



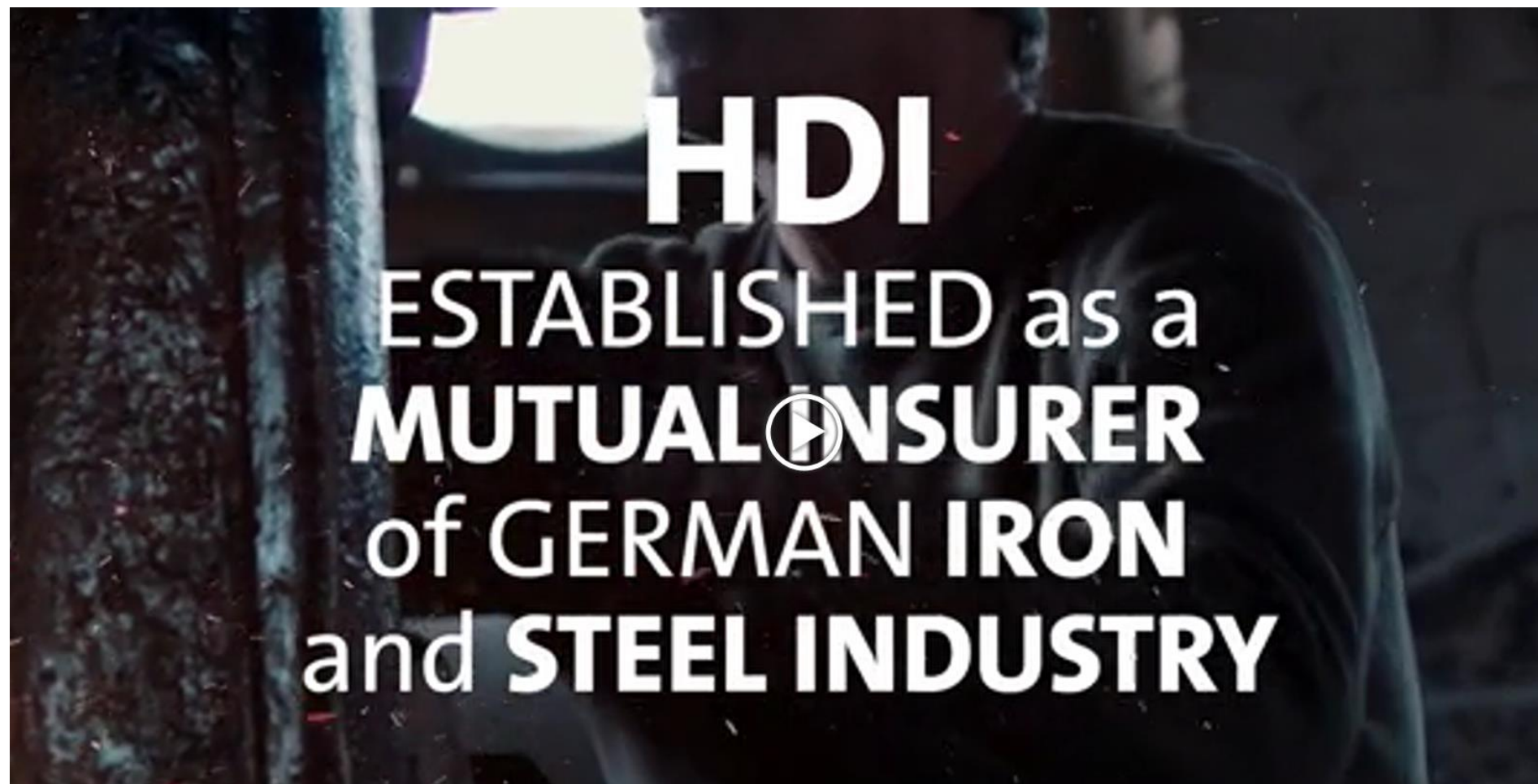
tal anx.
Insurance. Investments.

Talanx Capital Markets Day 2018
Frankfurt, 23 October 2018

Agenda

I	Group Strategy	Torsten Leue
II	Group Financials	Dr Immo Querner
III	Industrial Lines	Dr Christian Hinsch / Dr Edgar Puls / Dr Thomas Kuhnt
V	Retail International	Sven Fokkema
IV	Retail Germany	Dr Jan Wicke
VI	Final Remarks	Torsten Leue

A well-developed and customer-centric culture – “Traditionally different”



A team of entrepreneurs who see performance as a question of honour

Christian Hinsch, 63

Industrial Lines

built up a leading global industrial lines franchise by successfully integrating Gerling

Ulrich Wallin, 63

Reinsurance

turned Hannover Re into the most profitable leading global reinsurer

Sven Fokkema, 49

Retail International

turned Talanx's Polish acquisitions into successful ventures with his international experience

Jan Wicke, 50

Retail Germany, IT

proven cost manager driving transformation programme KuRS

Immo Querner, 55

CFO

well-recognised Gerling crisis-proven expert in finance and risk management

Torsten Leue, 52

CEO

developed Retail International into the profitable growth engine of the Group

170 years of common experience in financial sectors

Note: Jean-Jacques Henchoz to succeed Ulrich Wallin as of 05/2019

Key messages

- We **strengthen**: entrepreneurial culture, B2B focus and portfolio diversification
- We **develop**: enhanced capital management, focused divisional strategies and digital transformation
- We **commit** to ...
 - an increased **RoE** of ≥ 800 bps above risk-free
 - annual **EPS** growth $\geq 5\%$ on average
 - 35% to 45% **payout of IFRS earnings** with DPS at least stable y/y

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

Strengthen and develop – Turning our roots into a foundation for future success

Strengthen

- 1 Entrepreneurial culture
- 2 B2B focus
- 3 Diversified portfolio

Develop

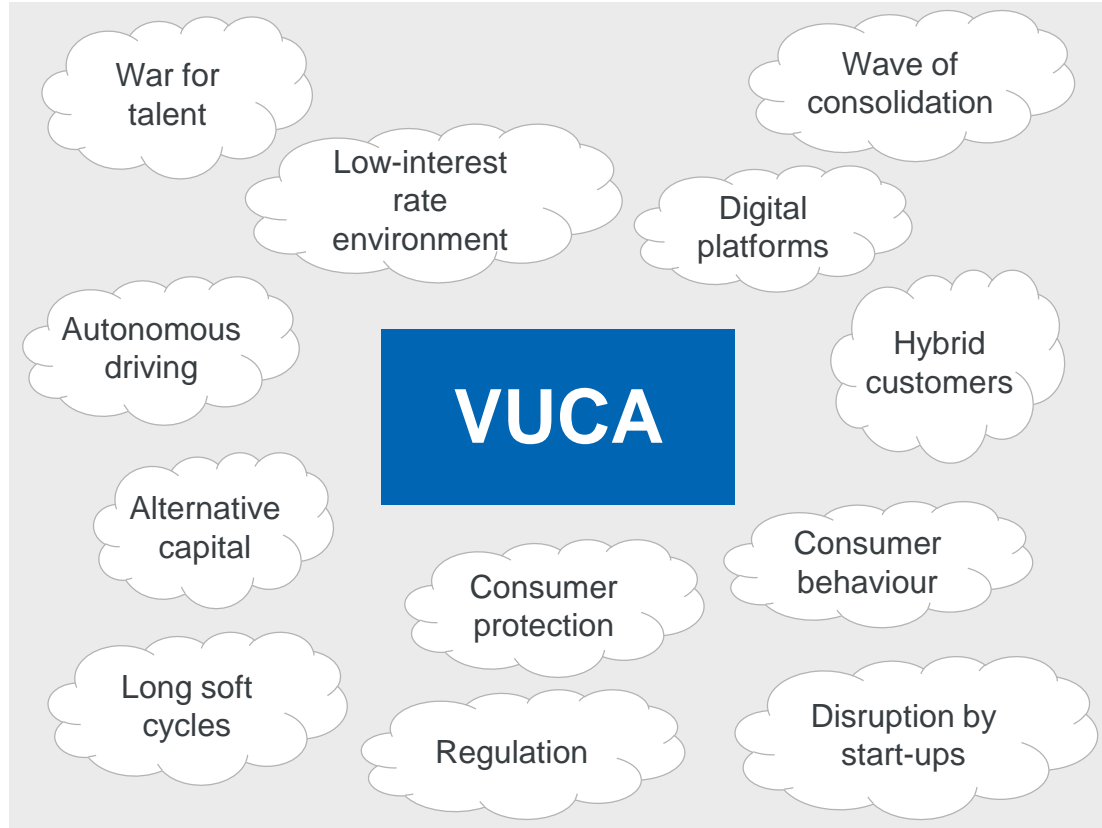
- 1 Enhanced capital management
- 2 Focused divisional strategies
- 3 Digital transformation

Traditionally different

Strengthen

We approach the VUCA world from a position of strength

Volatility **U**ncertainty **C**omplexity **A**mbiguity

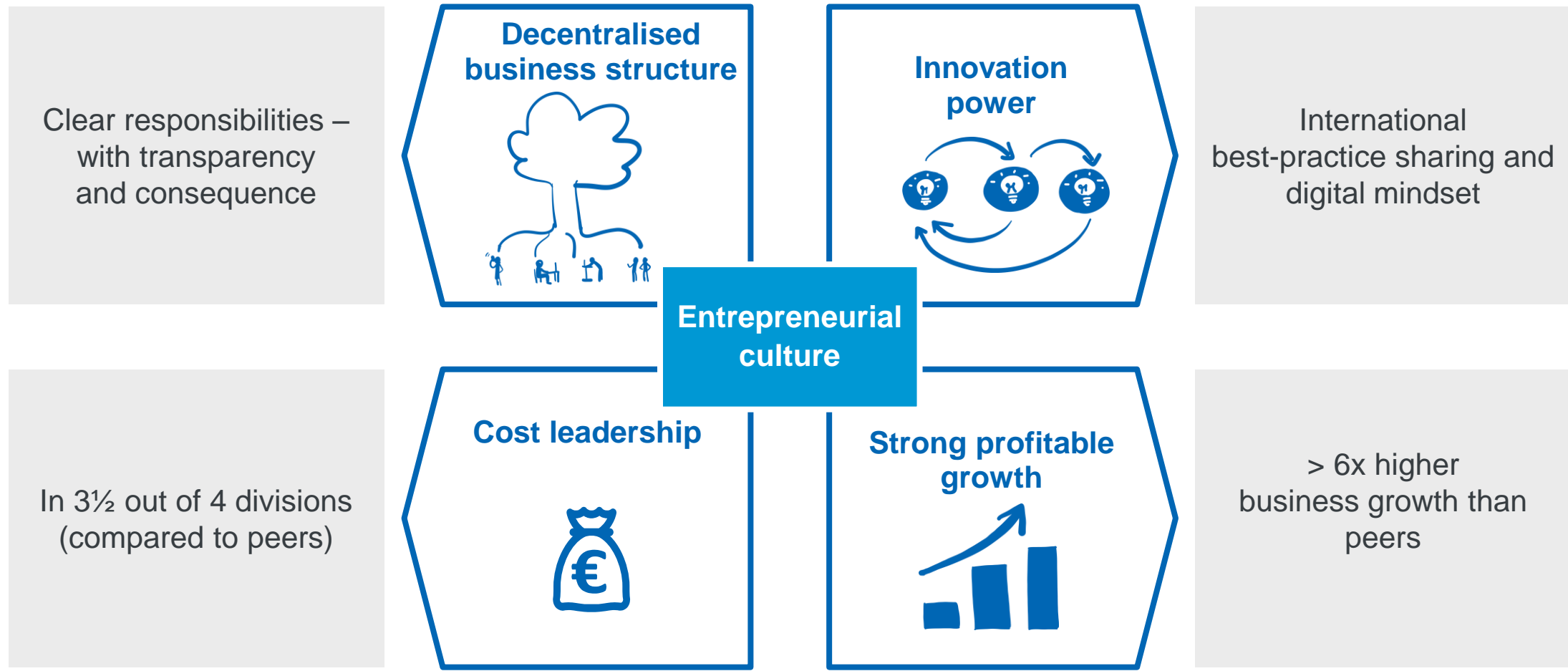


Our answer: reinforcing our strengths

- 1 Entrepreneurial culture
- 2 B2B focus
- 3 Diversified portfolio

1 Strengthen – Entrepreneurial culture

Our entrepreneurial culture as basis for continued growth and cost leadership



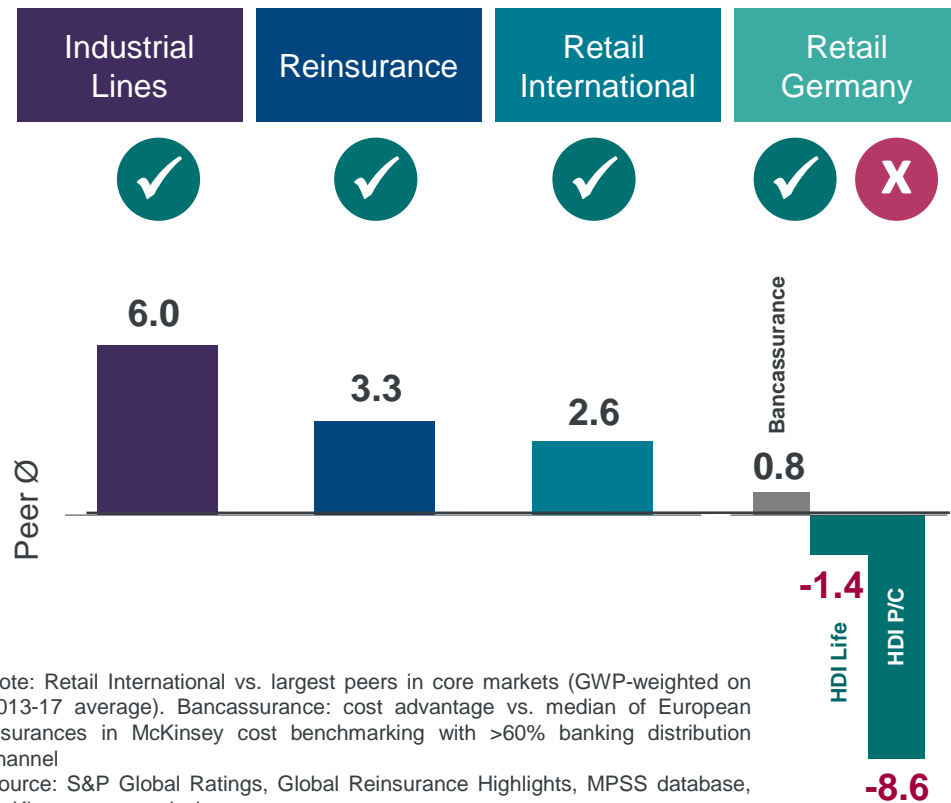
Note: Business growth defined as GWP CAGR for 2013-2017. Talanx Peer group consists of Allianz, AXA, Generali, Mapfre, Munich Re, Swiss Re, VIG and Zurich (throughout this document if not stated differently)

1 Strengthen – Entrepreneurial culture

Entrepreneurial culture – Basis for cost leadership and profitable growth ...

Cost leadership in 3½ out of 4 divisions

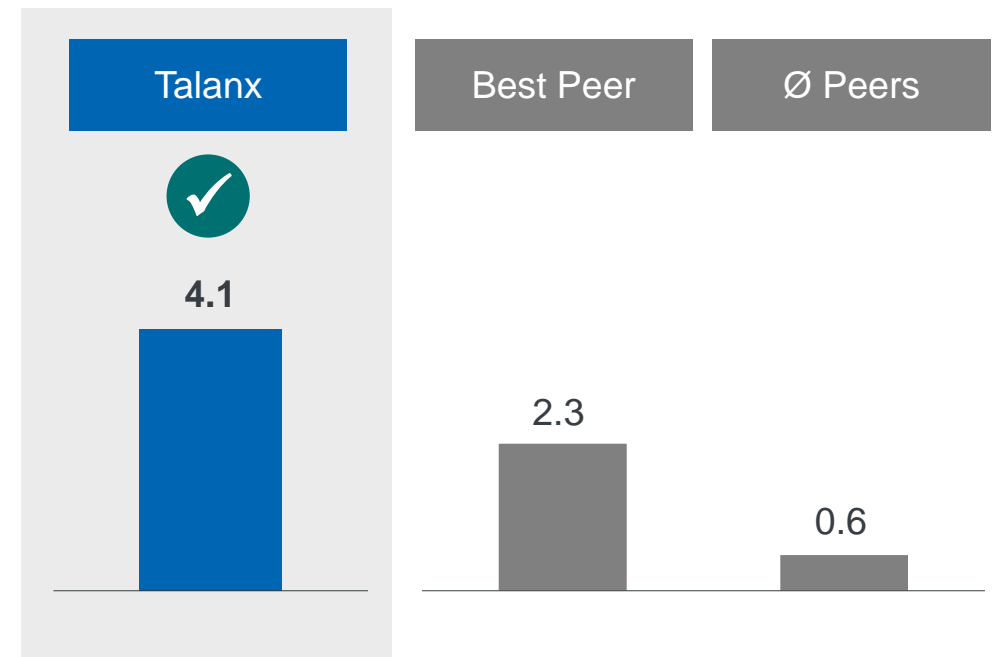
Cost ratio advantage (net) of divisions compared to peer Ø (2013 – 17) (in %-pt)



Note: Retail International vs. largest peers in core markets (GWP-weighted on 2013-17 average). Bancassurance: cost advantage vs. median of European insurances in McKinsey cost benchmarking with >60% banking distribution channel
 Source: S&P Global Ratings, Global Reinsurance Highlights, MPSS database, McKinsey; own analysis

> 6x higher business growth than peers

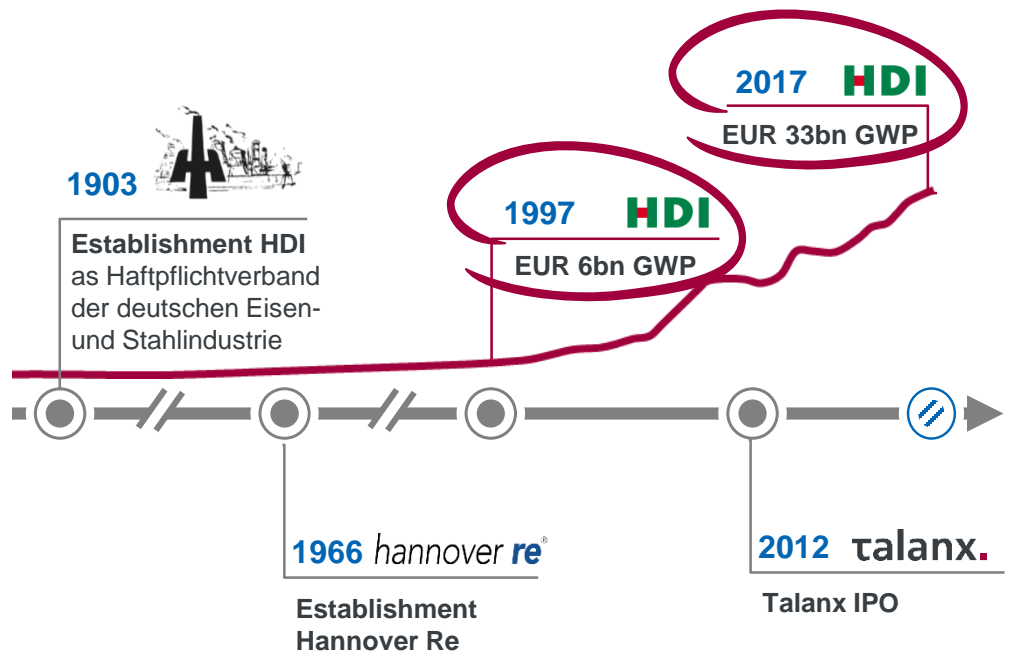
GWP CAGR 2013 – 17 (in %)



Note: Peer average GWP-weighted. Own calculations based on Annual Reports

1 Strengthen – Entrepreneurial culture
 ... leading to #7 market position in Europe

115 years of successful HDI/Talanx history



Talanx ranked at #7 in Top 10 European insurers

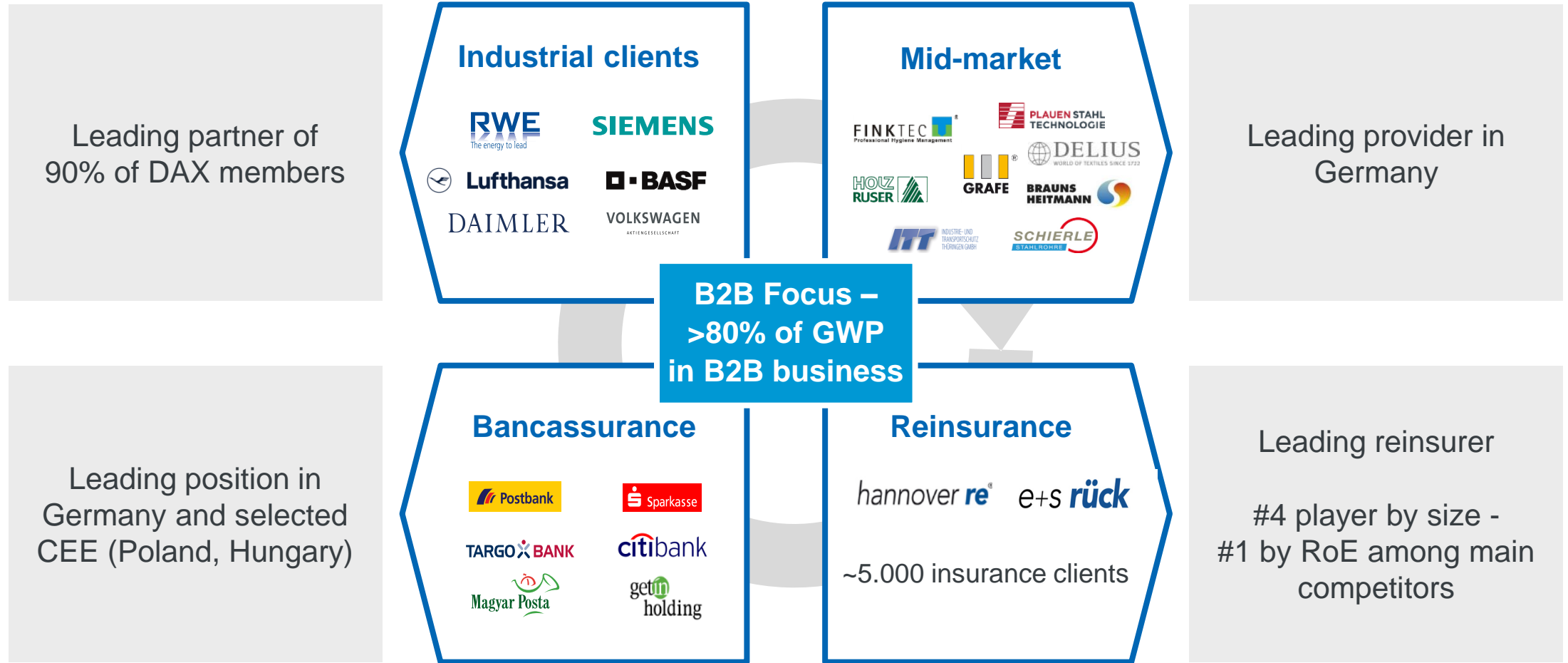
GWP 2017, in EURbn

#1	Allianz	119.5
#2	AXA	92.1
#3	GENERALI	68.5
#4	PRUDENTIAL	50.3
#5	Munich RE	49.1
#6	ZURICH	41.3
#7	talánx.	33.1
#8	CNP	32.5
#9	AVIVA	31.6
#10	Swiss Re	31.5

Note: Prudential data based on earned GWP

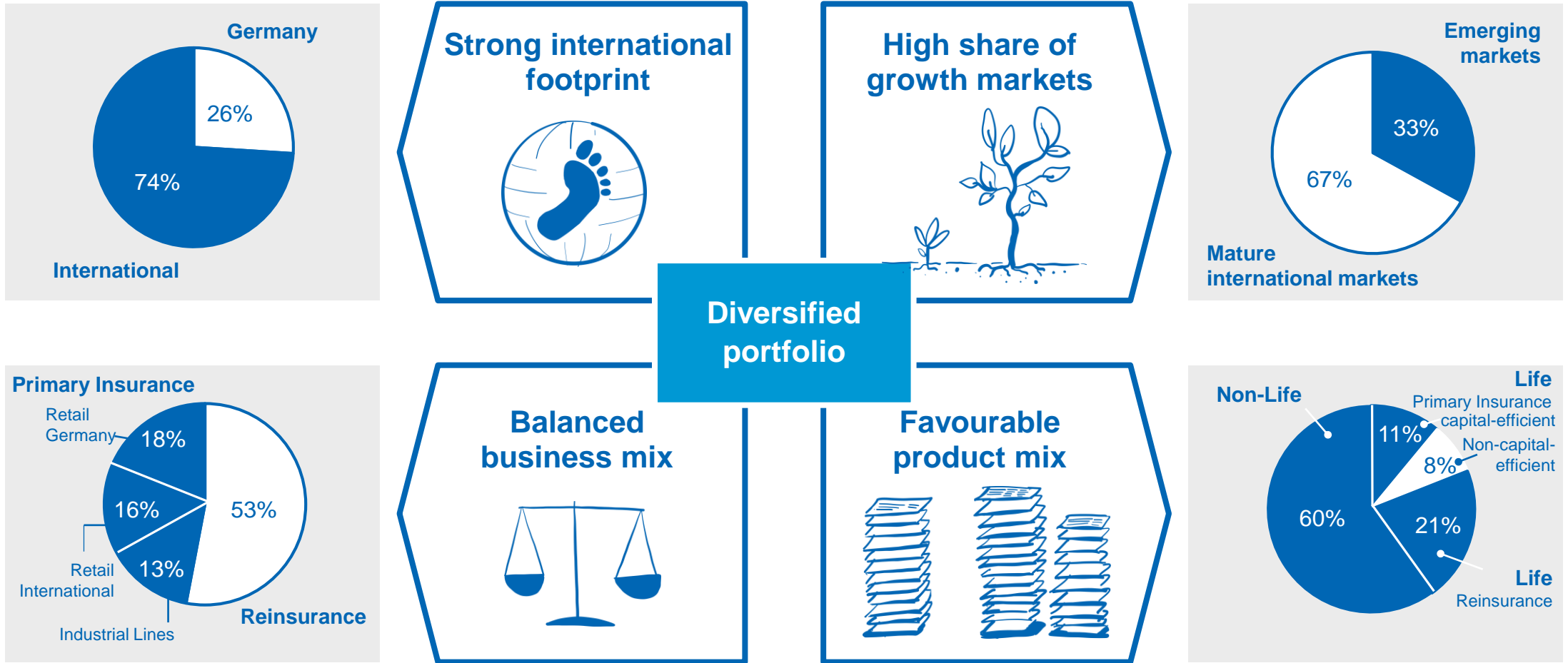
2 Strengthen – B2B focus

Our unique B2B customer focus positions us well



3 Strengthen – Diversified portfolio

Our diversified portfolio as basis for proven earnings resilience



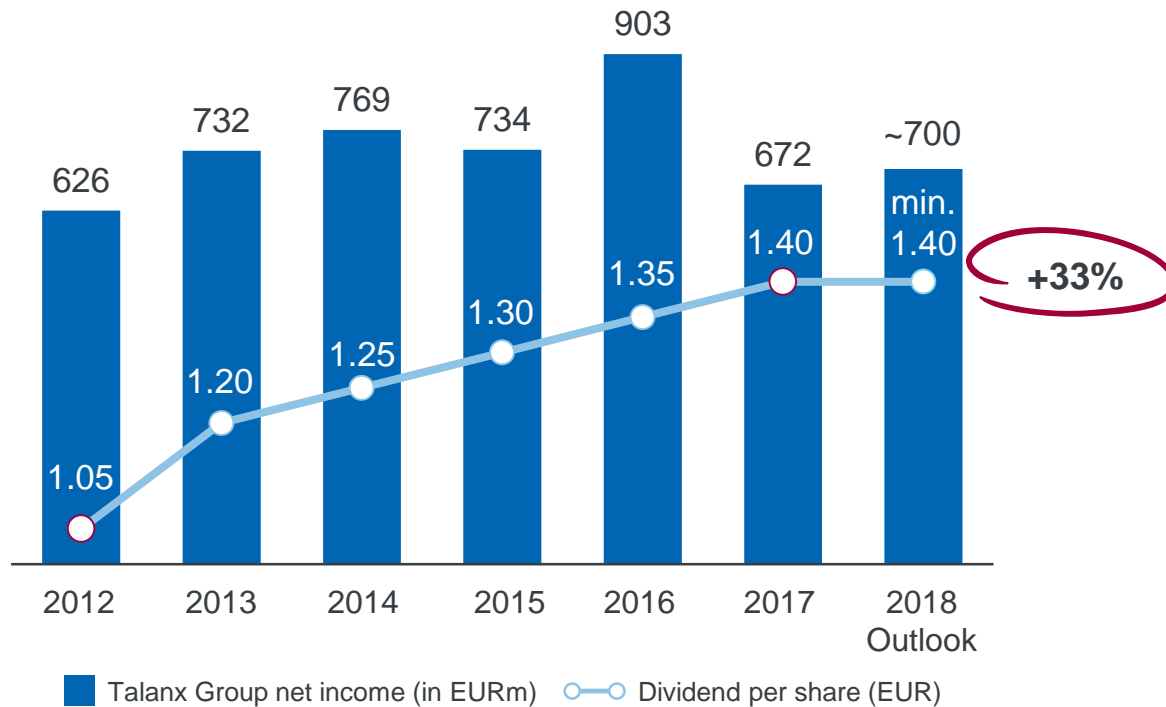
Note: All figures refer to GWP 2017 of Talanx Group; growth market split refers to international portfolio only

Strengthen

Outcome – Proven earnings resilience backing our sustainable payout policy

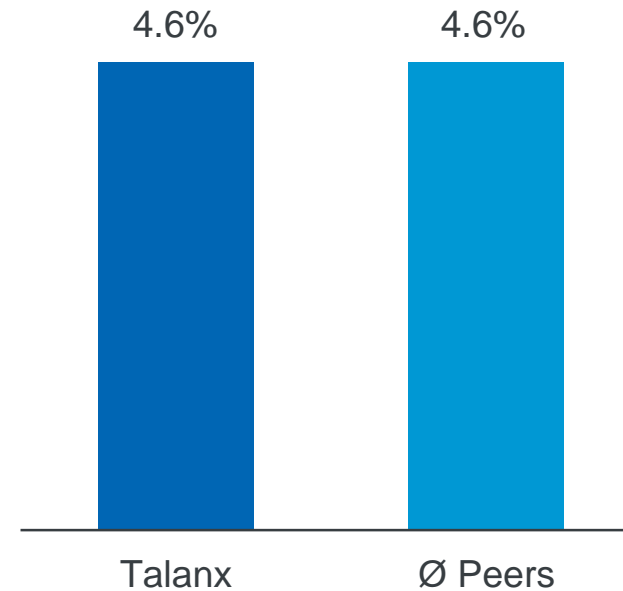
Sustainable earnings and payout policy

Talanx IFRS net income and dividend (per share)



Note: Net income of Talanx after minorities, after tax based on restated figures as shown in annual reports 2012–2017; numbers for 2018 according to Talanx Group Outlook; all numbers according to IFRS

Dividend yield in line with peers

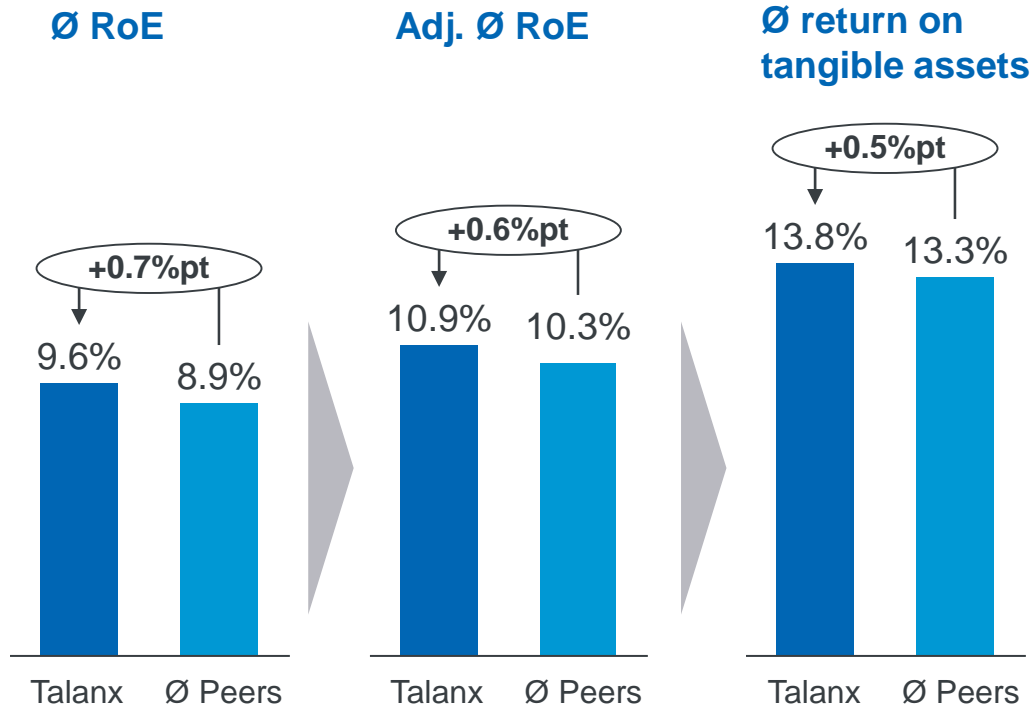


Note: For time period 2012–2017. Source: FactSet

Strengthen

Outcome – In the past, Talanx with strong track record and favourable risk-return profile...

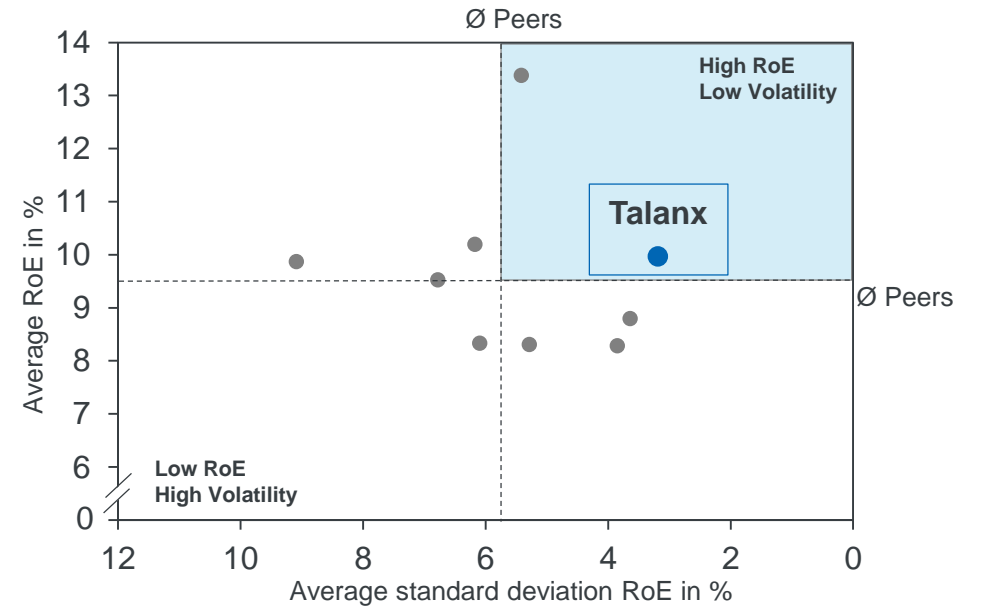
RoE above peer average



Note: All figures 2012-2017.
 Adj. average RoE: own calculation based on the ratio of net income (excl. minorities) and average shareholders' equity excluding average unrealised gains & losses based on available peer data. Average return on tangible asset: own calculation based on the ratio of net income (excl. minorities) and average shareholder's equity excluding average goodwill and average other intangible assets
 Peer group: Allianz, Munich Re, AXA, Zürich, Generali, Mapfre, VIG, Swiss Re
 Source: Financial reports of peers, FactSet and own calculations

Favourable risk-return profile

Average Return on Equity compared to peers (2001-2017)

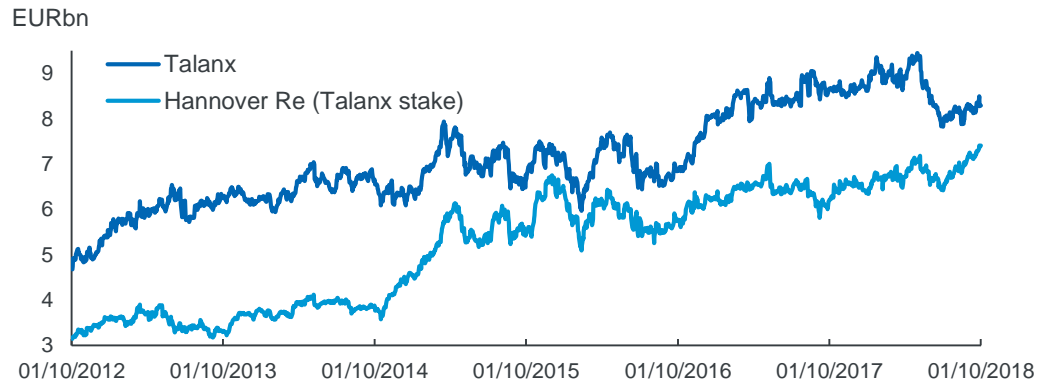


Note: Own calculations. RoE based on the ratio of net income (excl. minorities) and average shareholders' equity
 Source: RoE 2001-2010 KPMG; 2011-2017 annual reports

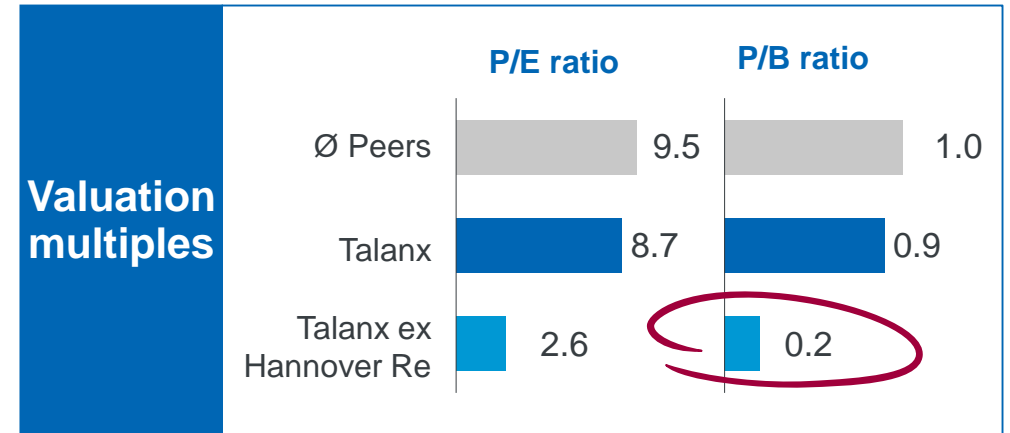
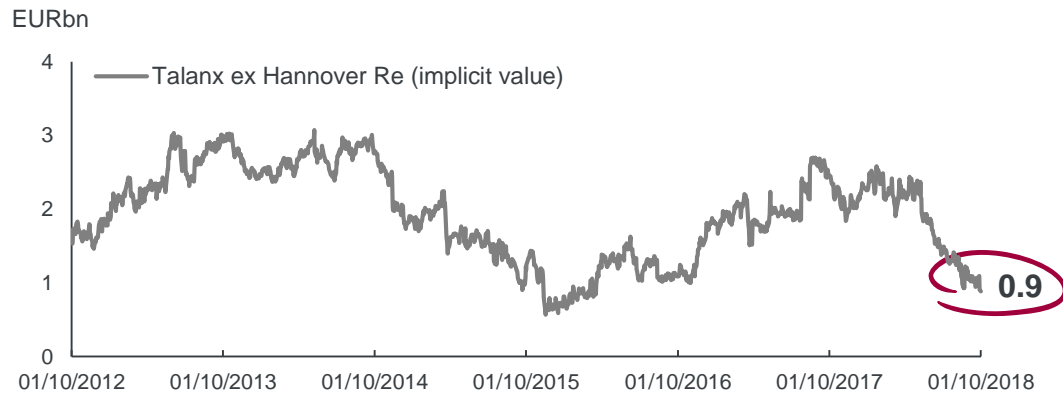
Develop

...however, cautious valuation of Talanx ex Hannover Re

Market cap development



Implicit market cap Talanx ex Hannover Re stake



Note: Multiples as of 30 September 2018 and based on sell-side estimates as collected by Talanx. The P/E ratio refers to the 2019E median for EPS, the P/B ratio refers to the 2018E shareholders' equity

Develop

Talanx's ambition – Three areas to develop

Strengthen

- 1 Entrepreneurial culture
- 2 B2B focus
- 3 Diversified portfolio

Traditionally different

Develop

- 1 Enhanced capital management
- 2 Focused divisional strategies
- 3 Digital transformation

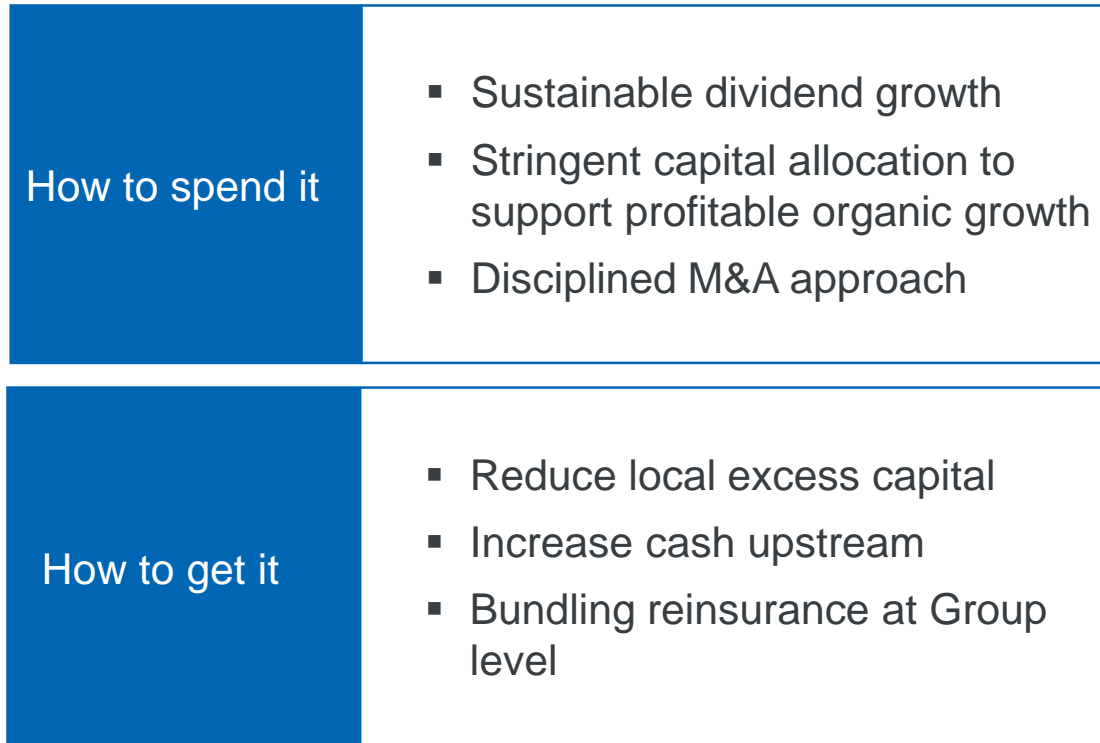
Develop
Talanx's ambition 2022



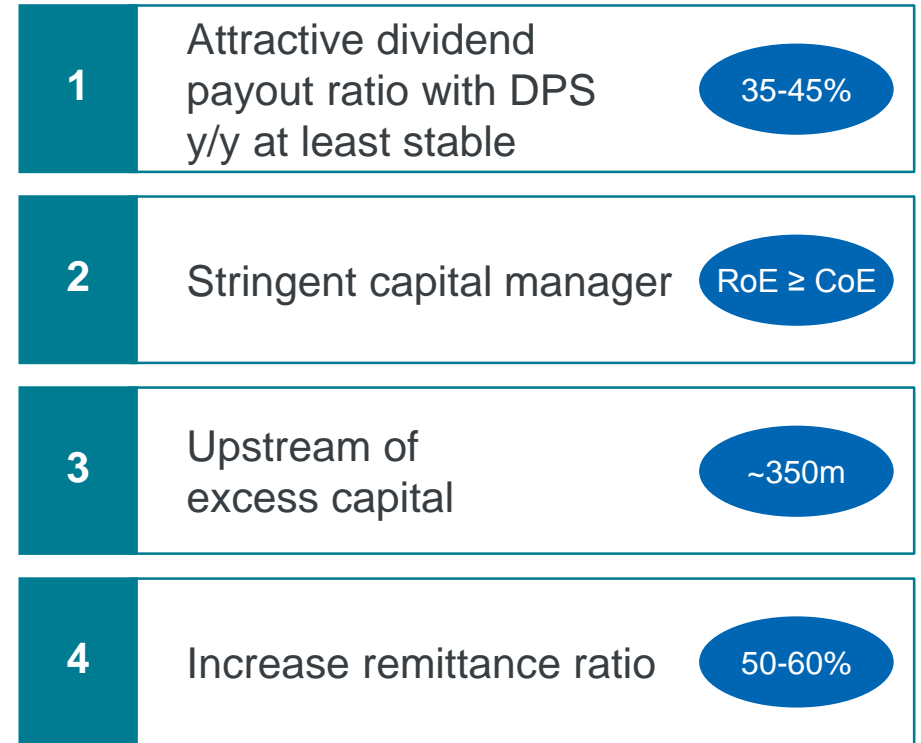
1 Develop – Enhanced capital management

Our Capital Management Strategy

Enhanced Capital Management



Mid-term ambition



Immo Queries to present in more detail

Note: Target dividend coverage ratio (available cash fund divided by target dividend level) is ~1.5-2 times actual dividend

1 Develop – Enhanced capital management

How to spend it – Allocate capital to support profitable organic growth

Return on Equity / GWP



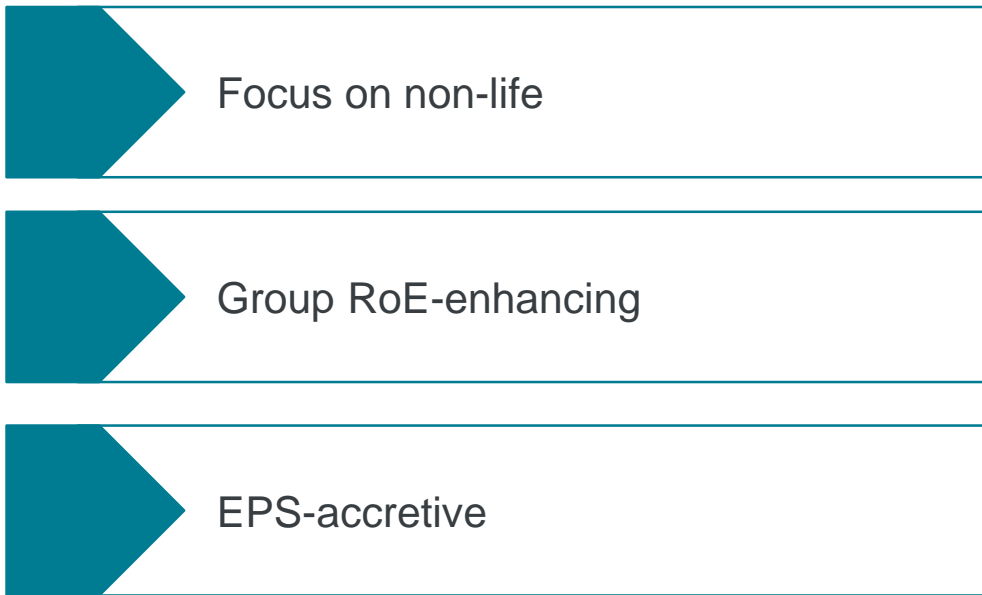
Consequent and efficient capital allocation in high RoE business...

... supports strong and profitable growth

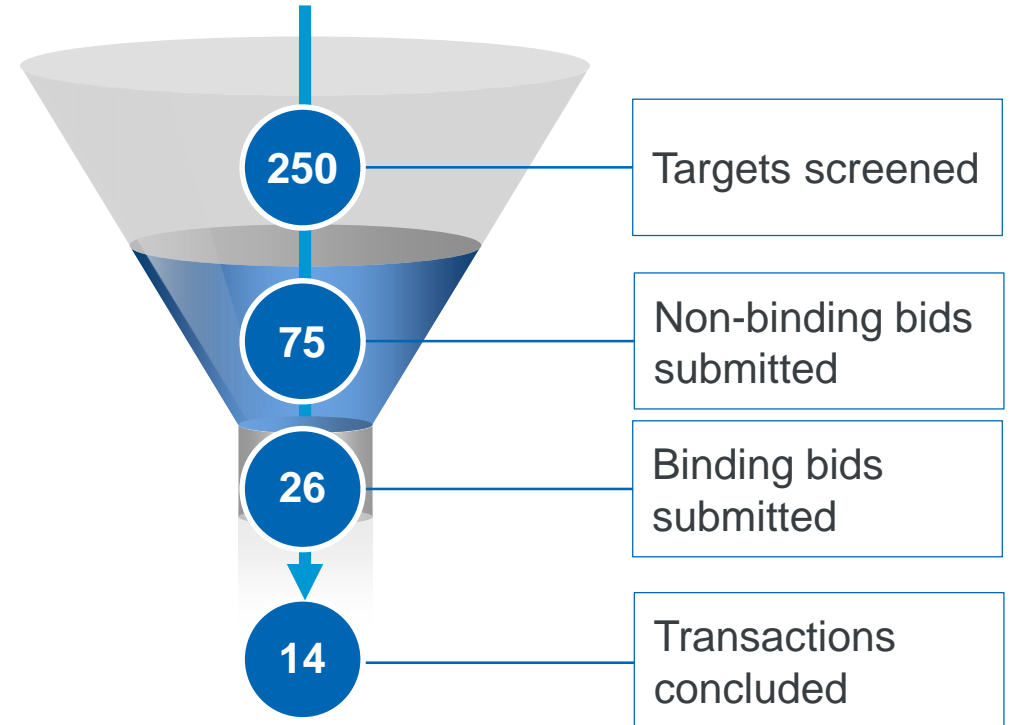
Note: Bubble size: attributed equity capital 2017 in m EUR; figures in bubbles refer to change in attributed equity excl. minorities (2017 vs. 2012)

1 Develop – Enhanced capital management How to spend it – Disciplined M&A approach

Our M&A criteria



Disciplined M&A activity (since 2011)



Note: "EPS-accretive" refers to an increase of Talanx's earnings per share

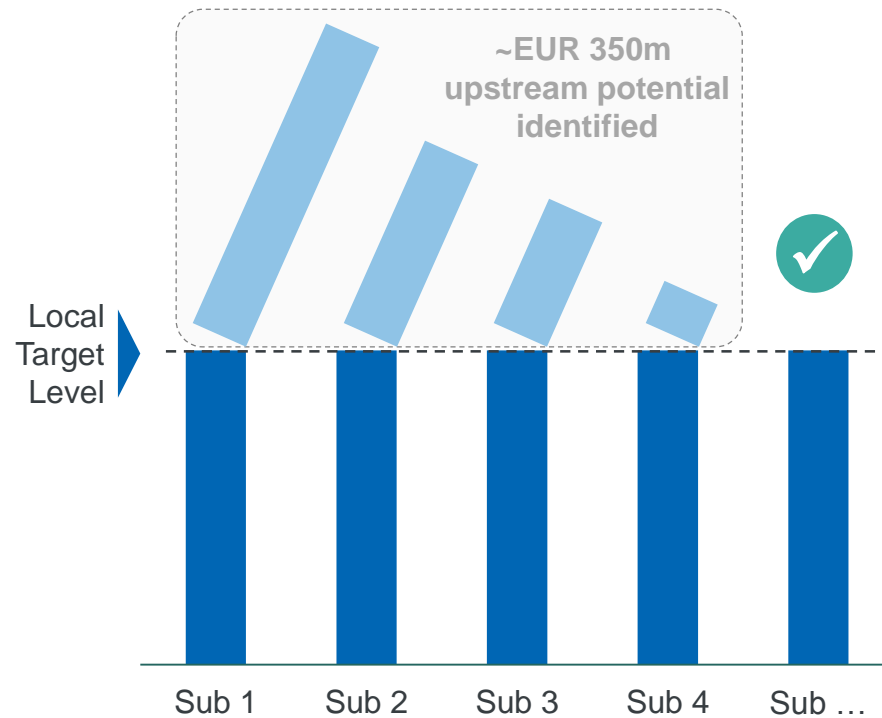
1 Develop – Enhanced capital management

How to get it – Reduce local excess capital and increase cash upstream

Reduce local excess capital

Solvency ratio (%)

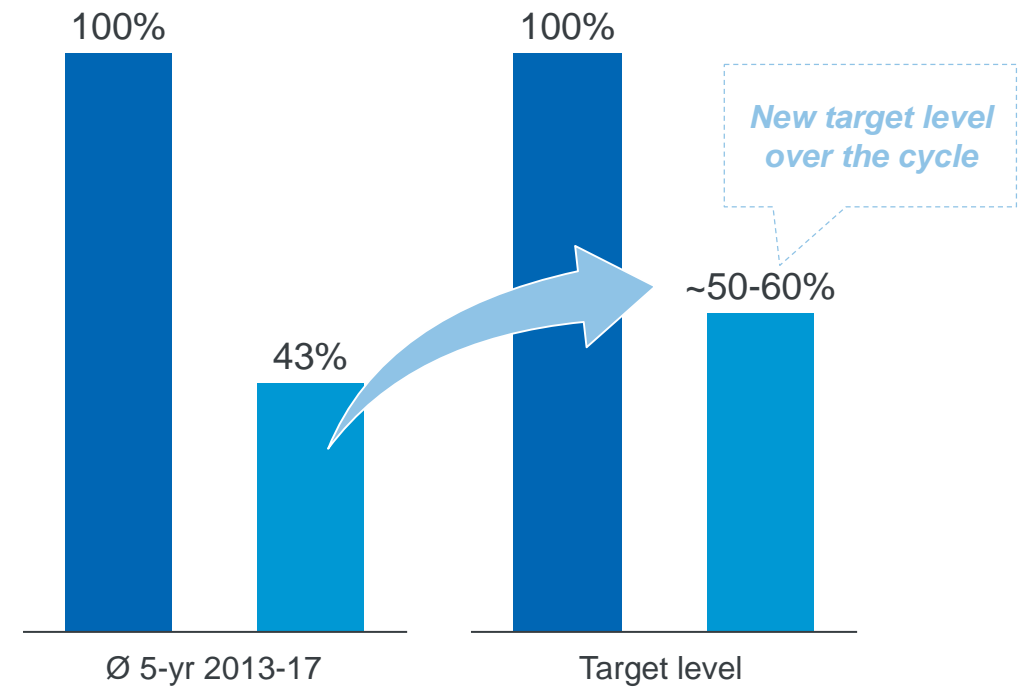
Illustrative



Increase cash upstream to Talanx Group

Ø 5-yr remittance ratio (2013-17)

■ IFRS Group net income ■ Remittance from affiliated companies

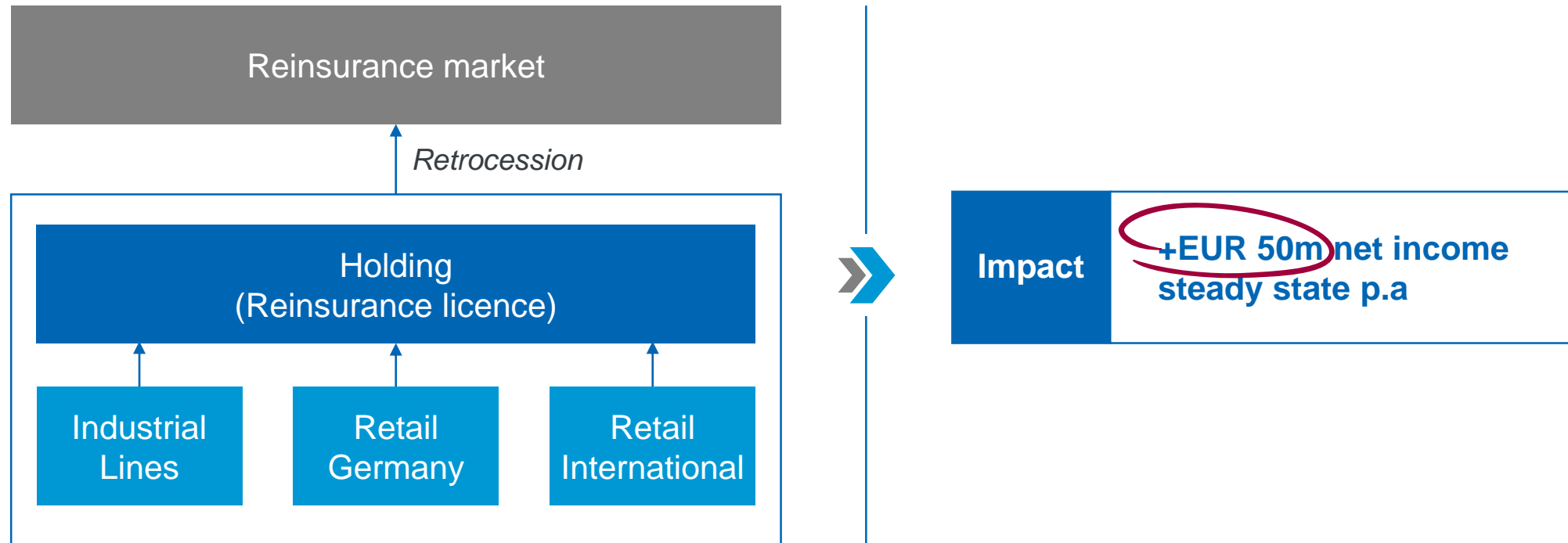


1 Develop – Enhanced capital management

How to get it – Bundling reinsurance at Group level to leverage diversification

Bundling reinsurance at Group level

Illustrative



2 Develop – Focused divisional strategies Industrial Lines

Stock take

Leading

- Customer focus and claims management
- International Programmes
- Cost leadership

Lagging

- Profitability in Fire business – Balanced Book not sufficient
- Untapped growth potential in foreign markets and in Specialty



Focus and mid-term ambition

Focus

- Bring CoR in Fire to well below 100% until 2020 (“20/20/20”)
- Continue profitable foreign growth
- Growth initiative in Specialty
- Drive digital transformation



RoE Ambition

8-10%

Christian Hirsch and his team to present in more detail

2 Develop – Focused divisional strategies Retail International

Stock take

Leading

- Entrepreneurial culture and digital leadership
- Strong track record in M&A
- Cost leadership

Lagging

- Top 5 position not yet achieved in all core markets
- Dependency on Poland, Brazil and Italy results



Focus and mid-term ambition

Focus

- Focus on top 5 positions in 5 core markets
- Disciplined organic and inorganic growth with focus on profitability
- Leveraging digital leadership



RoE ambition

10-11%

Sven Fokkema to present in more detail

2 Develop – Focused divisional strategies Retail Germany

Stock take

Leading

- Leading player in Bancassurance
- Experienced employee benefits player
- Strong B2B position for P/C SME

Lagging

- Cost level (HDI P/C and Life)
- Legacy IT systems



Focus and mid-term ambition

Focus

- Delivery on KuRS targets until 2021
- Growth initiative in SME
- Drive digital transformation



RoE ambition

7-8%

For wicks to present in more detail

2 Develop – Focused divisional strategies Reinsurance

Stock take

Leading

- Cost leadership
- Top profitability
- Consistent underwriting approach
- Efficient tailor-made solutions

Lagging

- Profitability of US mortality business



Focus and mid-term ambition

Focus

- Focus on reinsurance
- Maintain competitive (cost) advantage
- Solution-oriented innovative reinsurer
- Drive digital transformation



RoE ambition

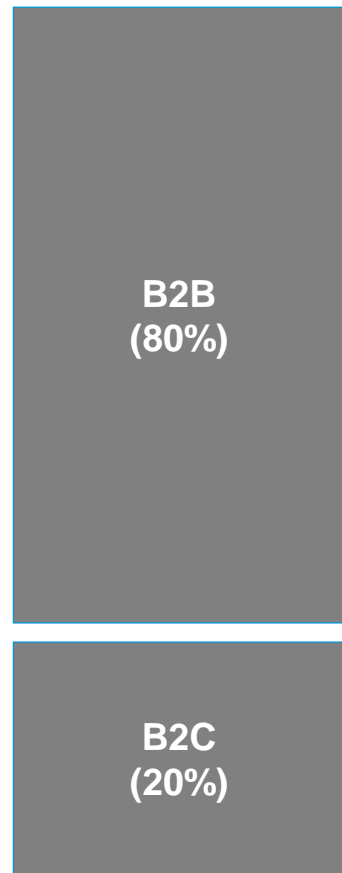
≥ 10%

Note: RoE target of ≥900bps + risk-free

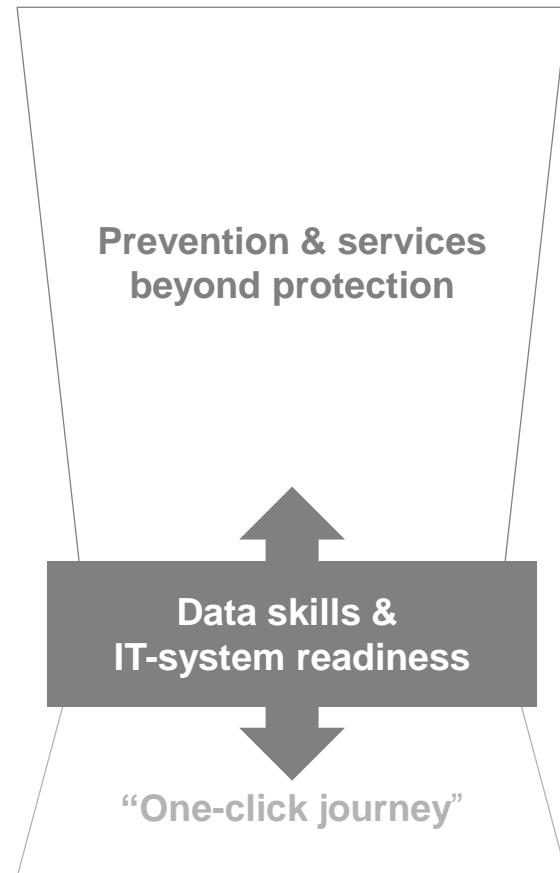
3 Develop – Digital transformation

Digitalisation@Talanx – Clear focus to extend our digital value proposition

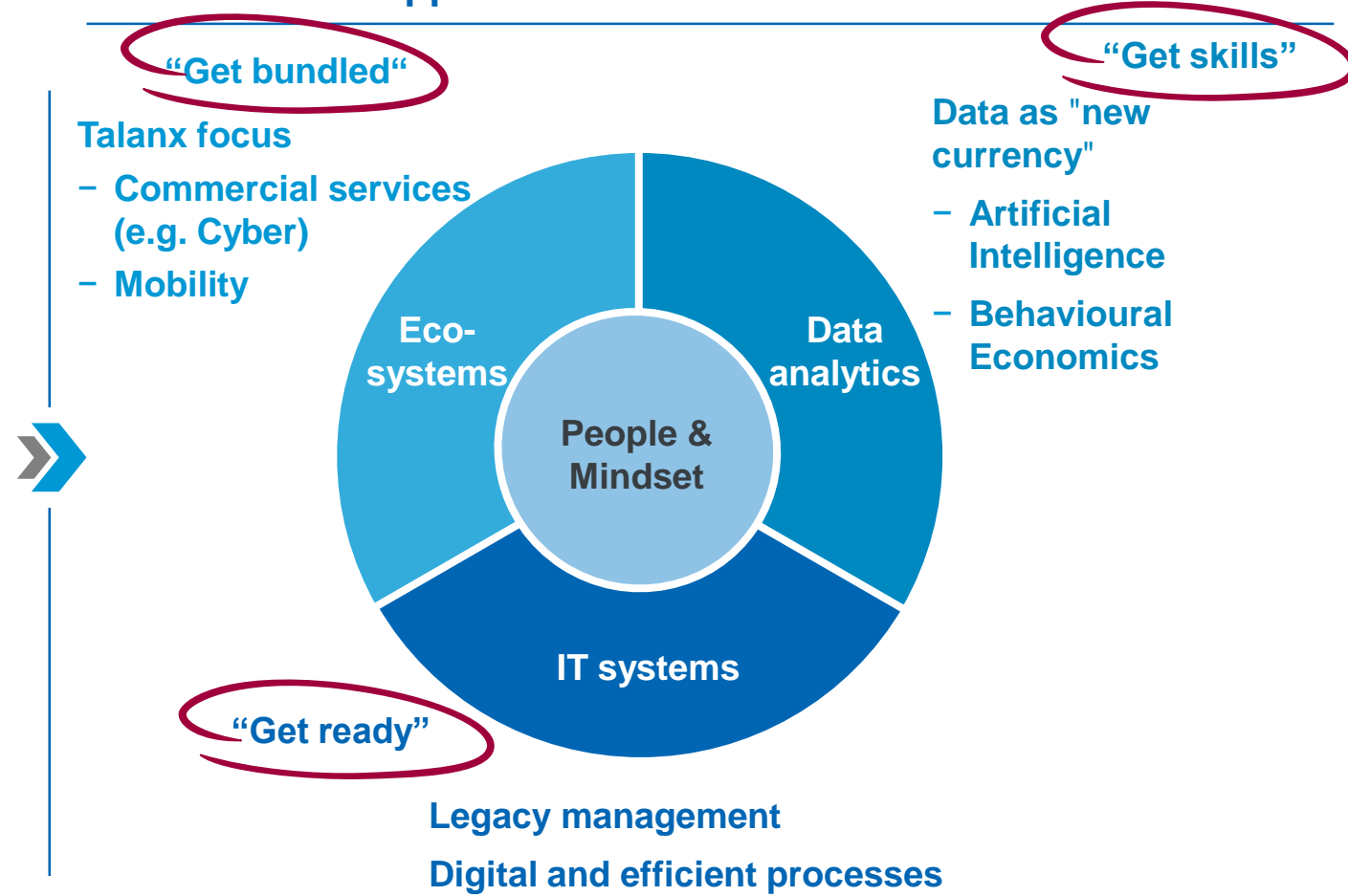
Our footprint



Key success factors



Our focussed approach

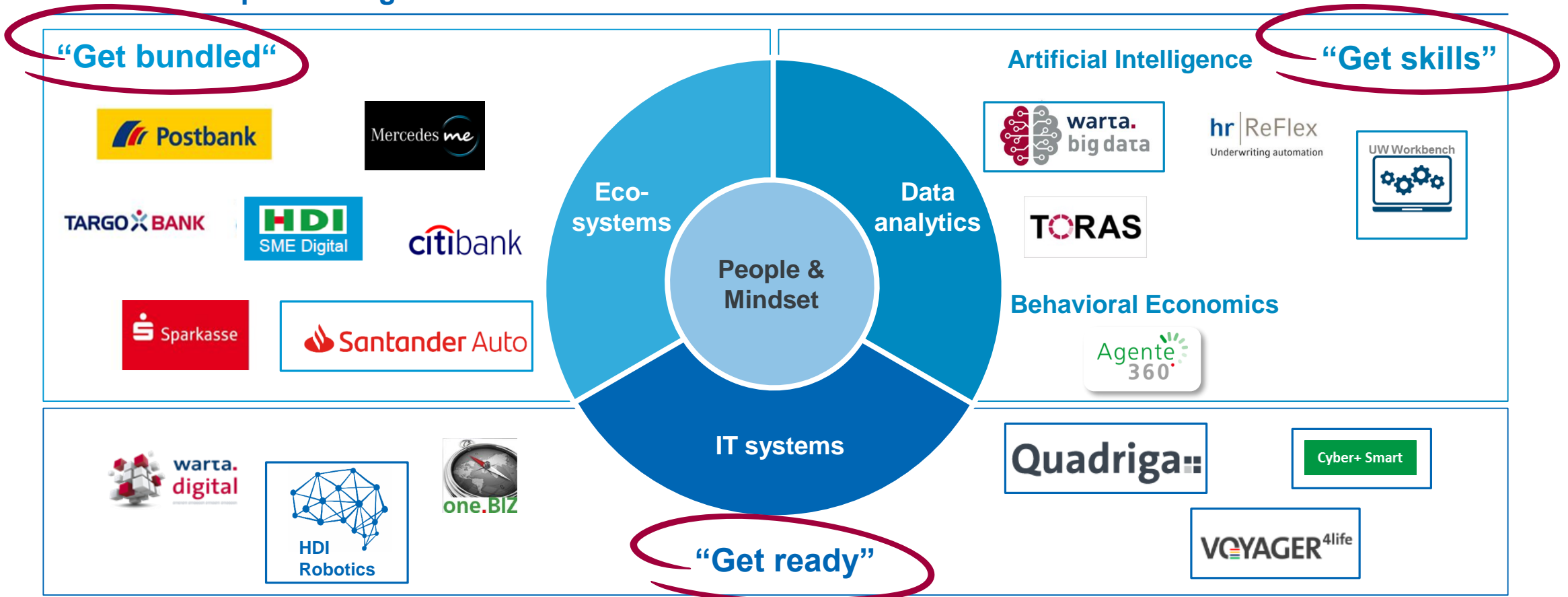


Note: Commercial services and mobility represent ~50% of insurer-relevant ecosystems (McKinsey)

3 Develop – Digital transformation

Digitalisation@Talanx – Divisions drive digitalisation as top management priority

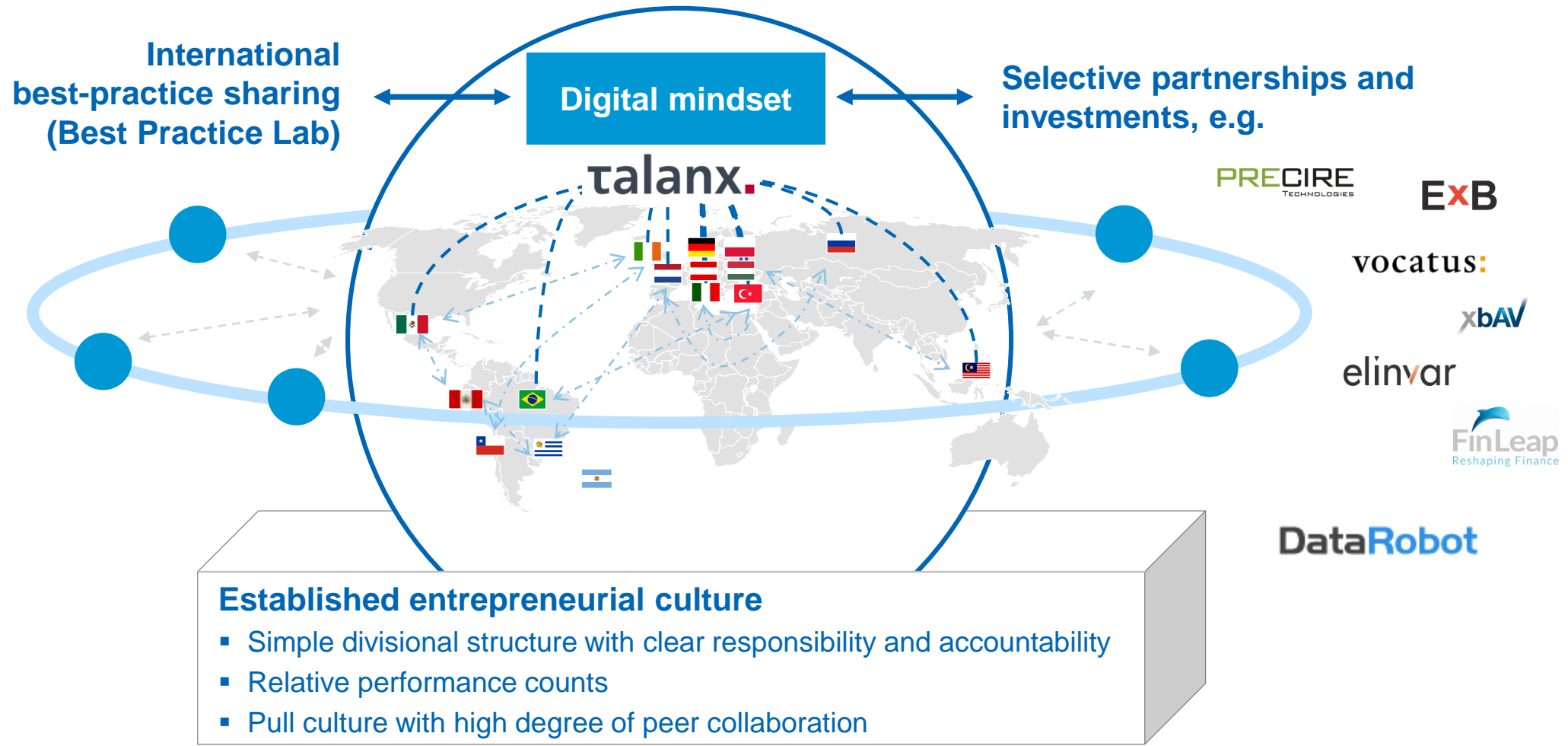
Selected examples for digitalisation in divisions



Further details in divisional presentations

3 Develop – Digital transformation

Digitalisation@Talanx – Group fosters digital mindset leveraging our entrepreneurial culture






Outlook 2018 for Talanx Group

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

2019 target:
~EUR 900m

Note: The 2018 Outlook is based on a large loss budget of EUR 300m (2017: EUR 290m) in Primary Insurance, of which EUR 260m in Industrial Lines. The large loss budget in Reinsurance stands at EUR 825m. All targets are subject to no large losses exceeding the large loss budget, no turbulences on capital markets and no material currency fluctuations

Mid-term ambition – Raising the target level for Group profitability

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

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

Agenda

I	Group Strategy	Torsten Leue
II	Group Financials	Dr Immo Querner
1	Enhanced capital management	
2	Asset Management	
3	Excursion: IFRS & Solvency Update	
III	Industrial Lines	Dr Christian Hirsch / Dr Edgar Puls / Dr Thomas Kuhnt
IV	Retail International	Sven Fokkema
V	Retail Germany	Dr Jan Wicke
VI	Final Remarks	Torsten Leue

1 Enhanced capital management Our Capital Management Strategy

Enhanced Capital Management

How to spend it	<ul style="list-style-type: none"> ▪ Stringent capital allocation to support profitable organic growth ▪ Sustainable dividend growth ▪ Disciplined M&A approach
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How to get it	<ul style="list-style-type: none"> ▪ Reduce local excess capital ▪ Increase cash upstream ▪ Bundling reinsurance at Group level
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Mid-term ambition

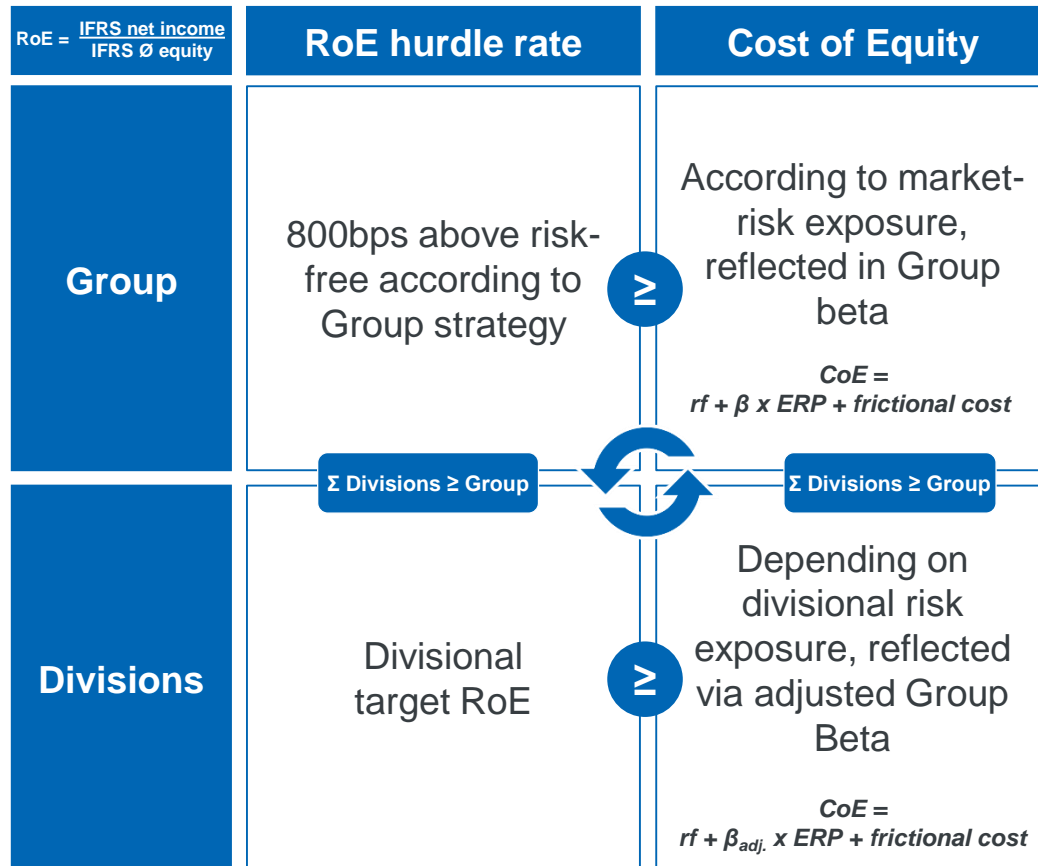
1	Attractive dividend payout ratio with DPS y/y at least stable	35-45%
2	Stringent capital manager	RoE ≥ CoE
3	Upstream of excess capital	~350m
4	Increase remittance ratio	50-60%

Note: Target dividend coverage ratio (available cash fund divided by target dividend level) is ~1.5-2 times actual dividend

1 Enhanced capital management

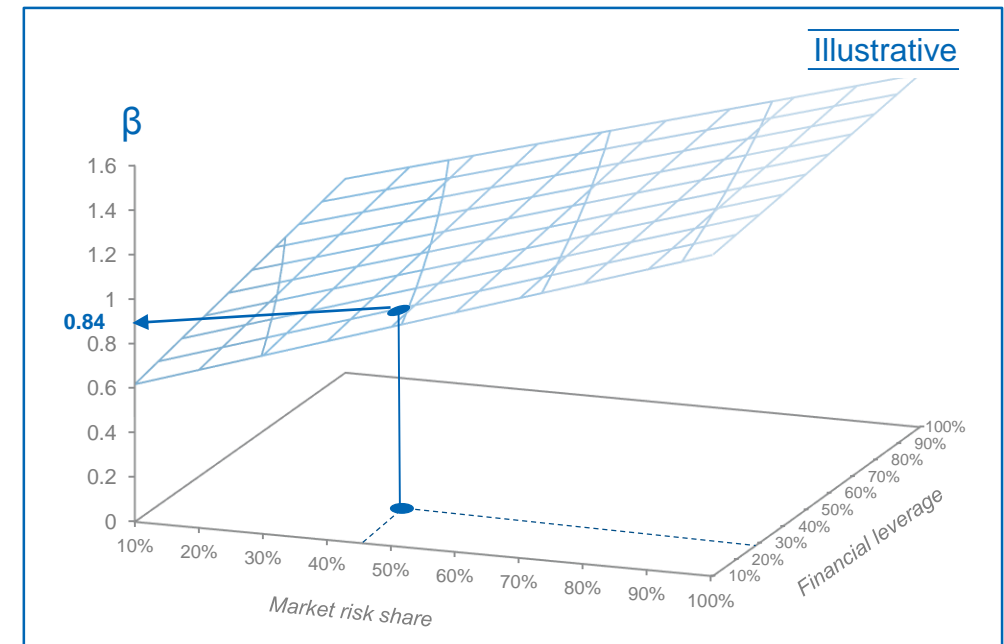
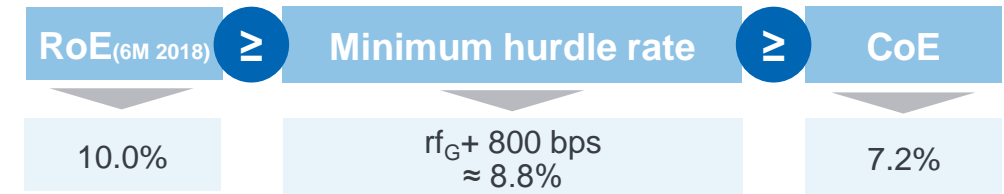
How to spend it – Stringent capital allocation to support profitable organic growth

Capital steering matrix & KPIs



Note: RoE based on IFRS 4. Cost of Equity benchmark 7.2% - 7.6% confirmed e.g. by PWC (Cost of Equity Insurance Companies, Germany 2018), AonBenfield ("The Aon Benfield Aggregate", 12/2016) and most recent Swiss Re Sigma (4/2018)

Beta drivers



Note: Calculation for FY2018

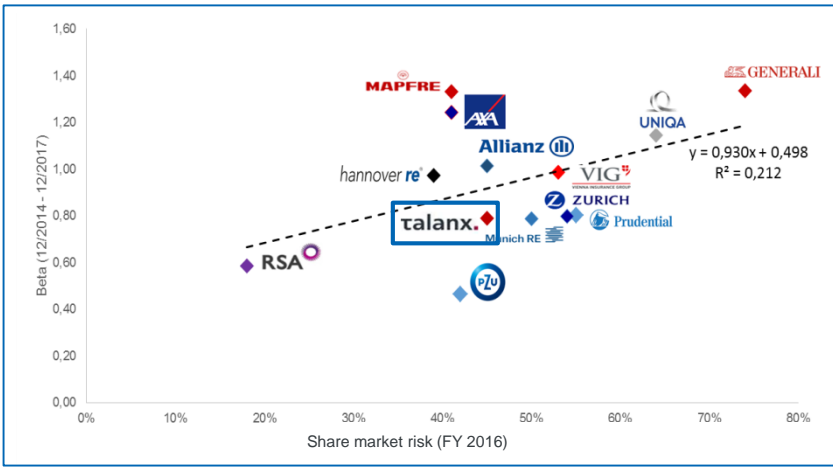
1 Enhanced capital management

Beta-blockers to prevent abnormal (“risk off”) heart rhythms/attacks



Prudent market risk

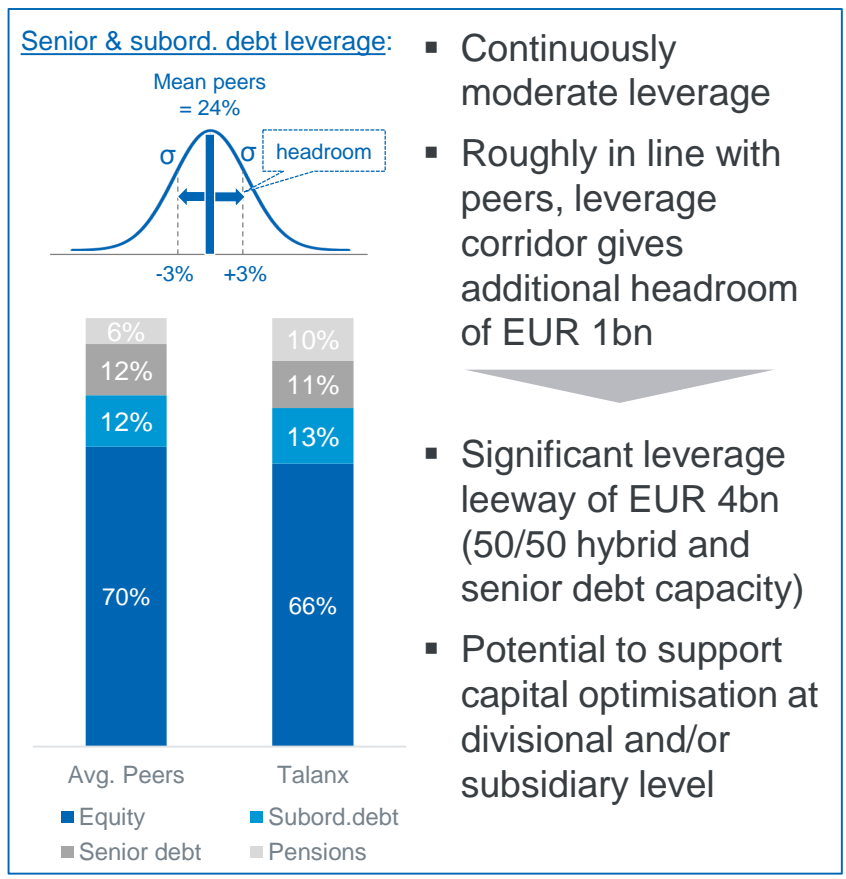
Market risk share



Source: Bloomberg, own calculation

Moderate leverage

Leverage position



Source: Company reports, own calculation, figures as of 30 June 2018

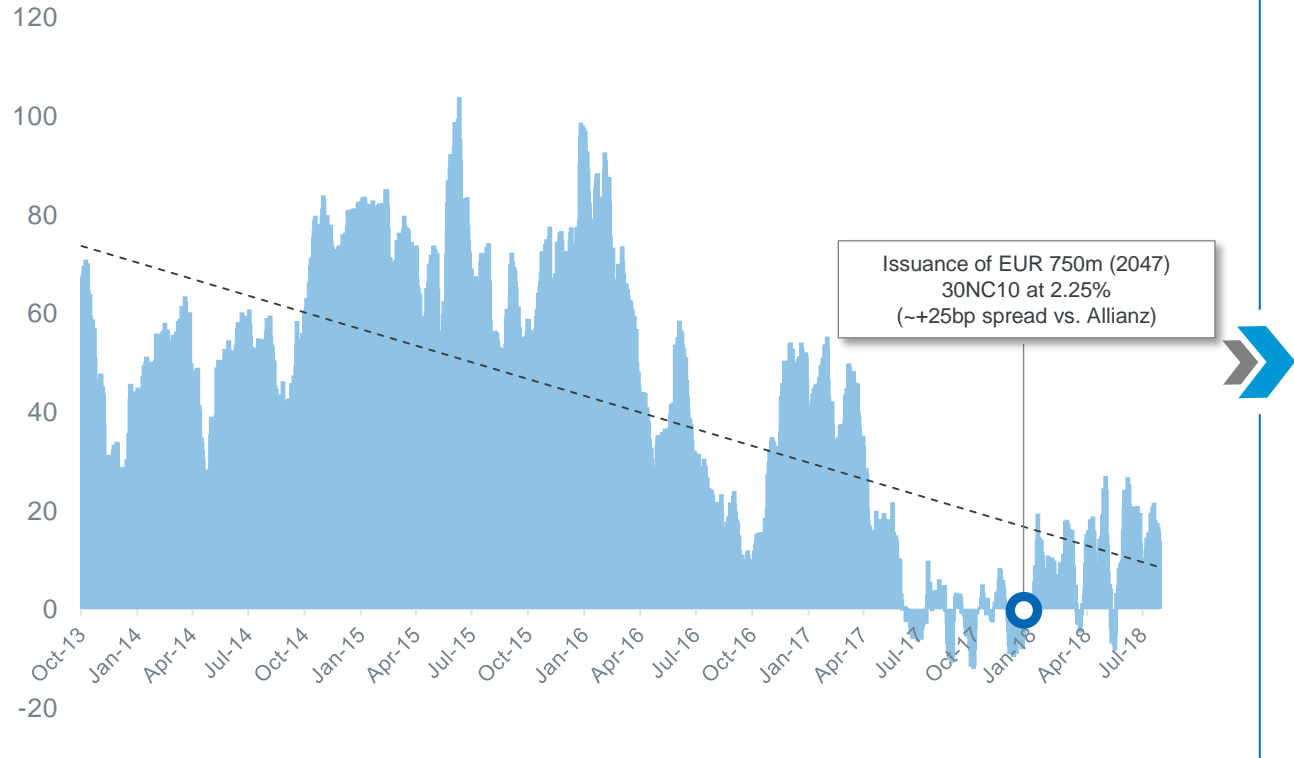
1 Enhanced capital management

Ongoing trend of narrowing spreads supported by Talanx's conservative low-beta profile



Credit spread development

Trading spread in bps between Talanx EUR 500m (2042) 30NC10 8.37% and peers



- 1 Low market risk reflected in constantly declining spreads (relative position)
- 2 Efficient timing of capital management actions
- 3 Narrowing spreads result in reduced future funding and/or refinancing cost

Note: Credit spreads are calculated as spreads over the 6M swap curve. Seniority: Lower Tier 2. Equally weighted peer group consists of Allianz (2022, 5.625%), AXA (2023, 5.125%), Generali (2022, 10.125%), Munich Re (2022, 6.25%) and Zurich (2023, 4.25%)

1 Enhanced capital management

How to spend it – Aspirational steering with RoE ambition ≥ CoE

Cost of Equity calculation

	Risk-free (FX exposure weighted)	+	Group beta 5yrsØ	×	Adjustment factor	×	Market-risk premium	+	Frictional cost	=	CoE
Group	1.9%				1.00						7.2%
Industrial Lines	0.9%		0.84		1.07		4.0%		2.0%		~6.5%
Retail Germany	0.8%			2.48		~11%					
Retail Intern.	3.8%			1.26		~10%					
Reinsurance	1.2%			0.66		~5.5%					



Consistent and more ambitious target setting

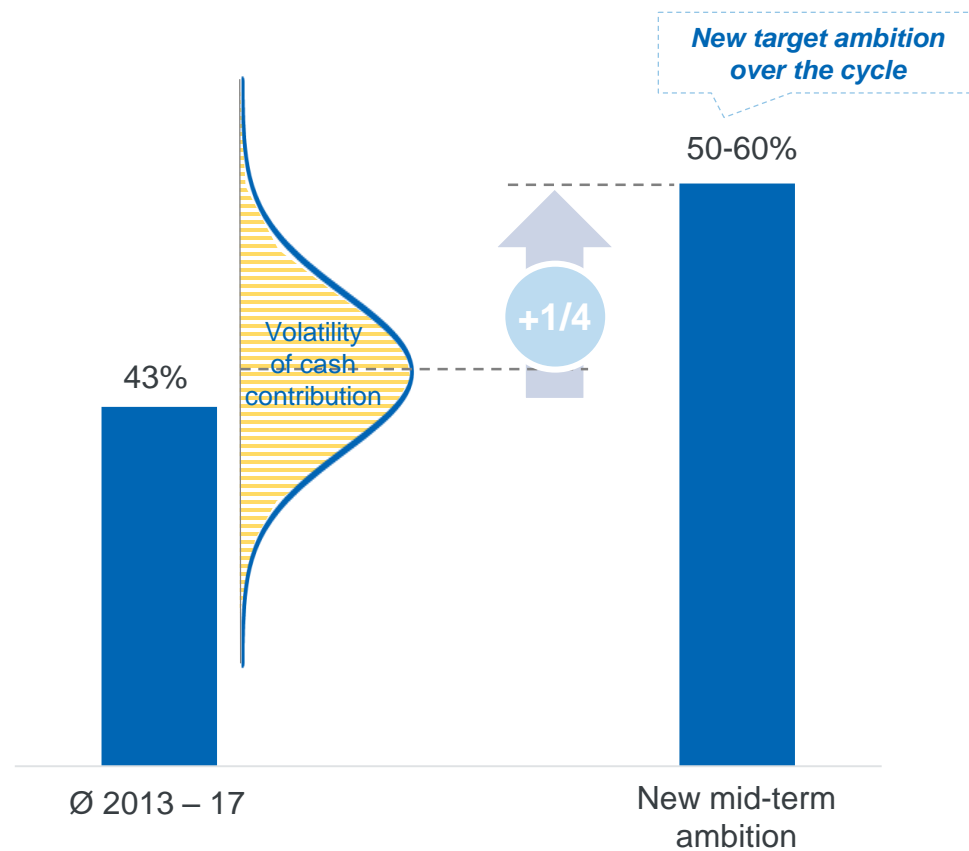
CMD 2017 ambition	Ambition	Comments
750bp + risk free _G	≥800bp + risk free _G	Talanx ≤ sum-of-the-parts creating value!
8%	8-10%	“20/20/20”, Speciality etc.
6-7%	7-8%	“Tapering” guarantee burden; shifting Life to P/C; more capital- efficient and biometric business
9%	10-11%	FX mix & goodwill allocation; growth & capital management
n/a	≥ 10%	In line with Hannover Re’s minimum RoE target

Note: The adjustment factor is determined by two factors: the capital adequacy ratio of the division relative to the Group and the divisional share of market risk relative to the Group. An equal position as the overall Group would result in a figure of “1.00”. A higher share of capital market risks than the overall Group and lower divisional capital adequacy ratios than the overall Group would result in adjustment factors above 1. All numbers relate to a Shareholder Net Asset (SNA) view. All calculations for FY2018

1 Enhanced capital management

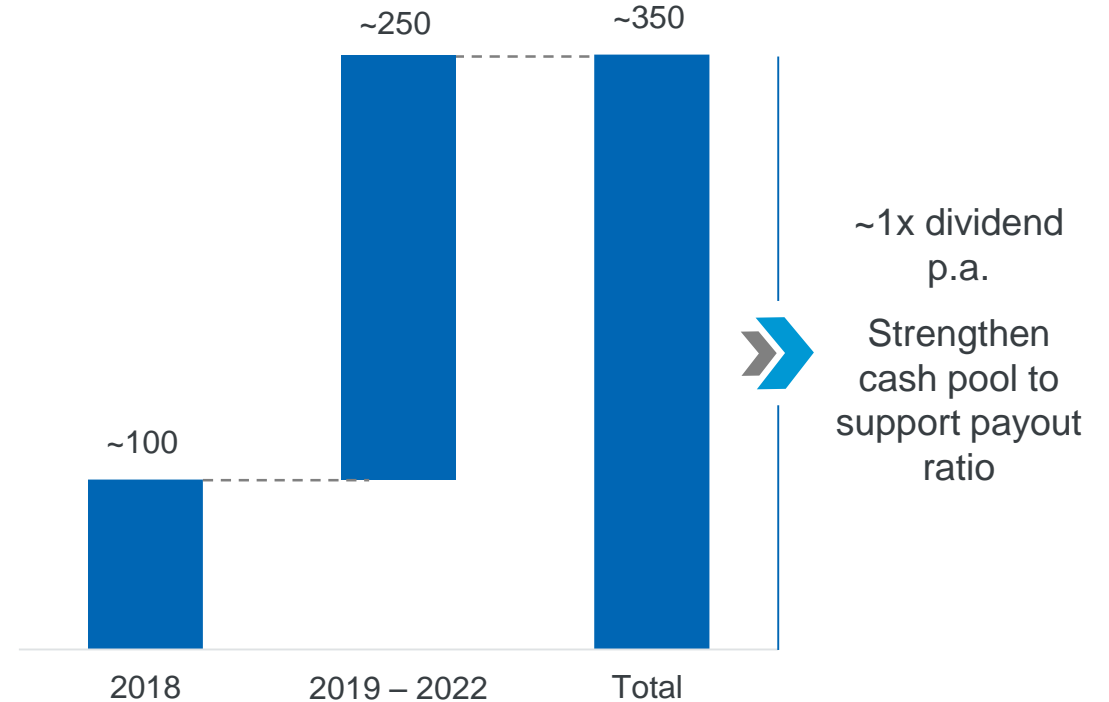
How to get it – Increase cash upstream and reduce local excess capital

Ø Remittance ratio



Mid-term capital upstream potential

Excess capital after local constraints (in EURm):

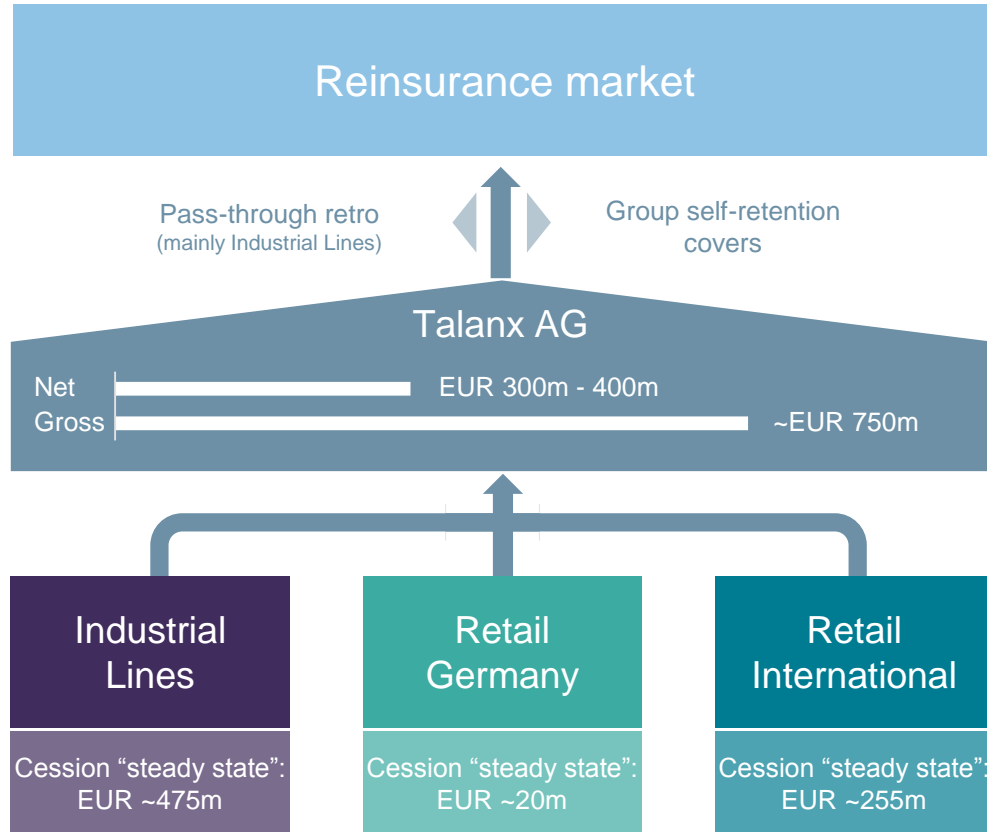


Note: Local constraints reflect e.g. local supervisor, withholding tax

1 Enhanced capital management

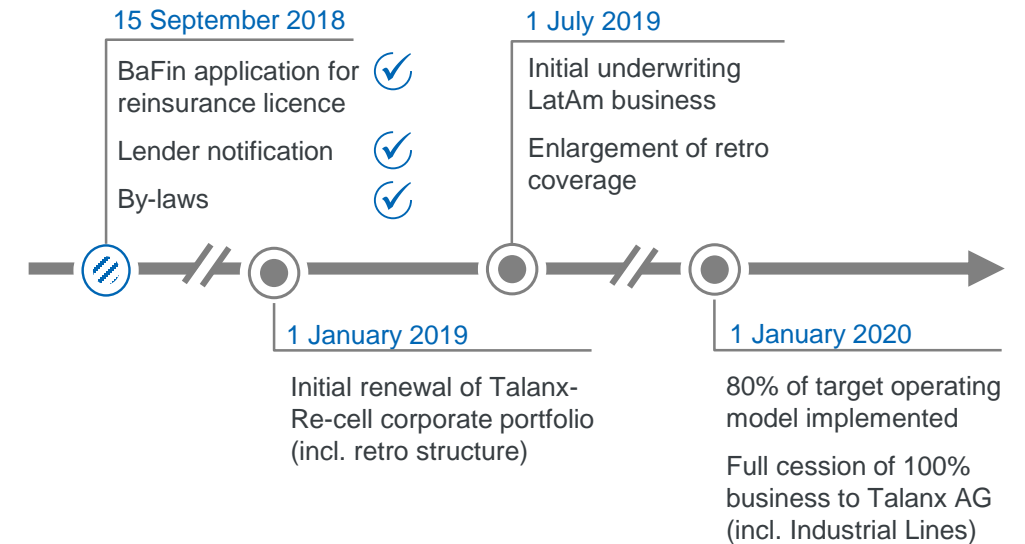
How to get it – Bundling reinsurance at Group level

New reinsurance structure



Stringent implementation




- Talanx AG will become exclusive reinsurer for all treaty cessions in P/C segments. Talanx AG to act as the risk carrier and pooling vehicle
- Increased cash generation and liquidity flow at Group level
- Optionality for capital relief transactions



1 Enhanced capital management

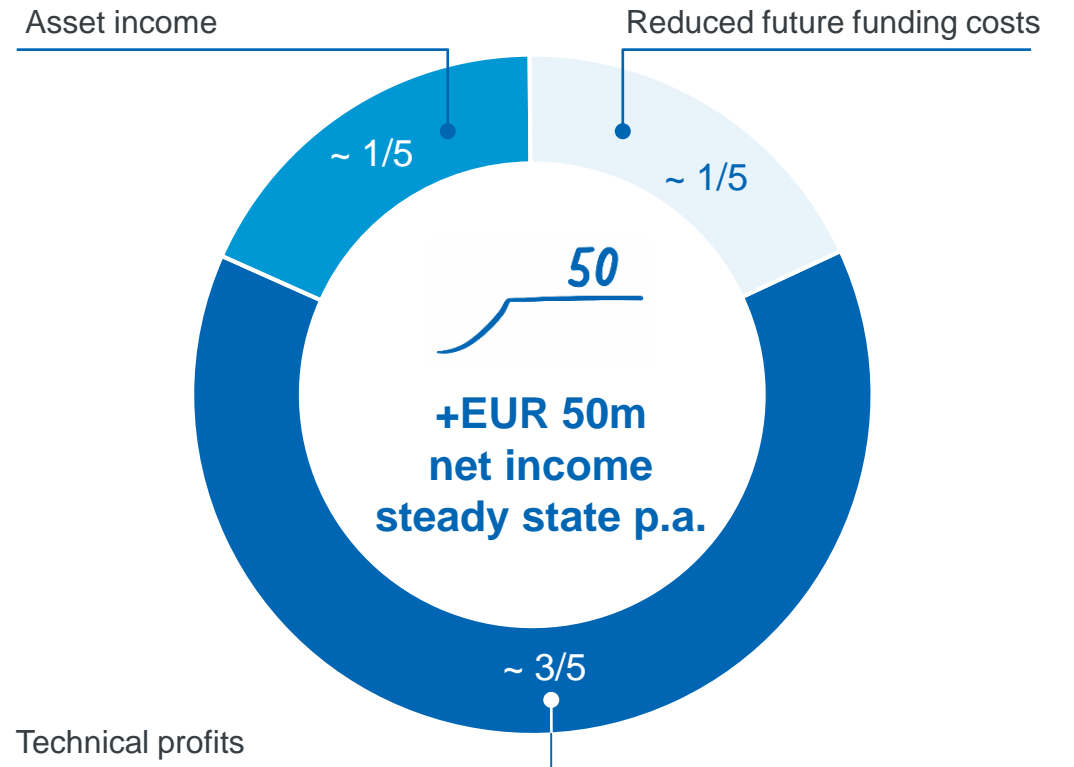
How to get it – Bundling reinsurance at Group level

Key value driver/benefits

<p>Technical profits</p> 	<ul style="list-style-type: none"> Increased retention by gearing Talanx AG's idle solo funds and use of Group diversification Target solo SII-CAR of >300% acc. to standard model and only marginal SCR Group impact
<p>Asset income</p> 	<ul style="list-style-type: none"> Enlarged assets under management (AuM) and related income due to increased Group retention +Δ AuM steady state EUR ~0.65bn
<p>Rating increase</p> 	<ul style="list-style-type: none"> Credit rating improvement for Talanx AG expected (currently A- vs. A+ of operating carriers) resulting in reduced future funding costs



Mid-term ambition

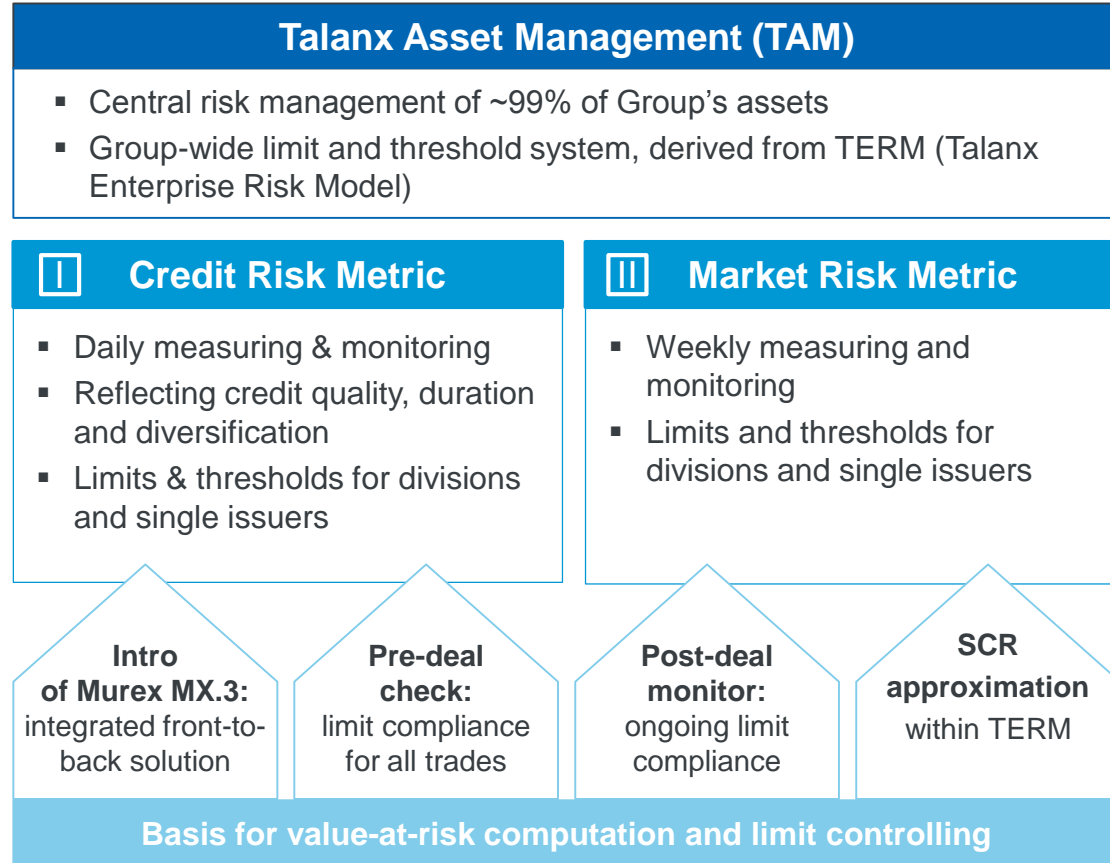


Note: Initially very low marginal tax burden due to (potentially written-off) tax losses carried forward, subject to normal loss frequency, unchanged reinsurance structures and no disruptions on currency, capital or reinsurance markets

2 Asset Management

Strong AM lines of defence and stringent sustainability strategy

Ensuring low beta & protection of shareholders' equity



ESG strategy and approach

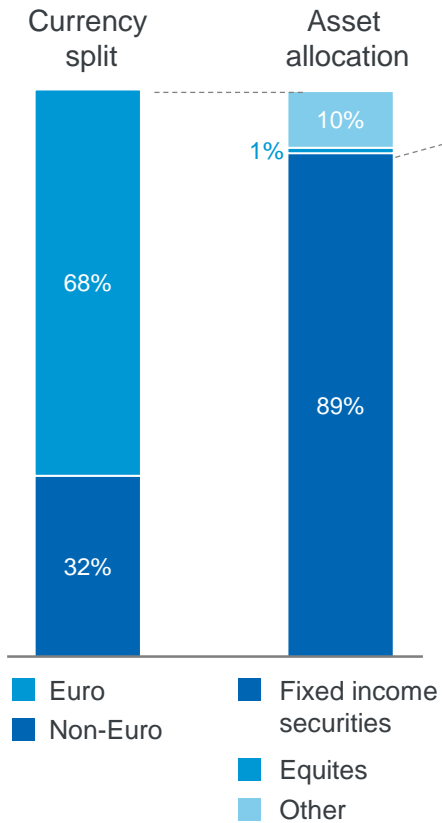


2 Asset Management

Investment strategy unchanged – Striving for close asset-liability matching

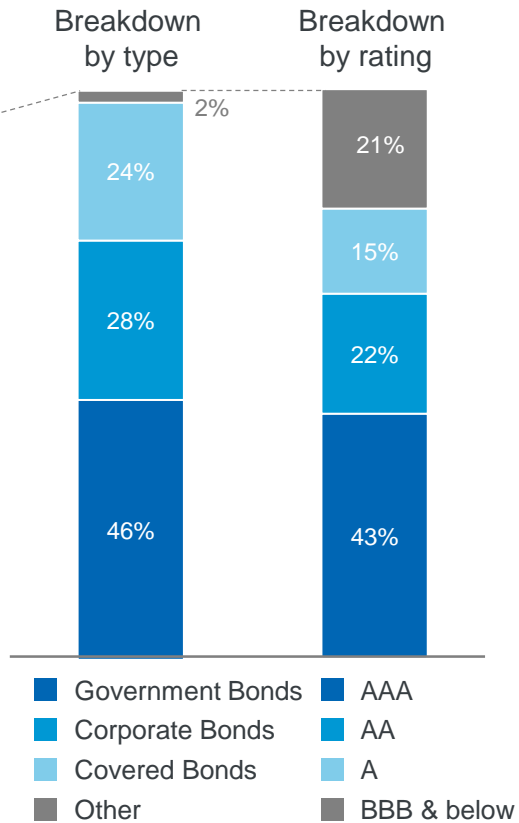
Investment portfolio

6M 2018: EUR 110.8bn

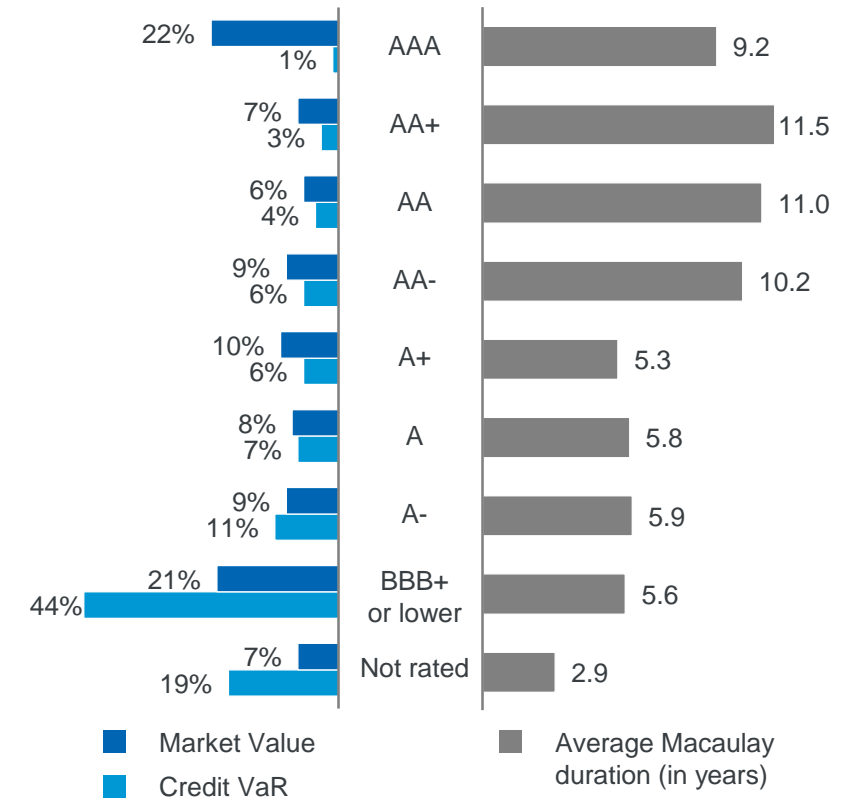


Fixed income portfolio

6M 2018: EUR 98.6bn



Credit VaR & Macaulay duration

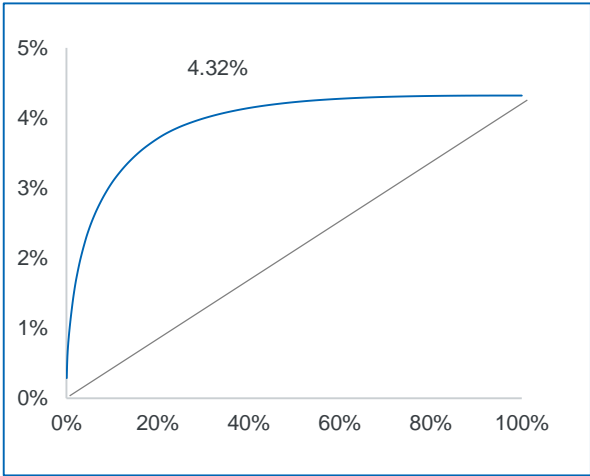


Note: Positions without external ratings (esp. funds and equity investments) shown as not rated. Credit VaR metric particularly depends on maturity and specific loss default assumptions

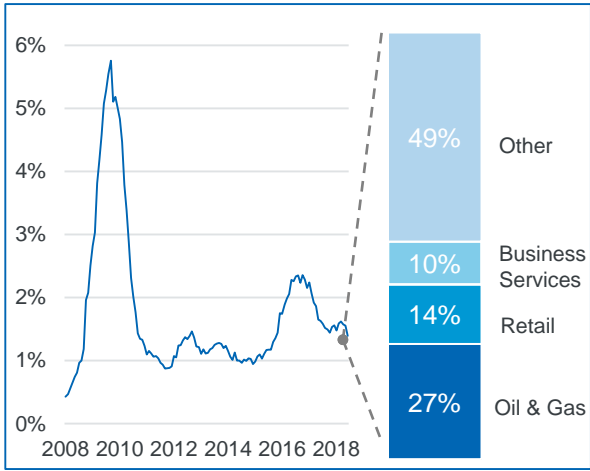
2 Asset Management

At the end of QE – (Corporate and sovereign) spread risks may be the top challenge

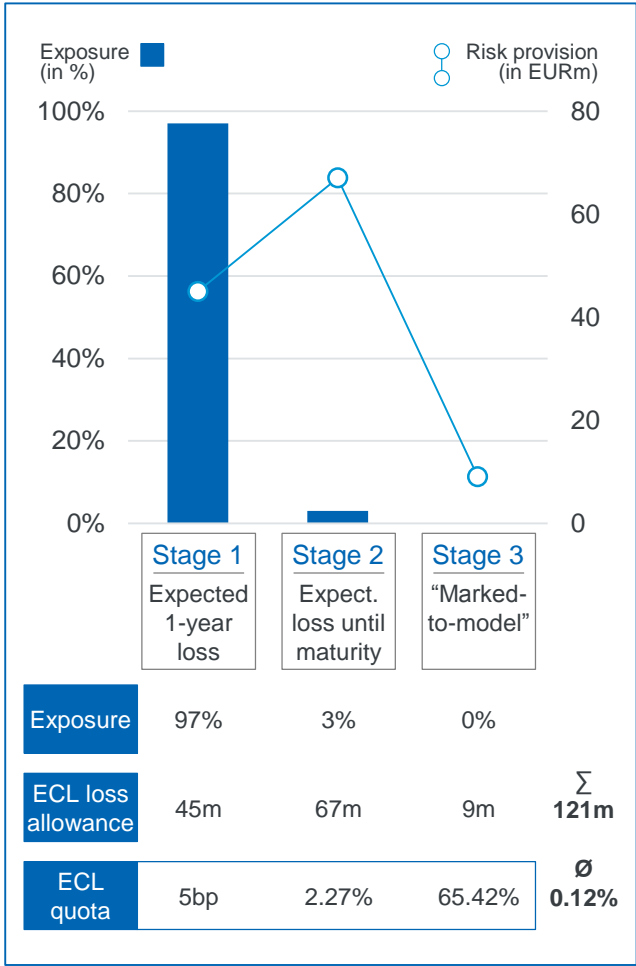
CVaR by share of issuers



Corporate default rate & distribution



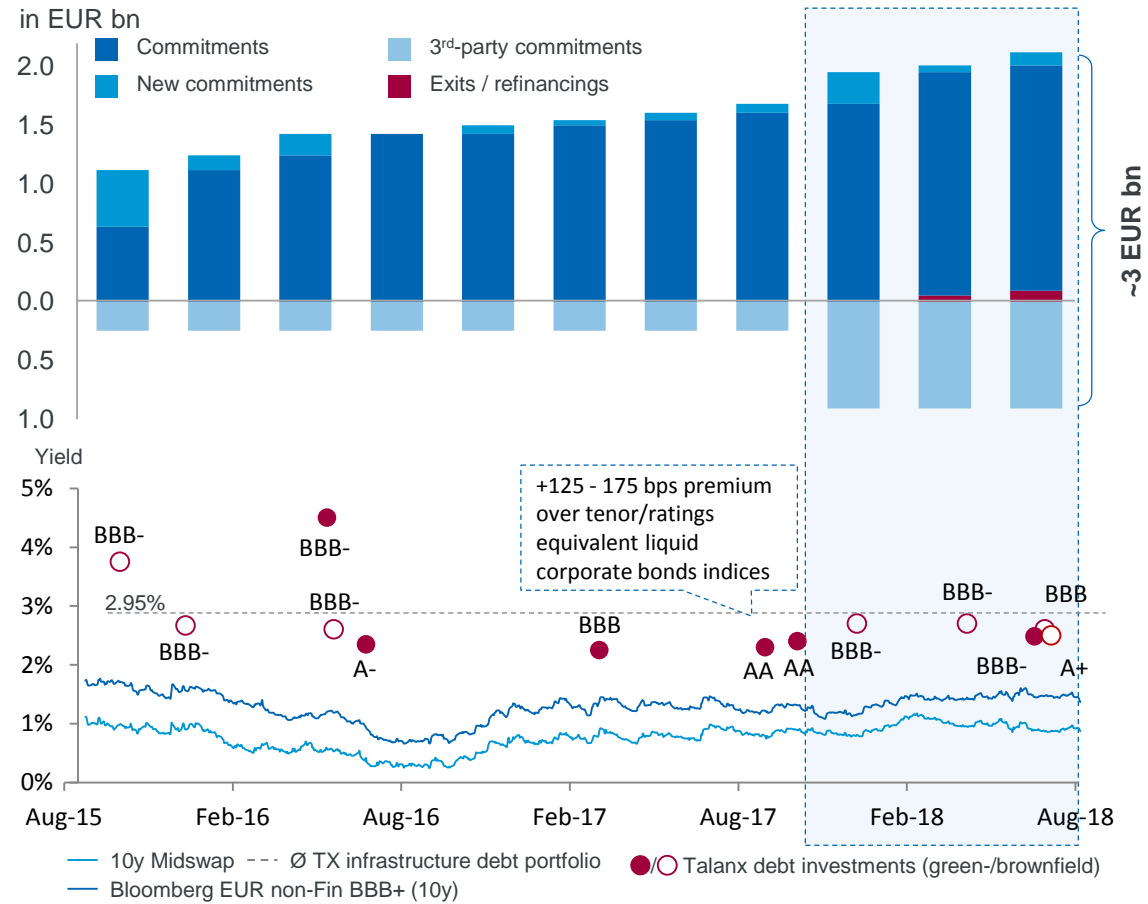
**IFRS 9
Expected credit loss model simulation**



No material defaults in assets managed by Talanx Asset Management
e.g. Steinhoff, Carillion & Toys"R"Us

2 Asset Management Infrastructure pays off

Expansion of infrastructure investments



- 1 €1.9bn of direct infrastructure investment commitments, with 10-yr weighted average life @ BBB+ Ø rating
- 2 EUR 0.9bn of 3rd-party participation generating subsequent fee income
- 3 Long-term limit: 5% of invested assets



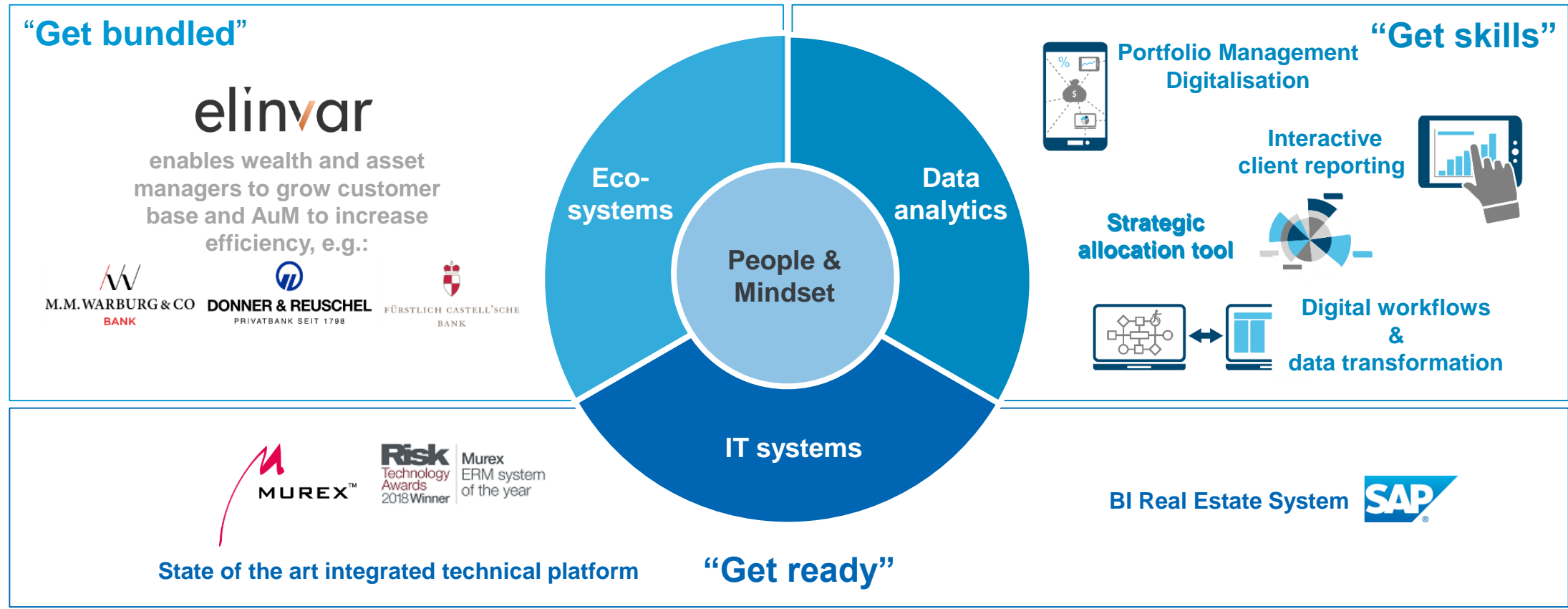
Latest innovative transaction in niche sector

- Ulm regional rail passenger franchise
- 1st structured solution of a German passenger rail concession (total EUR 90m) by institutional investors
- Funding rolling stock for operator via long-dated lease structure
- Significant growth expected given further liberalisation due to the 4th EU rail package

2 Asset Management

Talanx Asset Management – Drive digitalisation as top management priority

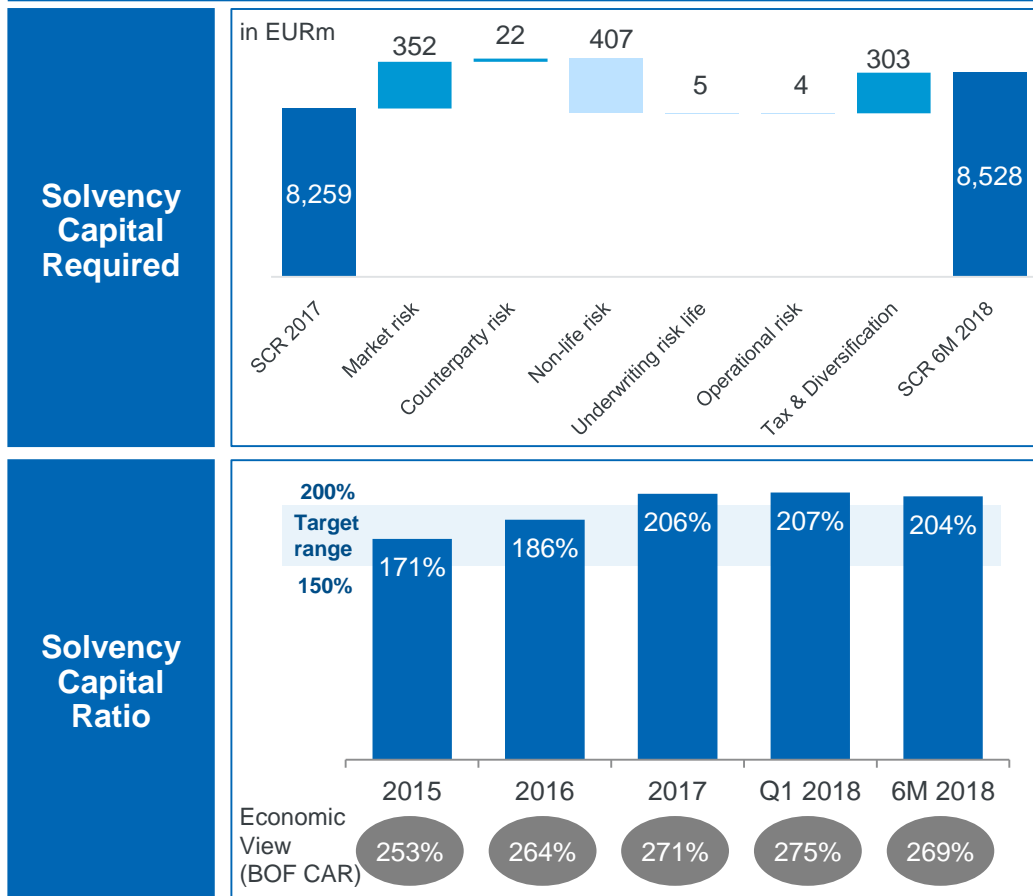
Selected examples for digitalisation in TAM



3 Excursion – Solvency II Update

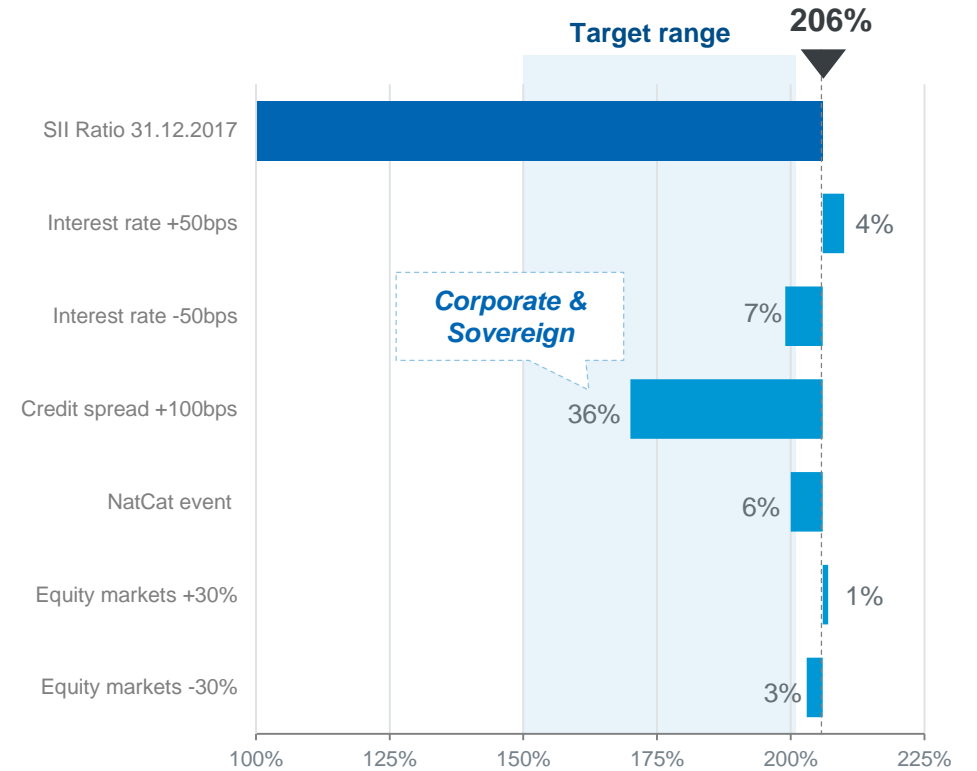
Development of Group capitalisation

Solid capitalisation (Regulatory view)



Note: Regulatory view without transitional

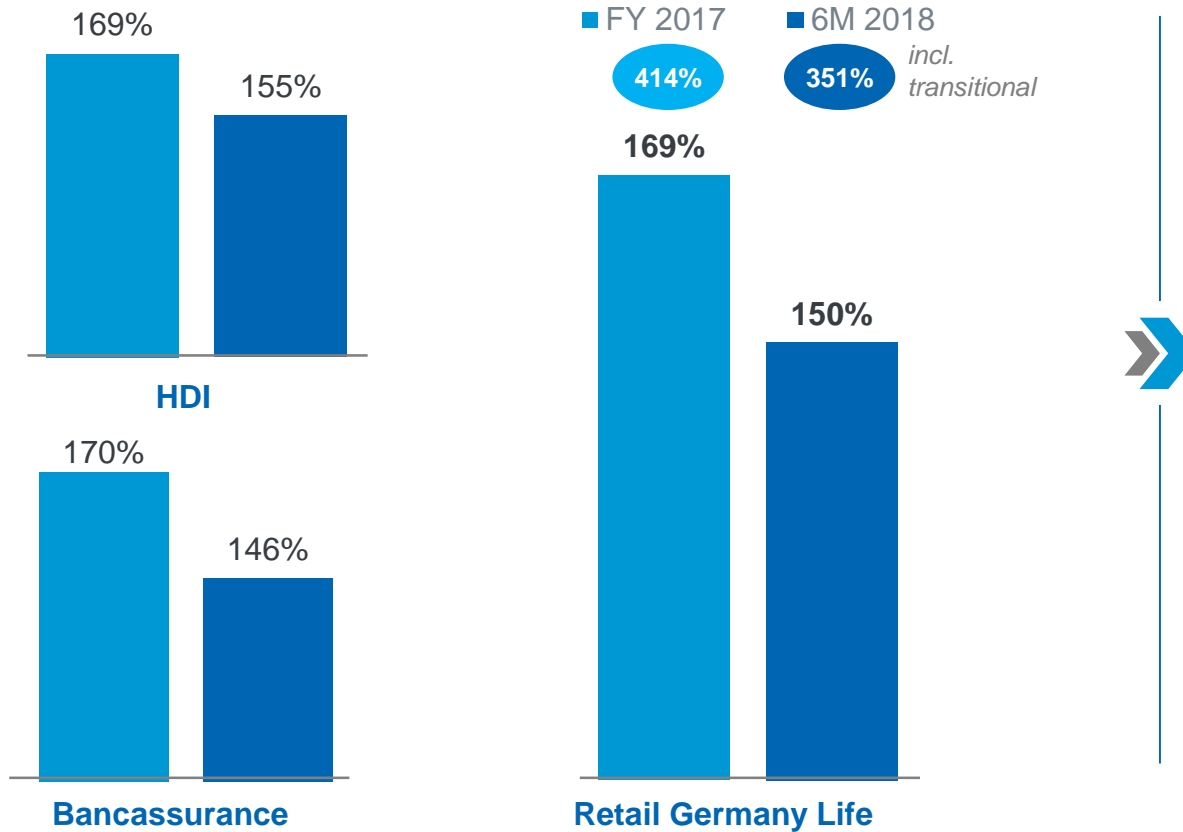
Limited stress impact



3 Excursion – Solvency II Update

Retail Germany Life: Robust capitalisation despite strong credit spread increase

Solvency ratios: Retail Germany Life



- 1 Average increase in credit spreads by ~40% in 6M 2018 hampers Retail Germany Life's CARs
- 2 Robust capitalisation despite recent credit spread widening and lower risk-free rates

Note: Numbers show weighted average of single CARs; if not otherwise stated all figures are based on regulatory view without transitional

3 Excursion – Solvency II Update

Future model change may well result in 10%-point SII ratio improvement

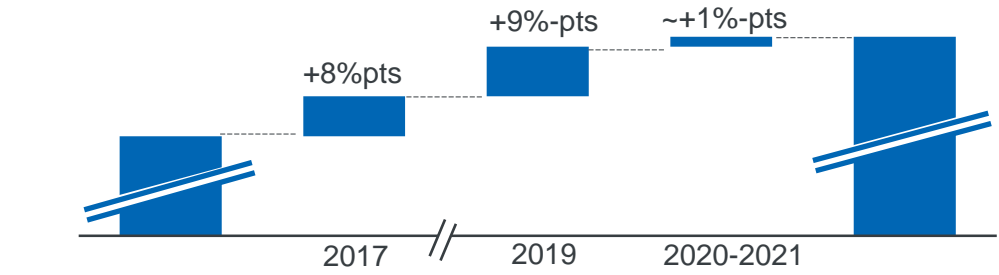
Internal Model changes & outlook

	2017		2018E		2019E	
	SCR	Own Funds	SCR	Own Funds	SCR	Own Funds
OpRisk (Hannover Re)	-2.7%	+1%				
OpRisk (Primary Group)					↓	↗
Asset correlation coverage et al.			↑	→		
Pensions	-1.2%	0%				
Dynamic & static volatility adj. (P/C)			→	↗	↓	↘
Counterparty default			↗	→		
RITA					→	→
Nucleus					→	→
Aggregate	-3.9%	1%	↘	↗	↓	↘
Combined CAR impact	+10.5%pts		↘		↑	

Outlook

- 1 Strong **increase in SII ratio** (+10%pts) due to successful model updates in 2017 with subsequent phasing of positive impact
- 2 Further **reduction in market risk share** by approx. **1%pt** due to relative increase in SCR OpRisk

Expected impact from OpRisk improvements on SII



Baseline: SCR = EUR 8.3bn; EOF = EUR 17.0bn

Note: Risk modelling planned to be changed to tail VAR approach

3 Excursion – Solvency II Update

Preliminary results in line with 2017 home-specified stress test



EIOPA stress scenarios			SII ratio (HDI Group)	
			w/o transitional Basis: 206%	incl. transitional Basis: 253%
1 Yield curve down	Market shocks	<ul style="list-style-type: none"> Swap rates 10y EUR -80bp Government bonds: -10-35bp Corporate bonds & MBS -20 to -70bp Equities -16% UFR 2.04% 	~130%	~170%
	Insurance shocks	<ul style="list-style-type: none"> 15% Longevity shock 		
2 Yield curve up	Market shocks	<ul style="list-style-type: none"> Swap rates 10y EUR +80bp Government bonds: +110-190bp Corporate bonds & MBS +190-325bp Equities -40% 	~120%	~170%
	Insurance shocks	<ul style="list-style-type: none"> 20% Lapse shock 2% claims inflation 0.24% general inflation 		
3 NatCat	<ul style="list-style-type: none"> In one of 17 years Simultaneous occurrence of: <ul style="list-style-type: none"> Four European windstorms Two CEE floods Two earthquake scenarios (in Italy & Monaco) 		~190%	~240%



- 1 Groupwide calculation of three combined stress scenarios on a best effort basis
- 2 Stress results in line with 2017 “home-specified” stress test
 - European credit crisis (Italian euro exit): ~120%
 - Global Pandemic: >150%
 - Earthquake New Madrid (USA): ~140%
- 3 Above regulatory required limit in yield curve stress scenarios even without transitional

Note: SII solvency ratios for all three stress scenarios without transitional

3 Excursion – Solvency II Update

Preparing for IFRS 9 & 17 – Two steps forward, one step back: project on track

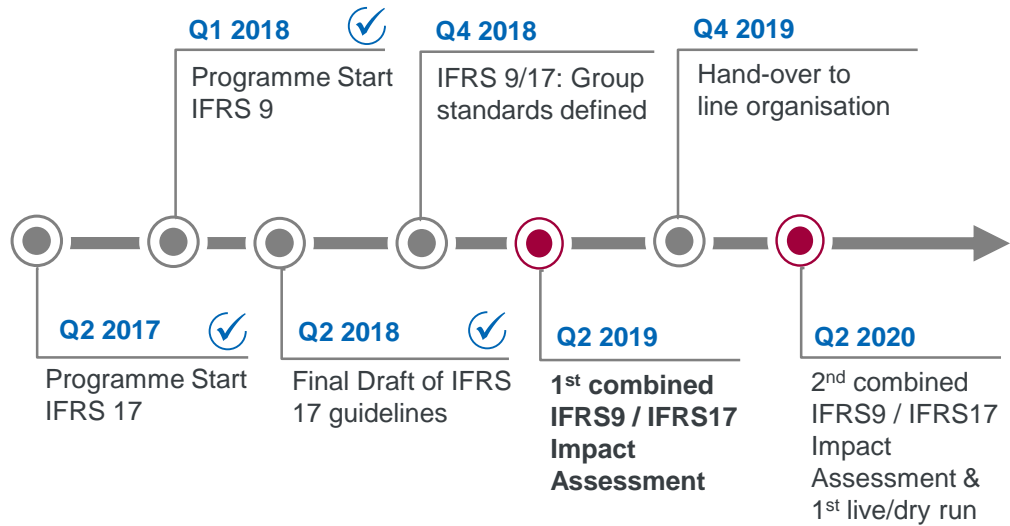
Top issues IFRS 9 & 17

IFRS 9 IFRS 17

<p>Data management / IT capabilities</p>	<ul style="list-style-type: none"> ▪ Murex MX.3 roll-out 	<p>Implementation in various IT (source) systems</p>	<ul style="list-style-type: none"> ▪ PAA default choice for primary non-life ▪ Dynamic specification and IT implementation ▪ German back-office implementing well established accounting engine SAP IA
<p>Higher P&L volatility</p>	<ul style="list-style-type: none"> ▪ The “new normal” ▪ Interaction between FVPL and Premium Allocation Approach (PAA) critical ▪ ECL driven acceleration ▪ KPI overhaul 	<p>Determination of Risk Adjustment (RA) Approach</p>	<ul style="list-style-type: none"> ▪ Solo entity RA target ▪ Inter-company-neutral consolidation of RAs ▪ Disclosure of implicit Group confidence level
<p>New processes & interfaces</p>	<ul style="list-style-type: none"> ▪ New controls to be implemented ▪ Intensive exchange between IFRS 17 and IFRS 9 (joint impact assessments) 	<p>Reinsurance assets & related mismatches</p>	<ul style="list-style-type: none"> ▪ Particular the net position of cedents ▪ Improvement by standard setter needed
<p>Stochastic calculations for life (incl. CSM)</p>	<ul style="list-style-type: none"> ▪ Comprehensive fast-close ▪ SII features can (partially) be re-used ▪ Volatility adjuster/illiquid spread consistent bottom-up interest rate curve 	<p>Handling reserving buffer (non-life)</p>	<ul style="list-style-type: none"> ▪ Reduced discretionary top-side adjustments ▪ Reserving in interim reporting considering risk budgets remains unaffected

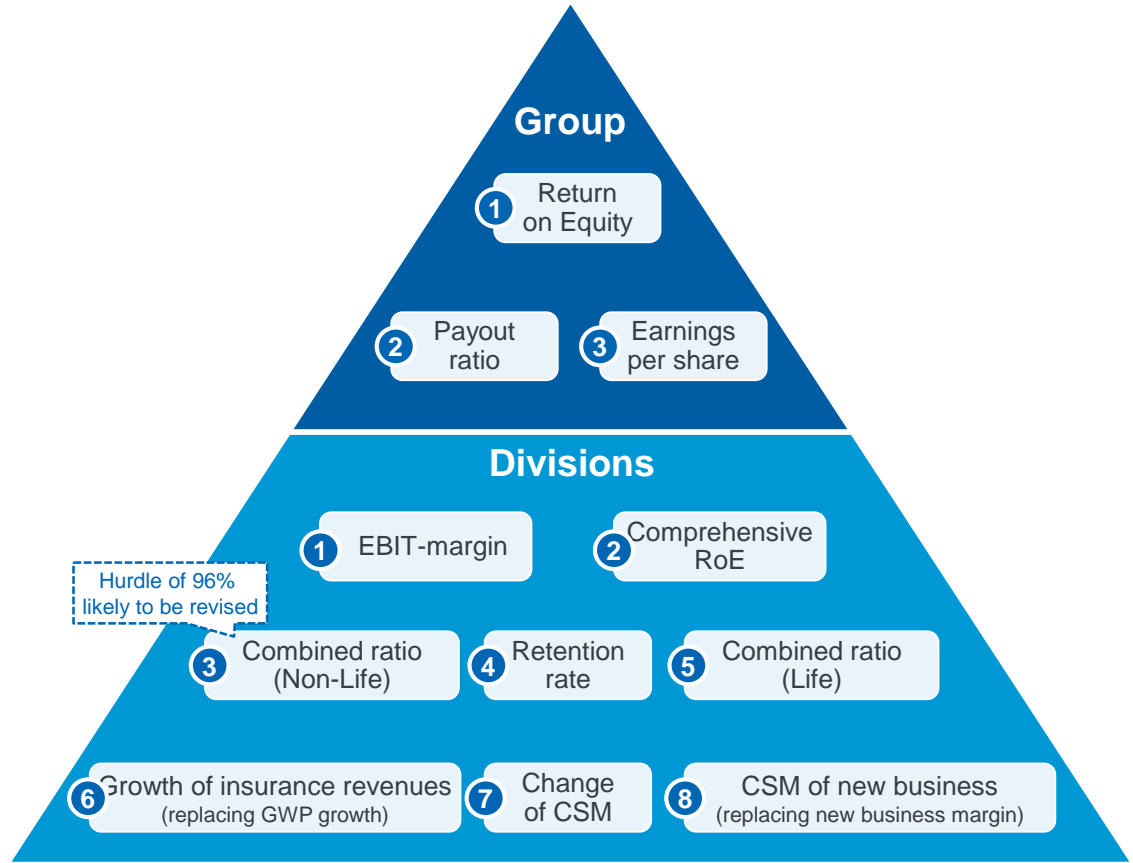
3 Excursion – Solvency II Update Advanced implementation

Clear IFRS 9 & 17 programme roadmap



- 1 Project fully on track and already passing from design to implementation
- 2 Not in favour of any delay in the IFRS 17 application (e.g. due to late endorsement)...but quick-fix of top flaws, such as outward reinsurance

New KPI framework considering IFRS 9 & 17 “go live”



Note: Comprehensive RoE = (Net income + ΔOCI + ΔCSM) / (∅ Equity + CSM)

Key messages

- **Stringent and capitalistic performance management** to support profitable organic growth
- Initiatives to **stream up** EUR 350m of **local excess capital and to increase the remittance ratio**
- **Bundling reinsurance at Group level** providing an upside of roughly EUR 50m in net income in the steady state
- Clear commitment to **maintain the defensive low-beta investment profile**
- Considerate use of model changes **suggests mid-term SII-upside**

Agenda

I	Group Strategy	Torsten Leue
II	Group Financials	Dr Immo Querner
III	Industrial Lines	Dr Christian Hinsch / Dr Edgar Puls / Dr Thomas Kuhnt
IV	Retail International	Sven Fokkema
V	Retail Germany	Dr Jan Wicke
VI	Final Remarks	Torsten Leue

Focused divisional strategy – Industrial Lines

Fix Fire and grow abroad and in Specialty

Stock take

Leading	<ul style="list-style-type: none"> ▪ Customer focus and claims management ▪ International Programmes ▪ Cost leadership
Lagging	<ul style="list-style-type: none"> ▪ Profitability in Fire business – Balanced Book not sufficient ▪ Untapped growth potential in foreign markets and in Specialty



Focus and mid-term ambition

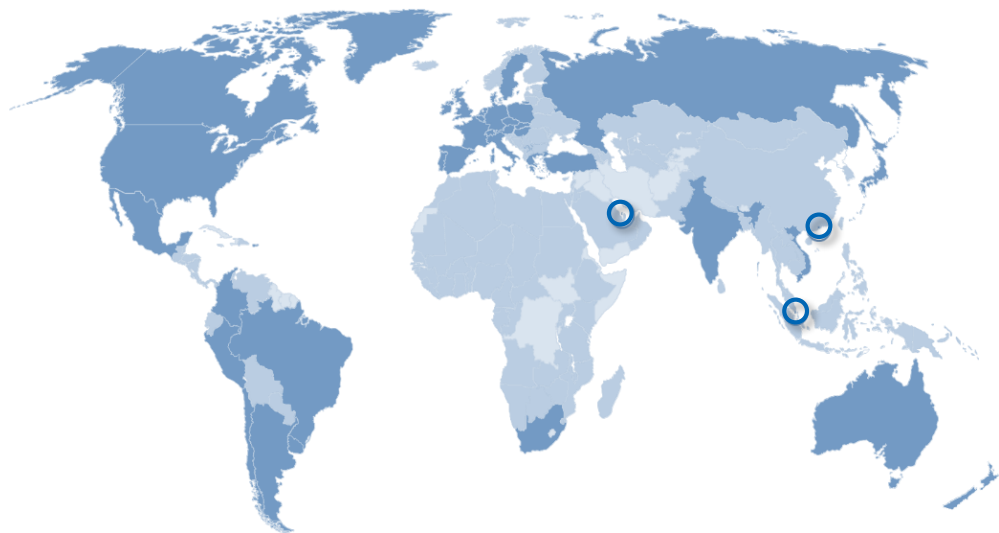
Focus	<ul style="list-style-type: none"> ▪ Bring CoR in Fire to well below 100% until 2020 (“20/20/20”) ▪ Continue profitable foreign growth ▪ Growth initiative in Specialty ▪ Drive digital transformation
	<p style="text-align: center;">RoE Ambition 8-10%</p>

Leading – Customer focus and claims management

Traditionally strong customer access and excellence in claims management

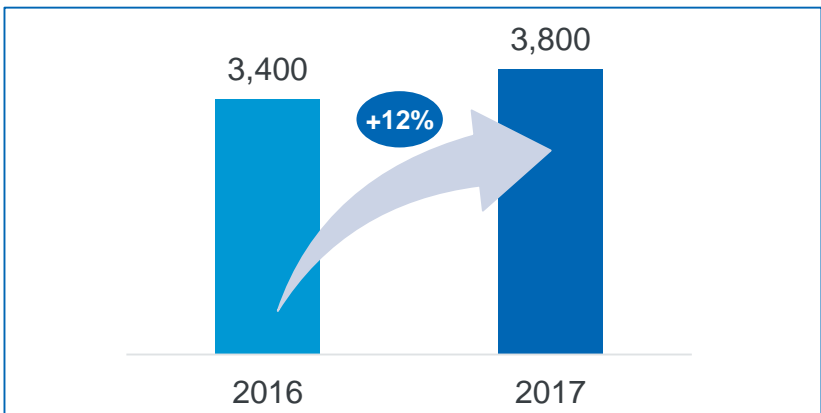
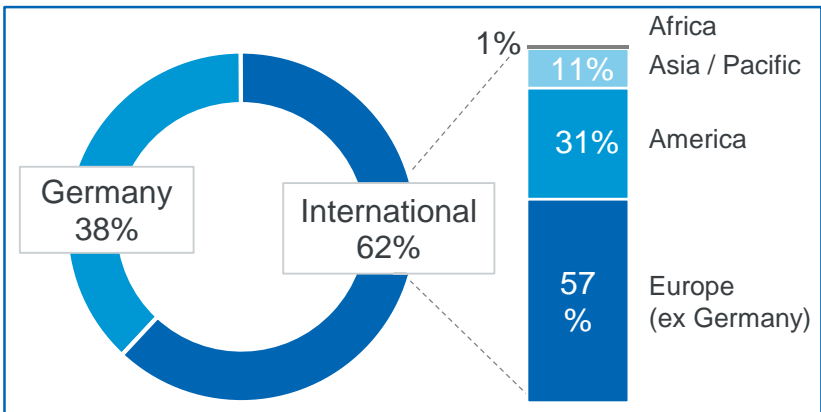


Strong international footprint



■ Talanx Primary Insurance (41 countries)
 ■ Individual solution possible

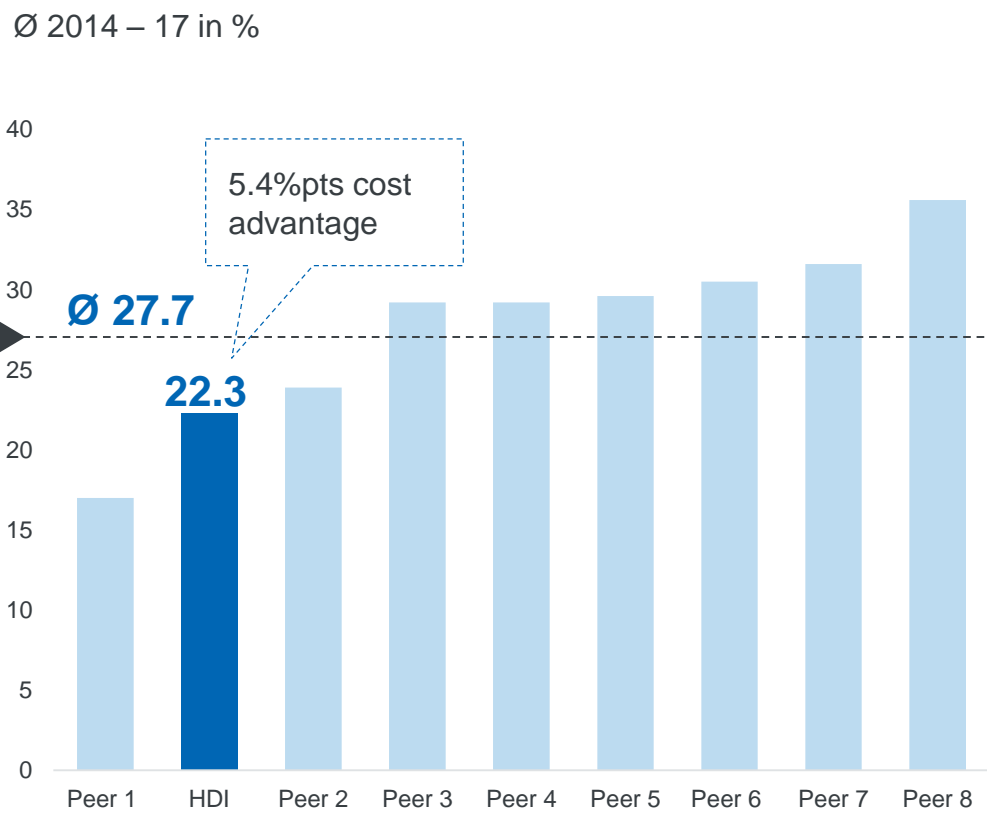
■ Network partner
 ○ Network hubs



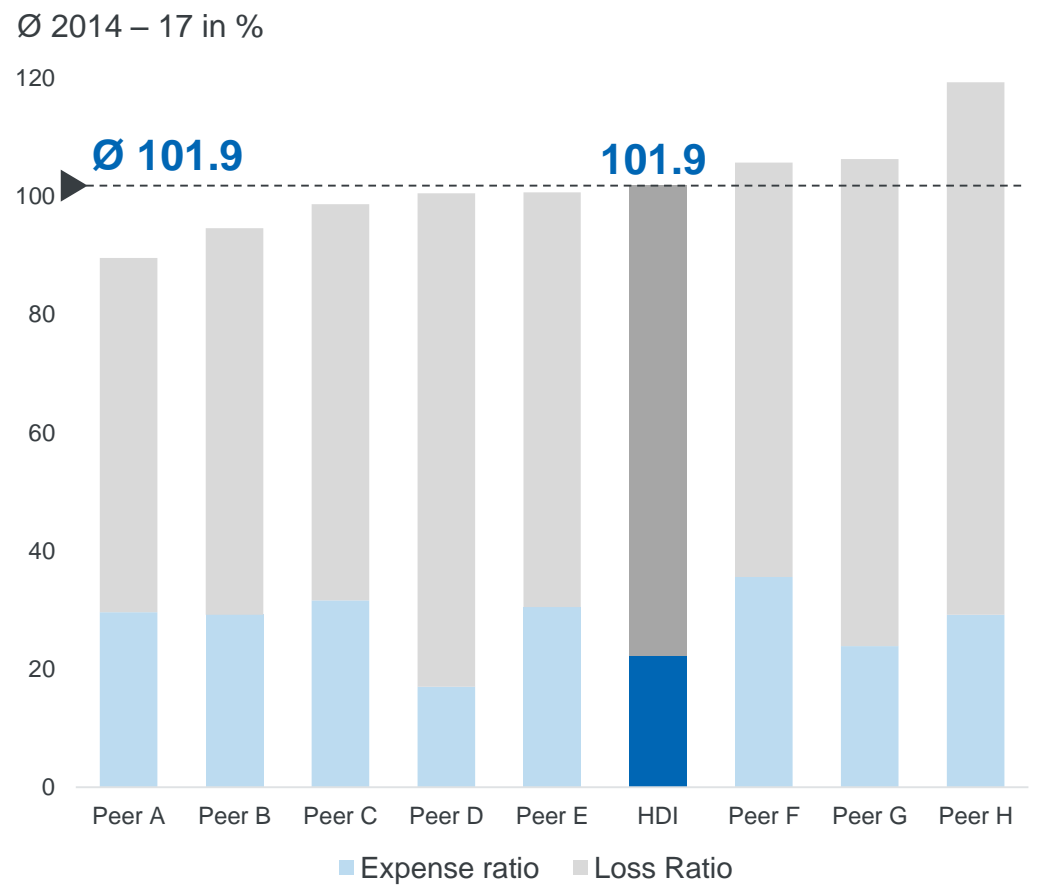
Note: Regional split reflecting GWP 2017 (according to servicing office, i.e. location of risk)

Leading – Cost leadership Industrial Lines with significant cost advantage vs. peers

Expense ratio



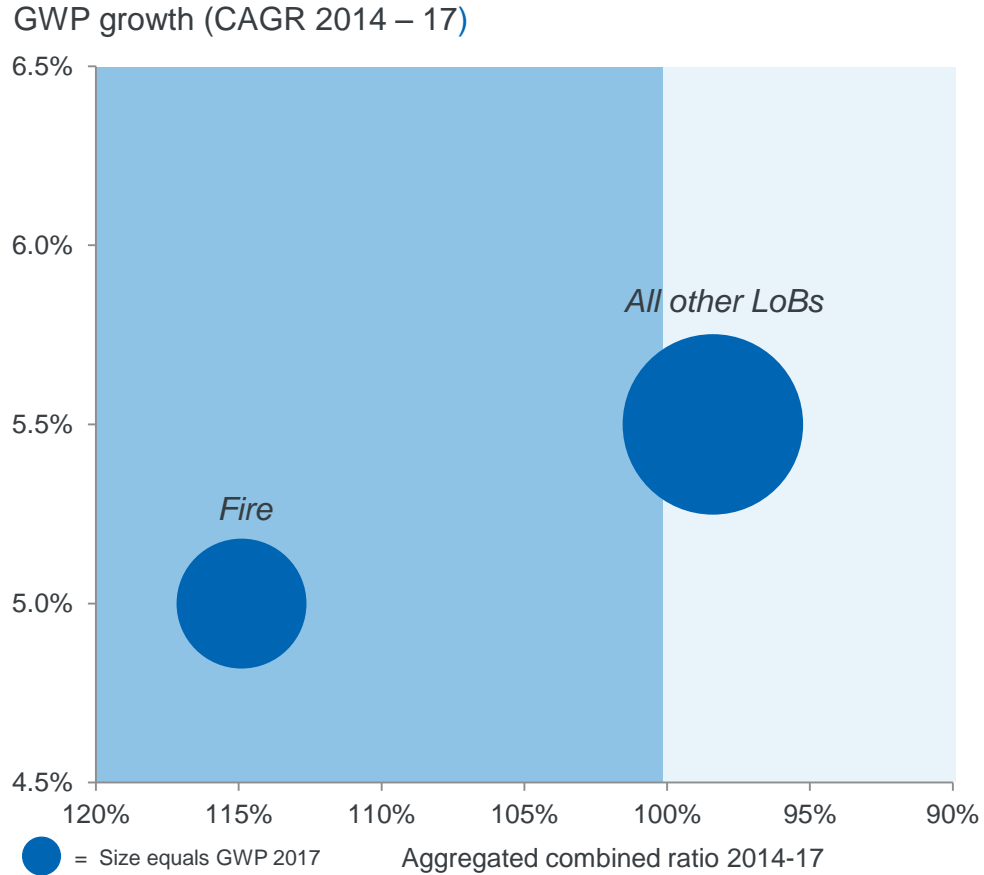
Combined ratio



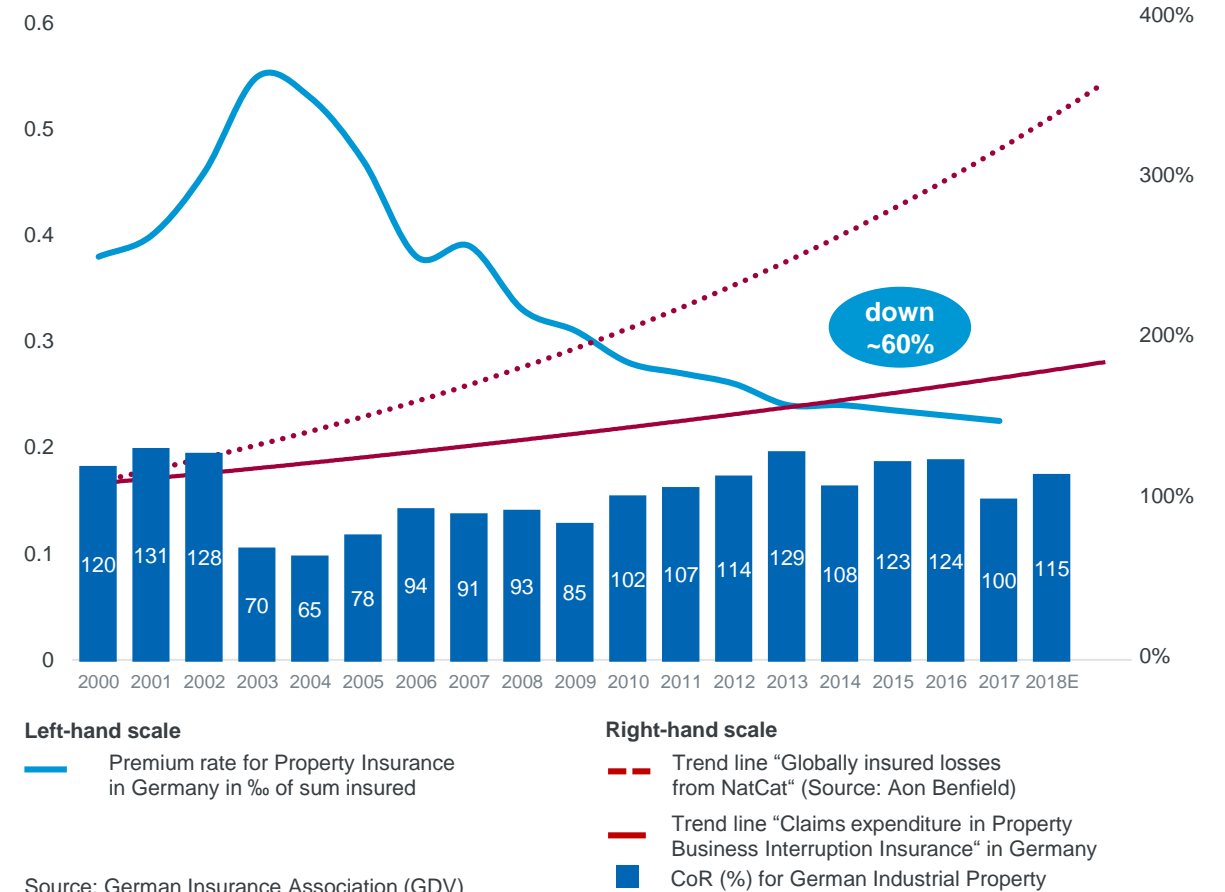
Note: Peers include AIG Commercial, AGCS, AXA Corporate Solutions, Chubb Group, FM Global, Swiss Re Corporate Solutions, XL Insurance, Zurich Commercial

Lagging – Profitability in Fire business – balanced book not sufficient Reason for high loss ratio lies in Fire business, especially in Germany

Portfolio profitable except Fire



German Property rates have declined for 14 years



Focused divisional strategy – Industrial Lines

Fix Fire and grow abroad and in Specialty

Stock take

Leading	<ul style="list-style-type: none"> ▪ Customer focus and claims management ▪ International Programmes ▪ Cost leadership
Lagging	<ul style="list-style-type: none"> ▪ Profitability in Fire business – Balanced Book not sufficient ▪ Untapped growth potential in foreign markets and in Specialty



Focus and mid-term ambition

Focus	<ul style="list-style-type: none"> ▪ Bring CoR in Fire to well below 100% until 2020 (“20/20/20”) ▪ Continue profitable foreign growth ▪ Growth initiative in Specialty ▪ Drive digital transformation
	<p style="text-align: center;">RoE Ambition 8-10%</p>

Focus – Bring combined ratio in Fire to well below 100% until 2020 (“20/20/20”)
 6M 2018 results confirm need for enforced action in Fire – Our “20/20/20” initiative

Analysis: 6M 2018

	Total Division	of which “Fire” line ¹	of which all other lines
Net premium earned 6M 2018	EUR 1,235m	~20%	~80%
Combined ratio 6M 2018	102.3%	~119% ²	~97%



“20/20/20” initiative

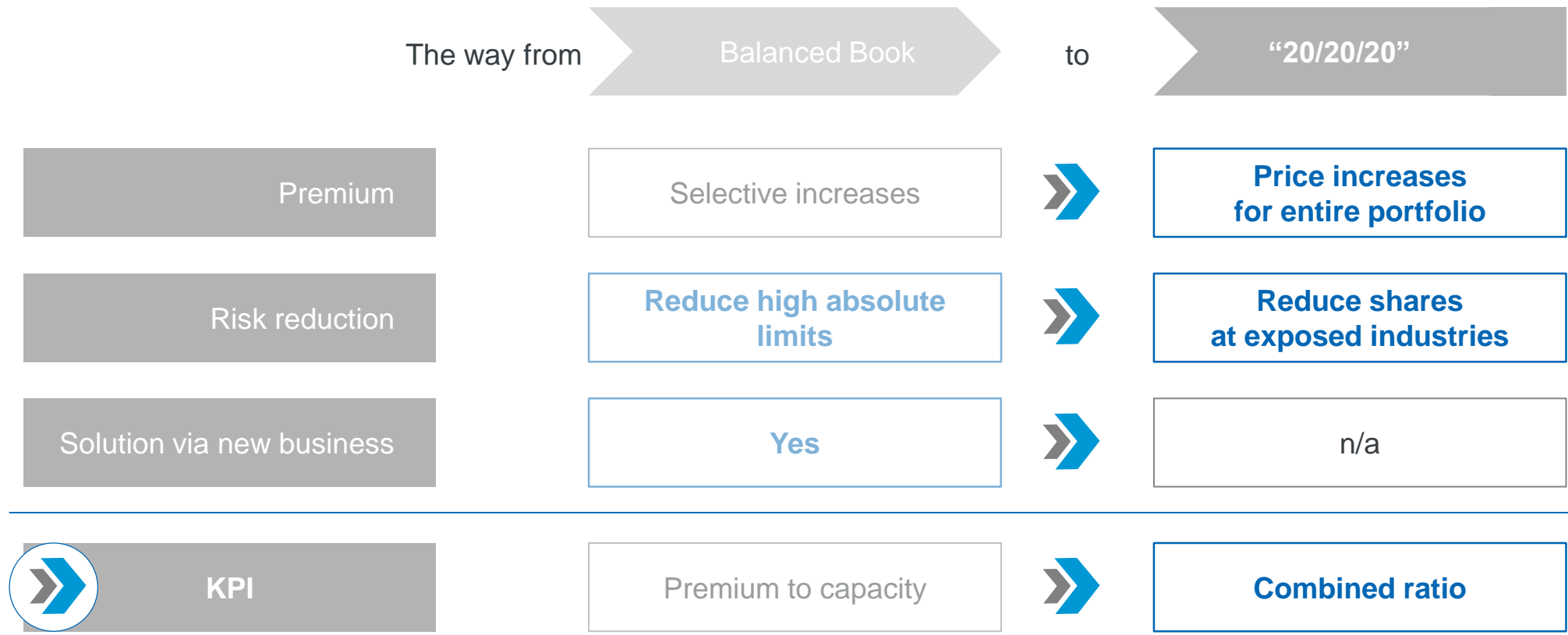
20	20% of net premium earned to be tackled
20	20% price increase
20	2020 (FY) effective

¹ Fire defined as the Property line “Property Damage/Business Interruption”. This excludes the Engineering and Multi-Risk lines
² Slightly behind market average: German Fire market loss-making (GDV 2018E: 115%; GDV estimate for market combined ratio in German Industrial Property (“industrielle Sachversicherung”))

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

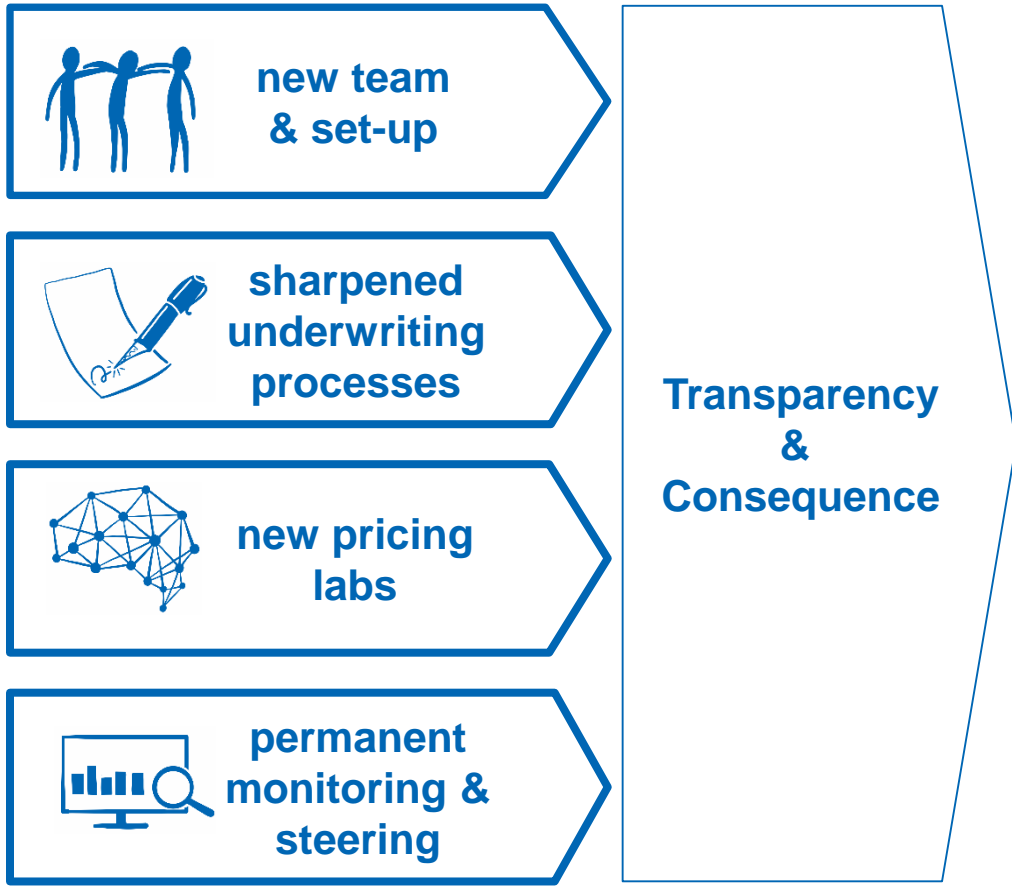
Focus – Bring combined ratio in Fire to well below 100% until 2020 (“20/20/20”)

Shifting from selective re-underwriting to comprehensive price increases



Focus – Bring combined ratio in Fire to well below 100% until 2020 (“20/20/20”)
Rigorous execution

Our internal focus ...



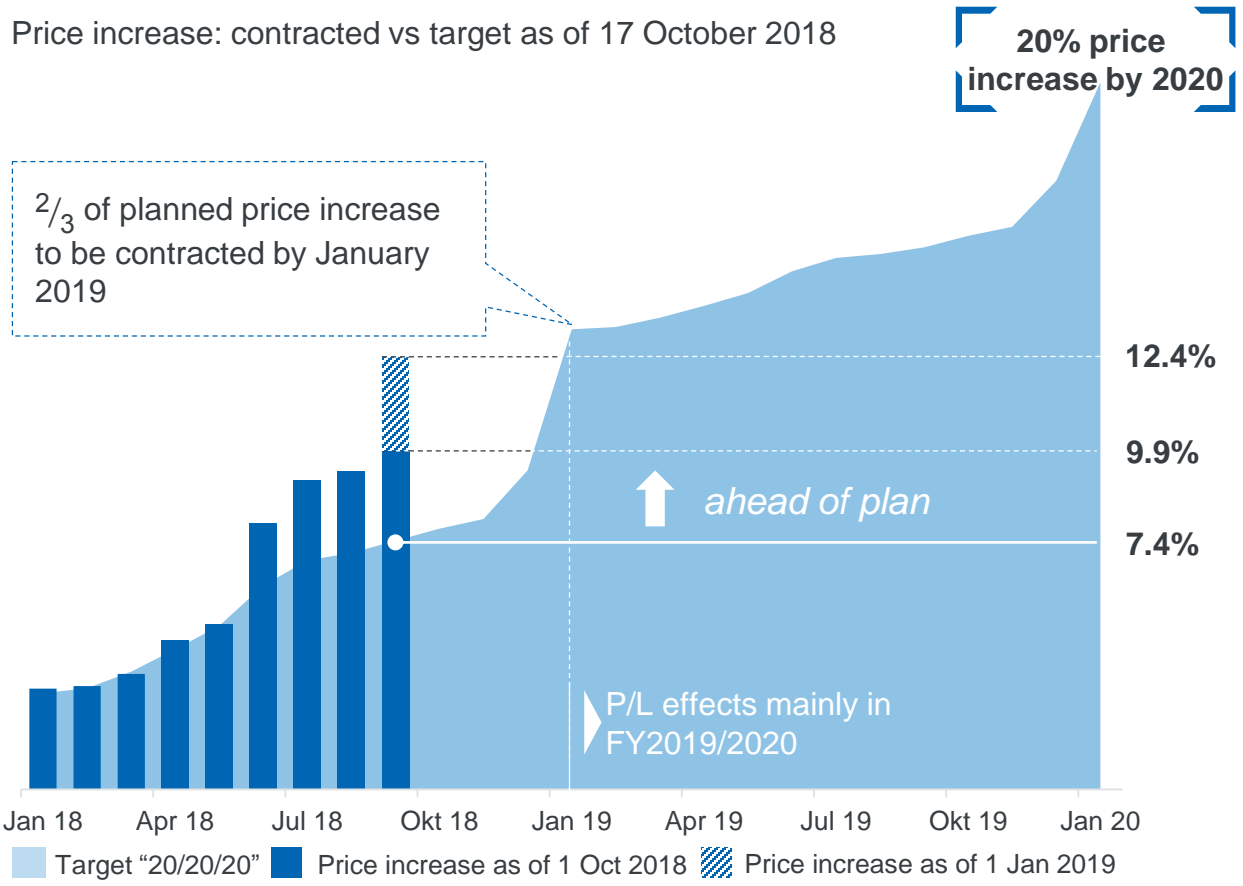
... basis for rigorous execution

- 1** Clear targets...
 - by each client
 - by all broker portfolios
 - by each underwriter
- 2** Unambiguous external communication
- 3** Sharpened internal mindset
- 4** Consequent execution of exposure reduction plan
- 5** Consequent part with insufficiently priced business

Focus – Bring combined ratio in Fire to well below 100% until 2020 (“20/20/20”)
 Implementation of “20/20/20” initiative ahead of plan – More than 60% of target locked in

“20/20/20” initiative

Price increase: contracted vs target as of 17 October 2018



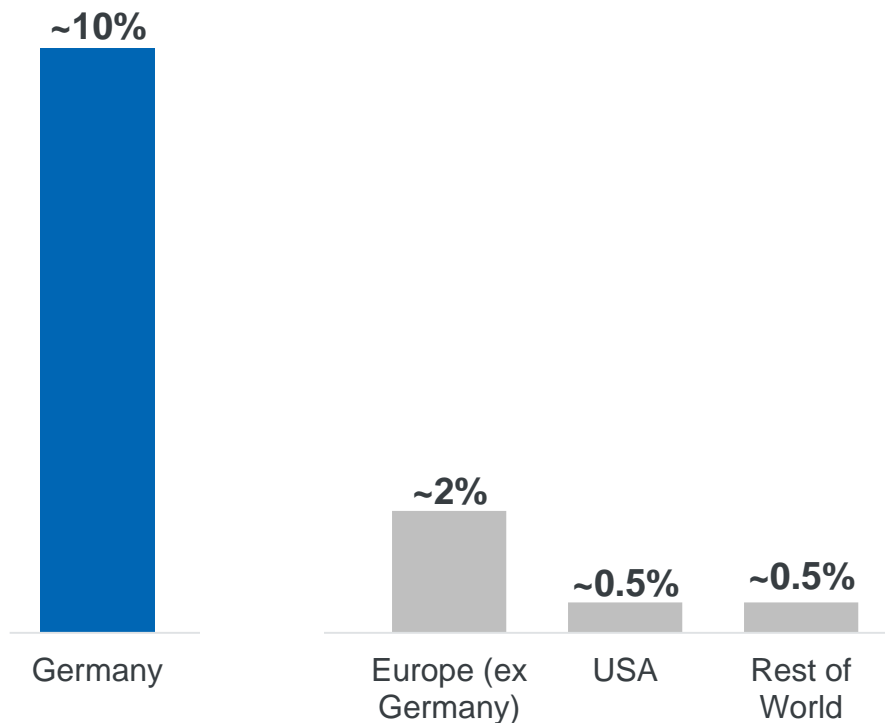
- 1 2.5%pts better than initially planned
- 2 Main P/L effects as of 2019
- 3 More than 60% of target locked in; ahead of plan

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

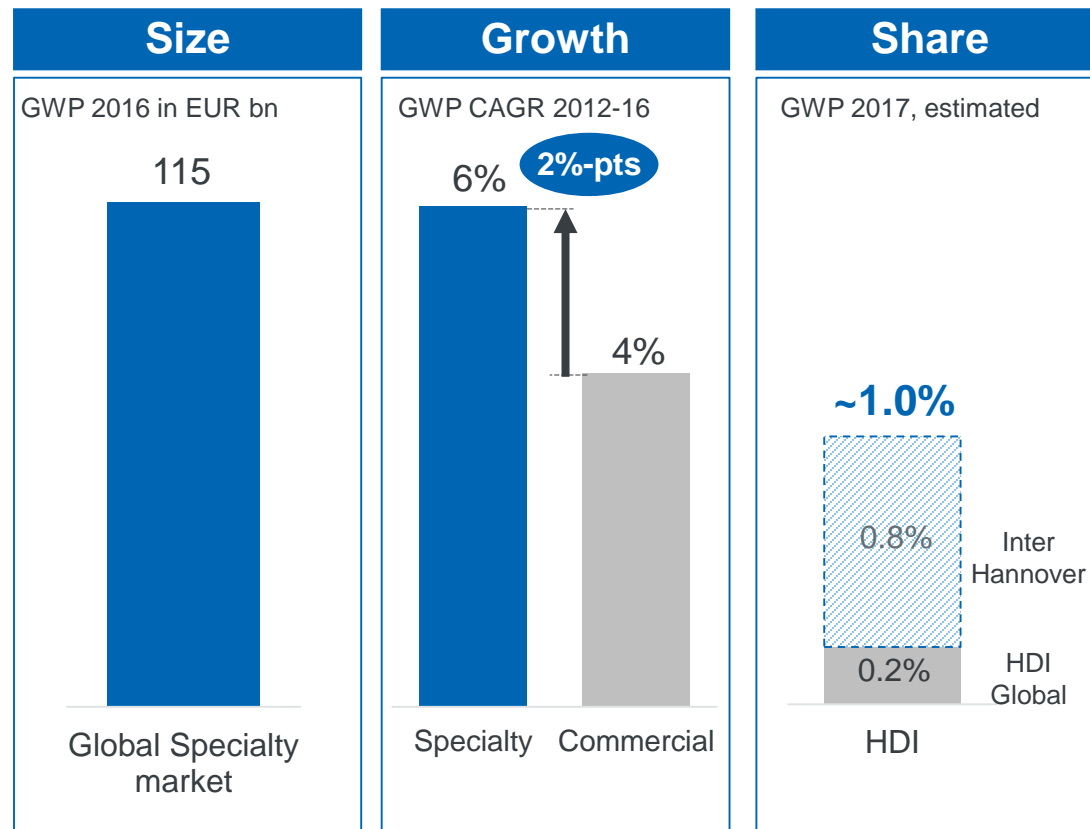
Focus – Continuation of profitable foreign growth Untapped growth potential in foreign markets and in Specialty

Industrial Lines commercial market share

Based on GWP 2017



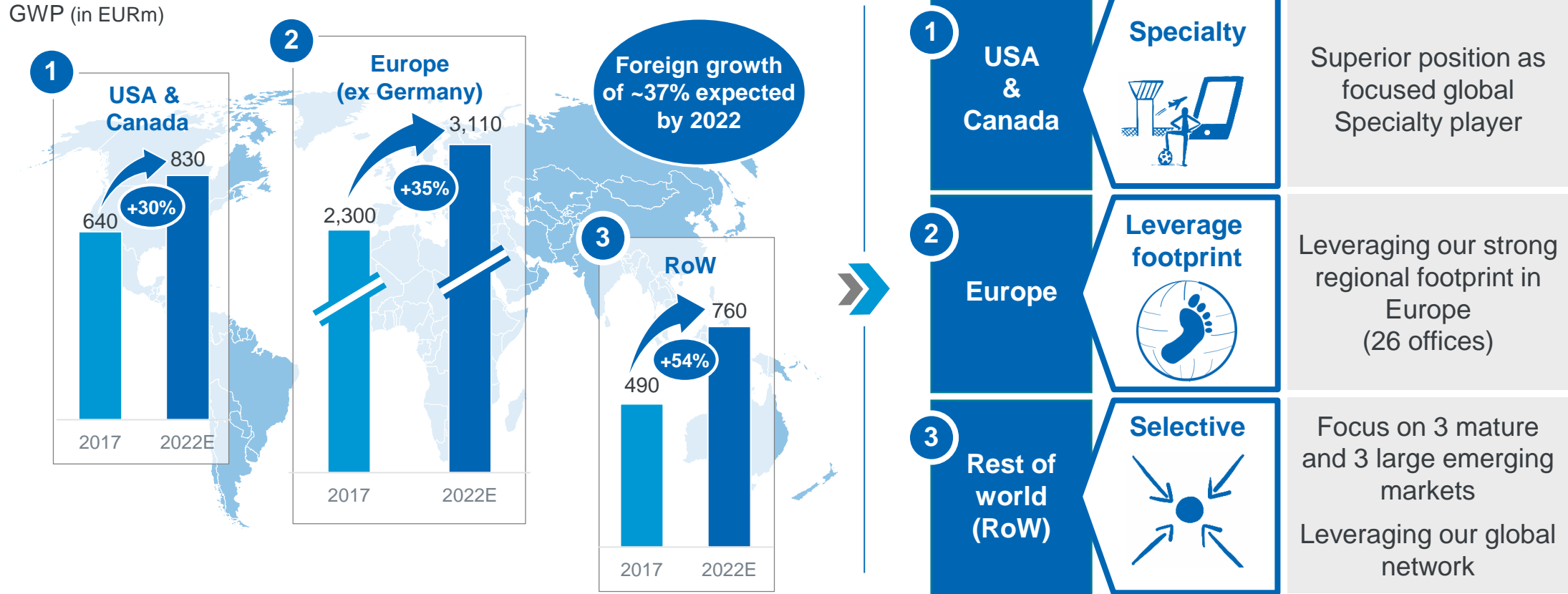
Specialty: attractive growth market



Source: McKinsey Global Insurance Pools; Specialty market share refers to pro forma HDI Global Specialty (0.2% market share: HDI Global; 0.8% market share: Inter Hannover)

Focus – Continuation of profitable foreign growth
 Broad positioning constitutes strong basis to leverage significant growth

We see growth potential abroad ...



Note: 2017 figures include Specialty business from Inter Hannover ("as-if"); GWP according to servicing office, i.e. location of risk

Focus – Growth initiative in Specialty Forming a focused global Specialty player

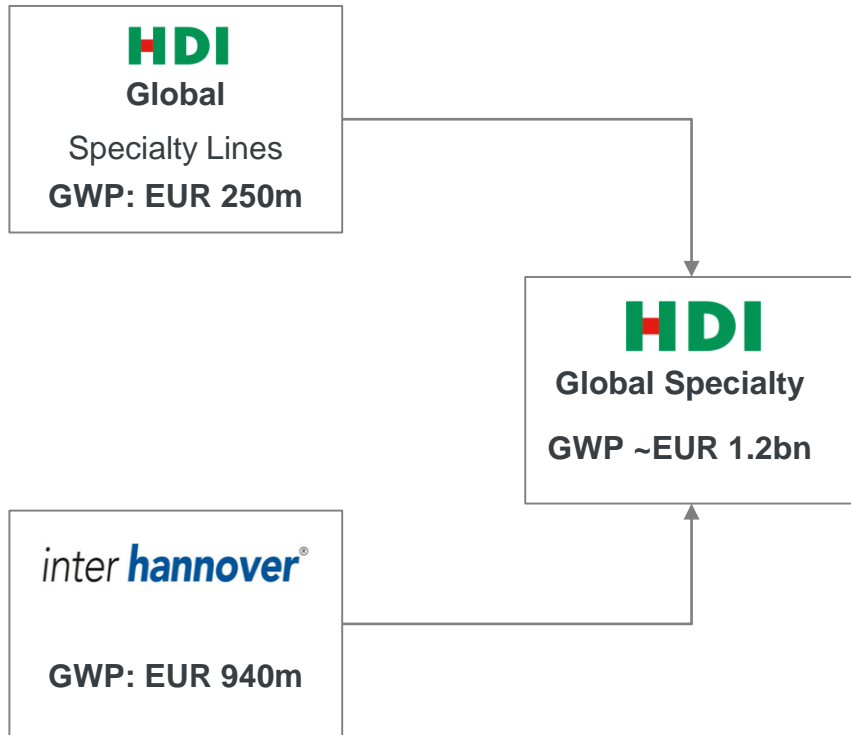
Players in Specialty market



Focus – Growth initiative in Specialty

Creation of HDI Global Specialty – a platform for significant growth

Joining forces



- Joint venture between HDI Global (50.2%) and Hannover Re (49.8%) to be fully consolidated at HDI Global
- HDI Global pays NAV of ~EUR 100m and brings in the renewal rights of its Specialty business
- Profit sharing of combined entity via subsequent reinsurance structure and phasing, reflecting respective portfolios
- Combination of two strong partners
 - Hannover Re: proven underwriting expertise
 - HDI Global: international network and best-in-class claims management
- Start: 1 January 2019

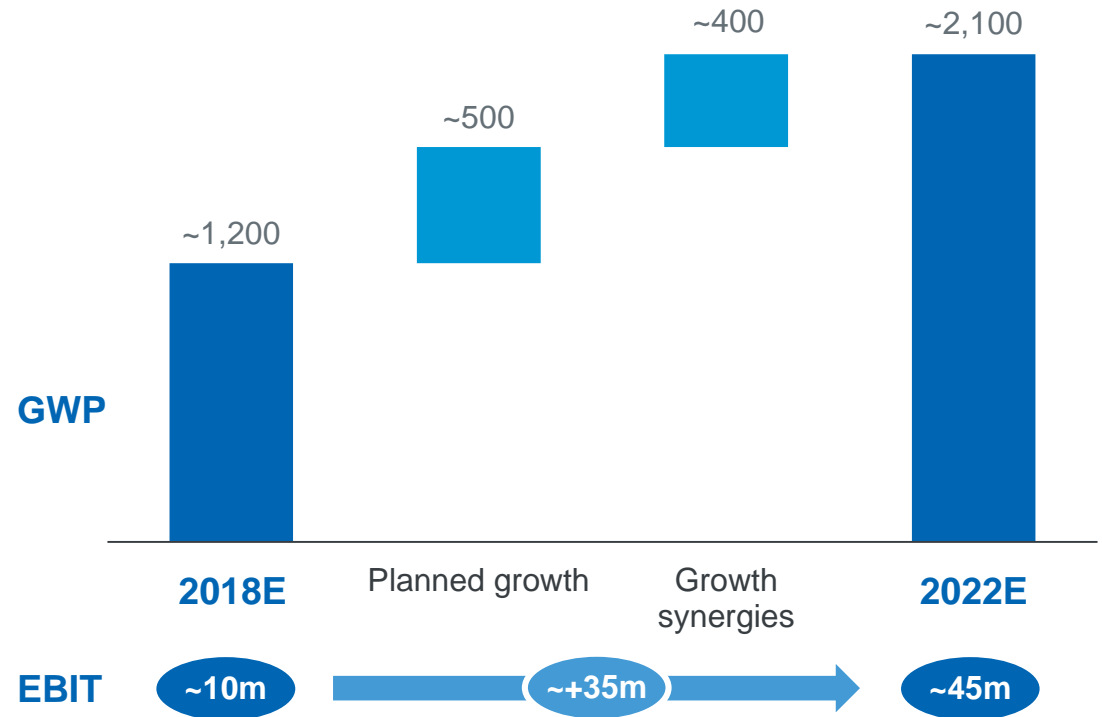
Note: Figures for FY2018E

Focus – Growth initiative in Specialty

Significant growth potential for premiums and profitability from HDI Global Specialty

Impact for Industrial Lines Division

in EURm

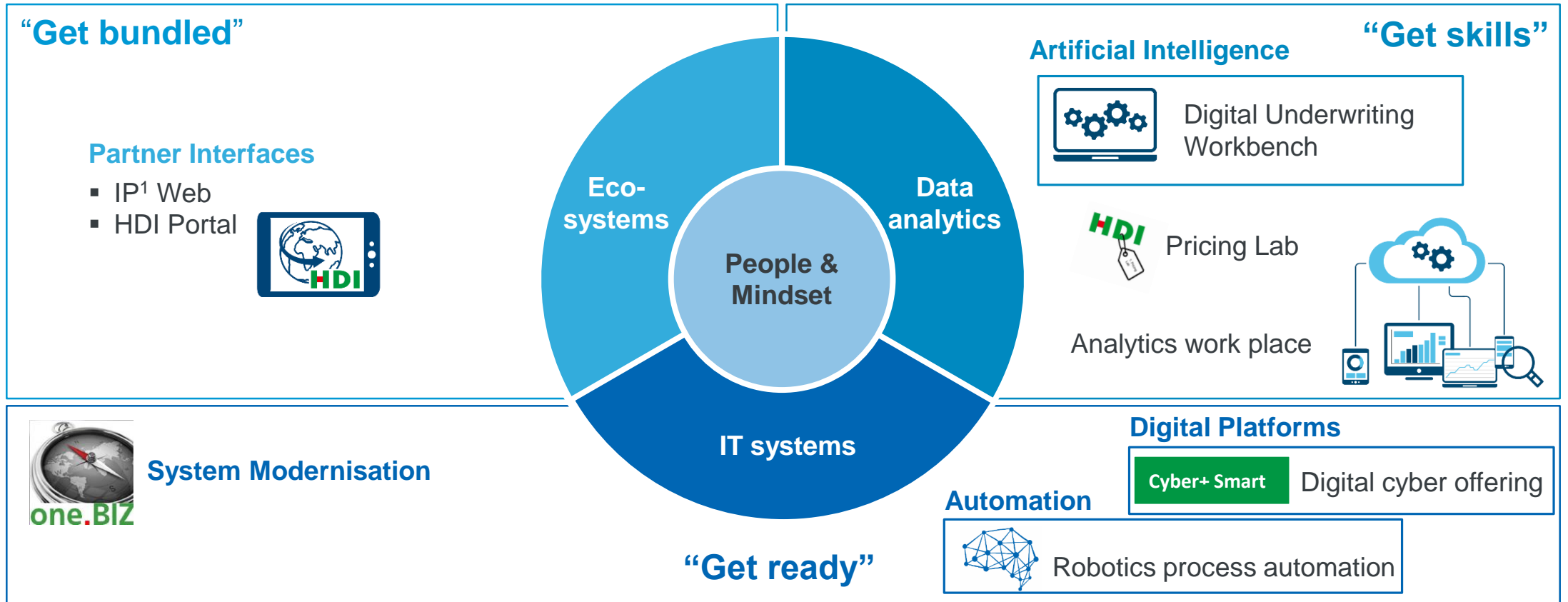


- 1 HDI Global Specialty with GWP ambition of ~EUR 2.1bn in FY2022
- 2 Growth synergies of ~EUR 400m expected in full by FY2022
- 3 HDI Global network key driver for significant growth
- 4 ~EUR 35m EBIT increase for Industrial Lines expected until 2022

Note: GWP in a consolidated as-if-view. EBIT only reflects the expected Specialty contribution for the Industrial Lines Division

Focus – Drive digital transformation
 We drive focused digital transformation

Selected examples for digitalisation in Division



¹ IP: International Programs

Further details on following slides

Focus – Drive digital transformation Increase in underwriting quality and speed through modular set of digital tools

Digital tools support the end-to-end underwriting process



Example: Property

Individual NatCat exposure analysis & pricing


Example: Liability (Smart Protect)

Adaptive transactional pricing

Focus – Drive digital transformation

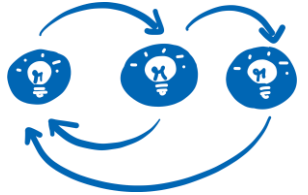
Robotics: reduce manual data re-keying through Robotics process automation

What does Robotics mean?

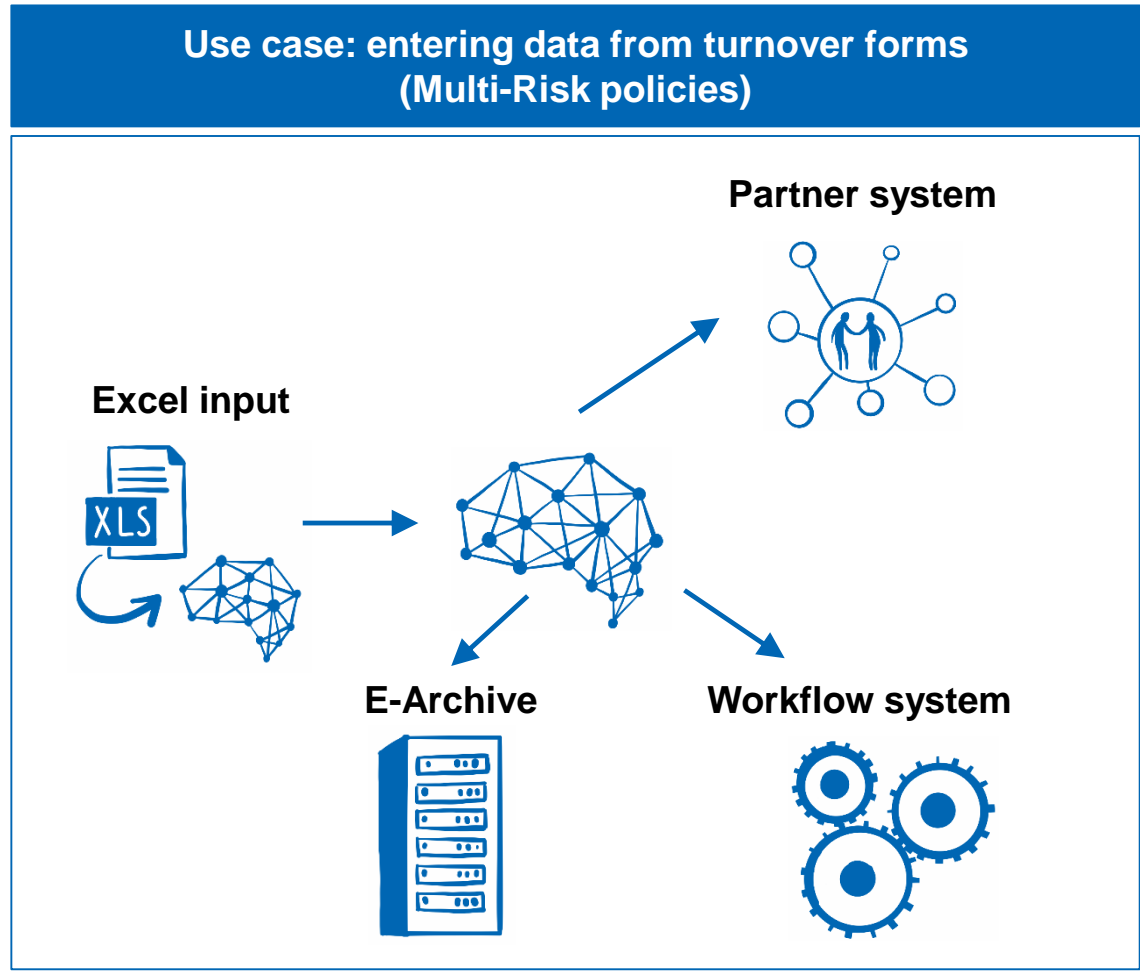


Technology to bridge the gap between legacy systems and target IT landscape

Where do we use it?



Use of Robotics to enter data from one system to the other

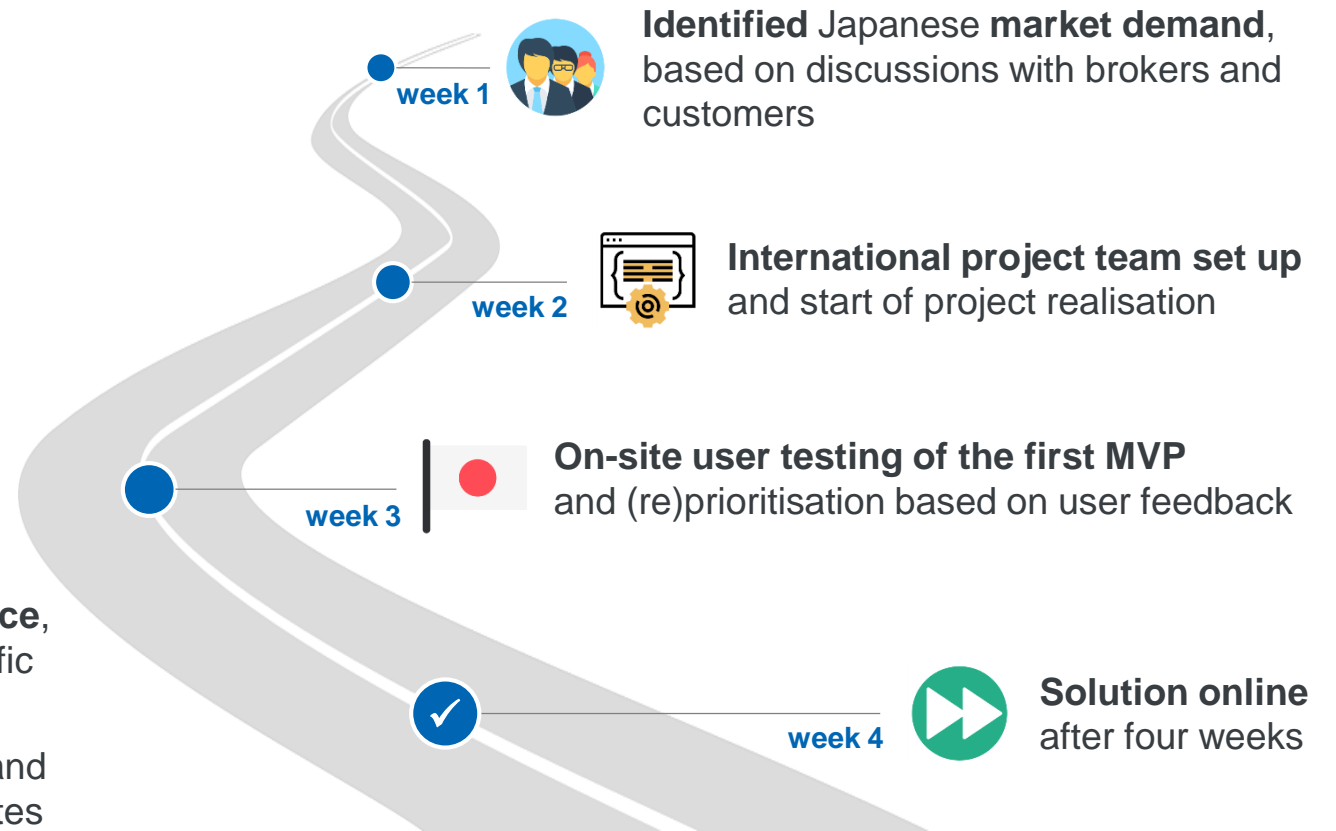


Digital Products – Agile Project Approach: four weeks from idea to go-live

Cyber+ Smart online calculator in Japan



- **Online tool** to receive an offer for **cyber insurance**, which is custom-tailored to the needs of the specific user/business
- The tool **simplifies access to cyber insurance** and enables to calculate a premium within a few minutes



Key messages

- Bring **combined ratio in Fire to well below 100%** until 2020 ("20/20/20")
- **Continue profitable foreign growth**
- Additional upside from **growth initiative in Specialty**
- Drive focused **digital transformation**

Summary
Our Ambition

"Bringing the combined ratio down to significantly below 100%, while consequently exploiting growth opportunities in foreign and in specialty business"



Agenda

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VI	Final Remarks	Torsten Leue

Overall strategic direction confirmed – Focus on three key initiatives

Stock take

Leading	<ul style="list-style-type: none"> ▪ Entrepreneurial culture and digital leadership ▪ Strong track record in M&A ▪ Cost leadership
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Lagging	<ul style="list-style-type: none"> ▪ Top 5 position not yet achieved in all core markets ▪ Dependency on Poland, Brazil and Italy results
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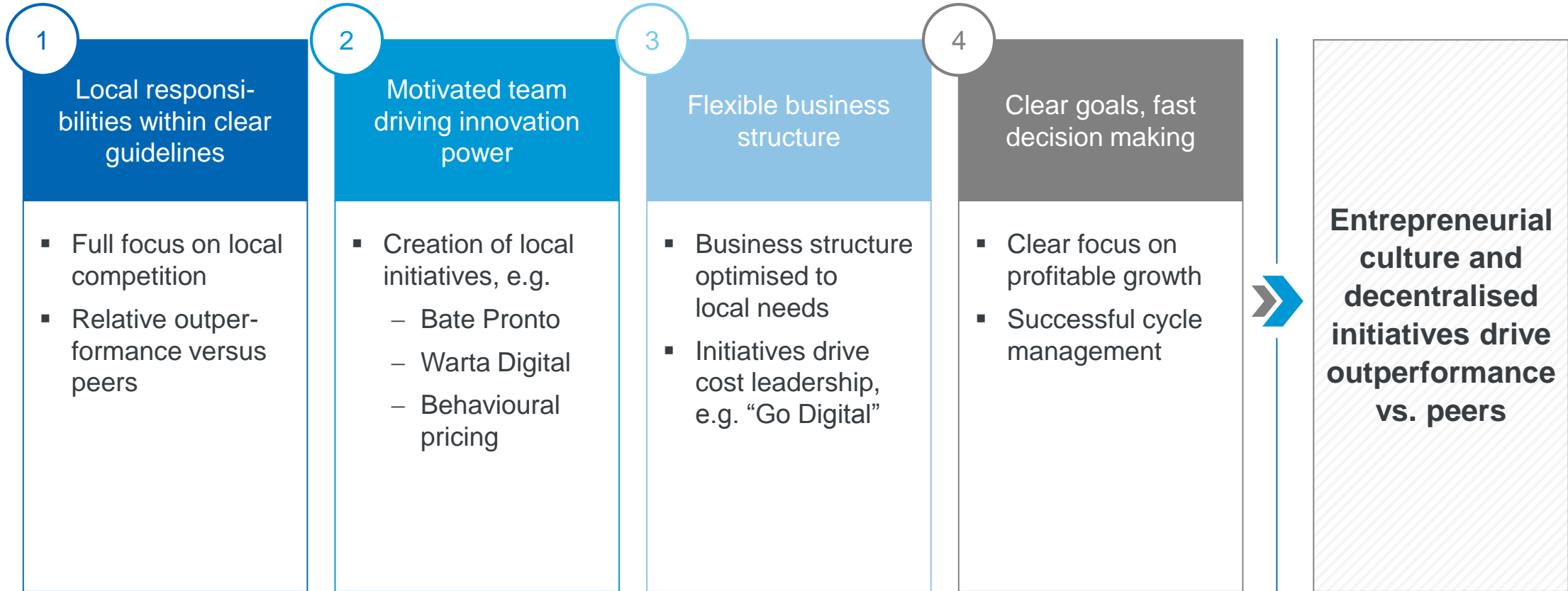


Focus and mid-term ambition

Focus	<ul style="list-style-type: none"> ▪ Focus on top 5 positions in 5 core markets ▪ Disciplined organic and inorganic growth with focus on profitability ▪ Leveraging digital leadership
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	<p>RoE ambition</p> <div style="background-color: #0056b3; color: white; border-radius: 50%; width: 60px; height: 40px; display: inline-block; margin-top: 10px;">10-11%</div>
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Entrepreneurial culture as the basis for relative outperformance



Leading – Entrepreneurial culture and digital leadership

Systematic leveraging of local digital competence using best-practice approach

First Wave

- Early development of digital solutions in reaction to local market situation
 - Accelerated transfer of initiatives within Retail International using best-practice approach (“Pull over Push”)
- Examples:**
- HDI Digital Brazil (real-time pricing)
 - Auto Pronto, Mexico (real-time pricing and digital auction for spare parts)



Building up digital competence

Second Wave

- Management-driven enhancement of digital initiatives and co-operations
 - Supporting transfer of initiatives across the Talanx Group
- Examples:**
- Big Data at Warta
 - Auto Santander, Brazil

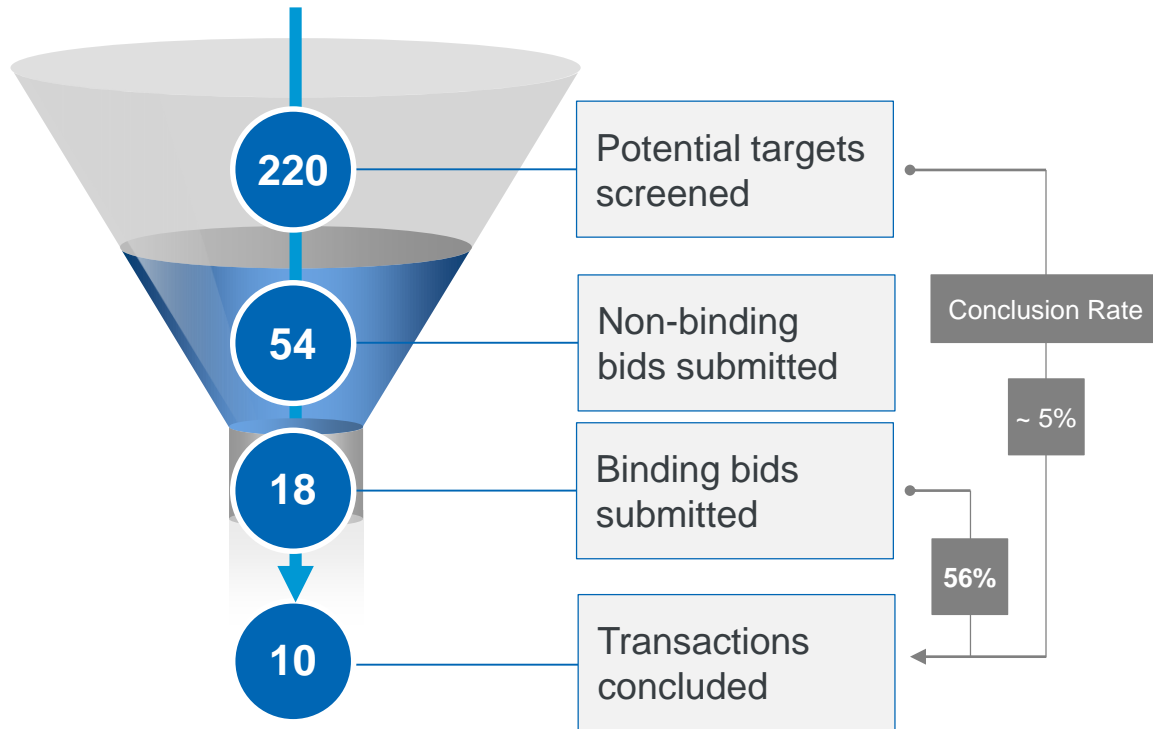


Reinforcing digital leadership

Leading – Strong track record in M&A

Disciplined M&A approach – 50% of all binding bids have been successful

Completed transactions since 2011



Acquisitions

Argentina/Uruguay: <i>L'Union de Paris</i>	2011
Mexico: <i>Metropolitana</i> Poland: <i>Warta/ Europa</i>	2012
	2013
	2014
Chile: <i>Magallanes</i>	2015
Italy: <i>CBA Vita</i>	2016
Colombia: <i>Generali</i>	2017
Turkey: <i>Liberty Sigorta</i> Brazil: <i>JV Santander</i>	2018

Divestments

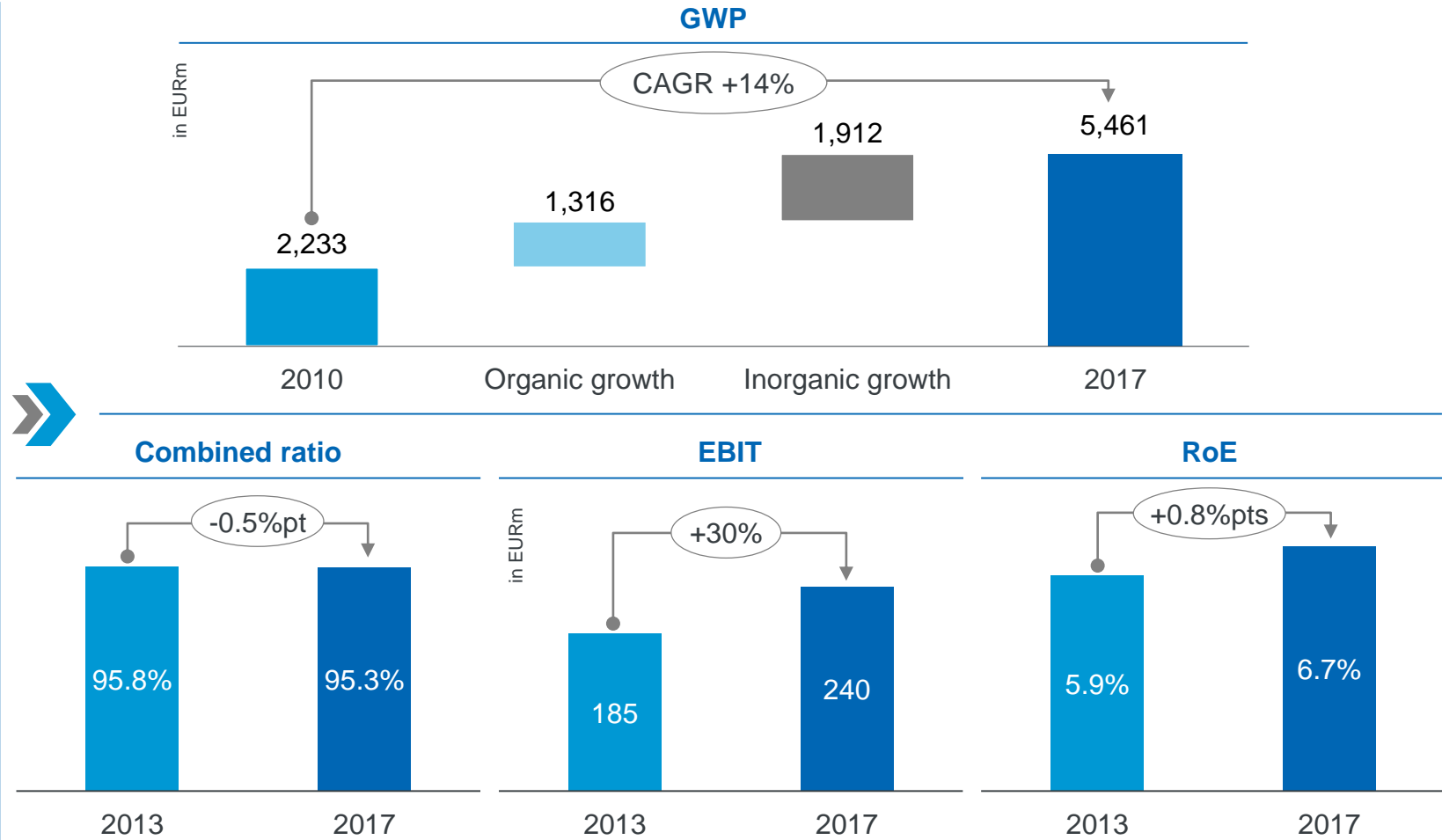
	2011
Liechtenstein: <i>Aspecta</i> Mexico: <i>Life portfolio HDI</i>	2012
	2013
Luxembourg: <i>Life portfolio</i> Mexico: <i>Metropolitana Life</i>	2014
Bulgaria: <i>HDI Bulgaria</i> Ukraine: <i>HDI Ukraine</i>	2015
Poland: <i>Open Life</i>	2016
Russia: <i>HDI Russia</i>	2017
Luxembourg: <i>Aspecta</i>	2018

Leading – Strong track record in M&A

Proven post-merger integration skills have created additional value

Fast integration process

- Warta (Poland)
 - 18 months (legal/operational)
 - 45 months (IT)
- Liberty Sigorta (Turkey)
 - 5 months (legal/operational)
 - 11 months (IT)
- CBA Vita (Italy)
 - 12 months (legal/operational)
 - 12 months (IT)
- Metropolitana (Mexico)
 - 14 months (legal/operational)
 - 18 months (IT)
- Magallanes (Chile)
 - 14 months (legal/operational)
 - 28 months (IT)

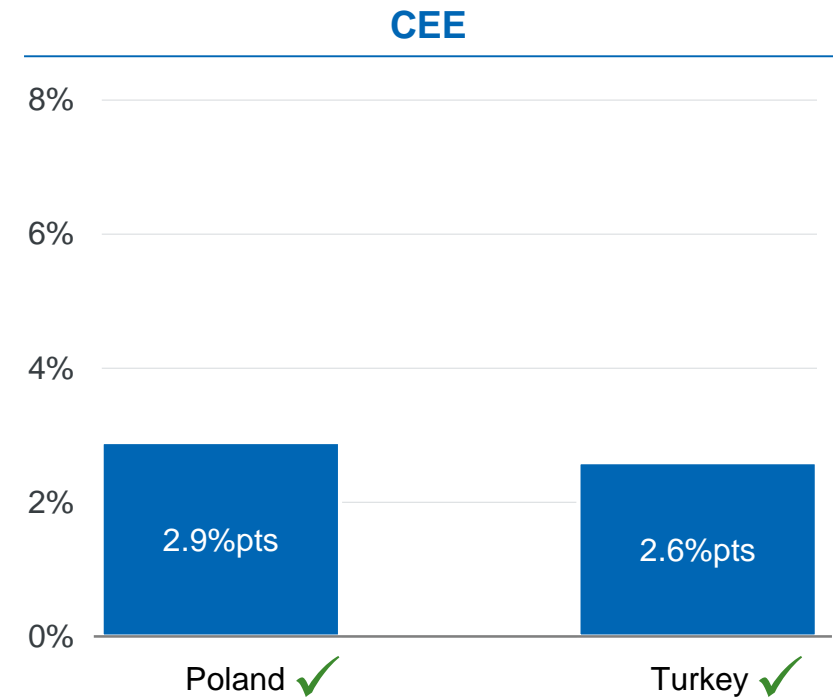
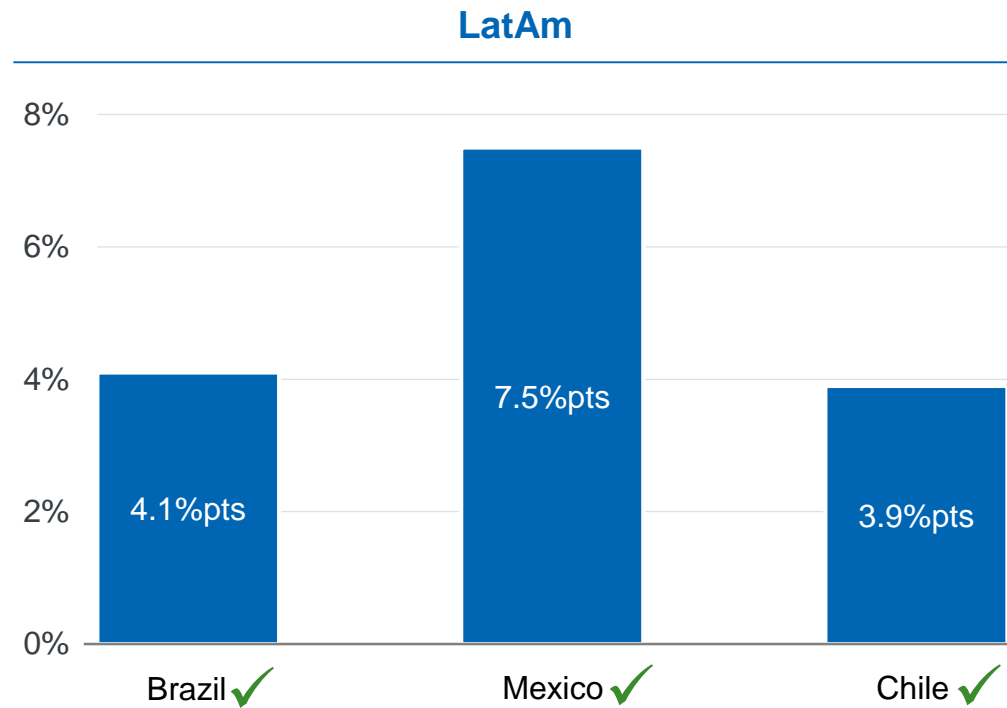


Note: Time periods mentioned define the time from deal closing until operative merger (IT integration), respectively the legal approval of the merger. Inorganic growth includes divestments of EUR -250m; Generali Colombia not included in 2017

Leading – Cost leadership

Retail International is outperforming its peers through cost leadership

Advantage in administration cost ratios versus peers (average 2013 – 2017)



■ Absolute difference in administration cost ratio Talanx vs. local competitors

Note: Peers include for Brazil: Bradesco Auto/Re, Tokio Marine, SURA, Allianz, Liberty; for Mexico: ABA/Chubb, Atlas, AXA, Mapfre, Zurich; for Chile: Mapfre, BCI, Liberty, SURA, Penta; for Poland: PZU, ERGO Hestia, Allianz, Compensa (Vienna Insurance Group), Generali; for Turkey: ERGO, Groupama, Ray, Günes, Mapfre
Retail International's figures for Poland are for Warta P/C business only; all figures according to local GAAP

Lagging – Top 5 position not yet achieved in all core markets
 Poland and Chile among top 5 – Other entities catching up

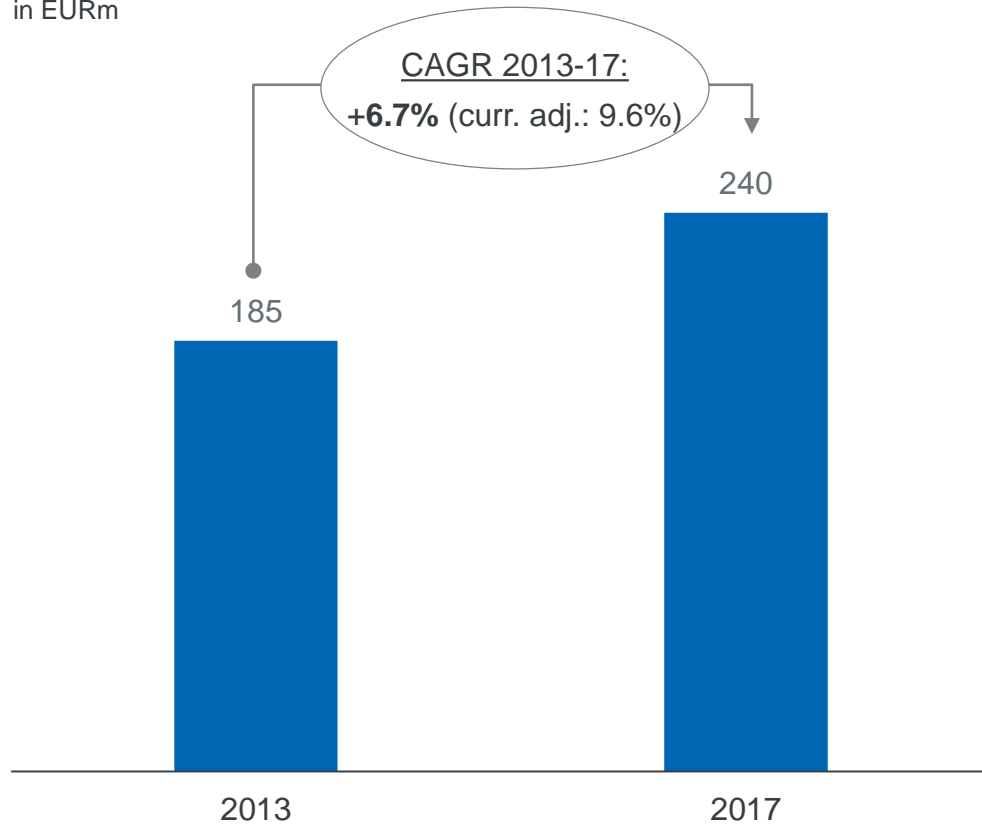
	Country	P/C market			Market shares Motor 2017	Additional comments					
		Rank 2010	Rank 2017	Status							
LatAm	Brazil	#8	#8	○	8.5% #6	Close to top 5 position in Motor, catching up in Non-Motor					
	Mexico	#20	#13	○	5.8% #5	Strong growth, Motor already among top 5					
	Chile	#13	#4	✓	18.1% #3	Target achieved					
CEE	Poland	#6	#2	✓	16.9% #2	Target achieved					
	Turkey	#15	#13	○	<table border="1"> <tr> <td>MTPL</td> <td>MOD</td> </tr> <tr> <td>2.2%</td> <td>5.1%</td> </tr> <tr> <td>#13</td> <td>#6</td> </tr> </table>	MTPL	MOD	2.2%	5.1%	#13	#6
MTPL	MOD										
2.2%	5.1%										
#13	#6										

Lagging – Dependency on Poland, Brazil and Italy results

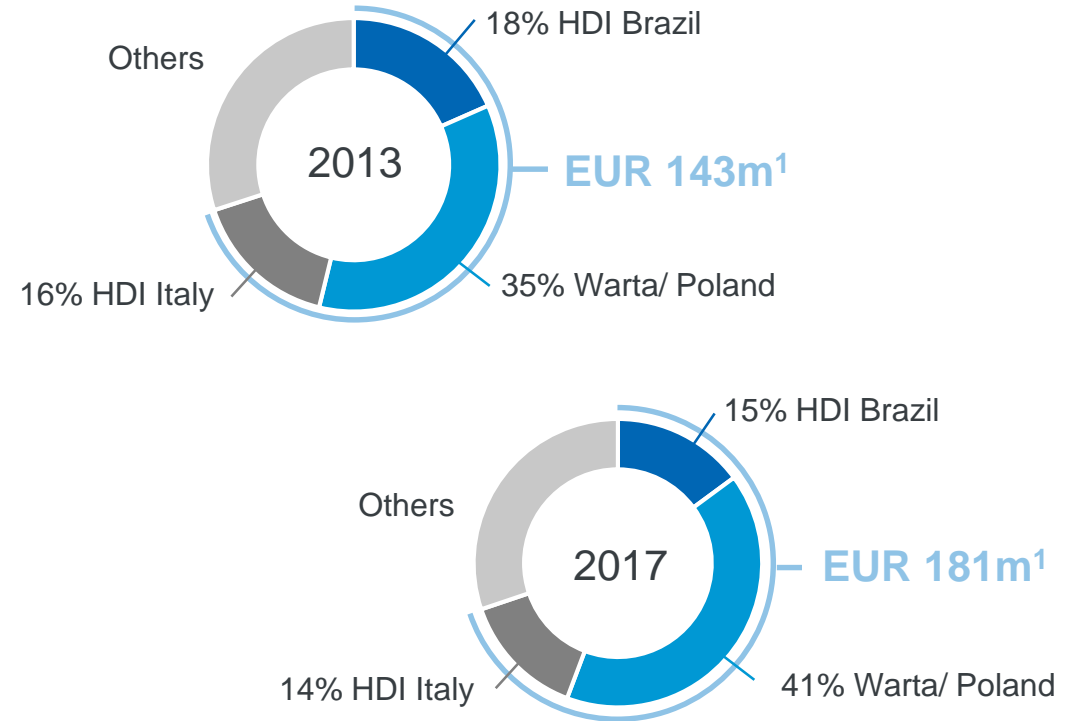
Excellence in Warta, HDI Brazil and HDI Italy – Main drivers for segment result

Retail International

EBIT
in EURm



Brazil, Poland, Italy



¹ Aggregated EBIT from HDI Brazil, Warta/Poland and HDI Italy
 Note: EBIT shares calculated as Warta's, HDI Brazil's and HDI Italy's EBIT divided by the sum of EBIT contributed by all operating entities

Overall strategic direction confirmed – Focus on three key initiatives

Stock take

Leading	<ul style="list-style-type: none"> ▪ Entrepreneurial culture and digital leadership ▪ Strong track record in M&A ▪ Cost leadership
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Lagging	<ul style="list-style-type: none"> ▪ Top 5 position not yet achieved in all core markets ▪ Dependency on Poland, Brazil and Italy results
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Focus and mid-term ambition

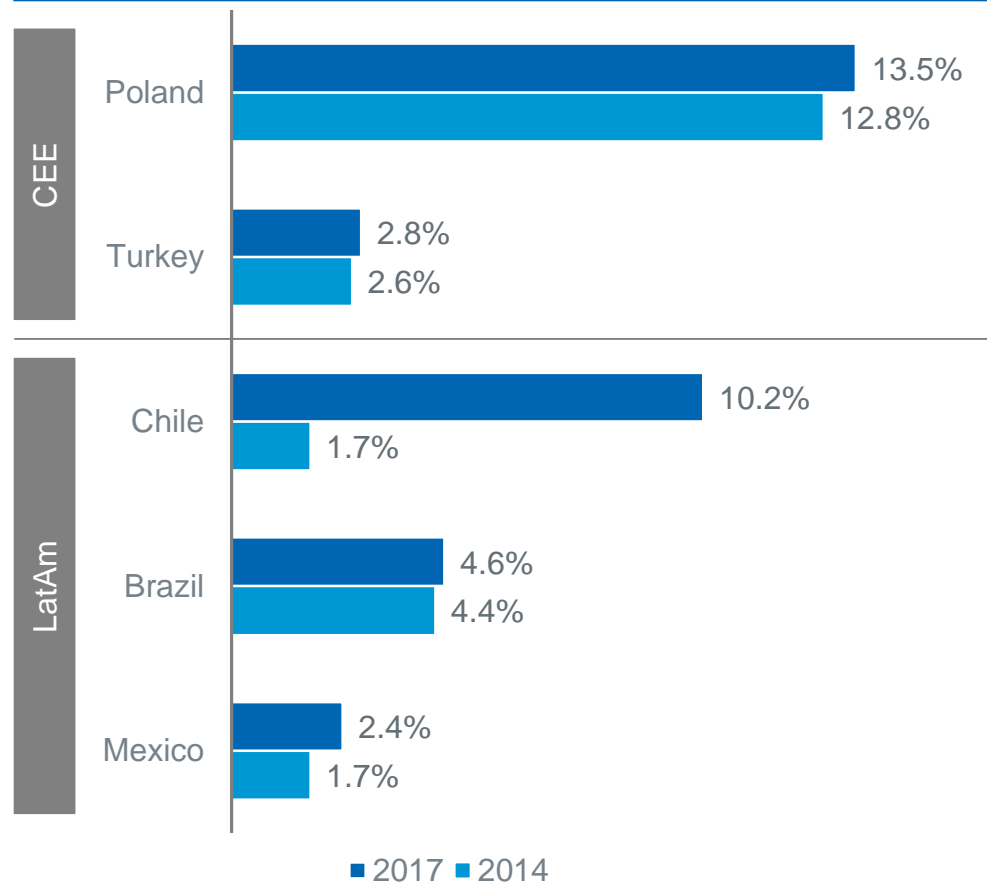
Focus	<ul style="list-style-type: none"> ▪ Focus on top 5 positions in 5 core markets ▪ Disciplined organic and inorganic growth with focus on profitability ▪ Leveraging digital leadership
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	<p>RoE ambition</p> <div style="background-color: #007070; color: white; border-radius: 50%; width: 40px; height: 40px; display: inline-block; margin-top: 10px;">10-11%</div>
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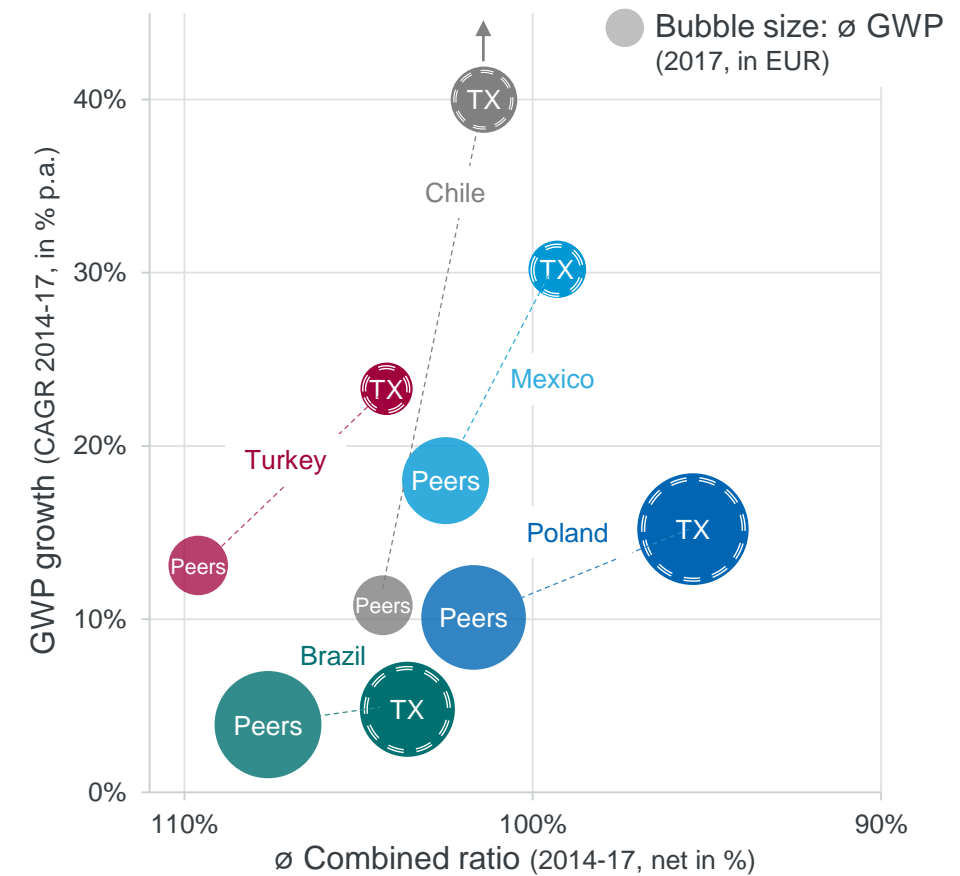
Focus – Focus on top 5 positions in 5 core markets

We are outgrowing peers in all core markets at combined ratios below peer level

Market share



Relative performance vs. peers



Note: Poland includes only Warta P/C business; peers according to page 8; HDI Chile's GWP CAGR (2014-17) stands at 91.7% (including the acquisition of Magallanes)

Focus – Disciplined organic and inorganic growth, with focus on profitability
 Strong improvement in CEE markets driven by Warta

Poland:
 Positive performance continues

Facts		2016	2017	YoY [curr. adjusted]
		GWP (in EUR m)	1,104	1,378
	EBIT (in EUR m)	73	106	45.2% ↑
	CoR (in %)	96.1	95.2	(0.9%)pt ↓

Turkey:
 Focus on selective and profitable growth path

	2016	2017	YoY [curr. adjusted]
	GWP (in EUR m)	261	266
EBIT (in EUR m)	6	5	(16.7%) ↓
CoR (in %)	102.5	102.5	0.0%pt →

Opportunities

- “Big Data” – implementation of a dedicated analytical environment
- New tariff and price approach for large corporate business

- Underlying double-digit market growth
- Relaxation of price cap
- High investment yields supporting EBIT



Strategic Outlook

- Stay within **top 3 position** in total market (Life and P/C)
- Keep **combined ratio at ~96%** and cost advantage vs. peers



- Reach **top 10 position** in P/C market
- Keep **Non-MTPL business at combined ratio of below 95%**

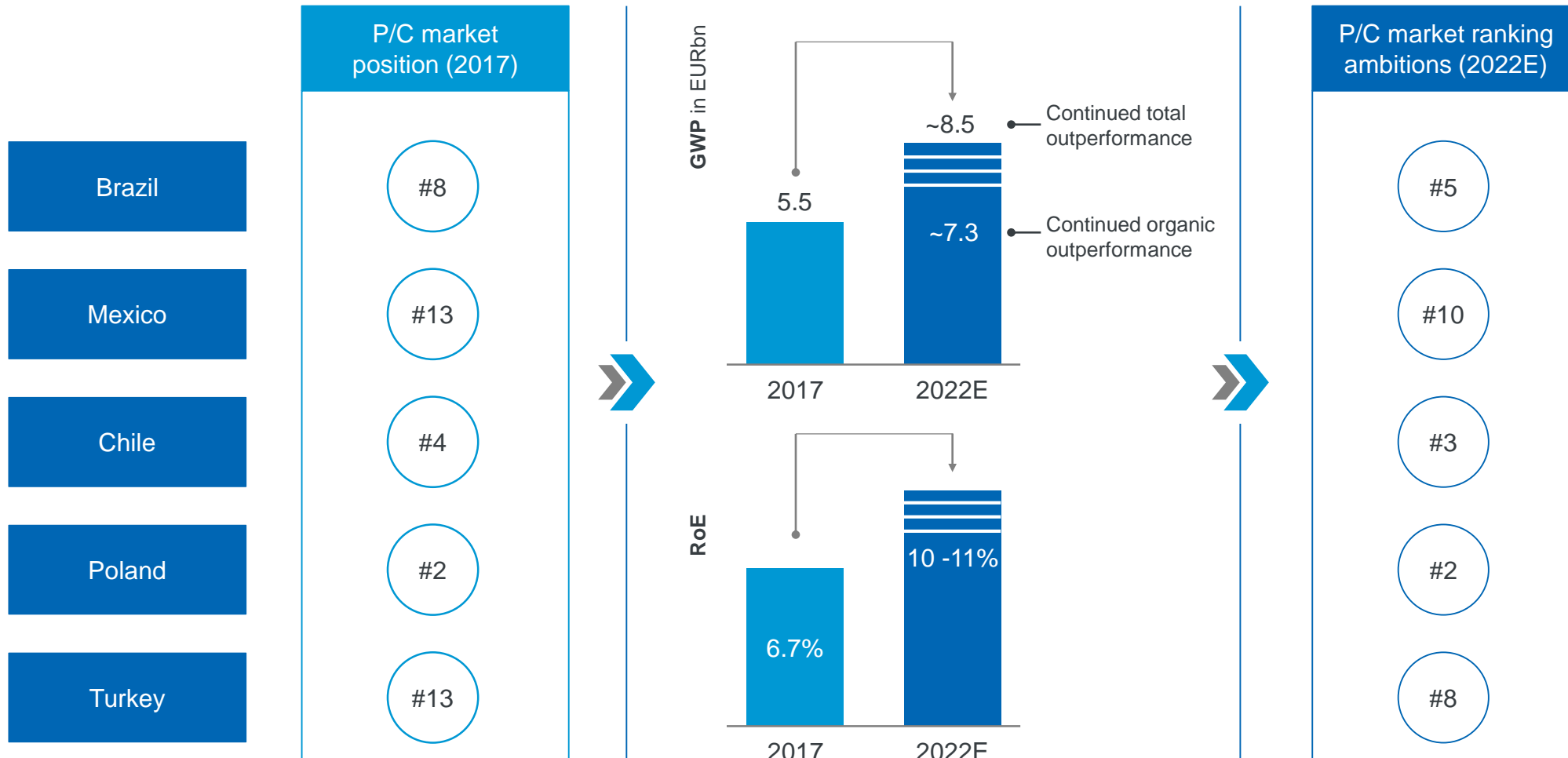
Note: Figures for Poland include only Warta (P/C, Life)

Focus – Disciplined organic and inorganic growth, with focus on profitability

LatAm core markets with strong growth despite macro-economic headwind

		Brazil: Becoming a fully digitalised company			Mexico: Positioned as digital P/C company			Chile: Further top-line growth after merger		
		2016	2017	YoY [curr. adjusted]	2016	2017	YoY [curr. adjusted]	2016	2017	YoY [curr. adjusted]
Facts	GWP (in EUR m)	807	887	9.9% [3.4%] ↑	266	337	26.7% [32.2%] ↑	339	363	7.1% [5.6%] ↑
	EBIT (in EUR m)	43	39	(9.3%) ↓	8	10	25.0% ↑	24	20	(16.7%) ↓
	CoR (in %)	102.0	98.9	(3.1%)pt ↑	95.3	95.2	(0.1%)pt ↓	88.7	89.2	0.5%pt ↑
Opportunities	<ul style="list-style-type: none"> JV with Santander: one-click products “Go Digital” project optimising distribution and claims operations 			<ul style="list-style-type: none"> Decrease in Motor & P/C theft Digital initiatives driving new products & service experience 			<ul style="list-style-type: none"> Increase in private consumption Digitalisation driving customer service and process innovation 			
	Strategic Outlook	<ul style="list-style-type: none"> Reach top 5 position in P/C 			<ul style="list-style-type: none"> Stay in top 5 position in Motor 			<ul style="list-style-type: none"> Reach top 3 position in P/C 		
<div style="border: 1px solid blue; padding: 5px; display: inline-block;">Keep combined ratio at ~96%</div>										

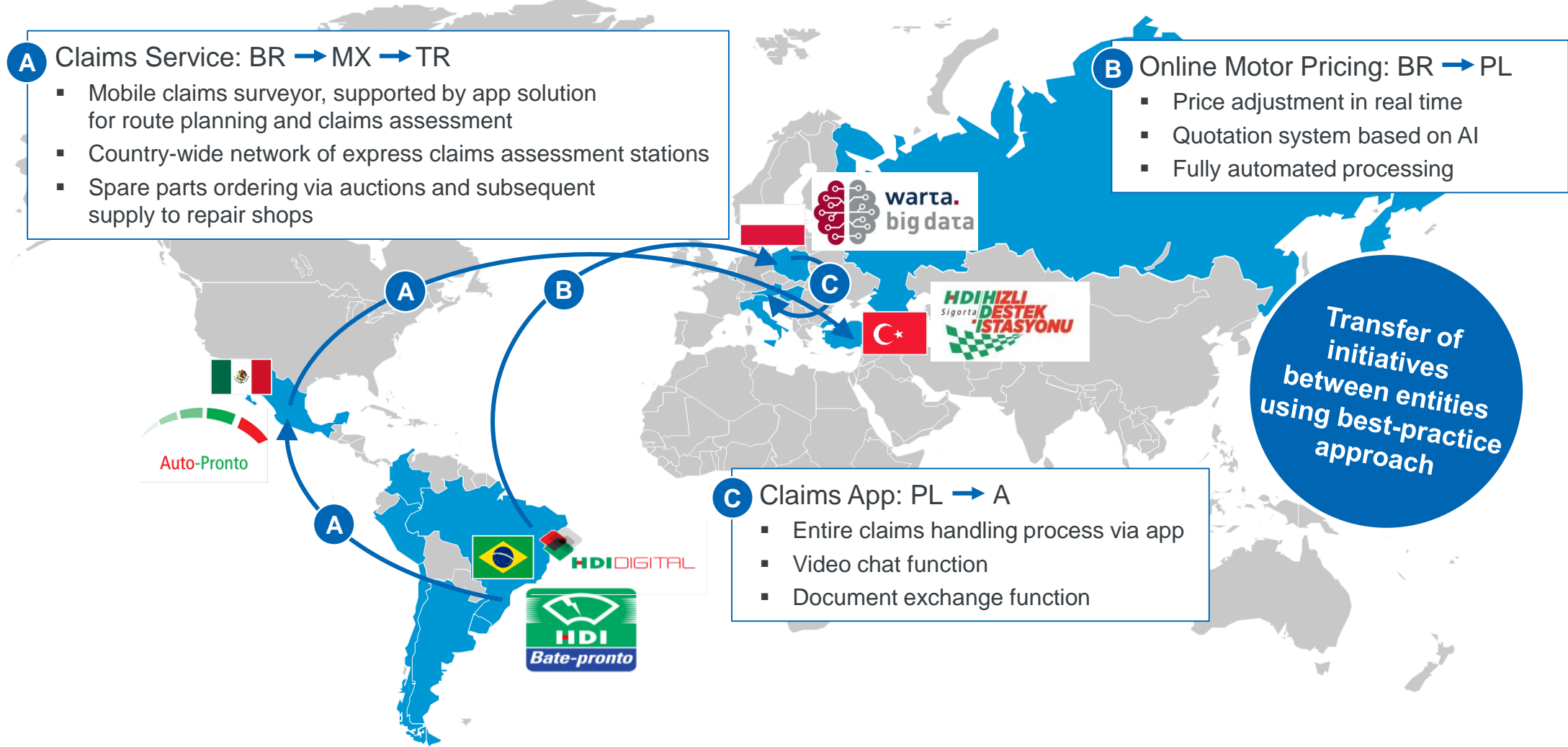
Focus – Disciplined organic and inorganic growth, with focus on profitability
 Market positions set to improve, while profitability remains priority



Note: GWP and RoE are segment numbers (Life and Non-Life)

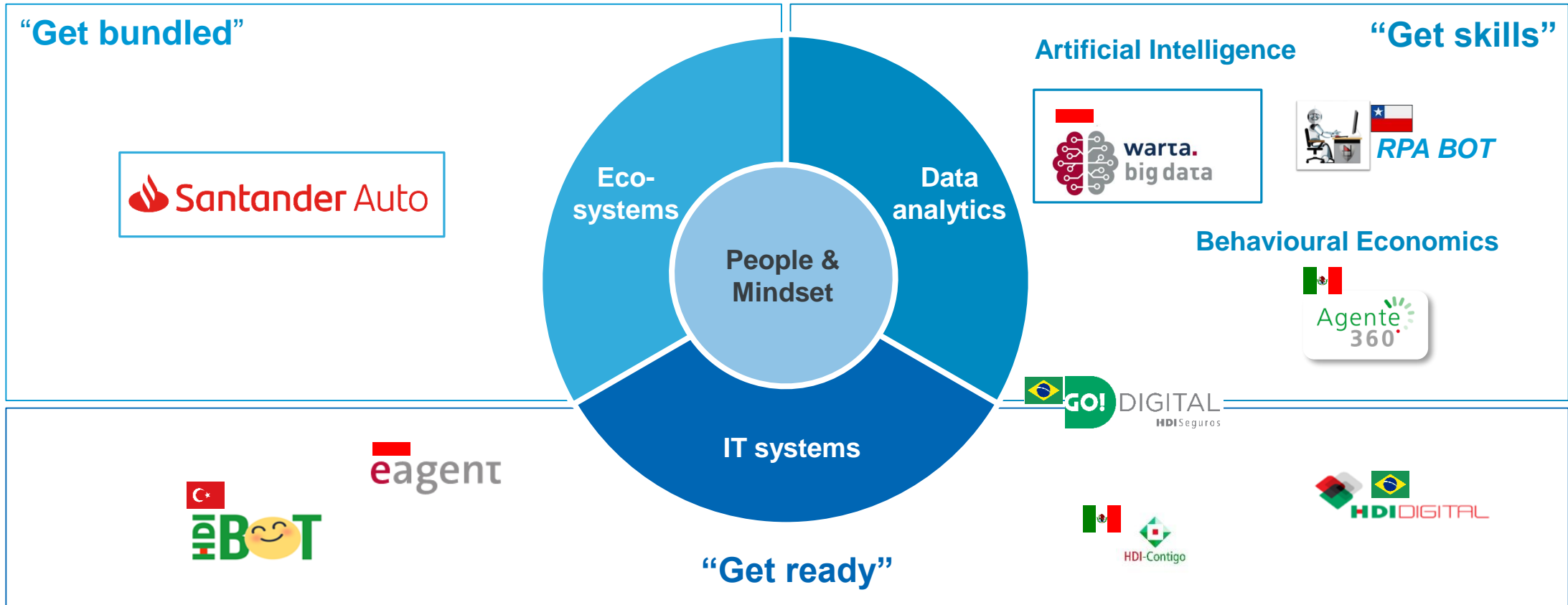
Focus – Leveraging digital leadership

Decentralised responsibilities enable transfer of successful digital initiatives



Focus – Leveraging digital leadership
 Driving digitalisation as top management priority

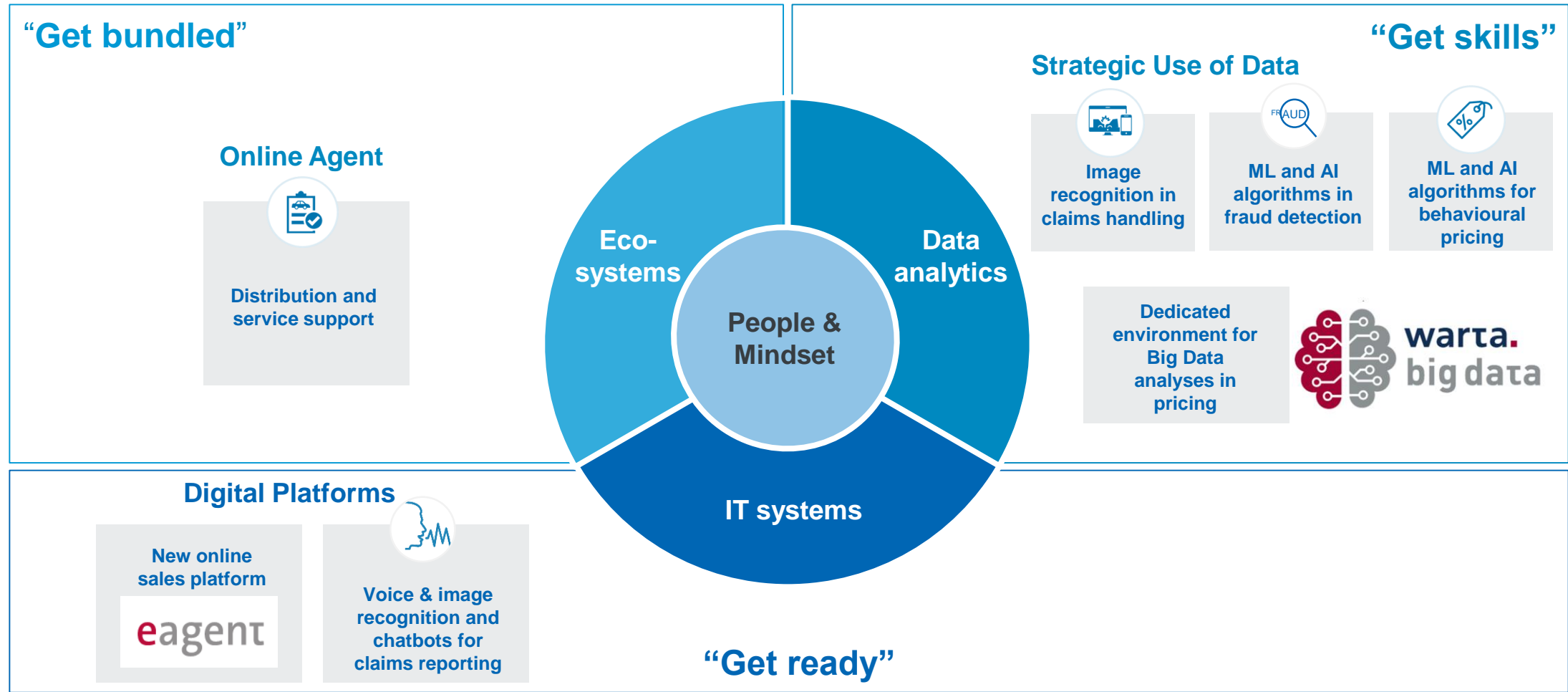
Selected examples for digitalisation in divisions



Further details on following slides

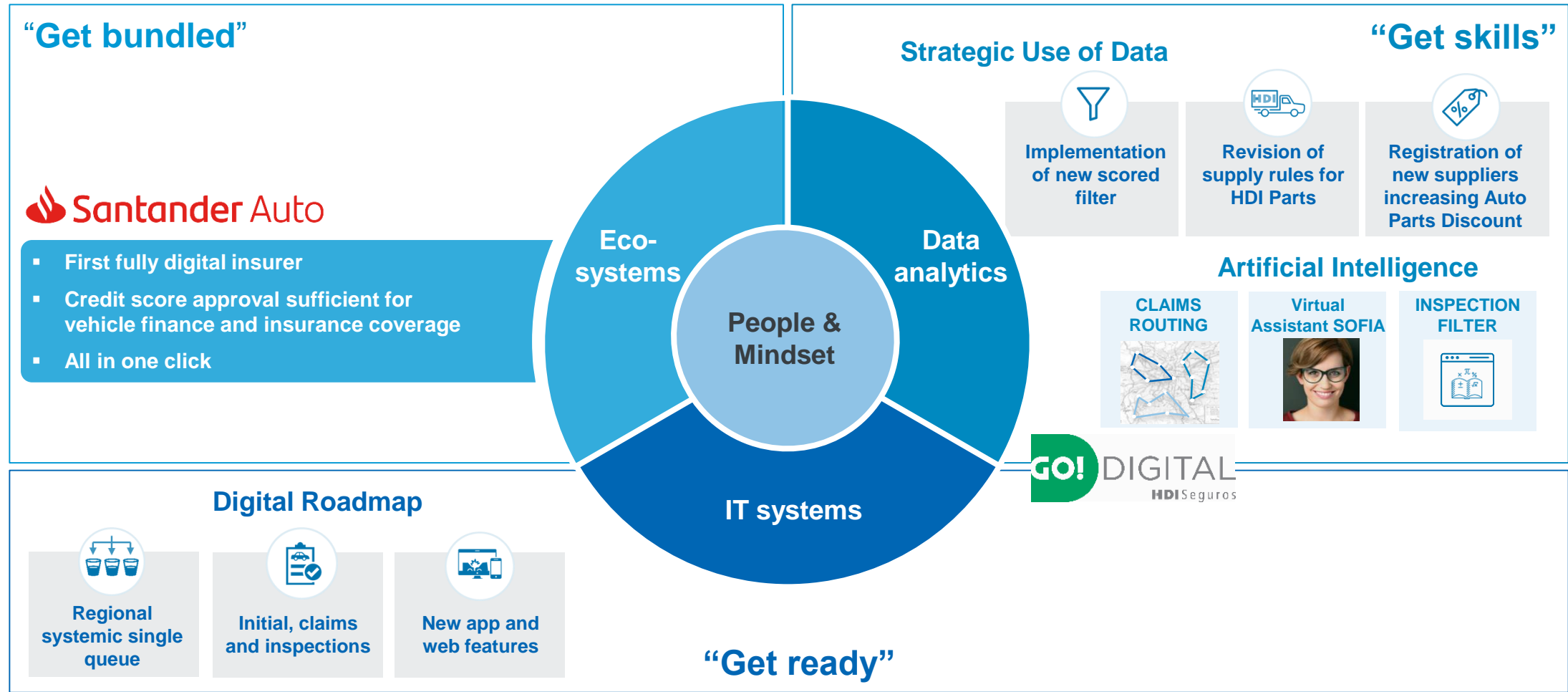
Focus – Leveraging digital leadership

Warta’s pioneering role is strengthened by additional digital initiatives



Focus – Leveraging digital leadership

HDI Brazil – Innovation leader in Brazil



Summary

Key messages

- **Overall strategic direction confirmed** (“tiGROW” strategy)
- **Focus on top 5 positions** in 5 core markets, other markets managed for value
- Relative performance counts: **outperforming peers in core markets**
- **Disciplined organic and inorganic growth**, with focus on profitability/RoE enhancement
- A variety of digital initiatives in place to **leverage digital leadership**

Summary
Our ambition

"Double-digit ROE by focusing on TOP 5 positions in core markets and by peer outperformance."



Agenda

I	Group Strategy	Torsten Leue
II	Group Financials	Dr Immo Querner
III	Industrial Lines	Dr Christian Hinsch / Dr Edgar Puls / Dr Thomas Kuhnt
IV	Retail International	Sven Fokkema
V	Retail Germany	Dr Jan Wicke
VI	Final Remarks	Torsten Leue

Focused divisional strategy – Retail Germany

Continue to deliver on KuRS and to grow in SME

Stock take

Leading	<ul style="list-style-type: none"> ▪ Leading player in Bancassurance ▪ Experienced employee benefits player ▪ Strong B2B position for P/C SME
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Lagging	<ul style="list-style-type: none"> ▪ Cost level (HDI P/C and Life) ▪ Legacy IT systems
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Focus and mid-term ambition

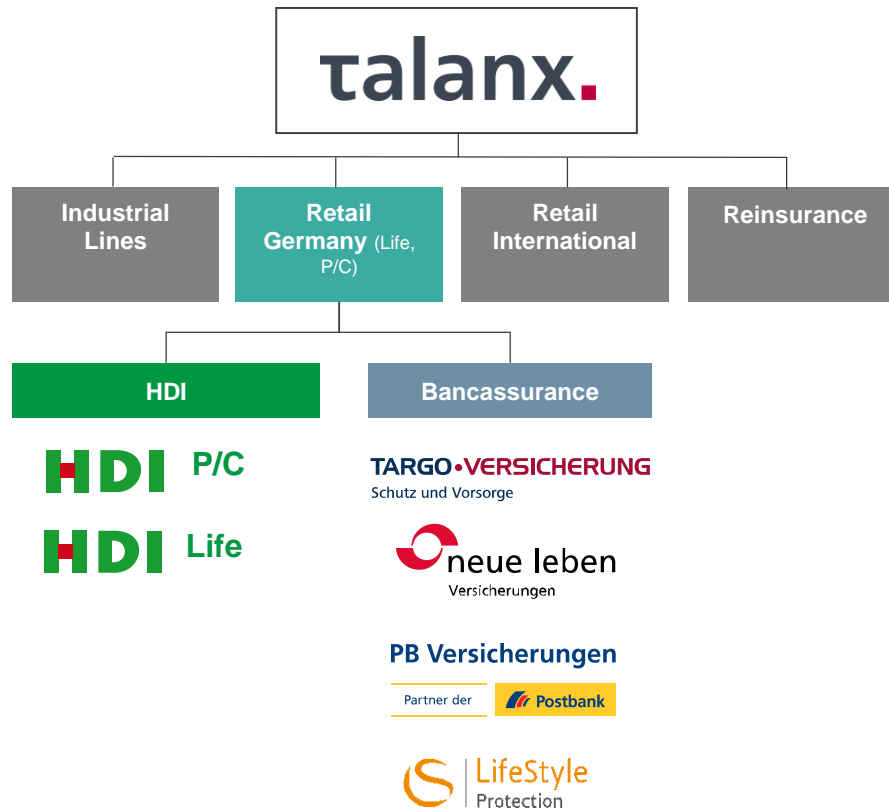
Focus	<ul style="list-style-type: none"> ▪ Delivery on KuRS targets until 2021 ▪ Growth initiative in SME ▪ Drive digital transformation
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	<p>RoE ambition</p> <div style="background-color: #0056b3; color: white; border-radius: 50%; width: 40px; height: 40px; display: inline-block; margin-left: 20px; padding: 5px;">7-8%</div>
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Stock take

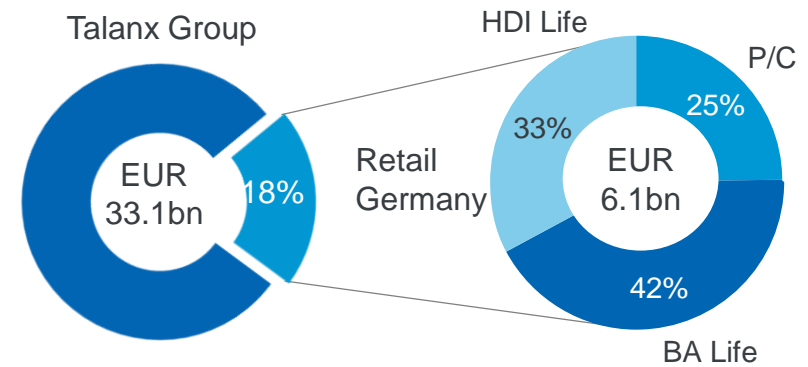
Retail Germany – The “different” division within the Talanx Group

Retail Germany within the Talanx Group...



...faces different challenges

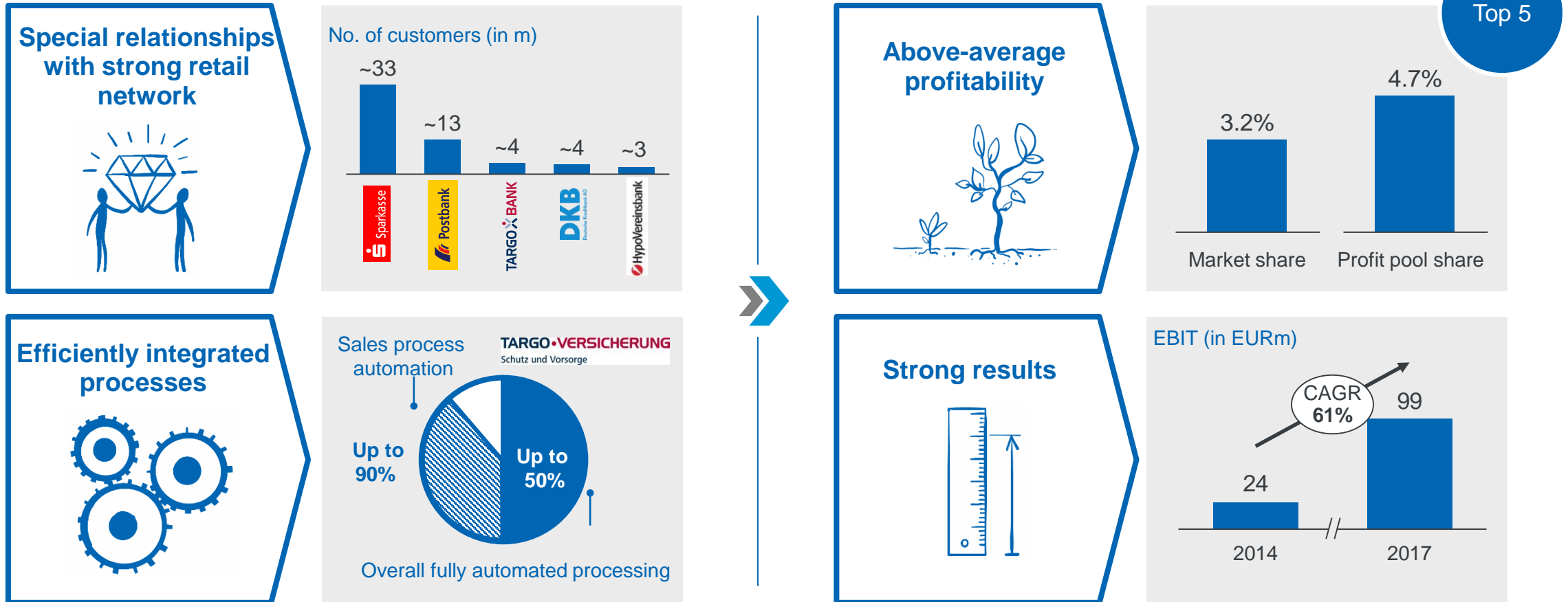
Gross written premiums 2017



Main challenges	
Life	De-risking Life to increase capital efficiency
P/C	Enhancing profitability to improve RoE

Leading – Leading player in Bancassurance

Broad and deep integration leads to above-average profitability in Bancassurance



Note: Number of customers of German savings banks includes total number of customers, not only from our cooperation partners. Market share and profit pool share compared to total life insurance market. Source: GDV - German Insurance Association, Financial reports (according to local GAAP); without consolidation, Ø 2014-2017, top 5 ranking based on GWP estimate by GDV (local GAAP, financial reports); sum of Bancassurance entity EBIT figures without consolidation

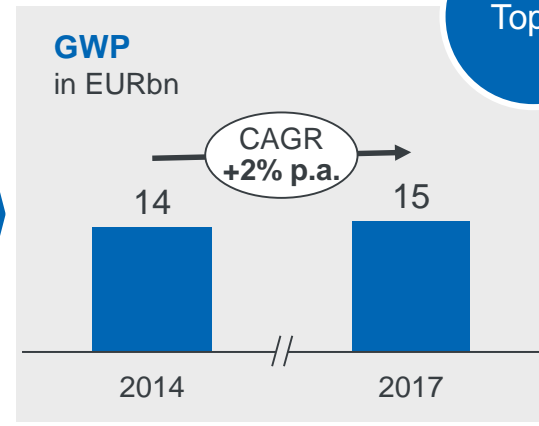
Leading – Experienced employee benefits player Established expertise and collaboration in new markets enable growth

Partnership for company pension scheme law

tal anx.

DIE DEUTSCHE BETRIEBSRENTE

Market Growth



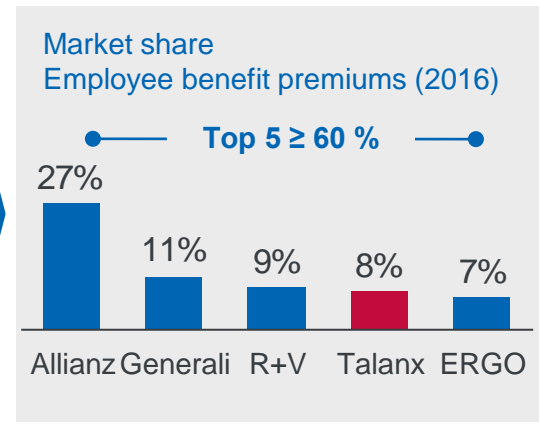
Top 5

Well-established expertise and innovative solutions

- Awarded expertise
- Strong distribution channel presence
- Pioneer in digitalisation

Strong market position

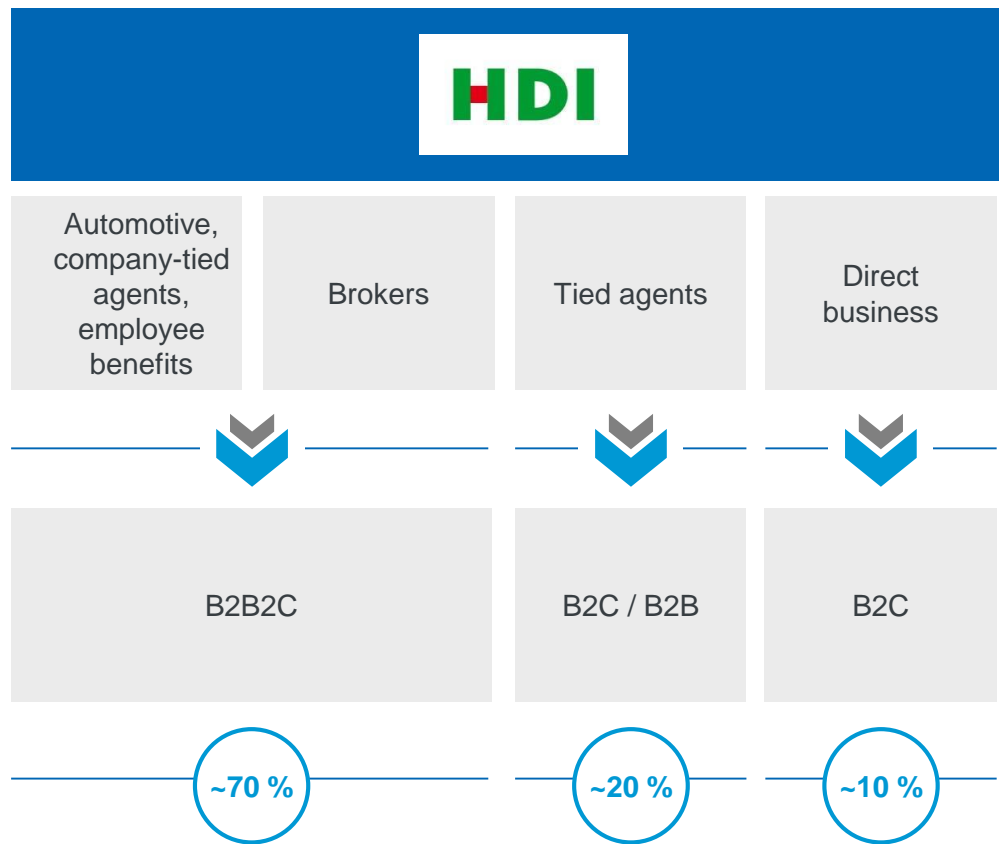
4



Note: Awarded expertise by Institute for Private Pensions and Financial Planning; overall grade for company pension scheme expertise:1.2 (excellent) - for consulting, coverage, service and administration
Source: for market shares: BCG analysis based on BCG employee benefits study 2017 and MAP-Report 2012

Leading – Strong position for P/C SME

Thanks to our excellent B2B access, we are building on a position of strength in SME P/C



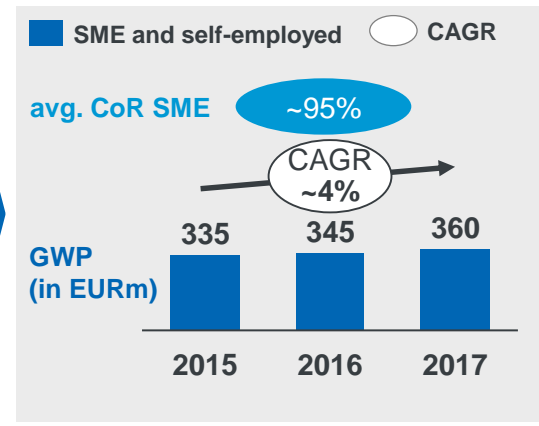
Solid market share

6-7%

6-7%

- Market-leading position with self-employed professionals
- Strong player in SME

Profitable growth in line with market



Note: Market share including SME and self-employed professionals. Self-employed professional market leader with medical doctors and tax consultants
 Source: Statista (Federal Statistical Office), IfB (Institute of self-employed professionals)

Lagging – Cost level (HDI P/C and HDI Life) & Legacy IT systems Retail Germany pro-actively addresses internal and external challenges

Main external and internal challenges identified,...

Low interest rate environment

Term	31.12.2013	30.06.2018
3M	~0.2%	~0.1%
6M	~0.3%	~0.2%
1Y	~0.4%	~0.3%
2Y	~0.5%	~0.4%
3Y	~0.6%	~0.5%
4Y	~0.7%	~0.6%
5Y	1.0%	-0.3%
7Y	~1.2%	~0.4%
9Y	~1.5%	~0.5%
10Y	2.0%	0.3%
15Y	~2.2%	~0.6%
20Y	~2.4%	~0.8%
30Y	2.8%	1.0%

Cost level (HDI P/C and HDI Life)

Cost ratio vs. peer average (2013 – 2017)

Metric	Change vs. Peers
HDI Life	-1.4%pts
HDI P/C	-8.6%pts

Legacy IT systems

Inherited complexity of IT landscape

...with solutions well on track

De-risking of Life

Increasing earnings in P/C by cost reductions and growth in profitable business

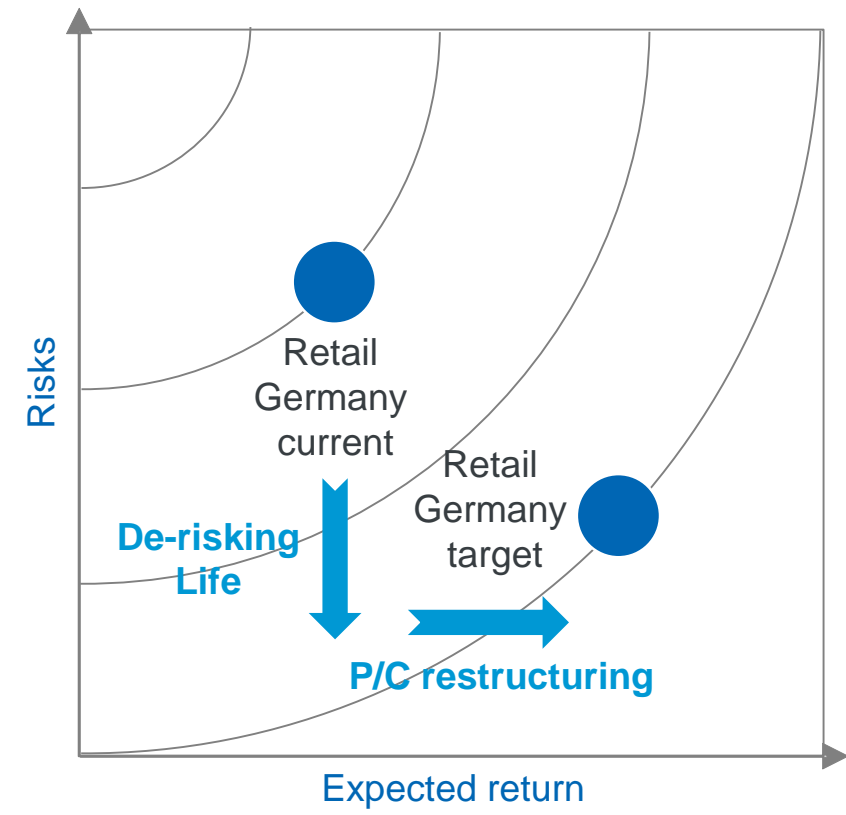
Modernising the IT landscape

KuRS further represents the key success factor...

	BA: Market leader in bancassurance	HDI: Leading SME player in Germany; strong competitive position in private business
Life	<ul style="list-style-type: none"> Life insurance portfolios by adequate de-risking in a low-interest environment; relevant for >EUR 50bn assets under management 	
P/C	<ul style="list-style-type: none"> Increasing the earnings in P/C by cost reductions and growth in profitable business 	
Overall	<ul style="list-style-type: none"> Building a digital platform to support growth e.g. in P/C SME business and occupational pensions 	



...to achieve an attractive risk-return profile



Focused divisional strategy – Retail Germany

Continue to deliver on KuRS and to grow in SME

Stock take

Leading	<ul style="list-style-type: none"> ▪ Leading player in Bancassurance ▪ Experienced employee benefits player ▪ Strong B2B position for P/C SME
Lagging	<ul style="list-style-type: none"> ▪ Cost level (HDI P/C and Life) ▪ Legacy IT systems

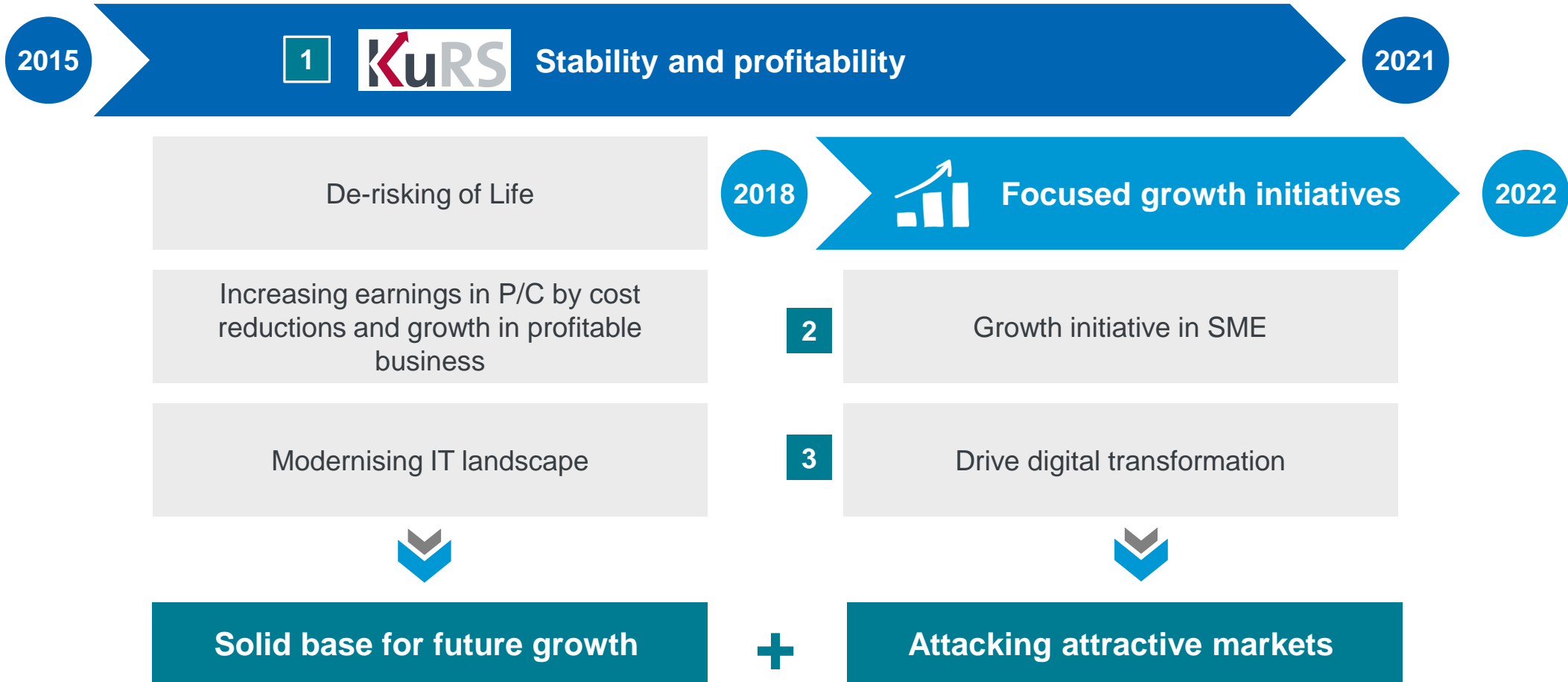


Focus and mid-term ambition

Focus	<ul style="list-style-type: none"> ▪ Delivery on KuRS targets until 2021 ▪ Growth initiative in SME ▪ Drive digital transformation
	<p>RoE ambition 7-8%</p>

Focus

KuRS is our strategic foundation on which we base focused growth initiatives

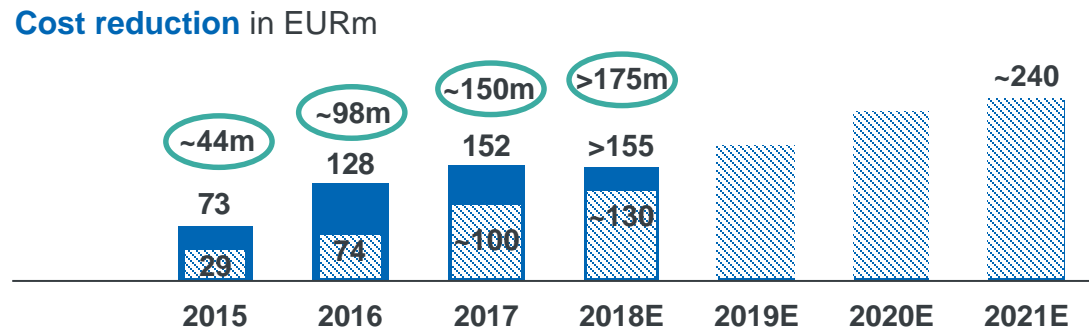
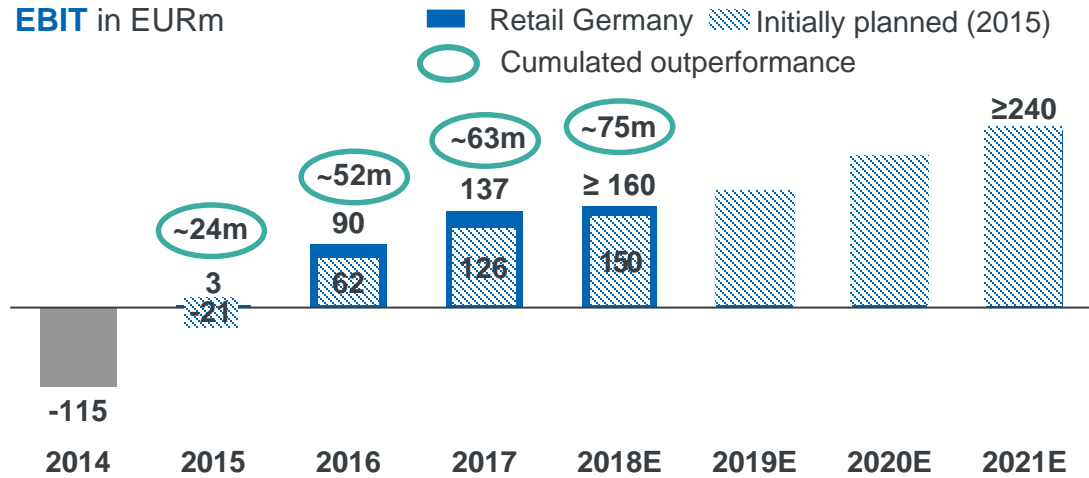


Focus – Delivery on KuRS targets until 2021

1 Retail Germany strongly outperformed the initial KuRS plan



Strong EBIT and cost reduction results...



...underline an outperformance of initial plan

in EURm



Cumulated EBIT outperformance compared to initial KuRS plan

~75m



Cumulated cost reduction outperformance compared to initial KuRS plan

>175m

Focus – Delivery on KuRS targets until 2021

1 Overall positive development confirms strategic outlook of last year's CMD



Our promised KuRS targets...

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



... continuously well on track

based on 2017	on track	in the works	Trend 2018	
Total GWP growth (p.a.) Life P/C	-3%	-4%	2%	
Cost reduction p.a.	EUR 152m			
Combined ratio (adj. for KuRS costs)	~102% (~99%)			
New business share of traditional life	~28%			
Growth rate SME/self-employed professionals	>7%			
EBIT contribution	EUR 137m		≥ EUR 160m	

Note: GWP target defined as CAGR: 2016-2021E. GWP result is a comparison of 2016-2017: Combined ratio incl. net interest income on funds withheld and contract deposits, growth in SME/self-employed professionals compared to base year 2014. Targets are subject to no large losses exceeding budget (cat), no turbulences on capital markets (capital) and no material currency fluctuations (currency)

1 Risks from regulation and capital market development are being actively managed



We constantly monitor our major performance risks...

Major risks	A	Capital market risks	Especially interest rate and credit risk
	B	Regulatory risks	Especially distribution limitations with regard to credit life insurance
	C	IT risks	Hidden risks in IT infrastructure in terms of operations stability



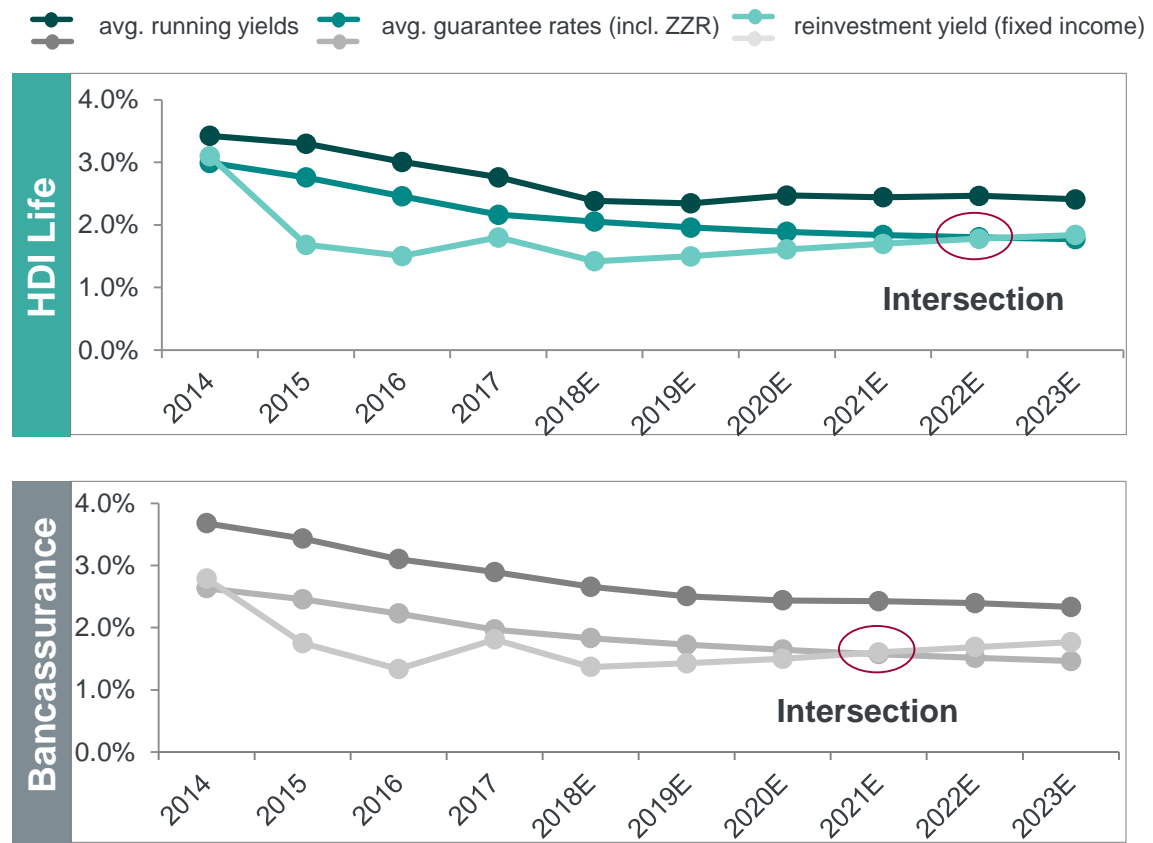
...and define effective mitigation measures

A	Continuous de-risking of Life portfolio and disciplined asset management
B	Further improvement of credit life products and distribution processes as well as introduction of substitution products
C	Dedicated IT restructuring programmes (Voyager 4life, Quadriga)

1 Continuous de-risking of Life portfolio



Focus on continuous de-risking...



... remains the main target for Life

- The expected reinvestment yields for 2018-2023 are 20-30bp lower than last year. This reflects a change in the implicit market expectation for 20-year AAA euro government bonds
- The actuarial rate, including ZZR reduction, is slightly higher than last year (expected change of ZZR in German law)
- Due to both effects, it takes somewhat longer until the graphs for reinvestment yields, resp. actuarial rates, are expected to intersect
- Unchanged: based on our assumptions, the average running yields will be sufficient to finance the guarantees for policyholders

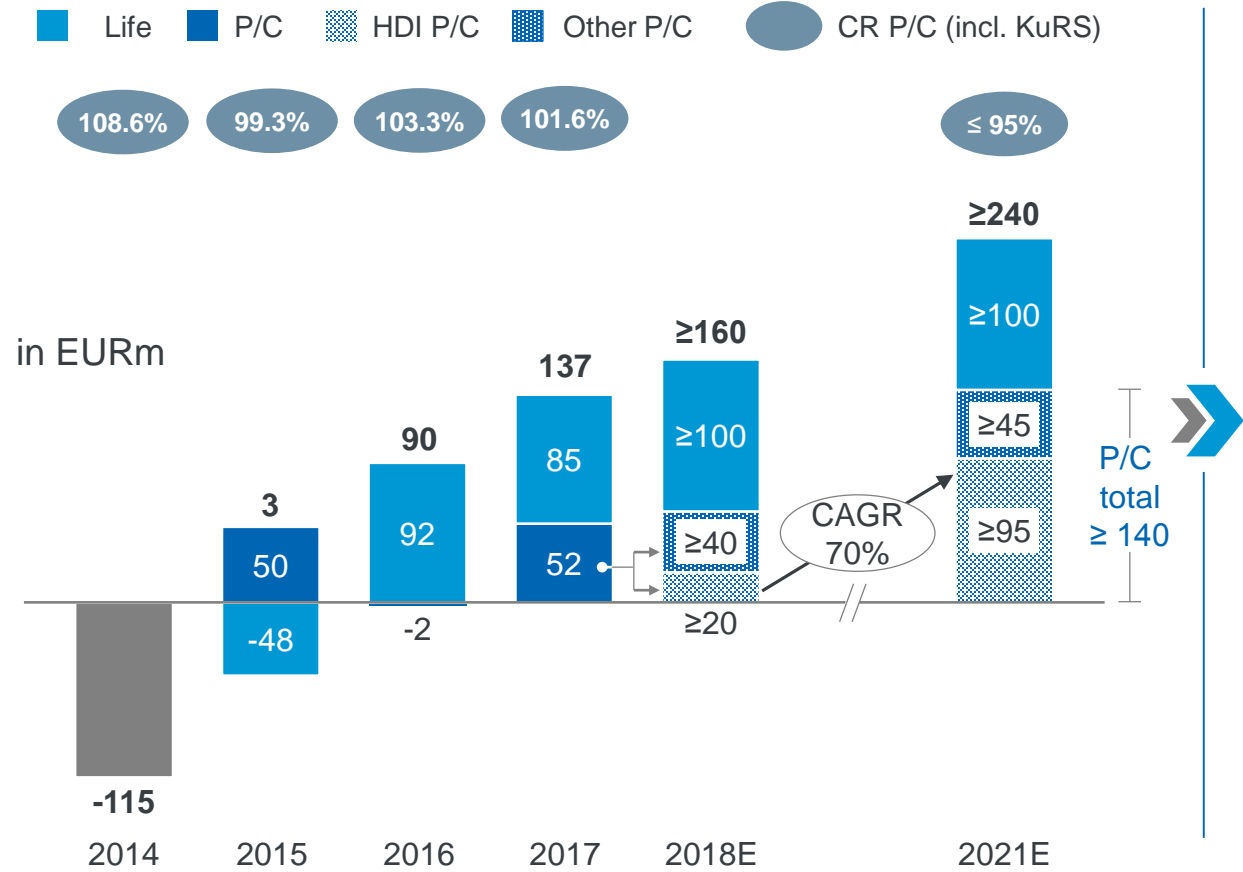
Note: All numbers refer to German GAAP (HGB). Update based on August 2018 calculations/data

Focus – Growth initiative in SME

2 P/C represents the major EBIT growth driver



Our EBIT ambition

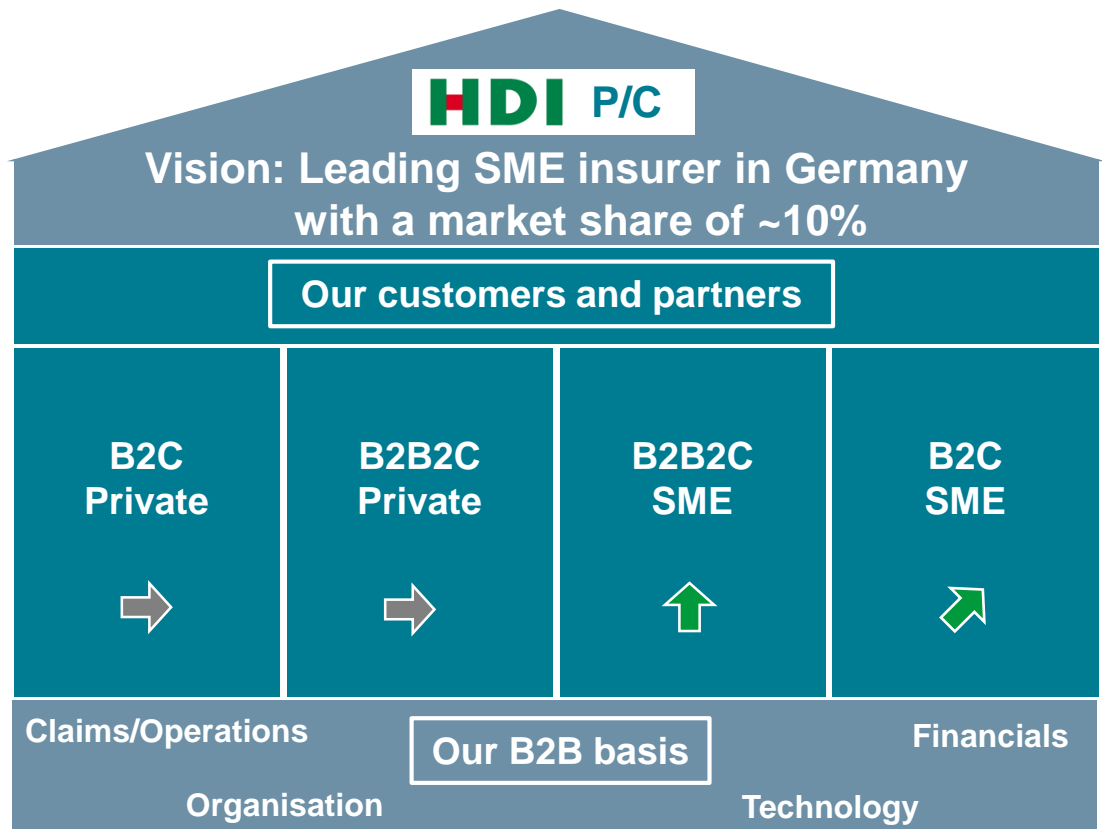


We already achieved the P/C profit turnaround in 2017 and target increasing EBIT in 2018

HDI P/C represents the EBIT growth engine to achieve 2021 KuRS targets

Focus – Growth initiative in SME

2 P/C strategy adjusted to enable us to become the leading SME player in Germany



↻ ↑ Top-line growth

Note: SME includes self-employed professionals

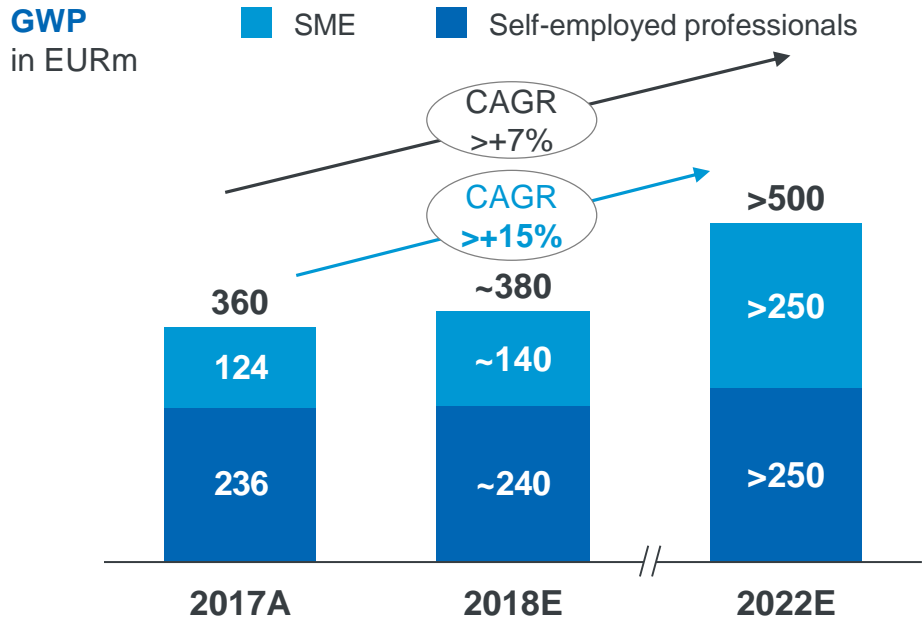
...our competitive edges drive growth in P/C

- 1 **HDI as a credible brand in SME –**
Offering leading expertise to clients and partners
- 2 **Top 3 in claims management –**
Well-balanced integration of digital and personal service solutions
- 3 **Superior processes –**
combining digital and personal services

Focus – Growth initiative in SME

2 Our strategic ambition: Entering Top 5 with a GWP of more than EUR 500m

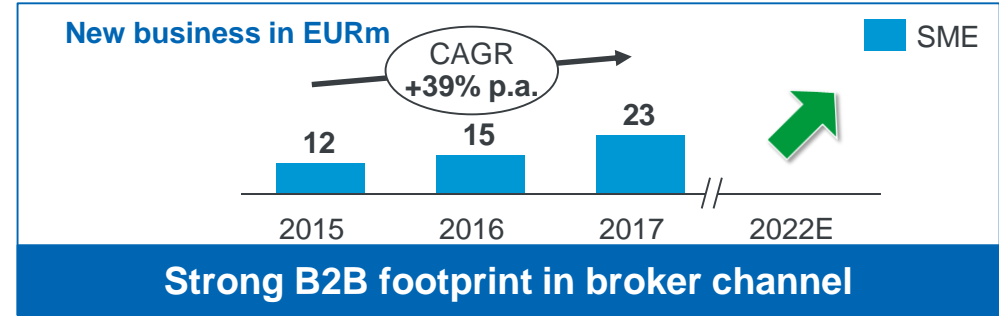
Our top-line ambition for P/C is...



➔ Above average growth with a market share ambition of ~10%


Ambition Top 5

How we achieve it...



+

Fully digital SME platform

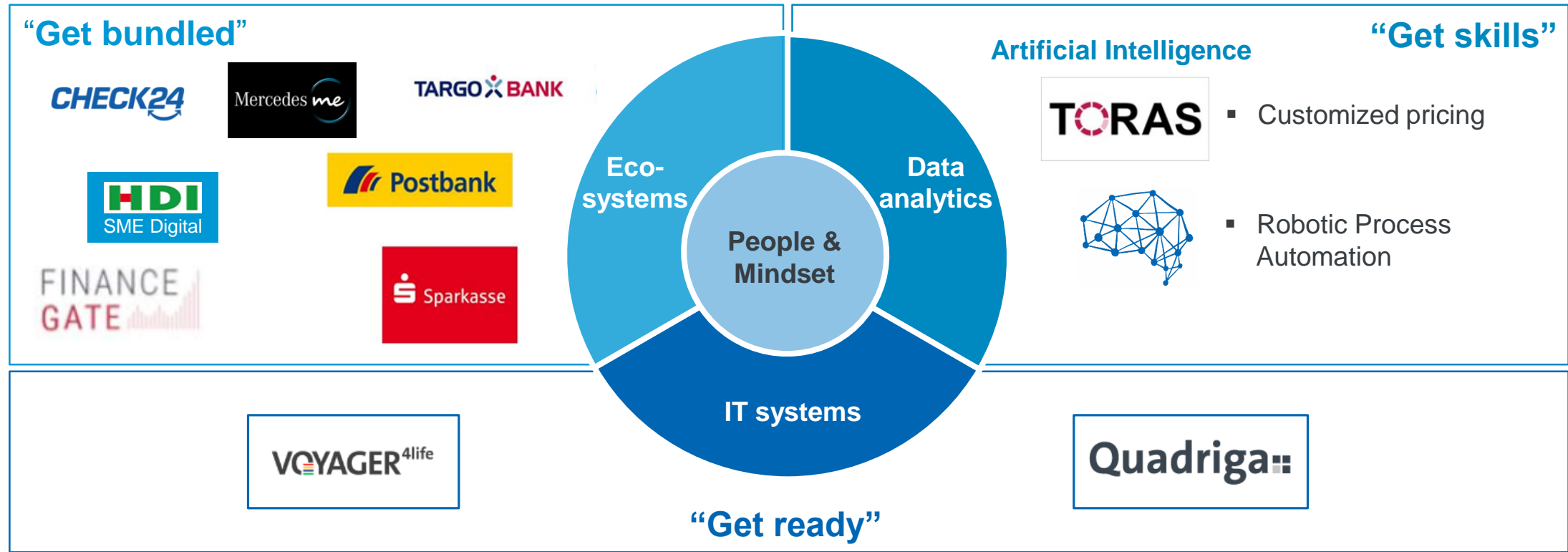


- Digitalising the whole SME customer journey
- Automatisation rate of >85%
- Competitive advantage

Focus – Drive digital transformation

3 Digitalisation is a central building block for the further transformation of Retail Germany

Selected examples for digitalisation in divisions

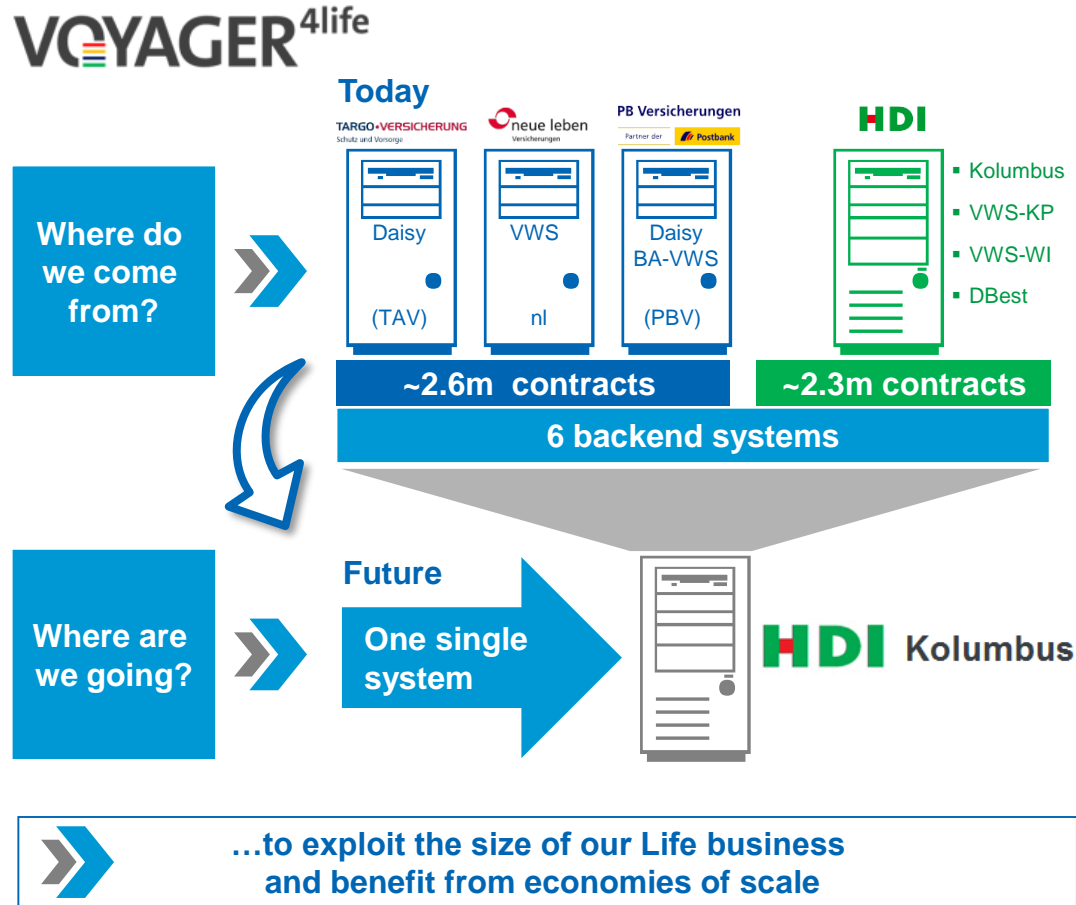


Further details on following slides

Focus – Drive digital transformation

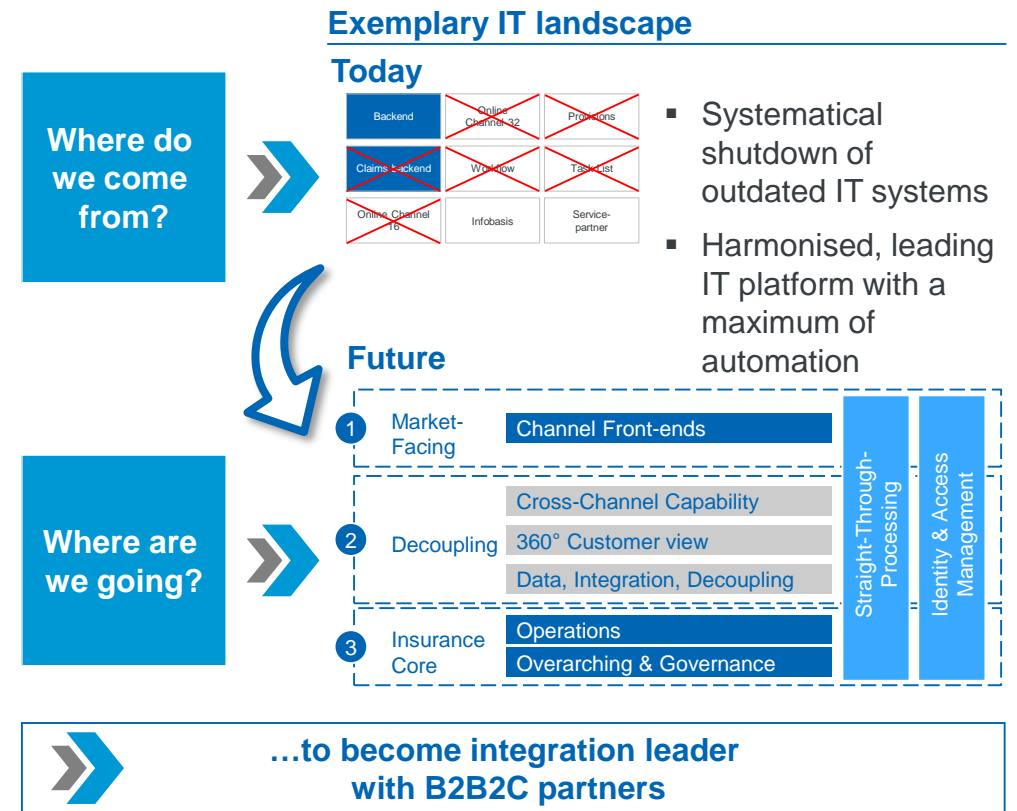
3 Get ready – Reducing complexity to become more efficient and flexible

We have built a single IT platform for Life...



We establish a flexible IT architecture in P/C...

Quadriga



Summary

Key Messages

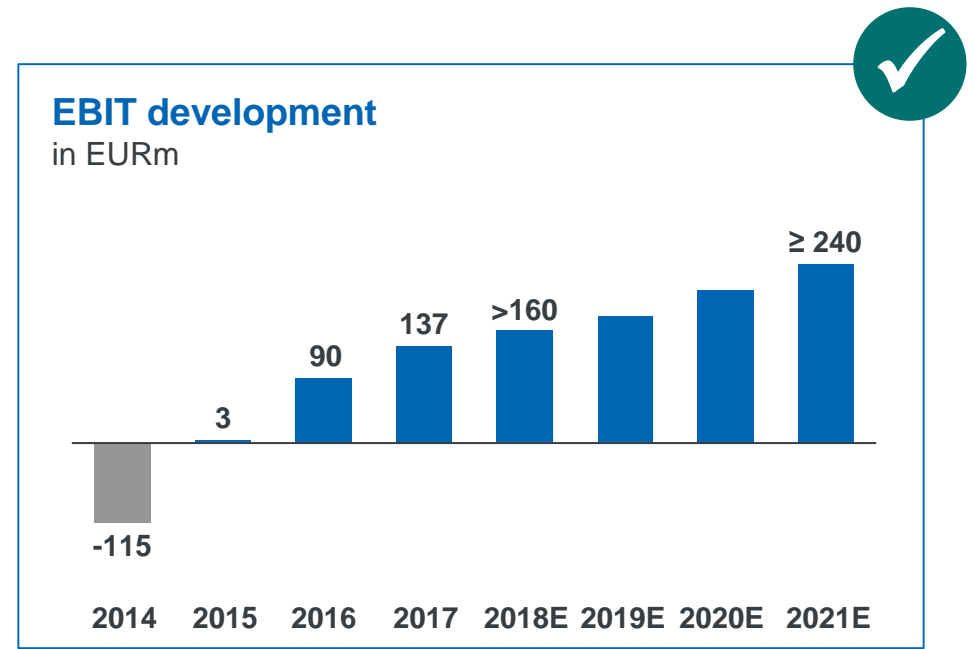
Retail Germany ahead of plan – EBIT target of EUR ≥240m (2021) confirmed

EBIT contribution during project phase ~EUR 75m above initial plan; cost reductions > EUR 175m above plan

Risks from regulation and capital market development managed actively, especially continuous de-risking in Life

Strategic ambition: leading SME player in Germany with a strong competitive position in retail business

Digitalisation is a central building block for the transformation of Retail Germany



Summary
Our ambition

"Generate an EBIT of at least EUR 270m by 2021, driven by a materially improved cost position and growth in SME."



Agenda

I	Group Strategy	Torsten Leue
II	Group Financials	Dr Immo Querner
III	Industrial Lines	Dr Christian Hinsch / Dr Edgar Puls / Dr Thomas Kuhnt
IV	Retail International	Sven Fokkema
V	Retail Germany	Dr Jan Wicke
VI	Final Remarks	Torsten Leue

Key take-aways

- We **strengthen**: entrepreneurial culture, B2B focus and portfolio diversification
- We **develop**: enhanced capital management, focused divisional strategies and digital transformation
- We **consequently exploit** opportunities for profitable growth, namely in Specialty and in SME insurance
- We **further improve profitability** aiming at better relative performance than peers
- We **commit** to a higher RoE target, to a new EPS growth target and to a sustainable and attractive payout

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