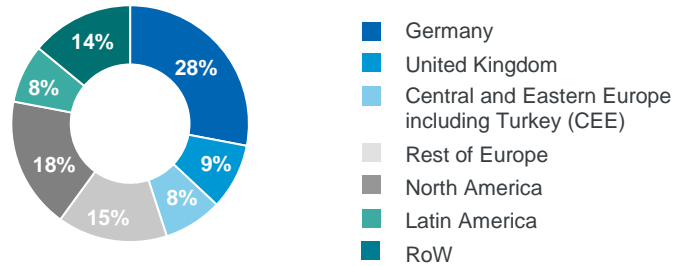


1 Gross earned premium  
Source: Company publications

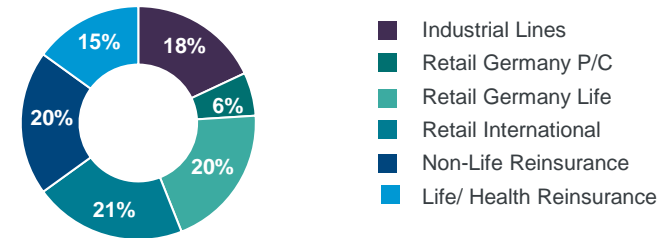
**▶ Third-largest German insurance group with leading position in Europe**

# Regional and segmental split of GWP and EBIT

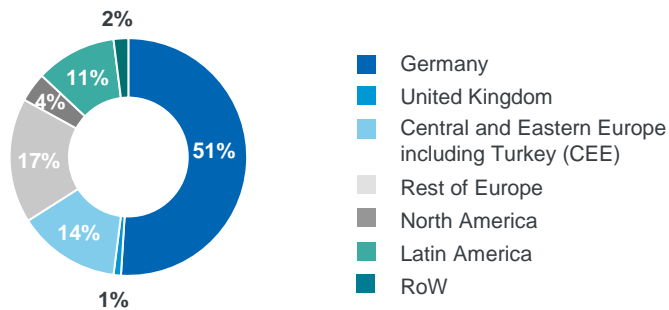
**GWP by regions 2016 (consolidated Group level)**



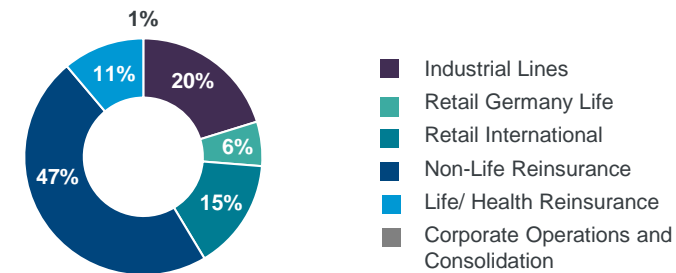
**GWP by segments 2016<sup>1</sup>**



**GWP by regions 2016 (Primary Insurance)**



**EBIT by segments 2016<sup>1,2</sup>**

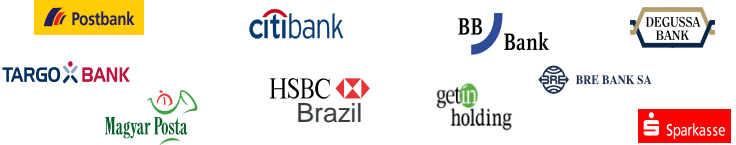










1 Adjusted for the 50.2% stake in Hannover Re

2 Calculation excludes Retail Germany P/C, which reported a negative EBIT of €2m

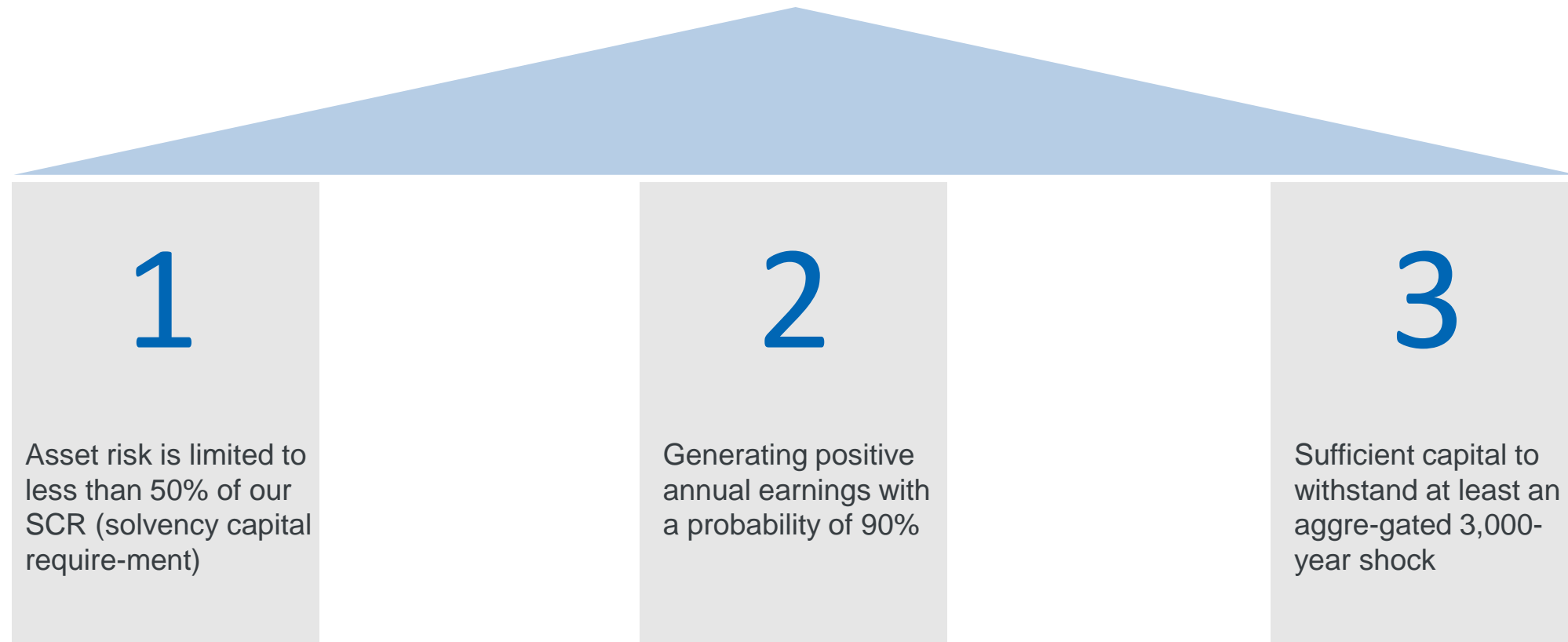
**Well-diversified sources of premium and EBIT generation**

# B2B competence as a key differentiator

| Strategic focus on B2B and B2B2C   | Excellence in distribution channels <sup>1</sup>   |  |  |
|--|--|--|--|
| <p><b>Industrial Lines</b></p> <ul style="list-style-type: none"> <li>Core focus on corporate clients with relationships often for decades</li> <li>Blue-chip client base in Europe</li> <li>Capability and capacity to lead international programs</li> </ul> | <p><b>Bancassurance</b></p>   |  |  |
| <p><b>Retail Germany</b></p> <ul style="list-style-type: none"> <li>Market leader in Bancassurance</li> <li>Market leader in employee affinity business</li> </ul>   | <p><b>Automotive</b></p>    |  |  |
| <p><b>Retail International</b></p> <ul style="list-style-type: none"> <li>~35% of segment GWP generated by Bancassurance</li> <li>Distribution focus on banks, brokers and independent agents</li> </ul>   | <p><b>Brokers</b></p> <table border="0"> <tr> <td data-bbox="1421 775 1719 925"> <p><b>Retail</b></p>  </td> <td data-bbox="1732 775 2153 925"> <p><b>Industrial/Reinsurance</b></p>  </td> </tr> </table> | <p><b>Retail</b></p>  | <p><b>Industrial/Reinsurance</b></p>  |
| <p><b>Retail</b></p>    | <p><b>Industrial/Reinsurance</b></p>    |  |  |
| <p><b>Reinsurance</b></p> <ul style="list-style-type: none"> <li>Typically non-German business generated via brokers</li> </ul>  | <p><b>Employee affinity business</b></p>   |  |  |
| <p><b>Unique strategy with clear focus on B2B business models</b></p>  |  |  |  |
| <p><b>Superior service of corporate relationships lies at heart of our value proposition</b></p>   |  |  |  |

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

## Key Pillars of our risk management

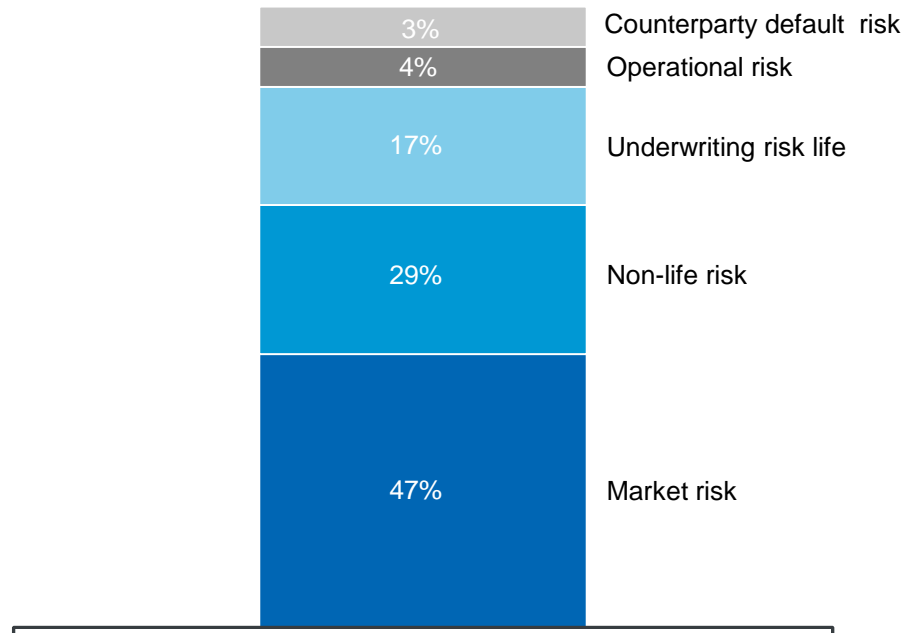




# 1

## Focus on insurance risk

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



### Comments

- Total market risk stands at 47% 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, NatCat and counterparty default risk
- Equities ~2% of investments under own management
- Over 75% 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 FY2016

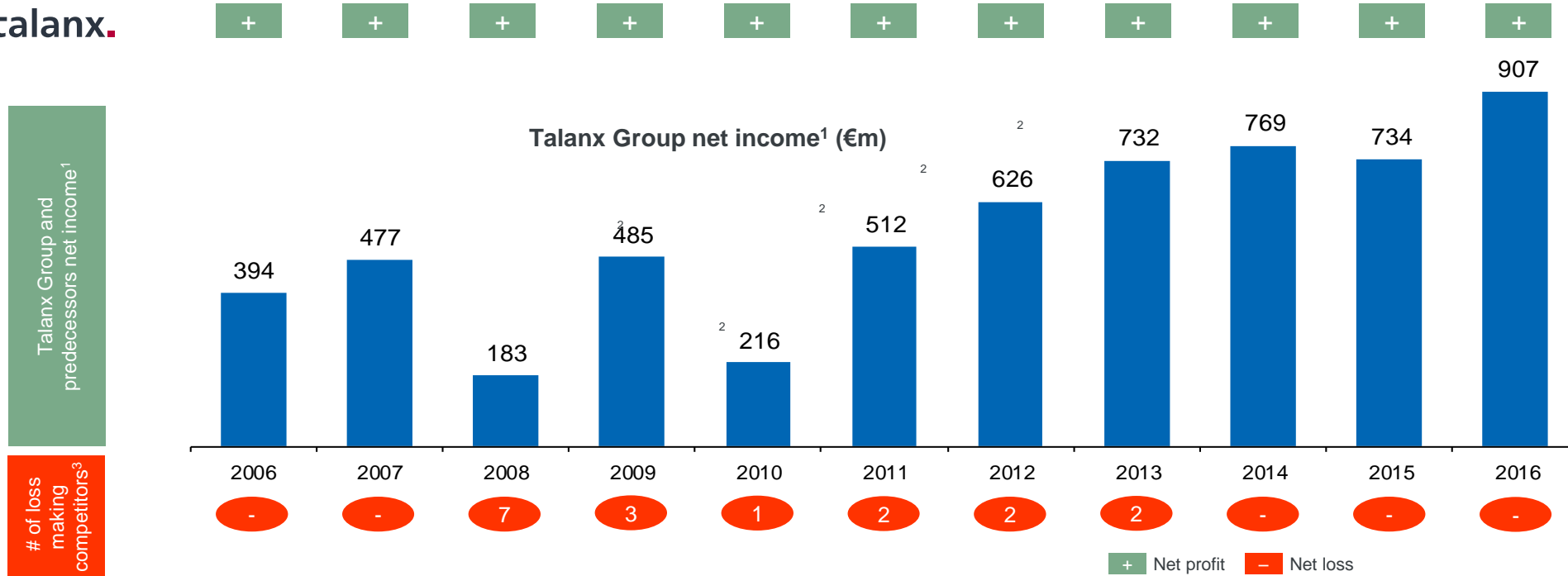
**▶ Market risk sensitivity (limited to less than 50% of solvency capital requirement) is deliberately low**

# 2

## Diversification of business model leads to earnings resilience

### Talanx Group net income

**talanx.**



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

2 Adjusted on the basis of IAS 8

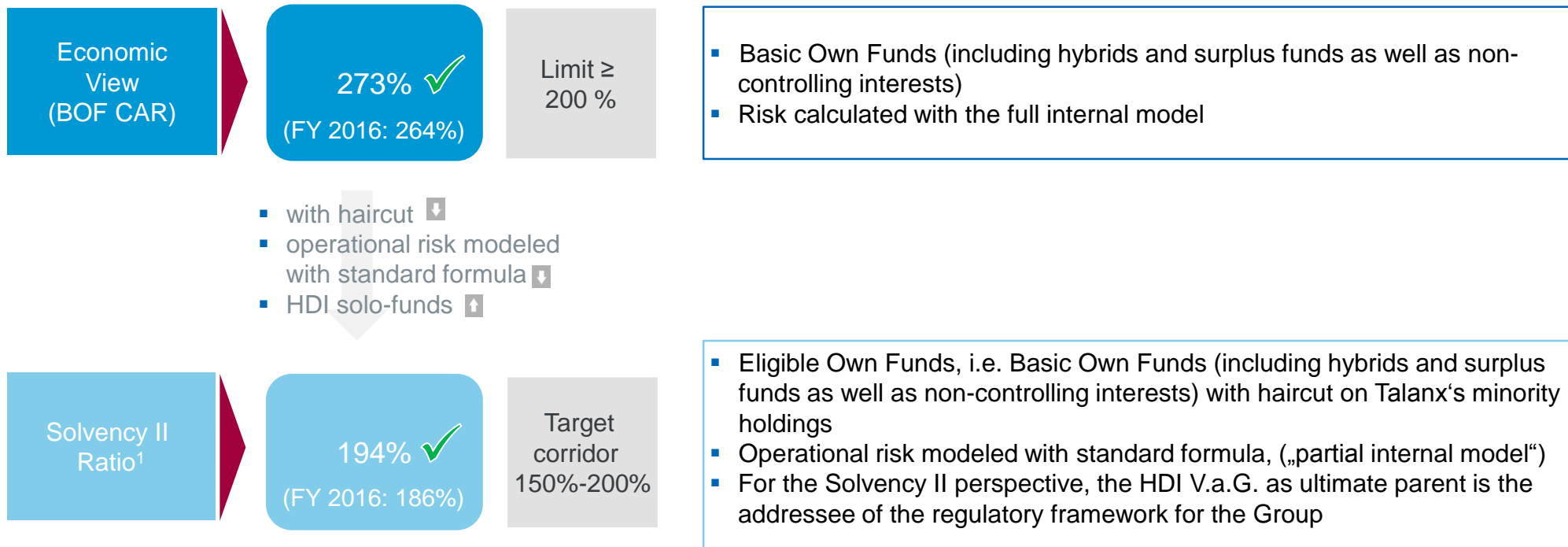
3 Top 20 European peers, each year measured by GWP; on group level; IFRS standards

Source: Bloomberg, annual reports

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

# 3

## TERM Q1 2017 results – Capitalisation perspectives

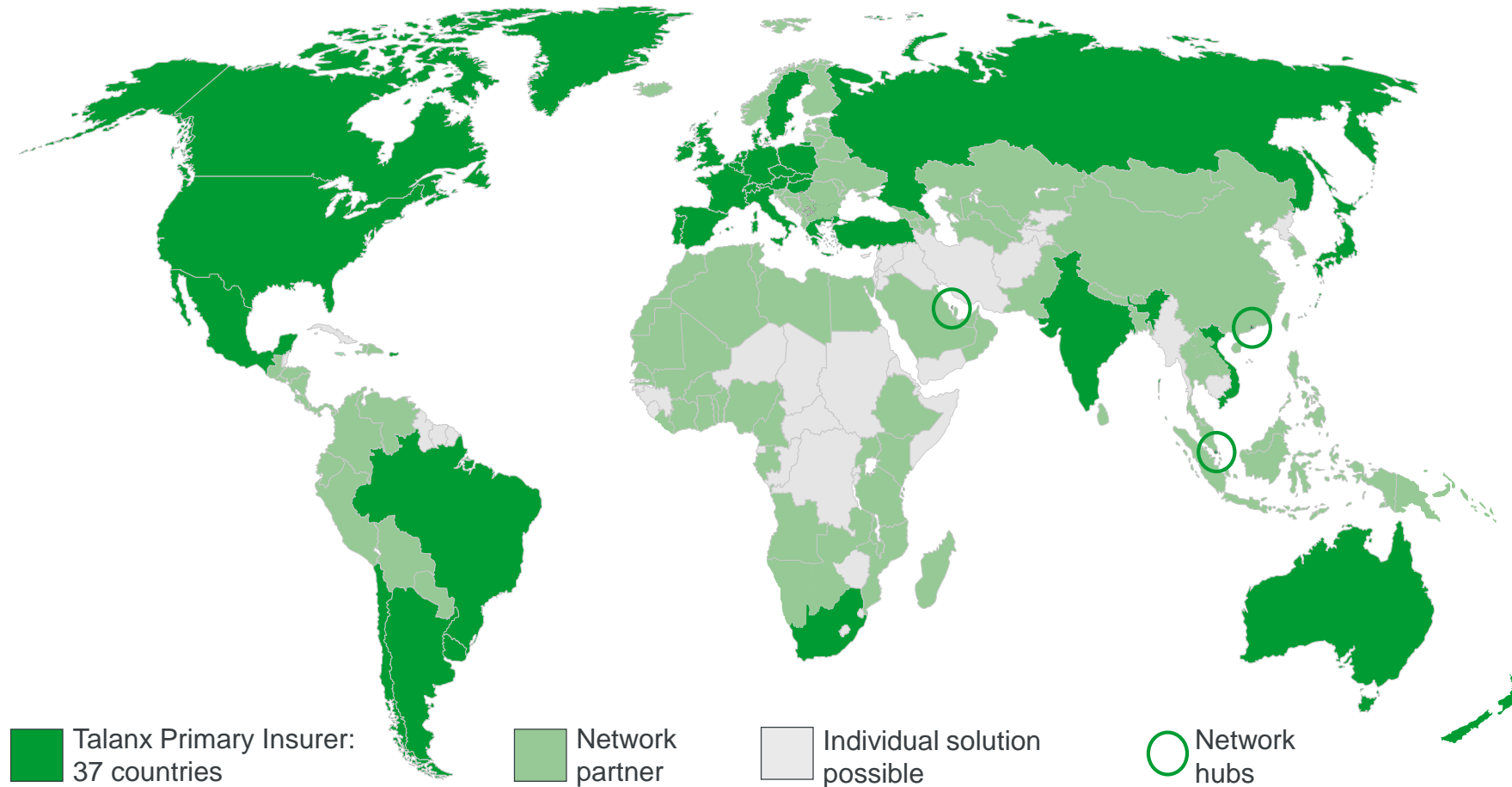


<sup>1</sup>Group Solvency II Ratios including transitional (i.e. Regulatory View): FY2016: 236%, FY2015: 224%

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 – if not explicitly stated differently

**▶ Capital ratios improved despite a continuing low level of interest rates**

## Industrial Lines – International programmes as competitive edge



# Industrial Lines – An impressive long-standing client franchise

## Overview of selected key customers by customer segment

### German mid-market (SMEs)



### German corporates (multinationals)



### International corporates (multinationals)



▶ Well-established relationships with main players in targeted segments

# Industrial Lines – Three initiatives to optimise performance

## Strategic 3-element-programme

1

“Balanced Book” – raising profitability in our domestic market

2

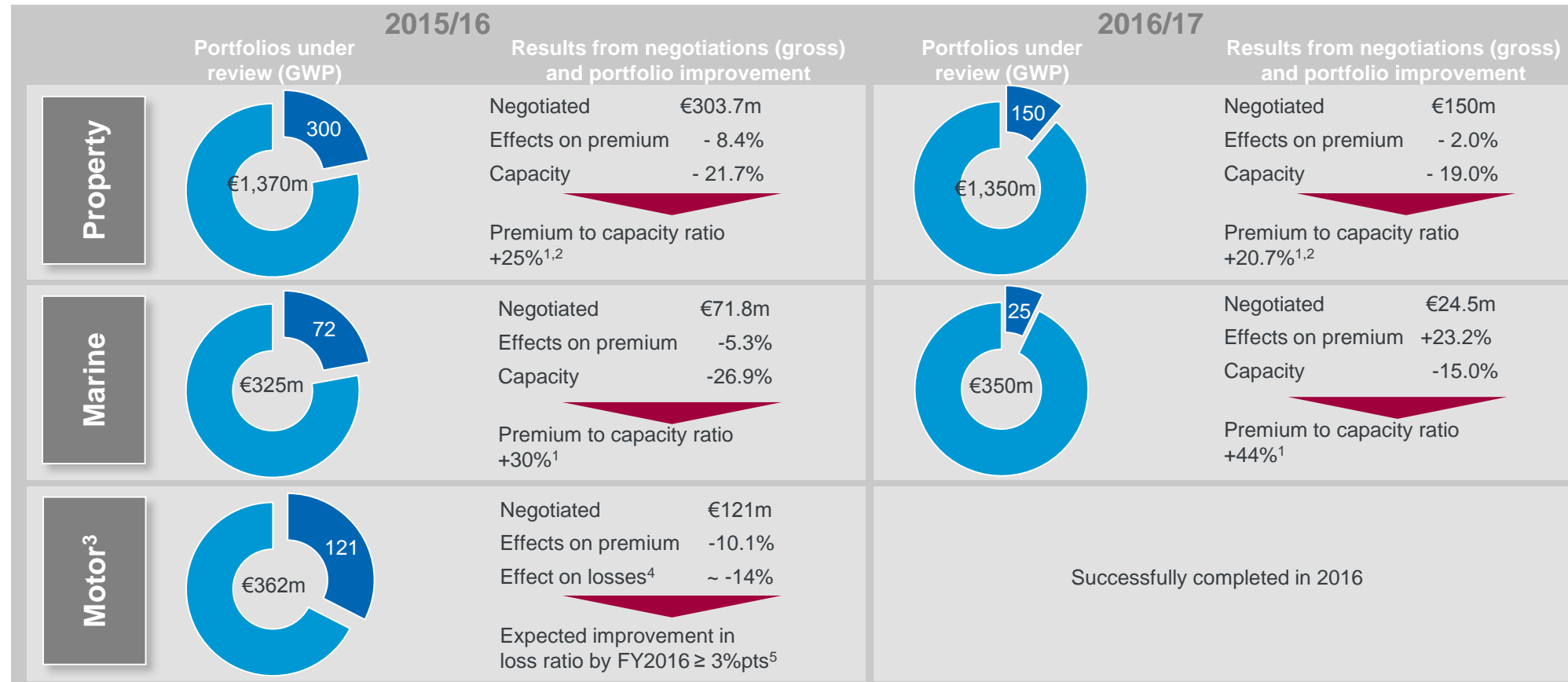
Generating profitable growth in foreign markets

3

Establishing best-in-class efficiency and processes



# Industrial Lines – Profitabilisation measures in Germany



1 For portfolio under review

3 German business only

5 Assuming constant claims statistic; FY2015 loss ratio: 84.4% (gross)

2 Including effect of additional specific reinsurance measures

4 Expected, in terms of loss volume

■ Premium negotiated

# 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

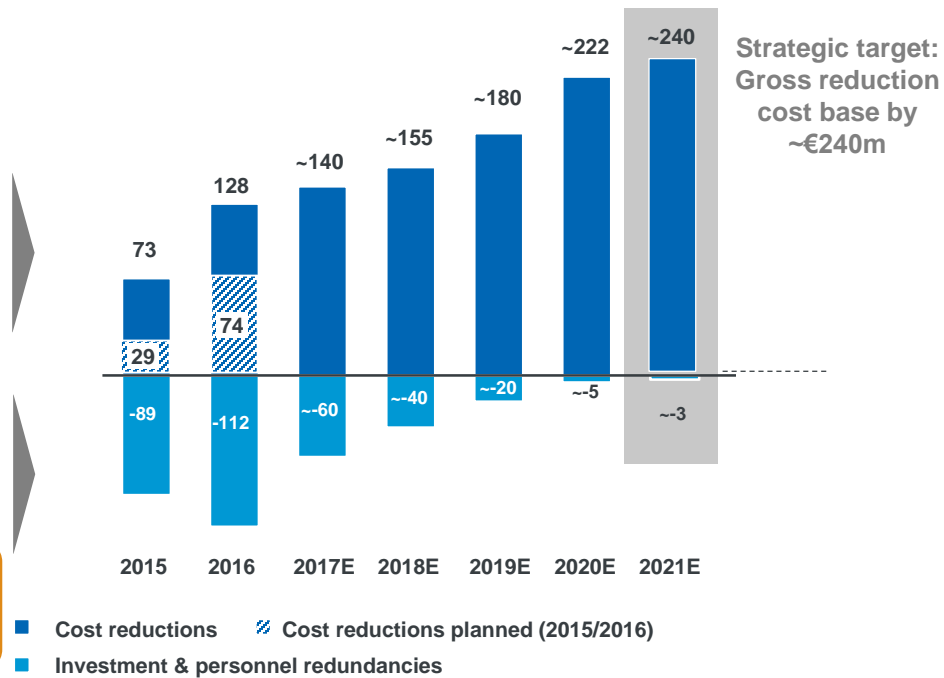
in €m



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

**~€330m**  
Investment

Targeted strategic investments comprise overall ~€420m, including already communicated ~€90m for Voyager4Life



## Comments

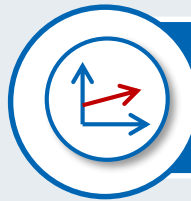
- Targeted strategic investments for KuRS are expected to be ~€330m
- The related cost saving target is ~€240m p.a.
- Both numbers refer to Life and P/C business in sum
- Target is to implement all initiatives in full by the end of 2020 with the full cost benefit to be reached in 2021

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

**Strategic investments target at restructuring HDI (catching up with market) and optimising BA (strengthening excellent market positions)**

# Retail Germany – KuRS programme: Strategic approach P/C

## P/C



### Selective growth

- Growth within target segment corporate business in 2016:
  - New business in total grew about +44% y/y
  - thereof exclusive distribution (incl. direct sales) + 26%
  - thereof third-party distribution + 77%
- 50k new motor policies via direct sales in 2016




### Modernisation IT & processes

- Implementation of a new inventory management system in Motor within one year
- By the help of the new system, a straight-through processing rate of more than 80% in the motor year-end business has been achieved
- The migration of Motor legacy systems is planned until the beginning of 2019



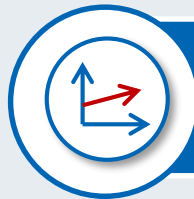
### Digitalisation

- Successful implementation of a claims app with more than 13k settled damages within one year (the app has been installed in April 2016)
- HDI – together with cooperation partners – offers innovative telematics services via the app “TankTaler”; nearly 3k customers have already registered

 Strong base for the ongoing turnaround

# Retail Germany – KuRS programme: Strategic approach Life

## Life



### New business

- Strong growth in biometric products<sup>1</sup> of more than 11% in 2016 (~ €200m<sup>2</sup>)
- Successful launch of new capital-efficient products in all carriers
- Strategy-conform reduction of single-premium business by around 12.5% compared to 2015 for the Retail Germany Life carriers



### Solvency II

- Approval of the internal model for all four German Life carriers



### Digitalisation

- Digitalisation of bAV services (pension scheme business) has been further boosted, with 62k active contracts until May 2017
- Service apps have been introduced for all bancassurance companies until the end of 2016 (e.g. *SmartCapture@BA*)

<sup>1</sup> includes the following products: term life insurance, funeral expense insurance, disability insurance, nursing care insurance, credit life insurance

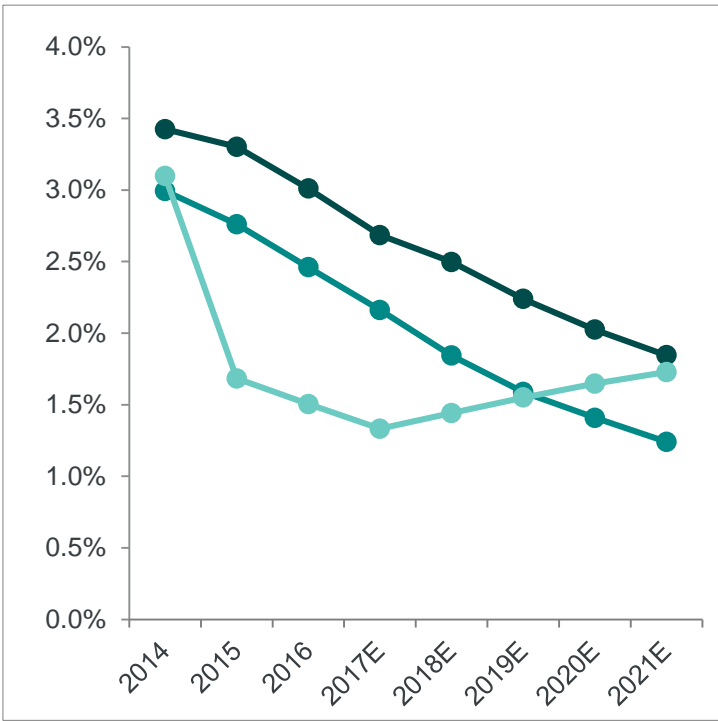
<sup>2</sup> in terms of total premiums paid



**Key measures taken to allow for a successful performance in the low-interest environment**

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

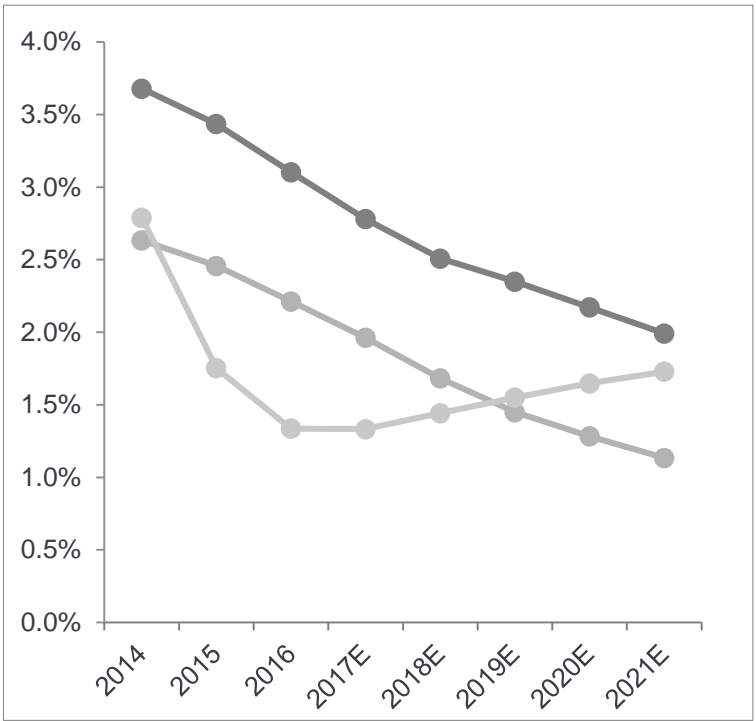
## HDI Life



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

All numbers refer to German GAAP (HGB)

## Bancassurance



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

## Comments

- The implicit market expectation for 20-year AAA euro government bonds plus 50 bps is taken as the assumed reinvestment yield for 2017 - 2021 in the two diagrams - e.g. 1.33% for 2017
- The fixed-income reinvestment yield in 2016 was higher at 1.34% for Bancassurance and at 1.50% 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: FY2016 overview

% = market share 2016 in %

## Brazil

|                             |        |             |                |
|-----------------------------|--------|-------------|----------------|
| GWP growth (local currency) | +1.3%  | Motor: 8.8% | Non-Life: 4.6% |
| Combined ratio              | 101.6% | -0.4%pts    |                |
| EBIT (€)                    | 12.5m  | -24.7%      |                |

## Poland

|                             |        |              |                 |
|-----------------------------|--------|--------------|-----------------|
| GWP growth (local currency) | +23.4% | Motor: 14.8% | Non-Life: 12.8% |
| o/w Life                    | +9.7%  |              |                 |
| o/w Non-Life                | +29.5% |              |                 |
| Combined ratio <sup>2</sup> | 96.2%  | +0.4%pts     |                 |
| EBIT (€)                    | 56.0m  | +8.9%        |                 |
| o/w Life                    | 5.6m   | +14.2%       |                 |
| o/w Non-Life                | 50.4m  | +8.3%        |                 |

## Mexico

|                             |        |             |                |
|-----------------------------|--------|-------------|----------------|
| GWP growth (local currency) | +37.9% | Motor: 4.9% | Non-Life: 2.2% |
| Combined ratio              | 94.8%  | +0.9%pts    |                |
| EBIT (€)                    | 4.9m   | -7.2%       |                |

## Turkey

|                             |        |             |                |
|-----------------------------|--------|-------------|----------------|
| GWP growth (local currency) | +28.2% | Motor: 2.7% | Non-Life: 2.5% |
| Combined ratio              | 101.9% | -0.6%pts    |                |
| EBIT (€)                    | 2.8m   | -5.3%       |                |

## Chile<sup>1</sup>

|                             |       |              |                 |
|-----------------------------|-------|--------------|-----------------|
| GWP growth (local currency) | +7.1% | Motor: 17.5% | Non-Life: 10.1% |
| Combined ratio              | 90.7% | -0.1%pts     |                 |
| EBIT (€)                    | 11.3m | +0.8%        |                 |

<sup>1</sup> Includes all entities of HDI Chile Group operating in the Chilean market; Magallanes integrated in February 2015

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

Note: Market shares based on regional supervisory authorities or insurance associations (Polish KNF, Turkish TSB, Brazilian Siscorp, Mexican AMIS, Chilean AACH)

**▶ 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”

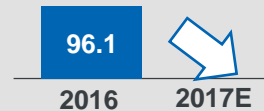
Combined Ratio in %:



## Poland (Warta)

- Innovation in pricing („Big Data“)
- Data driven claims handling
- 360° sales management

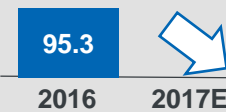
Combined Ratio in %:



## Mexico

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

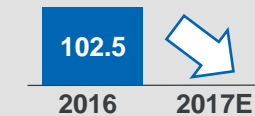
Combined Ratio in %:



## Turkey

- Focus on non-motor, pro-active risk selection in motor own damage
- Cost management in claims handling
- Offer “best in class” IT processes

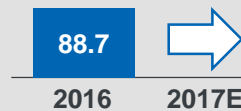
Combined Ratio in %:



## Chile

- Increase direct online sales
- Focus on customer service
- Increase sales through mid-sized brokers

Combined Ratio in %:



1 Magallanes integrated in February 2015

▶ Strategic initiatives as key drivers of combined ratio improvement – supported by transfer of best practices

# Challenges & Opportunities – Digitalisation

## Pursuing and implementing a stringent innovation and digitalisation strategy



▶ In-house expertise – partner of leading global accelerators – group-internal know-how transfer



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

|                       |   |                        |
|-----------------------|---|------------------------|
| Gross written premium | ▶ | >4%                    |
| Return on investment  | ▶ | ≥3.0%                  |
| Group net income      | ▶ | ~850<br>EURm           |
| Return on equity      | ▶ | ~9.0%                  |
| Dividend payout ratio | ▶ | 35-45%<br>target range |

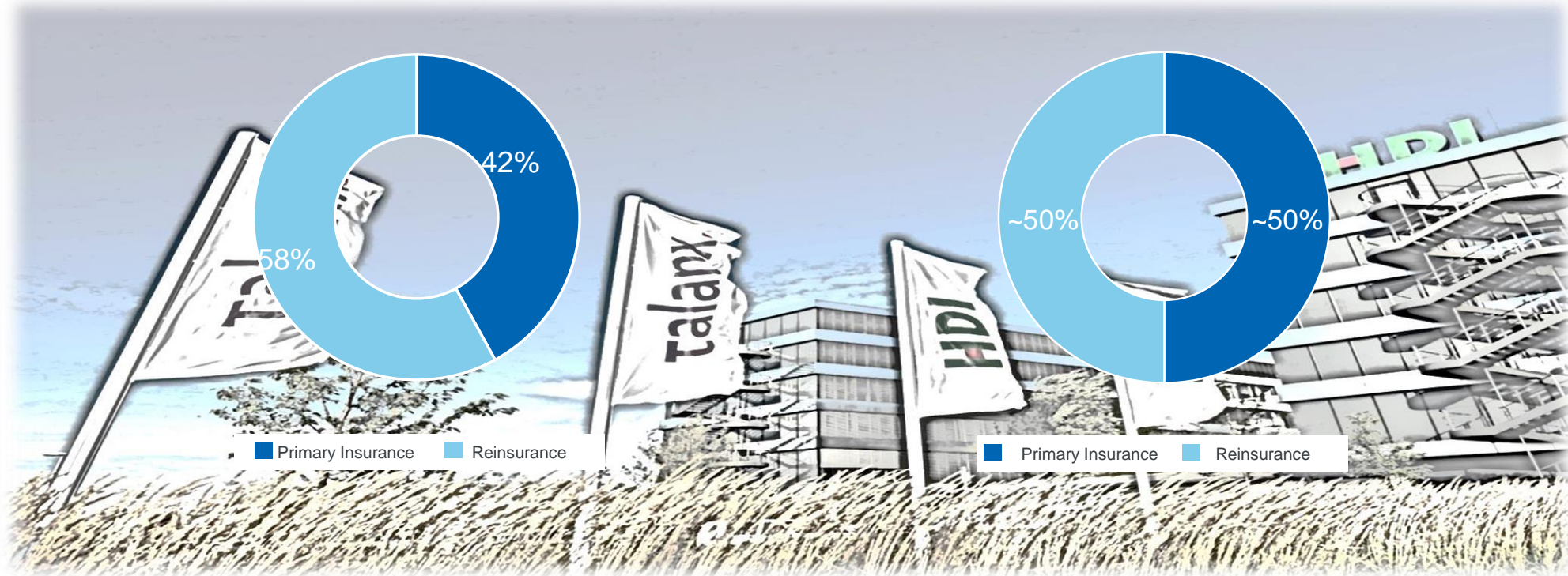
**Please note:**  
Targets are subject to no large losses exceeding budget (**cat**), no turbulences on capital markets (**capital**), and no material currency fluctuations (**currency**)

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

# Management ambition – Earnings balance Primary Insurance vs. Reinsurance

EBIT 2016<sup>1</sup>

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

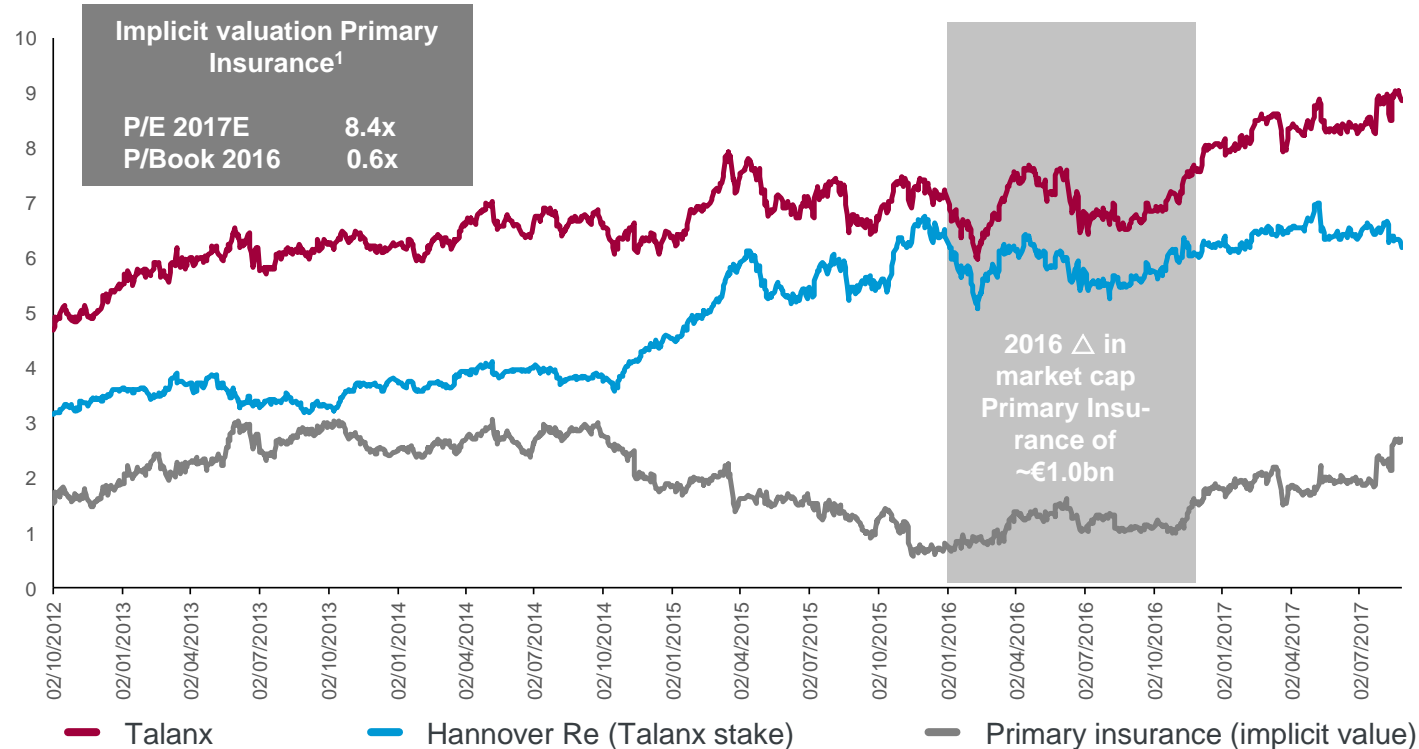


<sup>1</sup> Adjusted for the 50.2% stake in Hannover Re

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

# Management ambition – Reducing the valuation discount on Primary Insurance

## Implicit valuation Primary Insurance in €bn



## Key measures

### Industrial Lines

- optimisation of domestic portfolios
- pushing profitable foreign growth
- process excellence

### Retail International

- continuing focused profitable growth

### Retail Germany

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

### Corporate Operations / Holding

- further cost reductions
- strict capital discipline

<sup>1</sup> In this analysis, Primary insurance also contains Corporate Operations and Consolidation. Share prices as of 17 August 2017  
Note: Calculated as of 17 August 2017

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

## 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

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

# Mid-term target matrix & current status

| Segments   | Key figures   | Strategic targets (2015 - 2019)             | 2016                              | 2015/2016 <sup>8</sup> |         |      |
|--|---|---|-----------------------------------|------------------------|---------|------|
| <b>Group</b>                                     | Gross premium growth <sup>1</sup>                                 | 3 - 5%                                      | (0.3%)                            | 2.2%                   |         |      |
|  | Return on equity  | ≥ 750 bps above risk free <sup>2</sup>      | 10.4% [≥8.4%] ✓                   | 9.7% [≥8.6%] ✓         |         |      |
|  | Group net income growth   | mid single-digit percentage growth rate     | 23.6% ✓                           | 9.5% ✓                 |         |      |
|  | Dividend payout ratio   | 35 - 45%                                    | 37.6% ✓                           | 41.2% ✓                |         |      |
|  | Return on investment  | ≥ risk free + (150 to 200) bps <sup>2</sup> | 3.6% [≥2.4 - 2.9%] ✓              | 3.6% [≥2.6 - 3.1%] ✓   |         |      |
| <b>Primary Insurance</b>                         | <b>Industrial Lines</b>   | Gross premium growth <sup>1</sup>           | 3 - 5%                            | (0.1%)                 | 1.2%    |      |
|  |   | Retention rate                              | 60 - 65%                          | 53.4%                  | 52.6%   |      |
|  | <b>Retail Germany</b>   | Gross premium growth <sup>1</sup>           | ≥ 0%                              | (5.7%)                 | (4.5%)  |      |
|  |   | <b>Retail International</b>                 | Gross premium growth <sup>1</sup> | ≥ 10%                  | 10.2% ✓ | 8.4% |
|  |   |   | Combined ratio <sup>3</sup>       | ~ 96%                  | 98.1%   | -    |
| EBIT margin <sup>4</sup>                         | ~ 6%  | 5.3% ✓                                      | 4.5%                              |                        |         |      |
| <b>P/C Reinsurance<sup>7</sup></b>               | Gross premium growth <sup>6</sup>                                 | 3 - 5%                                      | (0.2%)                            | 4.1% ✓                 |         |      |
|  | Combined ratio <sup>3</sup>                                       | ≤ 96%                                       | 93.7% ✓                           | -                      |         |      |
|  | EBIT margin <sup>4</sup>  | ≥ 10%                                       | 17.2% ✓                           | 17.2% ✓                |         |      |
| <b>Life &amp; Health Reinsurance<sup>7</sup></b> | Gross premium growth <sup>1</sup>                                 | 5 - 7%                                      | (4.3%)                            | 2.5%                   |         |      |
|  | Average value of New Business (VNB) after minorities <sup>5</sup> | ≥ EUR 110m                                  | EUR 448m ✓                        | EUR 361m ✓             |         |      |
|  | EBIT margin <sup>4</sup> financing and longevity business         | ≥ 2%  | 9.4% ✓                            | 10.2% ✓                |         |      |
|  | EBIT margin <sup>4</sup> mortality and health business            | ≥ 6%  | 3.4%                              | 3.5%                   |         |      |

<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 EUR 220m; <sup>6</sup> Average throughout the cycle; currency-neutral; <sup>7</sup> Targets reflect Hannover Re's targets for 2015-2017 strategy cycle; <sup>8</sup> Growth rates calculated as 2014 - 2016 CAGR; otherwise arithmetic mean; Note: growth targets are based on 2014 results. Growth rates, CoR and EBIT margins are average annual targets

- 6M 2017 -

## Key essentials:

# 6M 2017 results significantly up triggering the increase in FY Outlook

6M 2017 Group net income up 15% y/y to EUR 463m – all divisions contributing to this improvement

The Group's combined ratio largely stable at 97.0% (6M 2016: 96.8%). Large losses in Primary Insurance as well as in Reinsurance below the previous year's level and within their respective large loss budgets

Retail Germany P/C business growth has picked up - combined ratio, also when adjusted for KuRS effects, further down

Shareholders' equity stood at EUR 8,968, or EUR 35.48 per share at the end of Q2 2017. Strong RoE at 10.3% (FY2016: 10.4%), driven by the double-digit RoEs in Reinsurance and in Industrial Lines

Guidance up: the Group now expects a FY2017 Group net income of ~EUR 850m (up from ~EUR 800m). GWP growth expected >4% (up from >1%), RoE ~9.0% (up from >8.0%)

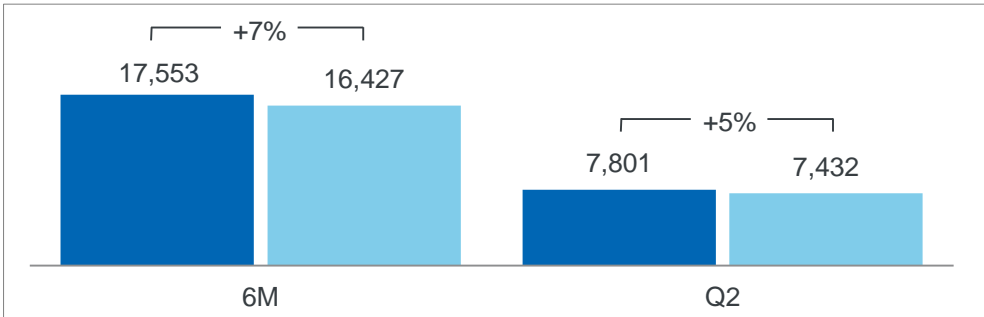


FTSE4Good

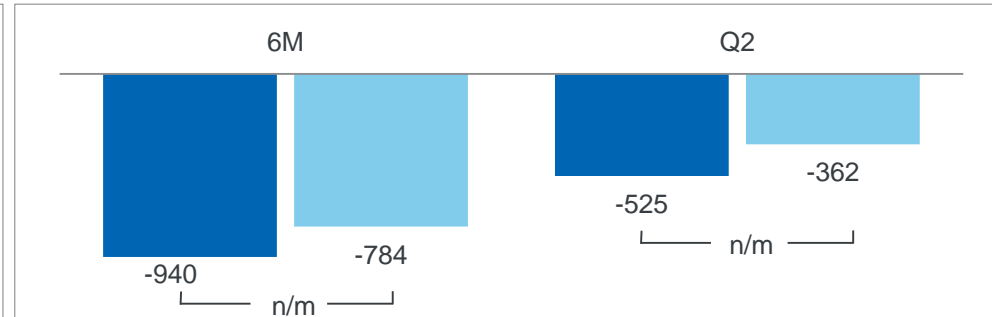
# 1

## 6M 2017 results – Key financials

### Gross written premium



### Net underwriting result



### Retention rate in %



### Combined ratio in %



- 6M 2017 GWP markedly up +6.9% y/y (curr.-adj. GWP growth rate of +6.5%). Main growth contribution from Retail International and P/C Reinsurance. Q2 2017 GWP up +5.0% (curr.-adj.: +5.3%)
- Retention rate slightly up – in line with strategic plan
- Large losses on Group level well within the pro-rata large loss budget

- Net underwriting result deteriorated, mainly due to higher policyholder participation in German Life
- Combined ratio largely stable in 6M 2017 y/y, slightly up in Q2 2017. The latter mainly due to the higher cost ratio in P/C Reinsurance





EURm, IFRS ■ 2017 ■ 2016

**▶ Strong top-line growth continued over 6M 2017 – combined ratio largely stable y/y**



# 1

## Large losses<sup>1</sup> in 6M 2017 (in EURm)

| NatCat  | Primary Insurance                                       | Reinsurance  | Talanx Group   | Man-made   | Primary Insurance   | Reinsurance          | Talanx Group |
|---|---|--|--|--|---------------------|----------------------|--------------|
| <br>Storms   | 27.6<br>(Cyclone „Debbie“: 7.2<br>Storm „Quirin“: 20.5) | 57.4<br>(Cyclone „Debbie“: 46.4<br>Tornadoes, USA: 11.0) | 85.1<br>(Cyclone „Debbie“: 53.6<br>Tornadoes, USA: 11.0<br>Storm „Quirin“: 20.5) | <br>Fire/Property | 41.6                | 29.2                 | 70.8         |
| <br>Wildfire | 2.9<br>(Chile)  | 19.8<br>(Chile)  | 22.7<br>(Chile)  | <br>Credit        |                     | 16.4                 | 16.4         |
| <b>Total NatCat</b>   | <b>30.5</b>   | <b>77.2</b>  | <b>107.8</b>   | <b>Total Man-made</b>  | <b>41.6</b>         | <b>45.6</b>          | <b>87.2</b>  |
| <b>Total large losses</b>   | <b>Primary Insurance</b>                                | <b>72.1 (142.4)</b>                                      | <b>Reinsurance</b>   | <b>122.9 (352.7)</b>   | <b>Talanx Group</b> | <b>195.0 (495.1)</b> |              |

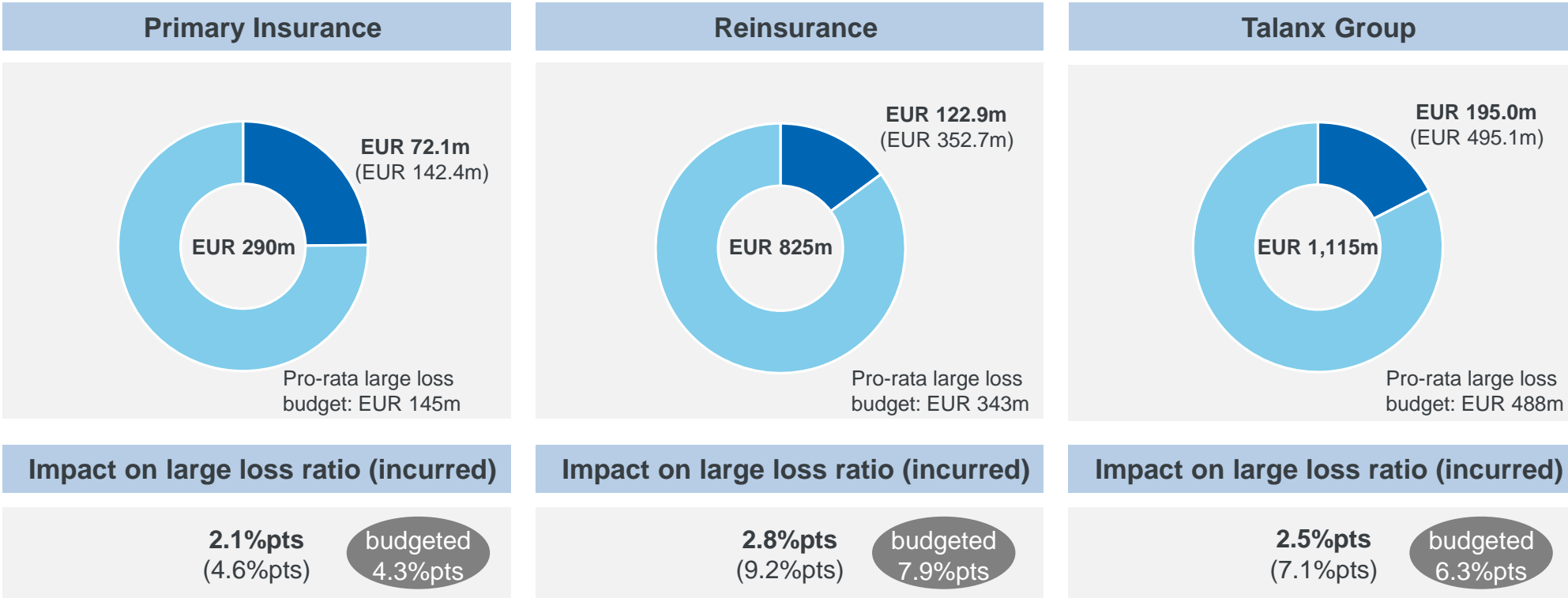
6M 2017 (6M 2016)

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

Note: 6M 2017 Primary Insurance large losses (net) are split as follows: Industrial Lines: EUR 62.5m; Retail Germany: EUR 6.7m; Retail International: EUR 2.9m, Corporate Operations: EUR 0m; since FY2016 reporting onwards, the table includes large losses from Industrial Liability line, booked in the respective FY.

# 1

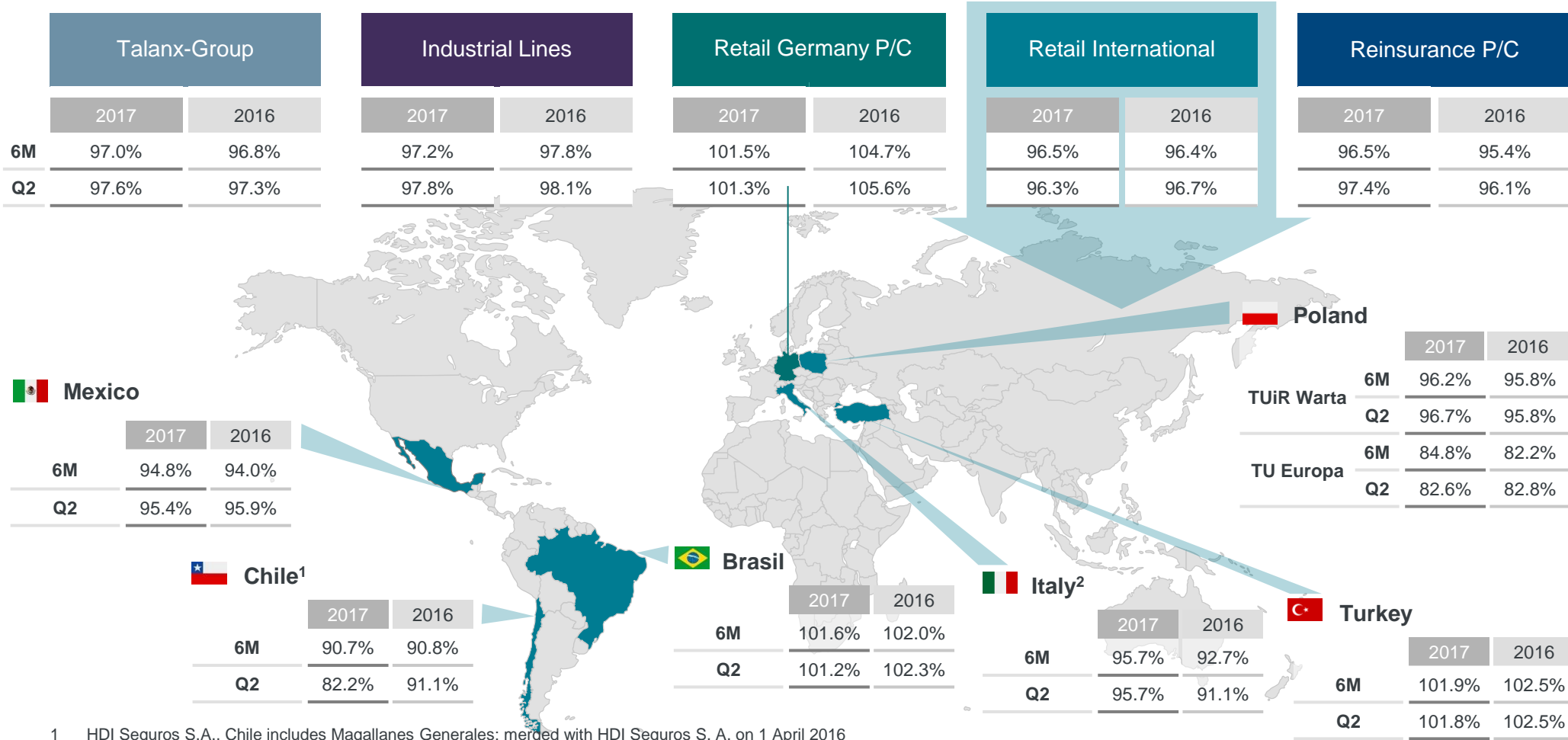
## Large loss budget in 6M 2017



● FY large loss budget 
 ▸ thereof used budget  
**6M 2017 (6M 2016)**

**▶ Primary Insurance as well as Reinsurance well within their respective pro-rata large loss budgets**

# 1 Combined Ratios



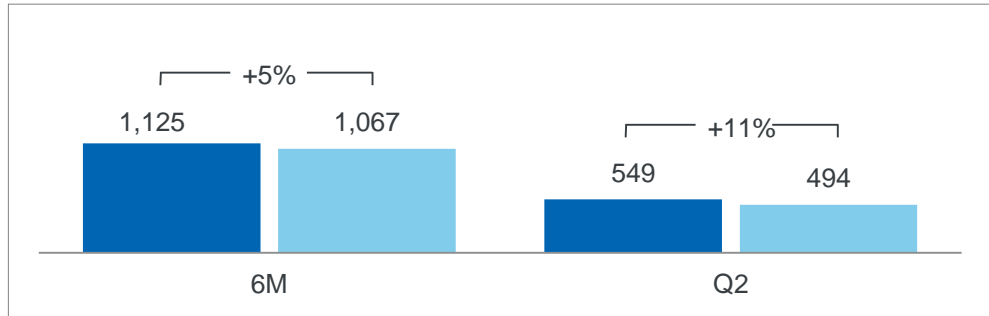
1 HDI Seguros S.A., Chile includes Magallanes Generales; merged with HDI Seguros S. A. on 1 April 2016

2 Incl. InChiaro (P/C); merged with HDI Italy on 29 June 2017; numbers for 2016 are as-if-numbers

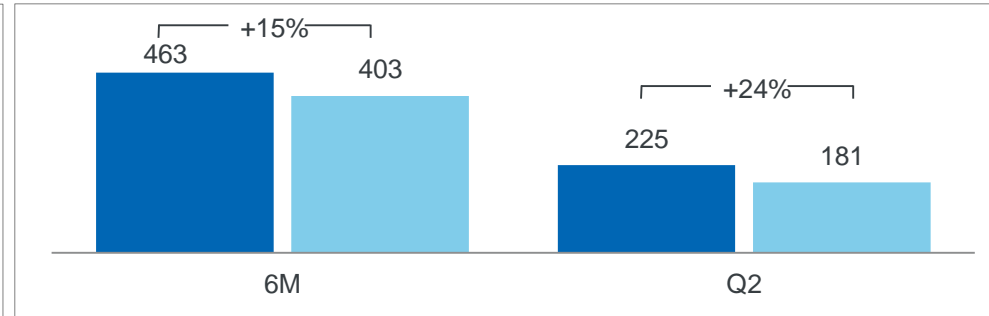
# 1

## 6M 2017 results – Key financials

### Operating result (EBIT)



### Group net income



### RoI in %



### RoE in %



- 6M 2017 investment result up +6%, partly due to higher extraordinary gains; ordinary investment result also up, e.g. in Reinsurance and Retail International
- EBIT up, reflecting premium growth at largely stable combined ratios in P/C segments and the improved „other result“ in Retail Germany – the latter as a result of no further provisions for personnel redundancies

- Industrial Lines and Retail Germany P/C are the main drivers of the improved operating result
- Net income with a lower tax rate (6M 2017: 25.4%; 6M 2016: 30.4%), resulting from tax benefits from previous years in Retail Germany and from international entities with below-average tax rates, e.g. Industrial Lines and Retail Internat.

EURm, IFRS ■ 2017 ■ 2016



**Strong top-line growth and profitable underwriting lead to significantly higher bottom-line result**

# 1

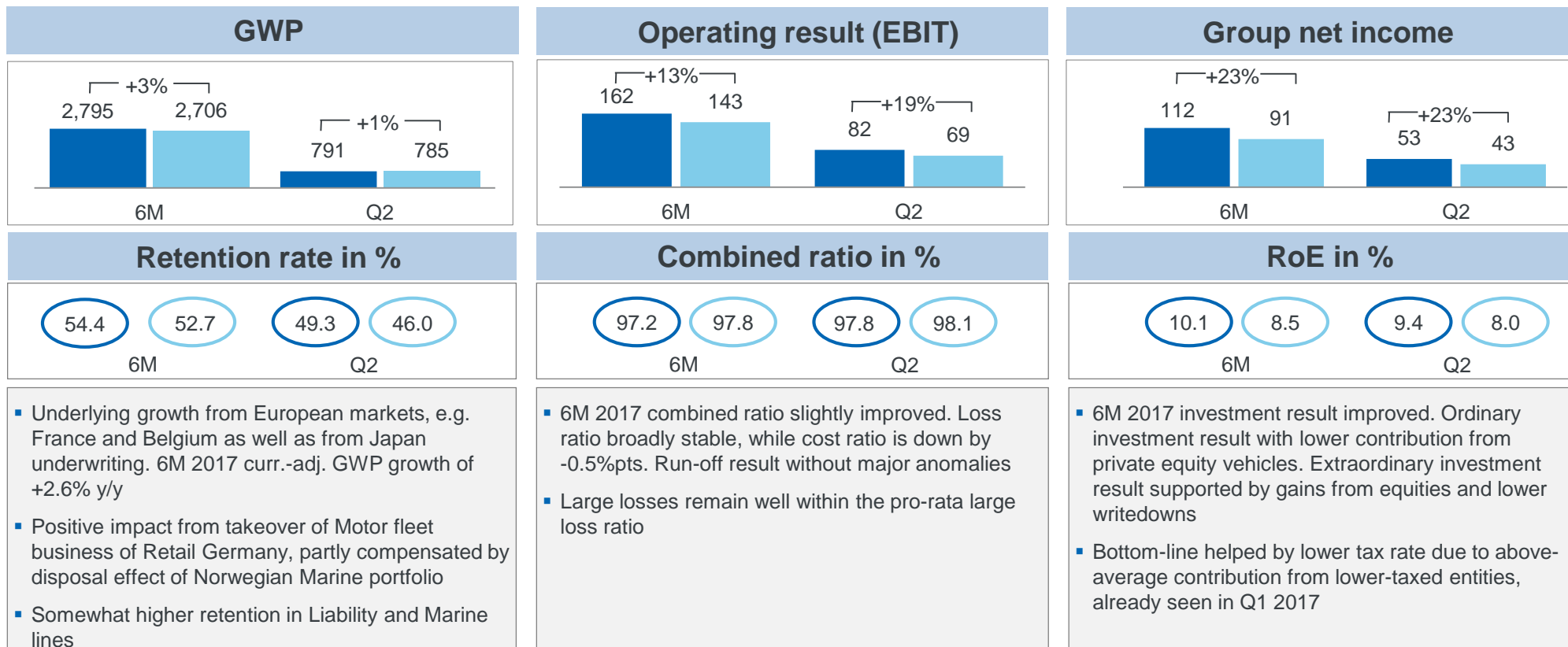
## 6M 2017 – Divisional contribution to change in Group net income

in EURm



**► Improvement of Group net income driven by all operating divisions**

## 2 Segments – Industrial Lines

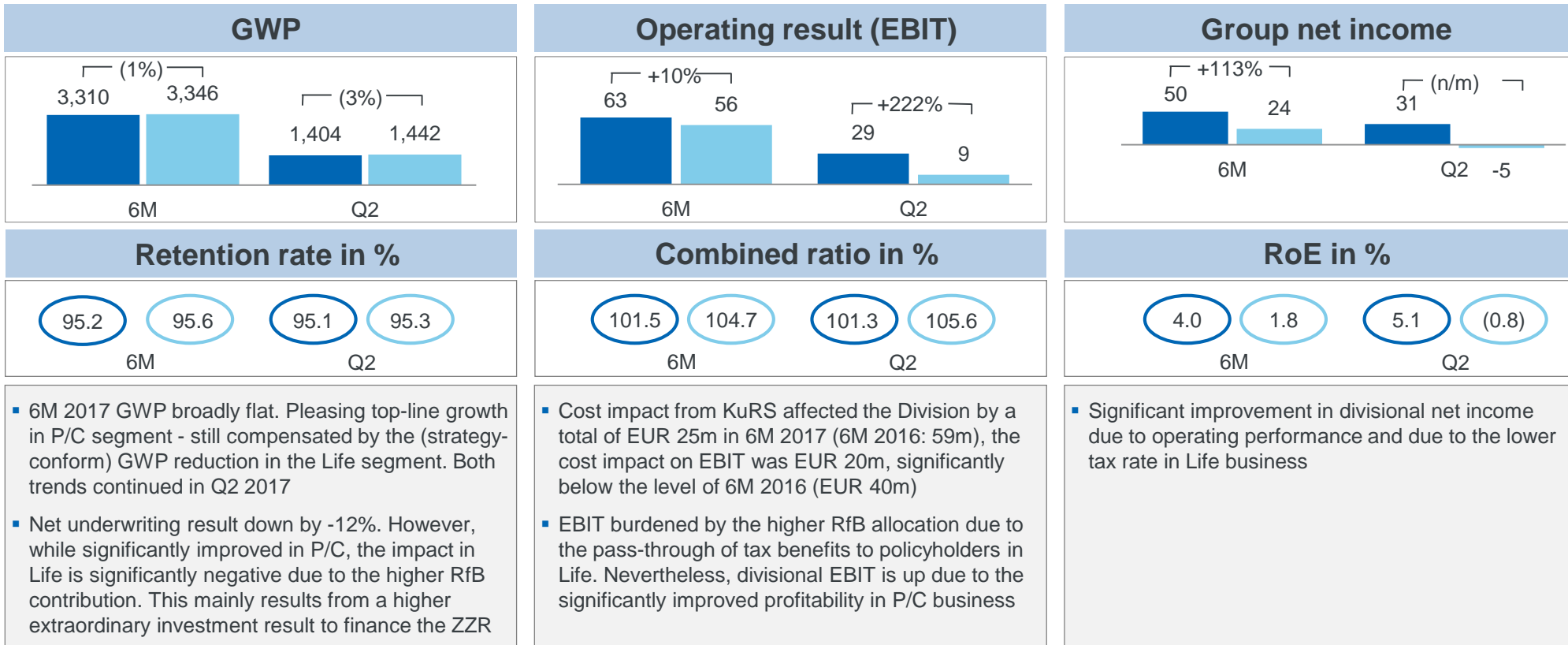


EURm, IFRS ■ 2017 ■ 2016

▶ Improved net underwriting and investment result lead to higher profitability

# 2

## Segments – Retail Germany Division

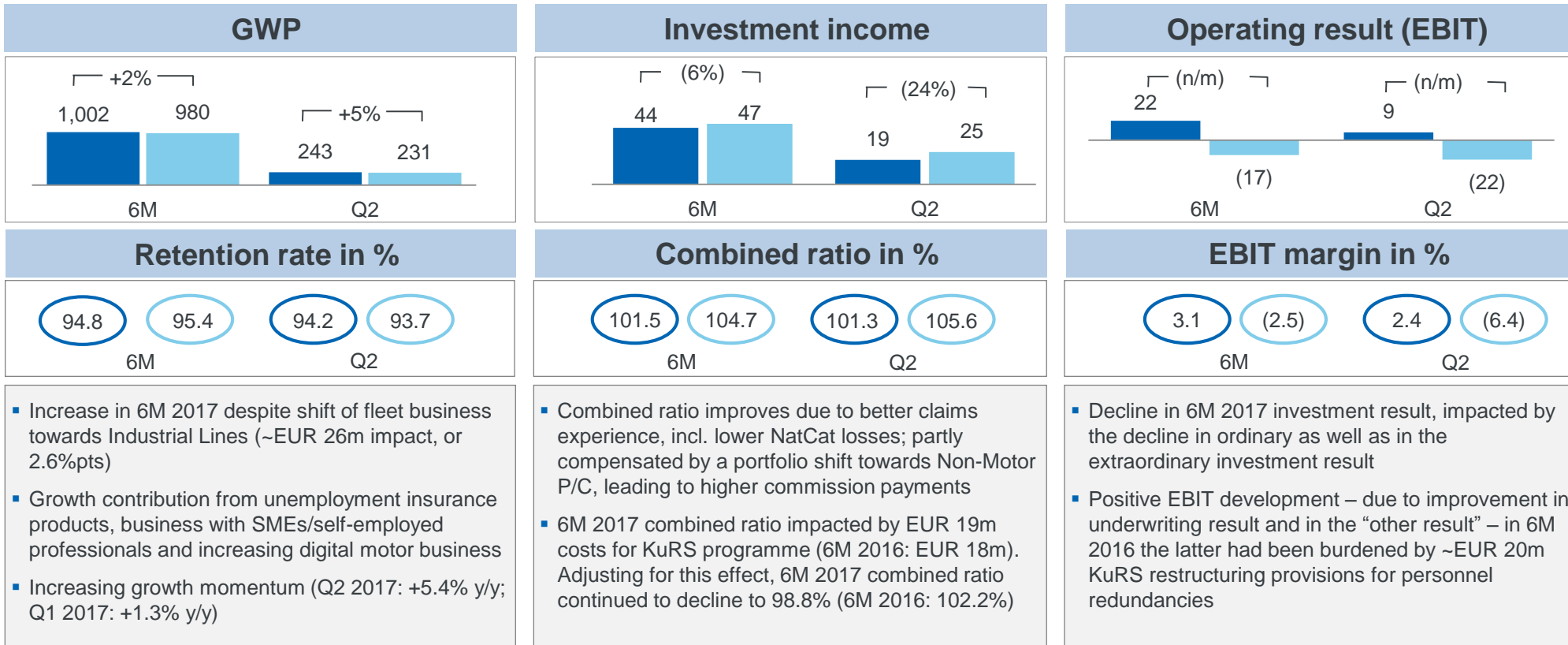


EURm, IFRS ■ 2017 ■ 2016

▶ Bottom line significantly up - improved profitability in P/C segment

# 2

## Segments – Retail Germany P/C

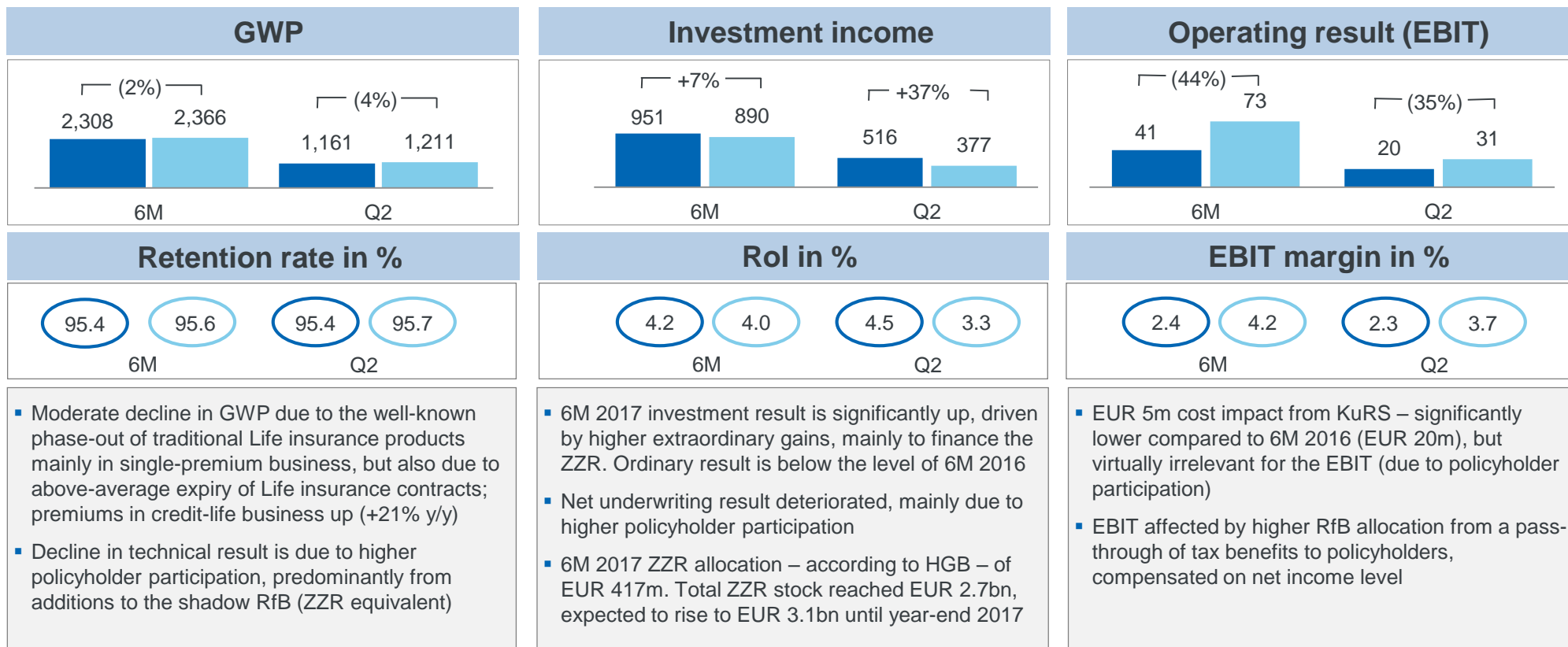


EURm, IFRS ■ 2017 ■ 2016

▶ Significant EBIT improvement due to lower KuRS costs and due to the further improved underlying technical performance



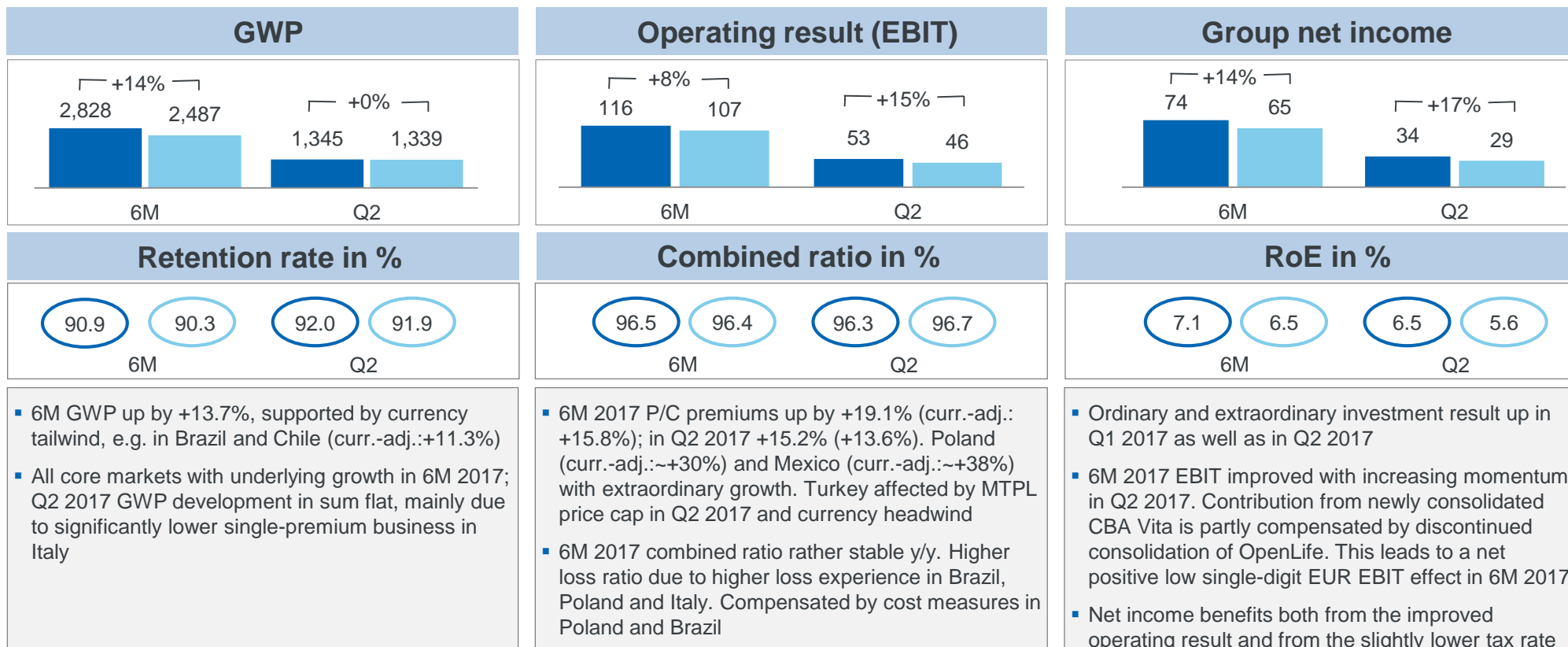
## 2 Segments – Retail Germany Life



EURm, IFRS ■ 2017 ■ 2016

► Strategy-conform decline in traditional business – EBIT improved when adjusting for ZZR and tax effects

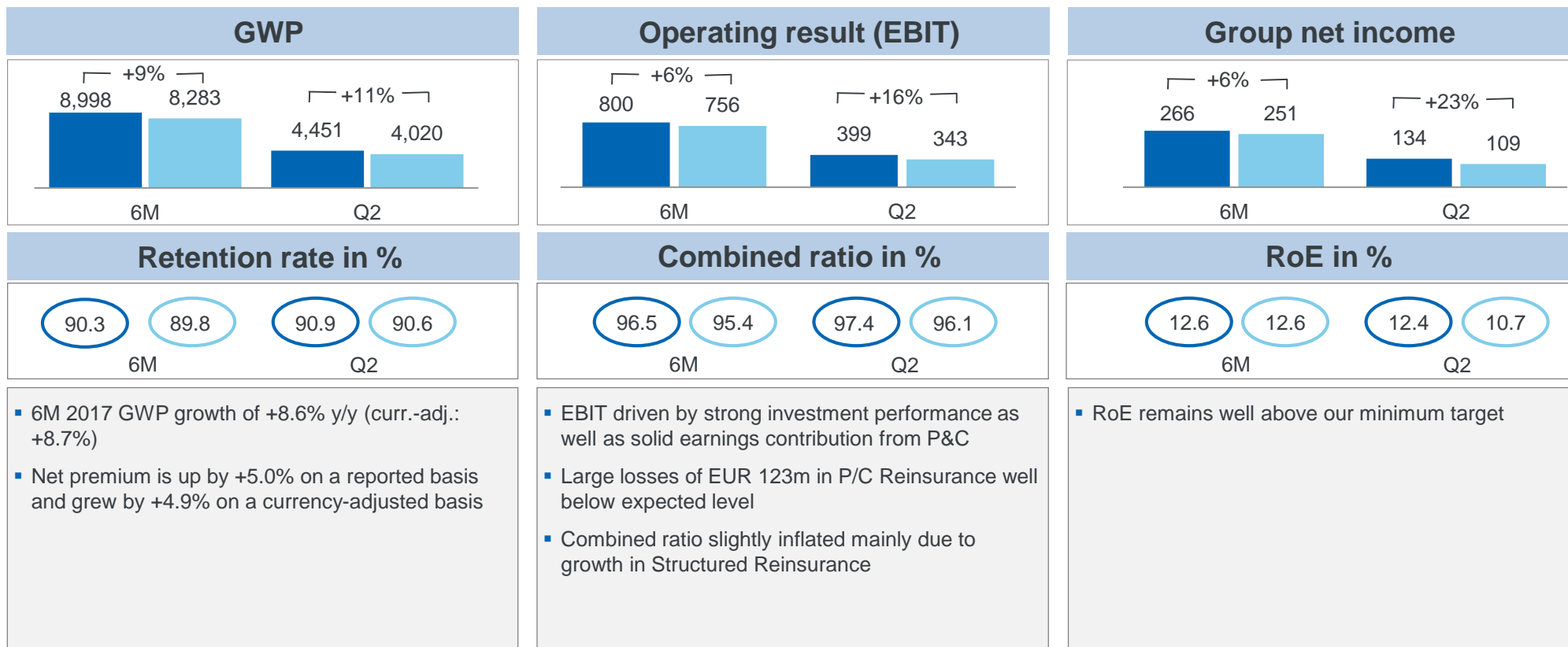
## 2 Segments – Retail International



EURm, IFRS ■ 2017 ■ 2016

**▶ Strong top-line growth and significant improvement of profitability**

## 2 Segments – Reinsurance Division



EURm, IFRS ■ 2017 ■ 2016

► 6M 2017 results in line with full-year targets


# 3 Net investment income

## Net investment income Talanx Group

| EUR m, IFRS  | 6M 2017      | 6M 2016      | Change        |
|--|--------------|--------------|---------------|
| <b>Ordinary investment income</b>                              | <b>1,683</b> | <b>1,639</b> | <b>+3%</b>    |
| thereof current investment income from interest                | 1,359        | 1,374        | (1%)          |
| thereof profit/loss from shares in associated companies        | 7            | 3            | +133%         |
| Realised net gains/losses on investments                       | 466          | 330          | +41%          |
| Write-ups/write-downs on investments                           | (95)         | (106)        | (10%)         |
| Unrealised net gains/losses on investments                     | 30           | 44           | (32%)         |
| Investment expenses  | (113)        | (118)        | (4%)          |
| <b>Income from investments under own management</b>            | <b>1,971</b> | <b>1,789</b> | <b>+10%</b>   |
| <b>Income from investment contracts</b>                        | <b>(2)</b>   | <b>6</b>     | <b>(133%)</b> |
| <b>Interest income on funds withheld and contract deposits</b> | <b>116</b>   | <b>167</b>   | <b>(31%)</b>  |
| <b>Total</b>   | <b>2,085</b> | <b>1,962</b> | <b>+6%</b>    |

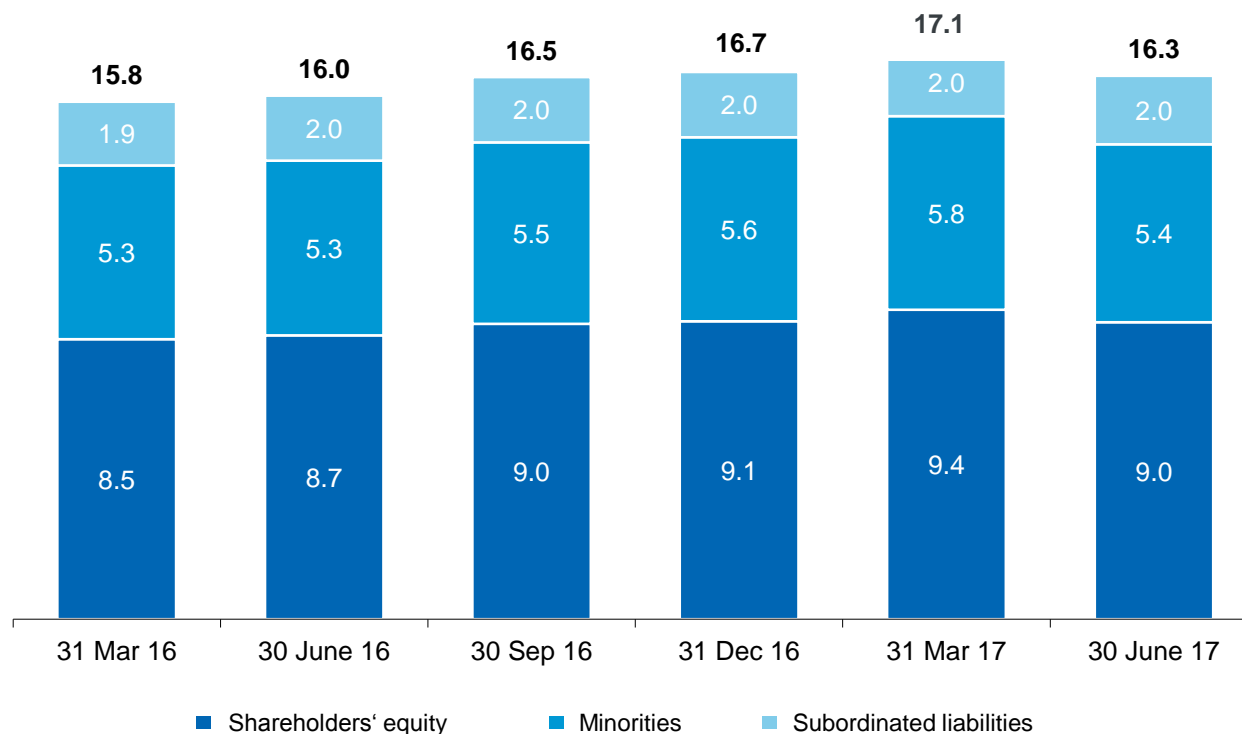
## Comments

- Ordinary investment income up. Distributions in real estate and other alternative investments one driver overcompensating the effects from the low-interest environment
- Realised investment net gains ~EUR 140m up y/y to EUR 466m in 6M 2017, predominantly used to finance ZZR. 6M 2017 ZZR allocation: EUR 417m vs. 6M 2016: EUR 295m
- Investment writedowns 10% lower compared to 6M 2016, still at moderate level
- Decent 6M 2017 RoI at 3.7% - slightly higher compared to previous year's level (6M 2016: 3.5%), supported by higher realised gains on investments. Well on track to reach FY2017 outlook of "at least 3.0%"
- Impact from ModCo derivatives was EUR 3m in 6M 2017 vs. 6M 2016: EUR -2m; in Q2 2017 impact was EUR 2m (Q2 2016: EUR 0)

 **6M 2017 RoI of 3.7% at decent level - well on track to reach FY2017 Outlook of "at least 3.0%"**

### 3 Equity and capitalisation – Our equity base

#### Capital breakdown (EUR bn)



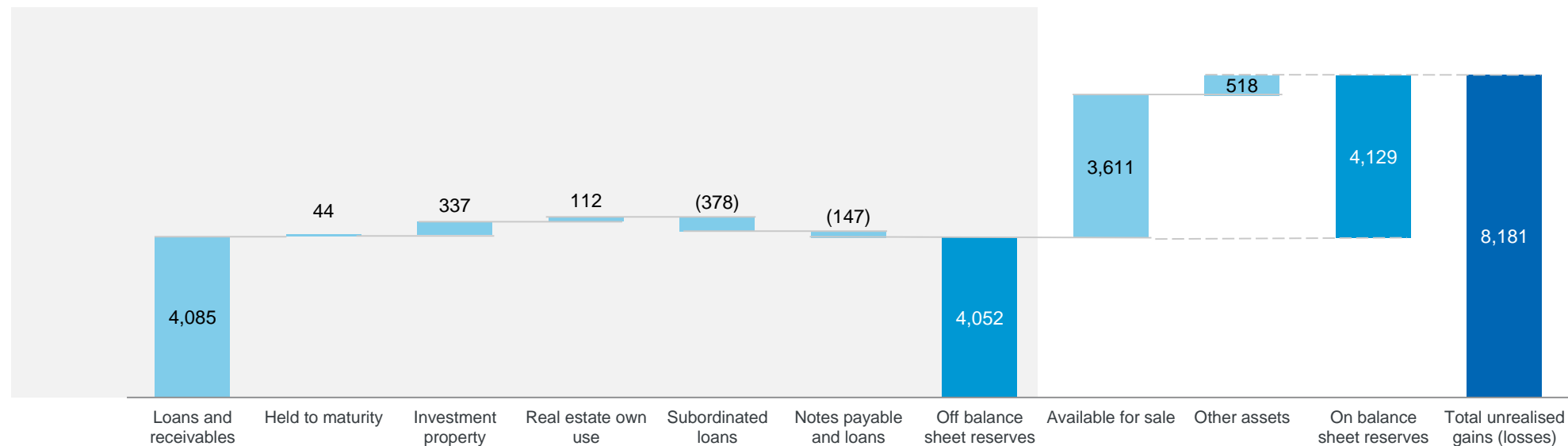
#### Comments

- Compared to the end of FY2016, shareholders' equity is slightly down by EUR 110m to EUR 8,968m. The decline results from the dividend payout in May 2017 (EUR 341m) and from the EUR 231m lower OCI, which in total could not be fully compensated by the strong 6M 2017 Group net income
- Book value per share at EUR 35.48 (FY2016: 35.91), NAV (excl. Goodwill) per share was EUR 31.35 (EUR 31.80)
- Off-balance sheet reserves amounted to EUR 231m (see next page), or EUR 0.92 per share (shareholder share only), neither included in book value nor in the NAV calculation

▶ Shareholders' equity at EUR 8,968m, or EUR 35.48 per share

### 3 Equity and capitalisation – Unrealised gains

#### Unrealised gains and losses (off and on balance sheet) as of 30 June 2017 (EURm)



|           |       |    |     |     |       |       |       |       |     |       |       |
|-----------|-------|----|-----|-----|-------|-------|-------|-------|-----|-------|-------|
| 31 Dec 16 | 4,928 | 47 | 333 | 104 | (296) | (168) | 4,948 | 4,191 | 528 | 4,718 | 9,666 |
|-----------|-------|----|-----|-----|-------|-------|-------|-------|-----|-------|-------|

#### Δ market value vs. book value

Note: Shareholder contribution estimated based on FY2015 profit sharing pattern

**▶ Off-balance sheet reserves of ~ EUR 4.1bn – EUR 231m (EUR 0.92 per share) attributable to shareholders (net of policyholders, taxes & minorities)**

### 3 Equity and capitalisation – Contribution to change in equity



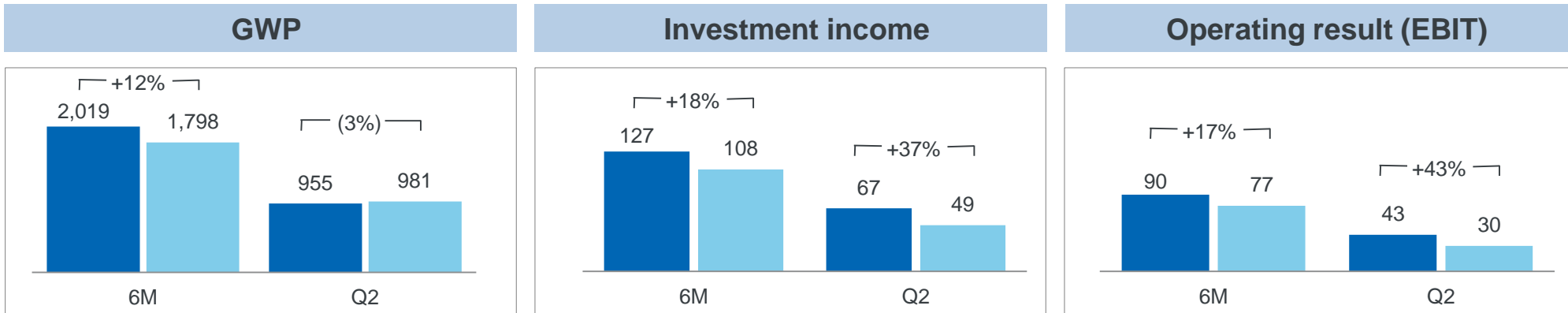
#### Comments

- At the end of 6M 2017, shareholders' equity stood at EUR 8,968m, or EUR 110m below the level of FY2016
- The decline reflects the dividend payout in May 2017 (EUR 341m) and the EUR 231m lower OCI, which could not be fully compensated by the net income contribution (EUR 463m)
- The decline in OCI results predominantly from currency effects
- At the end of Q1 2017, the Solvency II Ratio (Solvency II view, HDI Group level) stood at 194% (FY2016: 186%) excl. the effect of transitional measures– update for 6M 2017 until end-Sept. on our webpage: <http://www.talanx.com/investor-relations/berichte-risikomanagement/group>

▶ Shareholders' equity close to FY2016, despite the dividend payout and the lower OCI

# 5

## 6M 2017 Additional Information – Retail International Europe: Key financials



EURm, IFRS ■ 2017 ■ 2016

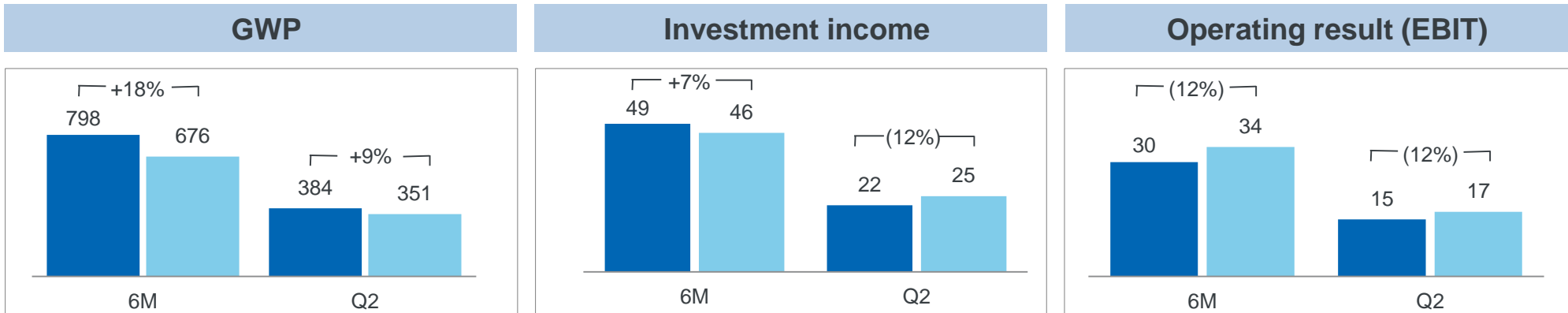


**► Strong improvement on top line and on bottom line – Poland benefits from Motor market hard cycle**



# 5

## 6M 2017 Additional Information – Retail International LatAm: Key financials



EURm, IFRS ■ 2017 ■ 2016



EURm, 6M 2017 (6M 2016)

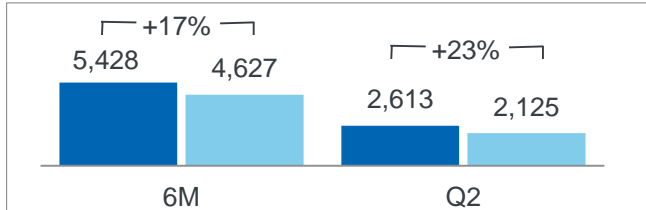
EURm, 6M 2017 (6M 2016)

**► Strong top-line growth – slightly lower EBIT explained by Brazil**

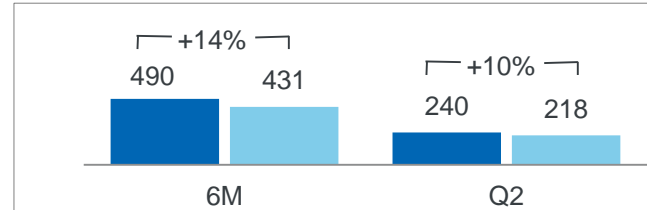
# 5

## 6M 2017 Additional Information – Segment P/C Reinsurance

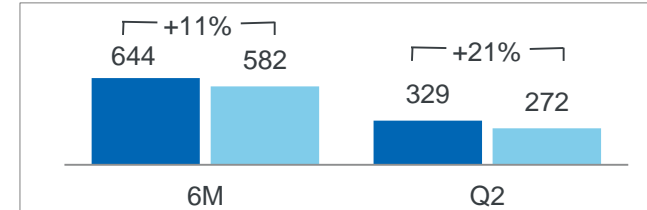
### GWP



### Investment income



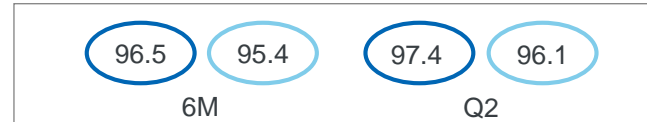
### Operating result (EBIT)



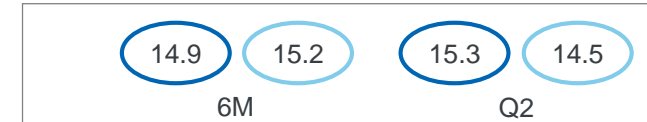
### Retention rate in %



### Combined ratio in %



### EBIT margin in %<sup>1</sup>



- 6M 2017 GWP up by +17.3% y/y (curr.-adj.:+16.9%); growth mainly from Structured Reinsurance; diversified growth in other areas
- Net premium earned grew by +12.3% (curr.-adj.:+11.8%)

- Major loss expectation reflected in reserves as usual
- Combined ratio slightly inflated mainly due to growth in Structured Reinsurance
- Reserve increase due to Ogden tables of EUR 291m compensated by reserve releases
- Favorable ordinary investment income

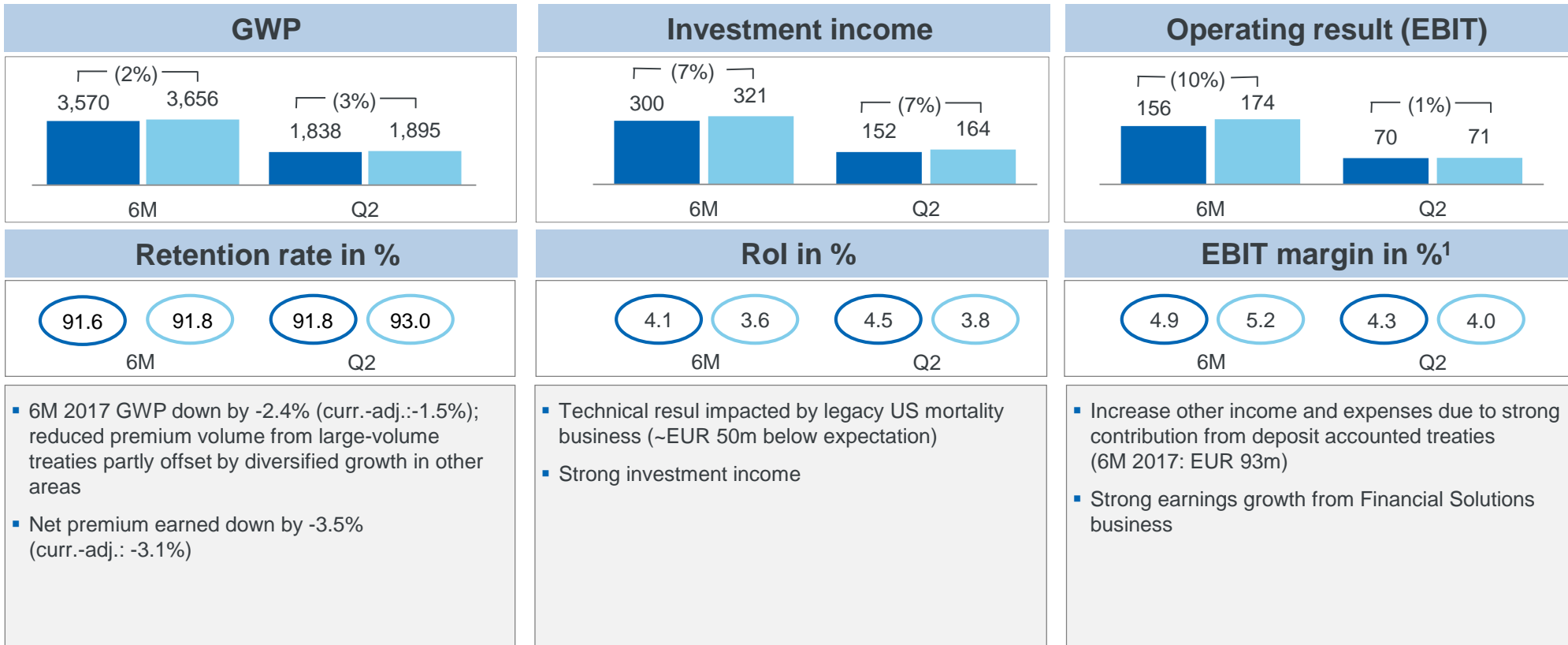
- Other income and expenses benefited from positive currency effects
- 6M 2017 EBIT growth of 10.7% in line with volume growth
- 6M 2017 EBIT margin<sup>1</sup> of 14.9 (6M 2016: 15.2%) well above target

<sup>1</sup> EBIT margin reflects a Talanx Group view  
EURm, IFRS ■ 2017 ■ 2016

**► Solid underwriting result in a competitive environment**

# 5

## 6M 2017 Additional Information – Segment Life/Health Reinsurance



<sup>1</sup> EBIT margin reflects a Talanx Group view  
 EURm, IFRS ■ 2017 ■ 2016

**Overall profitability in Life & Health Reinsurance below expectation**

## 5

## 6M 2017 Additional Information – Segments

|   | Industrial Lines |         |           | Retail Germany P/C |         |           | Retail Germany Life |         |         |
|---|------------------|---------|-----------|--------------------|---------|-----------|---------------------|---------|---------|
| EURm, IFRS  | 6M 2017          | 6M 2016 | Change    | 6M 2017            | 6M 2016 | Change    | 6M 2017             | 6M 2016 | Change  |
| <b>P&amp;L</b>                                    |                  |         |           |                    |         |           |                     |         |         |
| Gross written premium                             | 2,795            | 2,706   | +3%       | 1,002              | 980     | +2%       | 2,308               | 2,366   | (2%)    |
| Net premium earned                                | 1,160            | 1,083   | +7%       | 688                | 691     | (0%)      | 1,701               | 1,763   | (4%)    |
| Net underwriting result                           | 32               | 25      | +28%      | (9)                | (32)    | n/m       | (901)               | (780)   | n/m     |
| Net investment income                             | 137              | 109     | +26%      | 44                 | 47      | (6%)      | 951                 | 890     | +7%     |
| Operating result (EBIT)                           | 162              | 143     | +13%      | 22                 | (17)    | n/m       | 41                  | 73      | (44%)   |
| Net income after minorities                       | 112              | 91      | +23%      | n/a                | n/a     | n/m       | n/a                 | n/a     | n/m     |
| <b>Key ratios</b>                                 |                  |         |           |                    |         |           |                     |         |         |
| Combined ratio non-life insurance and reinsurance | 97.2%            | 97.8%   | (0.6%)pts | 101.5%             | 104.7%  | (3.2%)pts | -                   | -       | -       |
| Return on investment                              | 3.5%             | 2.8%    | 0.7%pts   | 2.3%               | 2.5%    | (0.2%)pts | 4.2%                | 4.0%    | 0.2%pts |

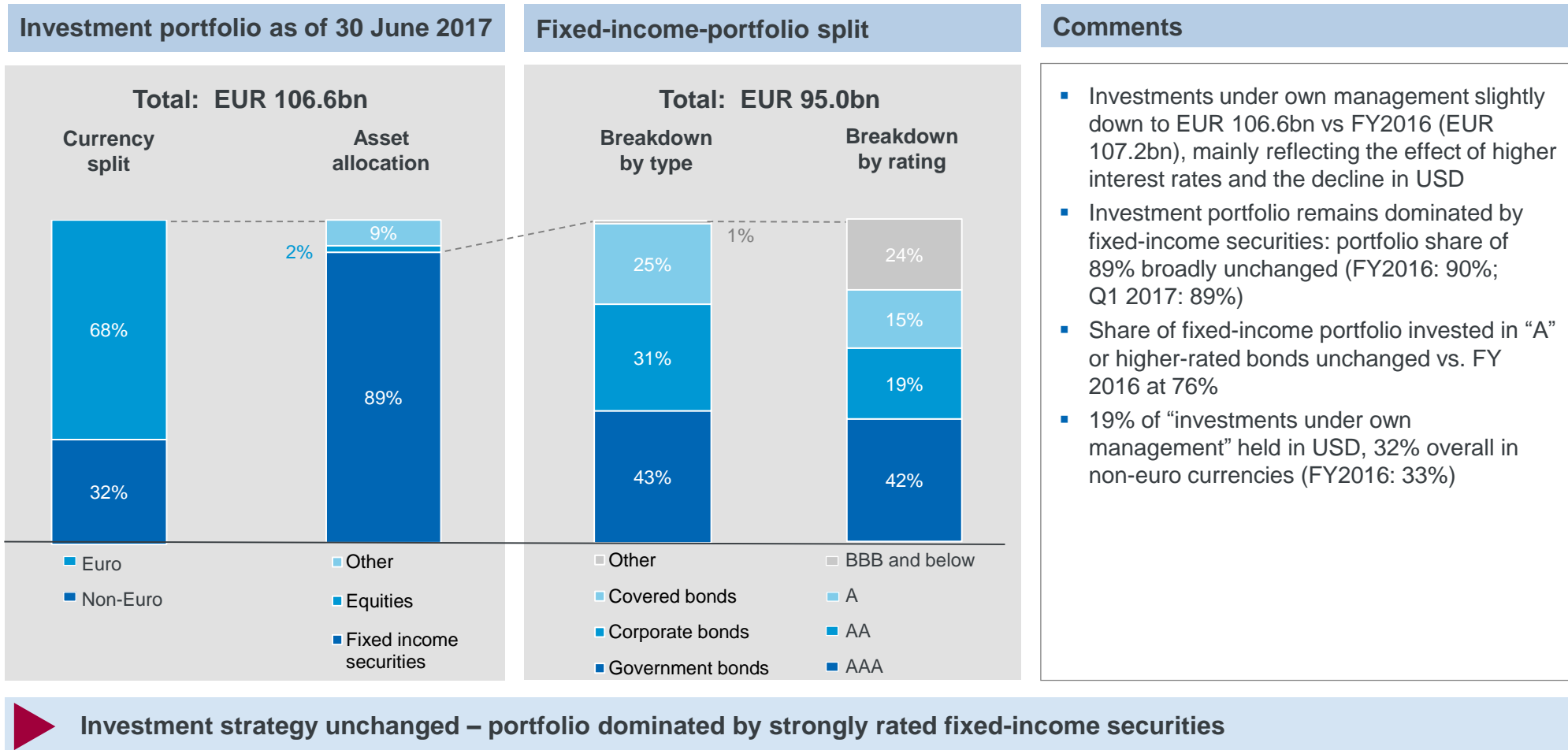
## 5

## 6M 2017 Additional Information – Segments

|   | Retail International |         |         | P/C Reinsurance |         |         | Life/Health Reinsurance |         |         | Group   |         |         |
|---|----------------------|---------|---------|-----------------|---------|---------|-------------------------|---------|---------|---------|---------|---------|
| EURm, IFRS  | 6M 2017              | 6M 2016 | Change  | 6M 2017         | 6M 2016 | Change  | 6M 2017                 | 6M 2016 | Change  | 6M 2017 | 6M 2016 | Change  |
| <b>P&amp;L</b>                                    |                      |         |         |                 |         |         |                         |         |         |         |         |         |
| Gross written premium                             | 2,828                | 2,487   | +14%    | 5,428           | 4,627   | +17%    | 3,570                   | 3,656   | (2%)    | 17,553  | 16,427  | +7%     |
| Net premium earned                                | 2,358                | 2,097   | +12%    | 4,313           | 3,839   | +12%    | 3,210                   | 3,328   | (4%)    | 13,440  | 12,810  | +5%     |
| Net underwriting result                           | 14                   | 7       | +100%   | 149             | 165     | (10%)   | (229)                   | (176)   | n/m     | (940)   | (784)   | n/m     |
| Net investment income                             | 173                  | 153     | +13%    | 490             | 431     | +14%    | 300                     | 321     | (7%)    | 2,085   | 1,962   | +6%     |
| Operating result (EBIT)                           | 116                  | 107     | +8%     | 644             | 582     | +11%    | 156                     | 174     | (10%)   | 1,125   | 1,067   | +5%     |
| Net income after minorities                       | 74                   | 65      | +14%    | n/a             | n/a     | n/m     | n/a                     | n/a     | n/m     | 463     | 403     | +15%    |
| <b>Key ratios</b>                                 |                      |         |         |                 |         |         |                         |         |         |         |         |         |
| Combined ratio non-life insurance and reinsurance | 96.5%                | 96.4%   | 0.1%pts | 96.5%           | 95.4%   | 1.1%pts | -                       | -       | -       | 97.0%   | 96.8%   | 0.2%pts |
| Return on investment                              | 3.7%                 | 3.6%    | 0.1%pts | 3.0%            | 2.7%    | 0.3%pts | 4.1%                    | 3.6%    | 0.5%pts | 3.7%    | 3.5%    | 0.2%pts |

# 5

## 6M 2017 Additional Information – Breakdown of investment portfolio



## 5

## 6M 2017 Additional Information – Details on selected fixed-income country exposure

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

| Country  | Rating | Sovereign    | Semi-Sovereign | Financial    | Corporate    | Covered    | Other      | Total        |
|--|--------|--------------|----------------|--------------|--------------|------------|------------|--------------|
| Italy  | BBB    | 2,186        | -              | 644          | 633          | 396        | -          | 3,859        |
| Spain  | BBB+   | 729          | 424            | 227          | 419          | 272        | -          | 2,073        |
| Brazil   | BB     | 241          | -              | 83           | 356          | -          | 7          | 687          |
| Mexico   | BBB+   | 118          | 2              | 52           | 231          | -          | -          | 402          |
| Hungary  | BBB-   | 465          | -              | -            | 9            | 20         | -          | 495          |
| Russia   | BB+    | 174          | 12             | 63           | 180          | -          | -          | 429          |
| South Africa                                   | BBB-   | 164          | 2              | 12           | 49           | -          | 6          | 233          |
| Portugal                                       | BB+    | 44           | -              | 6            | 72           | 35         | -          | 157          |
| Turkey   | BB+    | 17           | -              | 24           | 16           | 3          | -          | 60           |
| Greece   | CCC    | -            | -              | -            | -            | -          | -          | -            |
| Other BBB+                                     |        | 14           | -              | 31           | 58           | -          | -          | 104          |
| Other BBB                                      |        | 82           | 35             | 50           | 50           | -          | -          | 217          |
| Other <BBB                                     |        | 211          | 29             | 88           | 190          | -          | 267        | 785          |
| <b>Total</b>                                   |        | <b>4,445</b> | <b>505</b>     | <b>1,279</b> | <b>2,264</b> | <b>727</b> | <b>280</b> | <b>9,500</b> |
| In % of total investments under own management |        | 4.2%         | 0.5%           | 1.3%         | 2.1%         | 0.7%       | 0.3%       | 8.9%         |
| In % of total Group assets                     |        | 2.8%         | 0.3%           | 0.8%         | 1.4%         | 0.5%       | 0.2%       | 6.0%         |

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

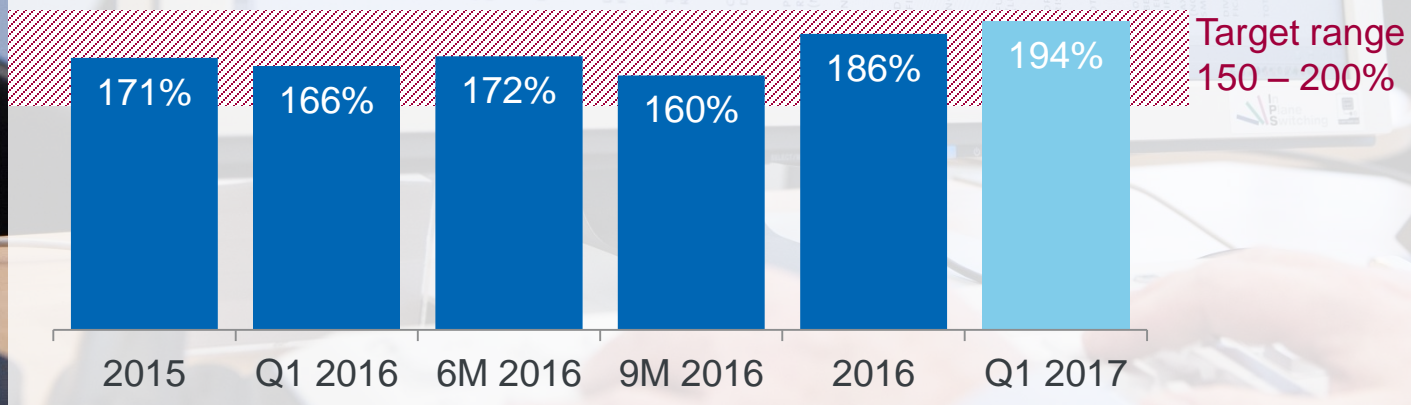
# 5

## 6M 2017 Additional Information – Solvency II capital

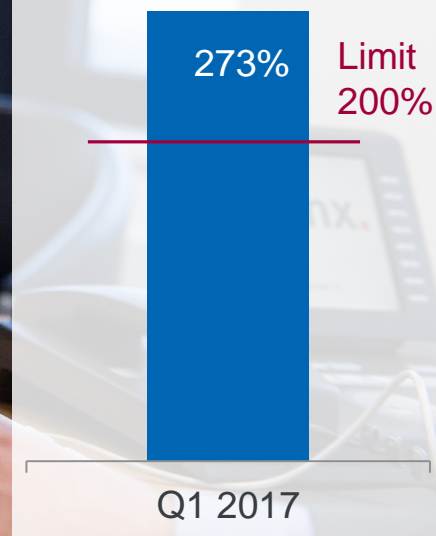
### Solvency II capitalisation within target range

#### Regulatory View (SII CAR)

You will find the 6M 2017 update until end-September 2017 under <http://www.talanx.com/investor-relations/berichte-risikomanagement/group>



#### Economic View (BOF CAR)



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



# 5 Financial Calendar and Contacts



- **13 November 2017**  
Quarterly Statement as at 30/09/2017
- **23 November 2017**  
Capital Markets Day
- **19 March 2018**  
Annual Report 2017



**From left to right:** Alexander Grabenhorst (*Equity & Debt IR*), Anna Färber (*Team Assistant*), Carsten Werle (*Head of IR*), Wiebke Großheim (*Roadshows & Conferences, IR webpage*), Hannes Meyburg (*Ratings*); Alexander Zessel (*Ratings*), Marcus Sander (*Equity & Debt IR*); not in the picture: Nicole Tadge (*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 2016 Chapter "Enterprise management", pp. 23 and the following, the "Glossary and definition of key figures" on page 256 as well as our homepage [http://www.talanx.com/investor-relations/ueberblick/midterm-targets/definitions\\_apm.aspx](http://www.talanx.com/investor-relations/ueberblick/midterm-targets/definitions_apm.aspx)