



## dbAccess Berlin Conference

Dr Immo Querner, CFO  
Berlin, 6 June 2019

**tal anx.**  
Insurance. Investments.

# Agenda

I CMD: Group Strategy

II CMD: Group Financials

III Q1 2019 results

## 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  $\geq 800$ 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

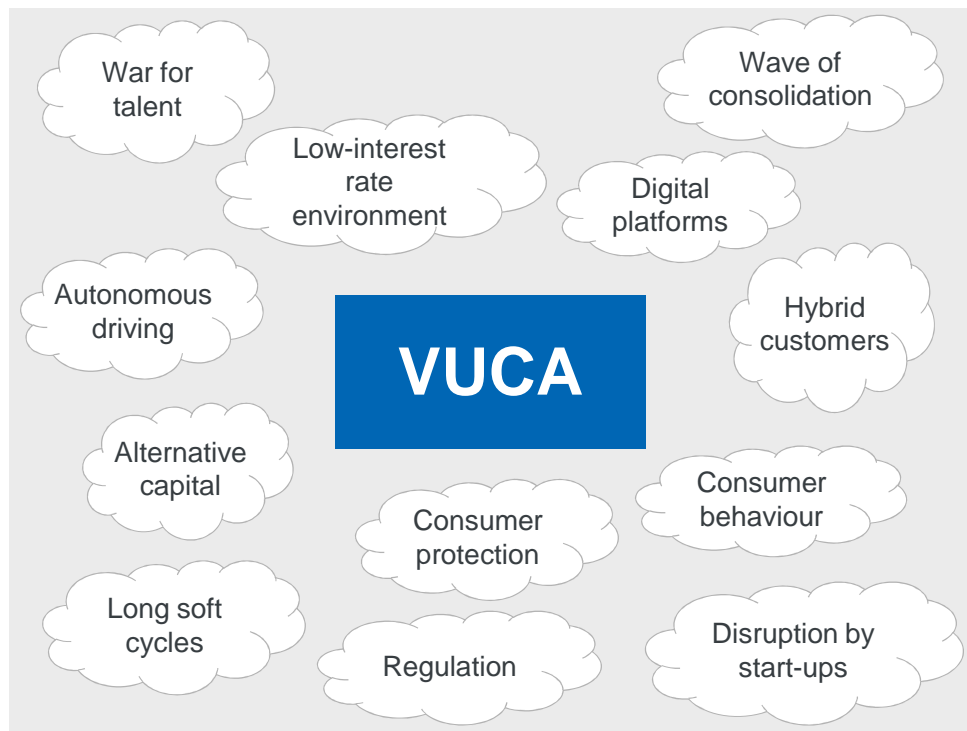
### Develop

- 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

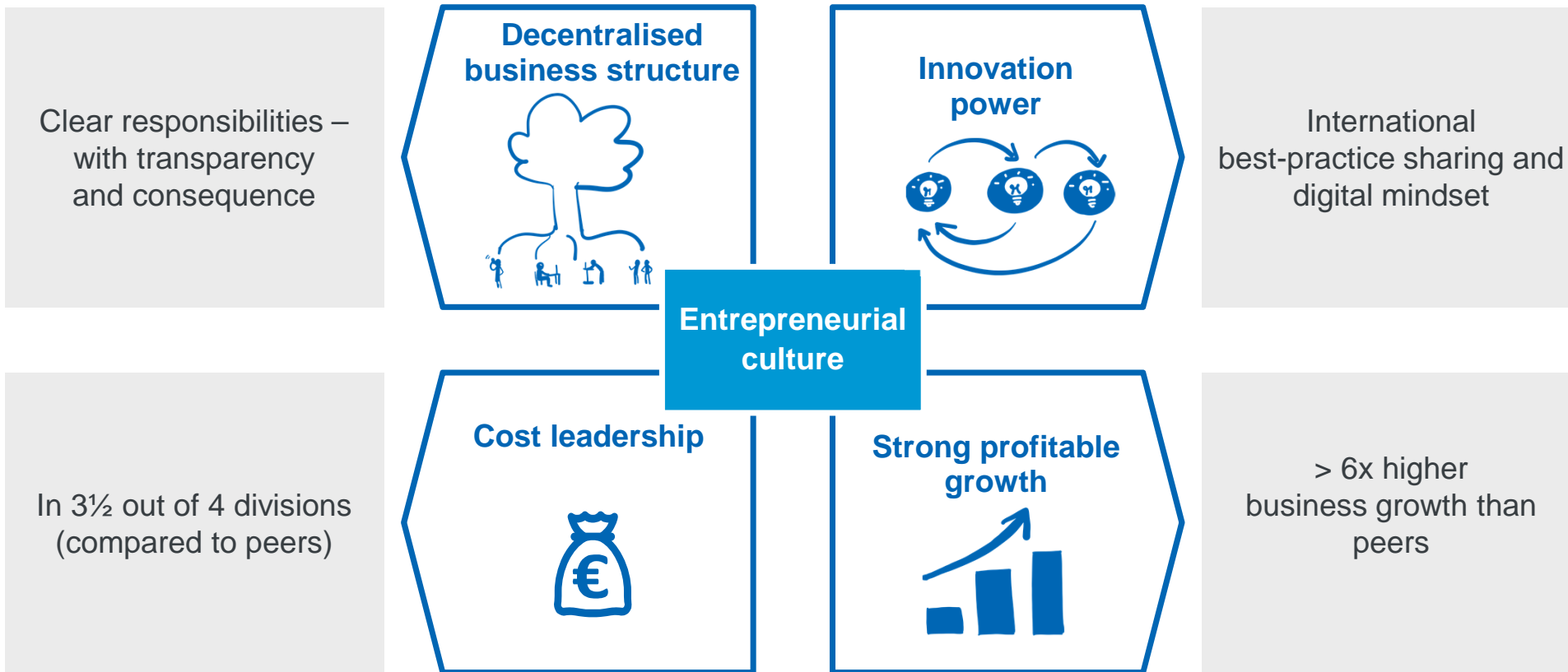


## Our answer: reinforcing our strengths

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

1 Strengthen – Entrepreneurial culture

Our entrepreneurial culture as basis for continued growth and cost leadership



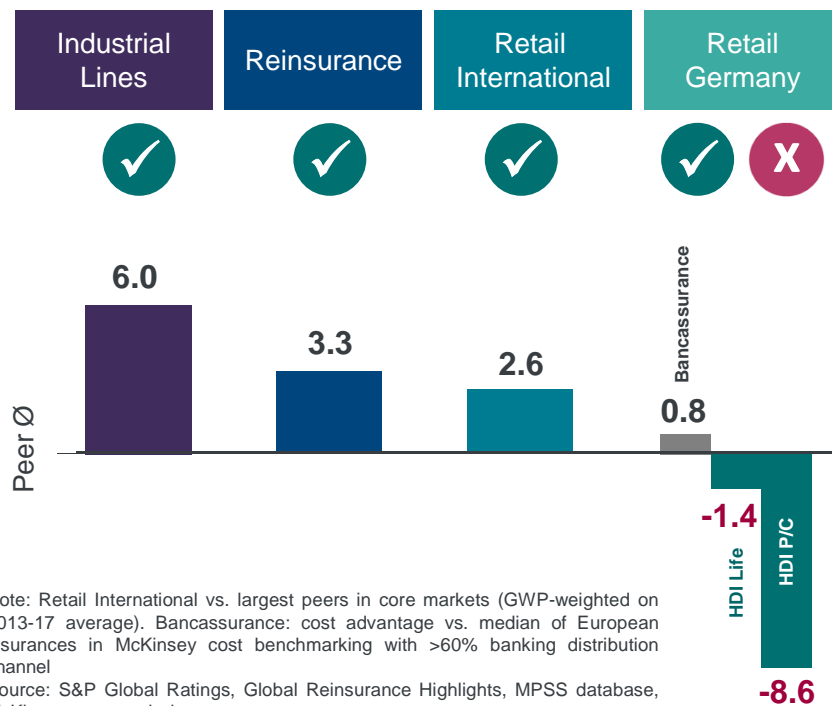
Note: Business growth defined as GWP CAGR for 2013-2017. Talanx Peer group consists of Allianz, AXA, Generali, Mapfre, Munich Re, Swiss Re, VIG and Zurich (throughout this document if not stated differently)

1 Strengthen – Entrepreneurial culture

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

## Cost leadership in 3½ out of 4 divisions

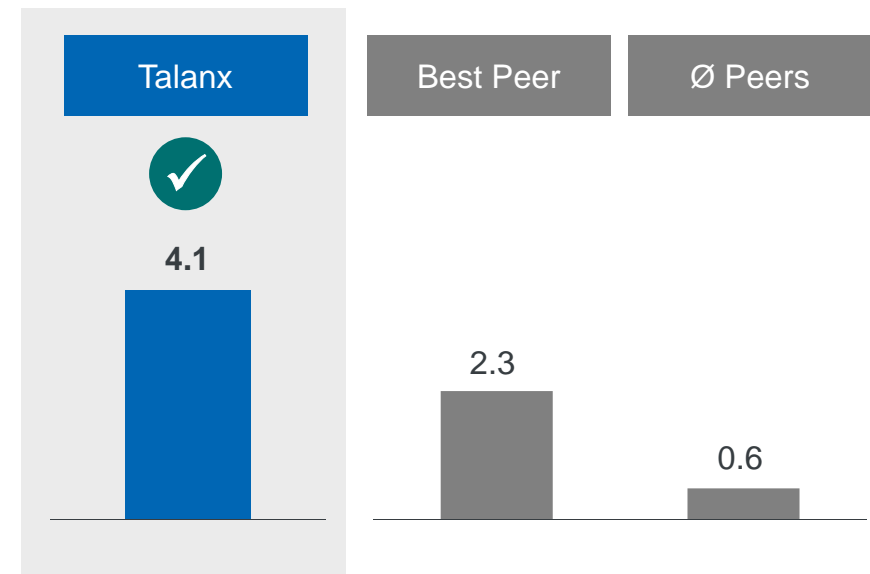
Cost ratio advantage (net) of divisions compared to peer Ø (2013 – 17) (in %-pt)



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

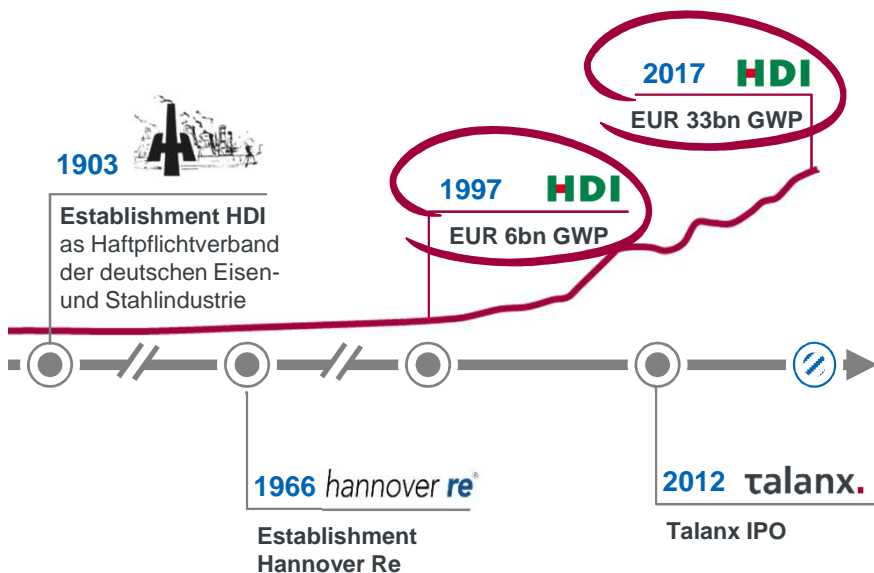
GWP CAGR 2013 – 17 (in %)



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

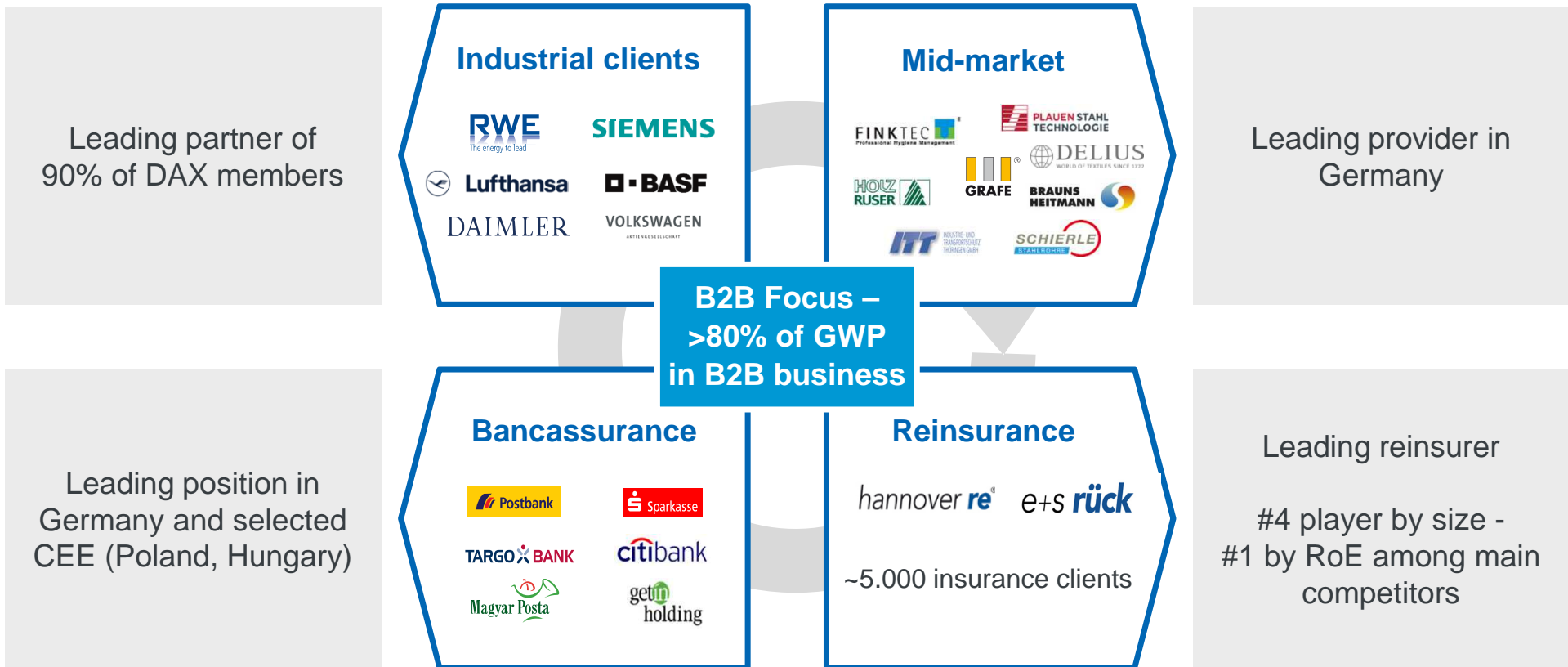
#1	Allianz	119.5
#2	AWA	92.1
#3	GENERALI	68.5
#4	PRUDENTIAL	50.3
#5	Munich RE	49.1
#6	ZURICH	41.3
#7	<b>talanx.</b>	<b>33.1</b>
#8	CNP	32.5
#9	AVIVA	31.6
#10	Swiss Re	31.5

Note: Prudential data based on earned GWP



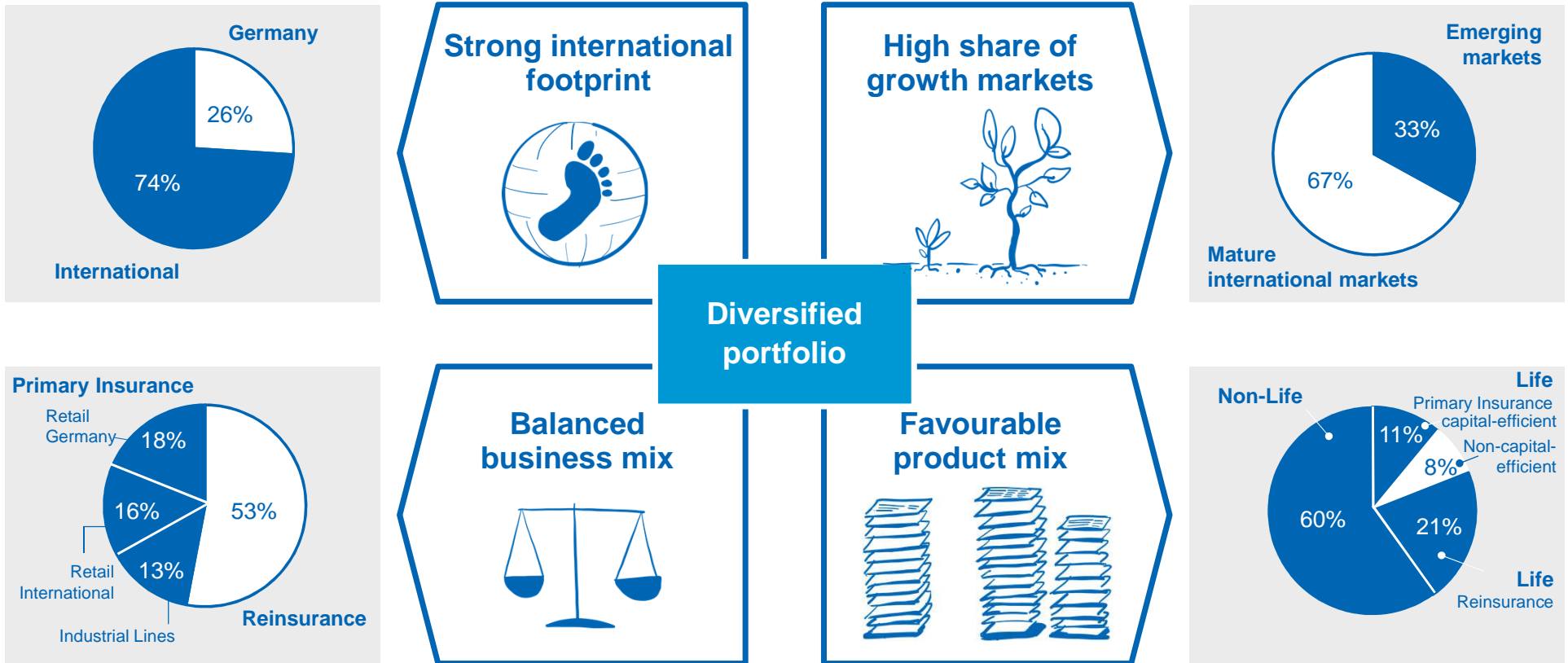
2 Strengthen – B2B focus

Our unique B2B customer focus positions us well



3 Strengthen – Diversified portfolio

Our diversified portfolio as basis for proven earnings resilience

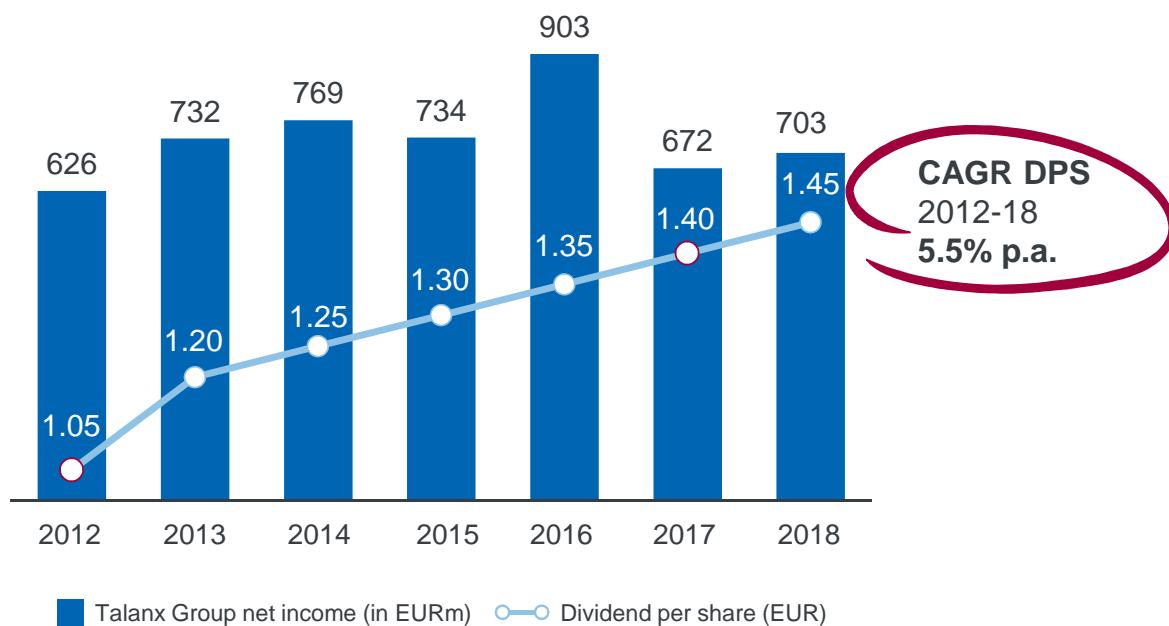


Note: All figures refer to GWP 2017 of Talanx Group; growth market split refers to international portfolio only

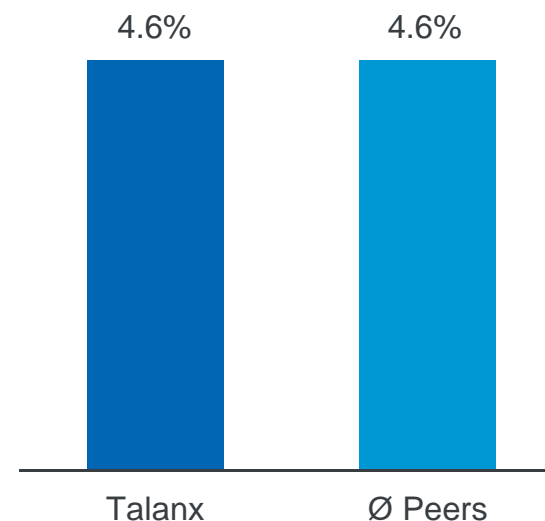
# Strengthen Outcome – Proven earnings resilience backing our sustainable payout policy

## Sustainable earnings and payout policy

Talanx IFRS net income and dividend (per share)



## Dividend yield in line with peers

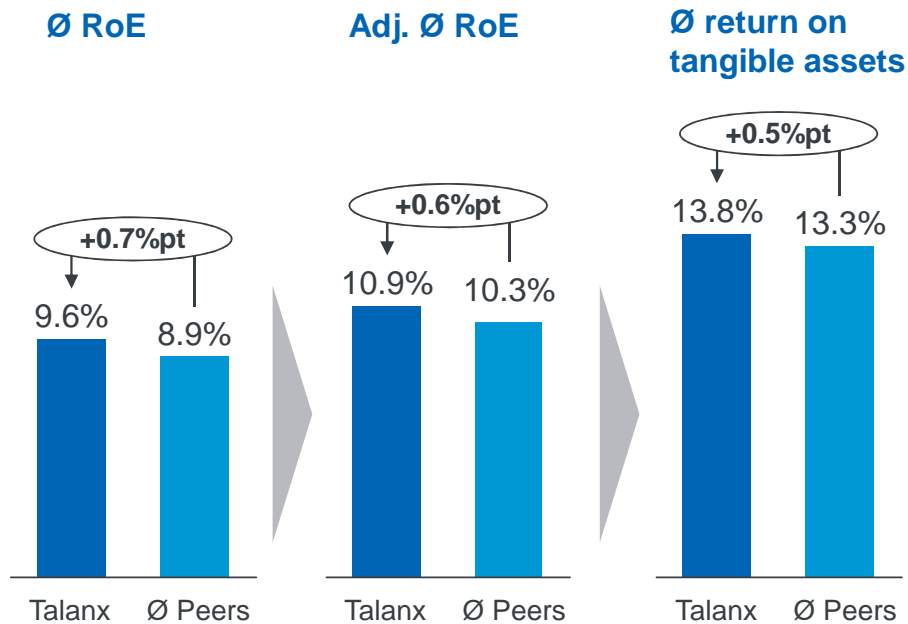


Note: Net income of Talanx after minorities, after tax based on restated figures as shown in annual reports 2012–2018; all numbers according to IFRS

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

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

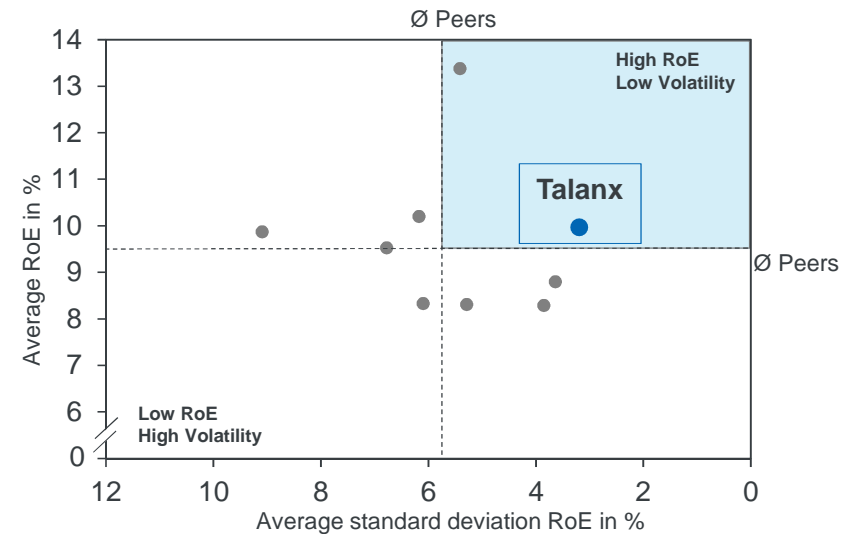
### RoE above peer average



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)

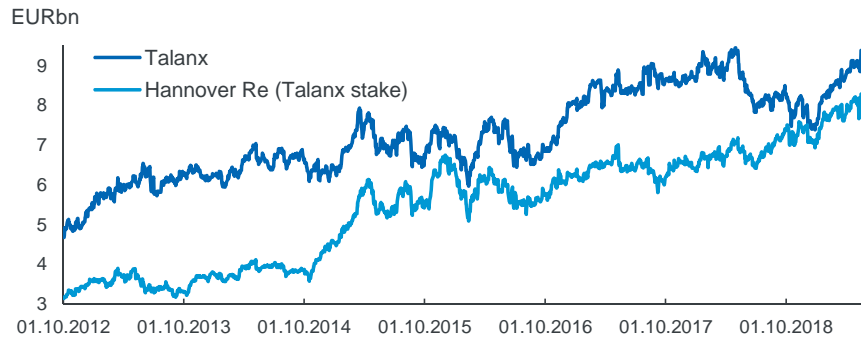


Note: Own calculations. RoE based on the ratio of net income (excl. minorities) and average shareholders' equity  
 Source: RoE 2001-2010 KPMG; 2011-2017 annual reports

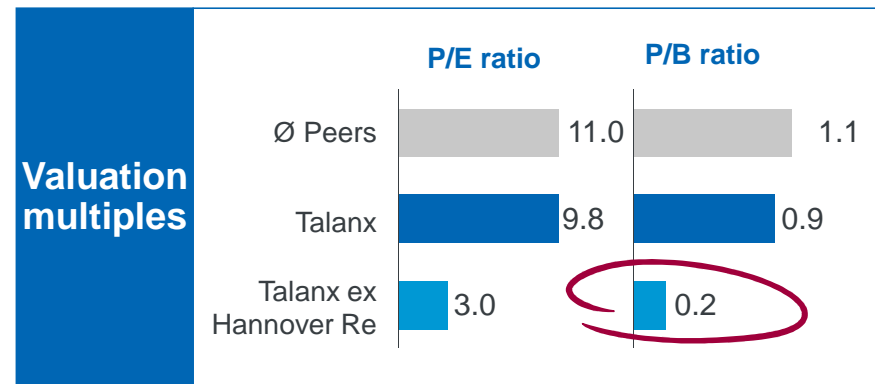
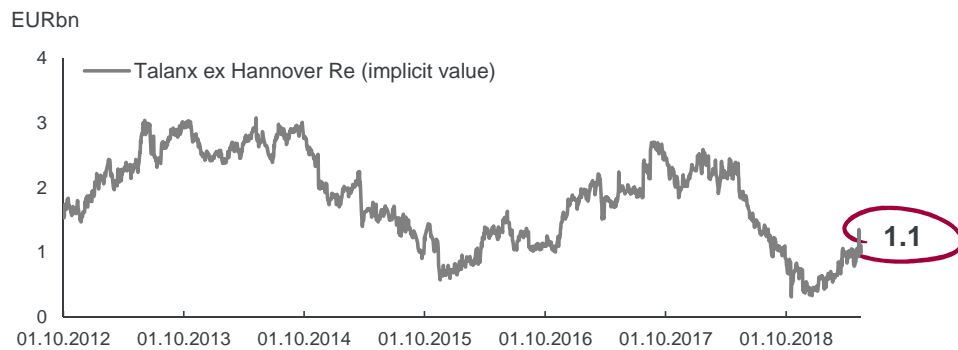
Develop

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

### Market cap development



### Implicit market cap Talanx ex Hannover Re stake



Note: Multiples as of 22 May 2019 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 2019E shareholders' equity

## Develop Talanx's ambition – Three areas to develop

### Strengthen

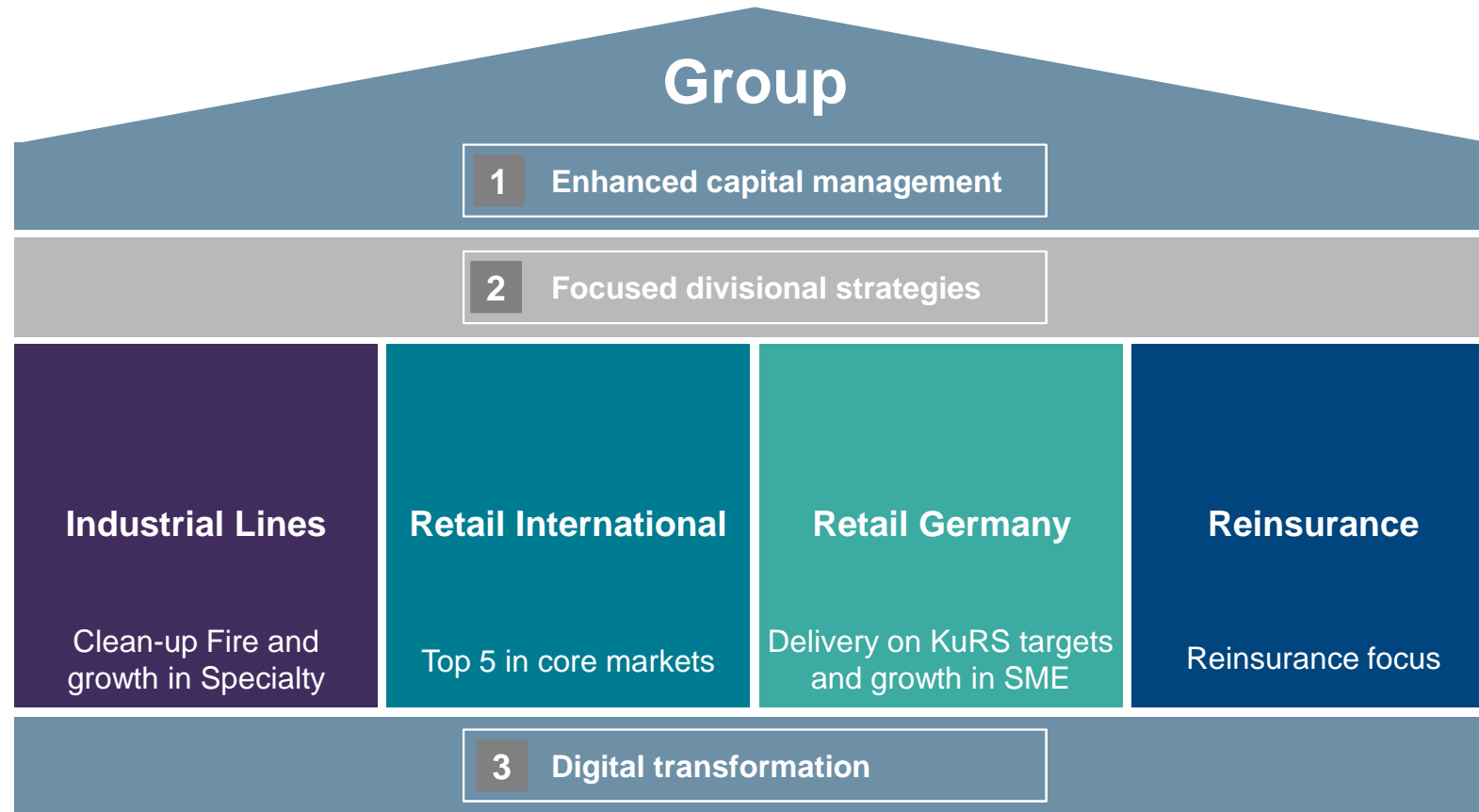
- 1 Entrepreneurial culture
- 2 B2B focus
- 3 Diversified portfolio

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

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



## Mid-term ambition

1	Attractive dividend payout ratio with DPS y/y at least stable	35-45%
2	Stringent capital manager	$RoE \geq CoE$
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 Develop – Enhanced capital management

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

Return on Equity / GWP



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

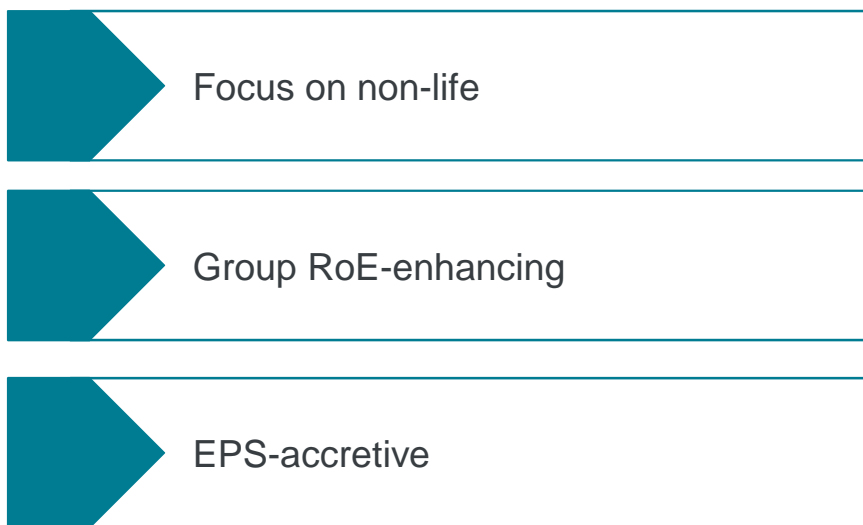


Consequent and efficient capital allocation in high RoE business...

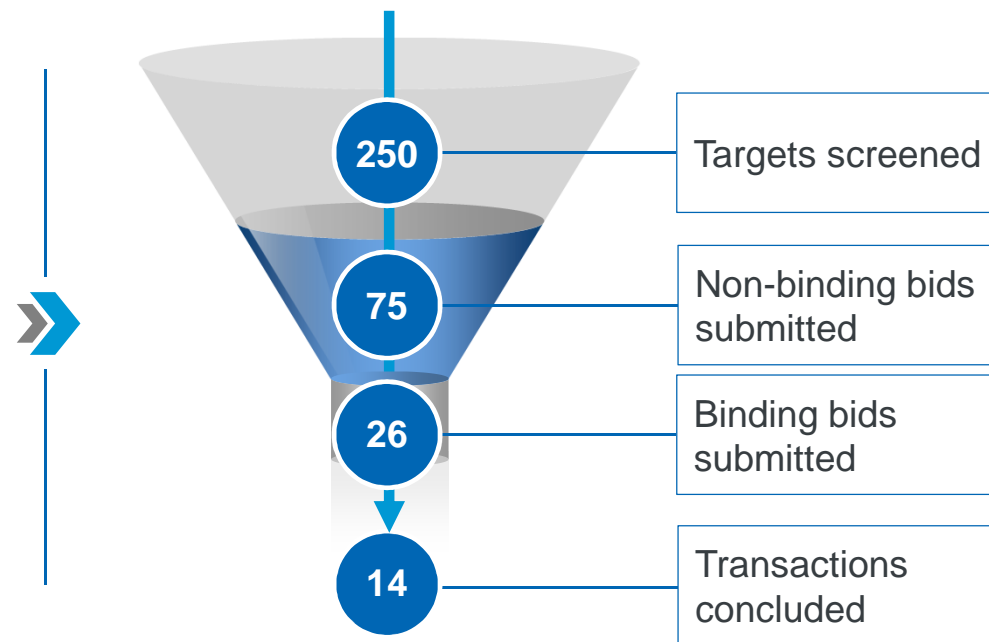
... supports strong and profitable growth

# 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

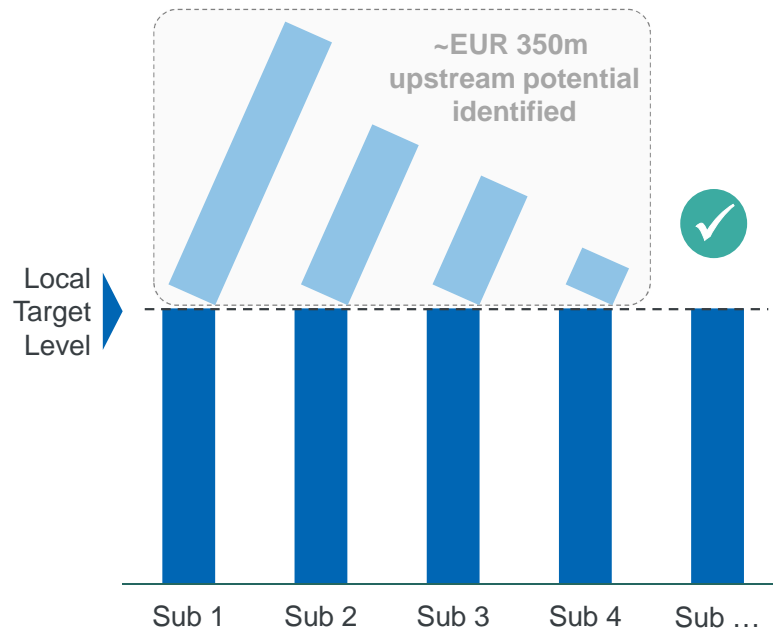
1 Develop – Enhanced capital management

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

Reduce local excess capital

Solvency ratio (%)

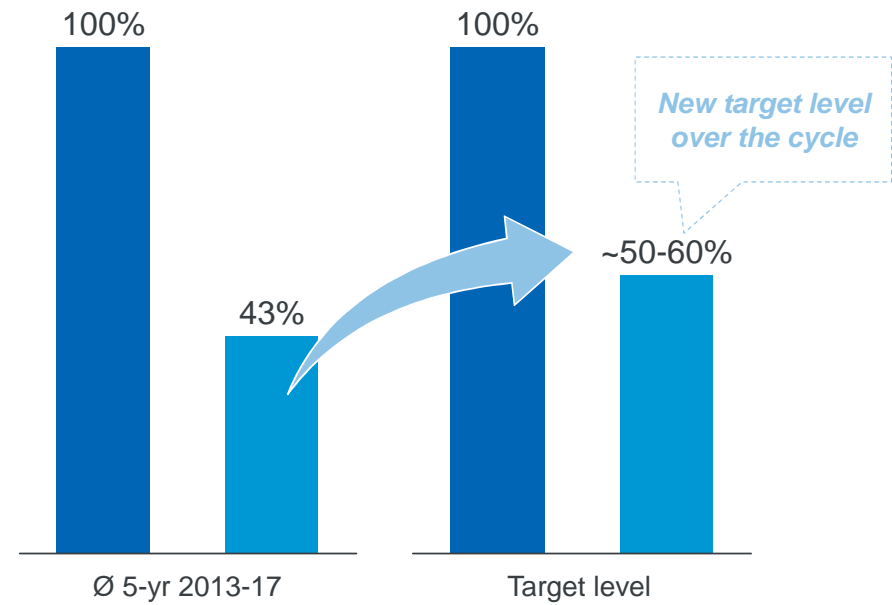
Illustrative



Increase cash upstream to Talanx Group

Ø 5-yr remittance ratio (2013-17)

IFRS Group net income Remittance from affiliated companies

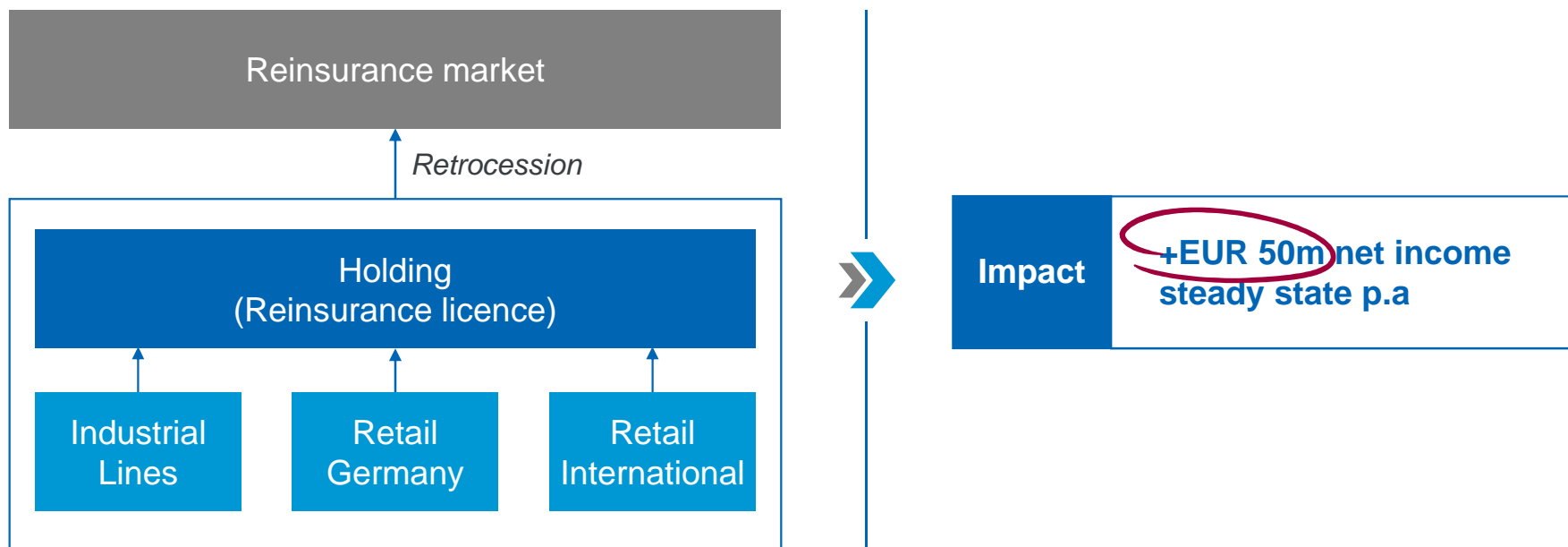


1 Develop – Enhanced capital management

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%

## 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%

## 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%

## 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%

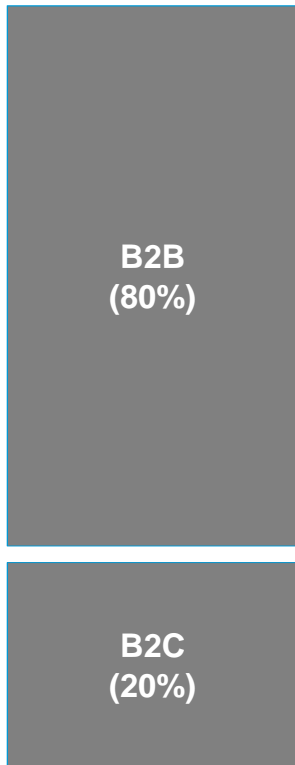
Note: RoE target of ≥900bps + risk-free



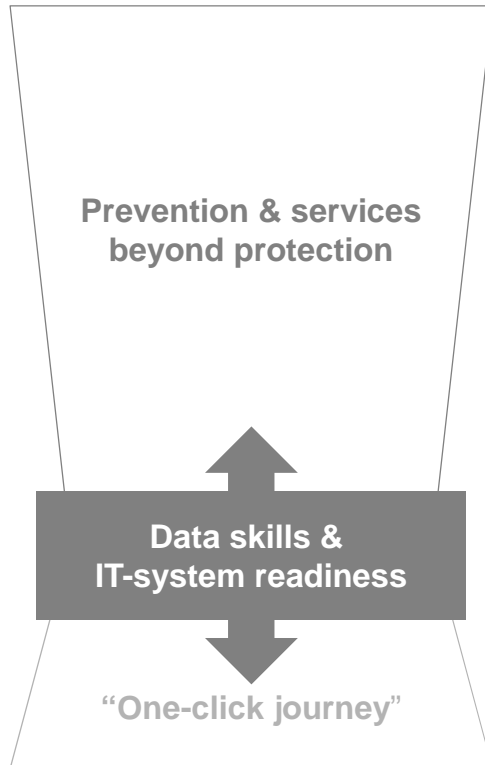
3 Develop – Digital transformation

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

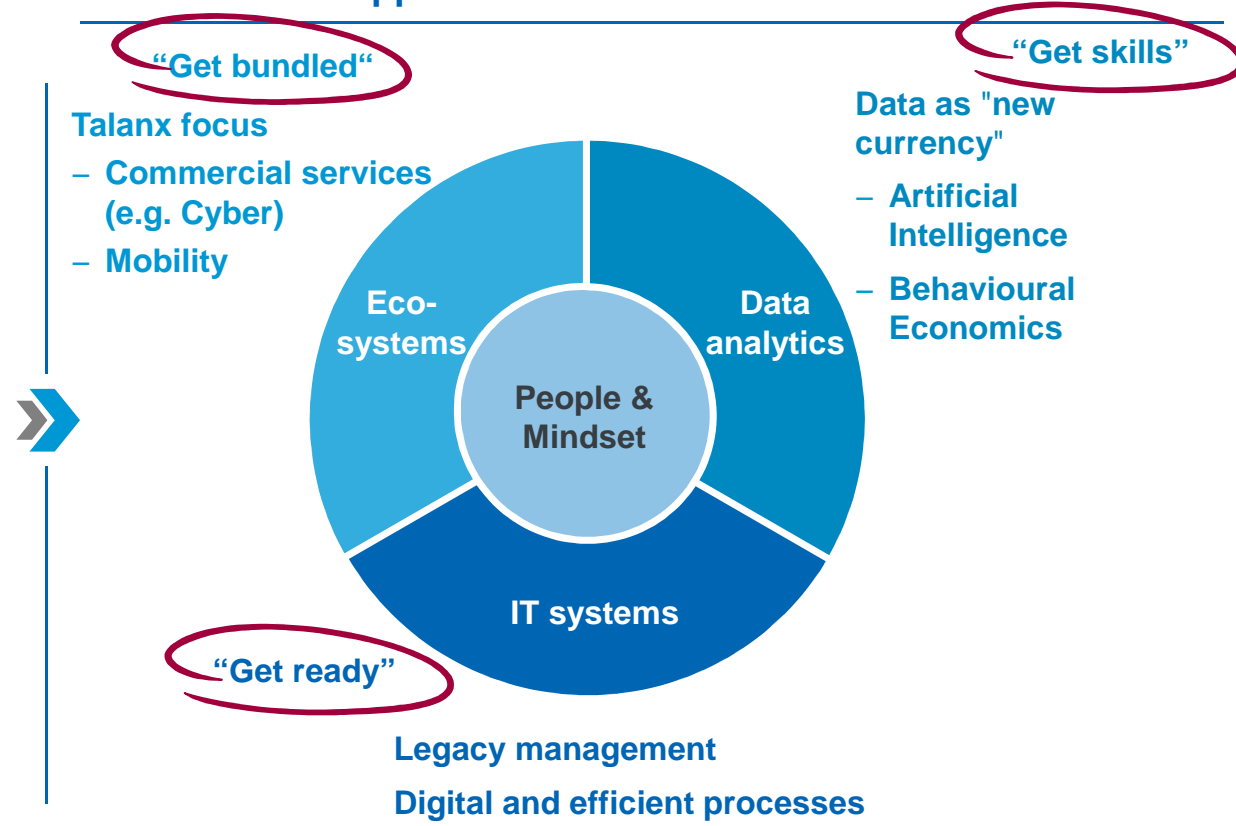
**Our footprint**



**Key success factors**



**Our focussed approach**

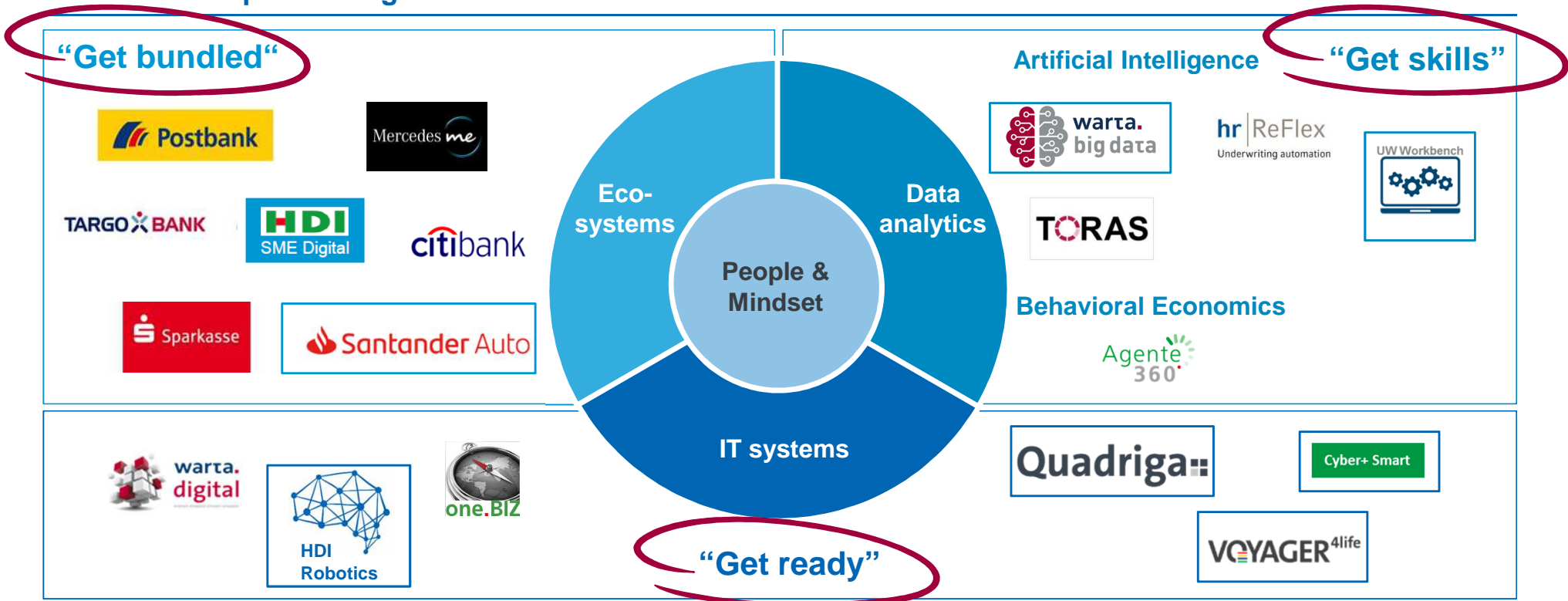



Note: Commercial services and mobility represent ~50% of insurer-relevant ecosystems (McKinsey)

3 Develop – Digital transformation

Digitalisation@Talanx – Divisions drive digitalisation as top management priority

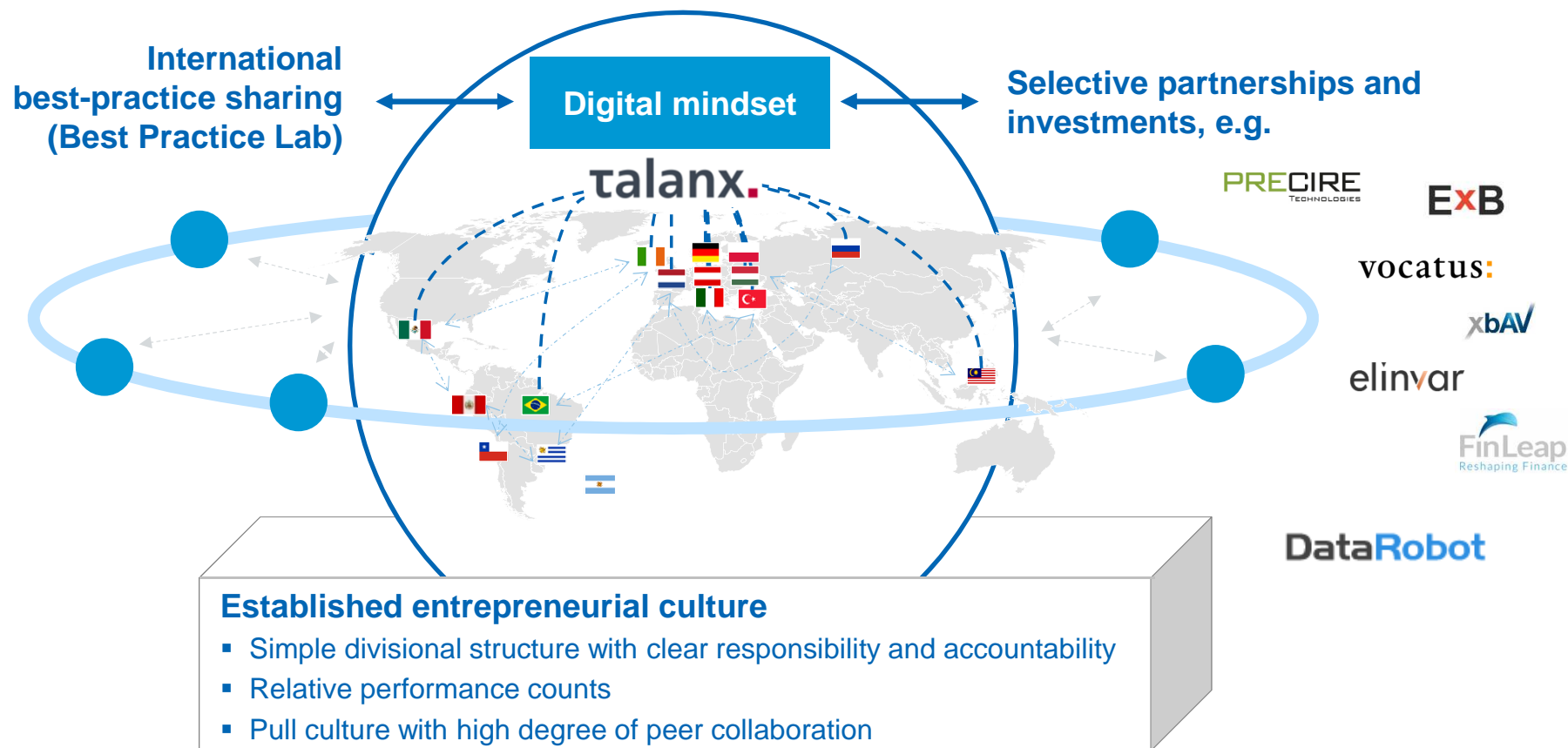
Selected examples for digitalisation in divisions



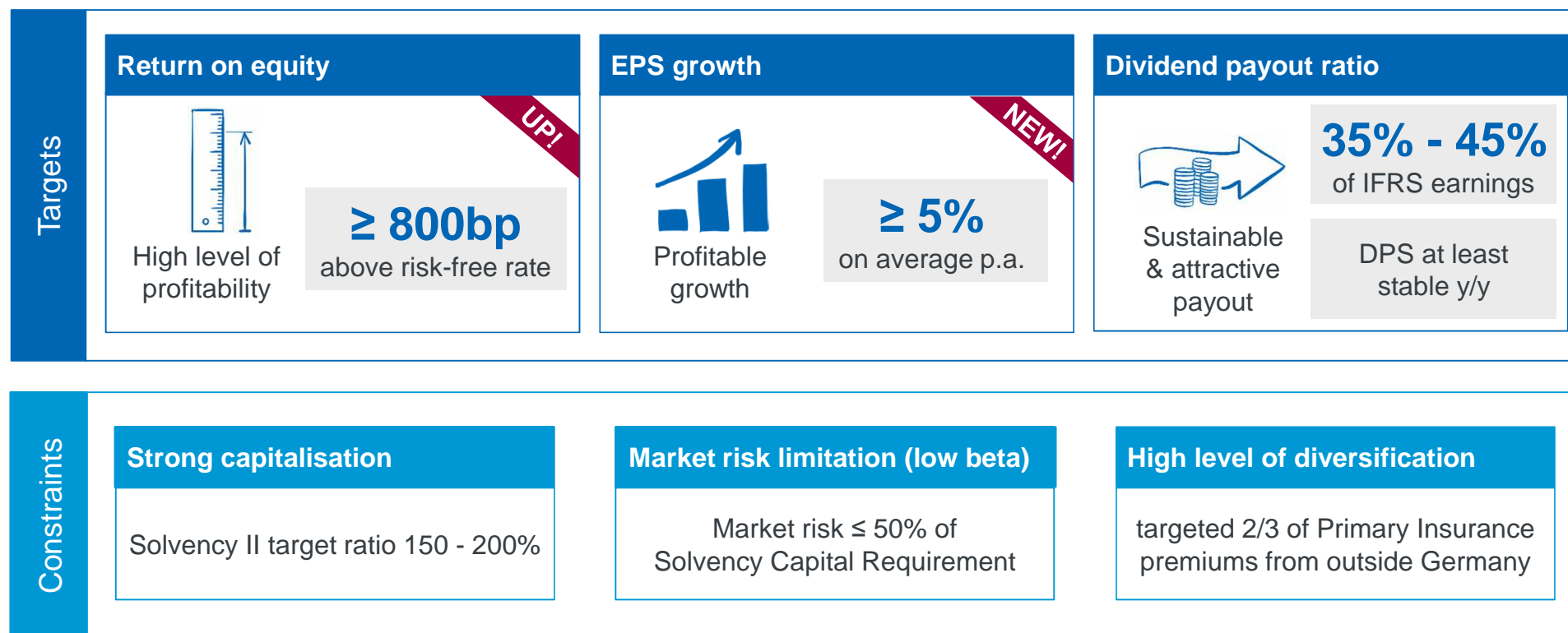
 Further details in divisional presentations

3 Develop – Digital transformation

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



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



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 CMD: Group Strategy

II CMD: Group Financials

III Q1 2019 results

# 1 Enhanced capital management Our Capital Management Strategy

## Enhanced Capital Management

**How to spend it**

- Stringent capital allocation to support profitable organic growth
- Sustainable dividend growth
- Disciplined M&A approach

**How to get it**

- Reduce local excess capital
- Increase cash upstream
- Bundling reinsurance at Group level



## Mid-term ambition

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2	Stringent capital manager	RoE ≥ CoE
3	Upstream of excess capital	~350m
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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

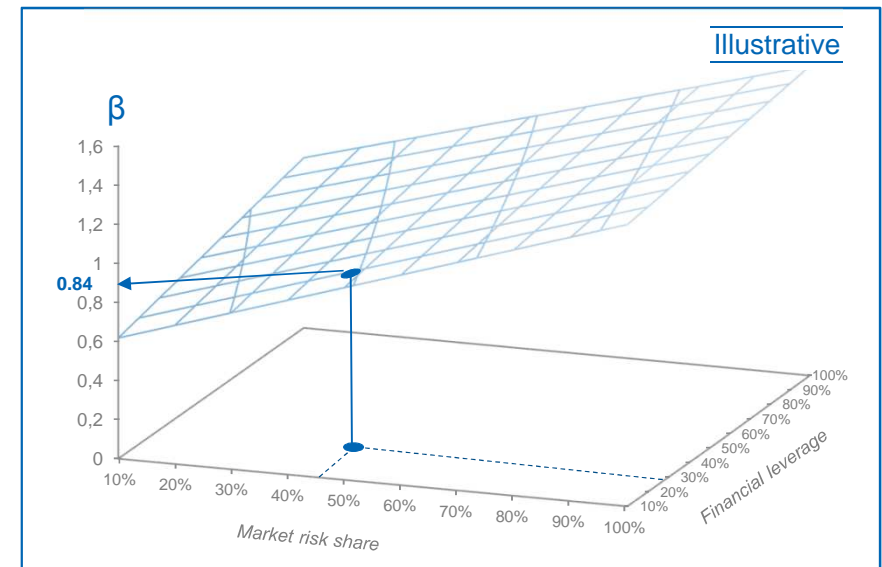
### Capital steering matrix & KPIs

$RoE = \frac{IFRS \text{ net income}}{IFRS \emptyset \text{ equity}}$	RoE hurdle rate	Cost of Equity
<b>Group</b>	800bps above risk-free according to Group strategy	According to market-risk exposure, reflected in Group beta $CoE = rf + \beta \times ERP + \text{frictional cost}$
	$\Sigma \text{ Divisions} \geq \text{Group}$	$\Sigma \text{ Divisions} \geq \text{Group}$
<b>Divisions</b>	Divisional target RoE	Depending on divisional risk exposure, reflected via adjusted Group Beta $CoE = rf + \beta_{adj.} \times ERP + \text{frictional cost}$

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

$RoE_{(6M \ 2018)}$	$\geq$	Minimum hurdle rate	$\geq$	CoE
10.0%		$rf_G + 800 \text{ bps} \approx 8.8\%$		7.2%

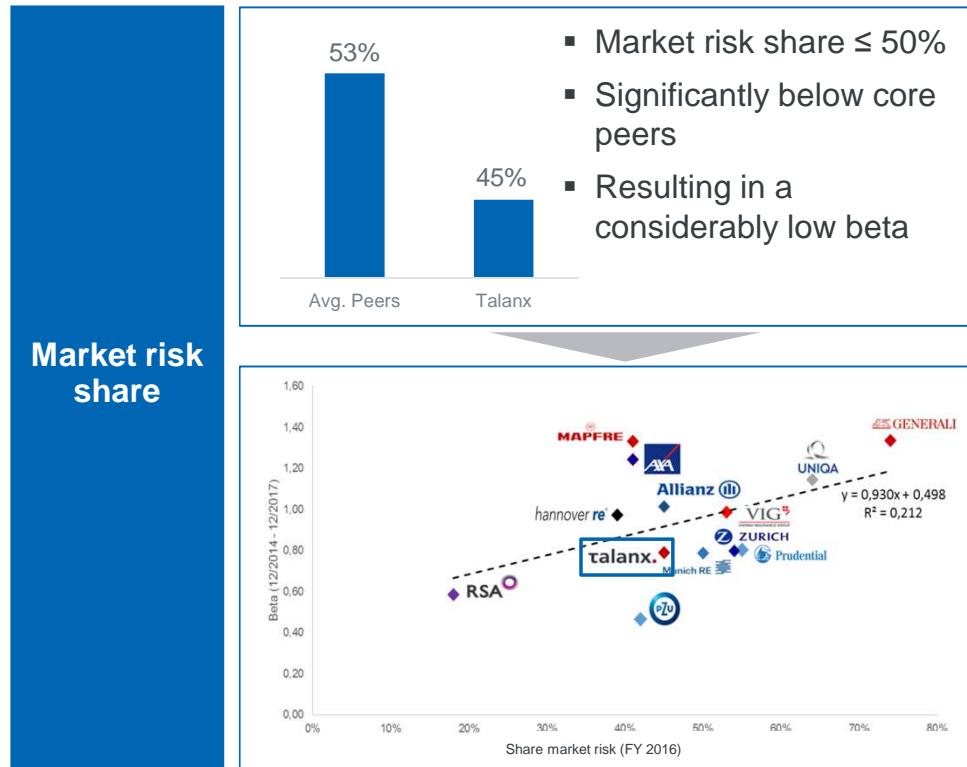


Note: Calculation for FY2018

# 1 Enhanced capital management Beta-blockers to prevent abnormal (“risk off”) heart rhythms/attacks

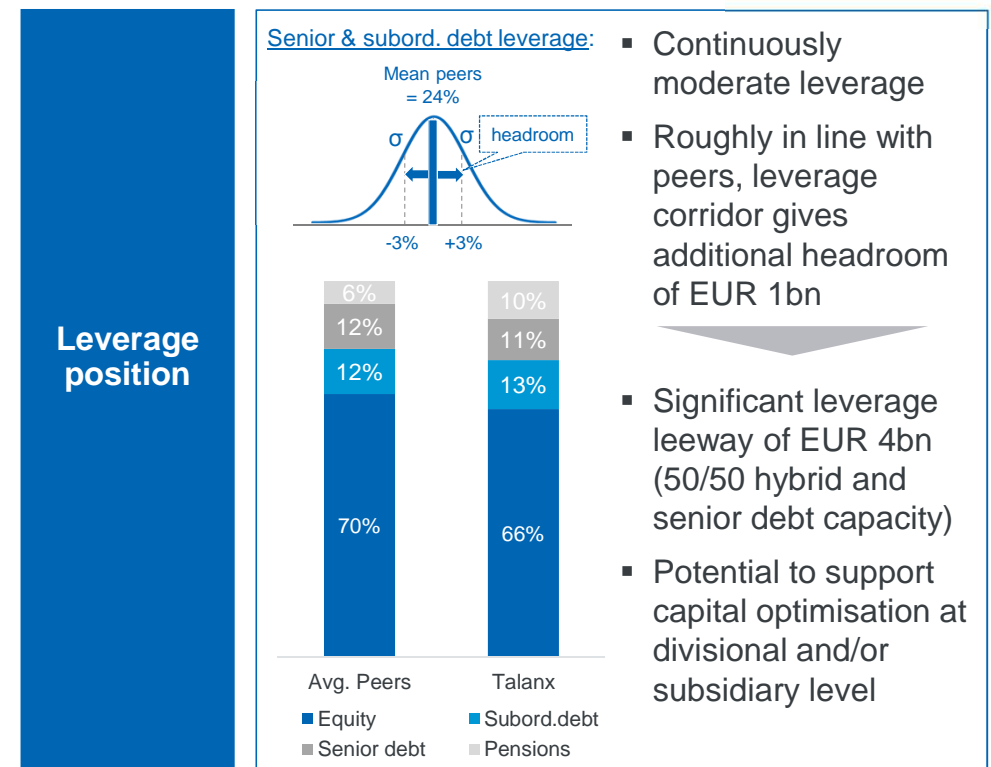


## Prudent market risk



Source: Bloomberg, own calculation

## Moderate leverage



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



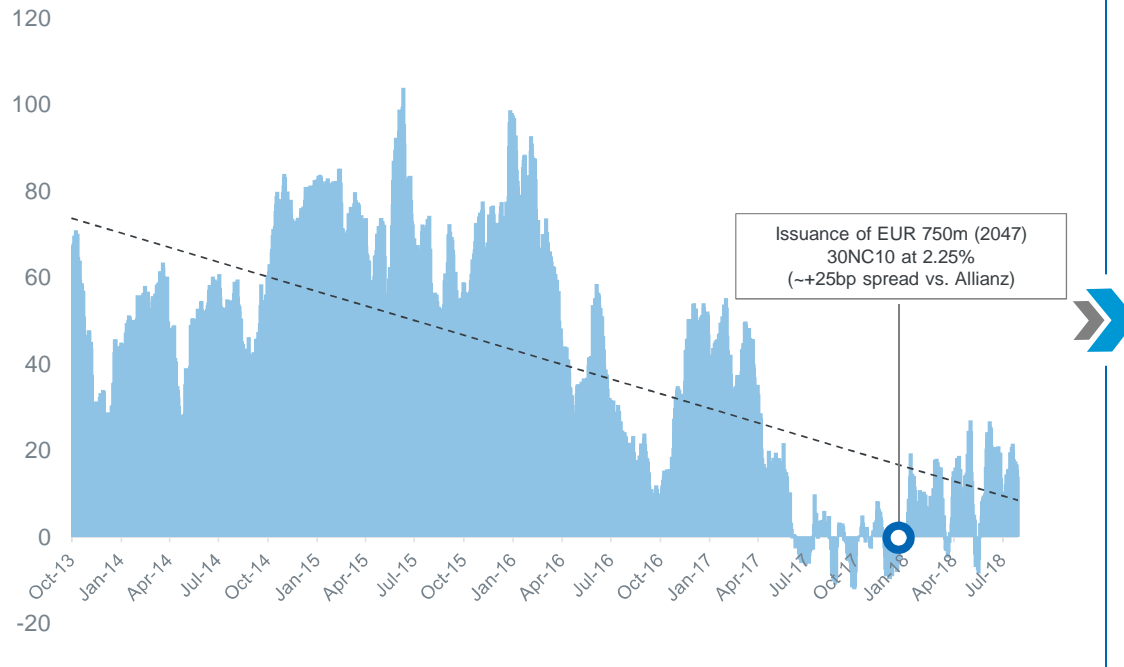
1 Enhanced capital management

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	x	Adjustment factor	x	Market-risk premium	+	Frictional cost	=	CoE
<b>Group</b>	1.9%				1.00						<b>7.2%</b>
<b>Industrial Lines</b>	0.9%		0.84		1.07		4.0%		2.0%		<b>~6.5%</b>
<b>Retail Germany</b>	0.8%			2.48		<b>~11%</b>					
<b>Retail Intern.</b>	3.8%			1.26		<b>~10%</b>					
<b>Reinsurance</b>	1.2%			0.66		<b>~5.5%</b>					



## Consistent and more ambitious target setting

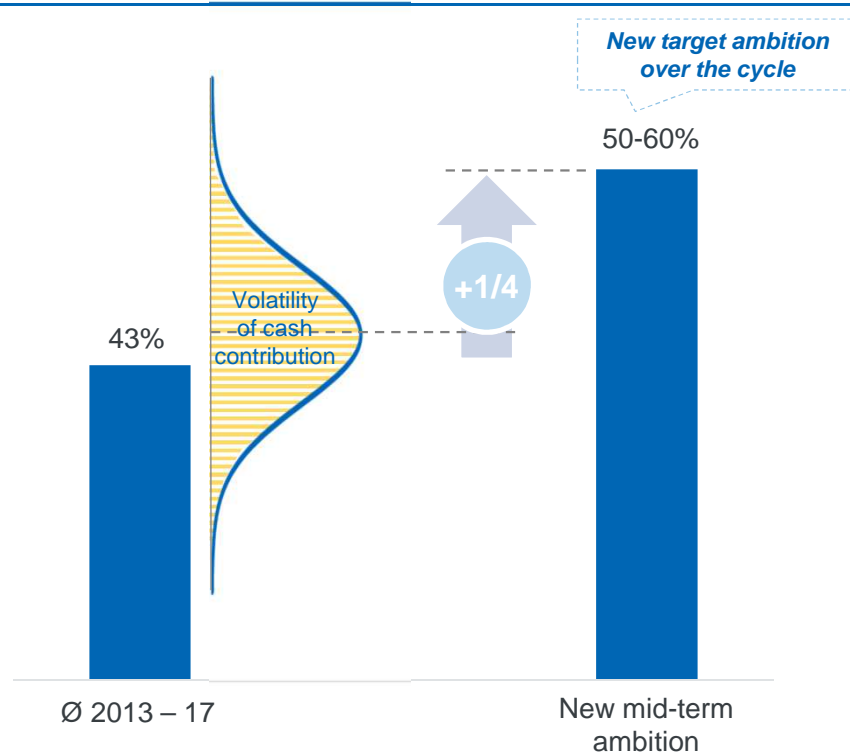
CMD 2017 ambition	Ambition	Comments
750bp + risk free <sub>G</sub>	≥800bp + risk free <sub>G</sub>	Talanx ≤ sum-of-the-parts creating value!
8%	<b>8-10%</b>	"20/20/20", Speciality etc.
6-7%	<b>7-8%</b>	"Tapering" guarantee burden; shifting Life to P/C; more capital-efficient and biometric business
9%	<b>10-11%</b>	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

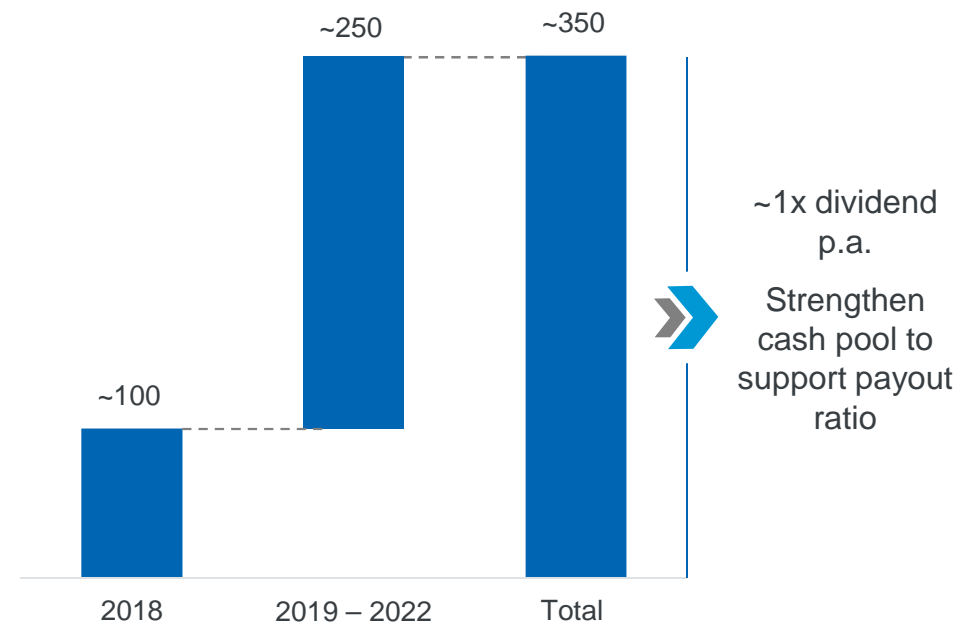
How to get it – Increase cash upstream and reduce local excess capital

Ø Remittance ratio



Mid-term capital upstream potential

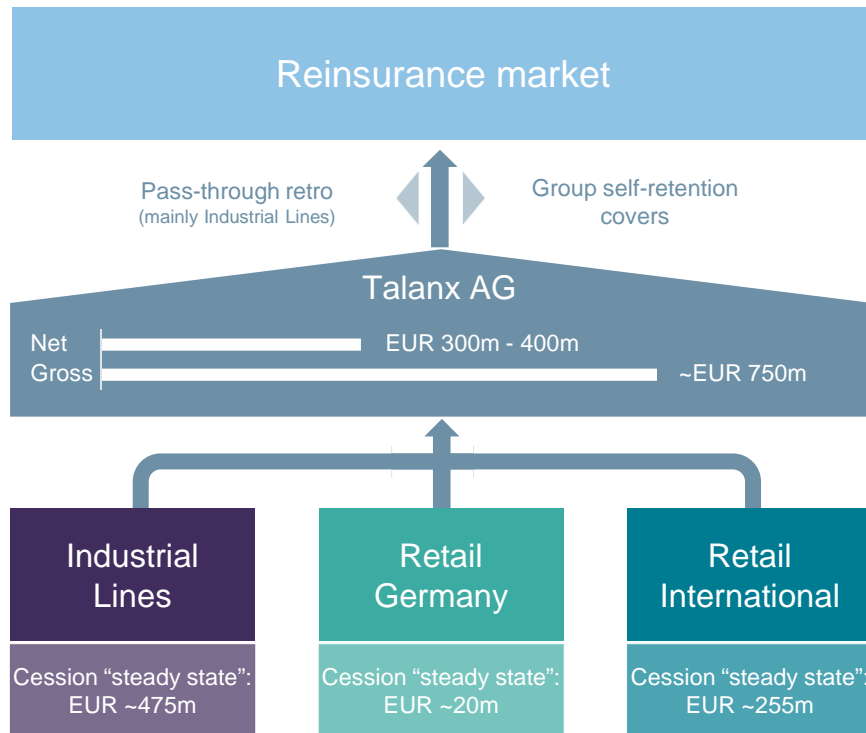
Excess capital after local constraints (in EURm):



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

# 1 Enhanced capital management How to get it – Bundling reinsurance at Group level

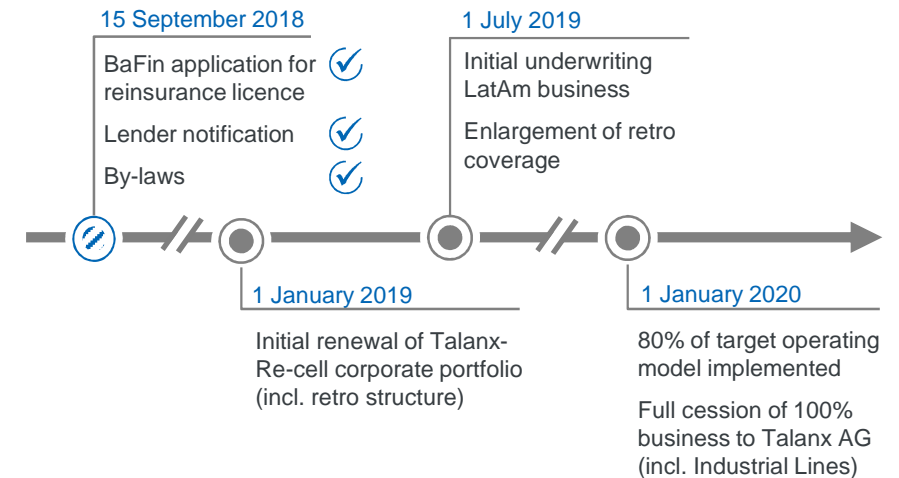
## New reinsurance structure



January 2019: Talanx AG issuer credit ratings up to "A+" at S&P and to "a+" at A.M.Best; underwriting commenced as planned in January

## 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

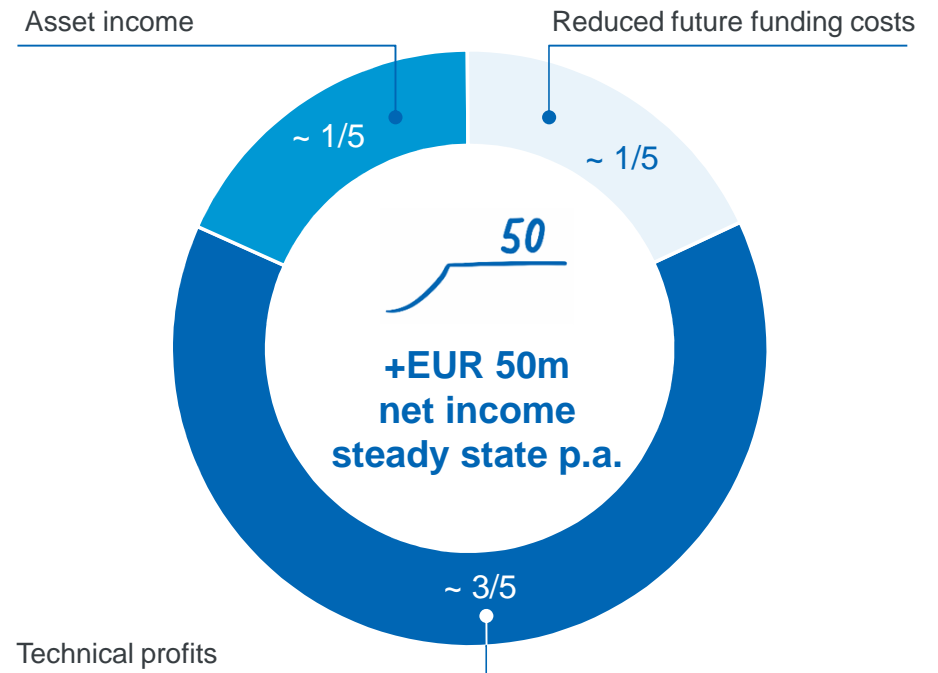
## How to get it – Bundling reinsurance at Group level

### Key value driver/benefits

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



### Mid-term ambition



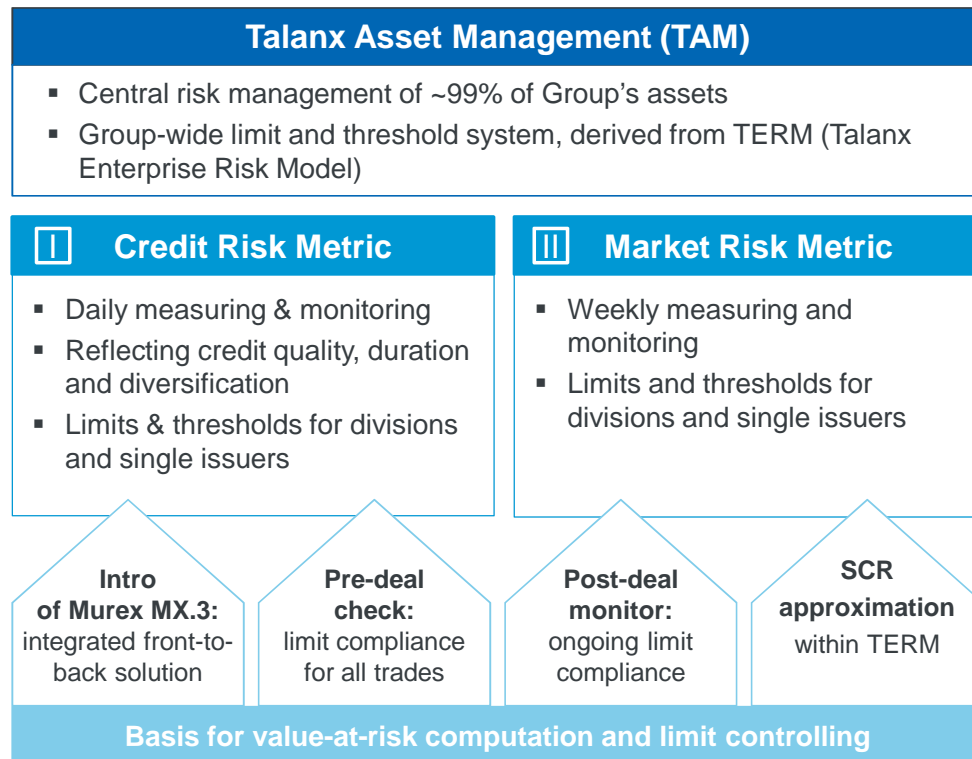
January 2019: Talanx AG issuer credit ratings up to "A+" at S&P and to "a+" at A.M.Best; underwriting commenced as planned in January

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

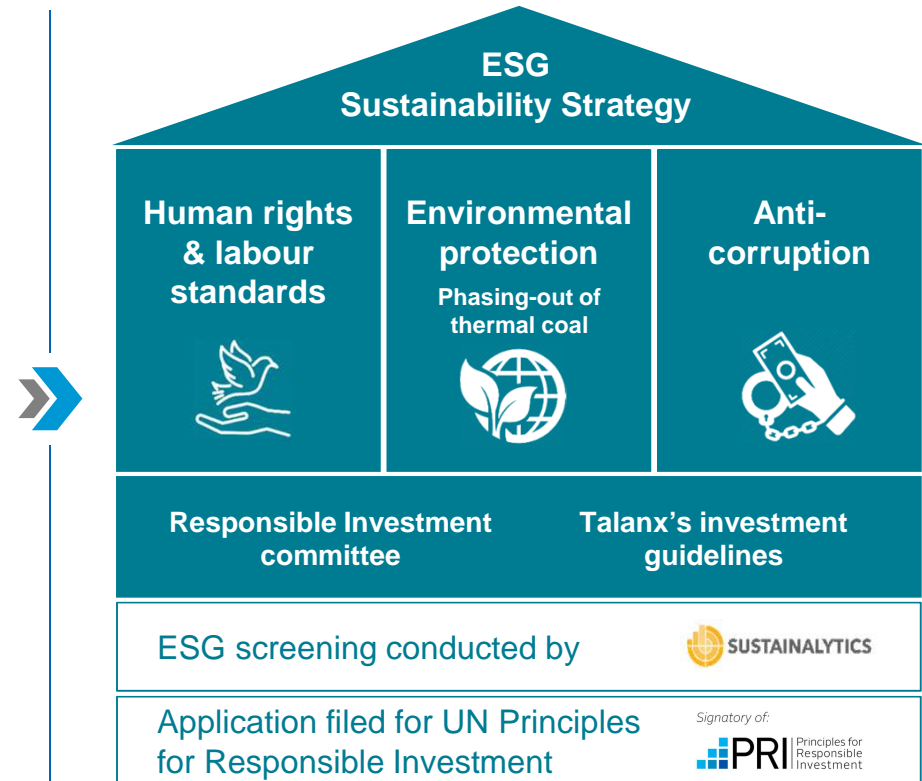
2 Asset Management

# Strong AM lines of defence and stringent sustainability strategy

## Ensuring low beta & protection of shareholders' equity



## ESG strategy and approach

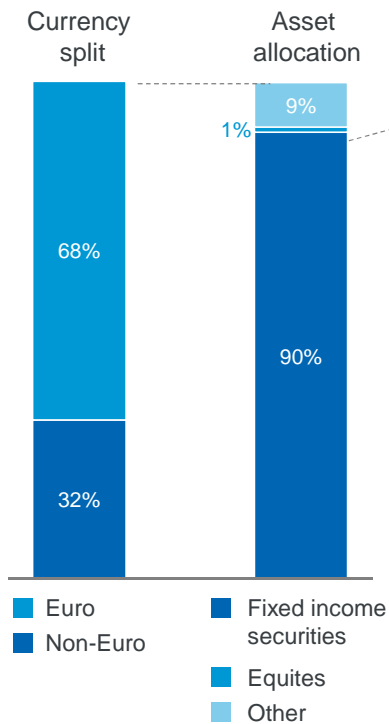


2 Asset Management

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

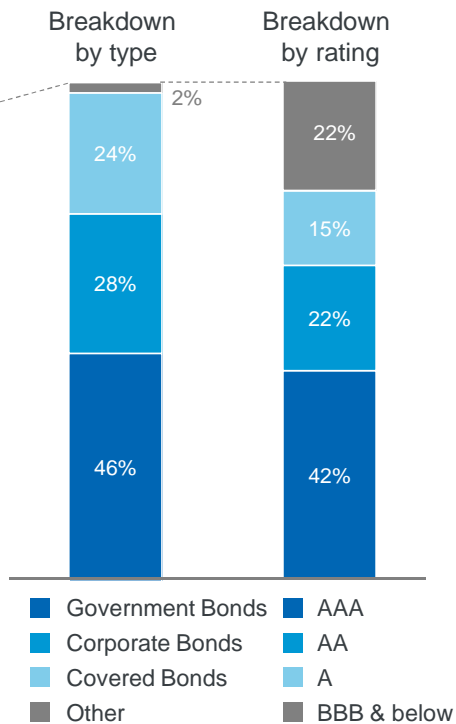
Investment portfolio

as of 31 Dec 2018: EUR 111.9bn

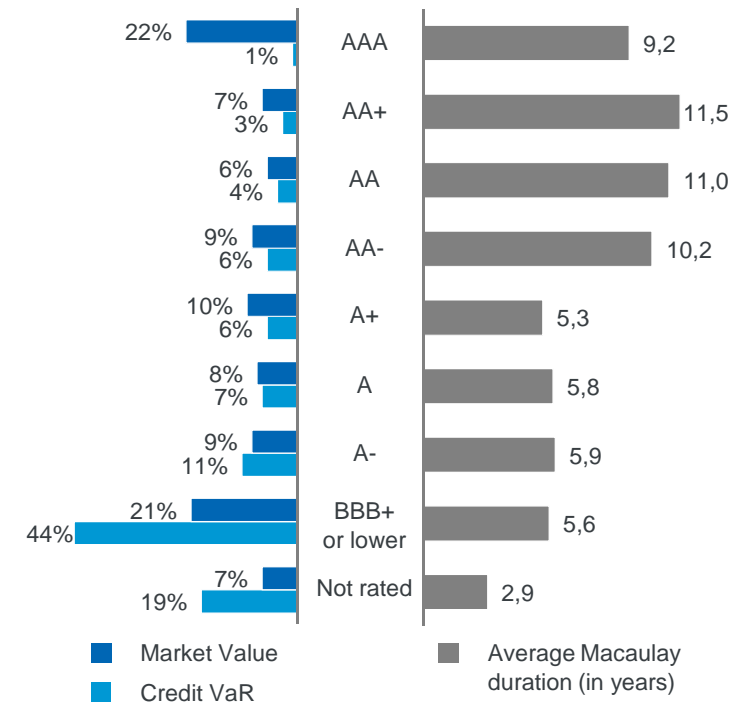


Fixed income portfolio

as of 31 Dec 2018: EUR 100.6bn



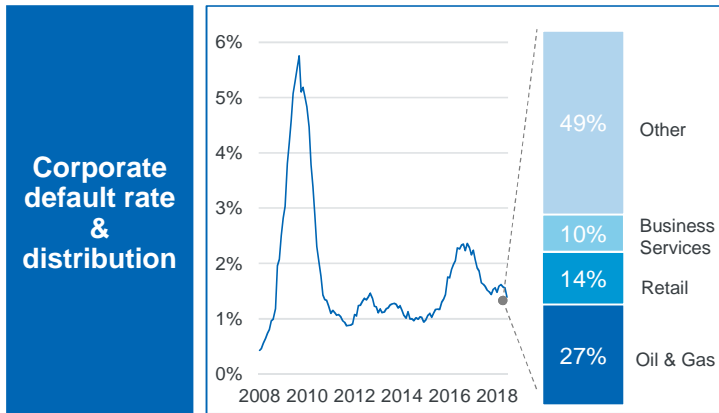
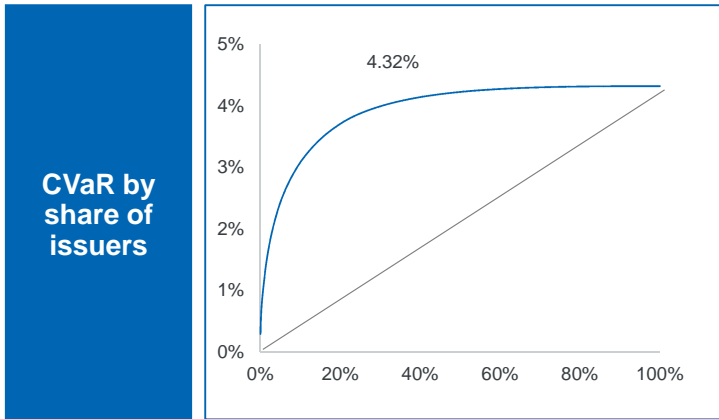
Credit VaR & Macaulay duration



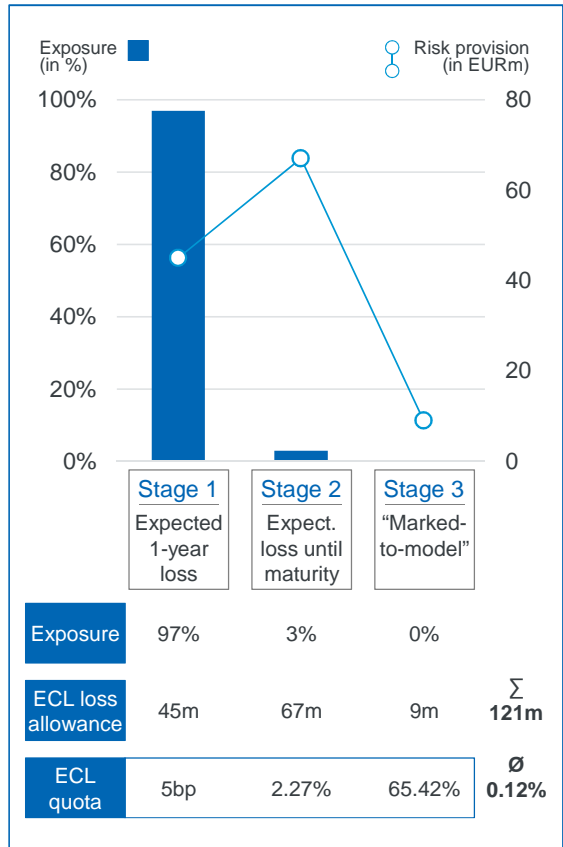
Note: Positions without external ratings (esp. funds and equity investments) shown as not rated. Credit VaR metric particularly depends on maturity and specific loss default assumptions

2 Asset Management

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



**IFRS 9  
Expected credit loss model simulation**



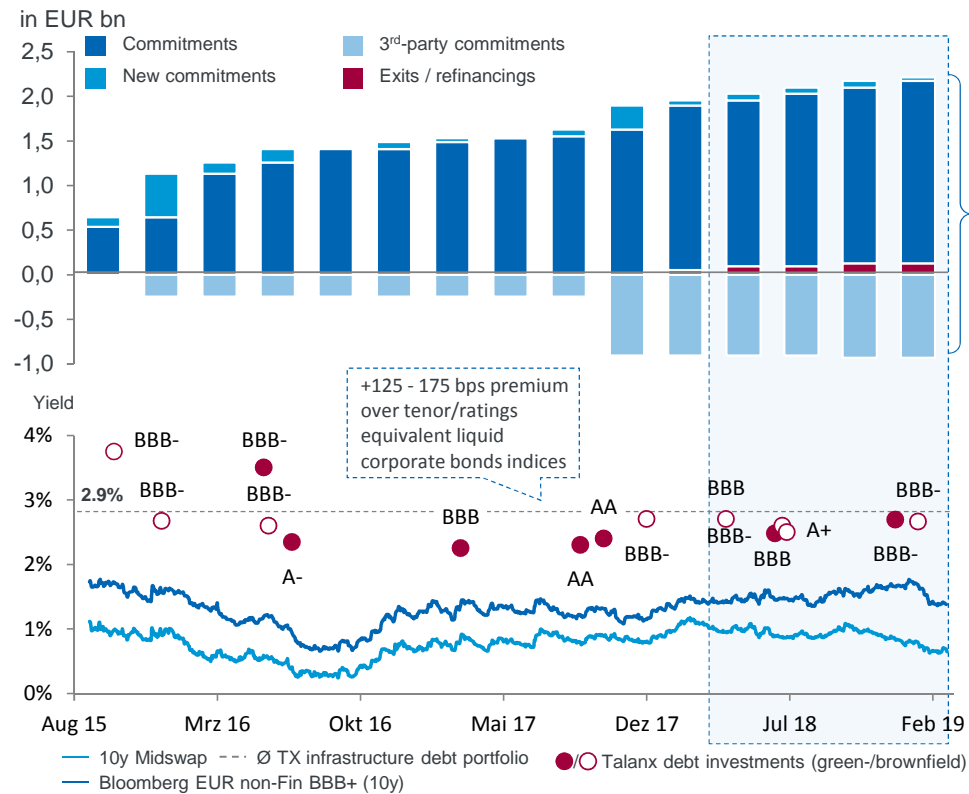
No material defaults in assets managed by Talanx Asset Management  
e.g. Steinhoff, Carillion & Toys"R"Us



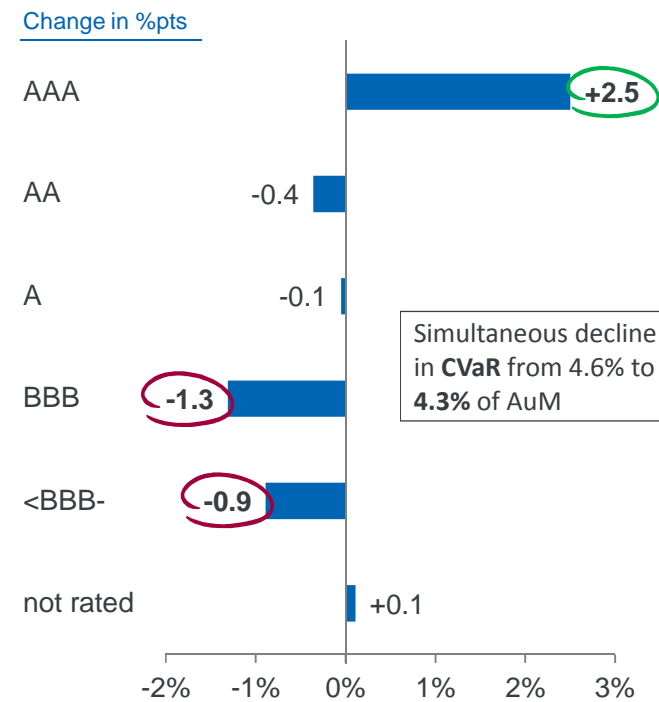
## 2 Asset Management

# Infrastructure Investments – Investing while improving the overall risk profile

### Building up our infrastructure portfolio....



### ...while de-risking the investment portfolio

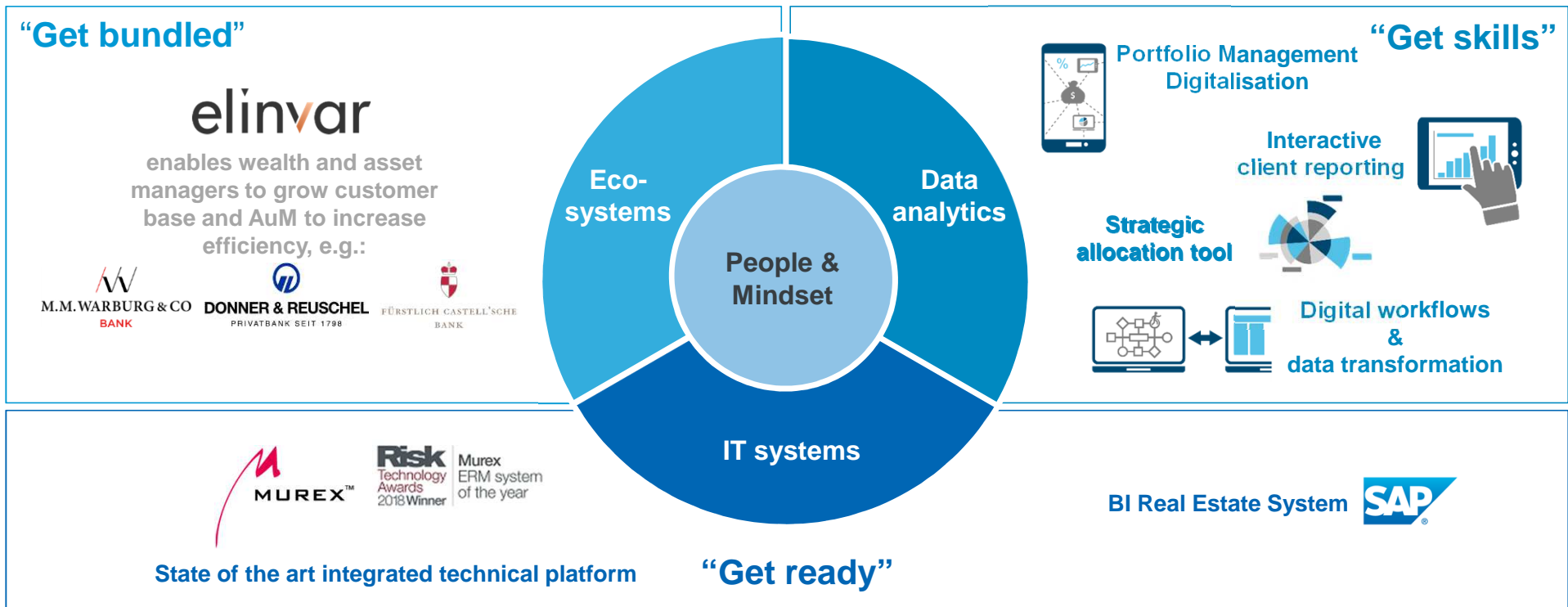


Note: Rating changes reflect fixed-income portfolio only. Changes FY 2018 vs. FY 2017

2 Asset Management

Talanx Asset Management – Drive digitalisation as top management priority

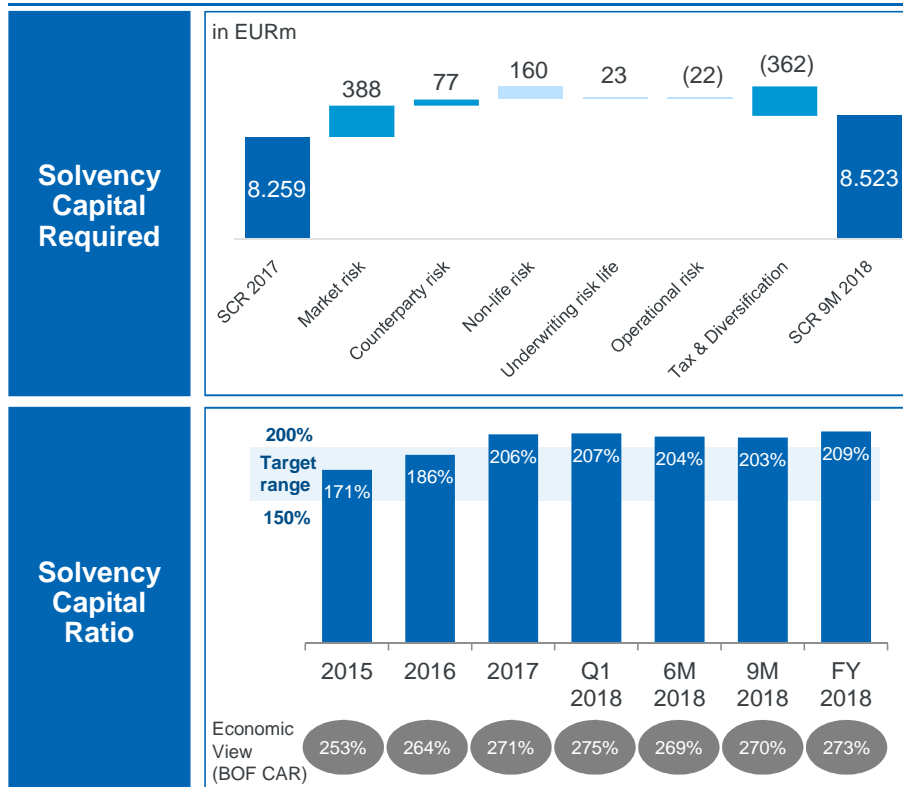
Selected examples for digitalisation in TAM



### 3 Excursion – Solvency II Update

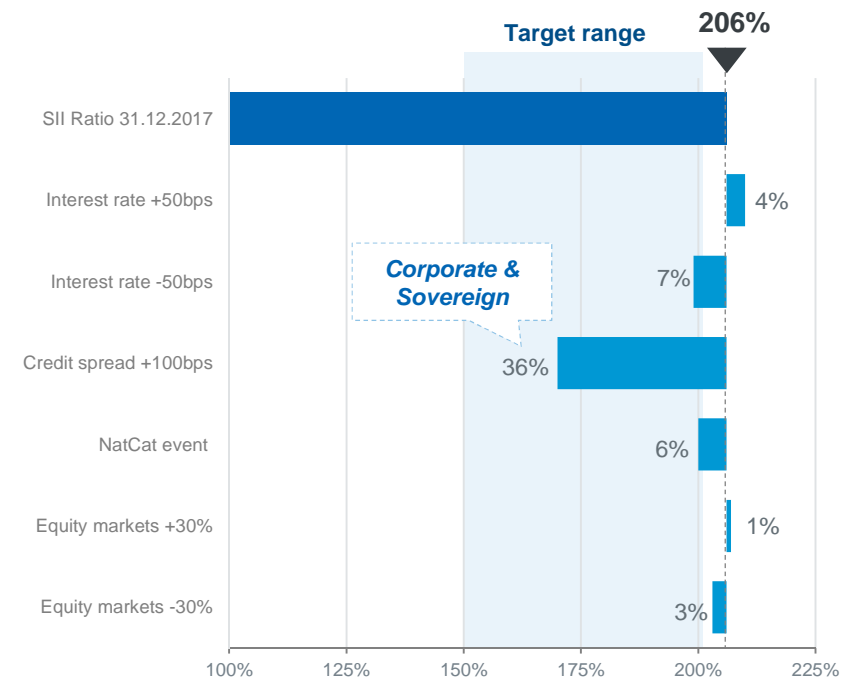
## Development of Group capitalisation

### Solid capitalisation (Regulatory view)



Note: Regulatory view without transitional

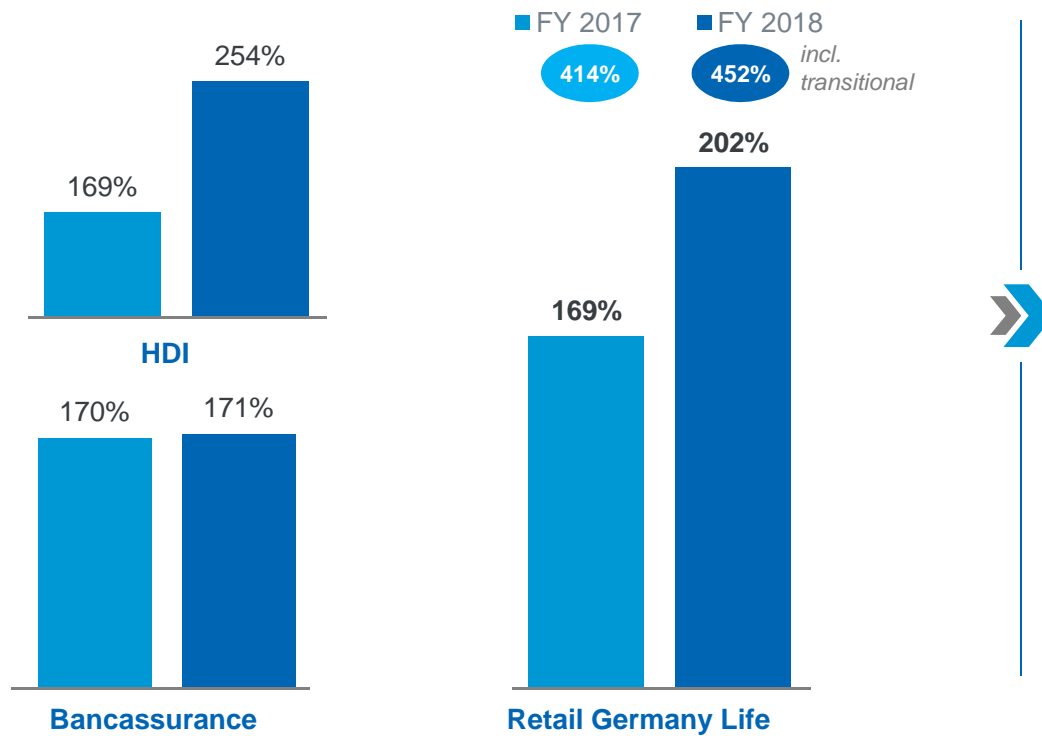
### Limited stress impact



3 Excursion – Solvency II Update

# Retail Germany Life: Robust capitalisation despite strong credit spread increase

## Solvency ratios: Retail Germany Life



- 1 Increase in credit spreads in FY 2018 hampers Retail Germany Life's CARs
- 2 Robust capitalisation despite recent credit spread widening

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

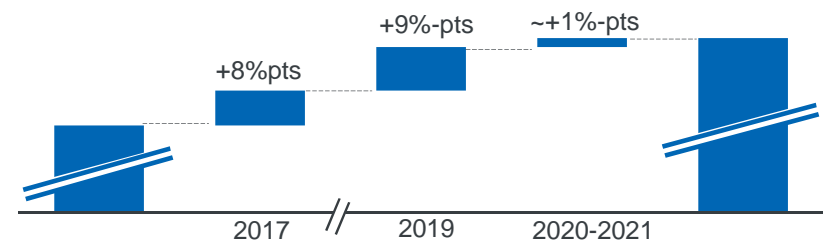
Internal Model changes & outlook

	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					→	→
<b>Aggregate</b>	<b>-3.9%</b>	<b>1%</b>	↓	↑	↓	↓
<b>Combined CAR impact</b>	<b>+10.5%pts</b>		↓		↑	

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"> <li>Swap rates 10y EUR -80bp</li> <li>Government bonds: -10-35bp</li> <li>Corporate bonds &amp; MBS -20 to -70bp</li> <li>Equities -16%</li> <li>UFR 2.04%</li> </ul>	<div style="border: 1px solid green; padding: 2px; display: inline-block;">Preliminary! Subject to final regulatory validation</div> <div style="background-color: #0056b3; color: white; padding: 5px; text-align: center;">~130%</div>	<div style="background-color: #0056b3; color: white; padding: 5px; text-align: center;">~170%</div>
	Insurance shocks	<ul style="list-style-type: none"> <li>15% Longevity shock</li> </ul>		
2 Yield curve up	Market shocks	<ul style="list-style-type: none"> <li>Swap rates 10y EUR +80bp</li> <li>Government bonds: +110-190bp</li> <li>Corporate bonds &amp; MBS +190-325bp</li> <li>Equities -40%</li> </ul>	<div style="background-color: #0056b3; color: white; padding: 5px; text-align: center;">~120%</div>	<div style="background-color: #0056b3; color: white; padding: 5px; text-align: center;">~170%</div>
	Insurance shocks	<ul style="list-style-type: none"> <li>20% Lapse shock</li> <li>2% claims inflation</li> <li>0.24% general inflation</li> </ul>		
3 NatCat		<ul style="list-style-type: none"> <li>In one of 17 years</li> <li>Simultaneous occurrence of:                             <ul style="list-style-type: none"> <li>Four <b>European windstorms</b></li> <li>Two <b>CEE floods</b></li> <li>Two <b>earthquake</b> scenarios (in Italy &amp; Monaco)</li> </ul> </li> </ul>	<div style="background-color: #0056b3; color: white; padding: 5px; text-align: center;">~190%</div>	<div style="background-color: #0056b3; color: white; padding: 5px; text-align: center;">~240%</div>



- 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

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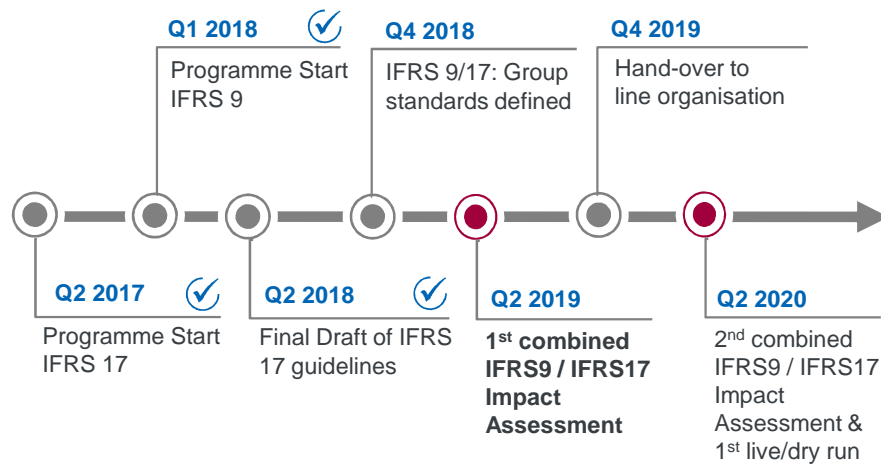
<b>Reinsurance assets &amp; related mismatches</b>	<ul style="list-style-type: none"> <li>▪ Particular the net position of cedents</li> <li>▪ Improvement by standard setter needed</li> </ul>
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<b>Stochastic calculations for life (incl. CSM)</b>	<ul style="list-style-type: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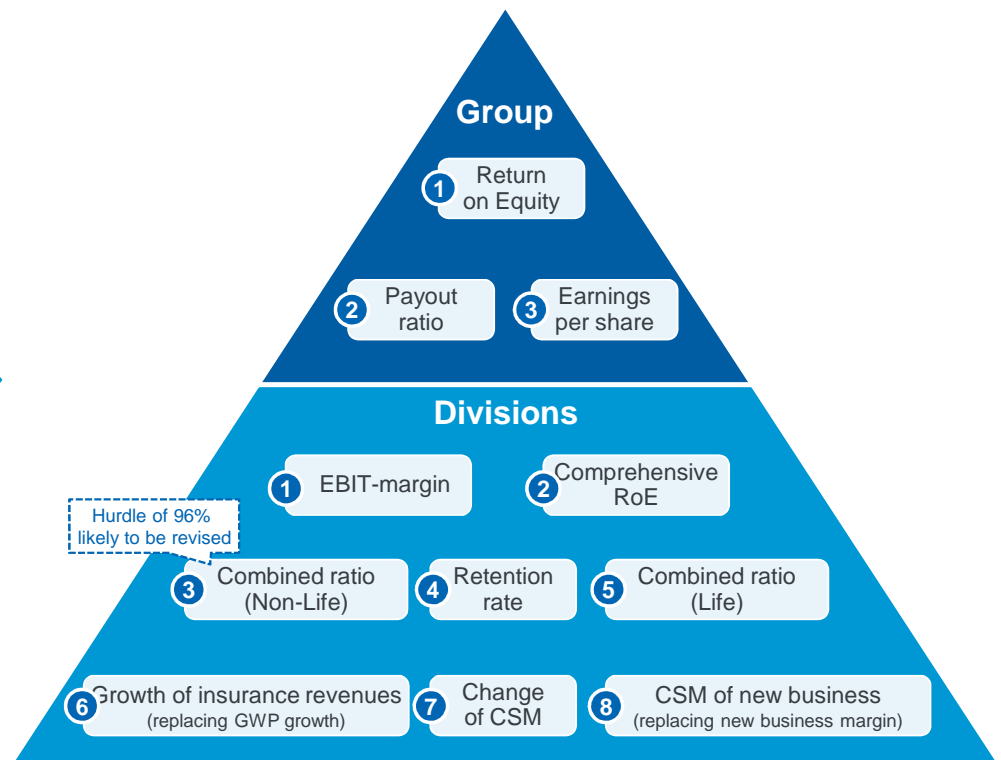
### 3 Excursion – Solvency II Update Advanced implementation

#### 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)



## Summary

### 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 CMD: Group Strategy

II CMD: Group Financials

III Q1 2019 results

## Q1 2019: Good start into the new year

Strong GWP growth of 10.9% y/y (curr.-adj. +9.7%) – all segments contributing

Both retail divisions and Reinsurance continue to drive EBIT improvement

“20/20/20” initiative on track – Industrial Lines 2019 CoR outlook of ~100% unchanged

Group net income of EUR 235m (+7.8%) – Group RoE at 10.3%

On track to reach 2019 Group net income outlook of EUR ~900m (~+28.0% y/y)

Strongly capitalised: Solvency II ratio (excl. transitional) of 209% at year-end 2018

# Q1 2019 results – Key financials

## Further profitable growth

EURm	Q1 2019	Q1 2018	Delta	Comments
<b>Gross written premium (GWP)</b>	<b>11,716</b>	<b>10,560</b>	<b>+11%</b>	▶ Strong growth momentum continues. GWP +10% curr.-adj.
Net premium earned	7,842	6,989	+12%	
Net underwriting result	(357)	(430)	+17%	
t/o P/C	143	118	+21%	
t/o Life	(500)	(548)	+9%	
Net investment income	988	1,063	(7%)	▶ Decrease of extraordinary investment result (particularly ZZR driven)
Other income / expenses	(15)	(41)	+63%	
<b>Operating result (EBIT)</b>	<b>616</b>	<b>592</b>	<b>+4%</b>	▶ Increase in EBIT driven by both retail divisions and by Reinsurance – outweighing EBIT decline in Industrial Lines
Financing interests	(45)	(41)	(10%)	
Taxes on income	(160)	(163)	(2%)	
Net income before minorities	411	388	+6%	
Non-controlling interests	(176)	(170)	(3%)	
<b>Net income after minorities</b>	<b>235</b>	<b>218</b>	<b>+8%</b>	▶ Operating improvement and lower tax ratio results in 8% bottom-line increase
Combined ratio	96.8%	97.0%	(0.2%)pts	
Tax ratio	28.0%	29.6%	(1.6%)pts	
Return on equity	10.3%	10.0%	+0.3%pts	▶ Well above the (800 bps + risk-free RoE) minimum target
Return on investment	3.2%	3.7%	(0.5%)pts	

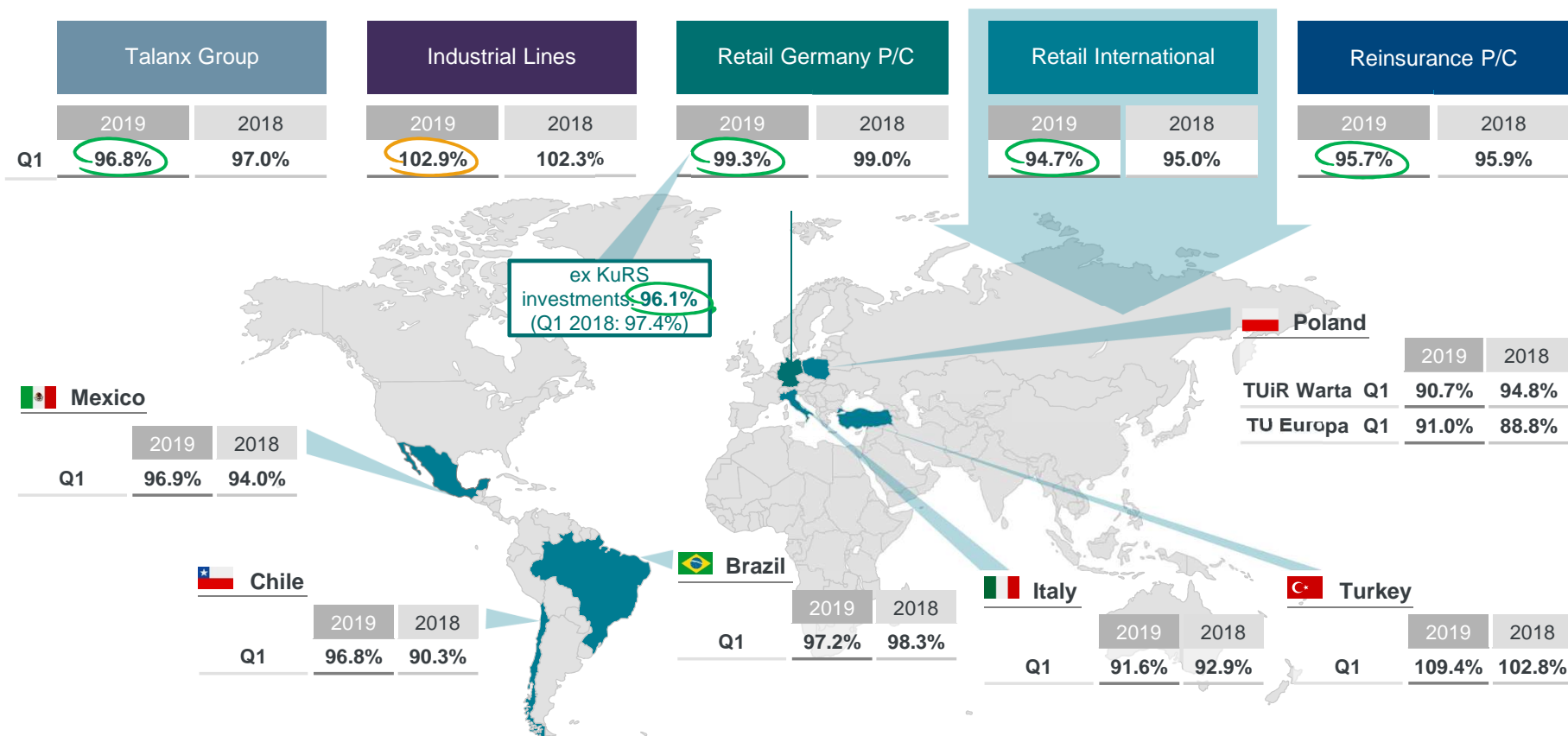
Note: The minimum RoE target of (800 bps + 5-year average of 10-year Bund yields) is expected to stand at 8.3% for FY 2019

## Large losses in Q1 2019 – Within large loss budget

Net losses Talanx Group in EURm, Q1 2019 (Q1 2018)	Industrial Lines	Retail Germany	Retail International	Σ Primary Insurance	+	Reinsurance	=	Talanx Group
Flood <i>Santo Andre</i> , Brazil	33.6		0.5	34.1				34.1
Flood <i>Queensland</i> , Australia	4.7			4.7		25.2		29.8
Storm <i>Eberhard</i> , Central Europe	2.3	7.0	2.9	12.1		15.2		27.3
<b>Sum NatCat</b>	<b>40.5 (19.4)</b>	<b>7.0 (11.8)</b>	<b>3.4 (0.1)</b>	<b>50.9 (34.8)</b>		<b>40.3 (31.5)</b>		<b>91.2 (66.3)</b>
Fire/Property	25.8			25.8				25.8
Aviation	1.3			1.3		11.7		13.1
Marine						6.9		6.9
<b>Sum other large losses</b>	<b>27.2 (29.4)</b>	<b>0.0 (0.0)</b>	<b>0.0 (0.0)</b>	<b>27.2 (29.4)</b>		<b>18.6 (41.9)</b>		<b>45.8 (71.3)</b>
<b>Total large losses</b>	<b>67.7 (48.8)</b>	<b>7.0 (11.8)</b>	<b>3.4 (0.1)</b>	<b>78.1 (64.2)</b>		<b>59.0 (73.4)</b>		<b>137.0 (137.6)</b>
Pro-rata large loss budget	69.4	6.0	2.0	78.7		174.8		253.4
FY large loss budget	277.6	24.0	8.0	314.6		875.0		1,189.6
Impact on CoR: materialised large losses	10.7%pts (8.4%pts)	2.0%pts (3.4%pts)	0.4%pts (0.0%pts)	4.2%pts (3.7%pts)		2.0%pts (3.0%pts)		2.9%pts (3.3%pts)
Impact on CoR: large loss budget	10.9%pts (11.2%pts)	1.7%pts (1.7%pts)	0.2%pts (0.3%pts)	4.3%pts (4.3%pts)		6.0%pts (6.9%pts)		5.3%pts (5.8%pts)

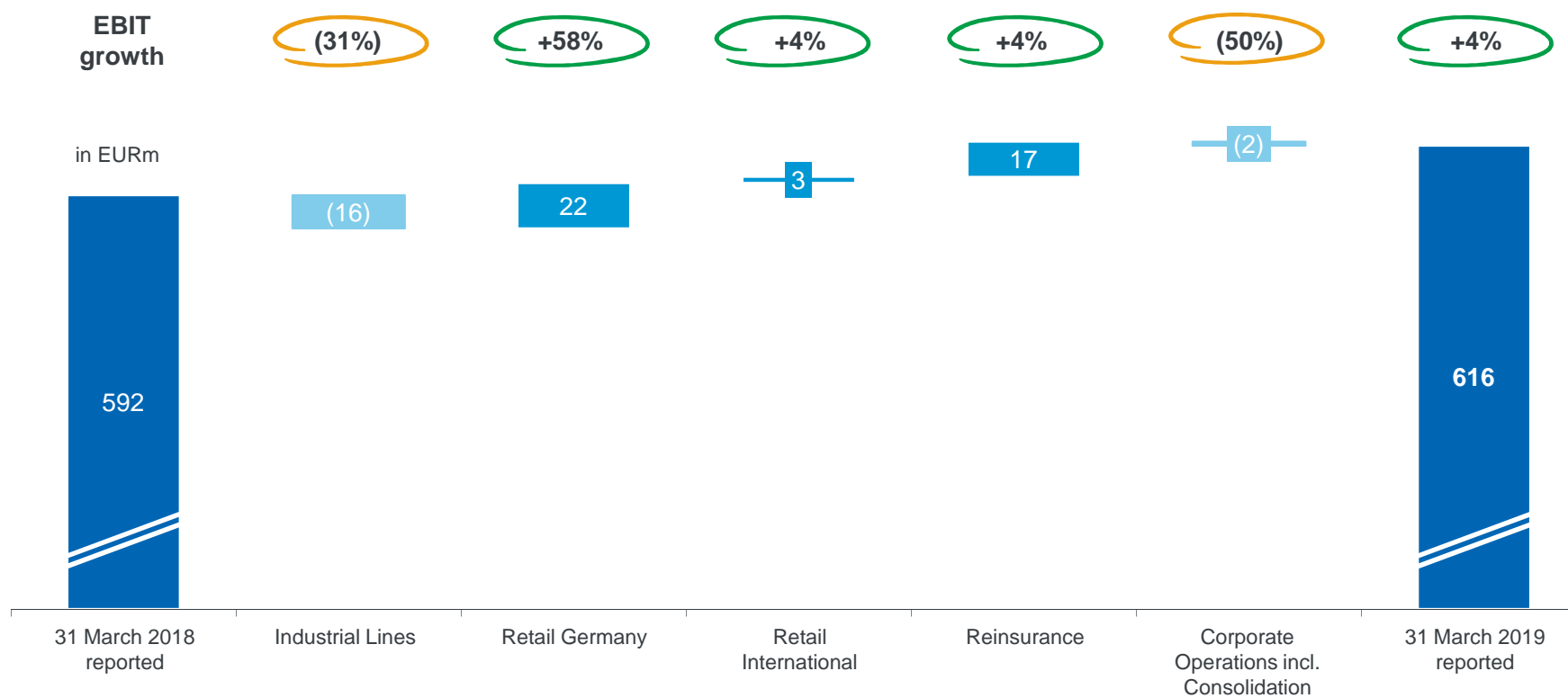
Note: Definition "large loss": in excess of EUR 10m gross in either Primary Insurance or Reinsurance. No additional Q1 2019 Primary Insurance large losses (net) in Corporate Operations

# Combined Ratios

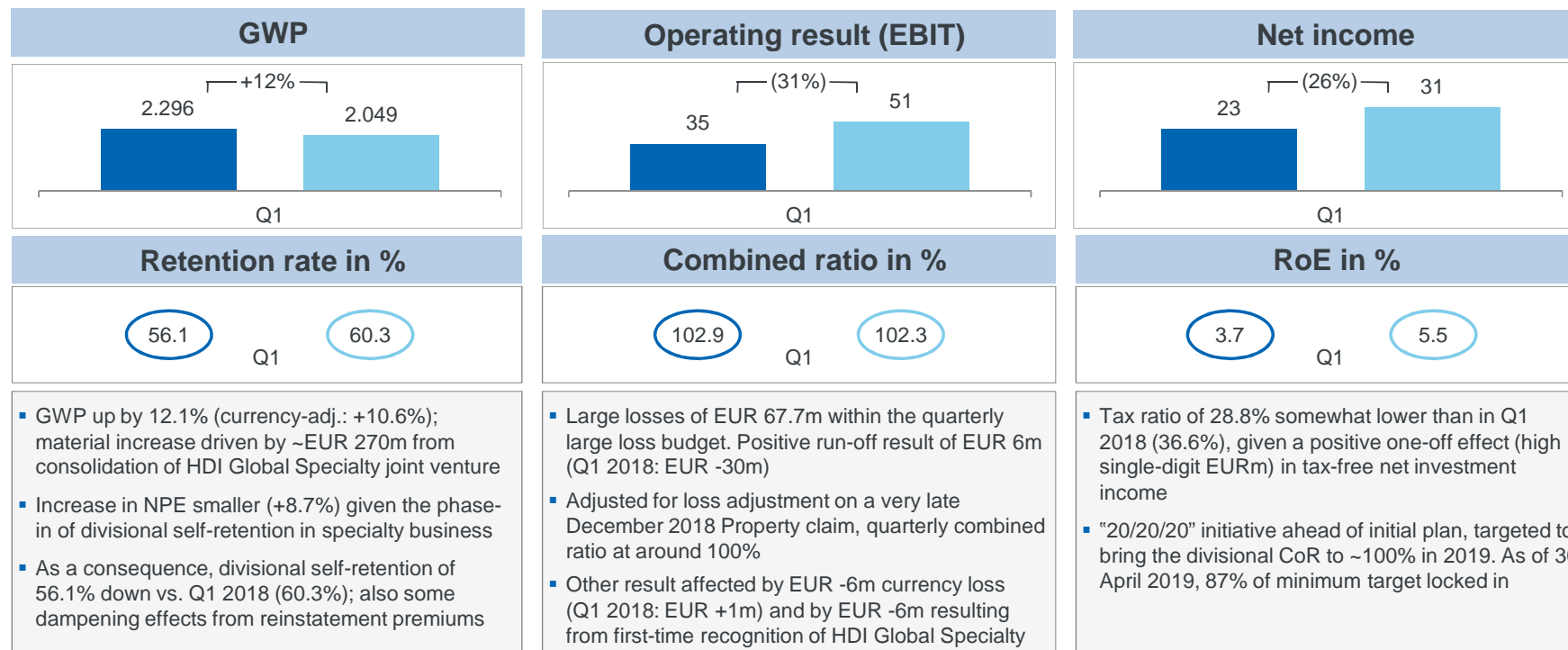


Note: Turkey Q1 2019 EBIT of EUR 2m (+23% y/y)

## Q1 2019 – Both retail divisions and Reinsurance driving EBIT improvement



## Segments – Industrial Lines



EURm, IFRS ■ 2019 ■ 2018

▶ On track to reach ~100% combined ratio in FY 2019

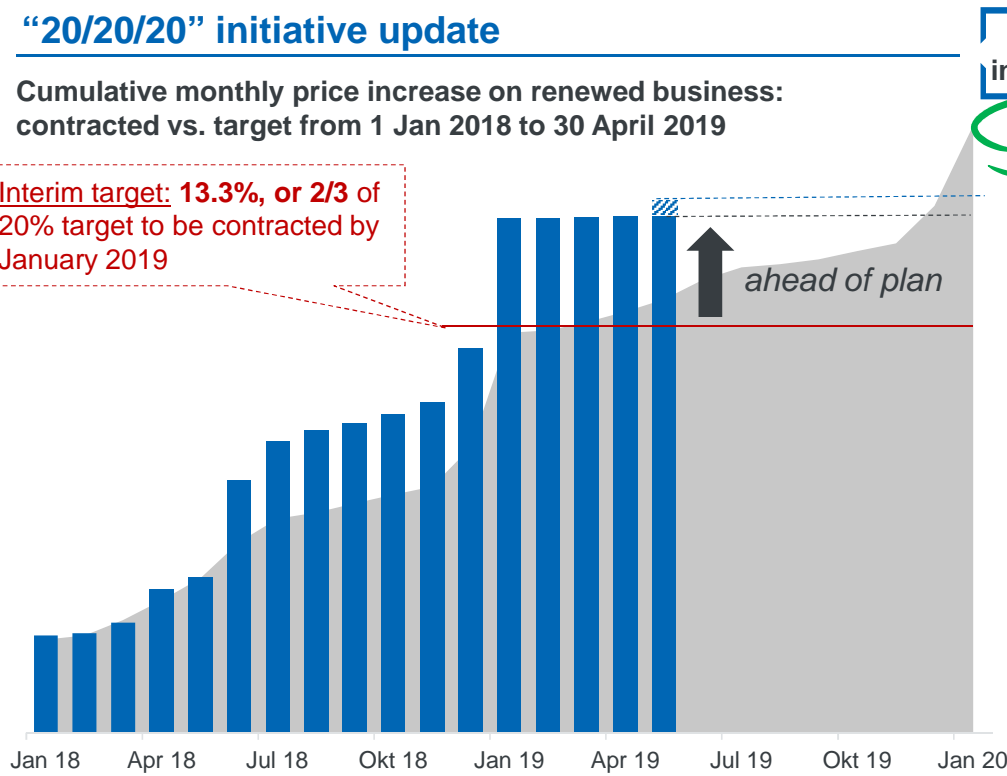


# “20/20/20” initiative ahead of plan – Close to 90% of minimum target locked in

## “20/20/20” initiative update

Cumulative monthly price increase on renewed business: contracted vs. target from 1 Jan 2018 to 30 April 2019

Interim target: 13.3%, or 2/3 of 20% target to be contracted by January 2019



20% price increase by 2020

Achievement: 17.5%, or 87% of 20%-target

13.3%

87% of minimum target locked in (17.5%pts. of 20%)

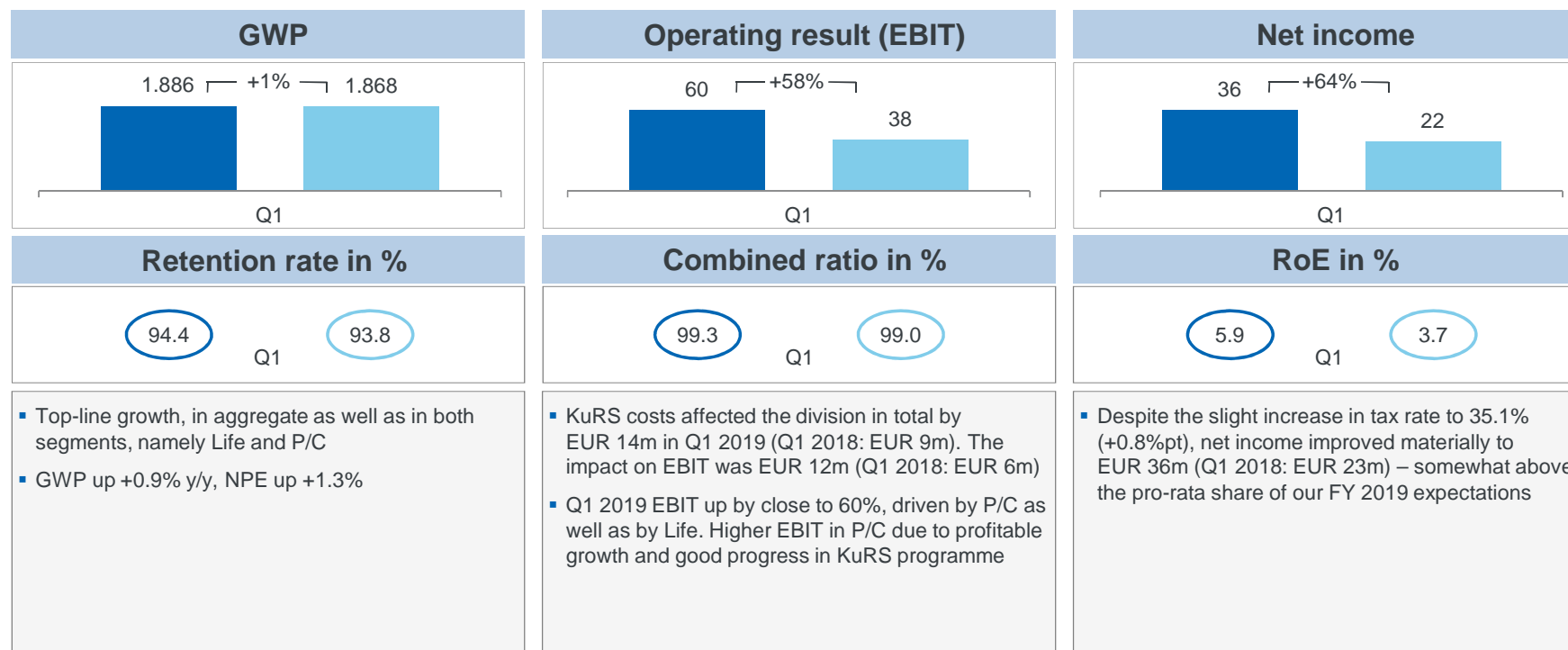
P/L impact mainly in 2019

Premium base so far broadly stable: ~ EUR -85m, or ~ -9% (net effect)

Legend: Target “20/20/20” (grey bar), Price increase as of current month (blue bar), Price increase written but not yet effective (hatched bar)

Note: 20% price increase from 1 Jan 2020 derives from 15% premium increase + 5% premium-equivalent measures. Premium base defined as total premiums on 1 Jan 2018 minus dropped business plus premium increase.

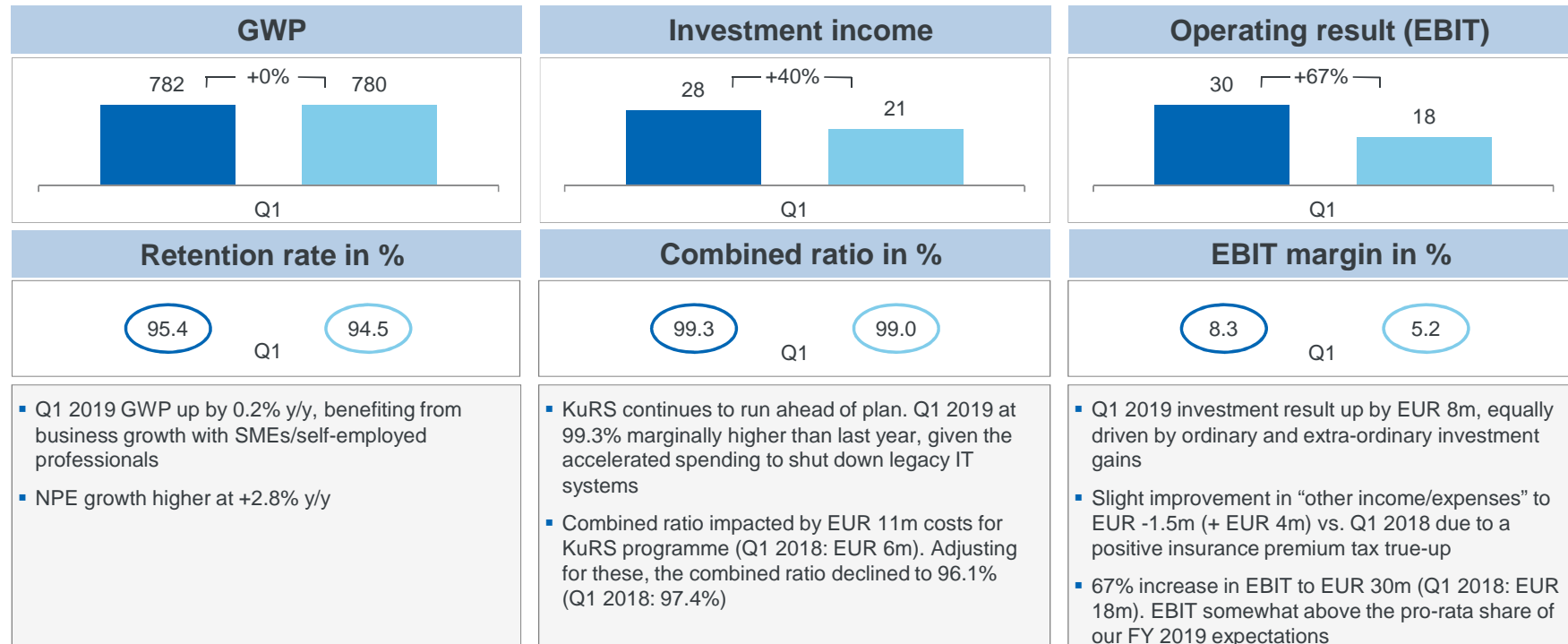
## Segments - Retail Germany Division



EURm, IFRS ■ 2019 ■ 2018

▶ **Material improvement in profitability despite acceleration of KuRS projects**

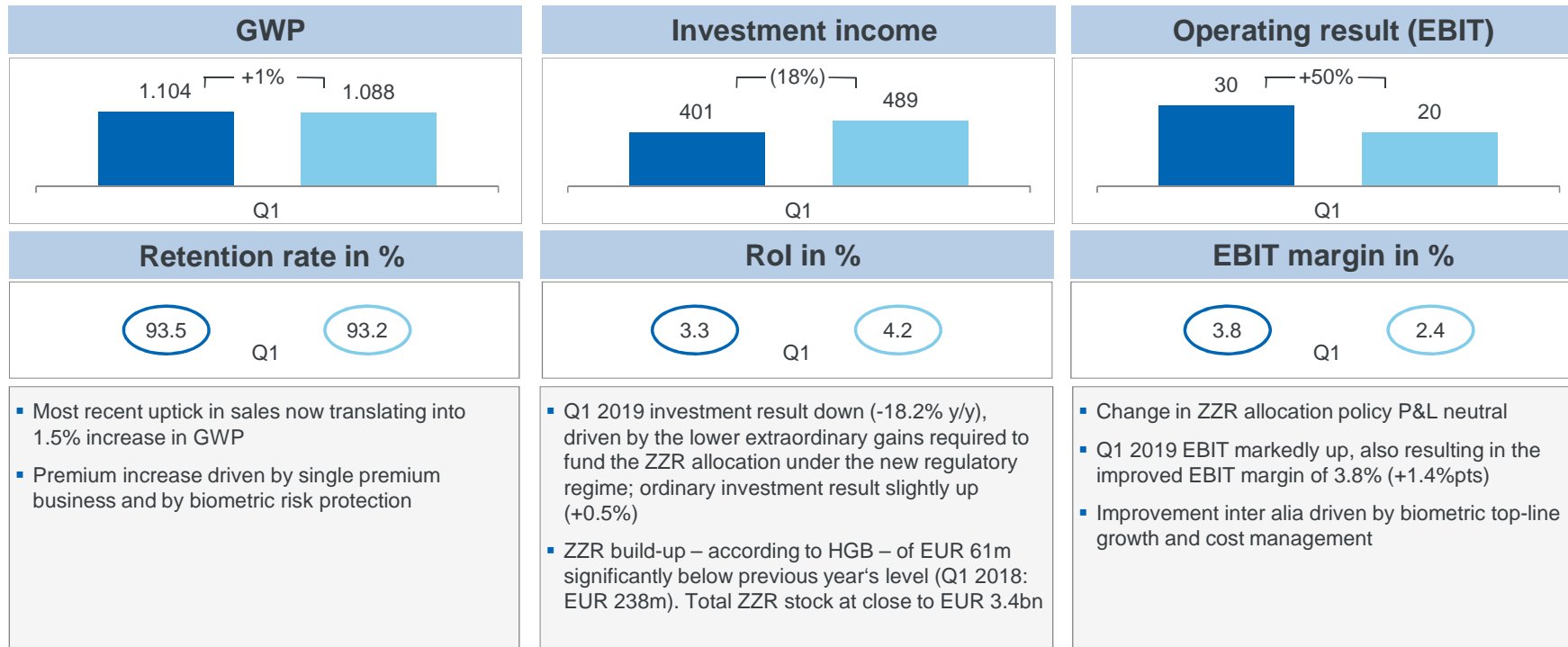
## Segments - Retail Germany P/C



EURm, IFRS ■ 2019 ■ 2018

► Underlying combined ratio further improved – strong start into the year

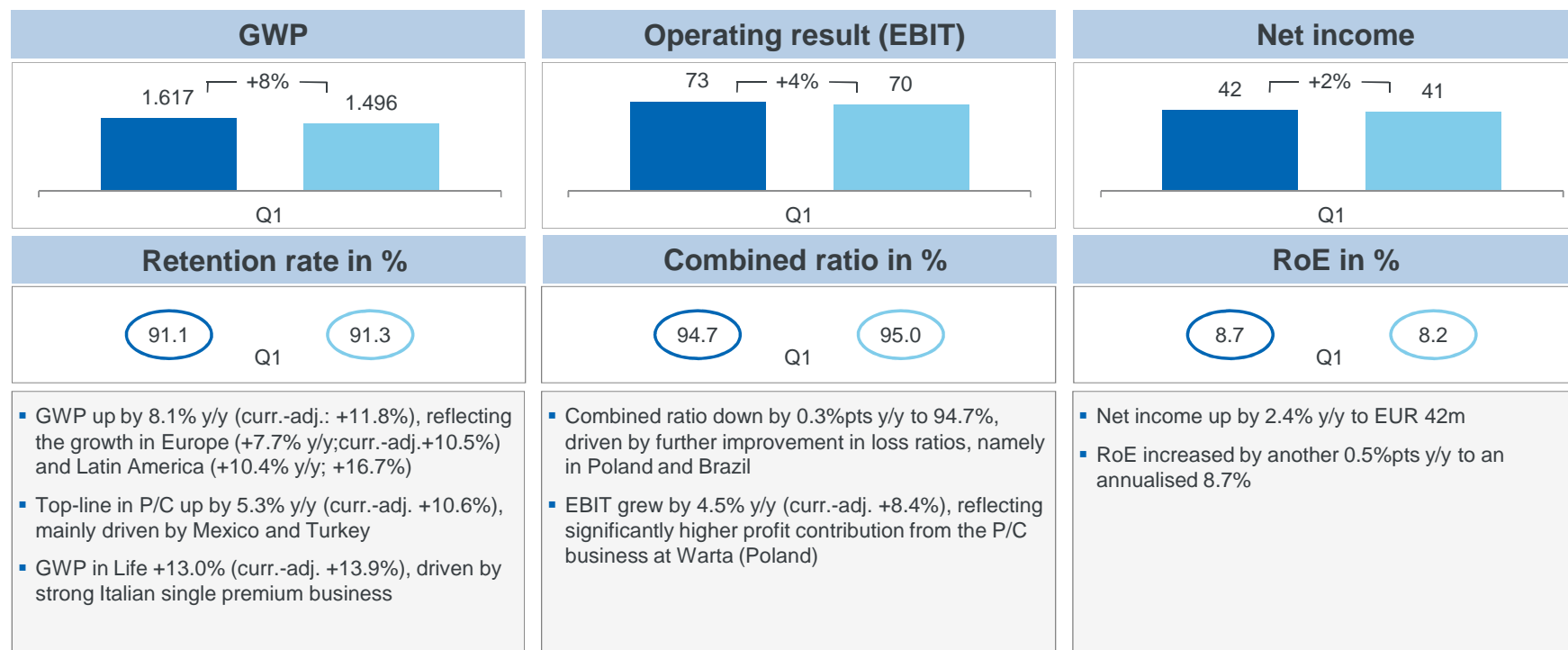
# Segments - Retail Germany Life



EURm, IFRS ■ 2019 ■ 2018

▶ Back to top-line growth at an improved profitability

## Segments - Retail International

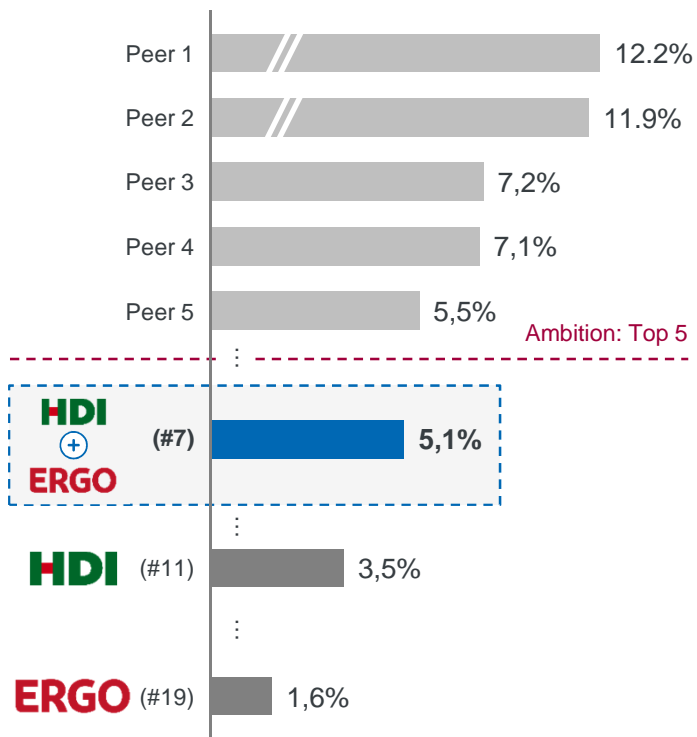


EURm, IFRS ■ 2019 ■ 2018

▶ Retail International continues its profitable growth

# Retail International: Acquisition in Turkey with significant synergy potential

## Market share (P/C plus health business)



Source: Turkish Insurance Association (TSB)

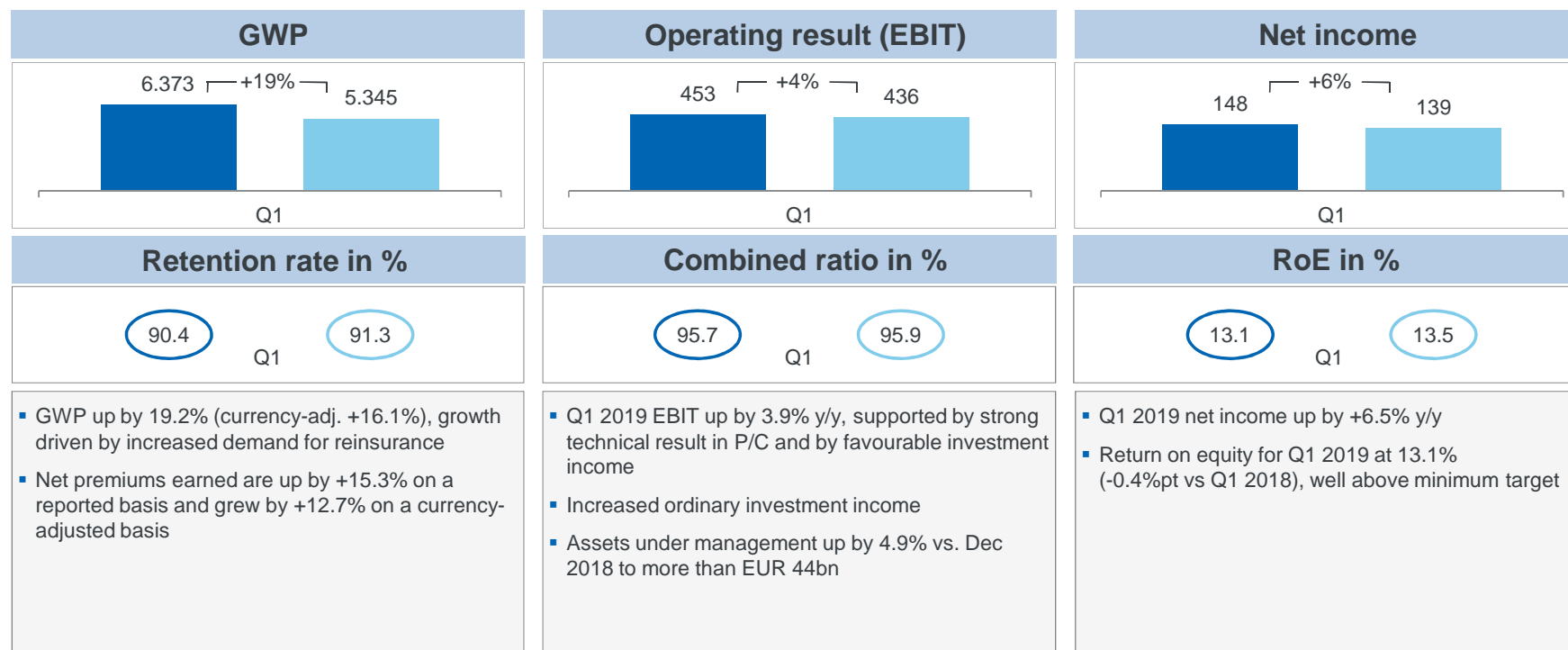
## Key figures<sup>1</sup> and takeover rationale

	2018	HDI	ERGO	HDI (+) ERGO pro forma
<b>GWP (in EURm)</b>		278	139	>400
<b>Combined ratio<sup>1</sup></b>		110%	123%	<110% <sup>2</sup>
<b>Agents</b>		2,000	1,500	>3,000 <sup>1</sup>

- Attractive anti-cyclical investment in HDI International core market
- #5 market position now within close reach
- Strengthening of motor own damage (combined market share 8.8%) and non-motor business (4.5%) improves portfolio mix
- Significant synergy potential expected to result in earnings accretion from year 2
- Signed on 2 May 2019; closing expected for Q3 2019; full merger to be completed in 2020

<sup>1</sup> All figures according to local GAAP (source: TSB), except combined ratio HDI, which is according to IFRS. Business is profitable after yields on investments of currently over 20%. Some agents work for both companies.  
<sup>2</sup> Outlook after assumed realisation of synergies for combined entity.

## Segment - Reinsurance



EURm, IFRS ■ 2019 ■ 2018

▶ RoE well above target despite further increase in shareholders' equity

## Net investment income

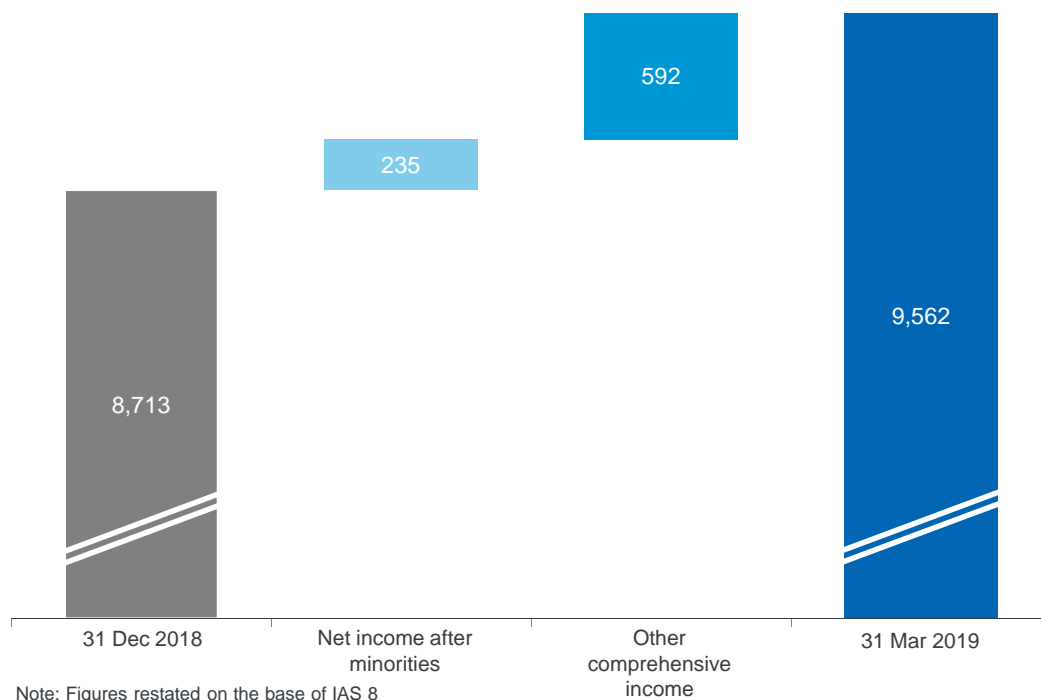
Net investment income Talanx Group				Comments
EUR m, IFRS	Q1 2019	Q1 2018	Change	
<b>Ordinary investment income</b>	<b>870</b>	<b>851</b>	<b>+2%</b>	<ul style="list-style-type: none"> <li>Ordinary investment income slightly up, driven by higher investment result on the back of higher assets under management</li> <li>Realised net investment gains down by EUR 180m y/y to EUR 84 in Q1 2019, partly as a result of lower extraordinary gains in Retail Germany due to the new ZZR regime. Q1 2019 ZZR allocation significantly lower at EUR 61m (Q1 2018: 238m)</li> <li>Q1 2019 RoI down to 3.2% (Q1 2018: 3.7%), predominantly driven by markedly lower realised gains</li> <li>Primary Insurance will remain structurally burdened by the interest environment due to its higher share in euro investments and the higher portfolio duration. No plans to deviate from our low-beta strategy</li> </ul>
thereof current investment income from interest	691	675	+2%	
thereof profit/loss from shares in ass. companies	12	3	>+100%	
Realised net gains/losses on investments	84	264	(68%)	
Write-ups/write-downs on investments	(38)	(42)	+10%	
Unrealised net gains/losses on investments	65	(6)	n/a	
Investment expenses	(60)	(59)	(2%)	
<b>Income from investments under own management</b>	<b>920</b>	<b>1,008</b>	<b>(9%)</b>	
<b>Income from investment contracts</b>	<b>0</b>	<b>(0)</b>	<b>n/a</b>	
<b>Interest income on funds withheld and contract deposits</b>	<b>68</b>	<b>55</b>	<b>+23%</b>	
<b>Total</b>	<b>988</b>	<b>1,063</b>	<b>(7%)</b>	

 Slight increase in ordinary investment income – gains from realisations down



# Changes in equity

Shareholders' equity, in EURm



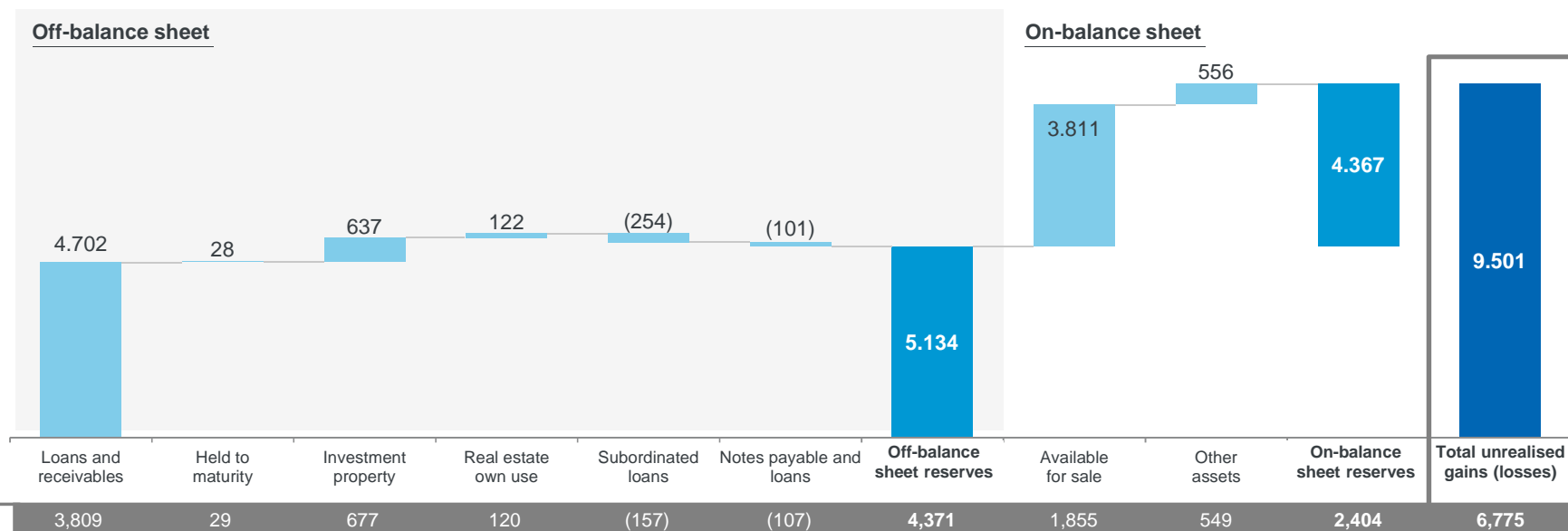
## Comments

- Shareholders' equity rose to EUR 9,562, EUR 849m above the level of Dec 2018 and EUR 874m above March 2018
- Strong increase in OCI during Q1 2019 primarily caused by positive effect of interest rates and spreads on bond values
- Book value per share up 10% to EUR 37.82 from Dec 2018 (EUR 34.47), excl. goodwill up 11% to EUR 33.61 from EUR 30.28

**▶ Shareholders' equity materially up, primarily reflecting higher OCI**

# Unrealised gains of EUR 9.5bn

## Unrealised gains and losses (off- and on-balance sheet) as of 31 March 2019 (EURm)



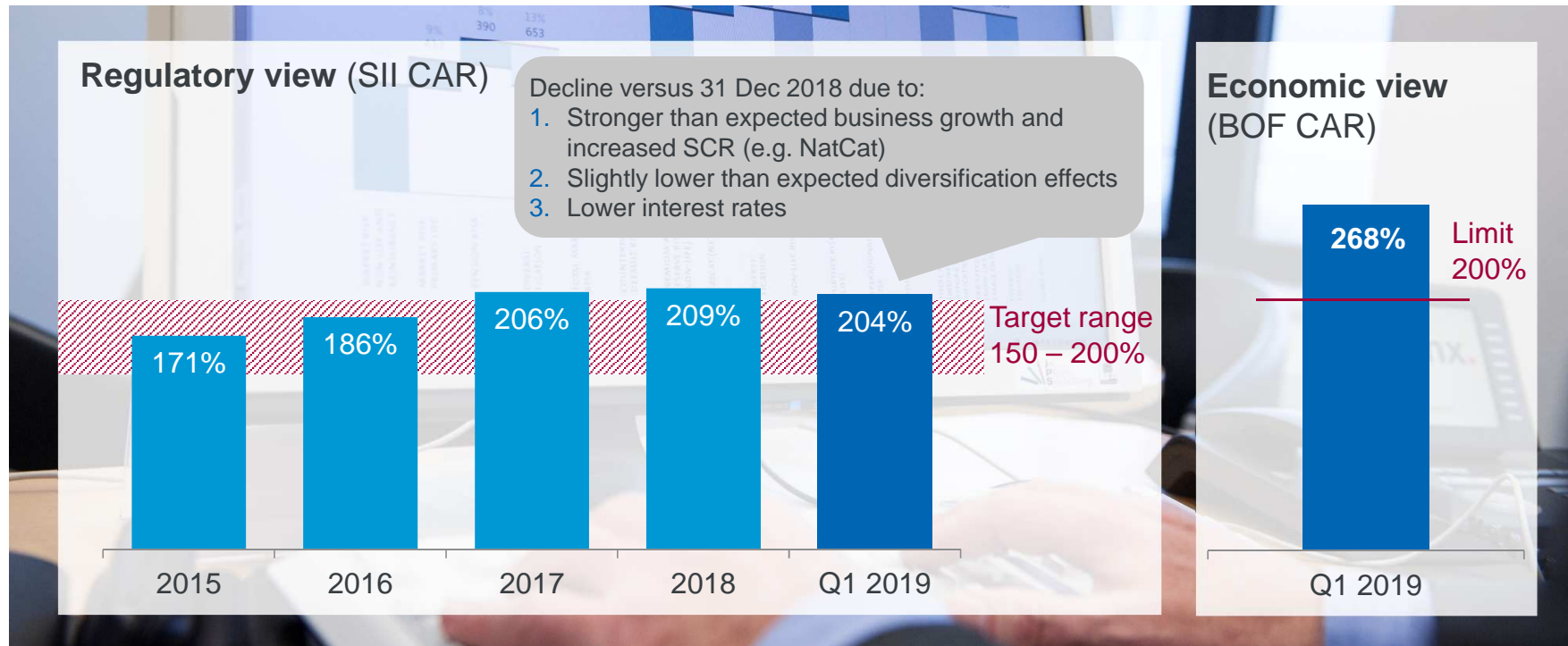
### Δ market value vs. book value

Note: Shareholder contribution estimated based on historical profit sharing pattern

**Off-balance sheet reserves of ~ EUR 5.1bn – EUR 404m (EUR 1.60 per share) attributable to shareholders (net of policyholders, taxes & minorities)**

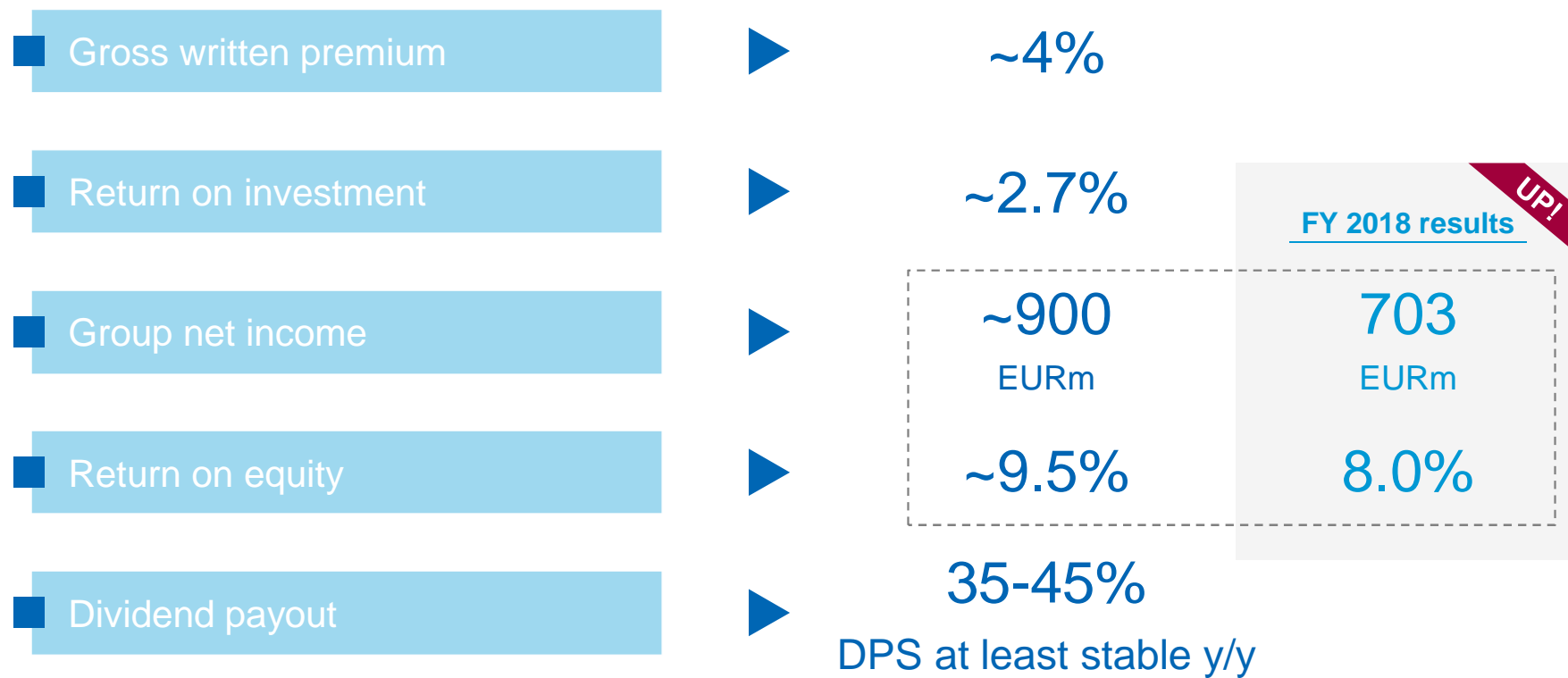
# Solvency II capital at very solid level

## Development of Solvency II capitalisation (excl. transitional measures)



Note: Solvency II ratios at period end, relating to HDI Group as the regulated entity, excluding the effect of transitional measures. Solvency II ratio for Q1 2019 including transitional measures: 241% (FY 2018: 252%).

## Outlook 2019 for Talanx Group



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

## Financial Calendar and IR contacts



- 12 August 2019  
Quarterly Statement as at 30 June 2019
- 11 November 2019  
Quarterly Statement as at 30 September 2019
- 20 November 2019  
Capital Markets Day in Frankfurt



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*Head of IR*



**Bernt Gade**  
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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 2018 Chapter "Enterprise management", pp. 26 and the following, the "Glossary and definition of key figures" on page 262 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)