



talanx.
Insurance. Investments.

Commerzbank German Investment Seminar Capital Markets Day & Highlights 9M 2019


Torsten Leue, CEO
New York, 14 January 2020

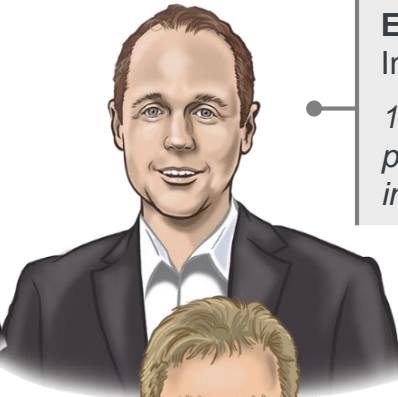
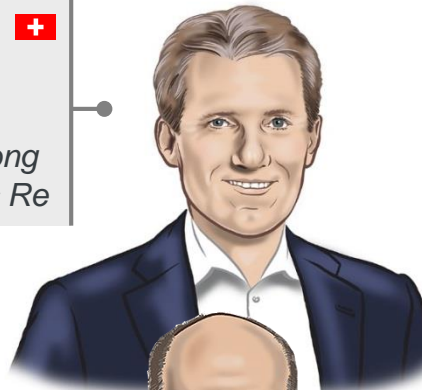
Capital Markets Day 2019 - Agenda


I	Group Strategy	Torsten Leue
II	Group Financials	Immo Querner
	Industrial Lines	
III	Strategy	Edgar Puls
IV	Making Fire profitable	David Hullin
V	CFO cockpit	Clemens Jungsthöfel
VI	HDI Global Specialty	Ulrich Wallin
VII	Digitalisation	Thomas Kuhnt
VIII	Essentials Industrial Lines	Edgar Puls
IX	Final Remarks	Torsten Leue

Generational change completed – Two new leaders in the Talanx board

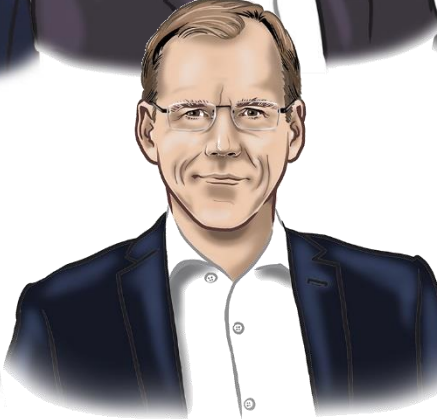
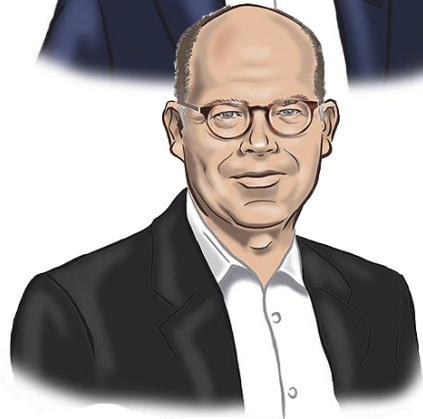
Sven Fokkema
Retail International

Jean-Jacques Henchoz, 55 
Reinsurance
21 years of experience in P&C/Life reinsurance with strong international footprint at Swiss Re

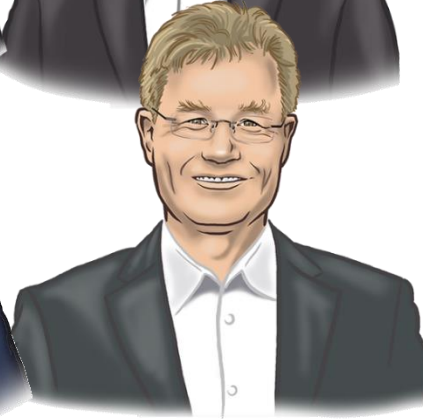


Edgar Puls, 46 
Industrial Lines
18 years of experience at HDI and proven restructuring manager (e.g., implemented 20/20/20 initiative)

Immo Querner
CFO







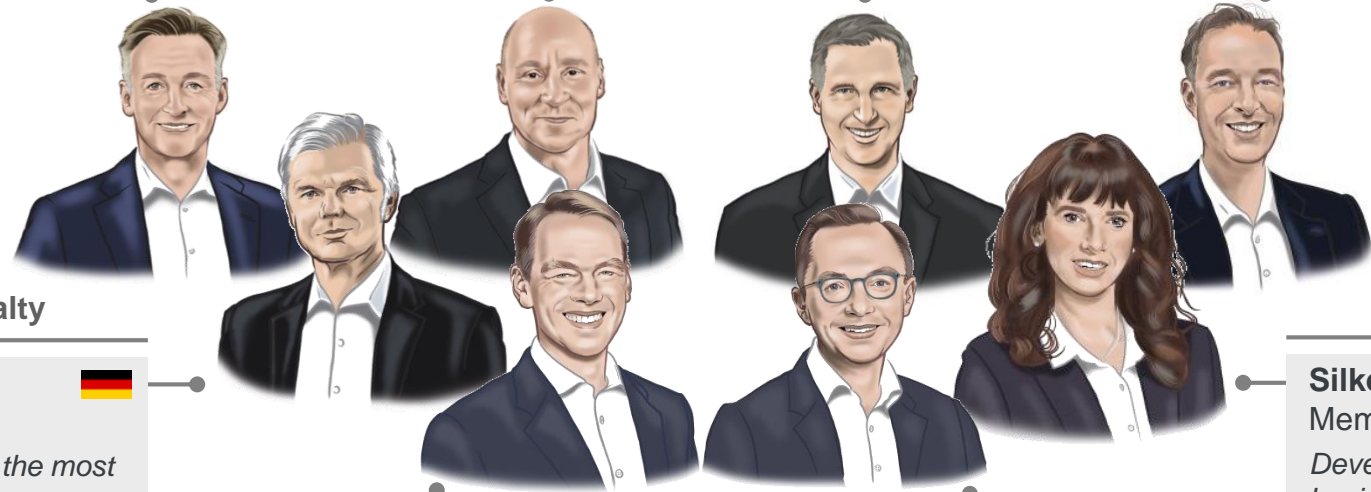




Torsten Leue
CEO



Jan Wicke
Retail Germany, IT

New top management capacity in our divisional boards – Exceptional leader kept

Industrial Lines

<p>Clemens Jungsthöfel, 49 </p> <p>CFO</p> <p><i>Former KPMG partner with over 20 years of experience in insurance</i></p>	<p>David Hullin, 51 </p> <p>Member of the board</p> <p><i>Proven underwriting & international skills over 25 years at HDI Group</i></p>	<p>Thomas Kuhnt, 44 </p> <p>Member of the board</p> <p><i>Former McKinsey P&C Insurance & Advanced Analytics Lead Europe</i></p>	<p>Yves Betz, 48 </p> <p>Member of the board, as of 1 Dec 2019</p> <p><i>Various leading positions at Zurich, strong international expertise</i></p>
			
<p>HDI Global Specialty</p> <p>Ulrich Wallin, 64 </p> <p>Chairman</p> <p><i>Turned Hannover Re into the most efficient reinsurer</i></p>	<p>Retail Germany</p> <p>Jens Warkentin, 53 </p> <p>CFO</p> <p><i>Long-serving board member at AXA Germany, excellent financial skills</i></p> <p>Patrick Dahmen, 46 </p> <p>Member of the board</p> <p><i>Highly esteemed Life expert, formerly board member at AXA Germany</i></p>		<p>Hannover Re</p> <p>Silke Sehm, 51 </p> <p>Member of the board</p> <p><i>Developed the advanced solutions business into a major profit engine</i></p>

Key messages

- We are **well on track to deliver** on higher **targets** from last CMD
- Strategy 2022 – we **focus on three strategic areas**
 - Capital management **enhanced**, supporting **growing cash pool**
 - Focused divisional strategies **fully on track** or even ahead of plan
 - Good **progress** on digital transformation
- Purpose-driven **performance culture supporting our strategy** 2022
- Our **strategy** (high resilience, attractive returns, upside potential) **is the answer to rising uncertainties**

Strategy 2022 – Focus and execute

Strategy 2022

CMD 2018 – FOCUS

- Raising targets
- Three strategic areas

CMD 2019 – EXECUTE

- Tracking targets
- Tracking strategy
- Cultural transformation
- Outlook

Tracking targets

Our mid-term ambition - Higher targets @CMD 2018 with sustained high resilience

Targets

Return on equity



≥ 800bp
above risk-free rate

High level of
profitability

EPS growth



≥ 5%
on average p.a.

Profitable
growth

Dividend payout ratio



35% - 45%
of IFRS earnings

Sustainable
& attractive
payout

DPS at least
stable y/y

Resilience

Strong capitalisation

Solvency II target ratio
150 - 200%

Market risk limitation (low β)

Market risk **≤ 50%**
of Solvency Capital
Requirement

High level of diversification

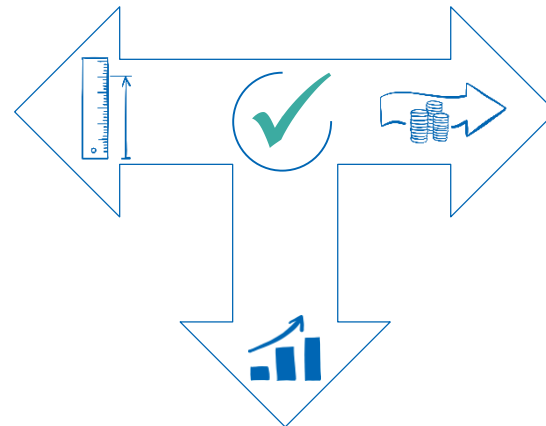
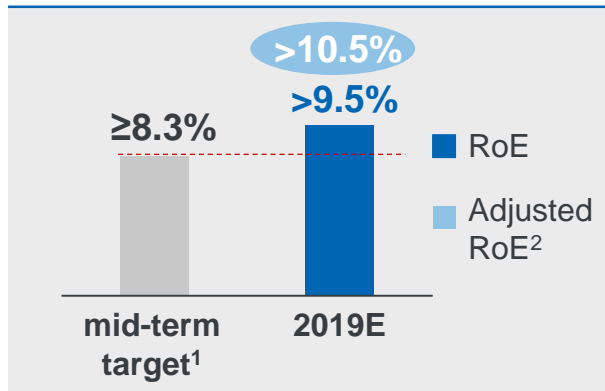
Targeting **2/3** of Primary
Insurance premiums to come
from outside of Germany

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

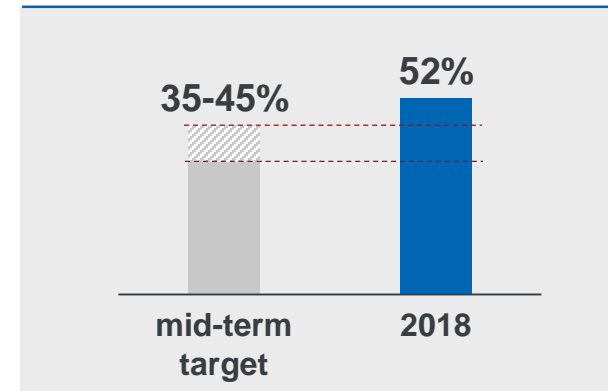
Tracking targets

Delivering on our mid-term targets

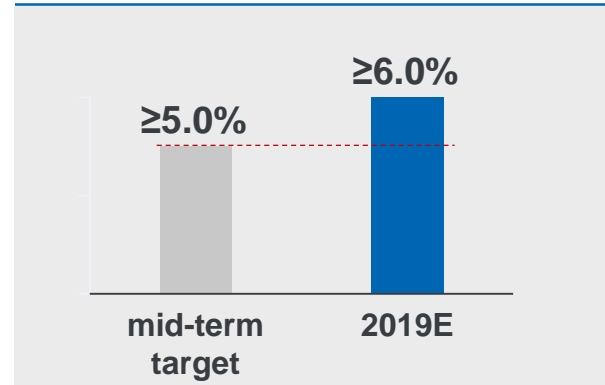
Return on equity



Dividend payout ratio



EPS growth

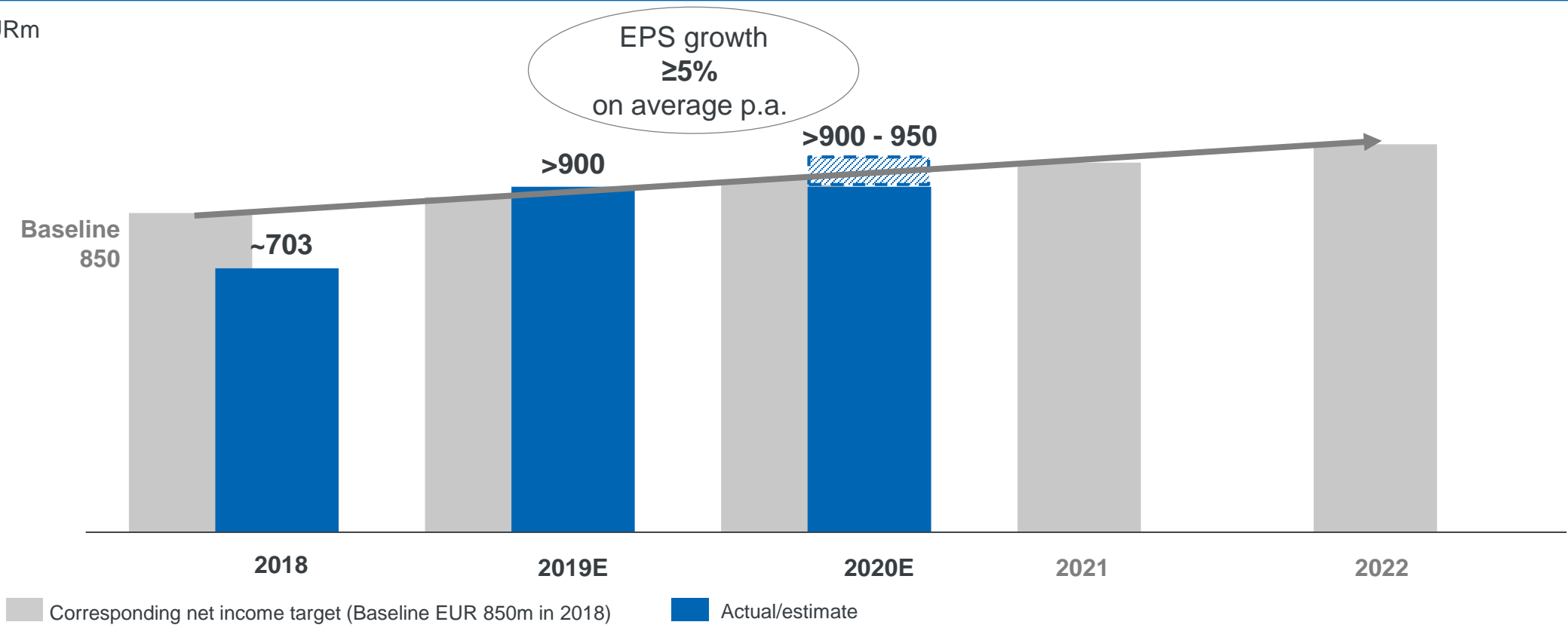


1 Target is ≥ 800bp above risk-free rate. The risk-free rate is defined as the 5-year rolling average of the 10-year German Bund yield. 2 Adj. RoE: calculation based on the ratio of net income (excl. minorities) and average shareholders' equity excluding unrealised gains & losses. Note: EPS CAGR until 2022 (target baseline: original Group net income Outlook of ~EUR 850m for 2018). Targets are subject to large losses staying within their respective annual large-loss budgets as well as no occurrence of major turmoil on currency and/or capital markets. Dividend 2018 paid out in 2019

Tracking targets EPS growth – above minimum target

Steady improvement in earnings

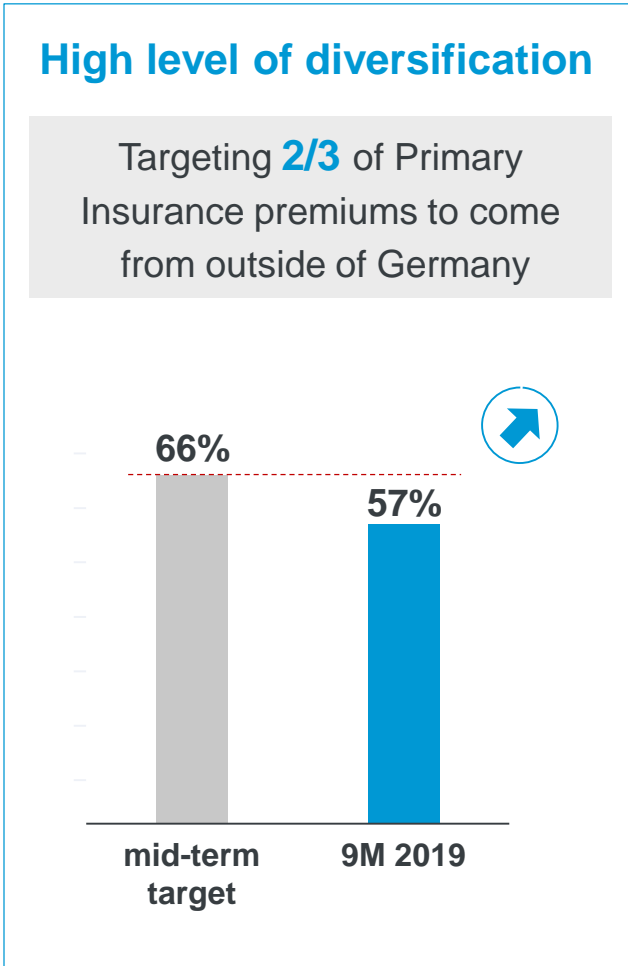
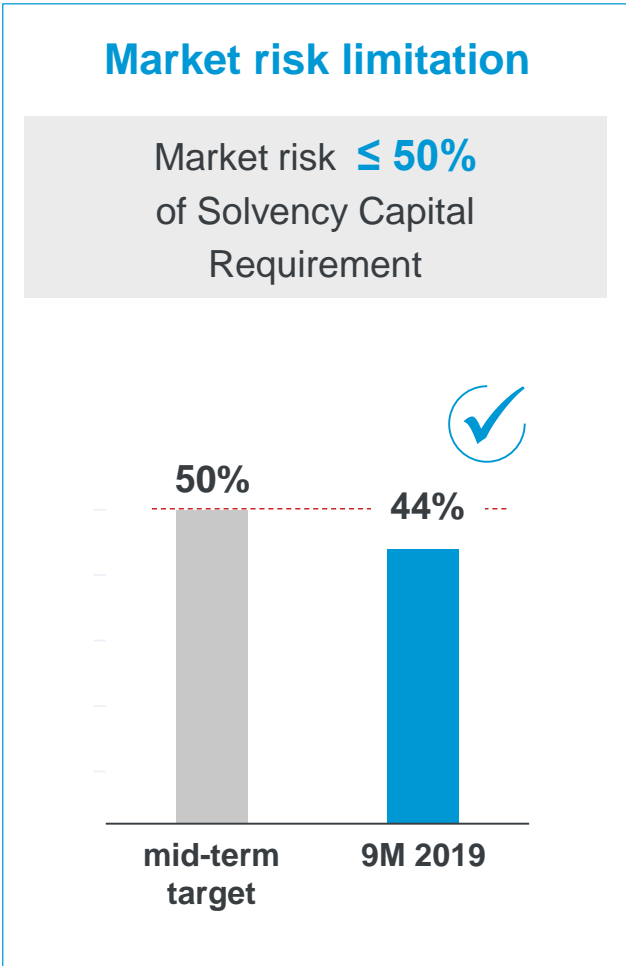
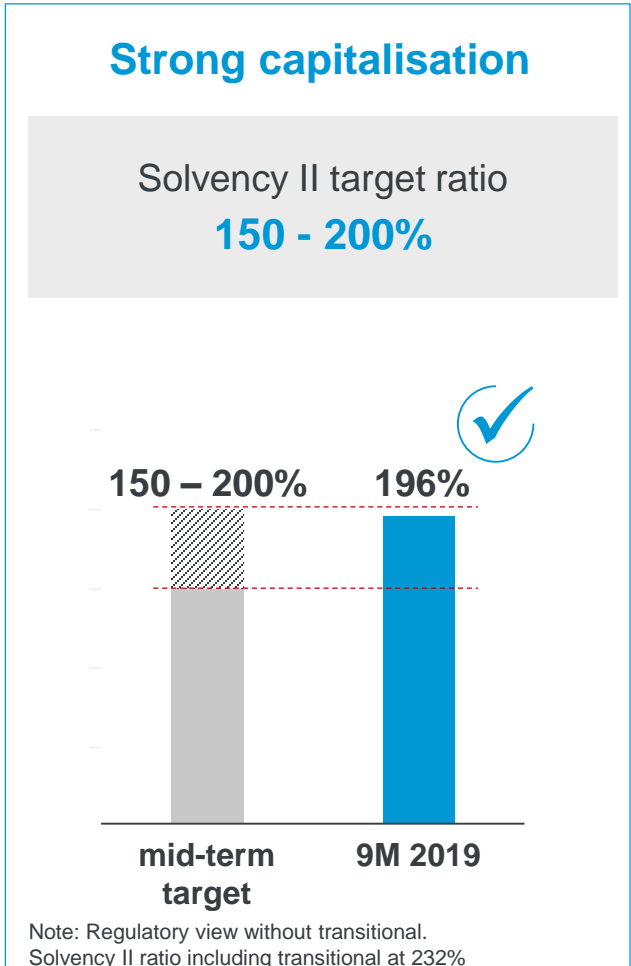
in EURm



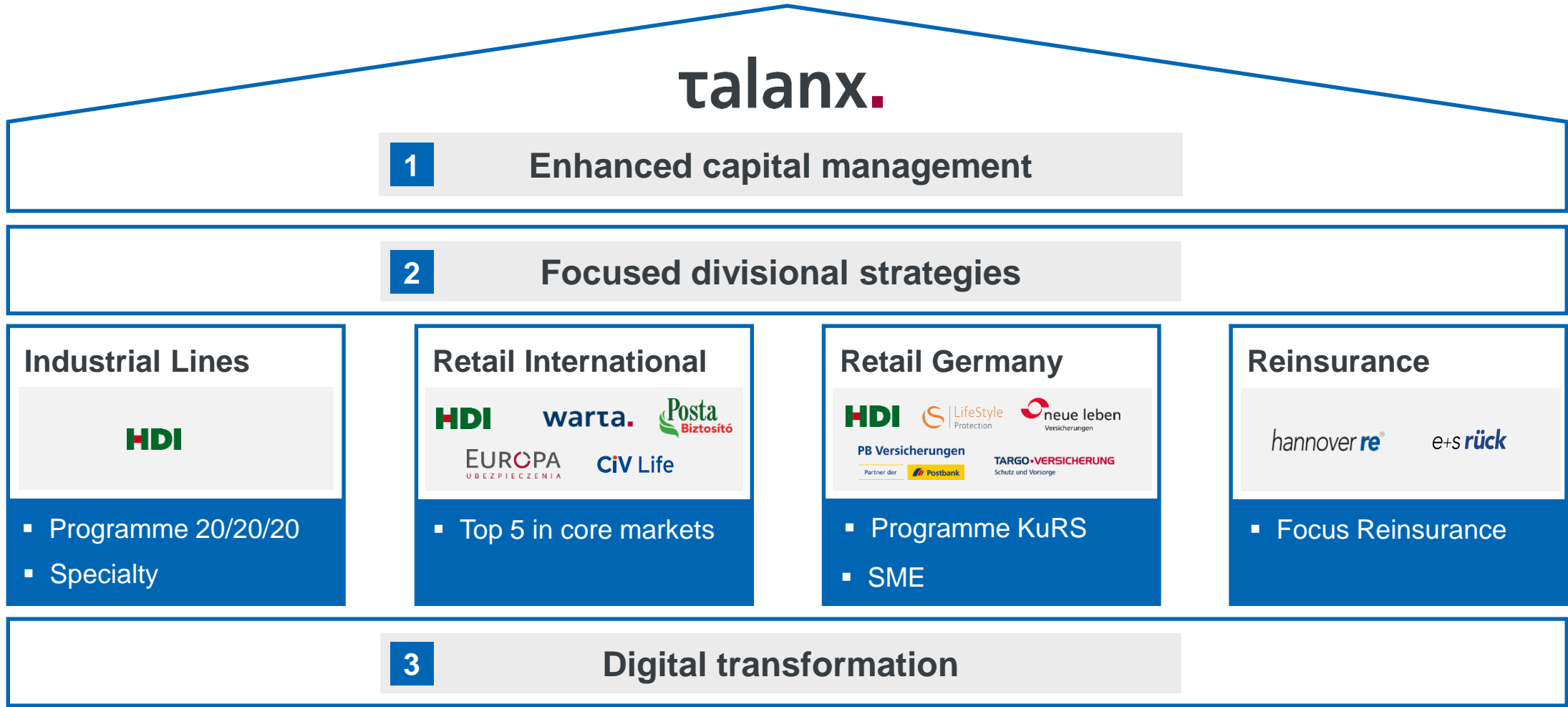
Note: EPS CAGR until 2022 (target baseline: original Group net income Outlook of ~EUR 850m for 2018). Targets are subject to large losses staying within their respective annual large-loss budgets as well as no occurrence of major turmoil on currency and/or capital markets. Given the stable number of shares since CMD 2018, the net income growth rate corresponds to the EPS growth rate

Tracking targets Sustained high resilience

Resilience



Tracking strategy
 Strategy 2022 – Three strategic areas



1 Tracking strategy – Enhanced capital management

Our Capital Management Strategy

Focus

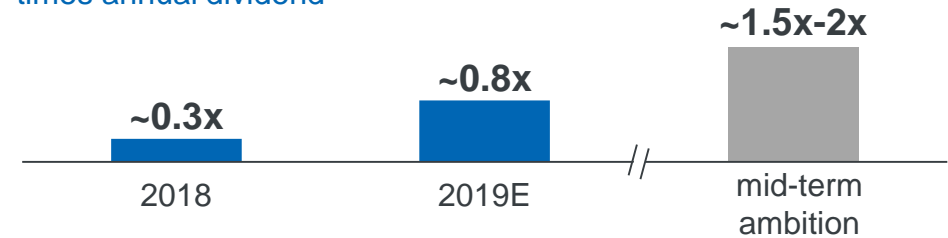
How to get it	Upstream of excess capital
	Increase remittance ratio

How to spend it	Attractive dividend yield with DPS y/y at least stable
	Disciplined M&A approach



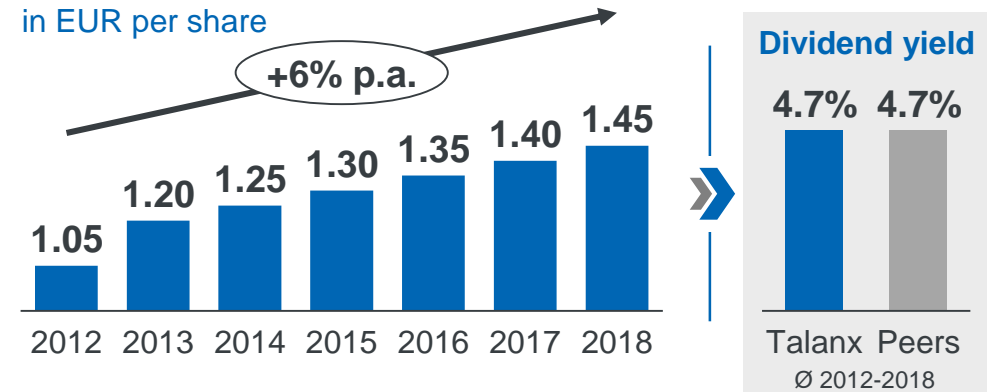
Growing cash pool

Cash pool ('retained profits brought forward' under German GAAP) times annual dividend



Steadily increasing dividends

in EUR per share



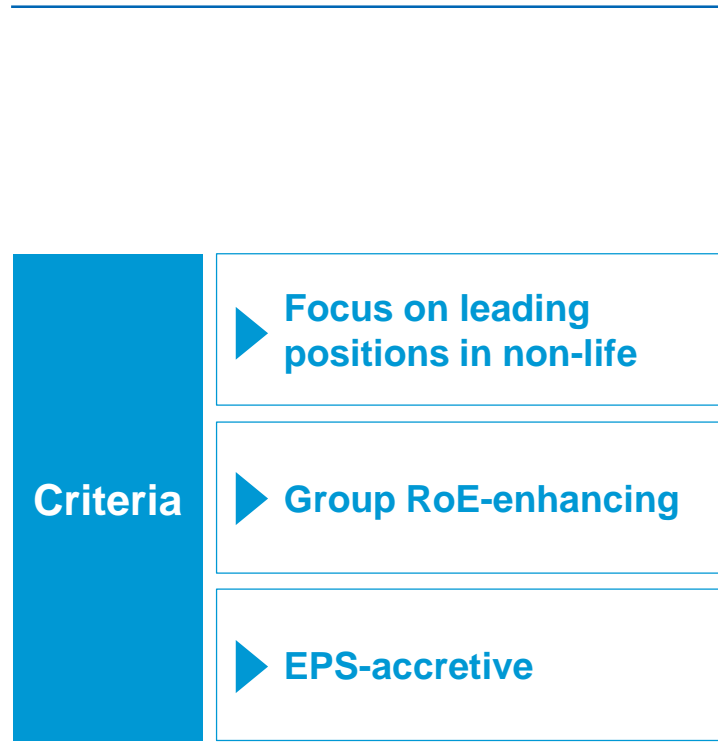
Innovative Answers to present in more detail

Note: Target dividend coverage ratio ('retained profits brought forward' under German GAAP divided by annual dividend) is ~1.5-2 times.
 Capital Management delivery 2018 (mid-term ambition): Dividend payout 52% (35-45%); RoE 8.0% > CoE 6.9%; Upstream of excess capital 2019E ~70% achieved (EUR 350m); Remittance ratio ~70% (50-60%)

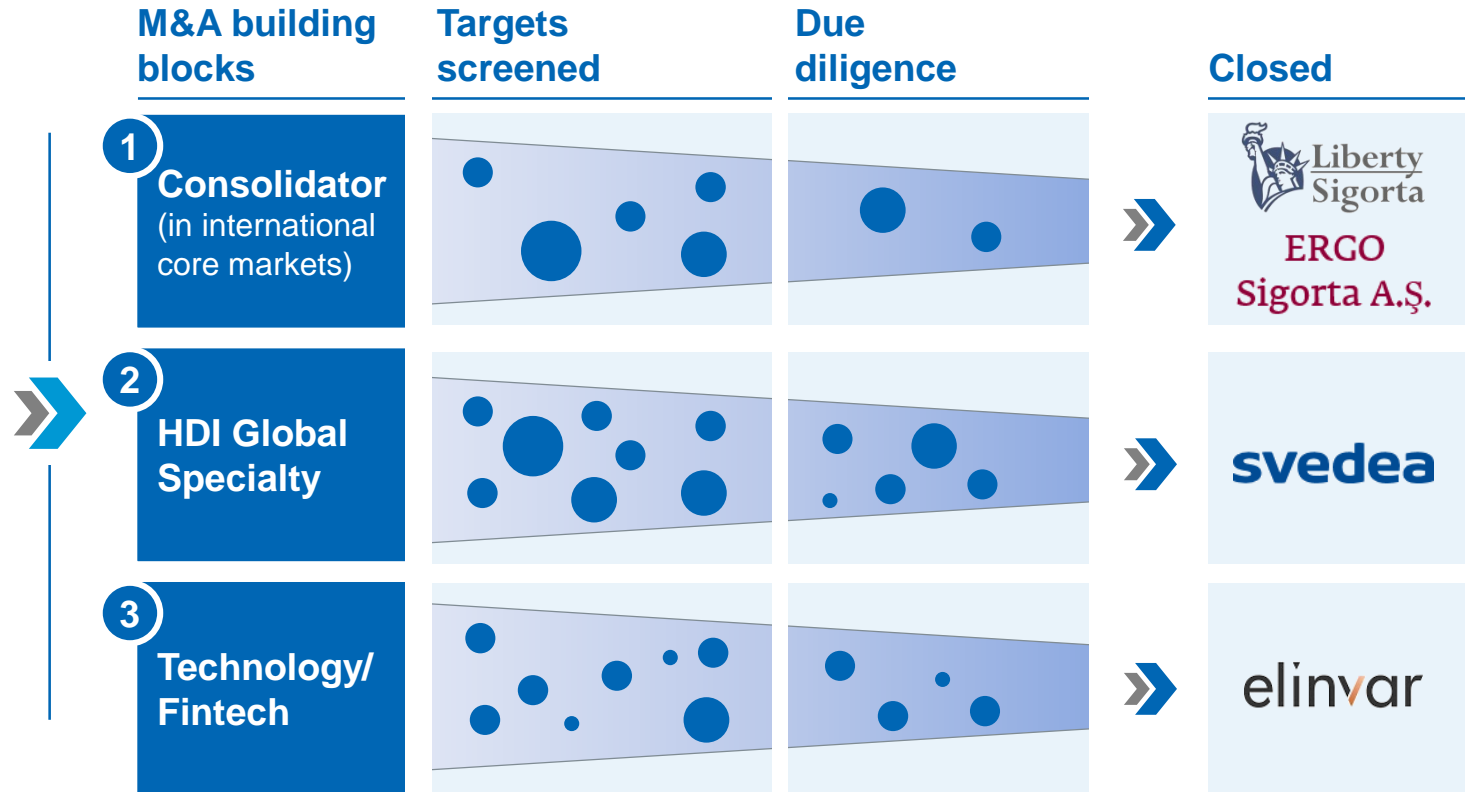
1 Tracking strategy – Enhanced capital management

Clear M&A criteria and strategy proven by disciplined M&A approach

Our M&A criteria




Disciplined M&A activity 2018/19



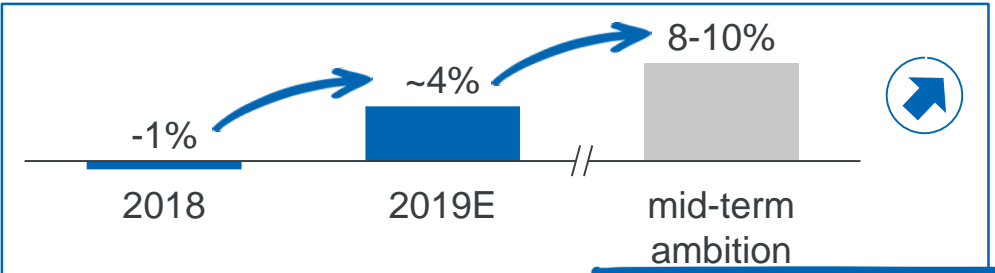
Note: Since 2011, less than 7% of more than 250 targets screened have been acquired

2 Tracking strategy – Focused divisional strategies Industrial Lines

Focus and mid-term ambition

Focus	Transformation
	Programme 20/20/20
	Specialty
	RoE ambition 8-10%


Execution

- New management team in place *Precise mandate to raise profitability and reduce volatility* ✓
- 8%pts divisional combined ratio improvement expected in 2019 ✓
- Joint-venture with Hannover Re in place; profitable double-digit growth from the beginning ✓
-  ✓



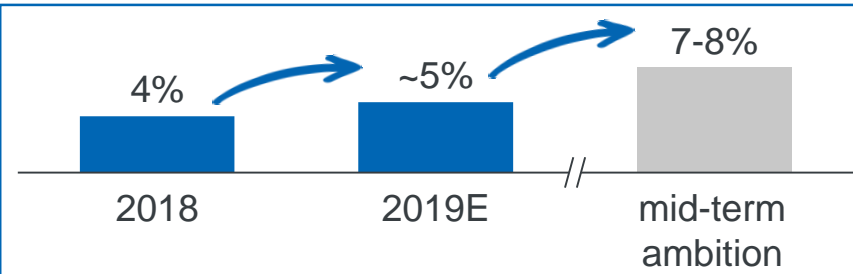

Edgar Pals and his team to present in more detail

2 Tracking strategy – Focused divisional strategies Retail Germany

Focus and mid-term ambition

Focus	Programme KuRS (2021 EBIT target of ≥ EUR 240m)
	SME
	RoE ambition 7-8%

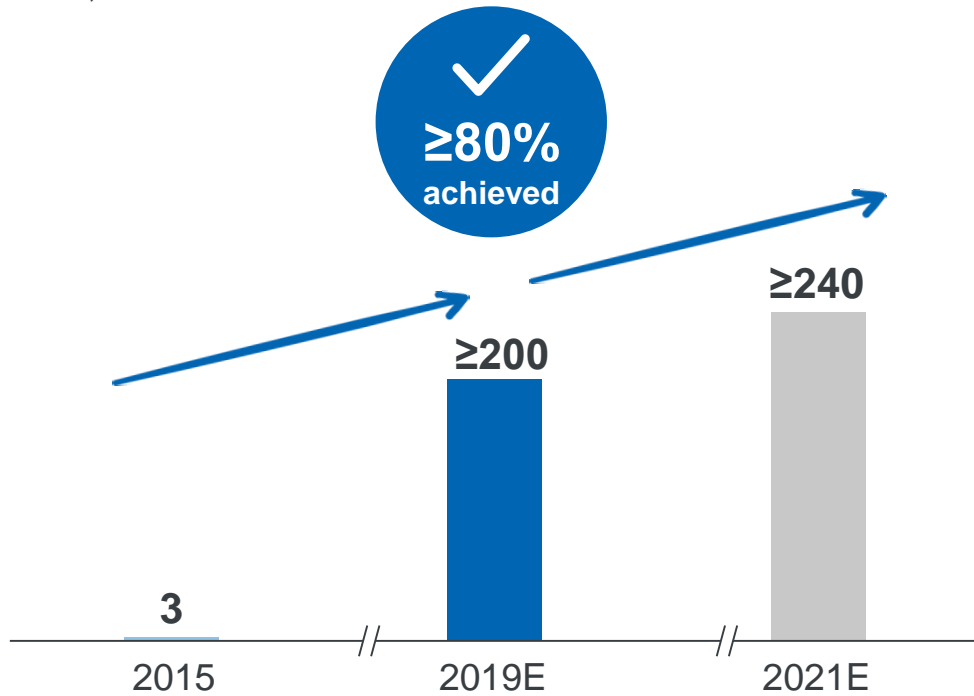
Execution

➤	≥ 80% of EBIT target (≥ EUR 200m) to be achieved in 2019	
➤	Strong profitable SME growth (8% p.a.)	
➤		

2 Tracking strategy – Focused divisional strategies KuRS programme well on track - SME initiative doubles market growth

Well on track to deliver on our KuRS target

EBIT, in EURm



Combined ratio:

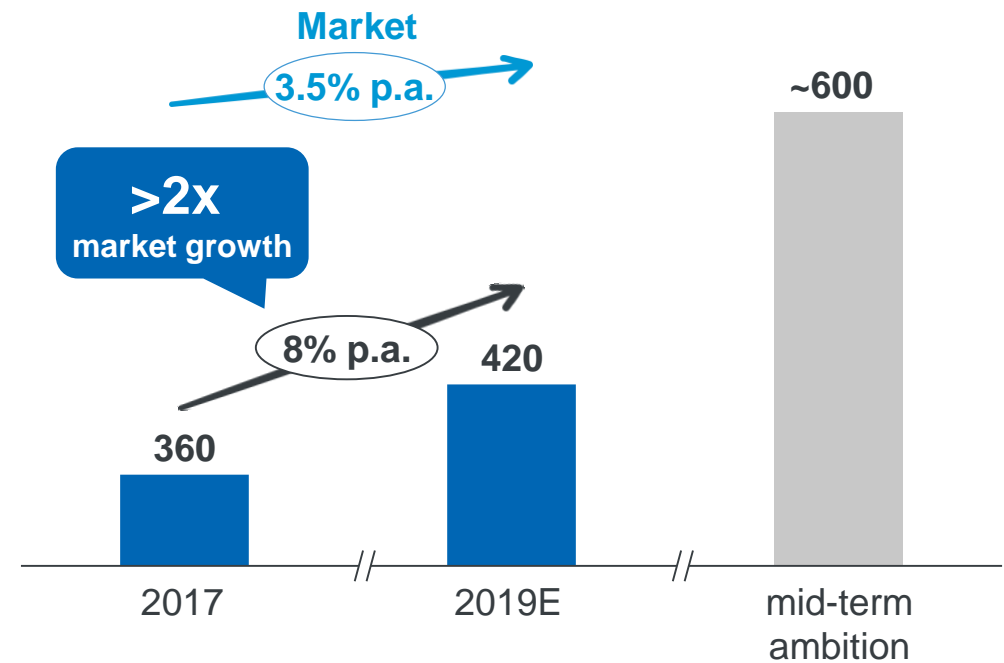
~97%¹
ex KuRS investments

≤95%

1 Combined ratio expected to improve to ~99%, unadjusted for KuRS effects 2 Combined ratio for SME business: 2017 and 2019E: ~97%, mid-term ambition: ≤95%

Growth initiative SME


GWP SME and self-employed professionals², in EURm



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

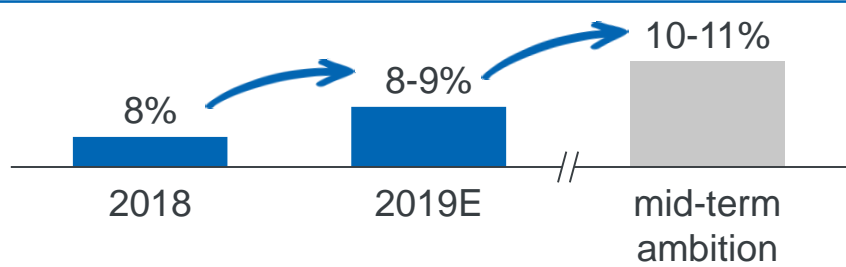
2 Tracking strategy – Focused divisional strategies Retail International

Focus and mid-term ambition

Focus	<p>Top 5 in core markets through profitable growth</p>
	<p>RoE ambition 10-11%</p>

Note: GWP growth currency adjusted

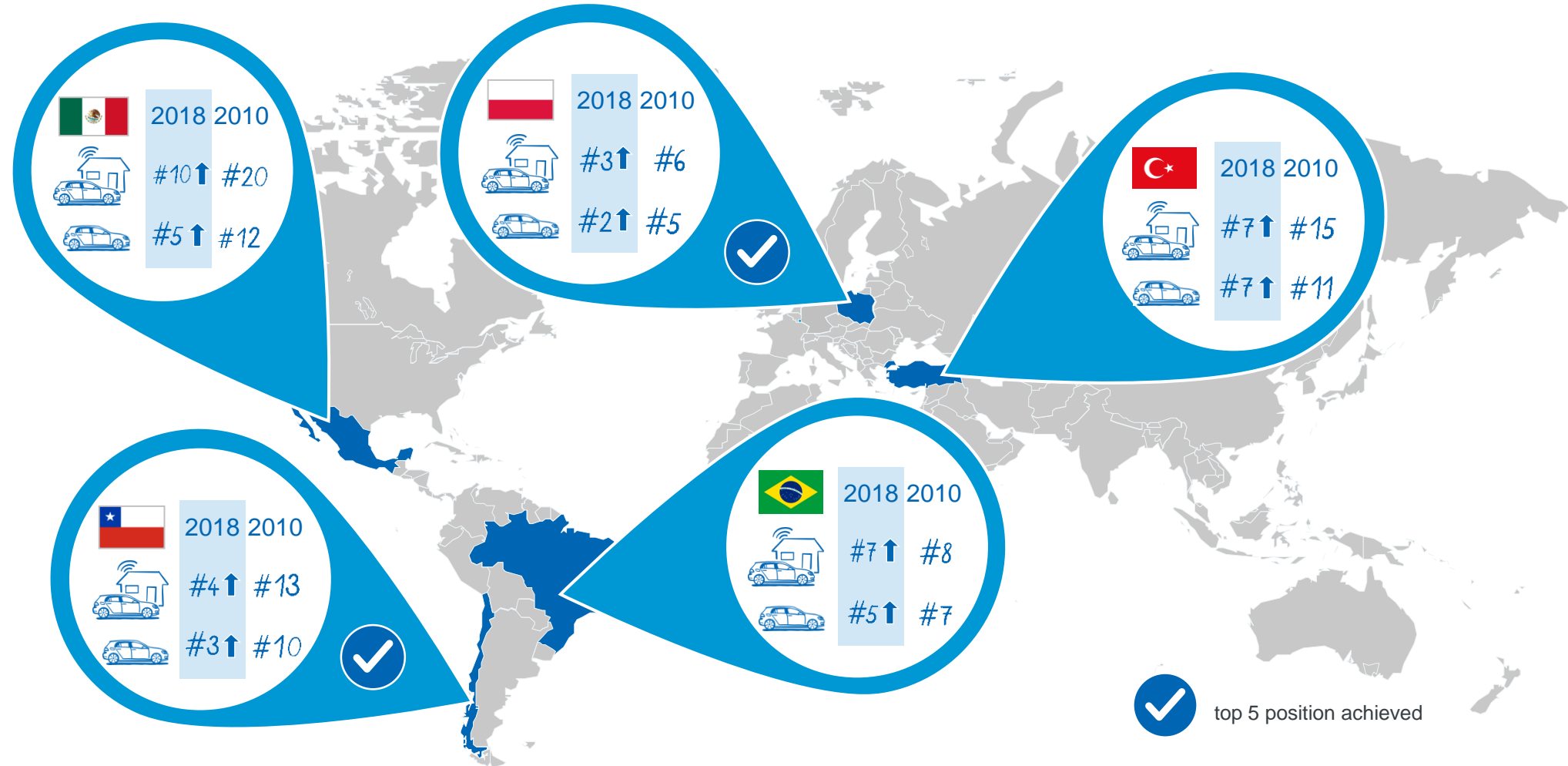
Execution

- Top 5 position achieved in 4 (motor) / 2 (non-life) out of 5 core markets
✓
- Combined ratio ~95% (2019E)
✓
- Non-life GWP growth +6% y/y (2019E)
✓
- 

8% 8-9% 10-11%
2018 2019E mid-term ambition

2 Tracking strategy – Focused divisional strategies


Retail International – Positions improved in all core markets



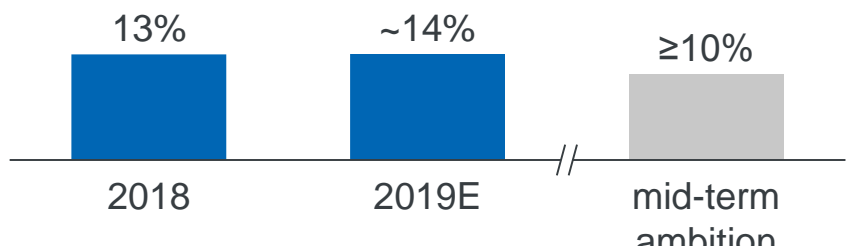
Note: Ranking by Gross written premiums. For 2018, Turkey with Liberty Sigorta and Ergo Sigorta (pro-forma). Given the broader market definition in Brazil, market position for P/C Brazil comprises HDI Global premiums

2 Tracking strategy – Focused divisional strategies Reinsurance

Focus and mid-term ambition

Focus	Reinsurance
	RoE ambition ≥10%

Execution

- Generational change successfully managed
✓
- Underwriting discipline and cost leadership in P/C
✓
- Strong contribution from Financial Solutions and active in-force management in Life
✓
- 

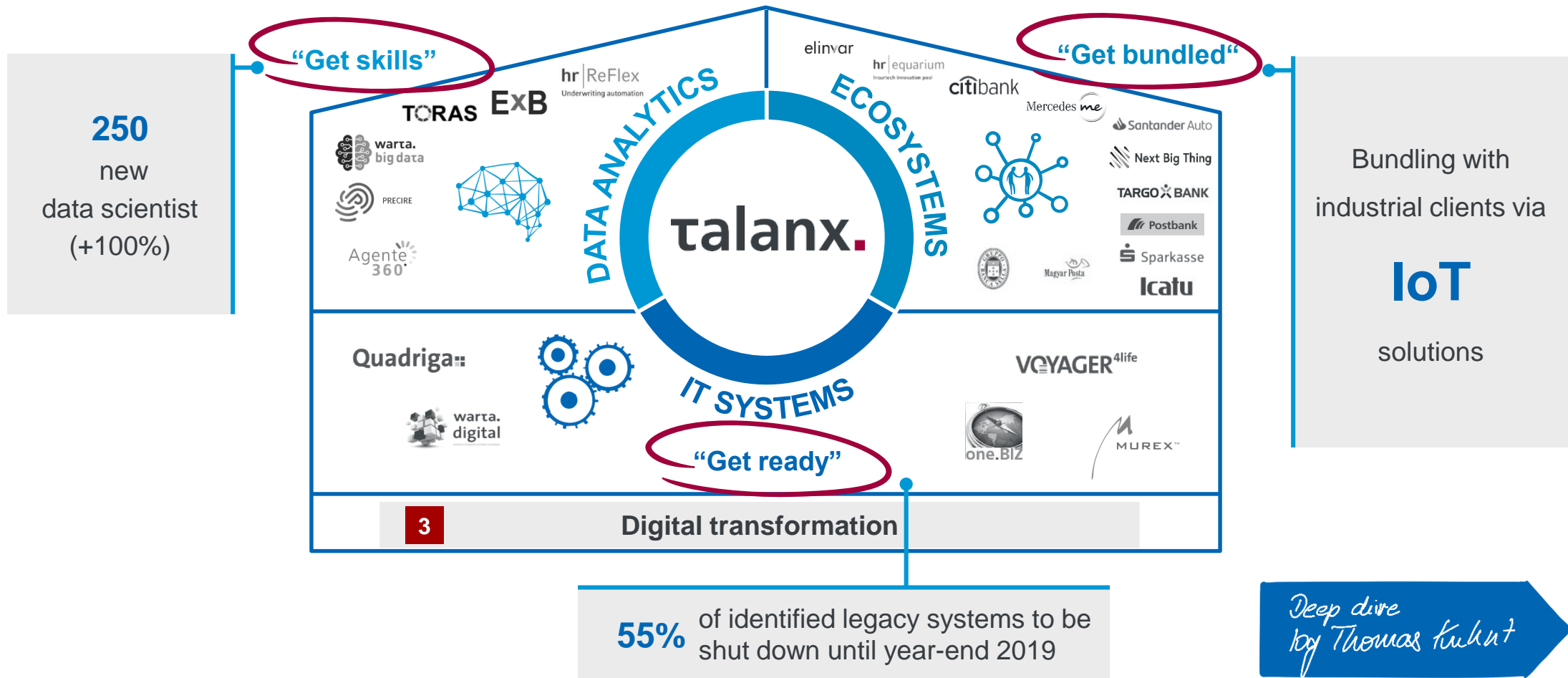
13%	~14%	≥10%
2018	2019E	mid-term ambition

✓

Note: Hannover Re presented in detail on how to “pursue the outperformance journey” on its 22nd International Investors’ Day on 23 October 2019

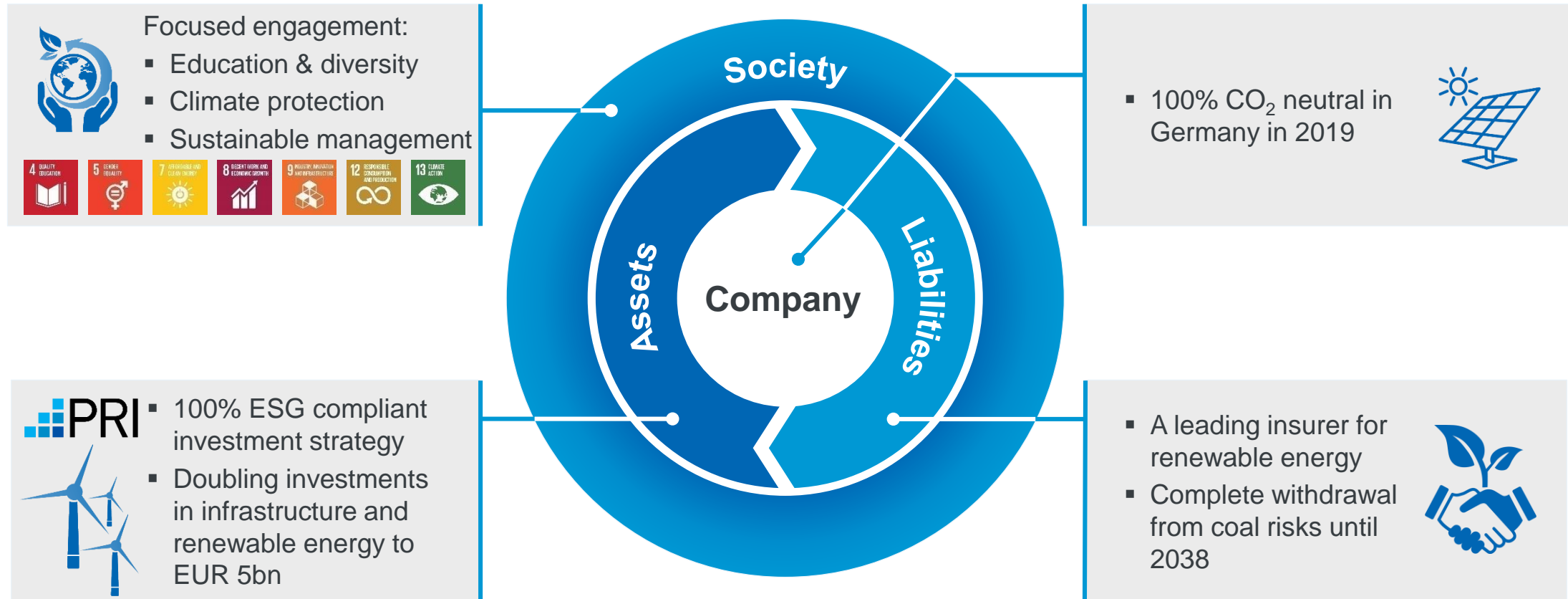
3 Tracking strategy – Digital transformation

Progress in focus topics



Traditionally different – Sustainability supporting our strategy

talanx.



Note: Talanx has committed to seven out of the United Nation's 17 Sustainable Development Goals

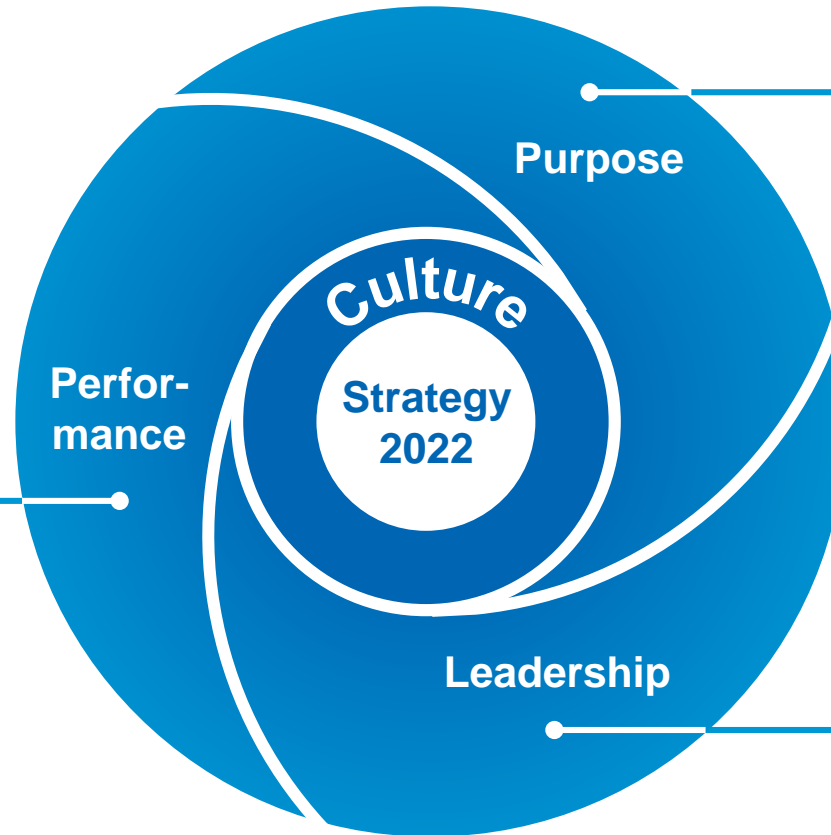
Cultural transformation

Traditionally different – “Culture eats strategy for breakfast!”

Capital Management



- Incentives:
 - Management: focus RoE
 - Employee: share programme launched
- Group wide Health Check with link to board incentive scheme



Human Capital Management

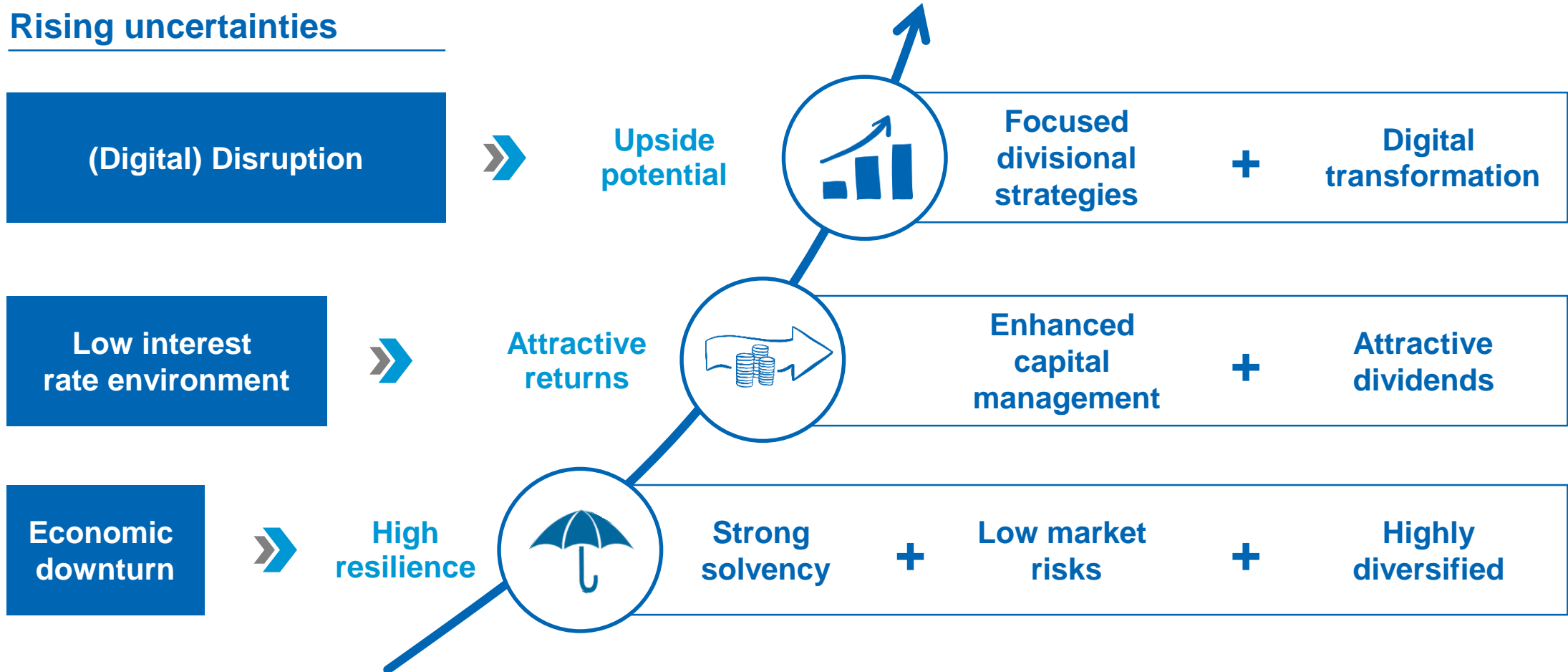


Together we take care of the unexpected and foster entrepreneurship

- New top management
- Agile leadership in place

Outlook
Our strategy – Answer to rising uncertainties

Rising uncertainties



Note: Solvency II ratio (ex transitional) 196% (9M 2019). Market risk 44% of Solvency Capital Required (9M 2019). 57% of Primary Insurance premiums come from outside Germany (9M 2019). Cash pool ('retained profits brought forward' under German GAAP) 0.8x annual dividend (2019E). Dividend yield 4.7% on average (2012-18)

Outlook

Well on track to achieve near-term targets

	9M 2019	2019E	2020E
Return on equity	10.4%	>9.5% ¹	>9.0 - 9.5%
Group net income	742 EURm	>900 EURm	>900 - 950 EURm
Return on investment	3.4%	>2.7%	~2.7%
Gross written premiums growth	11.9%	>4%	~4%

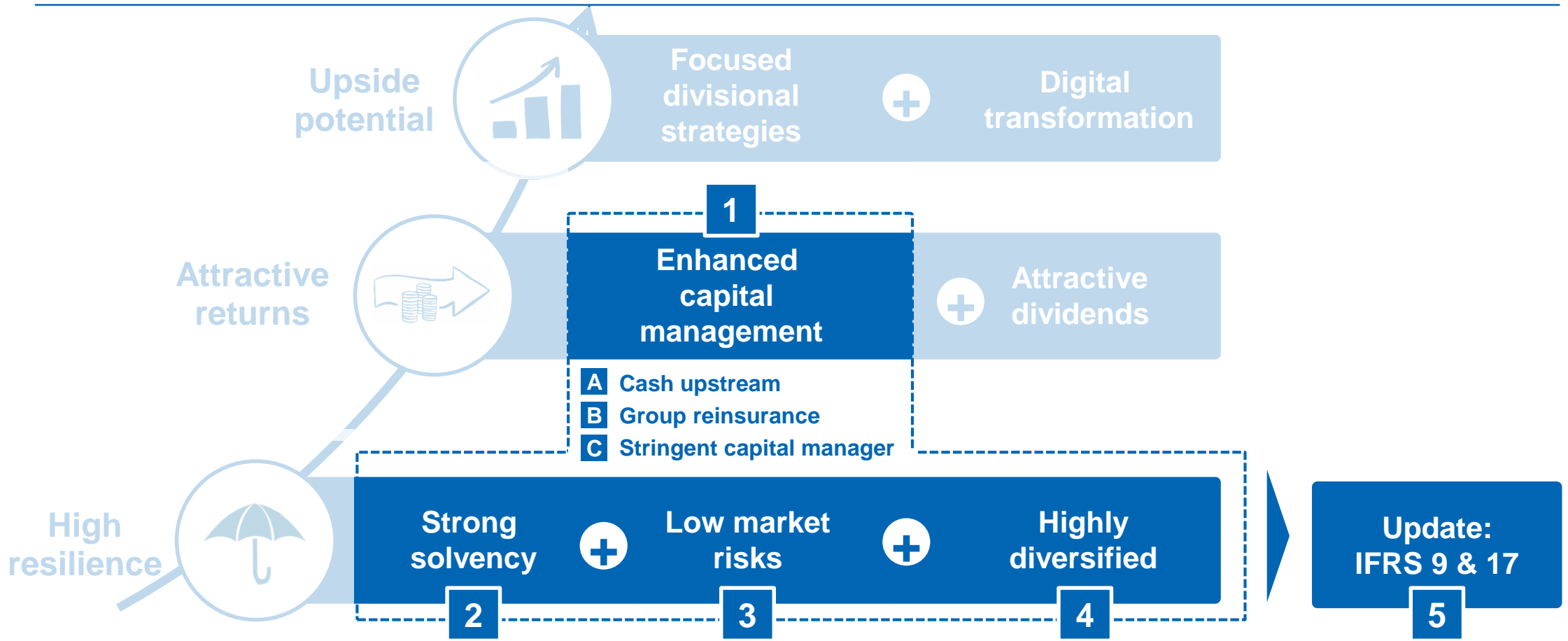
Note: Targets are subject to large losses staying within their respective annual large-loss budgets as well as no occurrence of major turmoil on currency and/or capital markets
 1 Adj. RoE 2019E >10.5%; calculation based on the ratio of net income (excl. minorities) and average shareholders' equity excluding unrealised gains & losses

Agenda

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Our strategy – the CFO perspective

Today's agenda

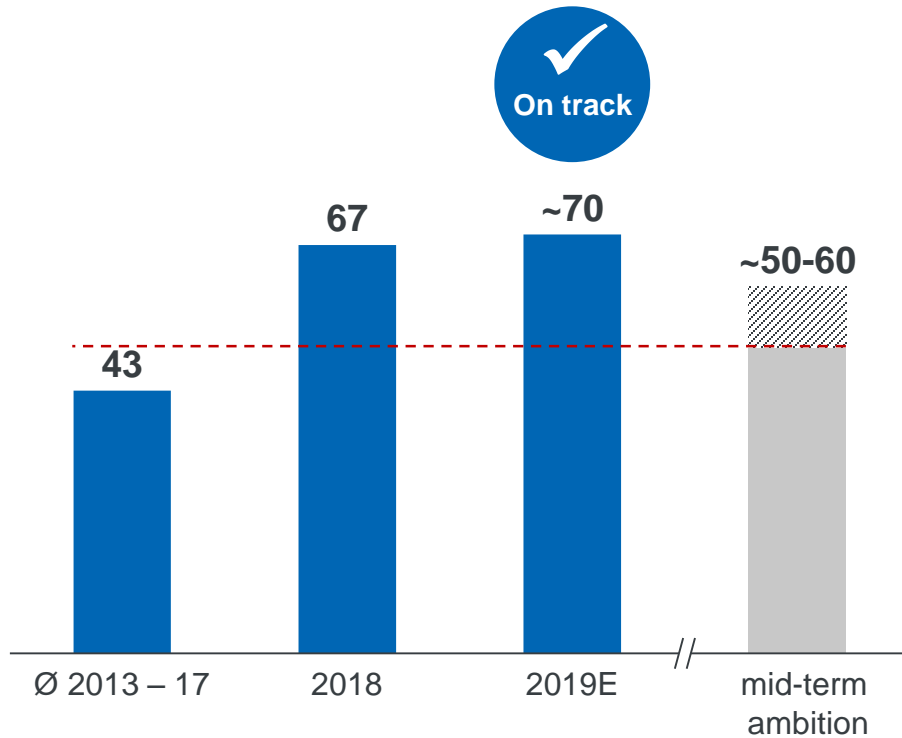


1 Enhanced capital management

Remittance ratio increased and capital upstream more than 2/3 achieved

Remittance

Remittance from affiliated companies, in %

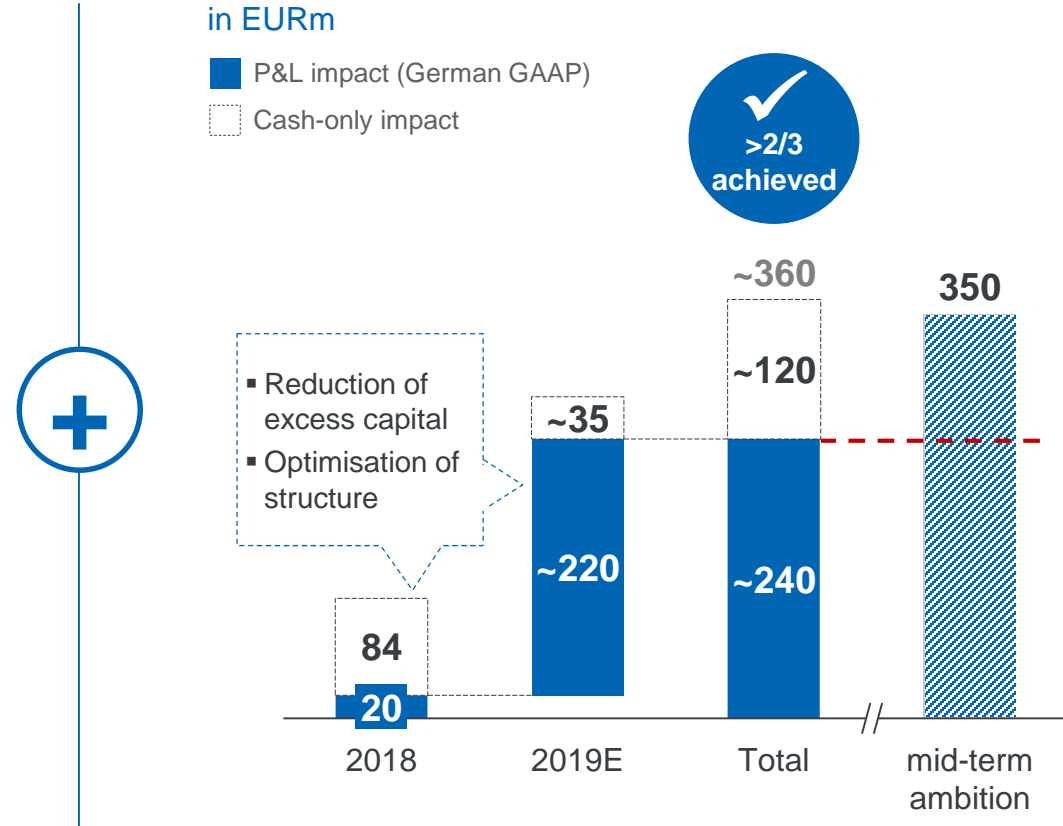


Remittance ratio: dividends and income from profit & loss transfers divided by IFRS Group net income

Capital upstream

in EURm

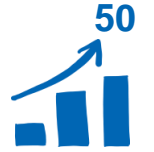
- P&L impact (German GAAP)
- Cash-only impact



1 Enhanced capital management

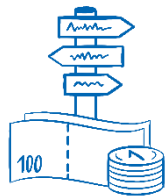
Bundling reinsurance at Group level fully on track

Value drivers/benefits




PROFIT contribution

- Profit upstream from operating entities



CAPITAL optimisation

- Insourcing diversification
- Using reinsurance as a “capital substitute”
- Utilising tax losses carried forward
- Accumulating funds

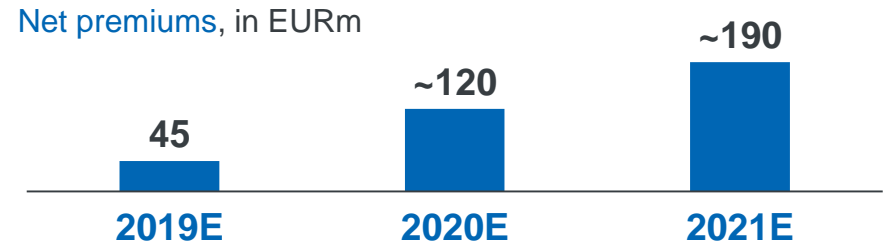
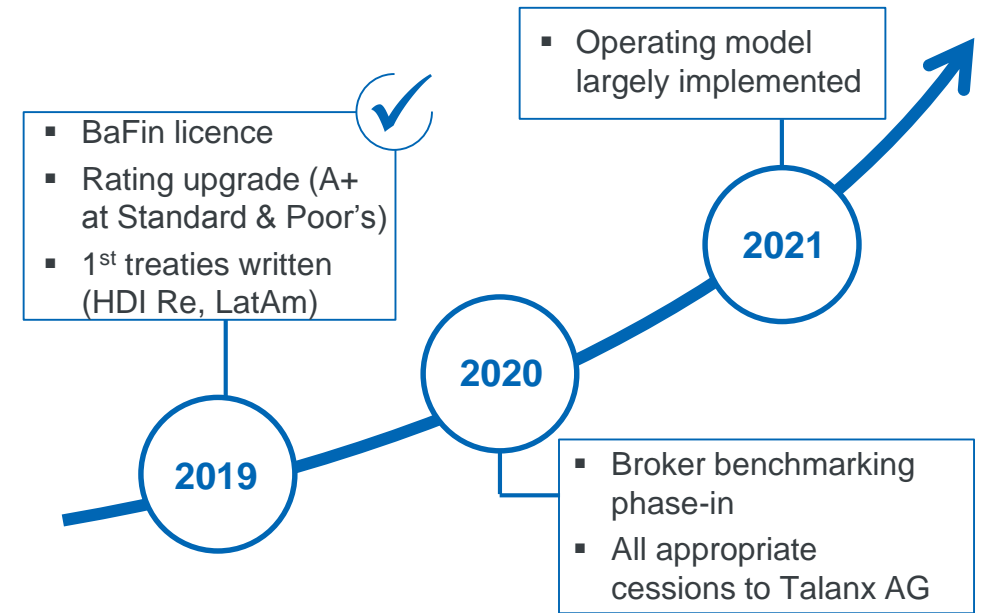


RISK management

- Managing volatility and net peak exposure within “Group risk appetite”
- Central data hub and self-retention for reinsurance risk data across Group



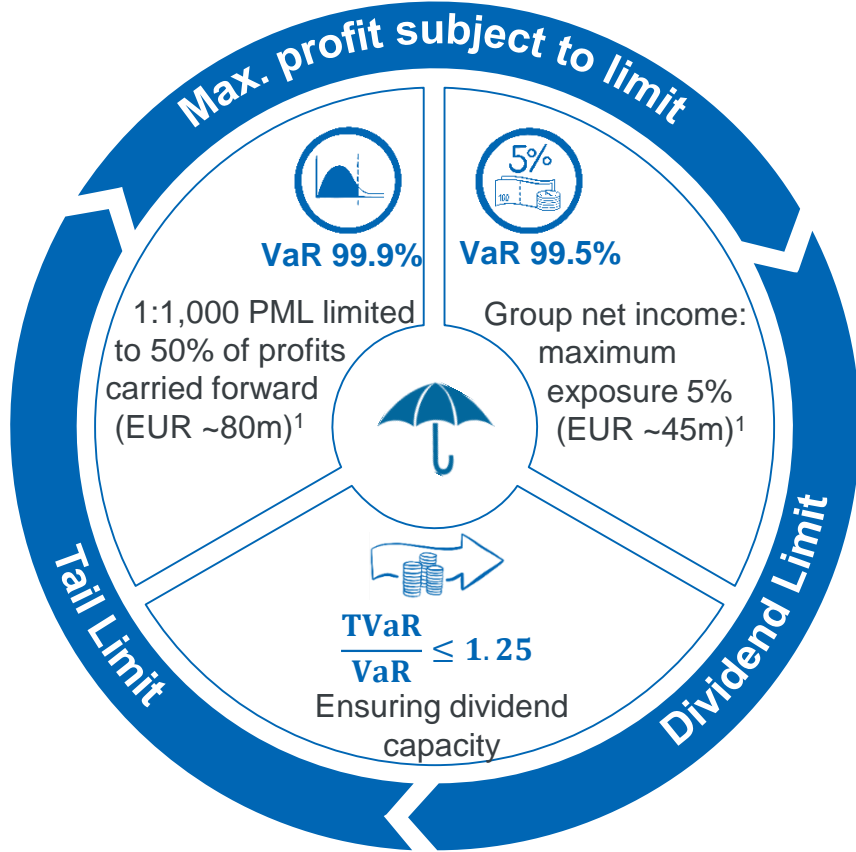
Progress



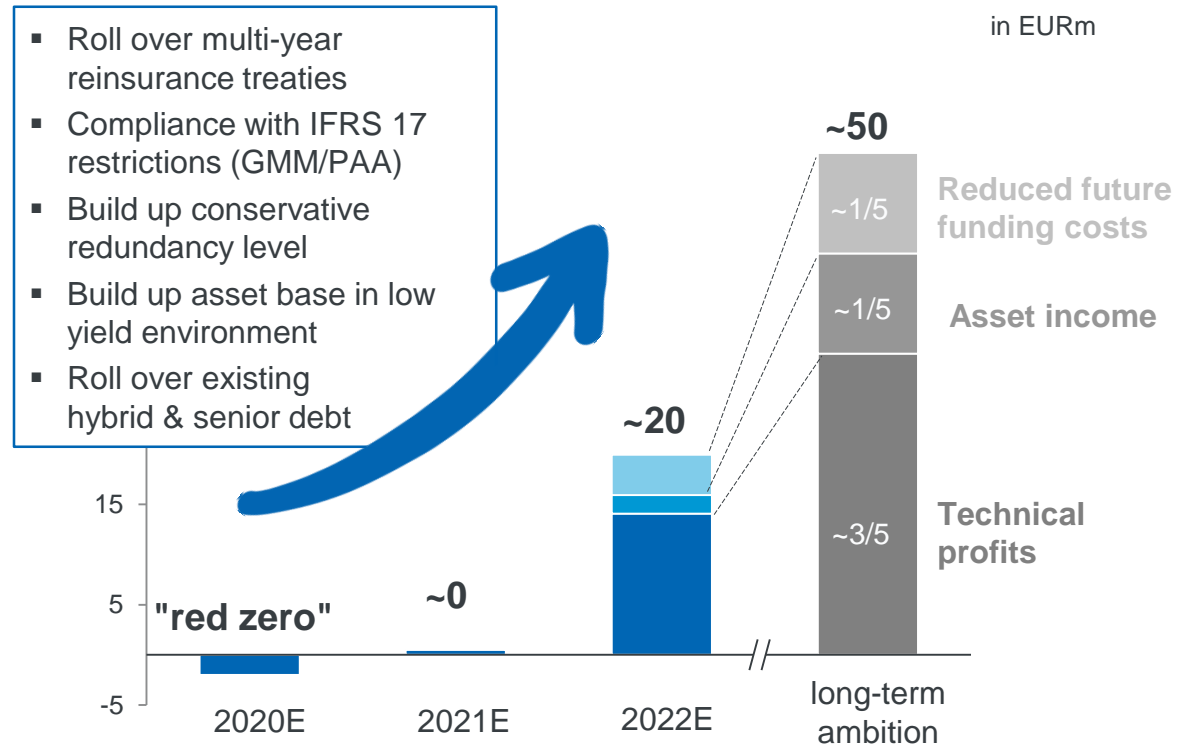
1 Enhanced capital management

Benefits “naturally” building up in accordance with risk appetite

Risk appetite



Net income contribution after ramp-up period



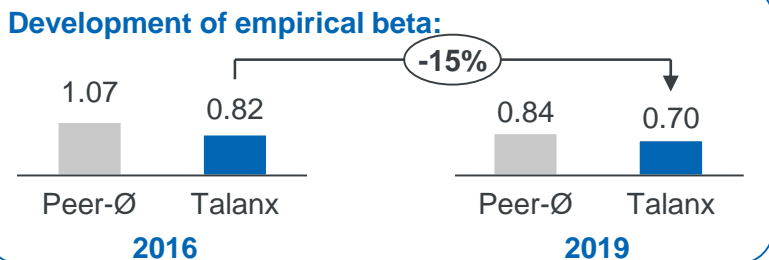
¹ Result impact related to 2020E. GMM = General Management Model, PAA = Premium Allocation Approach, PML = Probable Maximum Loss

1 Enhanced capital management

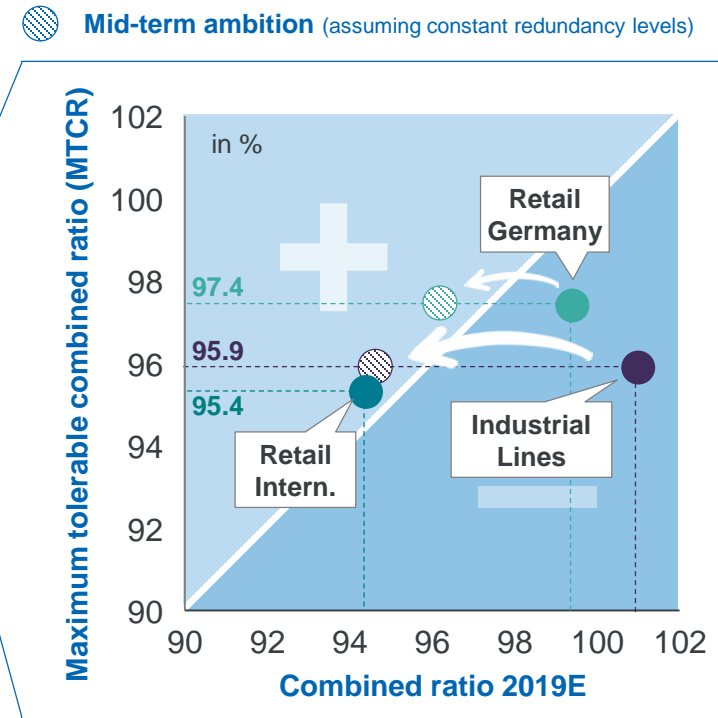
In 2019, Group RoE above CoE - target combined ratios within reach

Cost of Equity calculation

	Risk-free	+	Group beta 5yrsØ	x	Adjustm. factor	x	Market-risk	+	Frictional cost	=	CoE	
Group	1.5%				1.00						6.9%	↓
Industrial Lines	0.5%				1.07						6.2%	↓
Retail Germany	0.4%		0.85		2.20		4.0%		2.0%		9.9%	↓
Retail Intern.	3.3%				1.54						10.5%	↑
Reinsurance	0.8%				0.65						5.0%	↓



MTCR matrix (based on CoE)



Note: Risk-free rate is FX exposure-weighted. 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

Empirical beta calculated vs EuroStoxx 600 index. Peer group: Allianz, AXA, Generali, Mapfre, Munich Re, Swiss Re, Vienna Insurance Group, Zurich. 2019 calculation from January to October

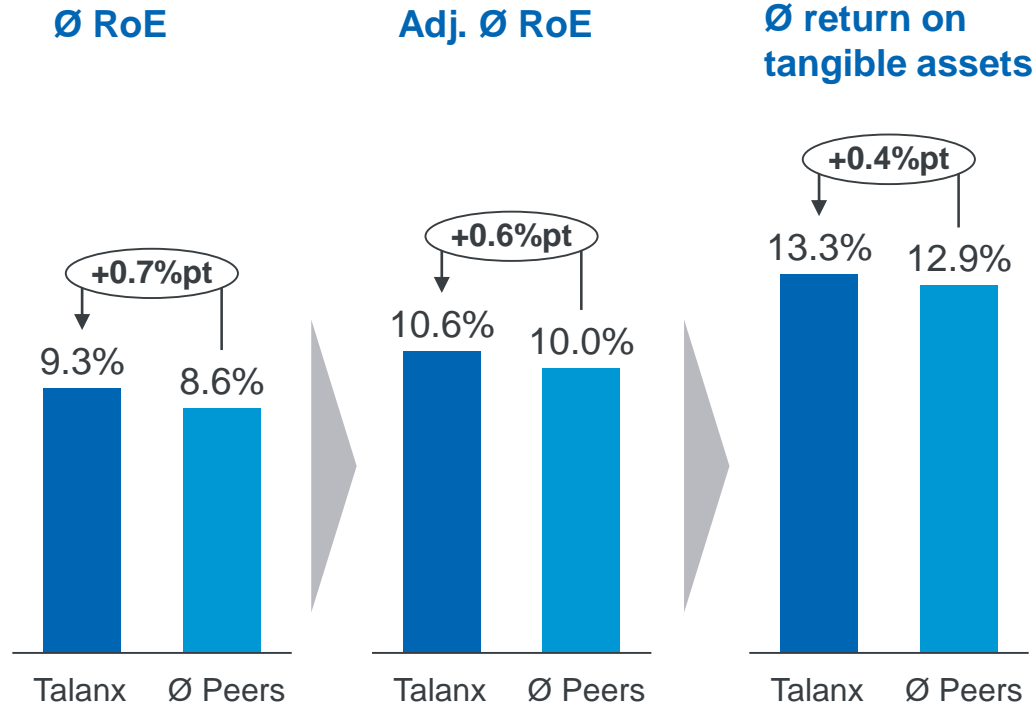
Return on Equity

RoE mid-term ambition	RoE 2019E
≥800bp + risk-free _G	>9.5%
8-10%	~4%
7-8%	~5%
10-11%	8-9%
≥ 10%	~14%

1 Enhanced capital management

Talanx with continuous strong performance and favourable risk-return profile

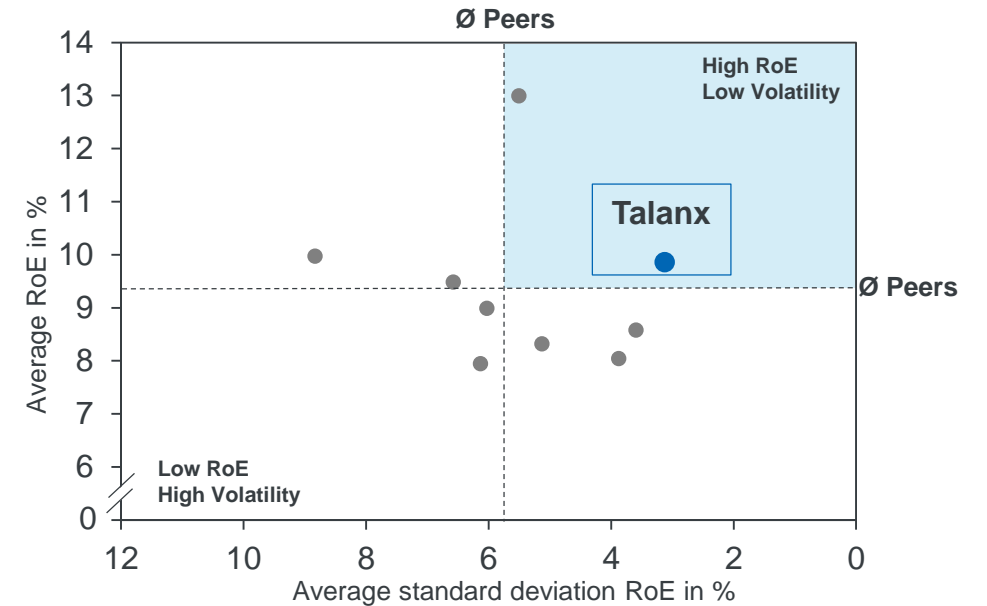
RoE above peer average



Note: All figures 2012-2018.
 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 (2001-2018)

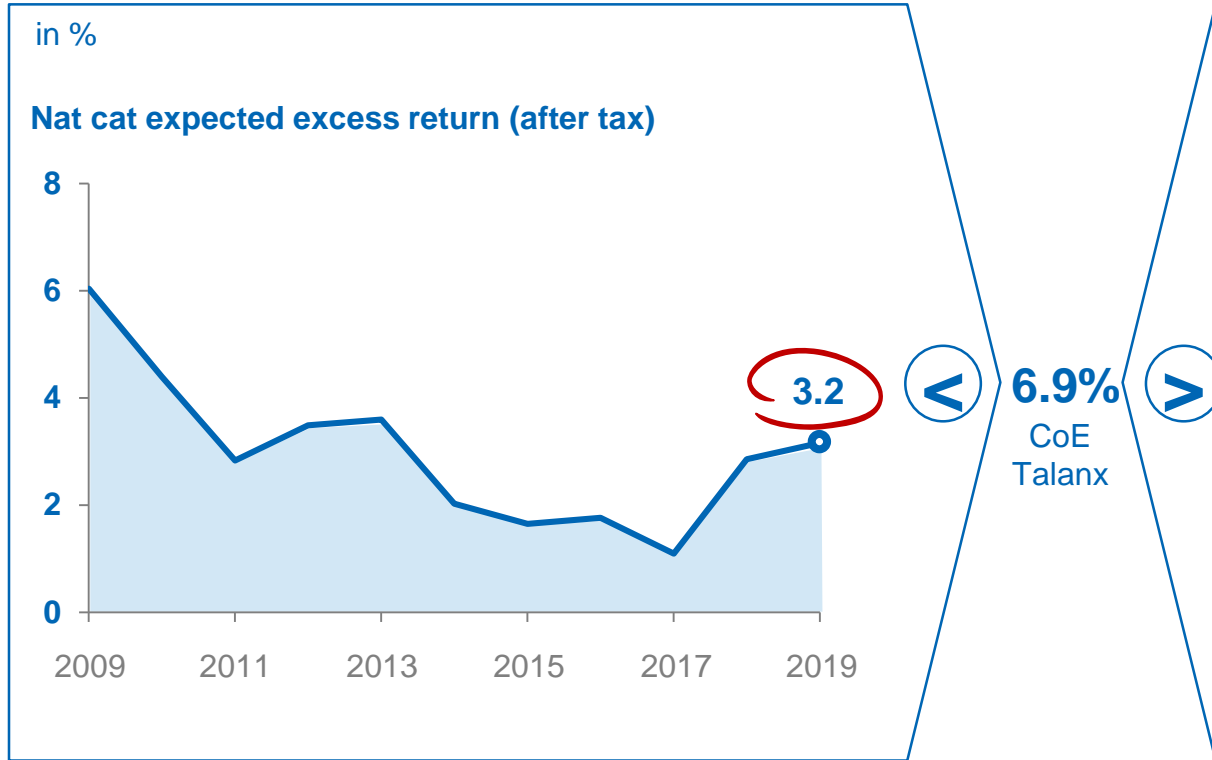


Note: Own calculations. RoE based on the ratio of net income (excl. minorities) and average shareholders' equity
 Source: RoE 2001-2010 KPMG; 2011-2018 annual reports

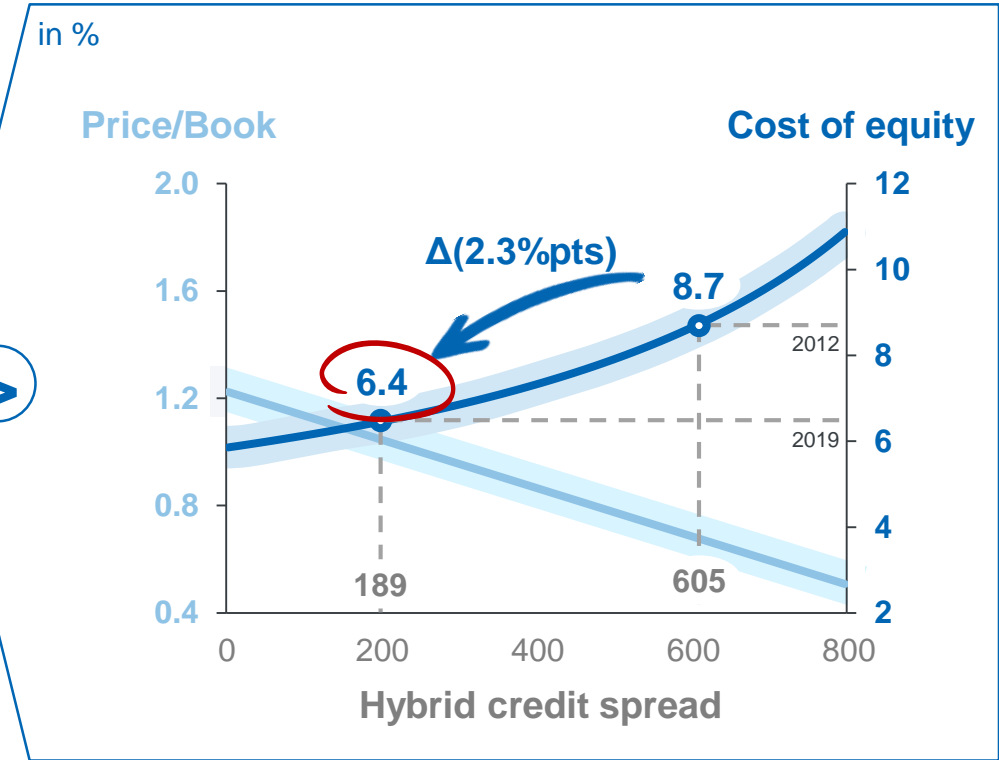
1 Enhanced capital management

Bond market perspectives to double-check our CoE assumptions

CoE proxy by cat bond yields



CoE by spread-driven reverse Gordon approach



Note: Reverse Gordon approach: $\frac{P}{B} = \left(\frac{E}{B}\right) \times \frac{P}{E} = RoE \times \frac{P}{E} = RoE * \frac{\left(\frac{D}{CoE - w}\right)}{E} \rightarrow CoE = \frac{D}{E} \times \frac{RoE}{\frac{P}{B}} + w$

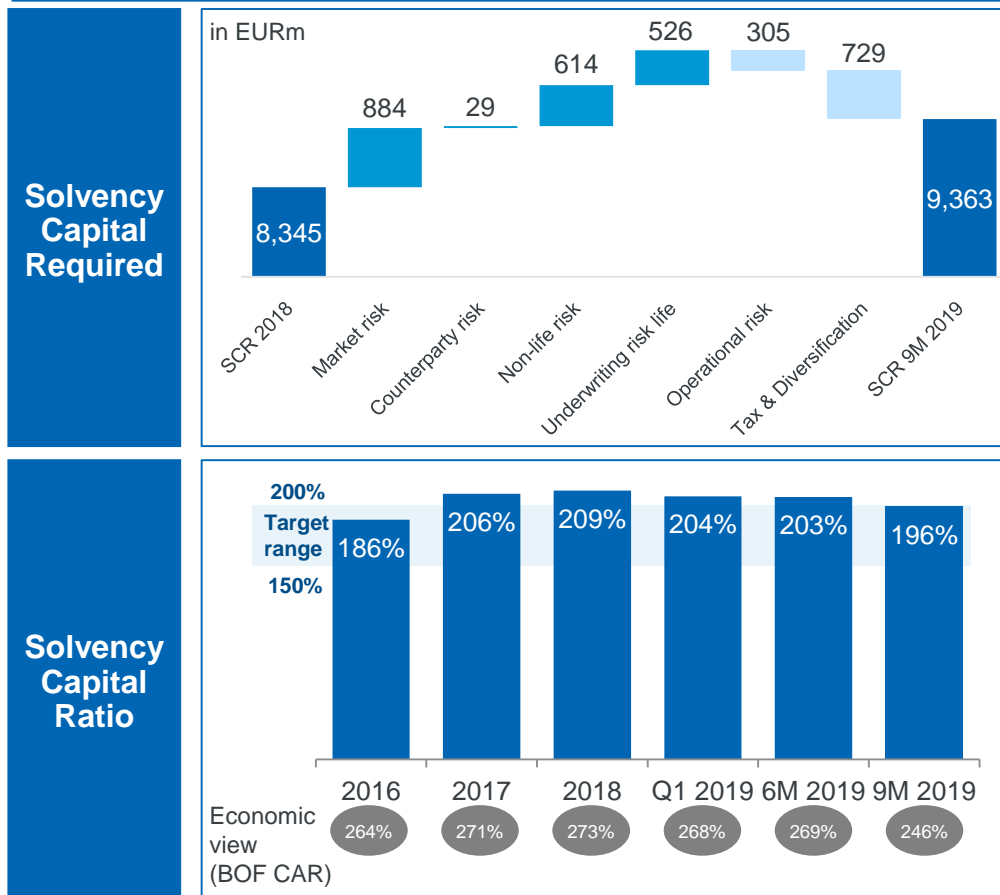
Source: Own research and calculation based on market data Ø 2012-18 (Allianz, AXA, Swiss Re, Zurich, Munich RE, Mapfre, Generali, VIG, Talanx); assumptions: RoE = 8.7%, w (GWP growth) = 2.3%; D/E (payout ratio) = 50%; P/B based on panel data regression = 1.22 x 0.000895 x credit spread; Talanx credit spread based on TLX300 and A1G3BP

Source: Lane Financial, own tax assumption of ~30% tax rate

2 Strong solvency

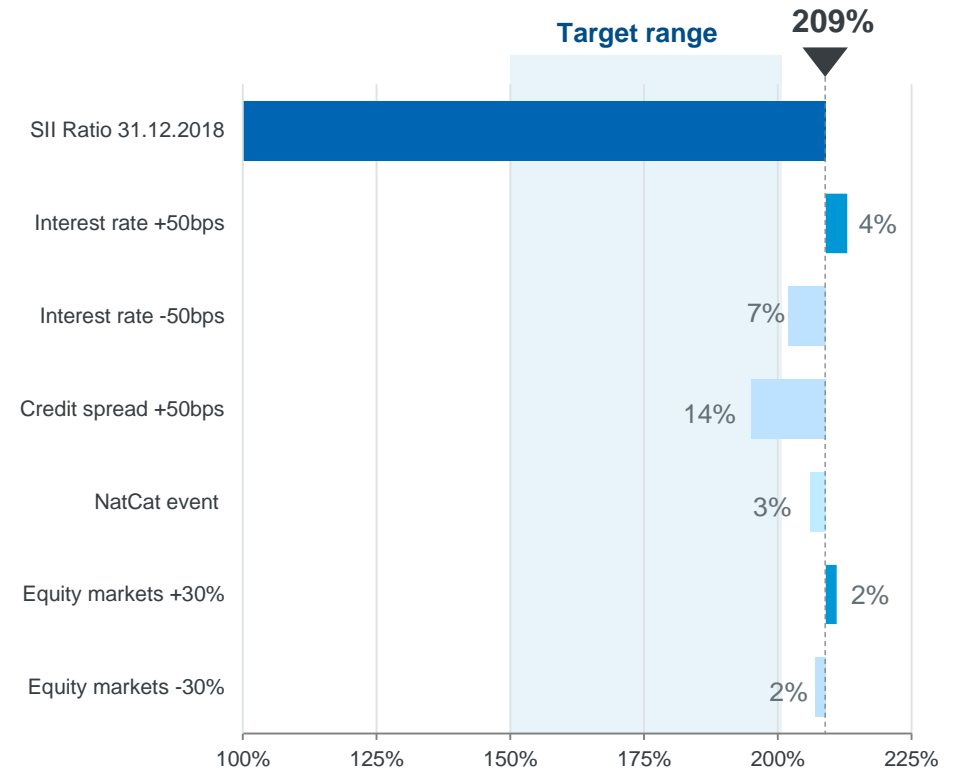
Solid Group capitalisation reflects strong resilience

Solid capitalisation (regulatory view)



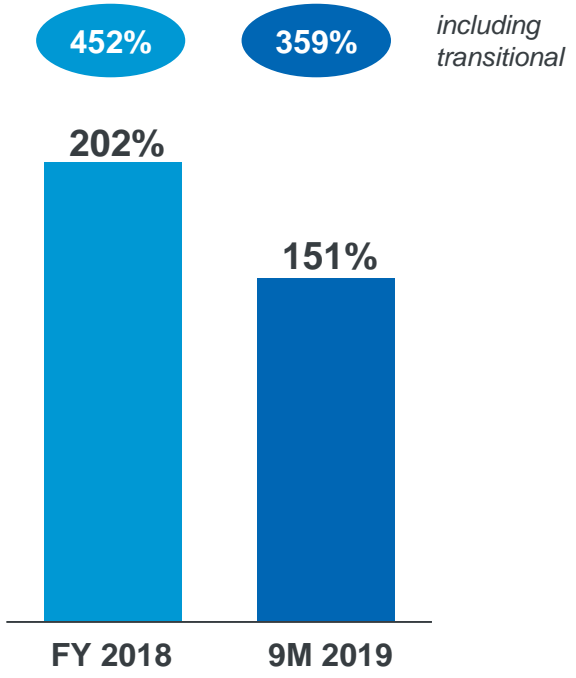
Note: Regulatory view without transitional

Limited stress impact (as per year-end 2018)

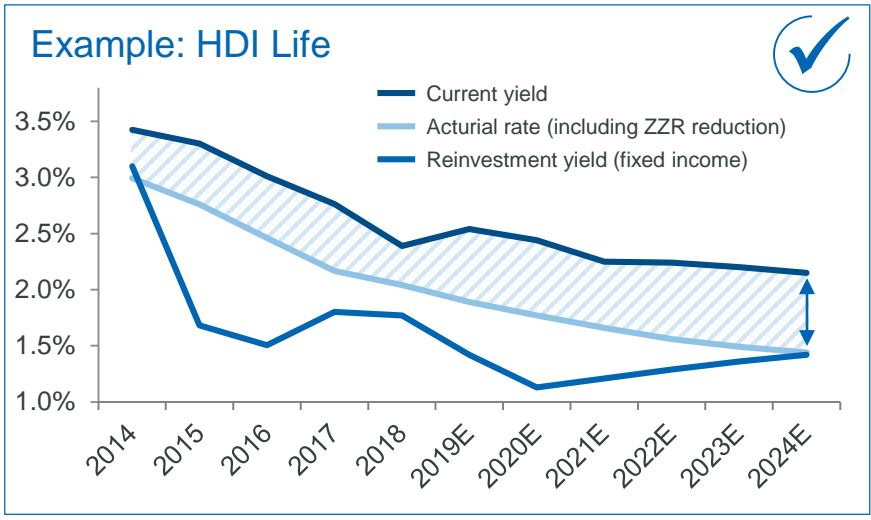


2 Strong solvency Robust capital position also in German life business

Solvency ratios: Retail Germany Life



Retail Germany Life CARs in 9M 2019 impacted by decrease in interest rates



Capital position remains robust

Note: Numbers show weighted average of single CARs; if not otherwise stated all figures are based on regulatory view without transitional. Solvency ratio HDI Life (without transitional): 206% for 9M 2019 (254% for FY 2018)

2 Strong solvency

Model changes 2018 with positive SII ratio impact - further improvement potential

Internal model parameter changes & outlook

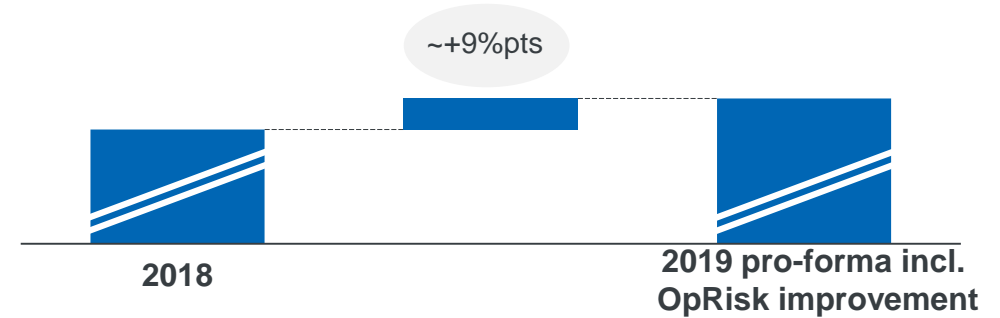
	2018		2019E ²		2020E ² Outlook	
	SCR	Own Funds	SCR	Own Funds	SCR	Own Funds
Covered bonds/CLOs				
OpRisk (Primary Group)			↓	↗		
Asset correlation coverage et al. ¹	↑	↗	↑	↗		
Lower interest rate drift			↖	→		
Dynamic ¹ & static volatility adj. (P/C)	→	↗	↓	↘		
Counterparty default	↖	→				
RITA			→	→		
HDI Global Specialty			→	→		
Aggregate	-2.2%	+3.8%	↓	→	→	→
Combined CAR impact	+13%-pts.		↗		→	

1 Change in Own Funds due to haircut, 2 subject to BaFin approval

Model updates in 2018 have resulted in an increase in Solvency II ratio

Upcoming model improvements with an expected positive impact on Solvency II ratio

Impact from OpRisk improvement on Solvency II CAR

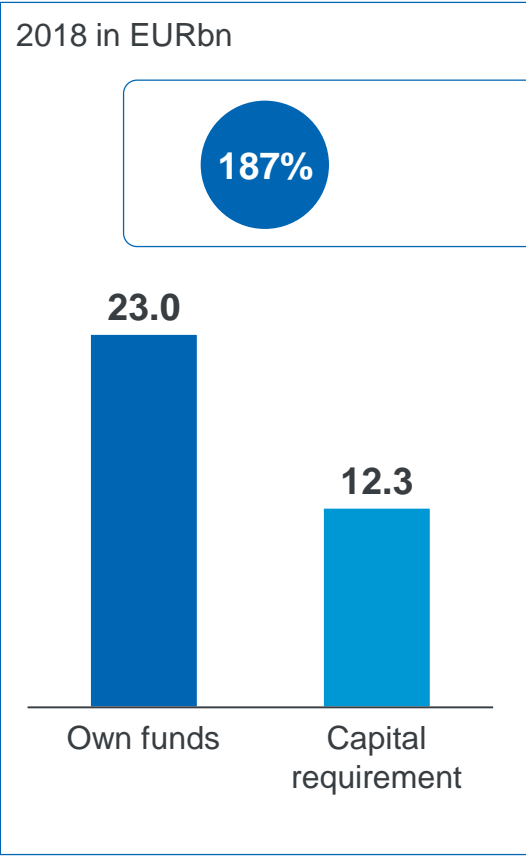


Baseline: Eligible Own Funds (EOF) = EUR 17.4bn; Solvency Capital Required (SCR) = EUR 8.3bn

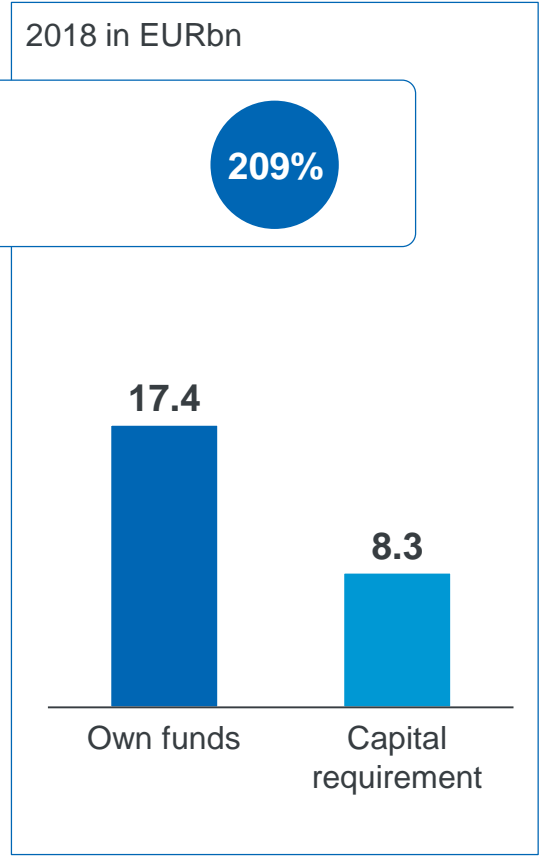
2 Strong solvency

Strong resilience also reflected by new draft Insurance Capital Standards (ICS) field study

Insurance Capital Standards



Solvency II



ICS ratio at solid 187%

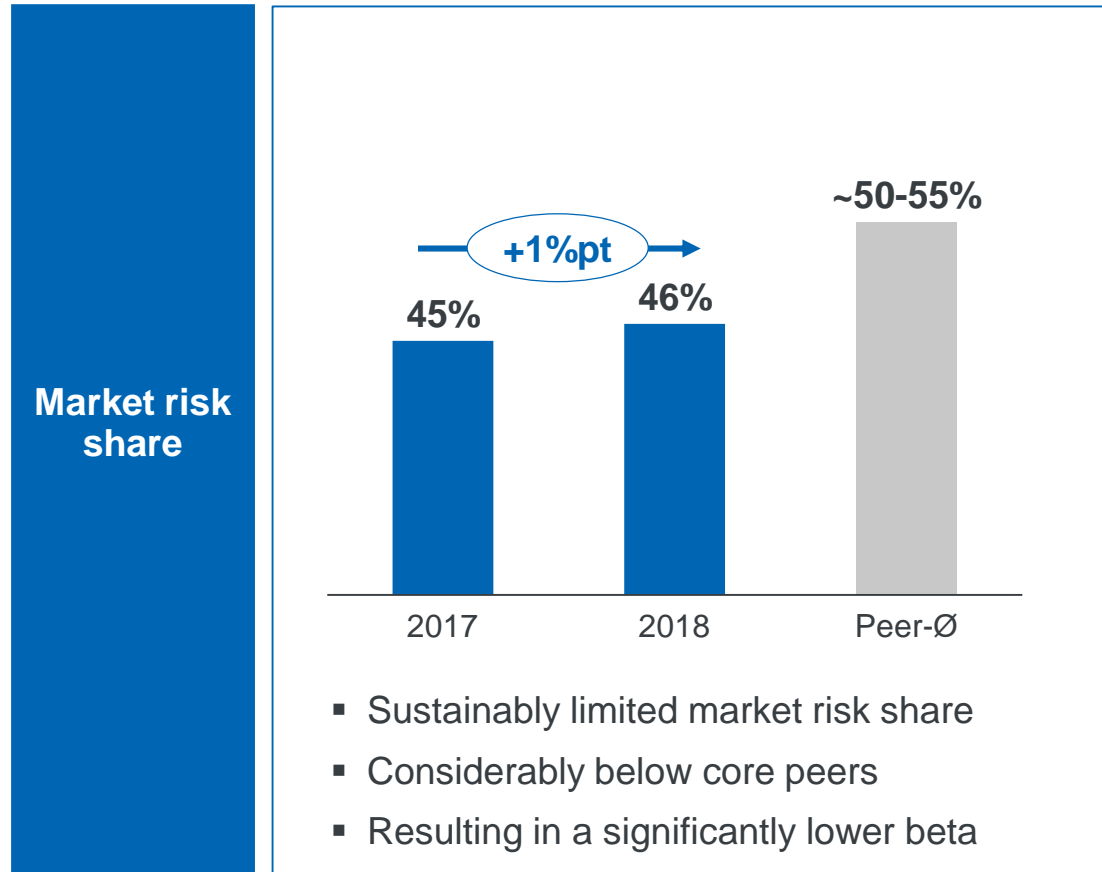
Under ICS, no haircut effects are taken into account, leading to higher own funds compared to Solvency II

Yet, calculation of capital requirement under ICS more conservatively calibrated, resulting in higher underwriting risk (life and non-life)

3 Low market risk

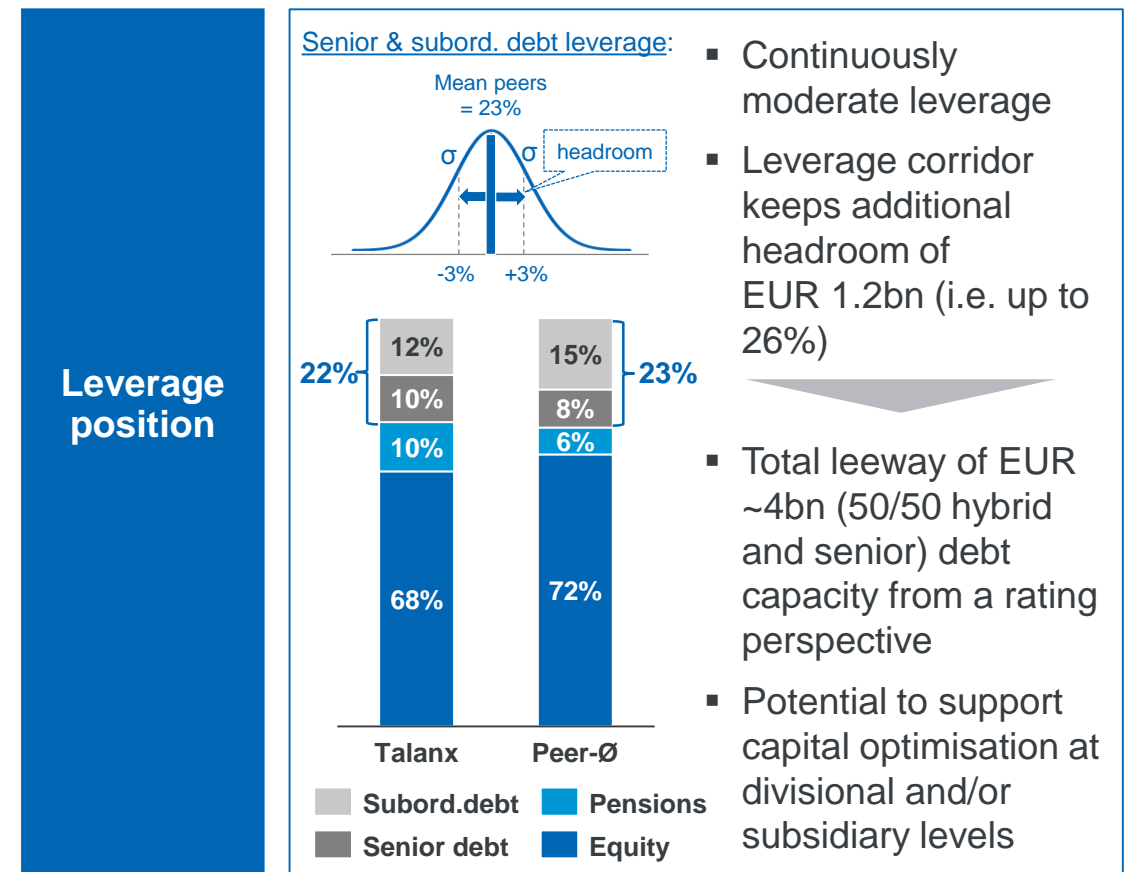
Prudent market risk and moderate leverage compared to peers

Prudent market risk



Source: Own calculation based on SFCR publications

Moderate leverage



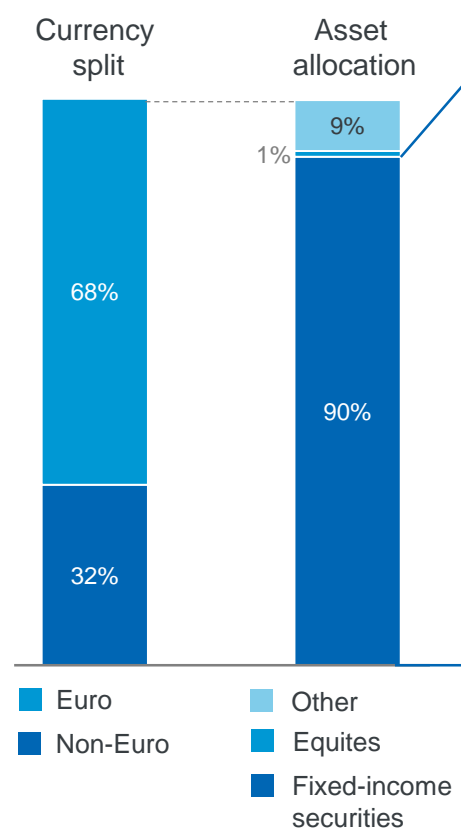
Source: Company reports, own calculation, figures as of 30 June 2019; stated as % of total capital
 Note: Q4 hybrid issue of Hannover Re considered in leverage position and "headroom" with a net EUR 250m

4 Highly diversified - Asset portfolio

Strong resilience also reflected in solid asset portfolio

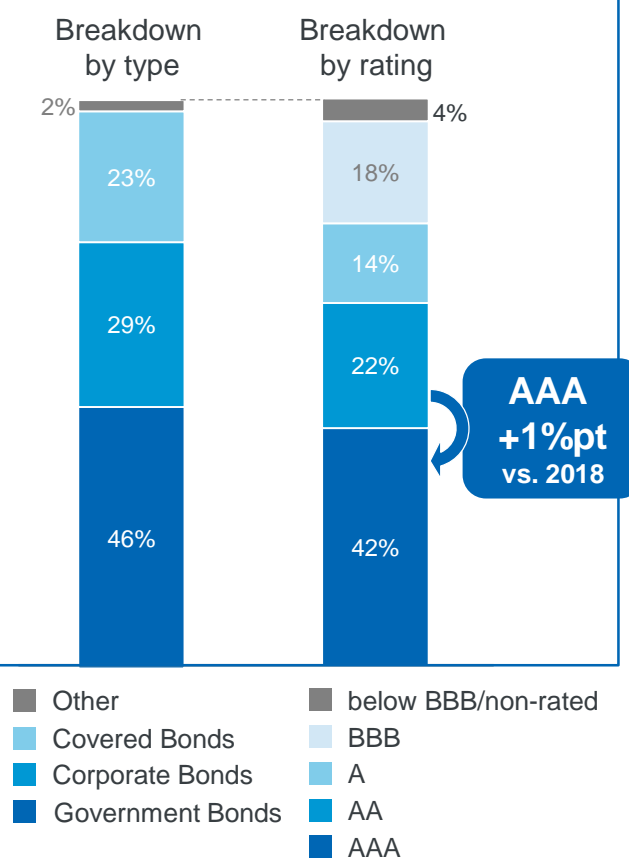
Investment portfolio

30 September 2019: EUR 123.1bn

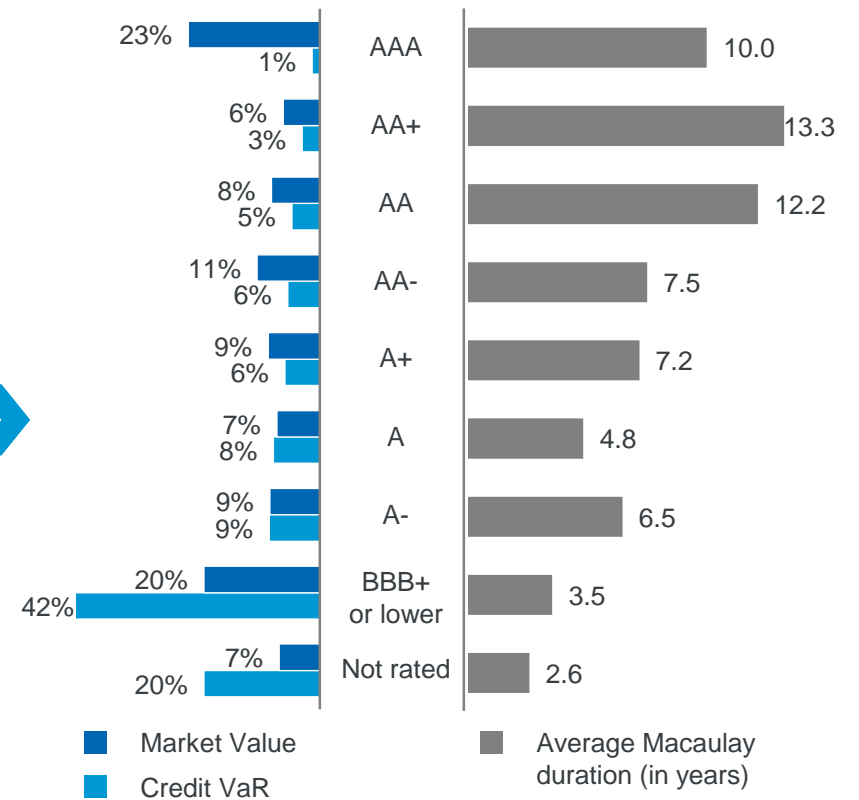


Fixed income portfolio split

30 September 2019: EUR 110.5bn



Credit VaR & Macaulay duration

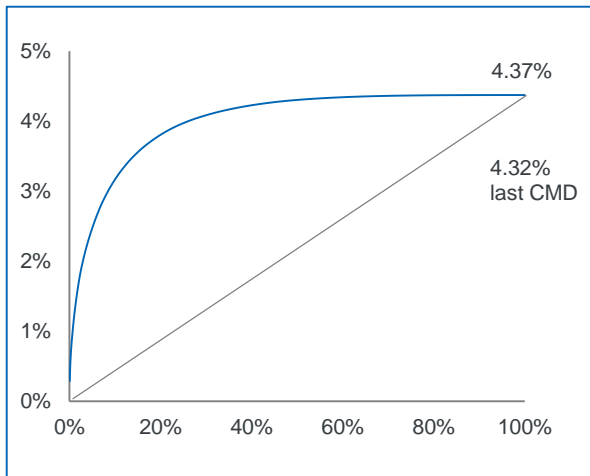


Note: Positions without external ratings (esp. funds and equity investments) shown as not rated. Credit VaR metric particularly depends on maturity and specific loss-default assumptions

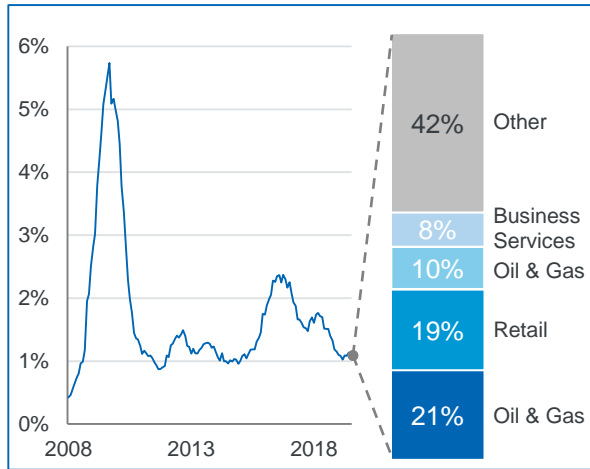
4 Highly diversified - Asset portfolio

Credit spread risks may develop into a long-term top challenge

CVaR by share of issuers

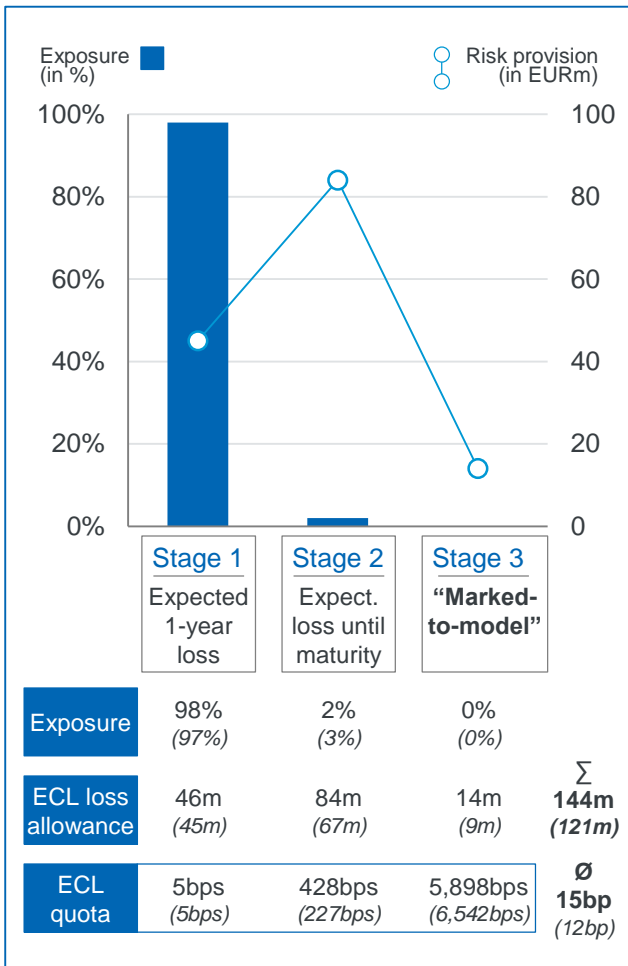


Corporate default rate & distribution



ECL = Expected Credit Loss

IFRS 9
Expected credit loss model simulation

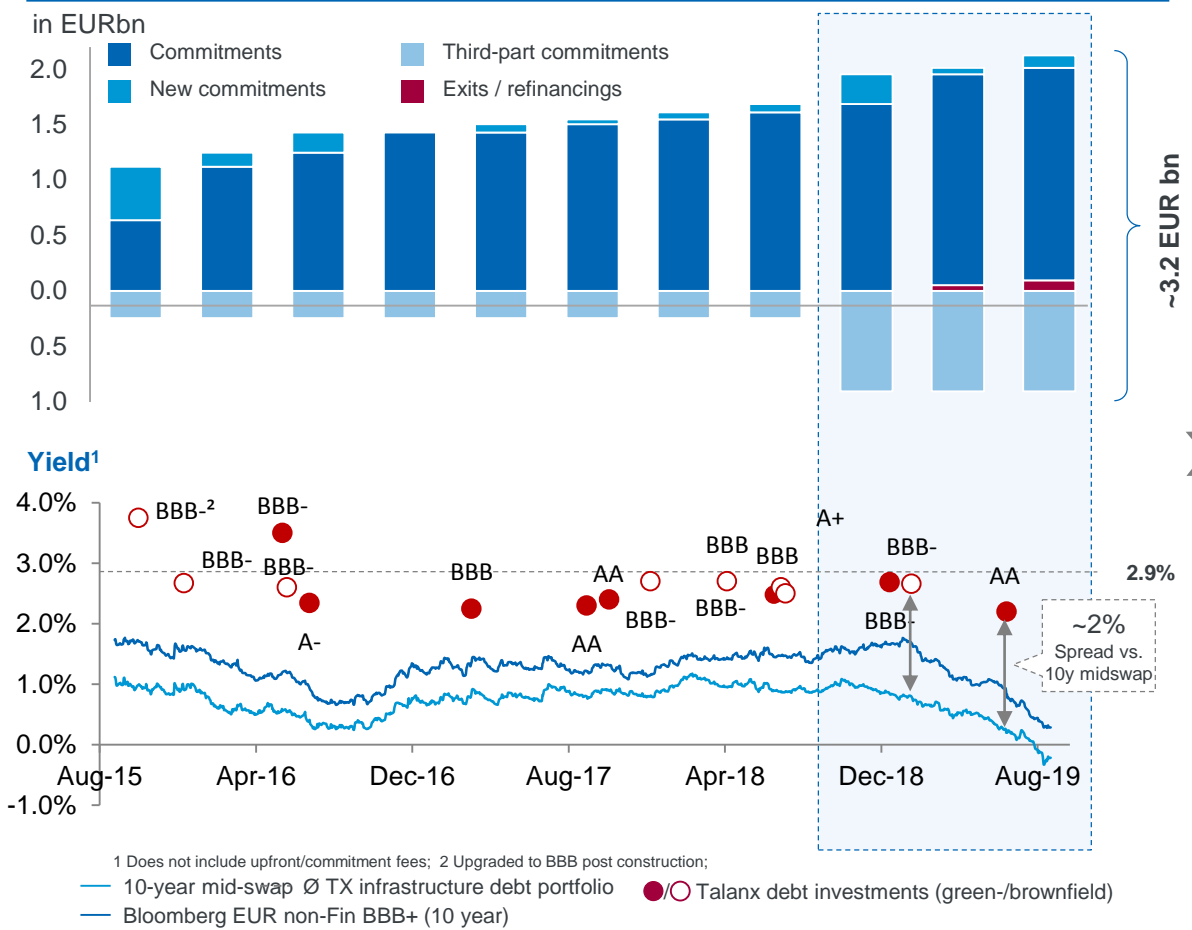


No material defaults or distressed exposures in assets managed by Talanx Asset Management e.g. Thomas Cook

4 Highly diversified - Asset portfolio

Infrastructure investments still delivering sustainable returns

Expansion of infrastructure investments



- 1 EUR 2.2bn direct infrastructure investment commitments, with ~10-year weighted-average life @ BBB + Ø rating
- 2 EUR 1bn of third-party investors attracted to Talanx sourced and structured transactions
- 3 Long-term target up to 5% of invested assets

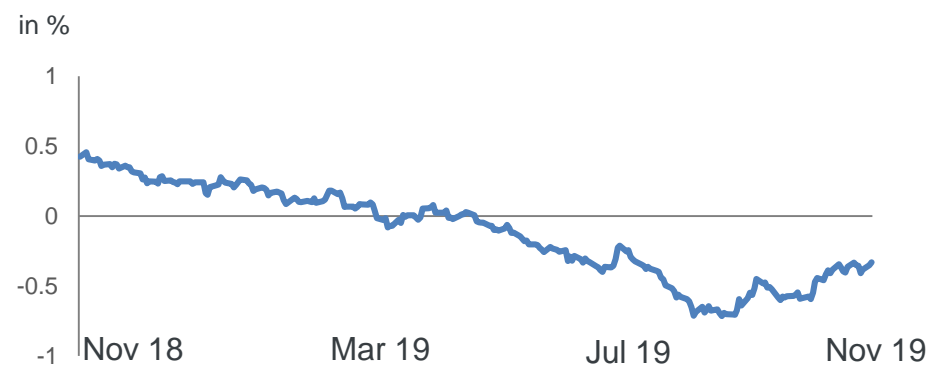
Further innovative transactions

- Since 2017, three transactions with credit insurance to enhance the risk profile
- In June 2019, first credit-insured solar project bond in Europe

4 Highly diversified - Asset portfolio
 Not only German tabloid readers suffer from QE



German 10-year bond yield



"We have reached a point at which the industry should be outspoken how detrimental the low-interest rate environment is to its business model and its ability to provide capital-backed pensions."
 - Dr. Frank Grund (BaFin)

Challenges

- 1 Average re-investment yield down by 100 basis points since last CMD
- 2 Translating into unrealised on- and off-balance sheet reserves of EUR 15bn
- 3 Downward EBIT pressure of EUR ~60m p.a. (delta Group net income of EUR ~25m p.a.)

Keeping growth path (EUR 850m, + ≥5% p.a.) translates into operating improvement given limited investment opportunities

Note: 1% (100bps) x ~7% (assets re-invested, avg. duration ~7.5y) x EUR ~110bn (AuM) x ~33% (Δ Group net income / Δ net investment income) = EUR ~25m Group net income. Quote of Dr. Frank Grund in *Börsen-Zeitung*, 30 October 2019 translated from German language

4 Highly diversified - Asset portfolio

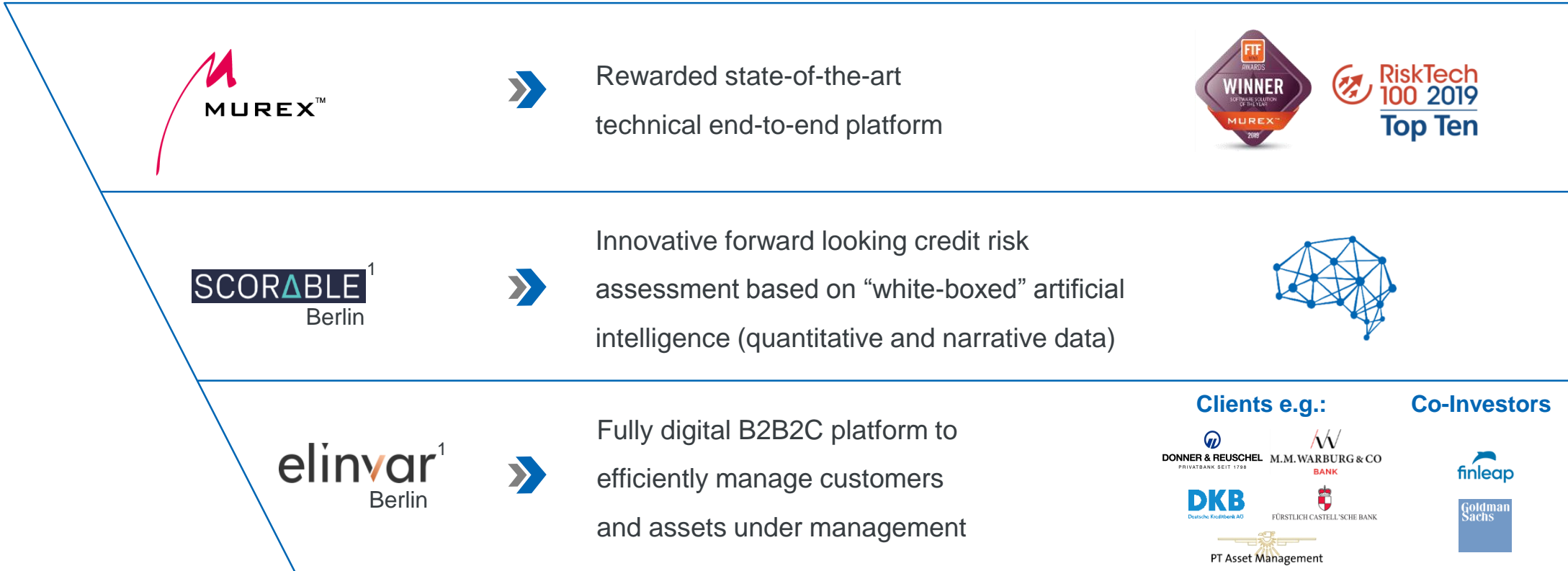
Digital transformation in asset management is speeding up

Business integration

Technology

High

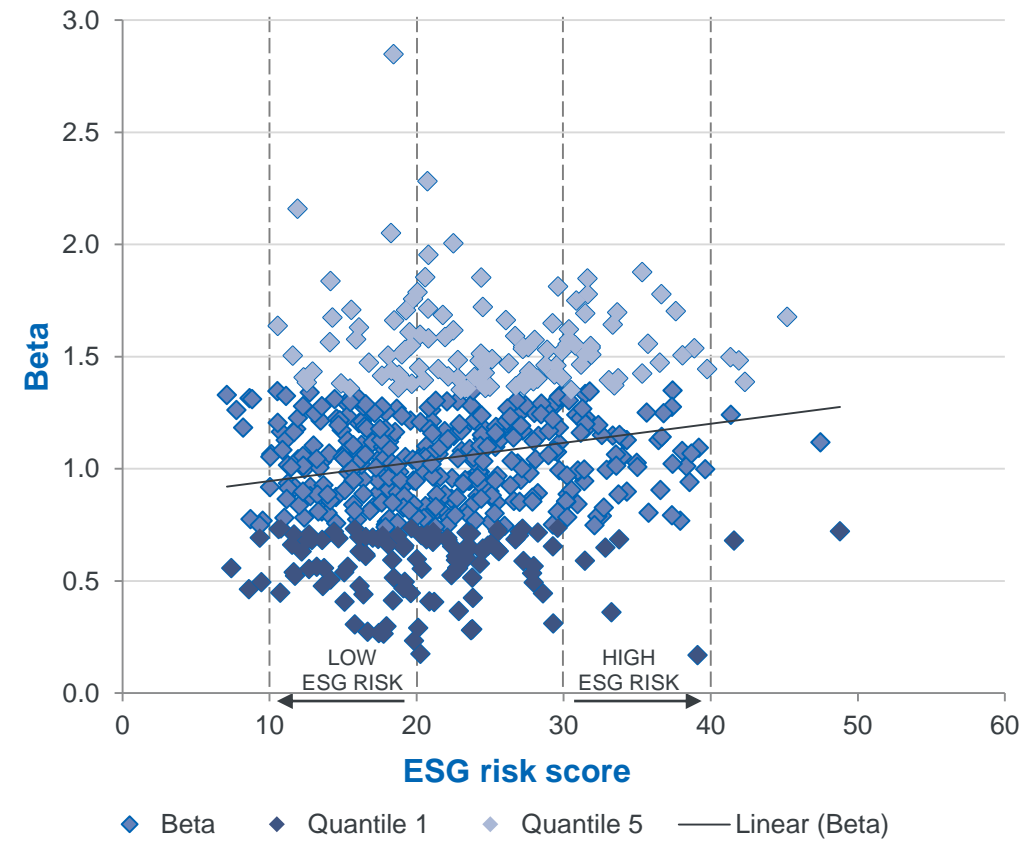
Low



1 Substantial equity interest held by Talanx

4 Highly diversified - Asset portfolio ESG to further back Talanx's low-beta profile

Correlation of low beta & ESG



ESG & low beta

	<p>ESG and low beta positively correlated</p>
	<p>Prudent investment strategy typically comes up with best of breed ESG scores</p>
	<p>Intrinsic ESG approach already reflected in Talanx's low beta</p>
	<ul style="list-style-type: none"> Leveraging momentum through innovative ESG products, i.e. TerrAssisi Aktien <p>Signatory of: Principles for Responsible Investment </p>

Source: Own research, Ampega Asset Management. Positioned in the top ESG quintile according to analysis of 42 Sustainability Reports of German insurances by Zielke Research Consult in *Versicherungswirtschaft*, August 2019

5 Excursion – IFRS 9 & 17

Talanx has undertaken impact assessment on solo entity level

Talanx preferences

Impact (as per 31 Dec 2018)

Areas of concern & dissatisfaction

Assets	<ul style="list-style-type: none"> FVOCI (“Hold and Sell“) superior to FVPL (“through P&L“) Non-SPPI/Non-FVOCI import volatility for Non-VFA users 	➤	<ul style="list-style-type: none"> IFRS 17: un-discounting technical reserves¹ IFRS 9 P&L result smaller than under IAS 39 (ECL, FV losses under FVPL, Foregone realised equity gains under FVOCI) 	➤	<ul style="list-style-type: none"> Getting it done by 2022 to free up resources (overall project costs EUR ~100m) and to avoid an IFRS 9/17 mismatch Consolidation “unfriendliness” of IFRS 17 <ul style="list-style-type: none"> GMM vs PAA mismatches “Explosion” of inter-company matching data Risk adjustment now included: simple aggregation not possible (Talanx risk margin @ ~75-80% confidence level) (top-down discount rates) Still no common view on CSM allocation of German Life business (coverage units, mutualisation) among auditors and actuaries; individual solutions will impede comparability Definition of “proportionate” reinsurance relief too narrow
Primary Non-Life	<ul style="list-style-type: none"> PAA, instead of GMM IFRS 17 “OCI option” 	➤	<ul style="list-style-type: none"> Increase of equity ~5-10%; thus, lower RoE CR reduced by ~1-3%, due to discount effect (offset by lower financial income) Less discretion in managing redundancies 		
Primary Life (Germany)	<ul style="list-style-type: none"> VFA where possible VFA OCI option Conservative ingoing legacy CSM 	➤	<ul style="list-style-type: none"> Result volatility largely absorbed by VFA OCI and CSM Reserve increase via S II-like bottom-up interest rate curves (incl. VA component) NBV to become more objective / comparable 		
Re-insurance	<ul style="list-style-type: none"> GMM, except PAA at Talanx AG IFRS 17 “OCI option” 	➤	<ul style="list-style-type: none"> Despite discounting, IFRS 17 equity may be lower than current IFRS equity because of asymmetric recognition of onerous contracts vs. CSM for profitable contracts 		

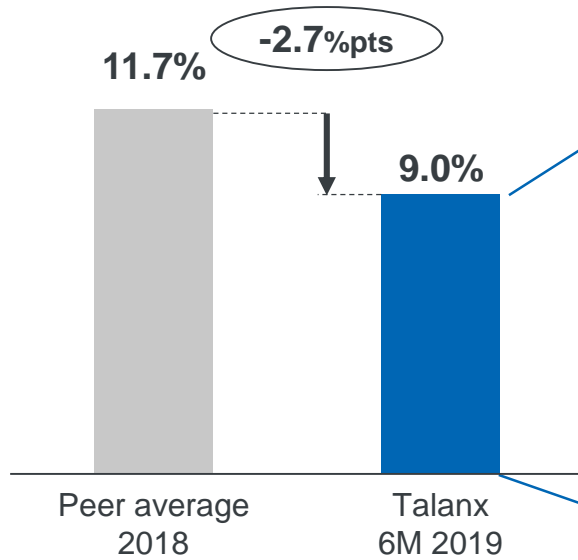
¹ Subject to presentation policy. CSM = Contractual Service Margin, ECL = Expected Credit Loss (IFRS 9), FVOCI = Fair Value through OCI (IFRS 9), FVPL = Fair Value through P&L (IFRS 9), GMM = General Measurement Model, PAA = Premium Allocation Approach, S II = Solvency II; SPPI = solely payment of principal and interest („asset classification test“), VA = Volatility Adjustor (Solvency II), VFA = Variable Fee Approach

5 Excursion – IFRS 9 & 17

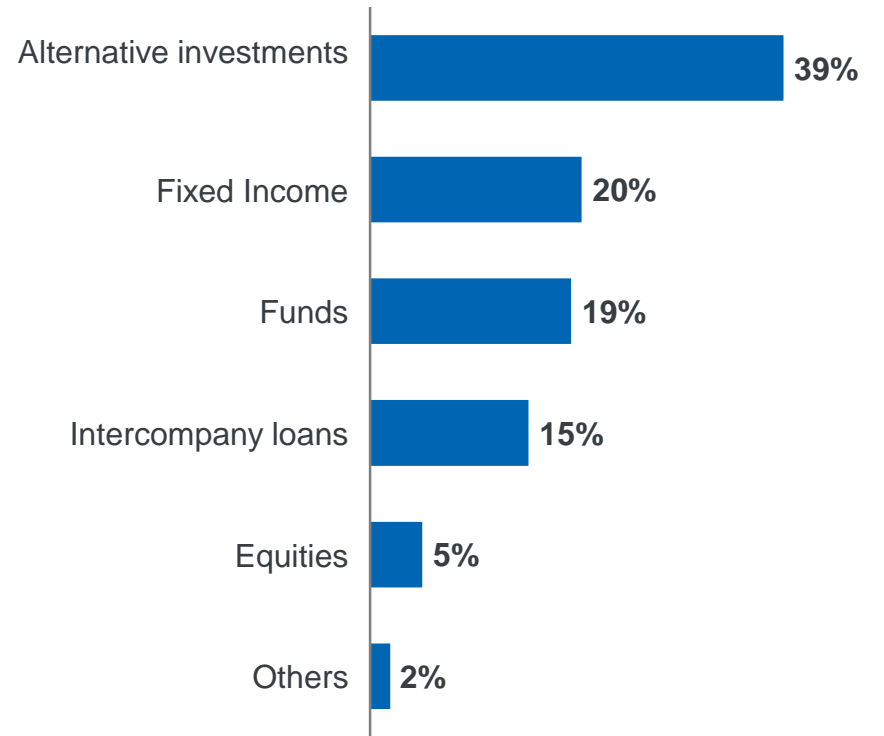
Lower P&L volatility due to moderate SPPI fail quota compared to peers

SPPI fail quota

in percent of total assets under own management



Investments requiring a parsimonious allocation in non-life



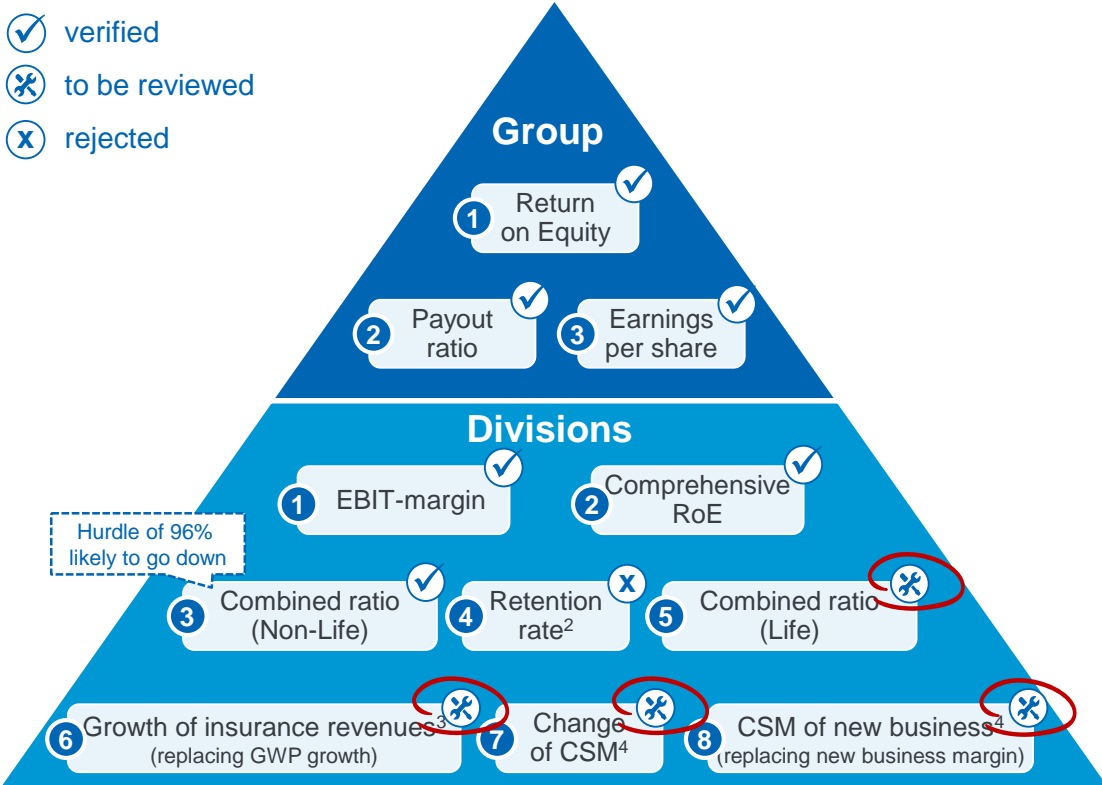
Note: Own estimate of peer average based on 2018 annual reports. Peer group consists of Allianz, Axa, Generali and Munich Re

5 Excursion – IFRS 9 & 17

Core KPIs fully verified, some divisional KPIs to be reviewed

Verification of KPI framework

- ✓ verified
- ✗ to be reviewed
- ⊗ rejected



Details on selected KPIs

CR

Combined ratio Life

- Review after second impact assessment
- Policyholder participation on cost and risk result must be reflected in KPI contrary to the new exposure draft¹

RoE

Comprehensive RoE

- Comprehensive performance measure
- Risk adjustment added in formula (as per its partial equity character)
- Industry-wide application questionable

1 IFRS 17ED.B128(c) assigns cost and risk result participation to insurance finance expenses rather than insurance service expenses
 2 No KPI since 2019
 3 Currency-adjusted values will be reviewed after second impact assessment
 4 Full set of disclosure will be part of second impact assessment
 Note: Comprehensive RoE = (Net income + ΔOCI + ΔCSM + ΔRA) / ∅(Equity + CSM + RA), CSM = Contractual Service Margin, RA = Risk Adjustment

Key messages

- Stringent performance steering lifts **RoE well above minimum targets**
- **Capital management well on track** – increased remittance & capital upstream of already EUR ~240m
- **High resilience** reflected in strong solvency position, prudent market risk and moderate leverage
- Managing “new normal” by **diversified asset portfolio** and **strategic alternative investments**
- ESG commitment to further back Talanx’s **low-beta profile**
- IFRS 9/17 impact assessment shows **mixed picture** – last mile should not be “Brexit-like”

Agenda

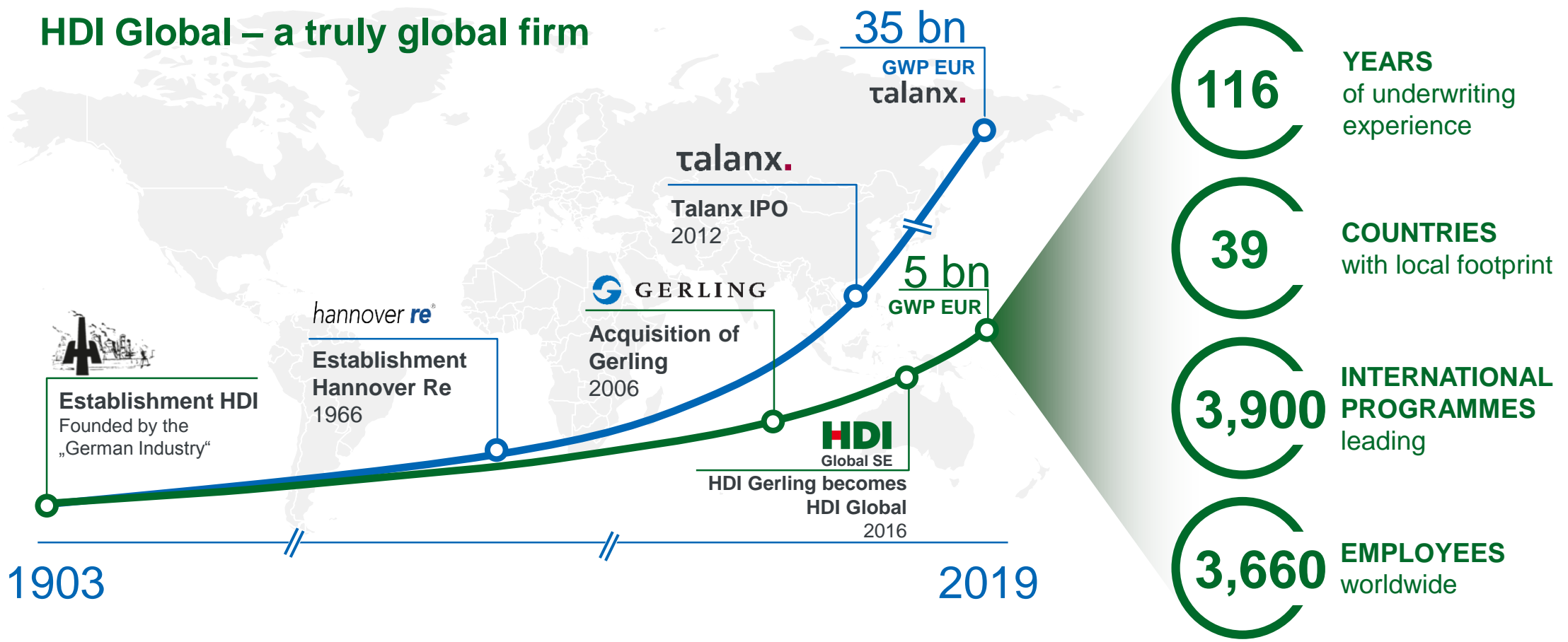
I	Group Strategy	Torsten Leue
II	Group Financials	Immo Querner
	Industrial Lines	
III	Strategy	Edgar Puls
IV	Making Fire profitable	David Hullin
V	CFO cockpit	Clemens Jungsthöfel
VI	HDI Global Specialty	Ulrich Wallin
VII	Digitalisation	Thomas Kuhnt
VIII	Essentials Industrial Lines	Edgar Puls
IX	Final Remarks	Torsten Leue

Key messages

- HDI Global has turned challenging and unprofitable **commercial lines market**
- Global network coverage, cost leadership and unique customer access are **key strengths to build on**
- **Key areas to change** are profitability and volatility
- Our **Strategy HDI 4.0** follows a two-step approach:
 - PERFORM** – New team & structure, focus on Fire 20/20/20 and increase of overall portfolio profitability
 - TRANSFORM** – Foster excellence and selective growth, drive digital transformation incl. new services
- Despite enduring market challenges and our low beta approach, we confirm our **RoE ambition of 8-10%**

Industrial Lines at a glance – nucleus of Talanx and truly global

HDI Global – a truly global firm

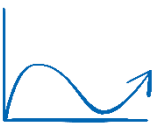


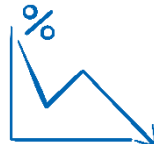


Note: HDI Global SE is the main carrier of Industrial Lines,

Stock take

Commercial lines market faces challenges - unsatisfactory industry profitability

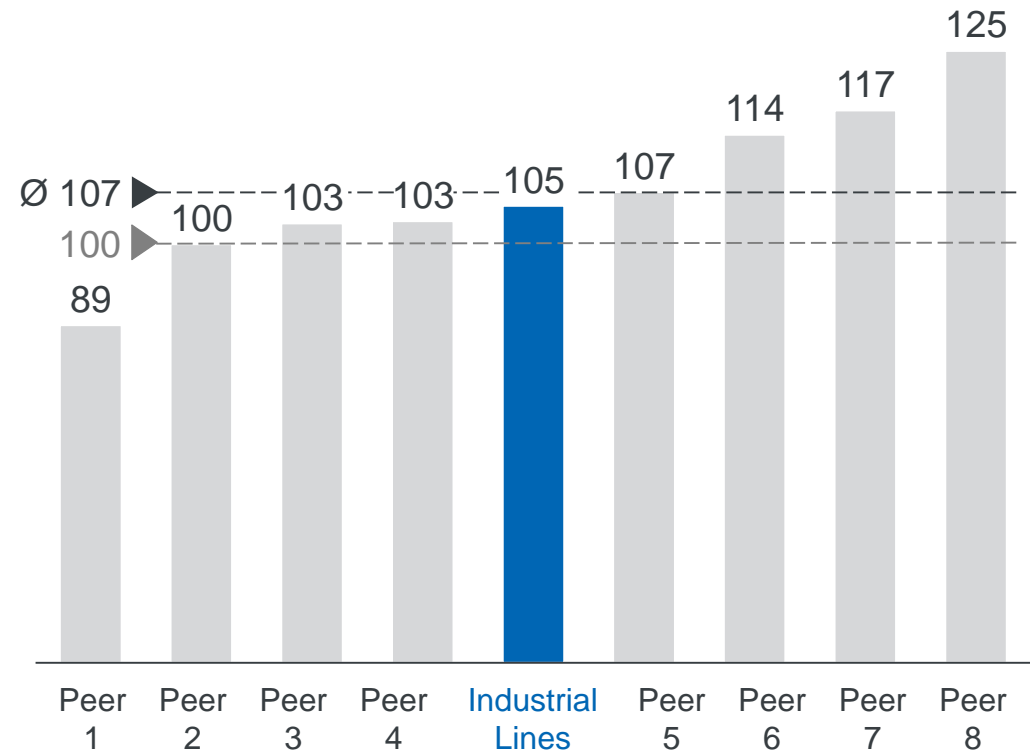
Severe challenges

	10 years – economic upswing
	>10 years – soft markets
	4 years – unusually high large losses
	5 years – depressed interest rates (the “new normal”) reduce MTCR



Unprofitable market

CR Ø 2016 - 2018 Industrial Lines vs. peers in %



Note: Peers include AIG, Allianz, AXA, Chubb, FM Global, RSA, Swiss Re, Zurich

Stock take

New management team in place committed to profitability

Thomas Kuhnt, 44
COO
Former McKinsey P&C Insurance & Advanced pricing analytics lead Europe

Clemens Jungsthöfel, 49
CFO
Former KPMG partner with over 20 years of experience in insurance

David Hullin, 51
CUO short-tail business
Proven underwriting & international skills over 25 years at HDI Group

Frank Harting, 55
CMO Region Germany, Global Marketing
35 years sales experience in (industrial) insurance market

Jens Wohlthat, 62
CUO long-tail business, Region APAC
More than 35 years of international experience in long-tail business

Edgar Puls, 46
CEO
18 years of experience at HDI, proven restructuring manager (e.g., implemented 20/20/20 initiative)

Yves Betz, 48 (as of 1 Dec 2019)
CMO Region Europe (ex Germany), The Americas
Former board member at Zurich Germany with 20 years international experience

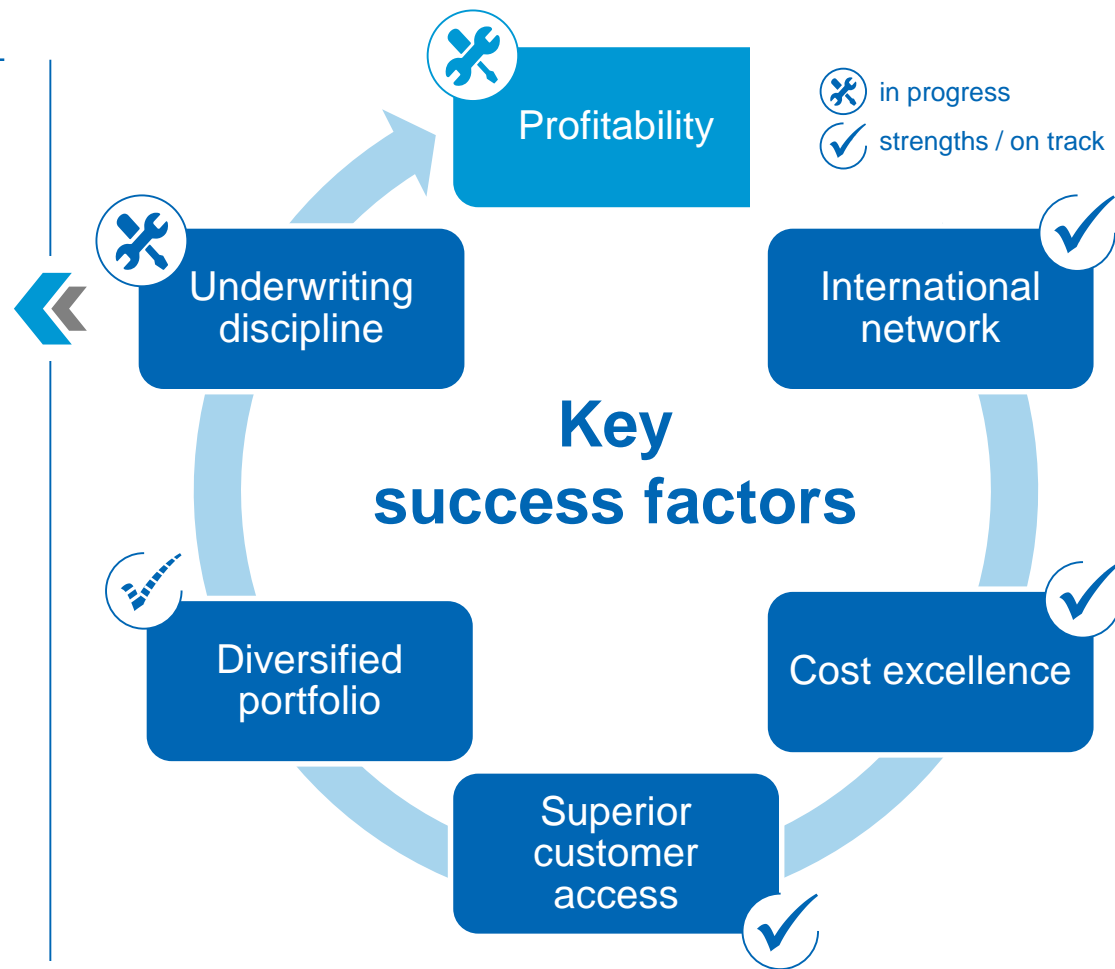
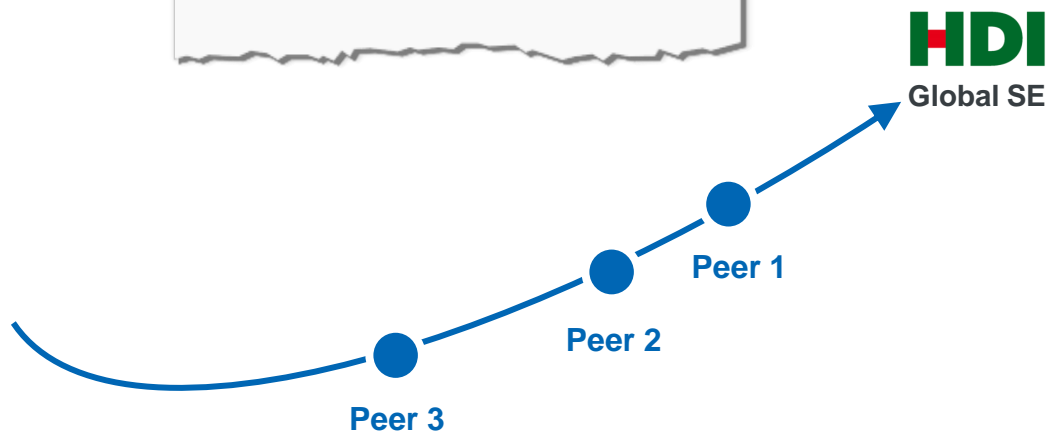
Ulrich Wallin, 64
Chairman HDI Global Specialty
Turned Hannover Re into the most efficient reinsurer

Stock take HDI Global turned the market: our success factors

Price cycle – Commercial lines

Illustrative

“At 2019 renewals insurances increased rates – in part significantly. **Vanguard was HDI, the market followed.**”
– CEO Aon Germany



Stock take

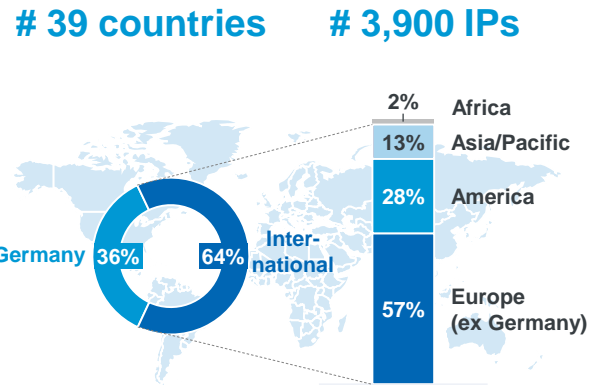
Global network, cost leadership and unique customer access are key strengths to build on



Strengths

International network with diversified portfolio

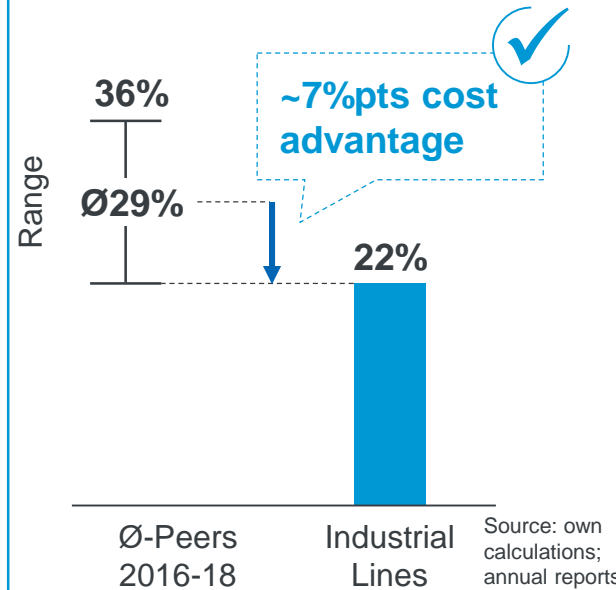
Capable of offering a **comprehensive international** network



▶ Less exposed to US casualty (~4% of total portfolio)

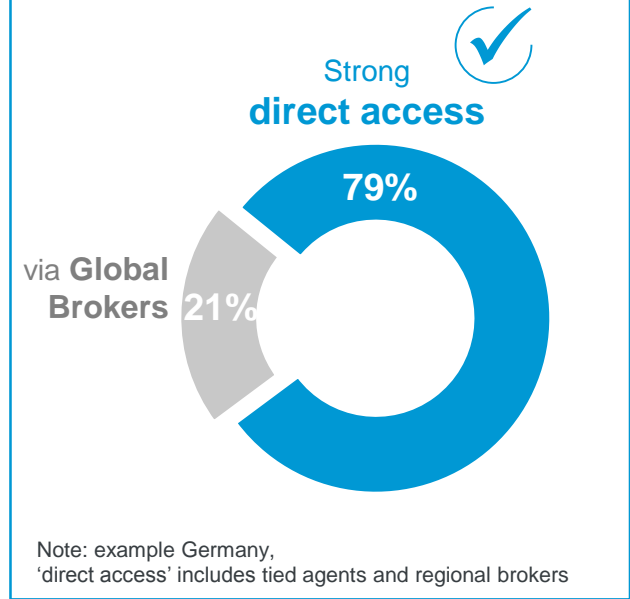
Cost leadership

Maintain significant **cost advantage**



Unique customer access

Direct access to majority of clients

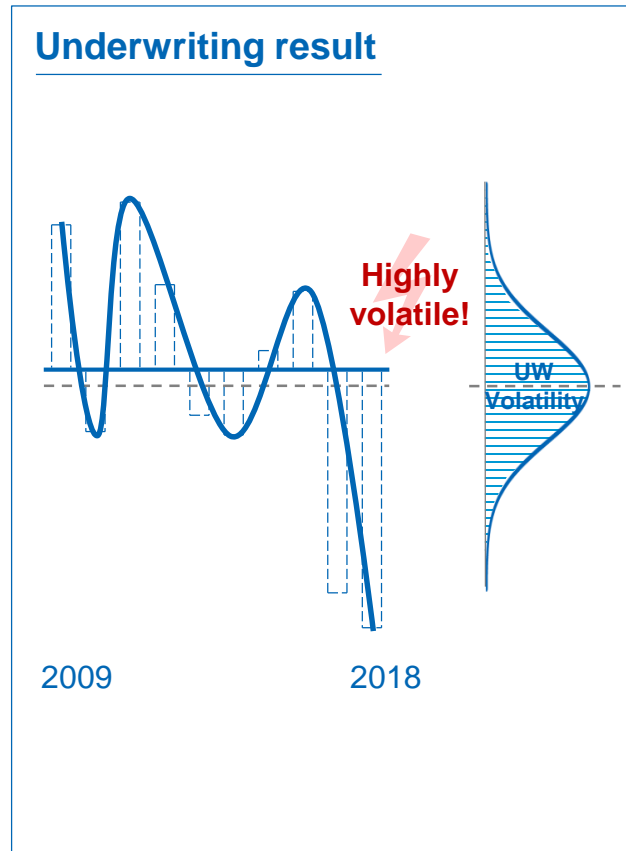


Stock take

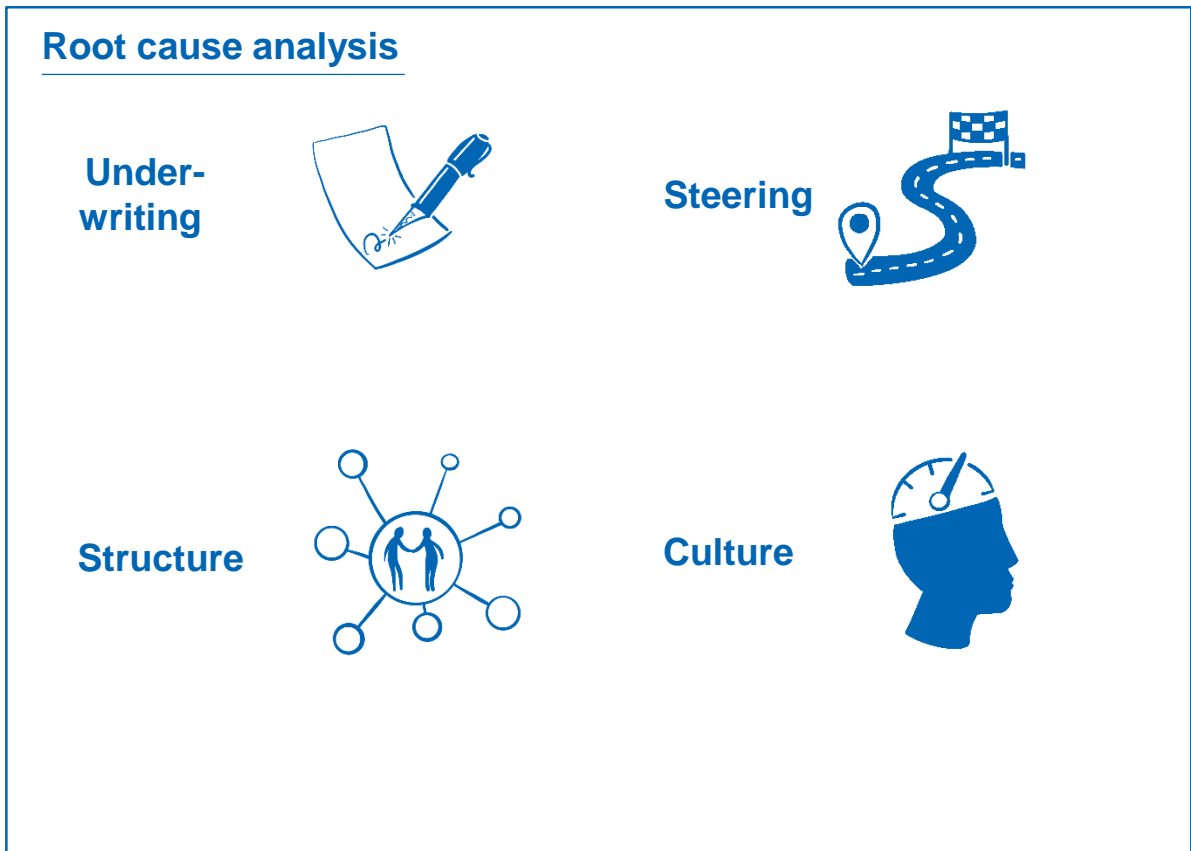
Key areas to address and improve for future success


Change needed

Dissatisfying and highly volatile underwriting results



Gap to future requirements



Our strategy HDI 4.0 follows a two-step strategy to deliver profitability



PERFORM

- 1 New team, underwriting discipline
- 2 Making Fire profitable – 20/20/20
- 3 Raise profitability of entire portfolio



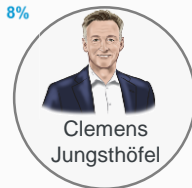
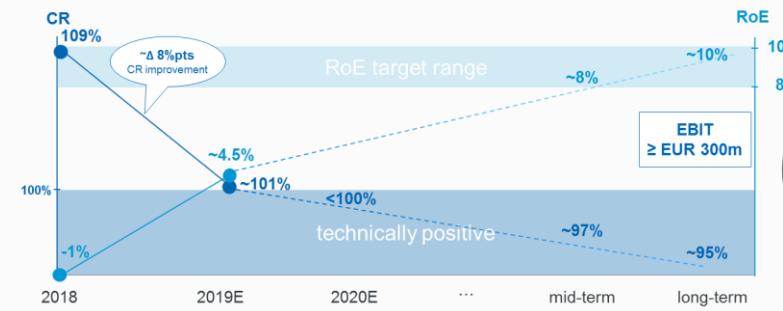
TRANSFORM

- 1 Technical excellence & low volatility
- 2 World class specialty player
- 3 Digital leader with new services



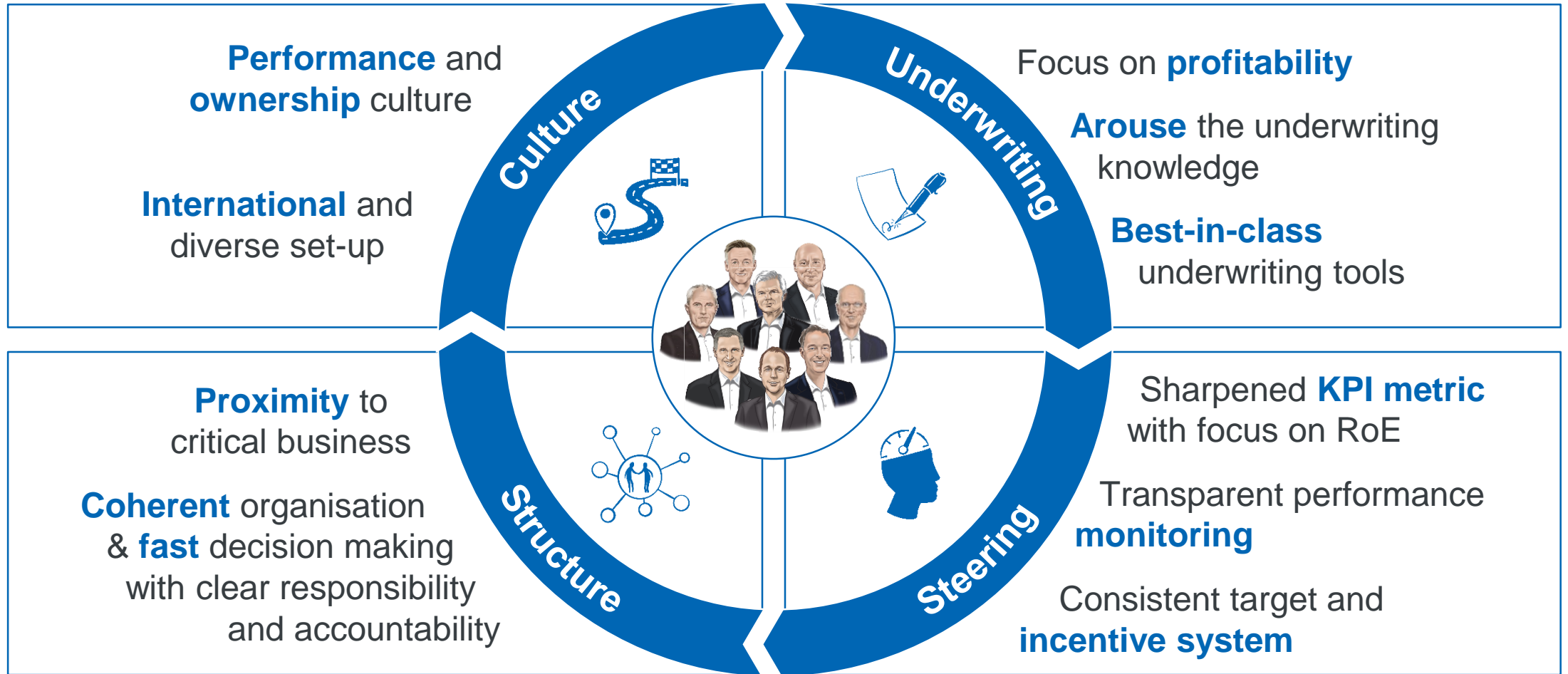
- Steering excellence
- Investments
- Capital management

Illustrative



PERFORM

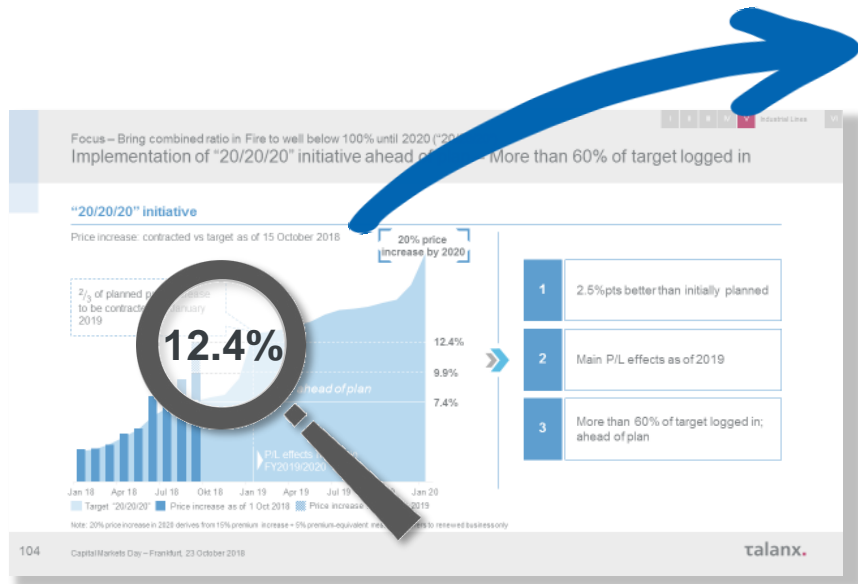
1 New team enforces discipline



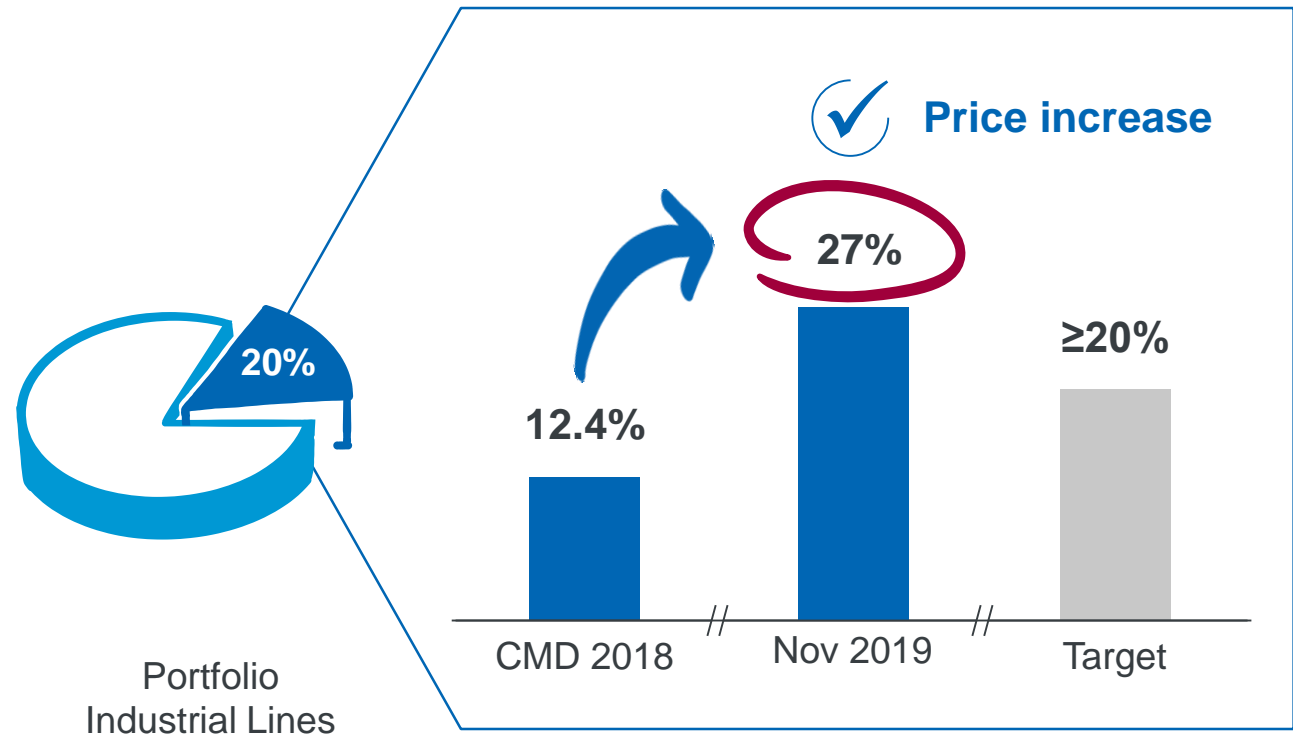
PERFORM

2 Making Fire profitable: Programme 20/20/20 is delivering on the promises

Status CMD 2018



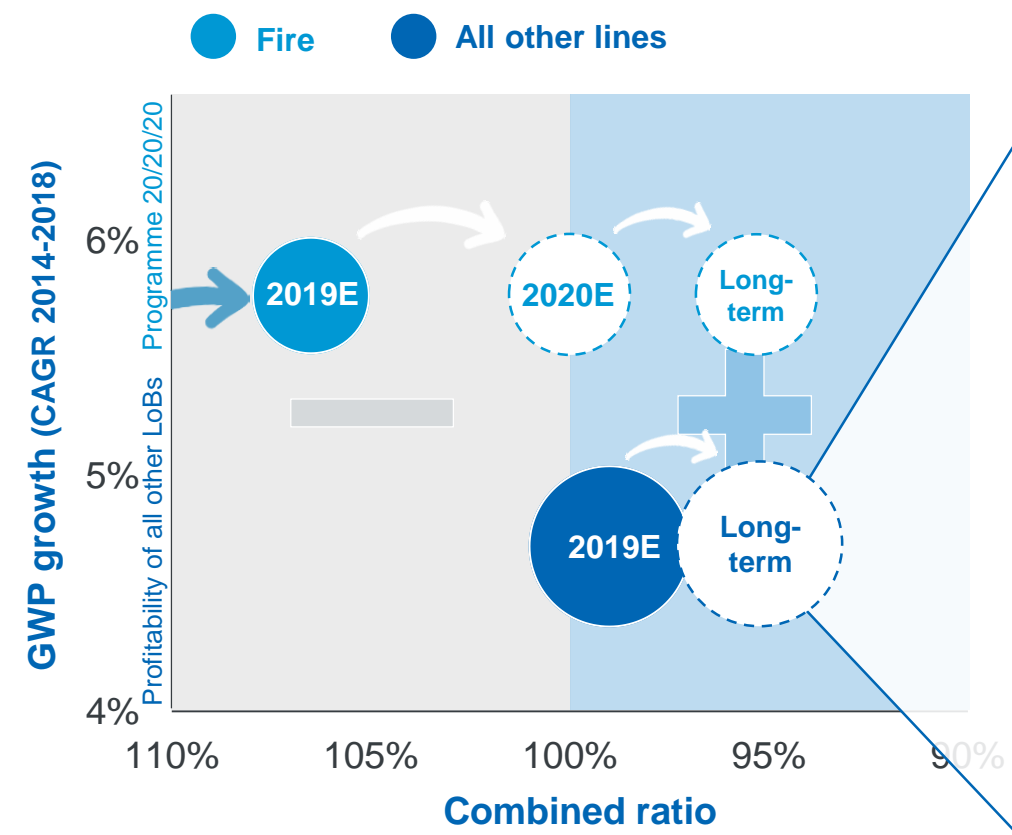
Programme 20/20/20 – Where we are today



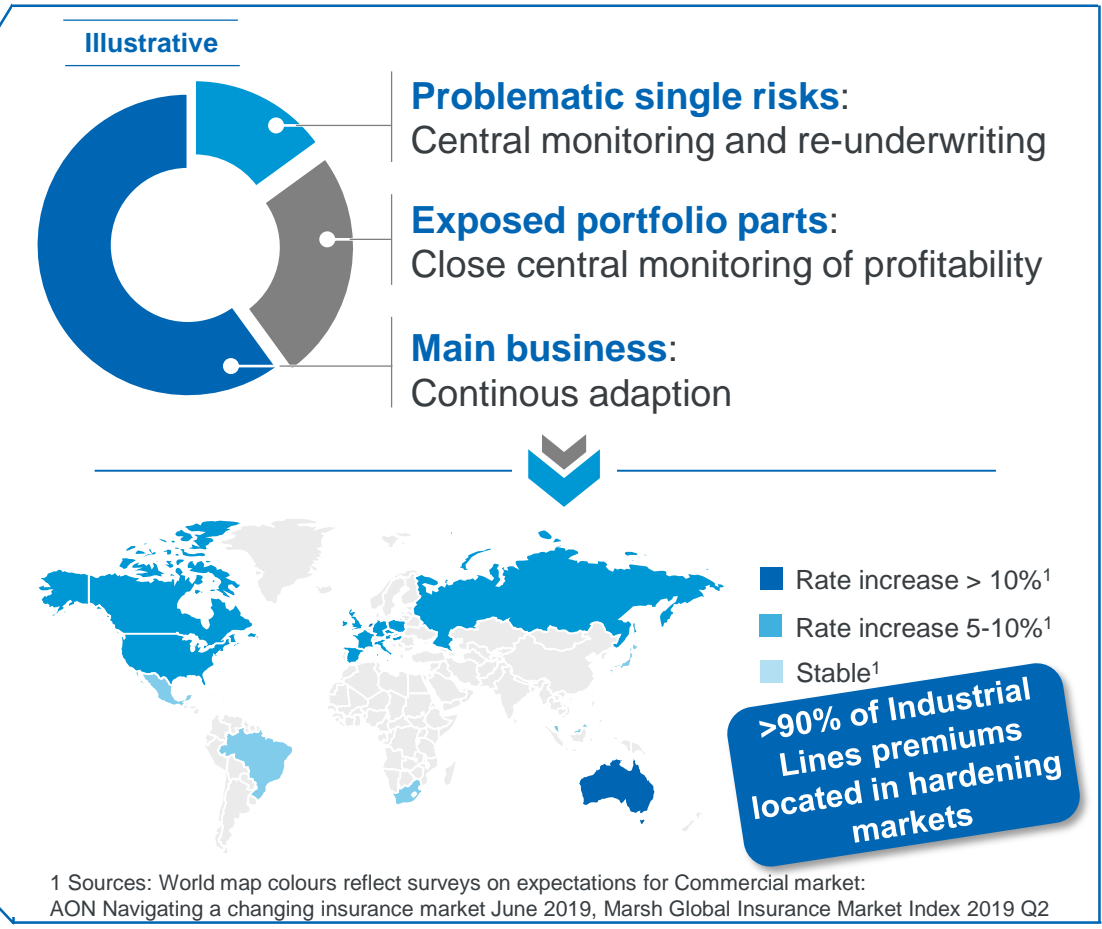
PERFORM

3 Started overall profitability initiatives to achieve excellence in profitability

Portfolio - Growth & Profitability



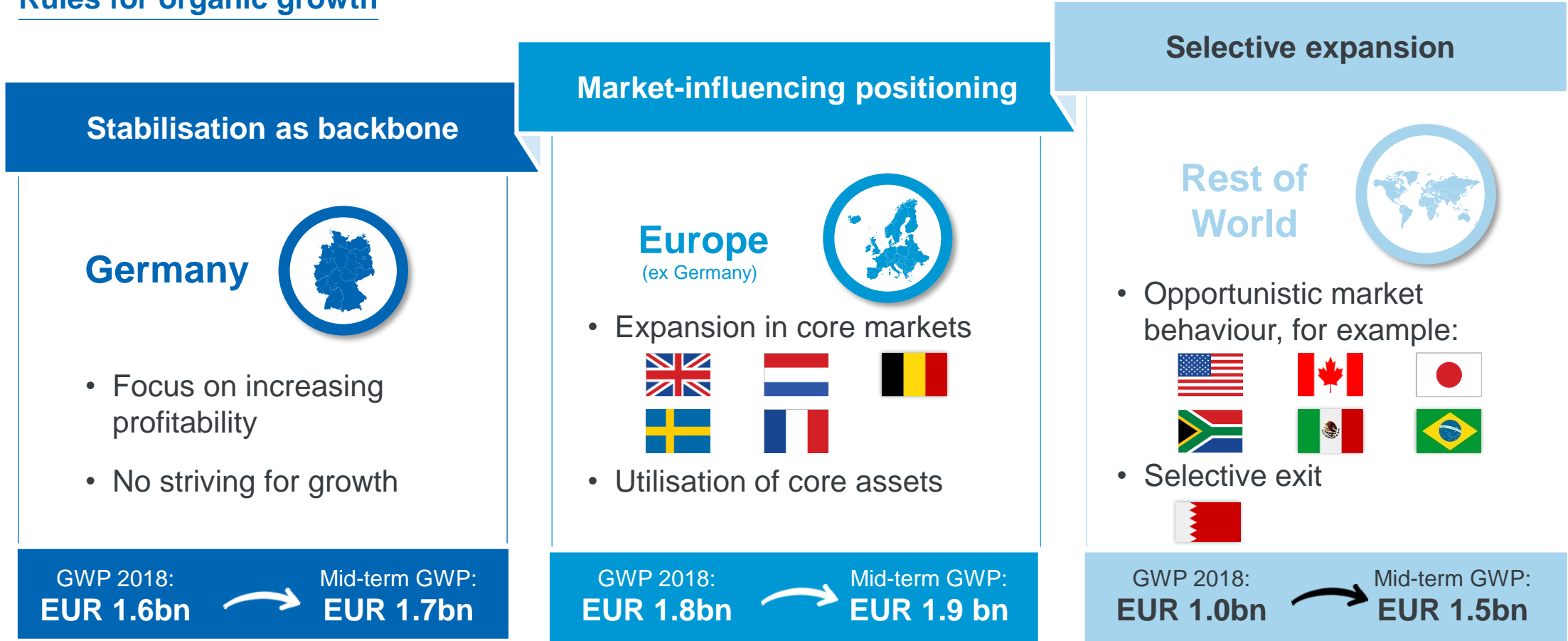
Key measures by decomposing sub-portfolio



TRANSFORM

1 Selective growth in Industrial Lines follows clear strategy

Rules for organic growth

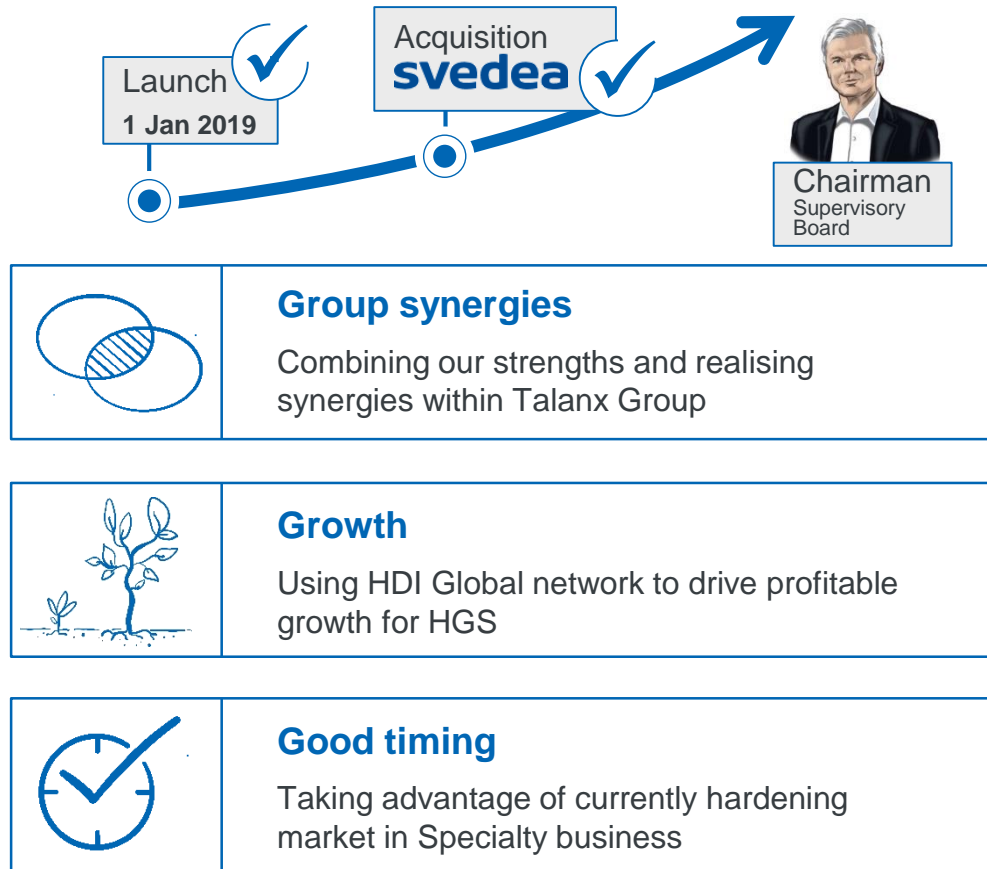


Note: Excluding HDI Global Specialty

TRANSFORM

2 Focus to become world class specialty player

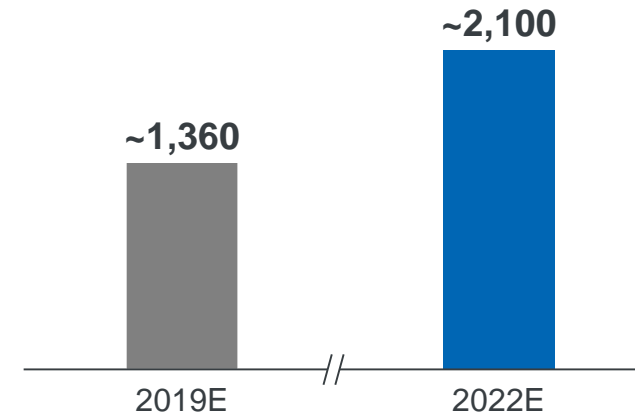
Joining forces: HDI Global Specialty



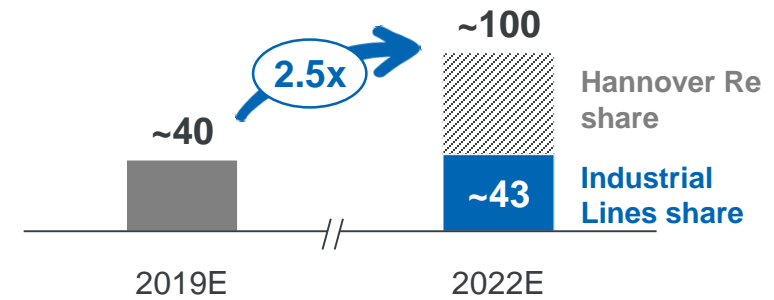
Results contribution

in EURm

GWP



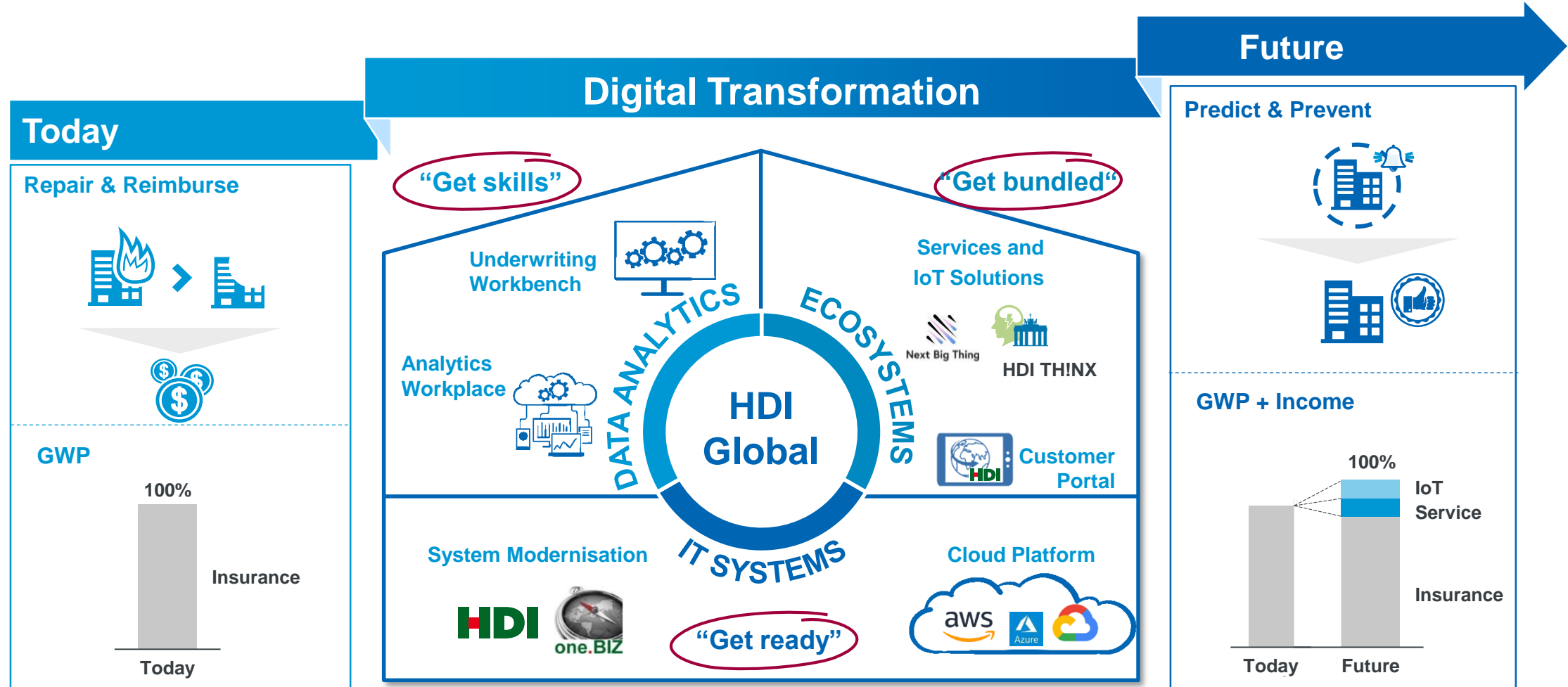
Technical underwriting result¹



¹ On managed portfolio after internal retrocession and minorities

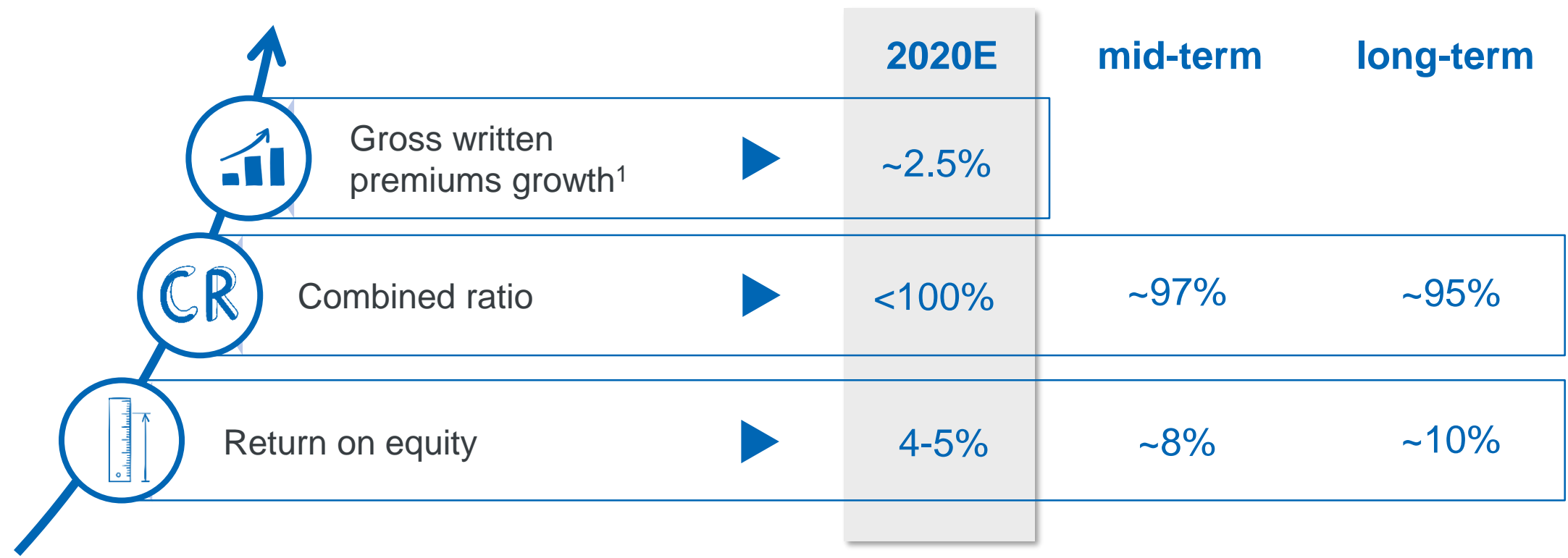
TRANSFORM

3 Digital transformation – Leader with new services and Internet of Things (IoT) solutions



Outlook: our direction to profitability

Industrial Lines



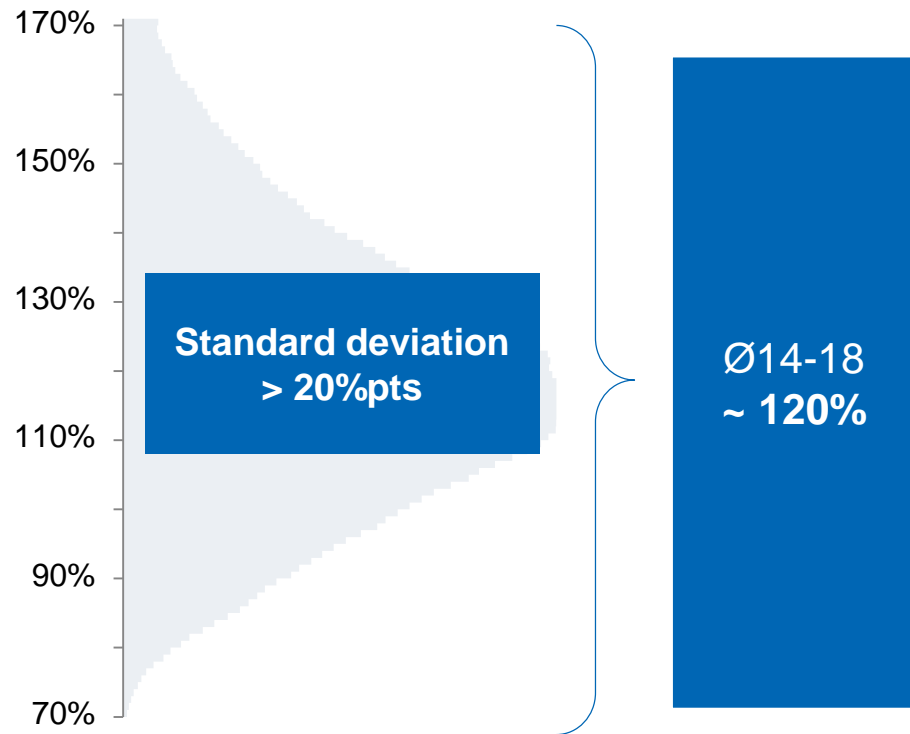
Note: All targets are subject to large losses not exceeding the large loss budget, no turbulences on capital markets and no material currency fluctuations
 1 Currency-adjusted

Agenda

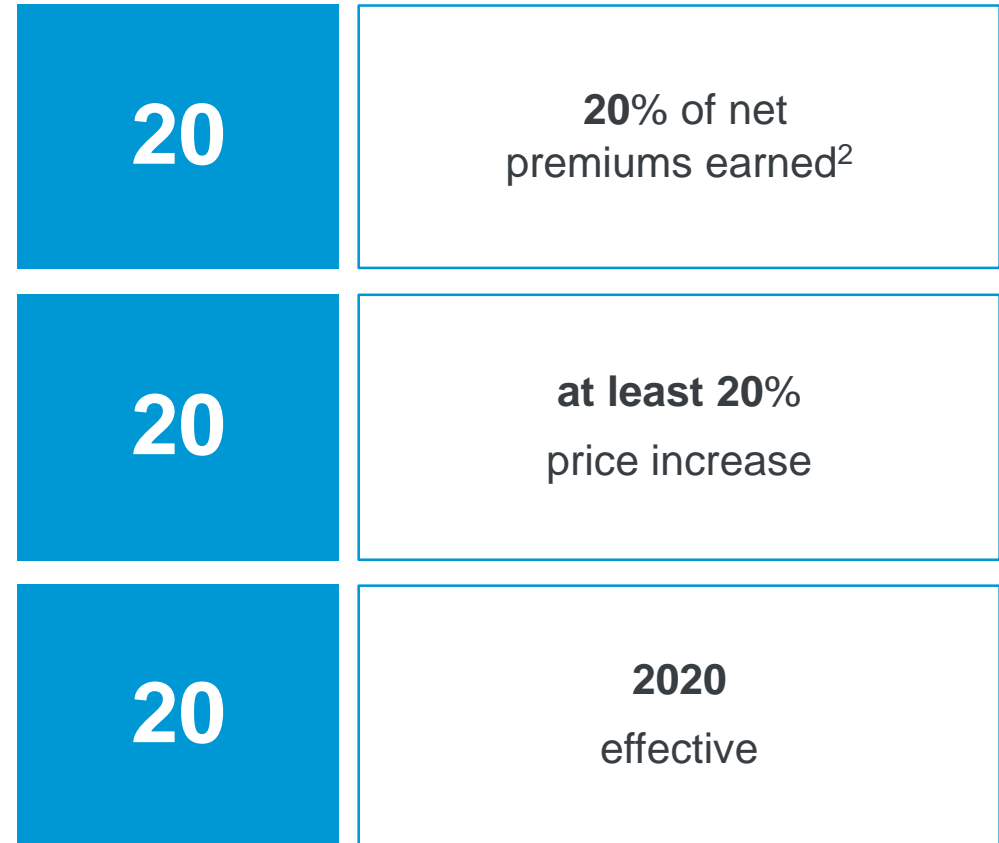
I	Group Strategy	Torsten Leue
II	Group Financials	Immo Querner
	Industrial Lines	
III	Strategy	Edgar Puls
IV	Making Fire profitable	David Hullin
V	CFO cockpit	Clemens Jungsthöfel
VI	HDI Global Specialty	Ulrich Wallin
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IX	Final Remarks	Torsten Leue

Proven capacity to turn around lines
 20/20/20 project initiated to return to profitability in Fire

Combined ratio Fire 2014-2018¹



Project 20/20/20

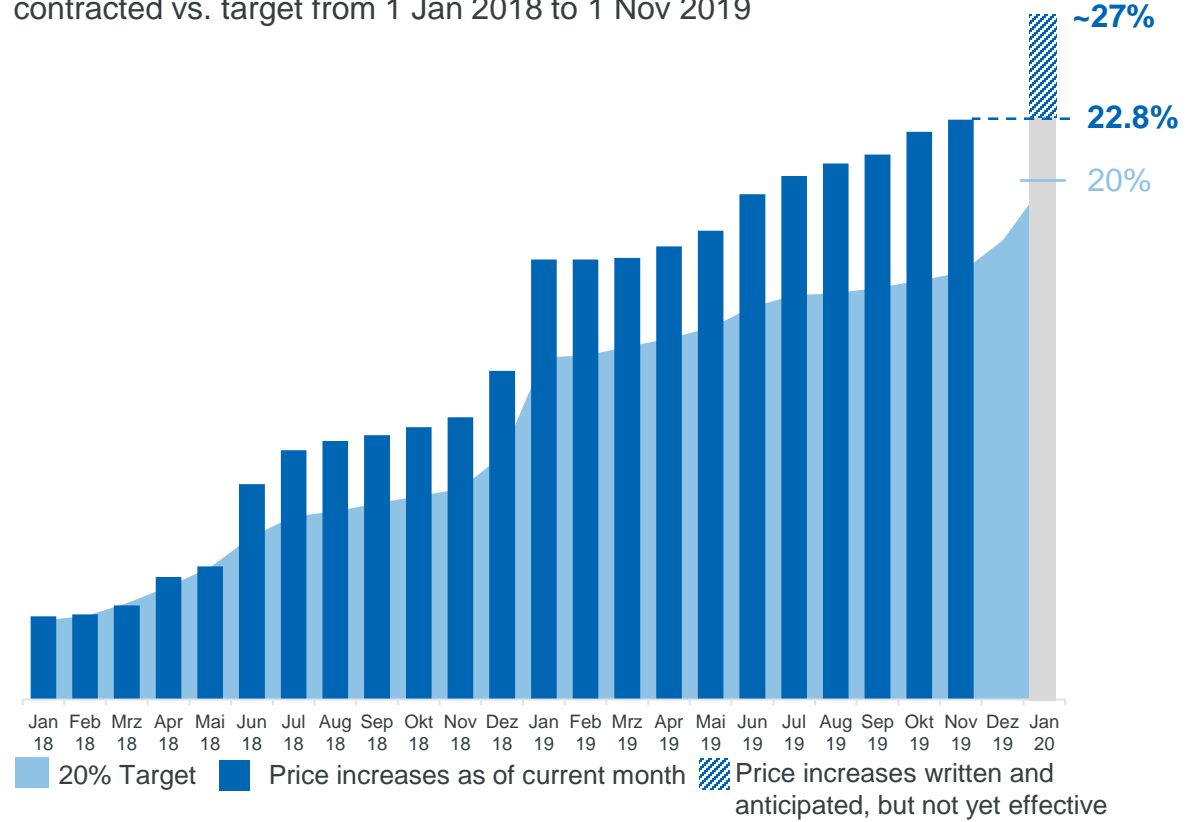


¹ IFRS net combined ratio of Fire. Fire is defined as "Property Damage / Business Interruption" excluding the Engineering and Multi-Risk lines
² 20% of Industrial Lines segment

Proven capacity to turn around lines Price increases ahead of plan ...

“20/20/20” initiative update

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



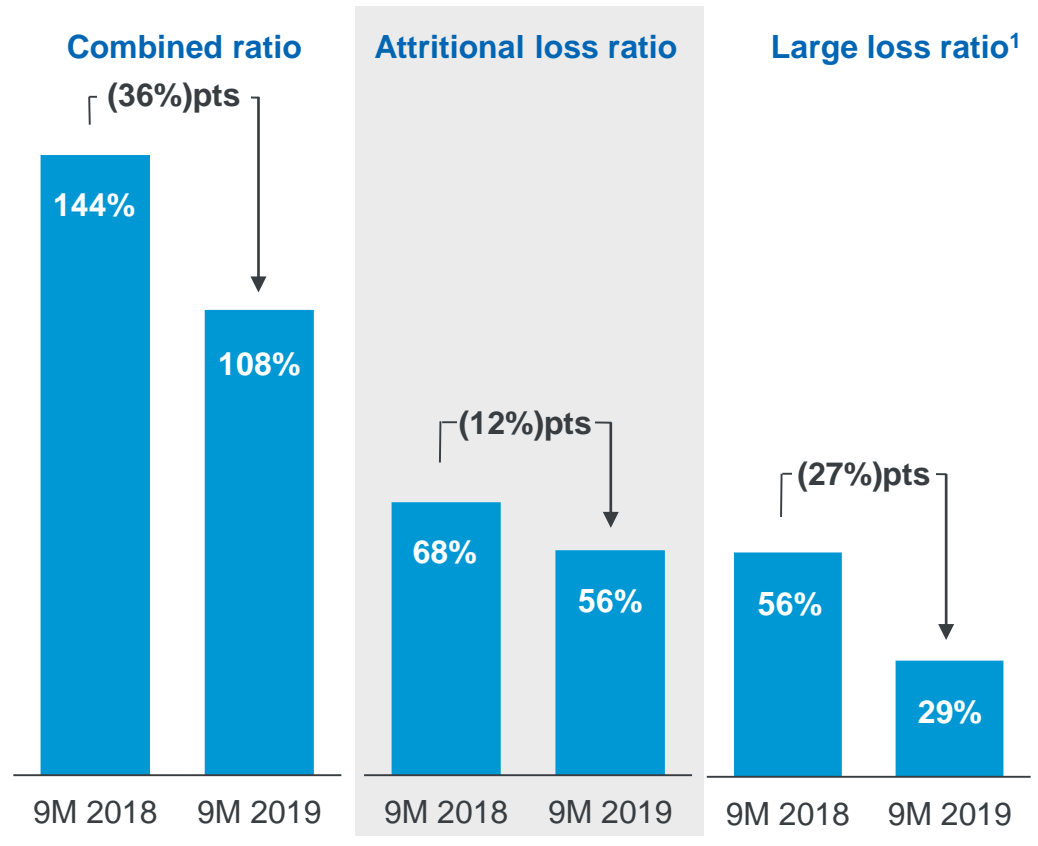
1 Premium-equivalent measures comprise increases of client deductibles and cancellations of loss-making contracts

“20/20/20” details

<p>Price increases</p> <p>27% = 19% + 8%</p> <p>(increase in risk-free additional premium + premium-equivalent measures¹)</p>	<p>Contracts improved</p> <p>~75%</p>
<p>Business not renewed</p> <p>~20%</p> <p>(of gross written premiums)</p>	<p>Premium development</p> <p>+9%</p> <p>(9M 2019 vs. 9M 2018 net premiums earned in Fire)</p>







Proven capacity to turn around lines
 ... with positive impact on Fire results ...

Key ratios in Fire



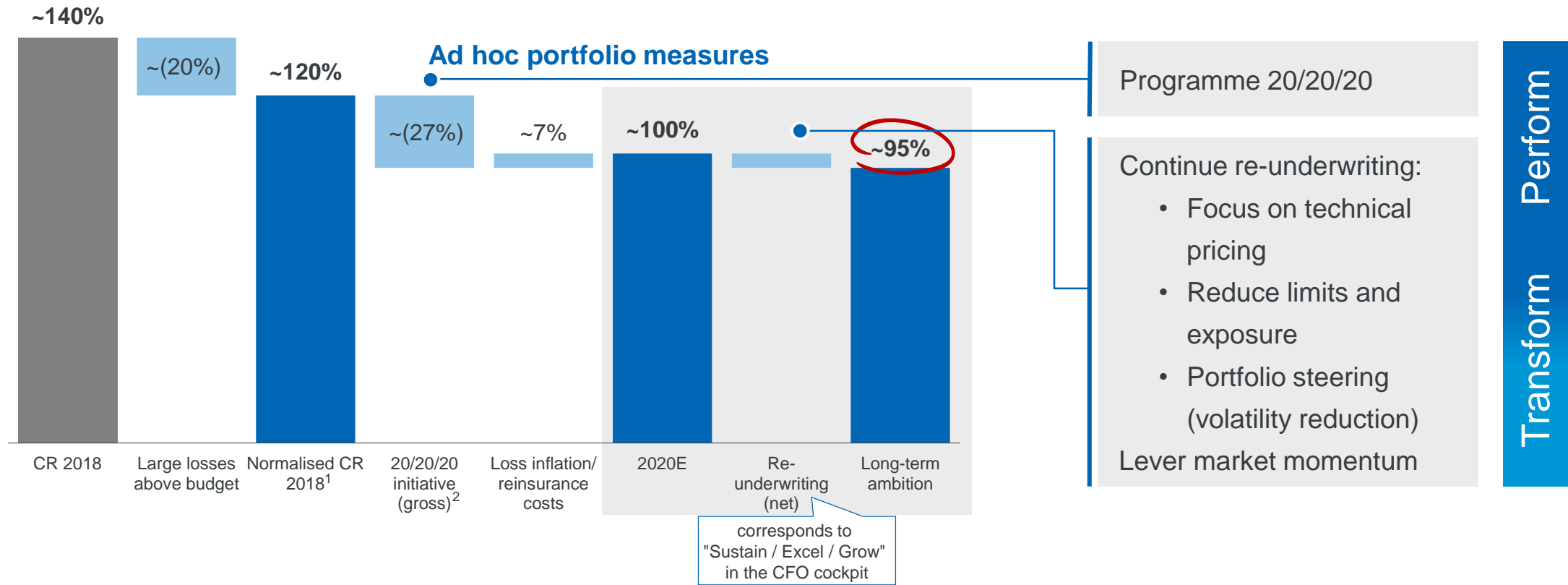
¹ Large loss: in excess of EUR 10m gross

What made the numbers improve

-  Consistent improvement of underwriting discipline
-  Central, actuarial pricing of large accounts ...
-  ... with clear walk-away prices
-  Reduction of lead and consorial shares
-  Increase of deductibles
-  Profit before growth

Proven capacity to turn around lines
 ... and we will continue rigorous re-underwriting to achieve around 95%

Targeted development of combined ratio in Fire

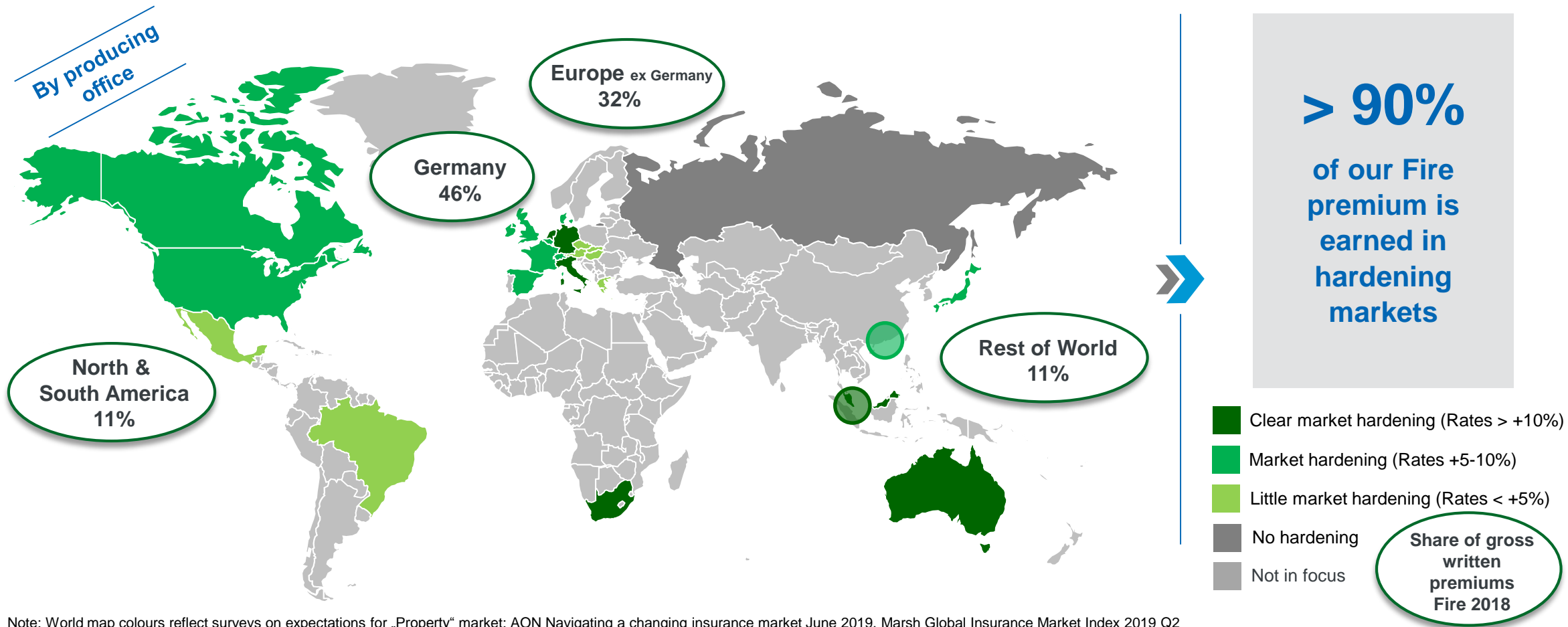


1 Normalised combined ratio 2018 is equal to Ø2014-2018 combined ratio

2 Before loss inflation and reinsurance costs

Proven capacity to turn around lines
 Significant tailwinds from hardening Property markets

Distribution of Fire business compared to expected market hardening in Property



Note: World map colours reflect surveys on expectations for „Property“ market: AON Navigating a changing insurance market June 2019, Marsh Global Insurance Market Index 2019 Q2

Proven capacity to turn around lines
Key messages Fire insurance

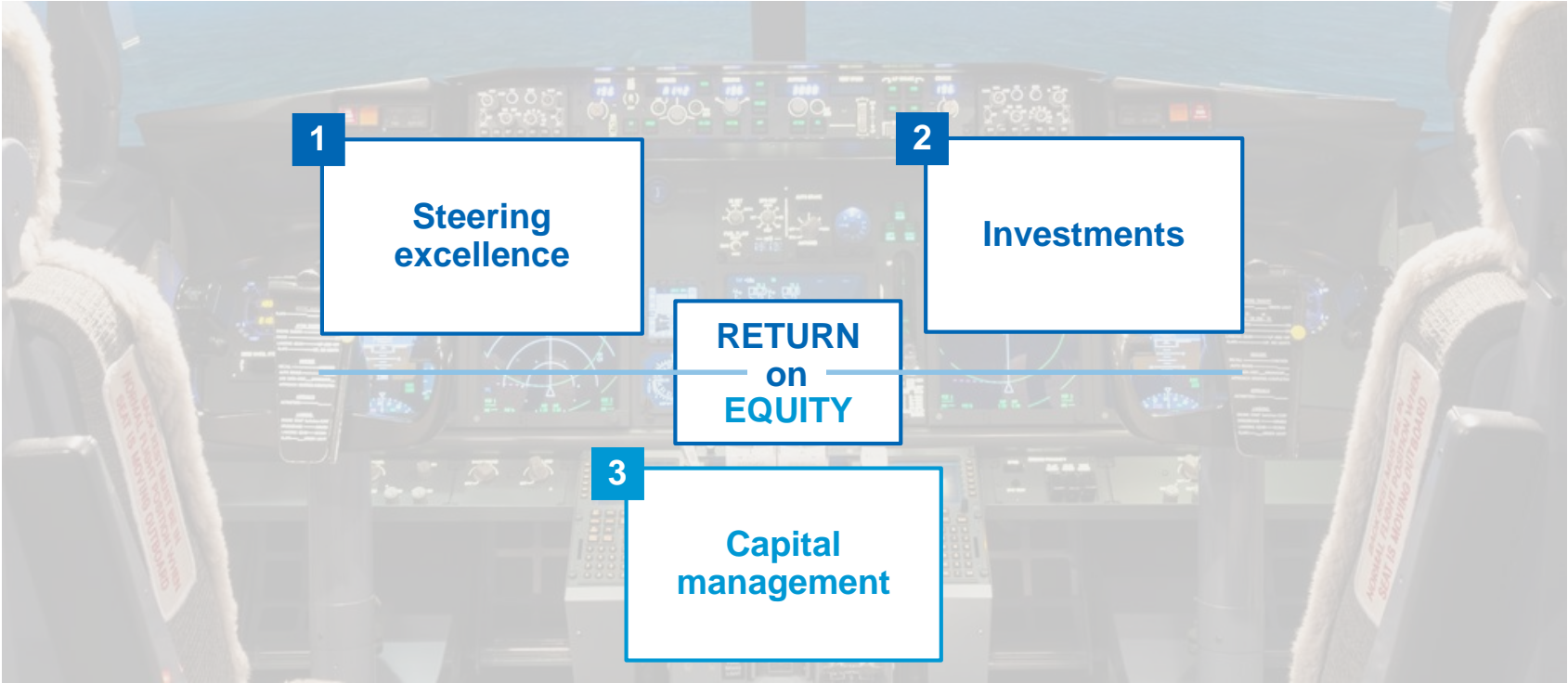
- Price increases ahead of plan ...
- ... with positive impact on Fire results ...
- ... and with the aim to achieve ~95% by continuing rigorous underwriting in the long run

Agenda

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We have successfully started HDI 4.0 to lift return on equity to ambition level



RoE ambition 8 – 10%



1 Steering excellence

New steering model to provide one central portfolio view

From accounting-based to value-driven steering

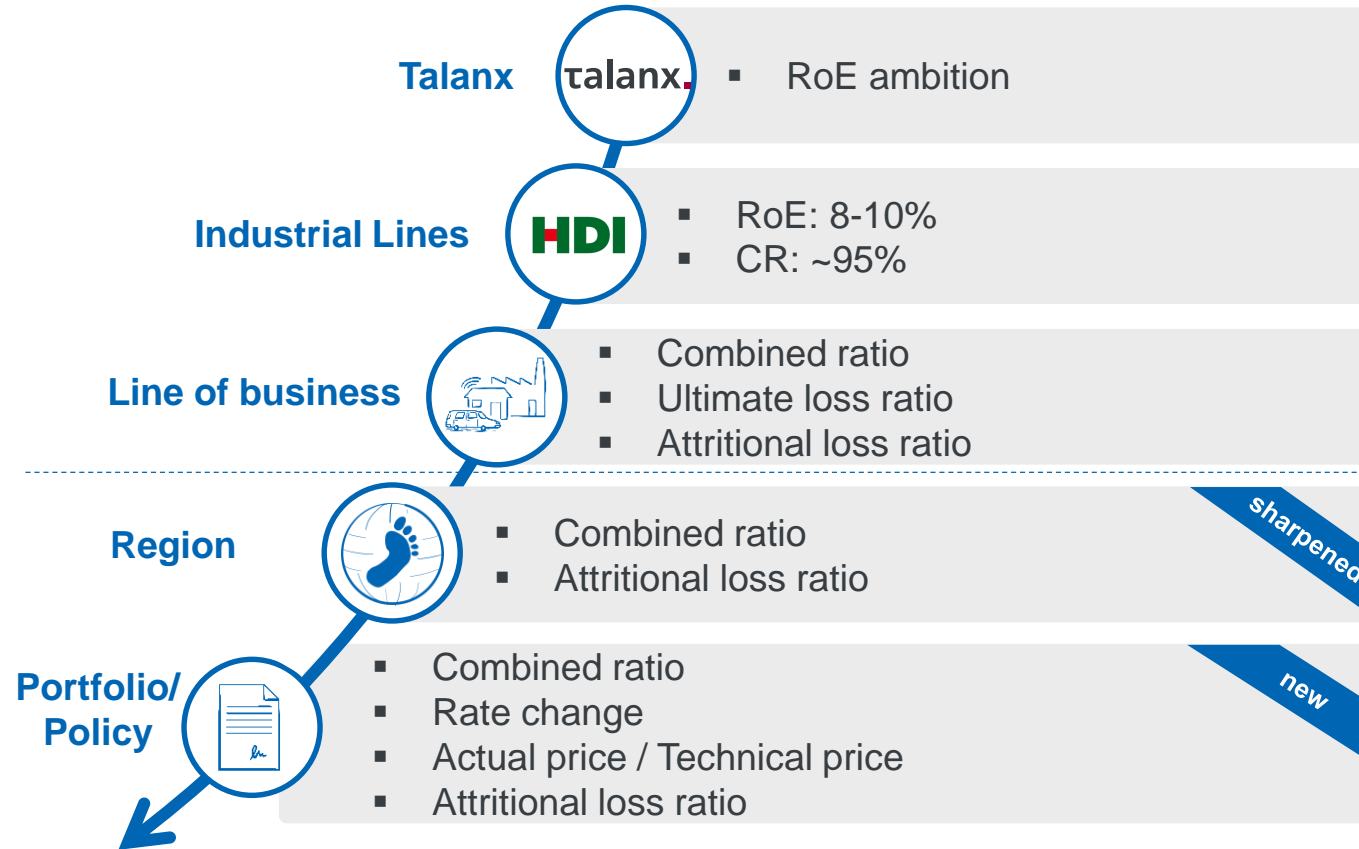
	Targets	▶ Sharpened KPI metric with focus on RoE
	Transparency	▶ Continuous performance monitoring coupled with immediate feedback process
	Accountability	▶ Performance and ownership culture, e.g. via consistent target and incentive system
	Consequences	▶ Fast & performance- oriented decisions (e.g. discontinue unprofitable portfolios)

8-10% RoE

1 Steering excellence

Drill-down of RoE ambition – top to bottom

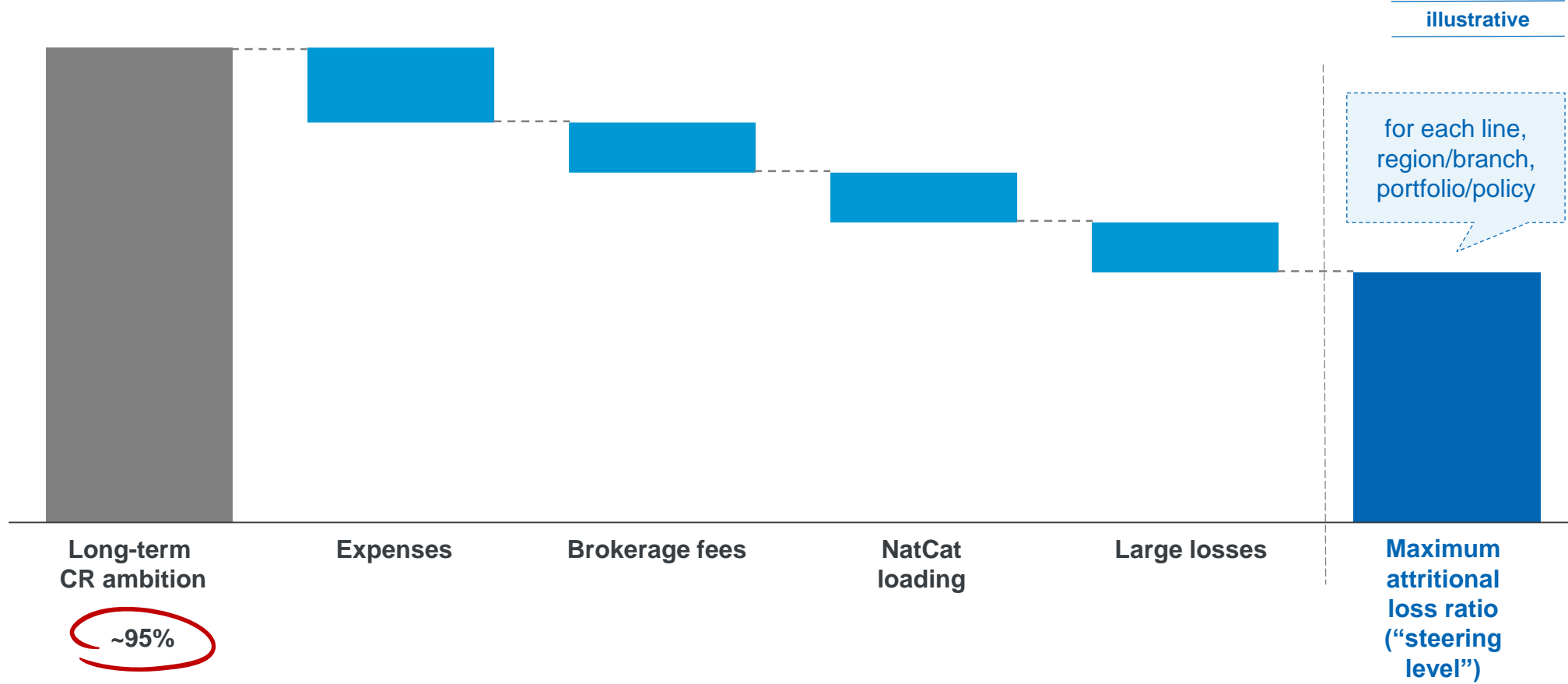
Sharpened steering KPIs on all levels



1 Steering excellence

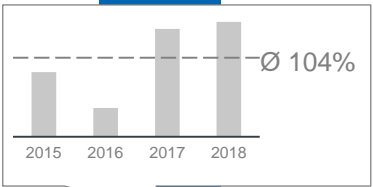
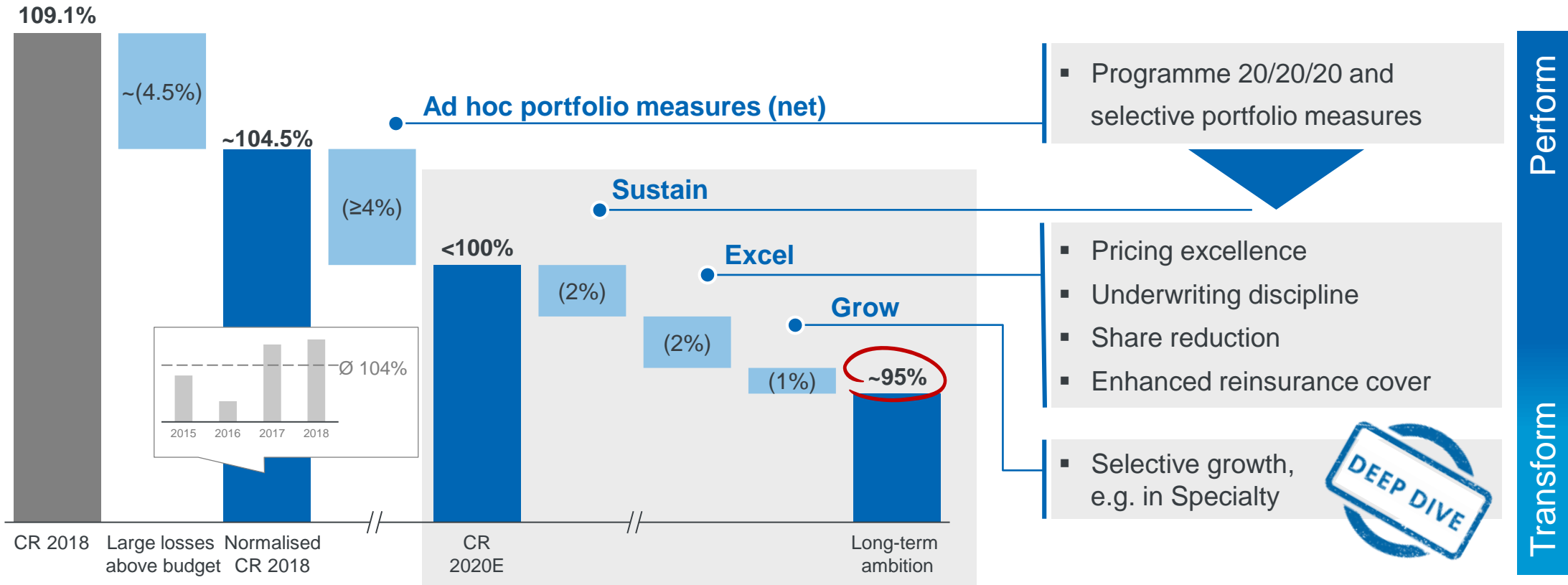
Example: steering attritional loss ratio

From ambition to execution



1 Steering excellence Our path to profitability

Targeted development of combined ratio

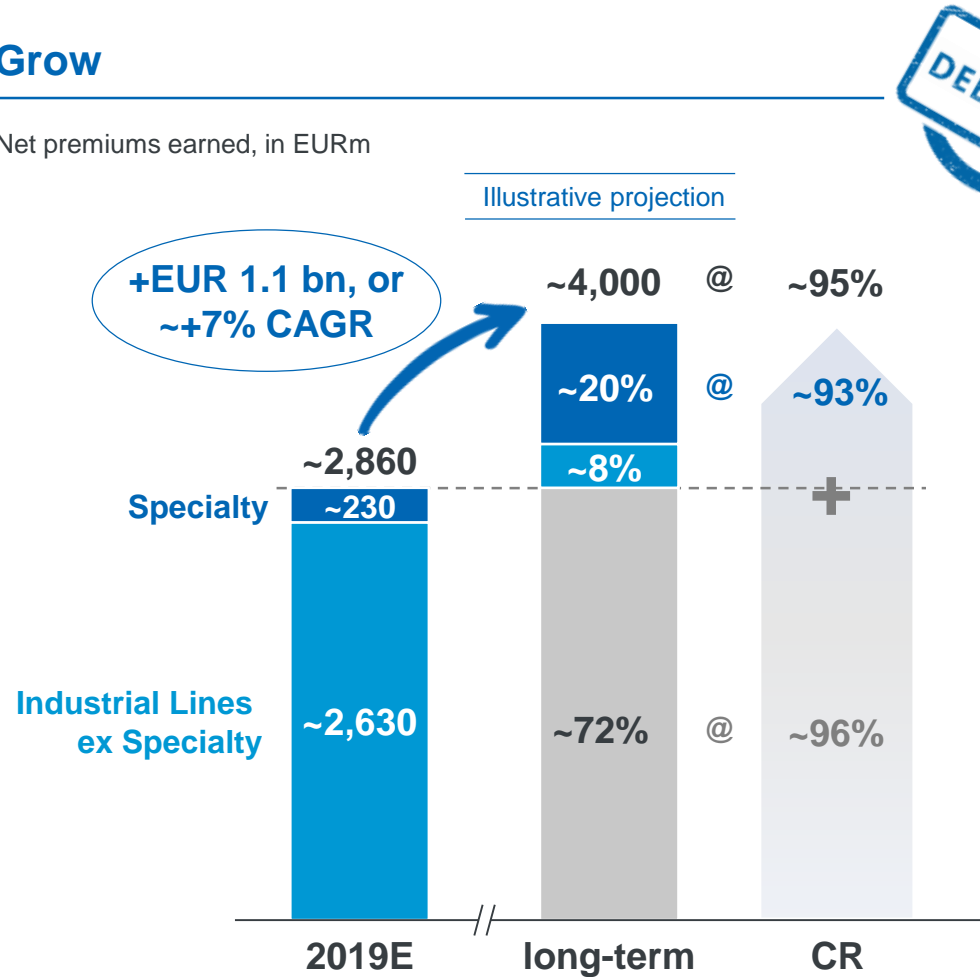


1 Steering excellence

Selective growth – additional lever to raise overall portfolio profitability

Grow

Net premiums earned, in EURm



▶ Benefiting from **strong profitability in Specialty**

▶ **Profitable portfolio growth** with average combined ratio of 93%

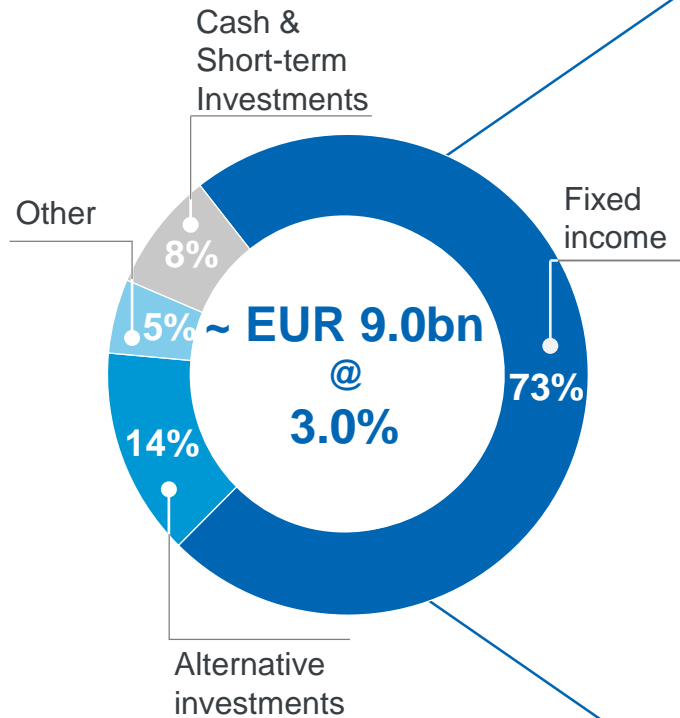
▶ **Reducing** divisional combined ratio by ~1%pt in the long run

2 Investments

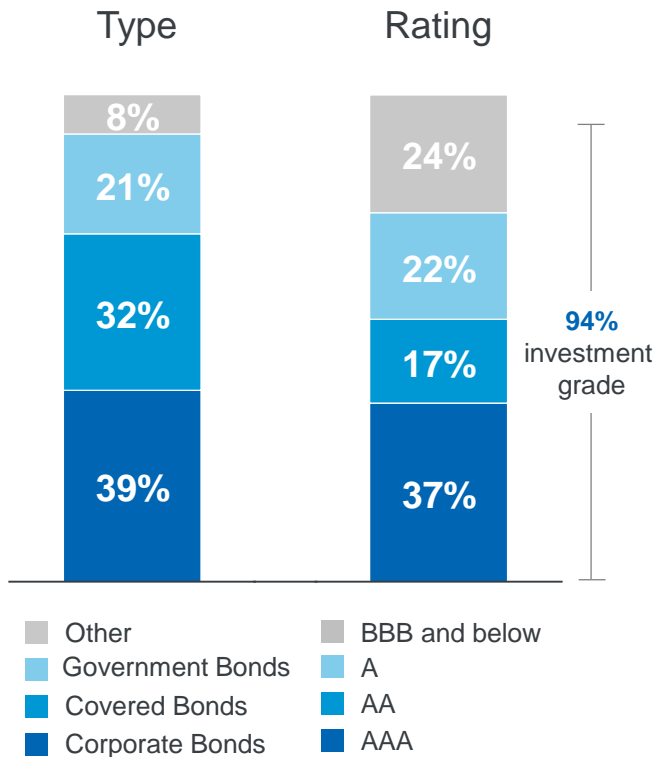
Resilient asset portfolio – prudent and low market risk investment approach

Asset portfolio

FY 2018



Breakdown fixed income

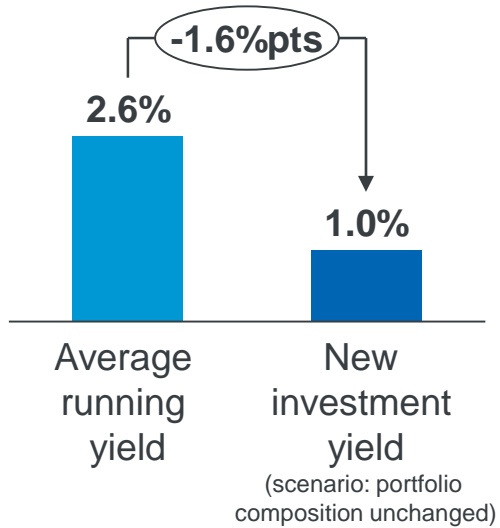


- ▶ Conservative and **risk-averse investment** policy
(Market risk ~45%)
- ▶ Portfolio structure determined by liability pattern
(Duration: Assets 4.7 yrs / Liabilities 5.6 yrs)
- ▶ Balance of **stable and attractive yields** within risk appetite
(Ø-RoI 2012-18: 3.4%)
- ▶ Yield enhancement, e.g. via **alternative investments**
(Yield pick-up of 0.5%-pts.)

2 Investments

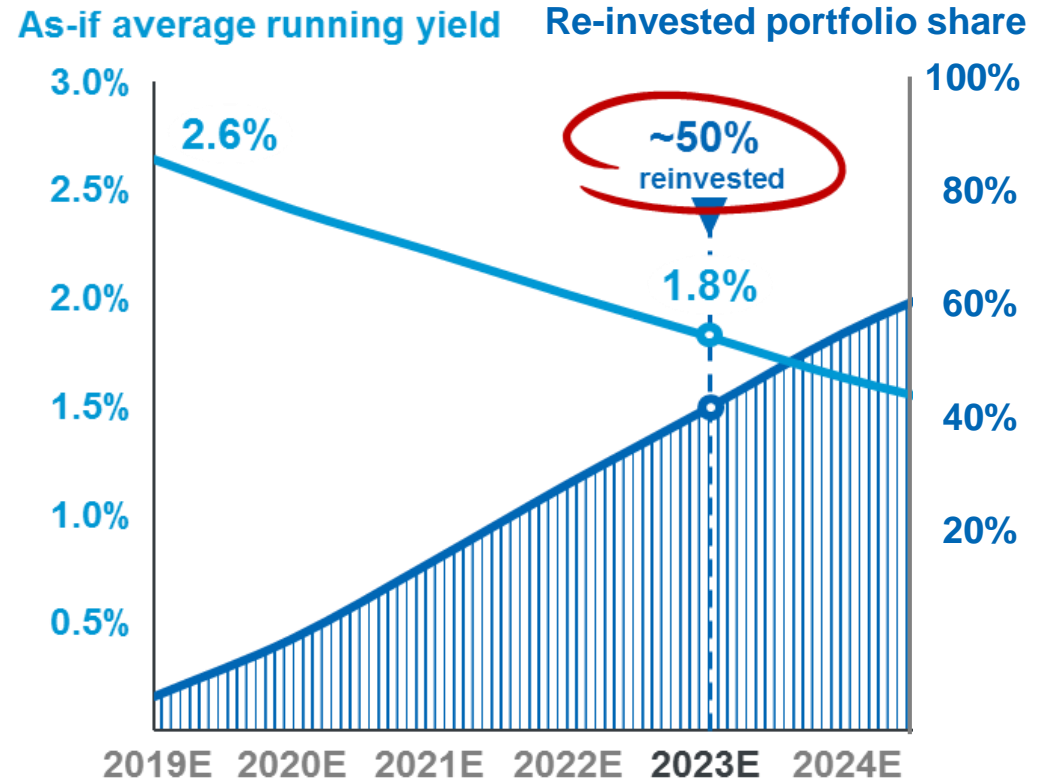
Increasing re-investment challenge due to low interest rate environment

Yields



What if: Reinvesting our bond portfolio at today's new investment yield

Illustrative

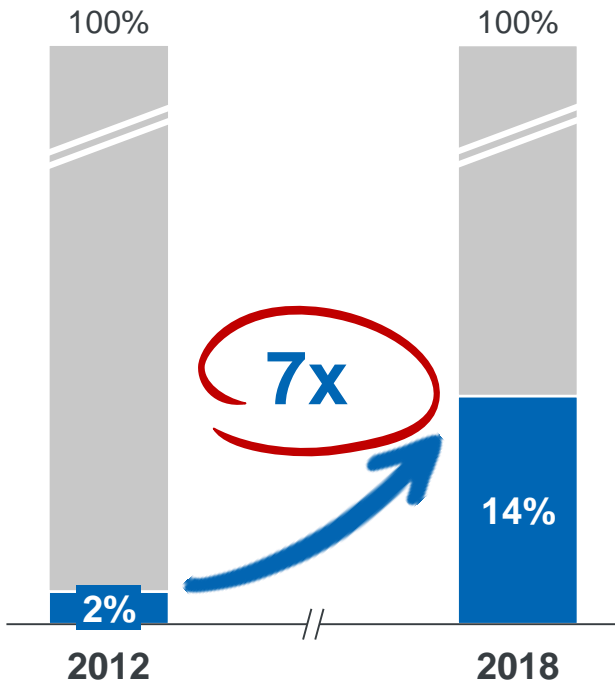


Note: Implicit average running yield based on a new investment yield for today's portfolio composition

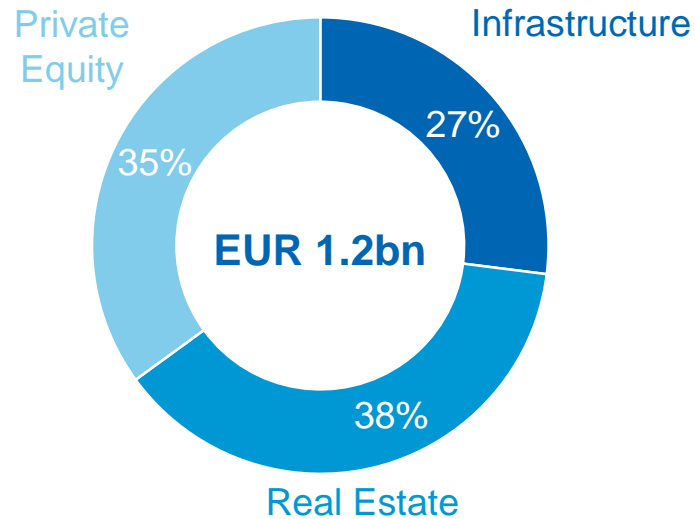
2 Investments

Stabilising investment returns by a diversified alternative investment portfolio

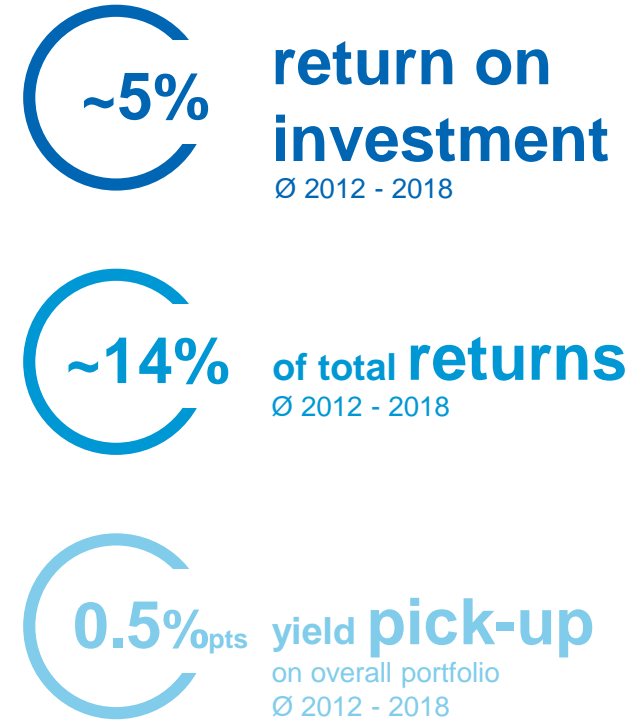
Alternative investments



Portfolio split



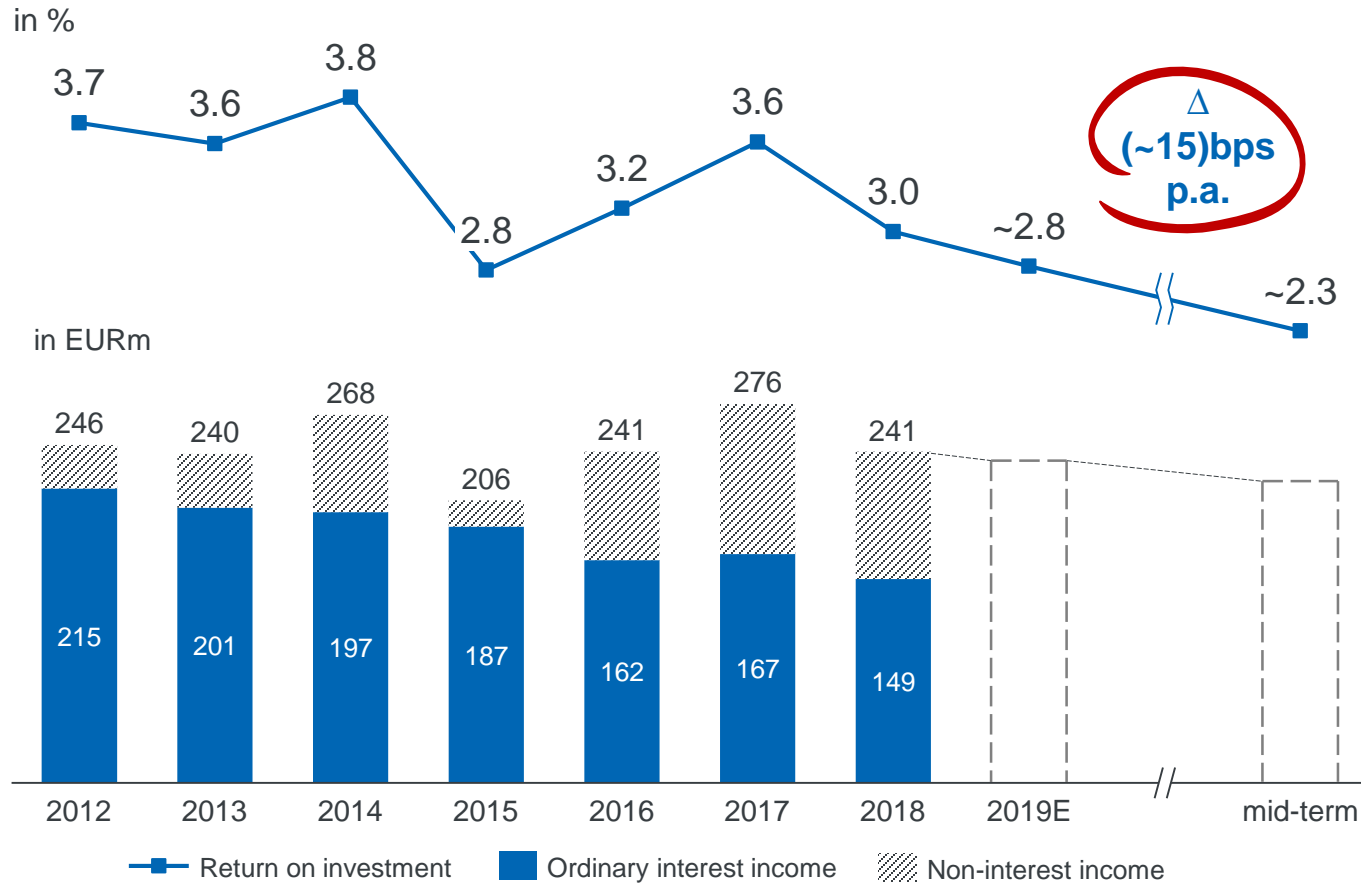
Yield enhancement



2 Investments

Despite strong investment track-record, the “new normal” will take its toll

Investment income & return on investment



▶ Divisional net income benefited from **strong investment results...**

▶ ...also supported by non-repeatable extraordinary investment income

▶ Expected return on investment of ~2.3% – on average **~15bps lower** p.a.

▶ $\Delta \sim 0.5\%$ = **EUR ~45m** reduced investment income

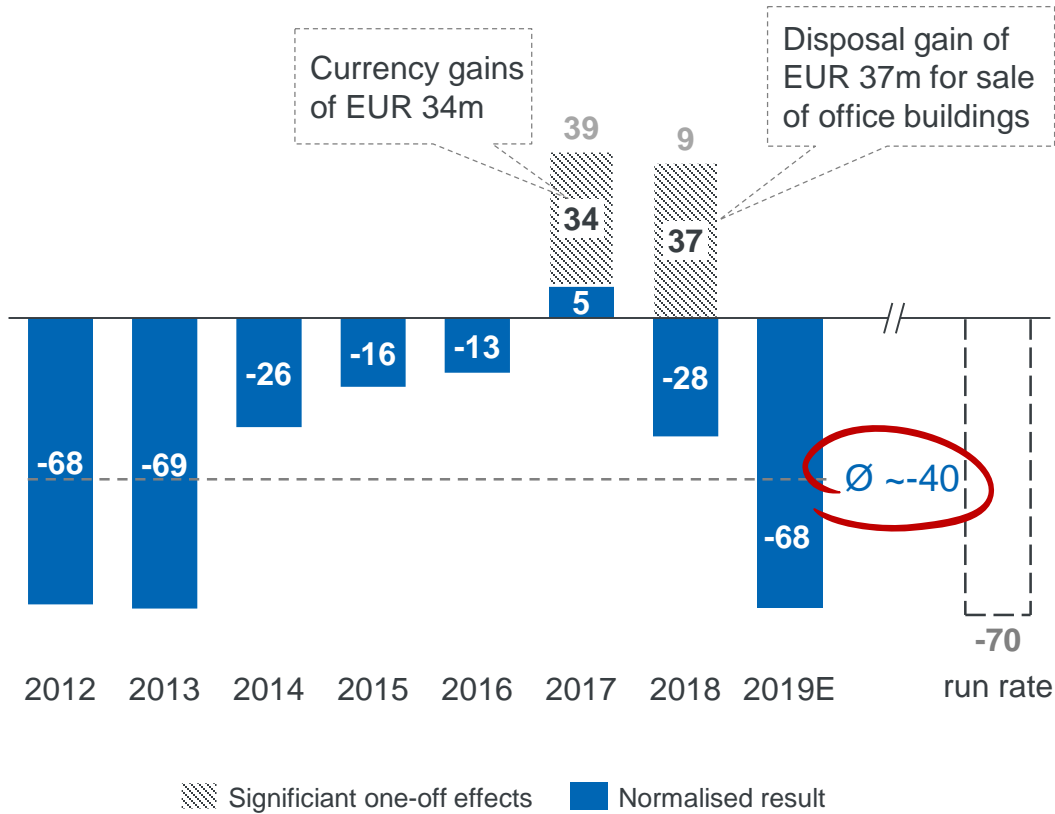
Note: as of September 2019, EUR 560m unrealised capital gains

Excursion – Other result

Consolidation of HDI Global Specialty and project costs will raise other expenses

Other income / expenses

in EURm



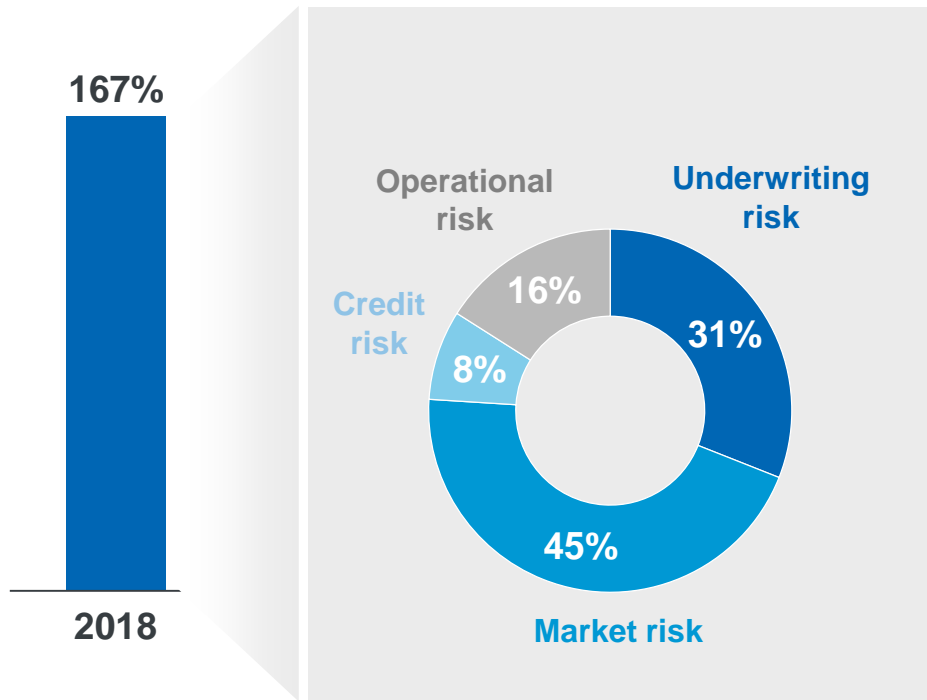
- ▶ Other result affected by positive currency and one-off effects
- ▶ Historically, normalised other result at an average EUR -40m
- ▶ Consolidation of HDI Global Specialty and project costs to add another EUR 30m expenses p.a.

3 Capital management

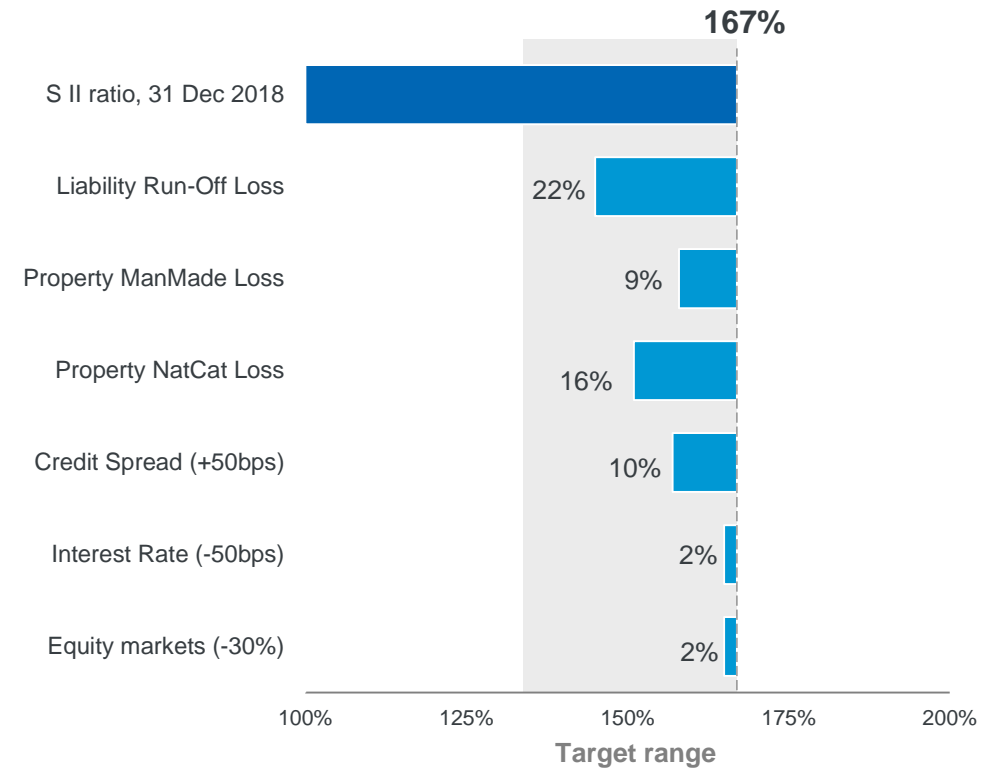
Resilient solvency position due to prudent risk profile

Diversified risks

Solvency II ratio



Resilient Solvency II ratio



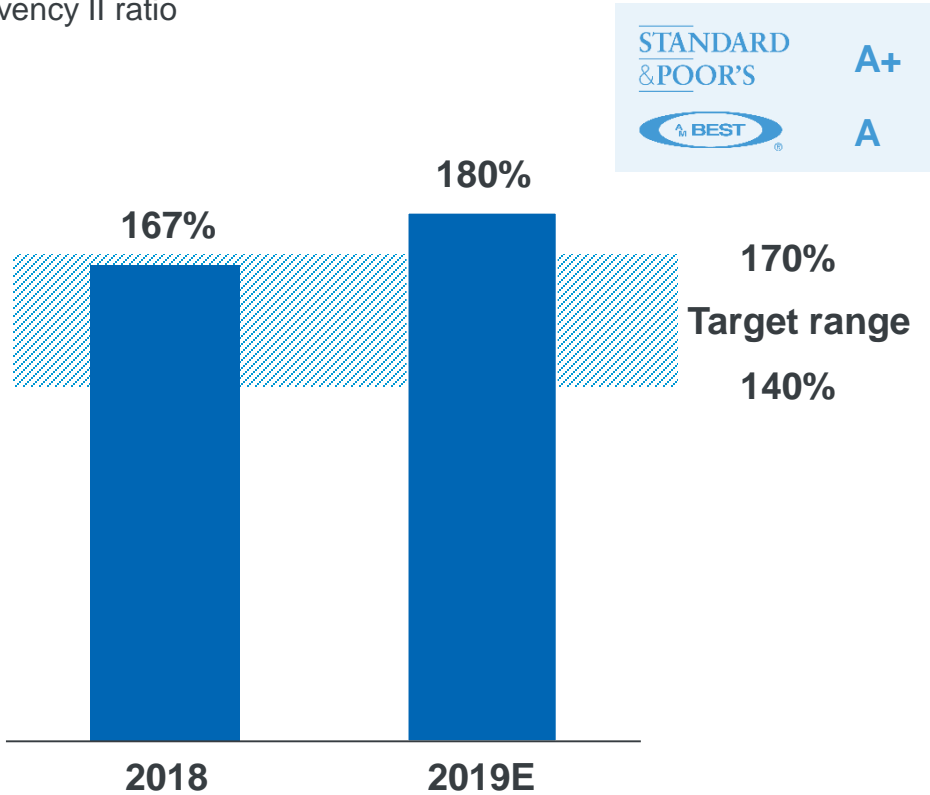
Note: Solvency II ratio of HDI Global SE; Liability Run-off Loss scenario: HDI Global SE liability reserves increase by 10%, Property ManMade Loss scenario: aggregated consideration for man-made losses on the Fire portfolio of HDI Global SE with return period 50 years, Property NatCat Loss scenario: amount of annual damage by natural hazards (storm, earthquake, flood, hail) on the Fire portfolio of HDI Global SE with return period 50 years

3 Capital management

Efficient use of capital – Lever to increase RoE and support capital upstream to Group

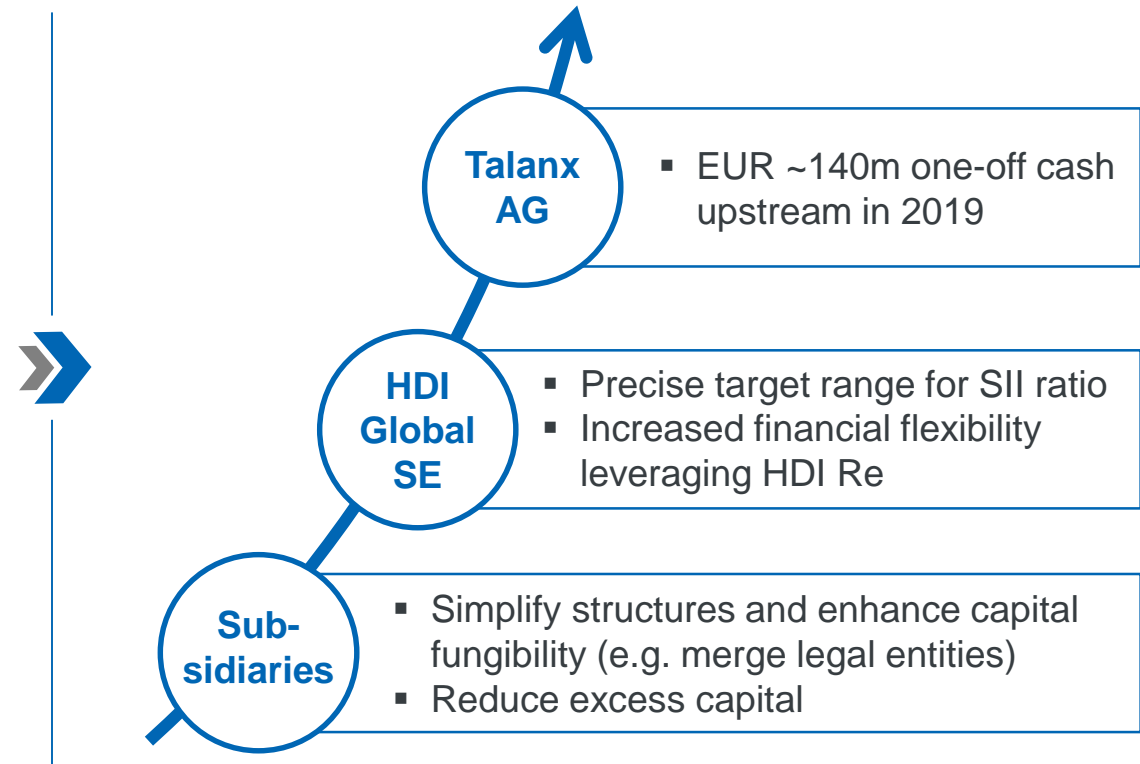
Robust capital shield

Solvency II ratio



Note: Solvency II ratio of HDI Global SE

Active capital management

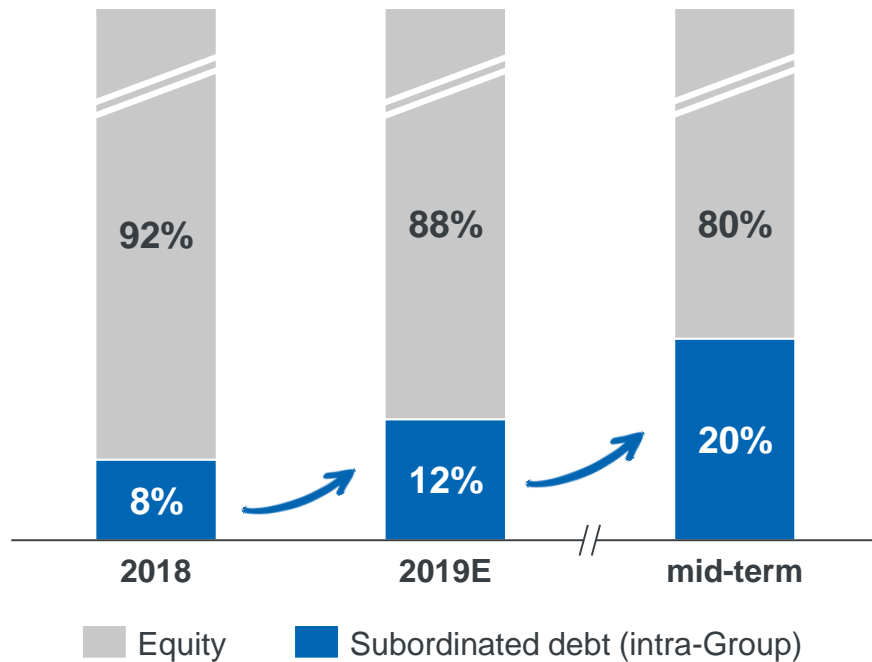


3 Capital management

Supporting RoE ambition by optimising our capital structure

Capital structure

Own funds, in EURm



Key measures

- ▶ High quality capital structure provides flexibility and capacity
- ▶ Efficient use of debt with maximum financial leverage of 20%
- ▶ Low cost of debt (weighted average cost of 2.8%, post tax)

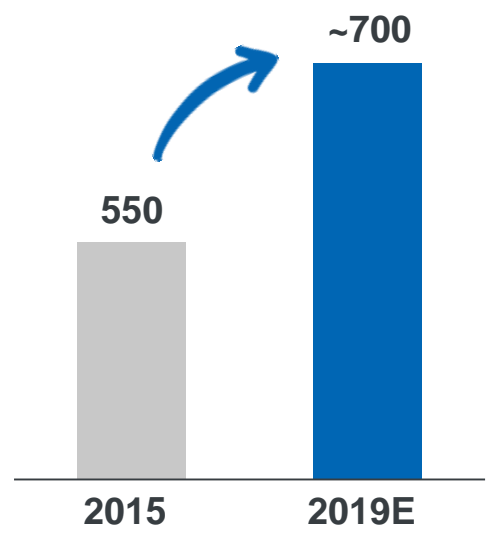
20% Leverage
max.

3 Capital management

Strong German GAAP balance sheet supports earnings and cash upstream to Group

Provision flexibility

Equalisation provision, in EURm

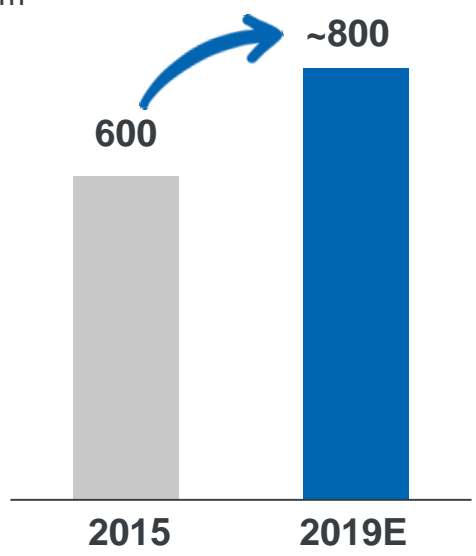


- Distributable earnings (German GAAP) protected by equalisation reserve ("Schwankungsrückstellung")
- Buffering loss volatility, managed via intra-group reinsurance

Note: All numbers refer to main carrier HDI Global SE

Reserve robustness

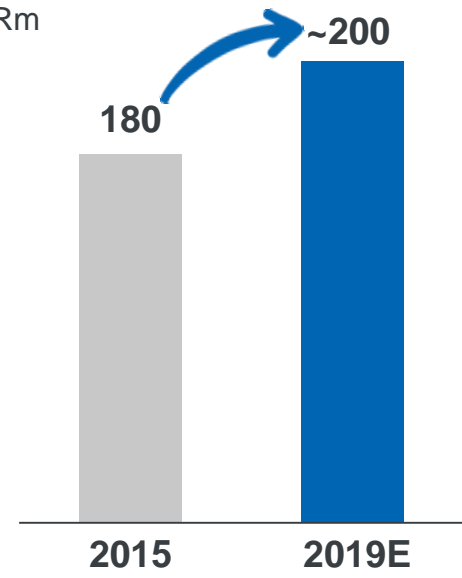
Δ German GAAP vs IFRS reserves, in EURm



- Robust German GAAP reserves as backbone of remittance
- IFRS reserves comfortably meet best estimate level

Asset protection

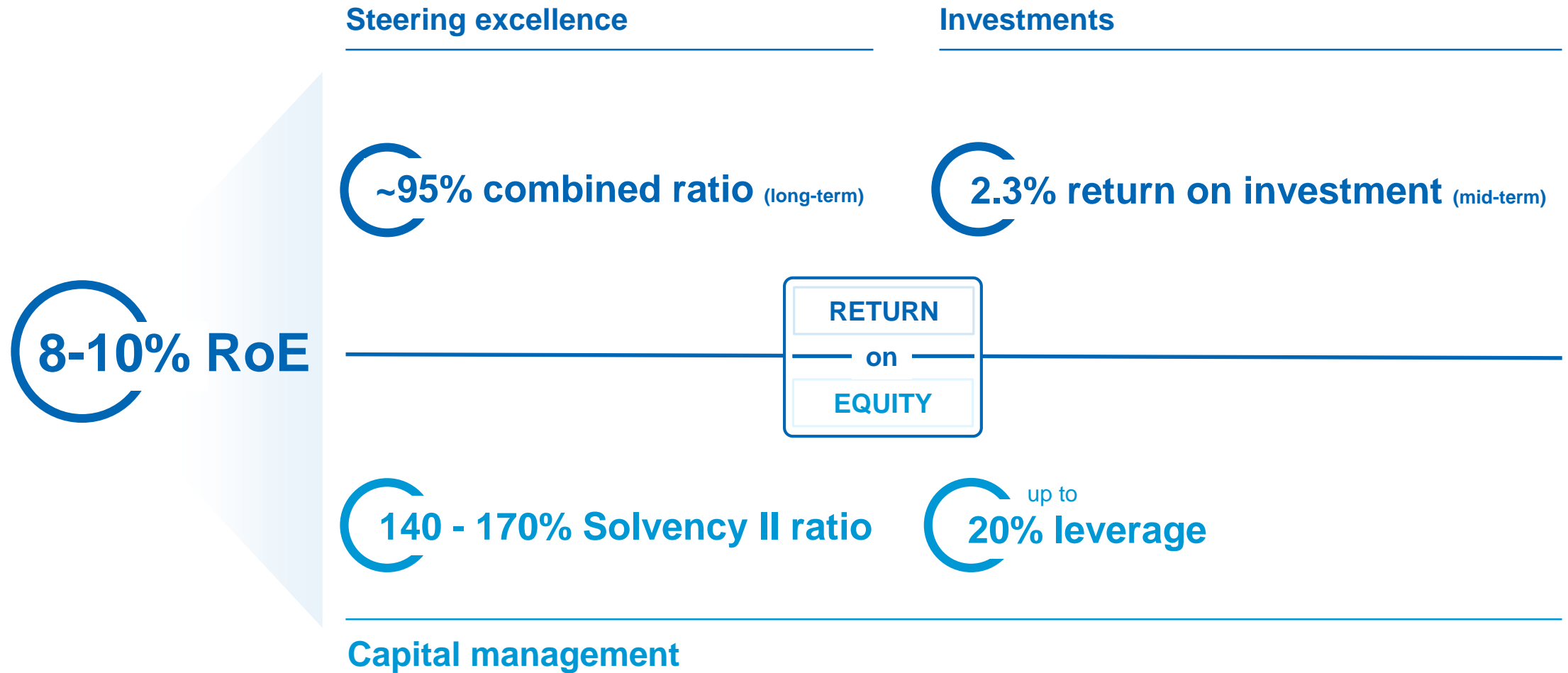
Δ German GAAP vs IFRS OCI, in EURm



- Effective buffer for potentially volatile capital market environment

In a nutshell

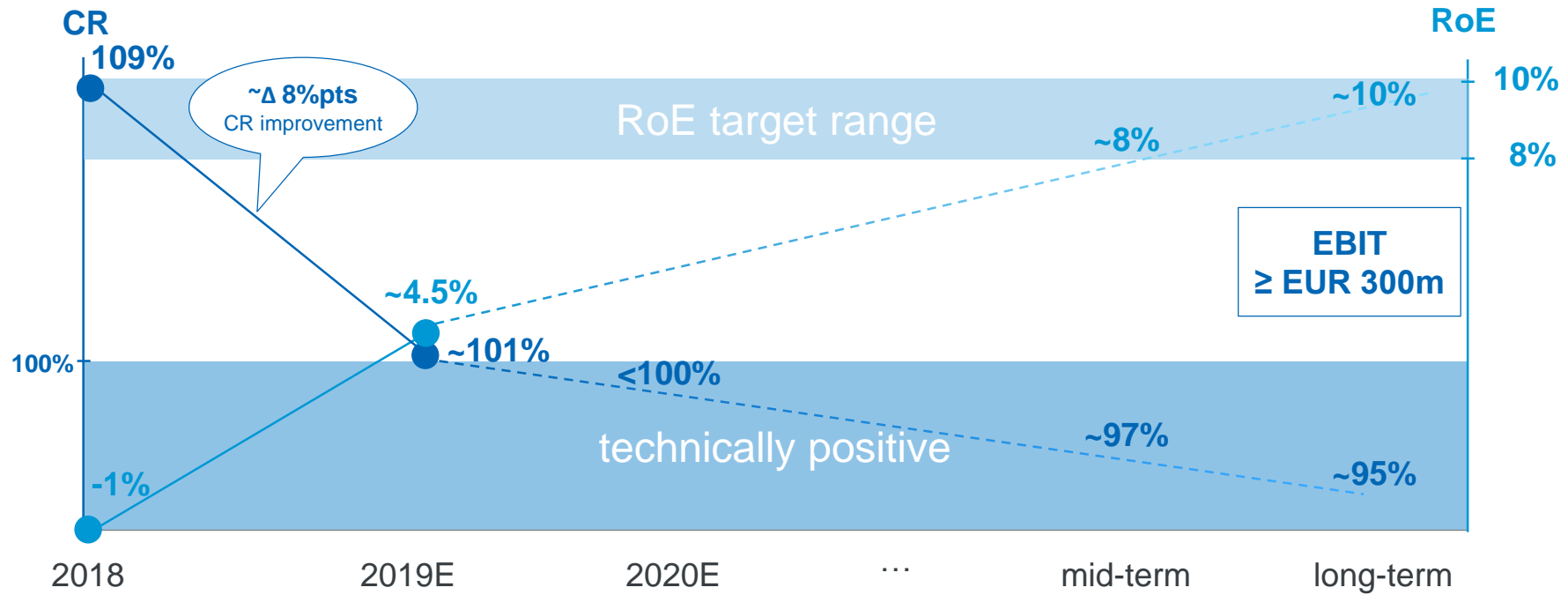
Steering excellence, strong investments and efficient capital management



In a nutshell
On track to lift RoE to ambition level

Our path to profitability

Illustrative



Key messages

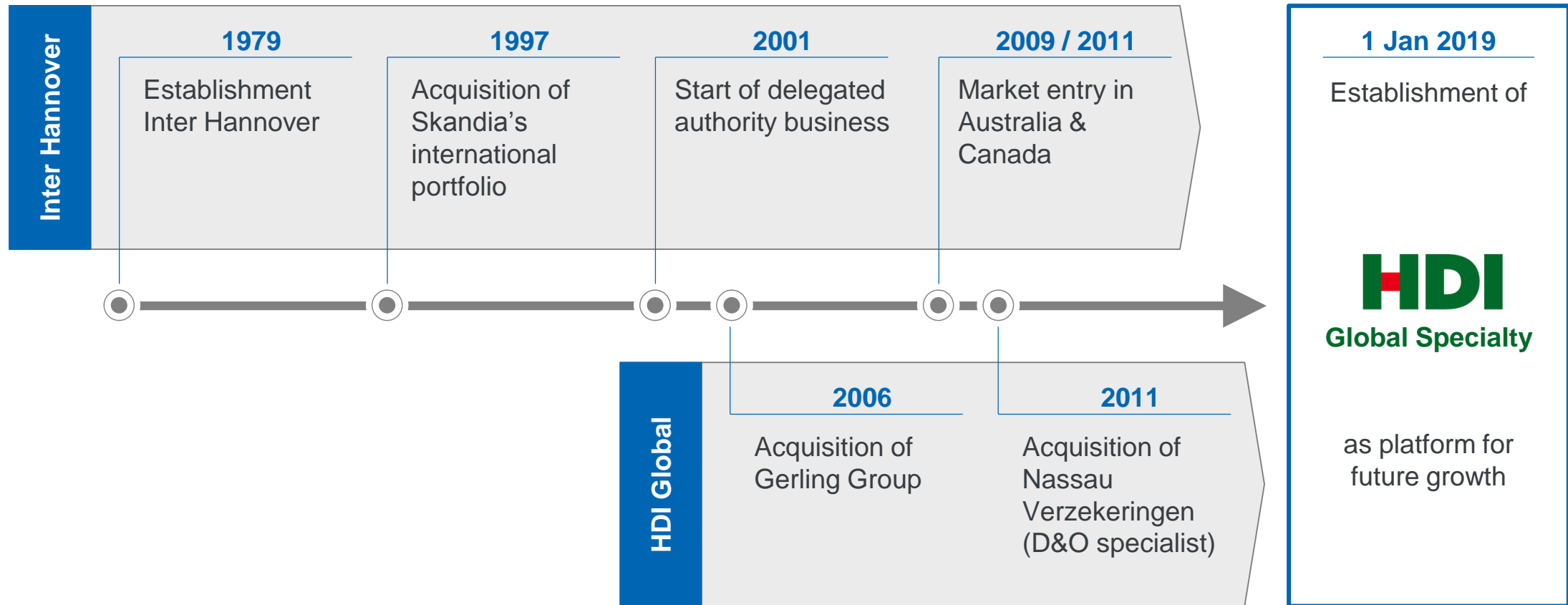
- Achieving underwriting excellence is top priority – backed by the new steering model
- Despite on-going pressure on investment yields and the other result,...
- ...EBIT expected to rise on the back of improved combined ratios
- RoE ambition backed by initiative to optimise capital management
- Strong German GAAP balance sheet supports earnings and cash upstream
- Clear commitment to become strong profit *and* cash contributor within Talanx Group

Agenda

I	Group Strategy	Torsten Leue
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	Industrial Lines	
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Specialty units within Talanx Group
 Combining group-wide forces into powerful unit

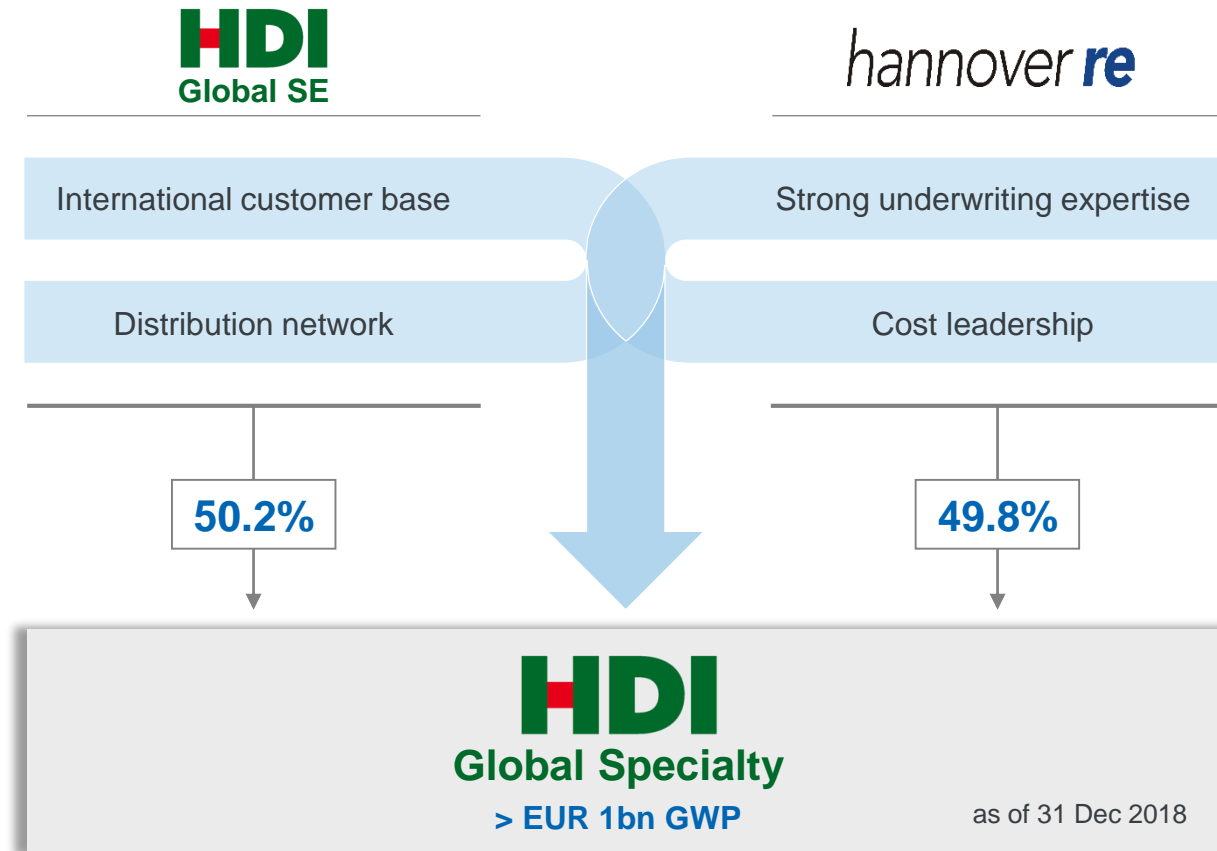
History of HDI Global Specialty



Structure & benefits

HDI Global Specialty combines complementary strengths into a highly competitive player

Joining Forces: Combining strengths & realising synergies



Win-win-win: Benefits for...

- Talanx**
 - **Bundling** group-wide **specialty-activities** and know-how
 - Higher **profit contribution** by merged entity
- HDI Global**
 - **New growth potential** and **diversification**
 - Strengthening of **market position** and knowledge-sharing
- Hannover Re**
 - Strategic **focus** on core **reinsurance activities**
 - **Growth opportunities** via HDI's network and freed-up capital

Top management team

Proven management team bringing together Hannover Re's and HDI Global's skills

Leadership team

Executive Board



Ralph Beutter, 54
CEO



*successfully led
Inter Hannover
over the last 5 years*

Thomas Stöckl
CFO

Andreas Bierschenk
CRO

Richard Taylor
CMO

Supervisory Board



Ulrich Wallin, 64
Chairman



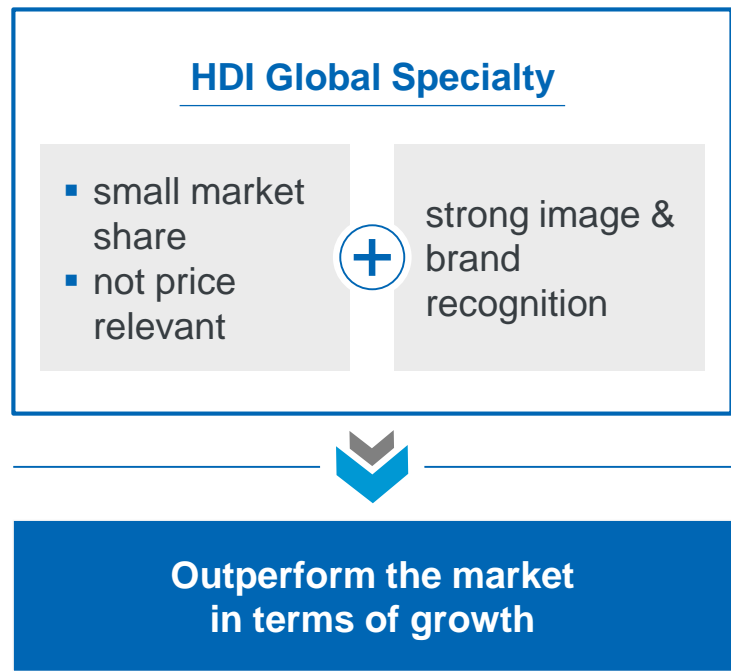
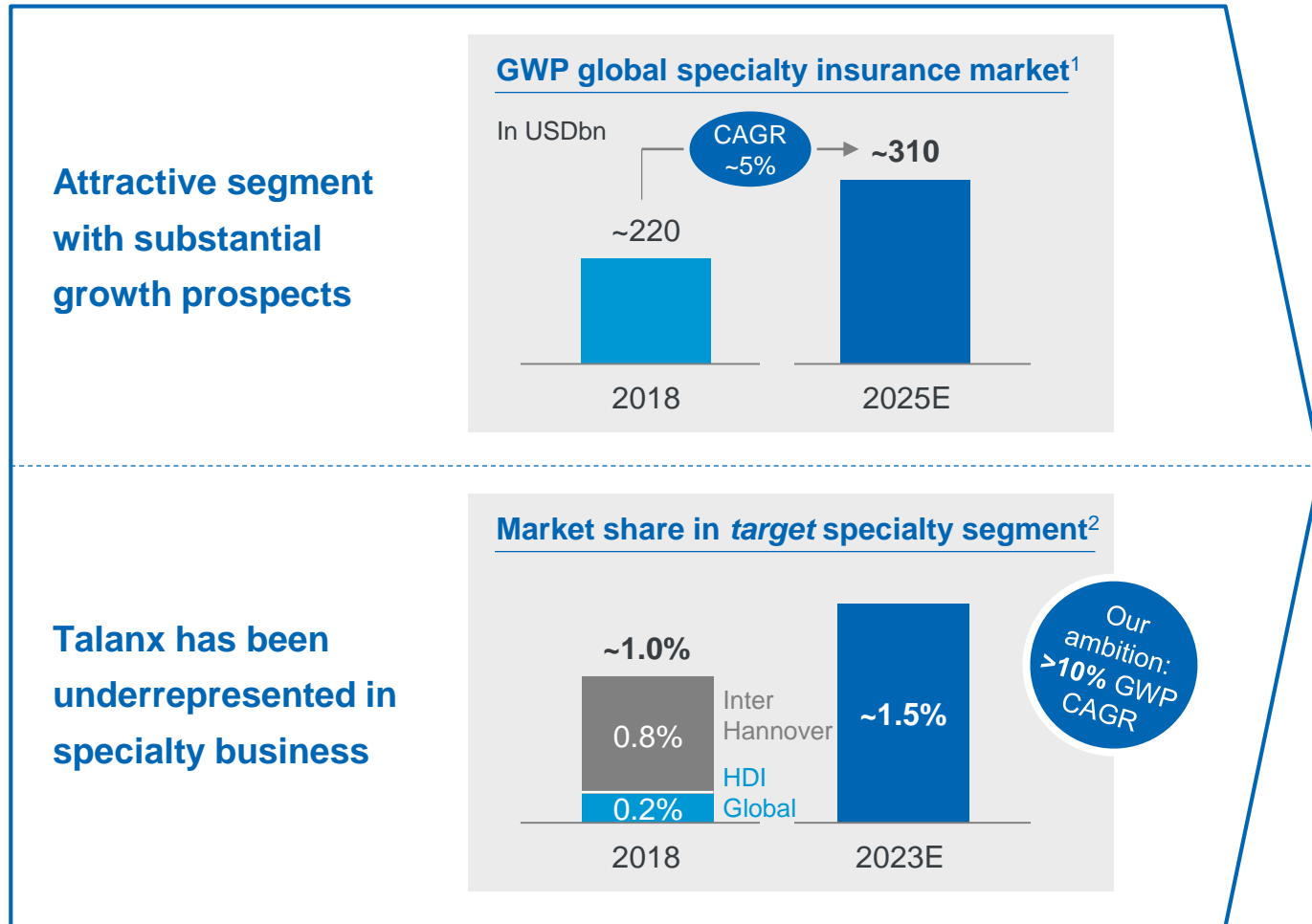
*turned Hannover Re into
the most efficient global
reinsurer*

Roland Vogel
Hannover Re

Jens Wohlthat
HDI Global

Joining Forces

In an excellent position to benefit from a fast-growing market niche



¹ Orbis Research: Global Specialty Insurance Market Size, Status and Forecast 2019-2025

² HDI Global Specialty's target business amounts to ca. 50% of total specialty market

Lines of business

HDI Global Specialty covers a broad range of attractive lines of business

Single risk business

Full mandate

HDI Global Specialty	Aviation & Space	Extended Warranty	Specie
Political Violence & Risk	Pet & Farmpack	Financial & Professional Lines	Energy upstream
Crime, Kidnap & Ransom	Legal Expenses	Sport/Leisure/Entertainment	Accident/Health: Sports PA

Split mandate

HDI Global Specialty	Accident/Health: Group & Travel PA	Hull & Cargo
HDI Global SE	Cyber	Renewable energy



Delegated authority business

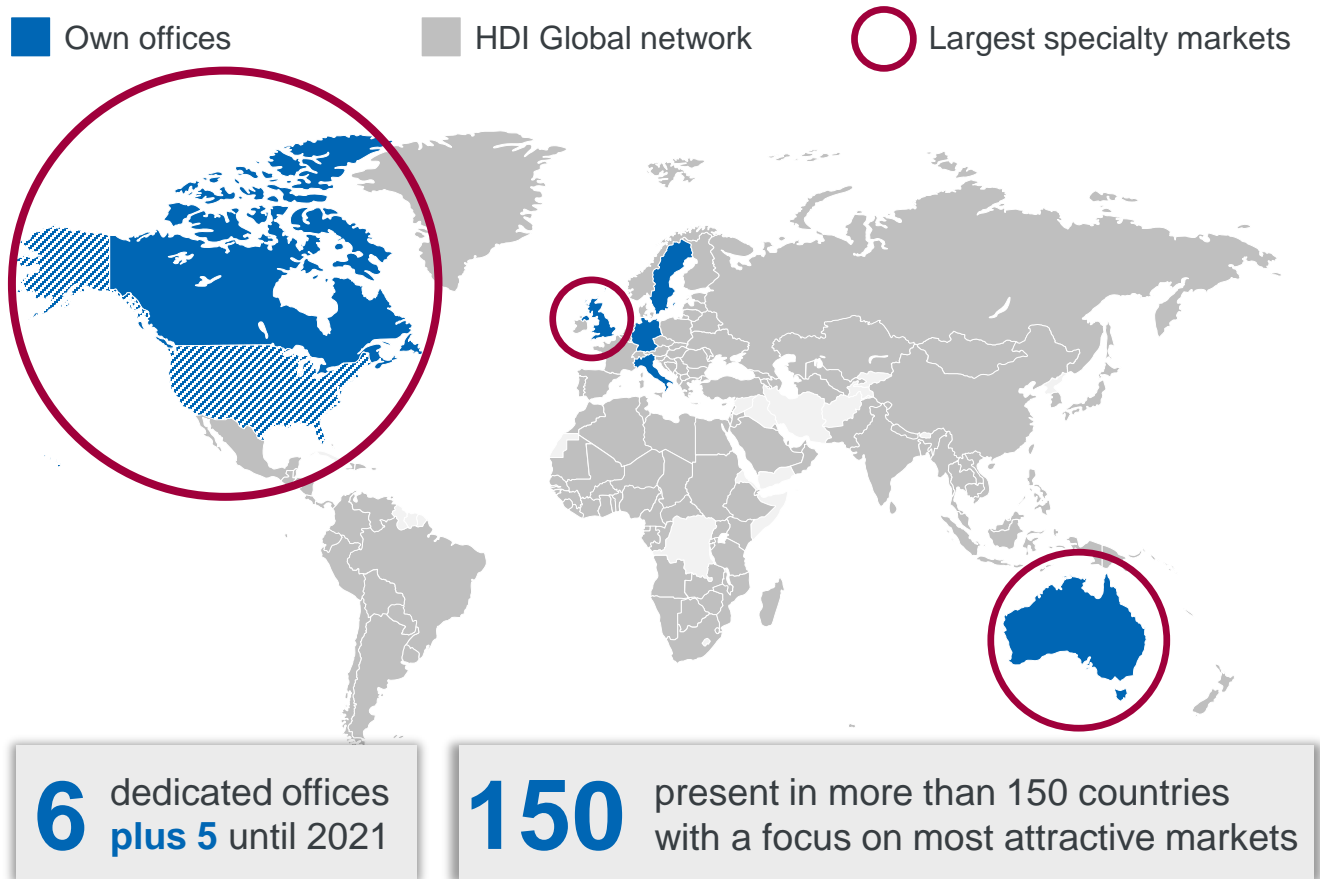
All lines of business
(emphasis on full mandate lines)

Note: With respect to US business, currently cross-border excess and surplus lines business only. PA = Personal accident

Geographic scope

HDI Global Specialty is present in all relevant specialty markets worldwide

Global strength, local expertise

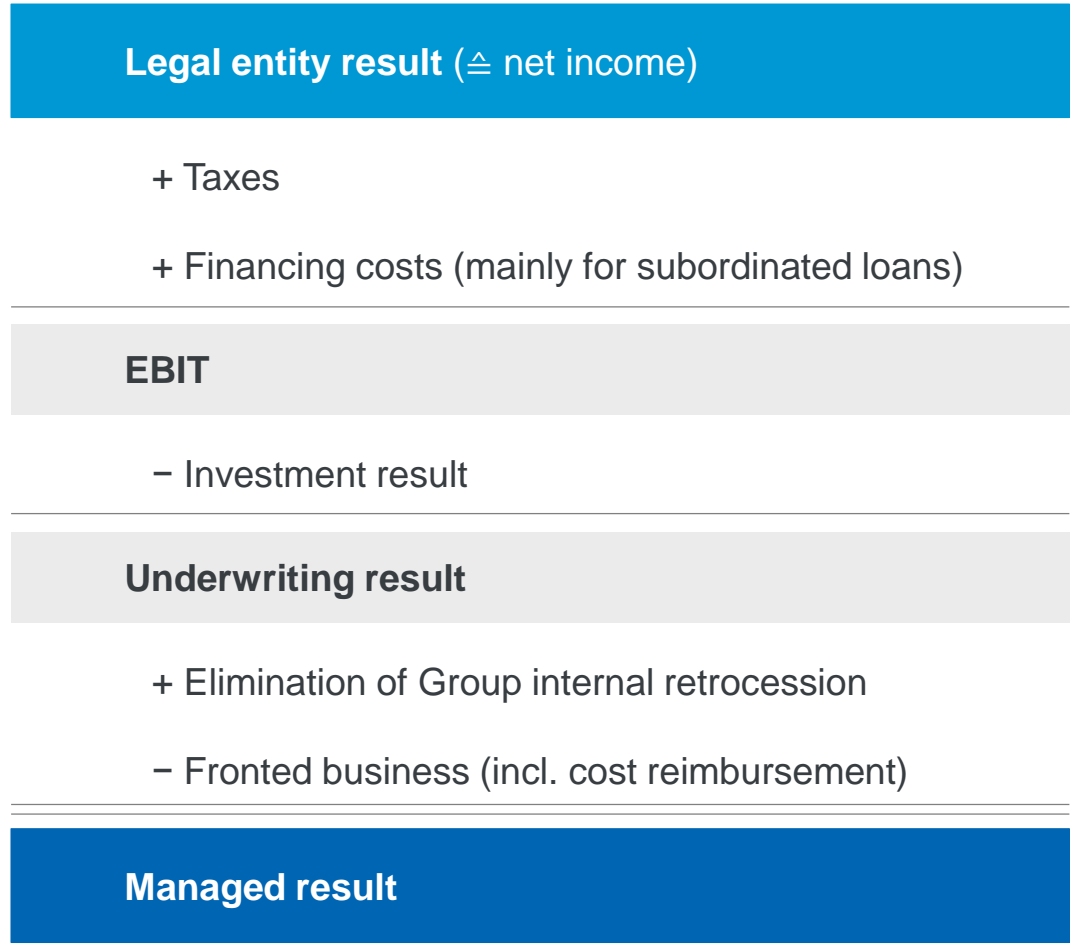


Key traits of HDI Global Specialty


Dynamic	<p>Speed & flexibility: Fast decisions, agile service, expert claims settlement</p>
Empowered	<p>Local & centralised teams: specialists with many years of experience in industries and product solutions</p>
Committed	<p>Work collaboratively with our clients to develop mutually beneficial relationships</p>

Transition from legal entity result to managed technical result

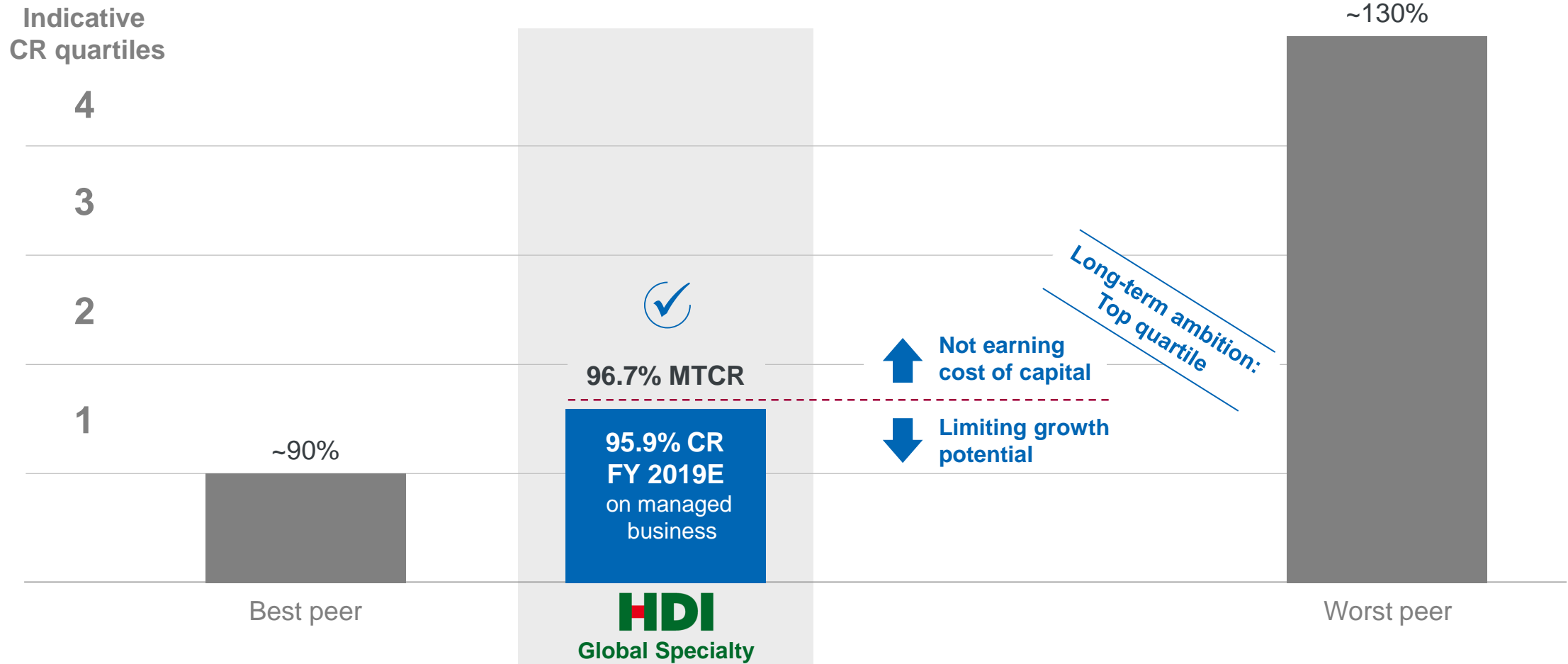
Managed result is central KPI and reflects the overall contribution to Talanx Group



Key figures managed portfolio FY 2019E

GWP	Underwriting result	Combined ratio	in EURm
~1,060	~40	95.9%	 < MTCR

Combined ratios Top quartile position key to exceed cost of equity



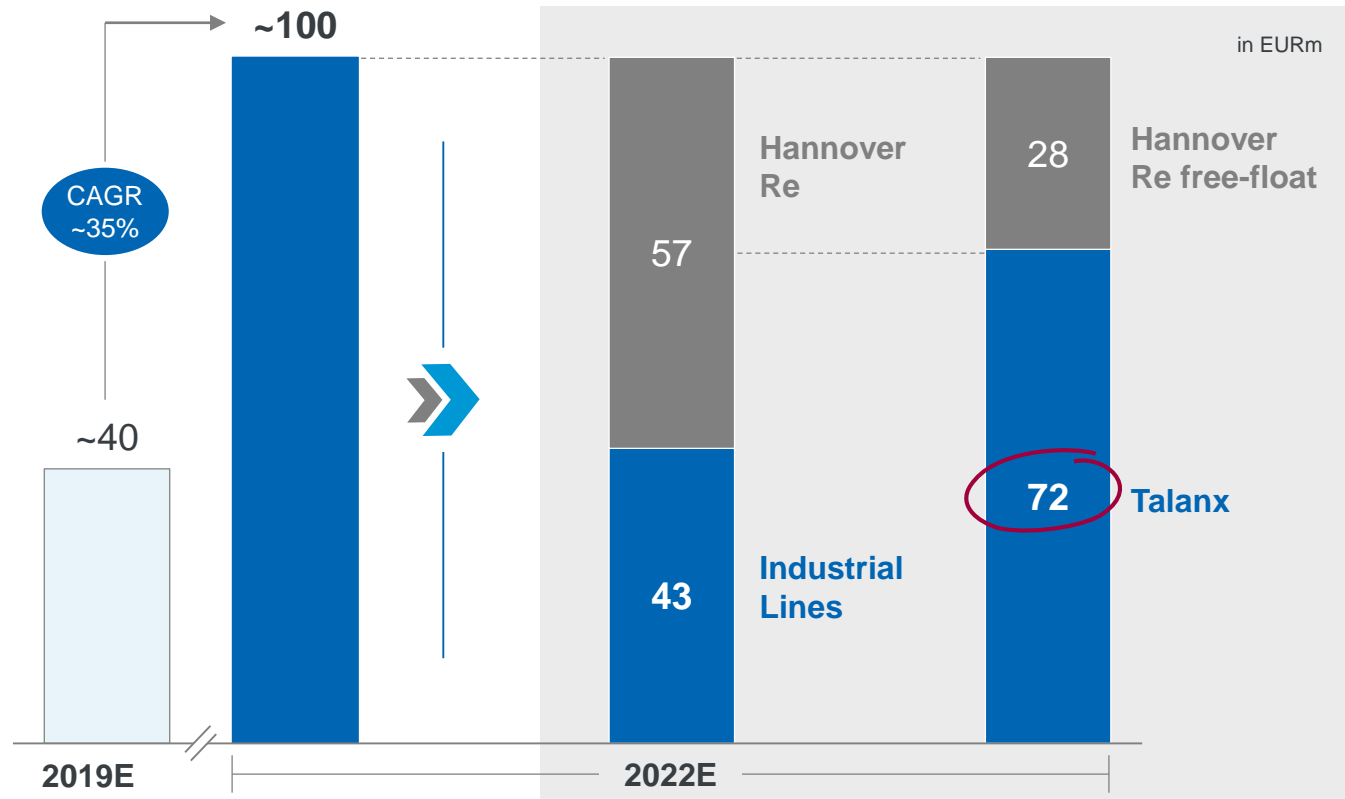
Note: Peer combined ratios reflect 6M 2019 figures. Combined ratio reflects Talanx view, not the lower divisional combined ratio

Ambitioned profit targets

Allowing for substantially higher profit contributions to both Hannover Re and Talanx

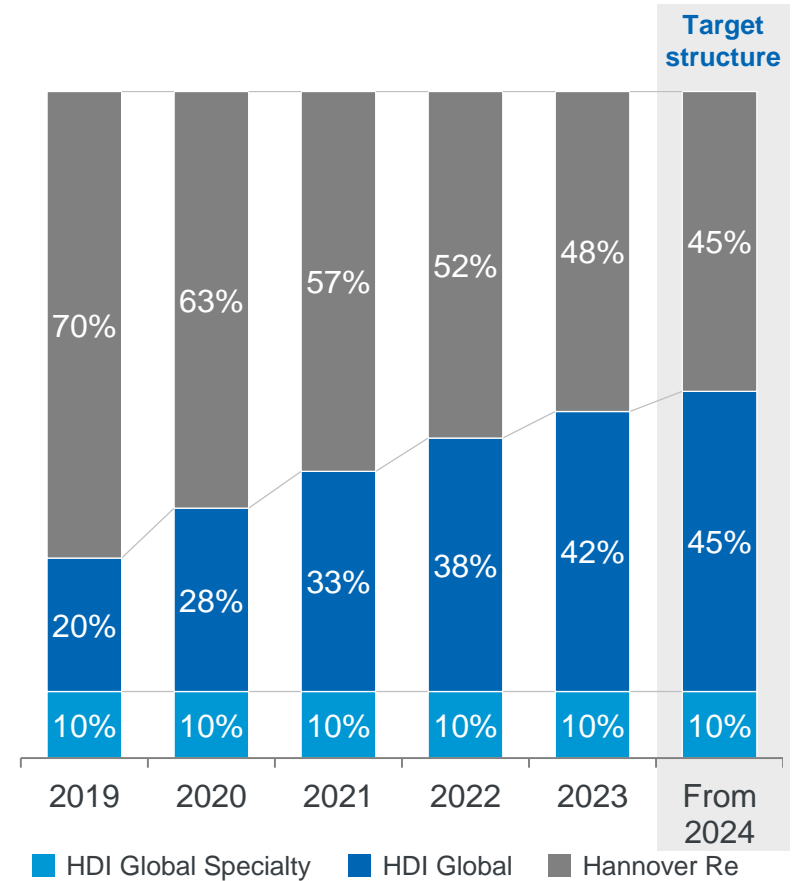
Target to double managed result within three years

Technical contribution to Talanx



Figures reflect underwriting result based on managed portfolio after internal retrocession and minorities and before taxes

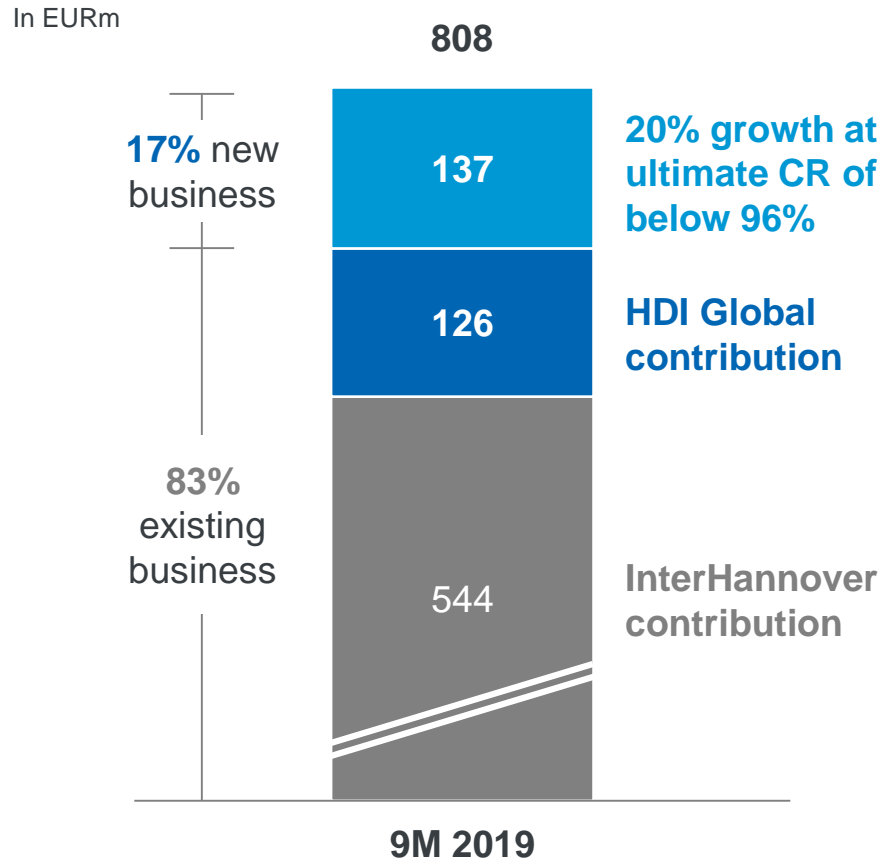
Reinsurance structure



Operating performance

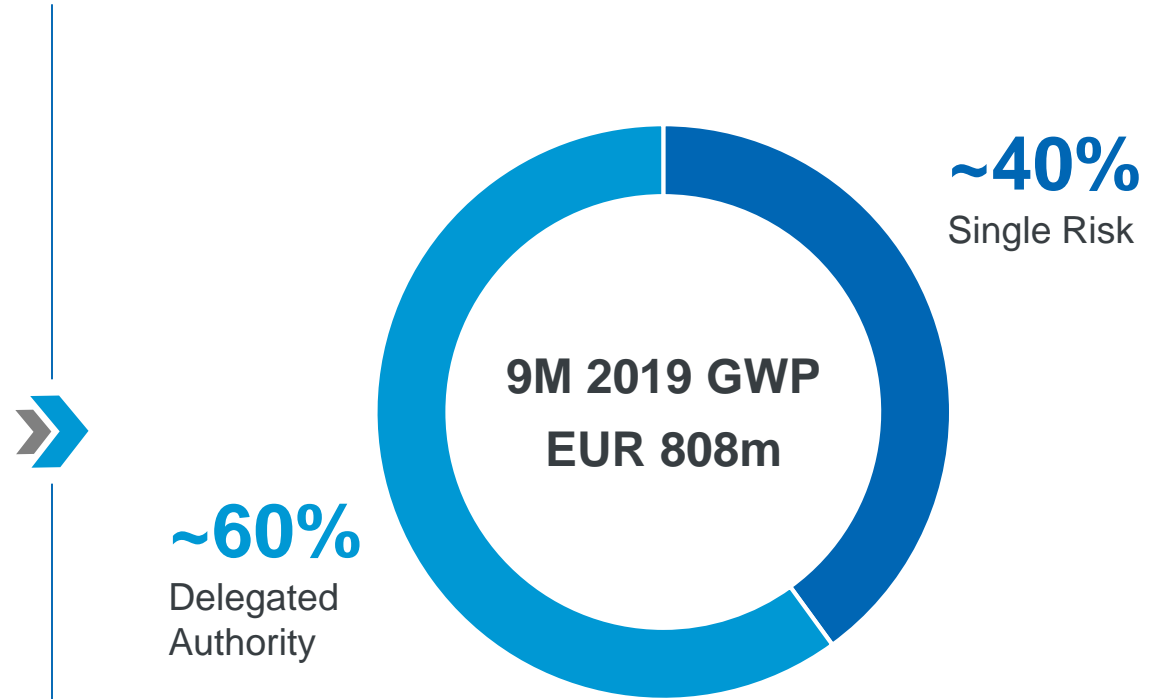
Strong profitable growth from the start

Structure of managed GWP



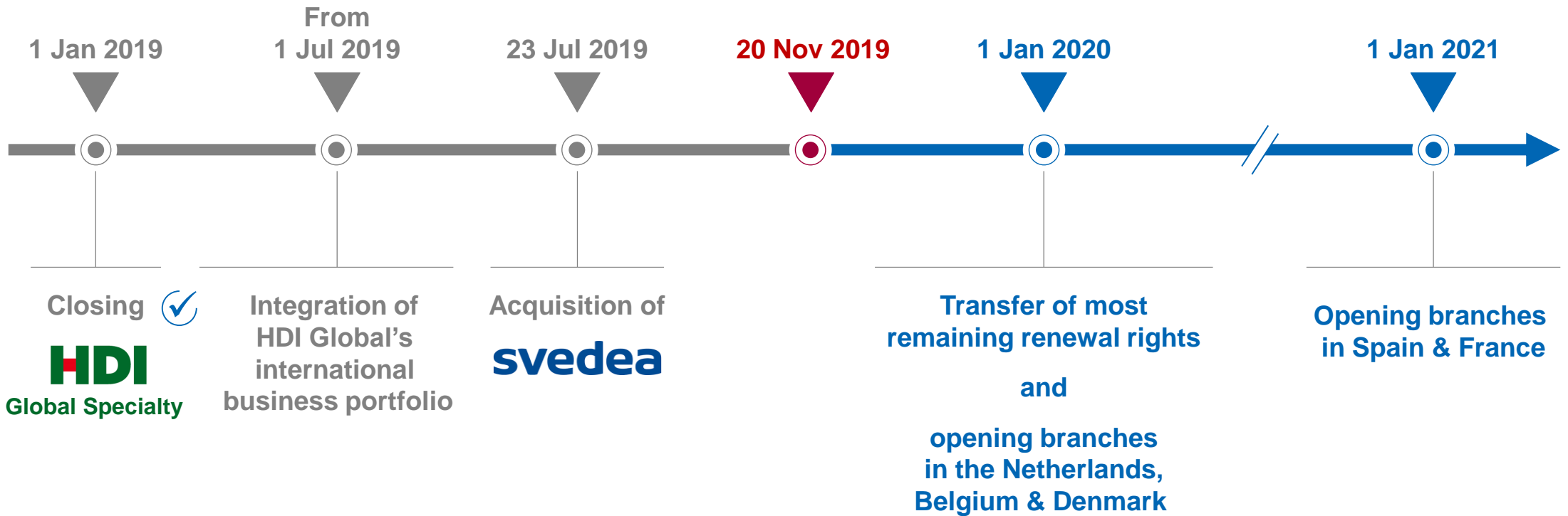
Note: Excluding fronted business

GWP business structure



Achievements and next steps

HDI Global Specialty drives further international expansion in the short-term



Key elements of our strategy

HDI Global Specialty's top ambition is to grow profitably while selecting risks carefully



Global Specialty

One profitable growth engine of Talanx

- **Mid-term profitability: 93 – 94% targeted CR** on managed business
- Growing **organically** by **>10% GWP CAGR**_{2018-23E}

Application for internal model

Cost leadership

- Maintaining cost leadership despite strong business growth
- **Expense ratio of ≤ 5.25%**

Active risk management

- Support growth while balancing risk profile and diversification
- **Target SII-Ratio: >140%** (standard formula). Level of **>200%** in internal model leaves room for growth

Sustainability and Integrity

- Aligning investments & underwriting with Talanx's ESG strategy
- Further developing compliance organisation & processes globally

Key essentials

Targeting to become a meaningful profit contributor to the Talanx Group

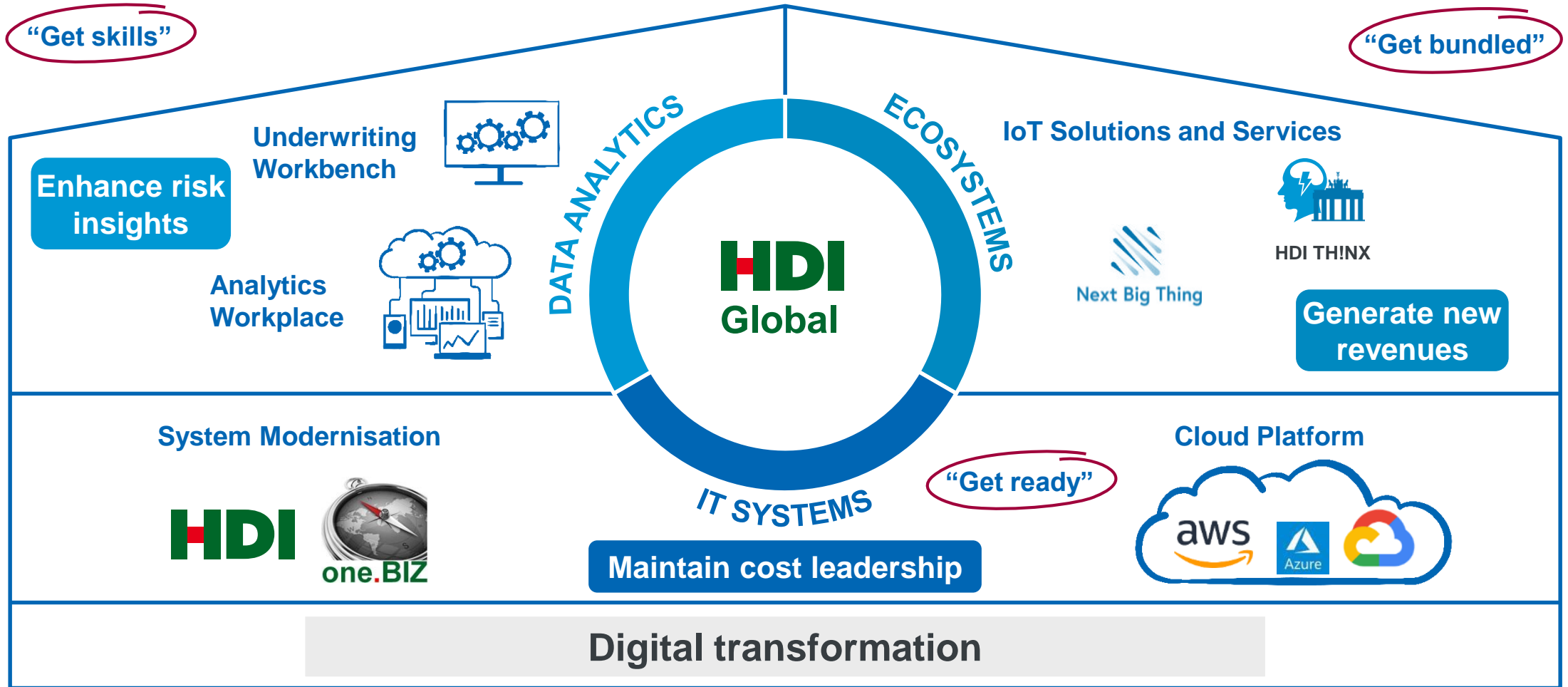
- Bringing together **best-in-class skills in underwriting and distribution** in the Group
- Creating a **highly competitive player** in an attractive market niche
- Targeting a sustainable **top quartile position** amongst specialty insurers
- Excellent start with 9M 2019 new business of **GWP of EUR 137m** at ultimate **combined ratio well below 96%**
- Potential to generate **EUR ~100m technical underwriting result** based on managed portfolio **in 2022**

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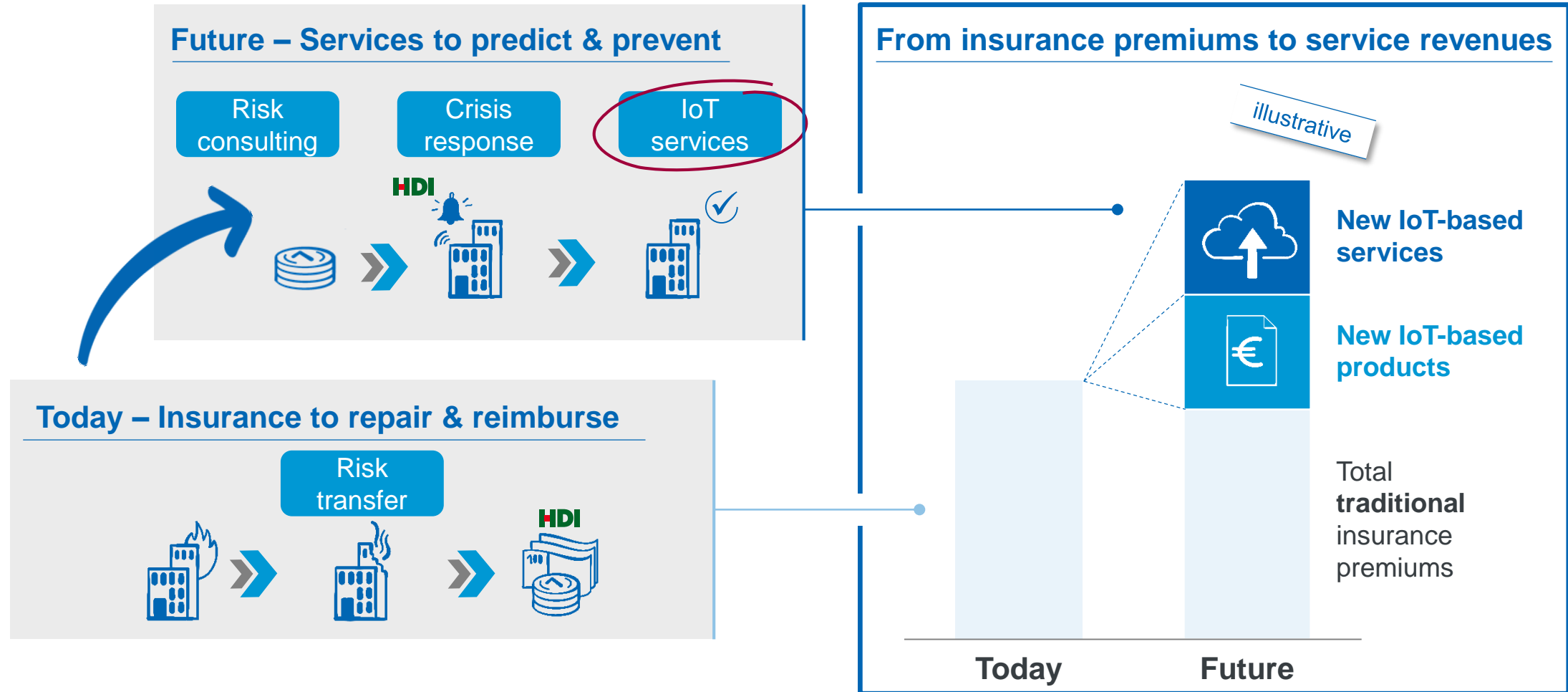
Develop – Digitalisation

We are executing our digital transformation roadmap



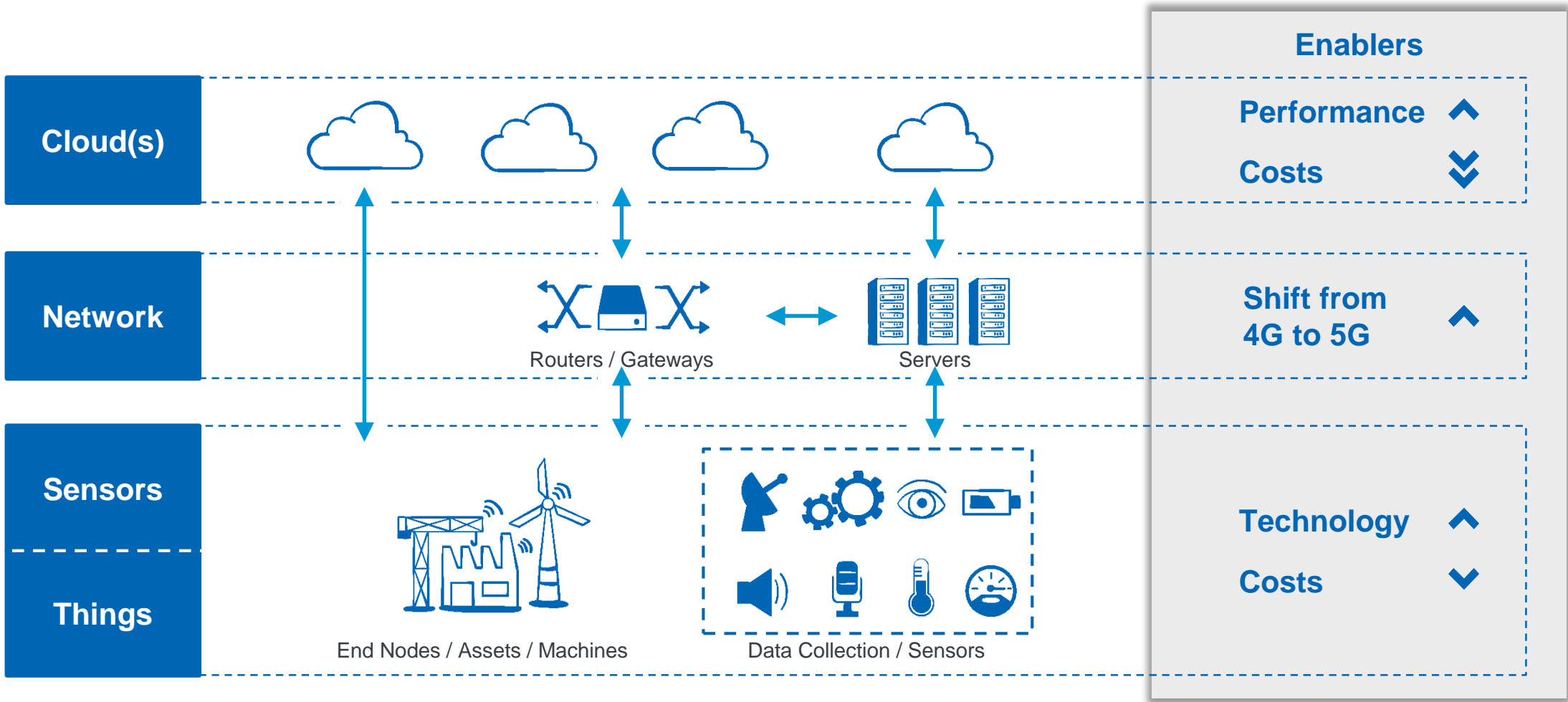
I Get bundled – IoT Solutions and Services

Industrial insurance will shift from risk transfer to 'predict and prevent'



I Get bundled – IoT Solutions and Services

Corporates are increasingly embracing the ‘Internet of Things’ (IoT)



I Get bundled – IoT Solutions and Services

We have partnered with Berlin-based venture builder NBT to foster IoT innovations

Three phases of Industrial IoT



Apr 2019: Cooperation with IoT venture builder Next Big Thing (NBT)



- Access to leading IoT ecosystem
- Access to deep machine-data knowledge
- Partnership with relayr founder Harald Zapp

I Get bundled – IoT Solutions and Services

We have founded HDI TH!NX and work on the first use cases

Three phases of Industrial IoT



Sep 2019: Foundation of IoT solution builder HDI TH!NX in Berlin



- Validation of new digital business cases
- Development and scaling of successful MVPs
- Partnering with corporates

Note: MVP = Minimum viable product. HDI TH!NX is an exclusive solution builder for Industrial Lines held by HDI V.a.G.

I Get bundled – IoT Solutions and Services

The first use case is already being implemented in cooperation with Schneider Electric

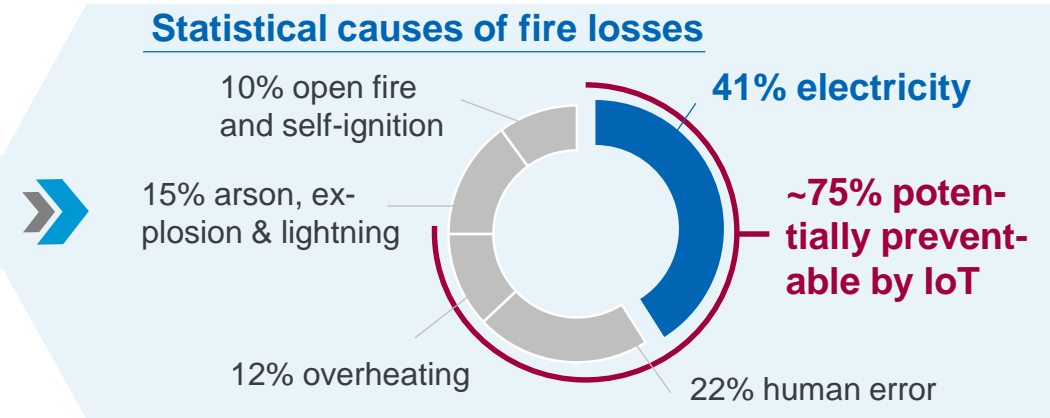
Three phases of Industrial IoT



Oct 2019: Driving co-innovation with Schneider Electric



- Leveraging Schneider Electric's IoT platform
- Focus on fire prevention
- Large client base with installed IoT solutions



Source: Institut für Schadenverhütung und Schadenforschung, Ursachenstatistik Brandschäden 2002-2018

I Get bundled – IoT Solutions and Services

Our heritage equips HDI TH!NX to win in this changing world

Unique **long-term relationship** to the German „Mittelstand“ as well as a **track record of co-innovation**



One of the **leading industrial risk engineering** organisations with ~175 risk engineers



HDI
TH!NX

Cost leadership with ~7%pts advantage vs. peers

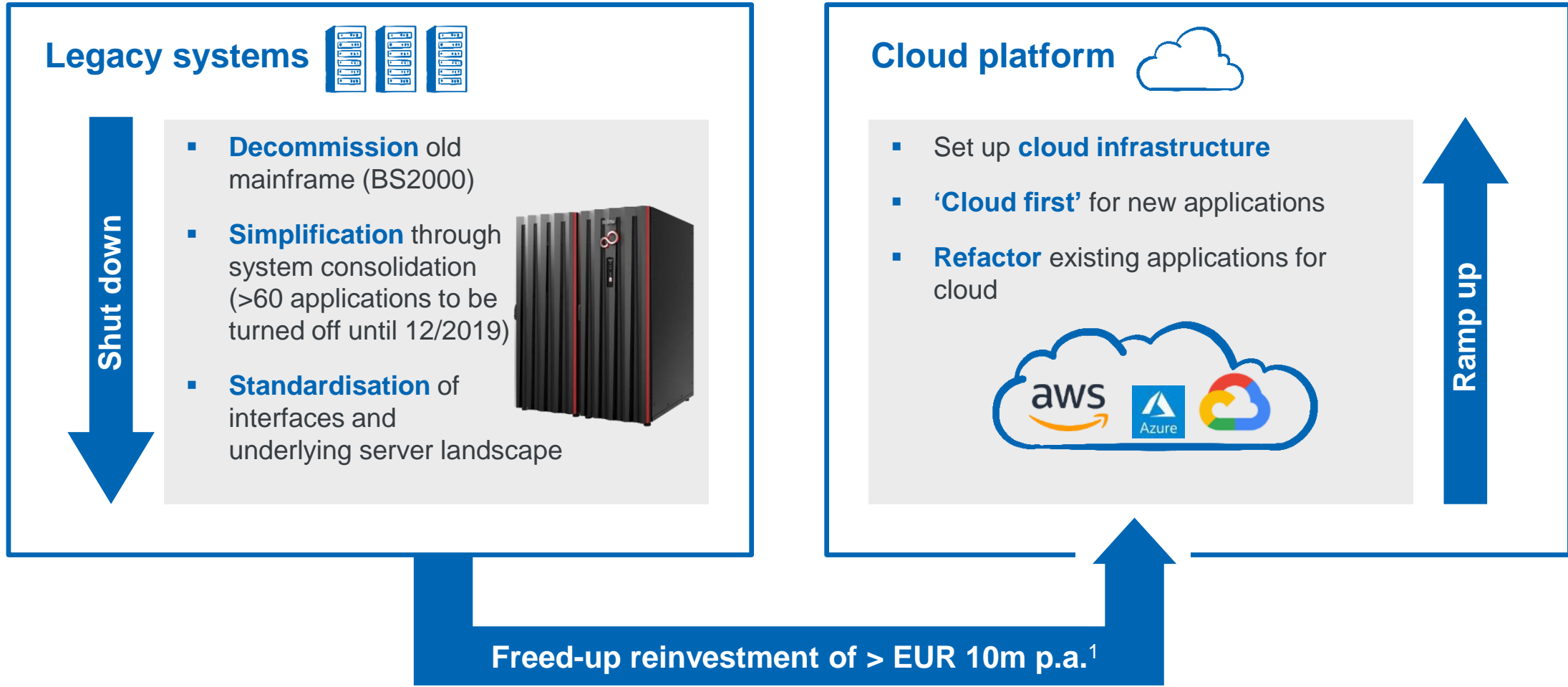


Required skills and **historical loss data** to generate **insights into risks**



II Get ready – Cloud platform

Modernising our platform – reducing legacy while building up cloud infrastructure

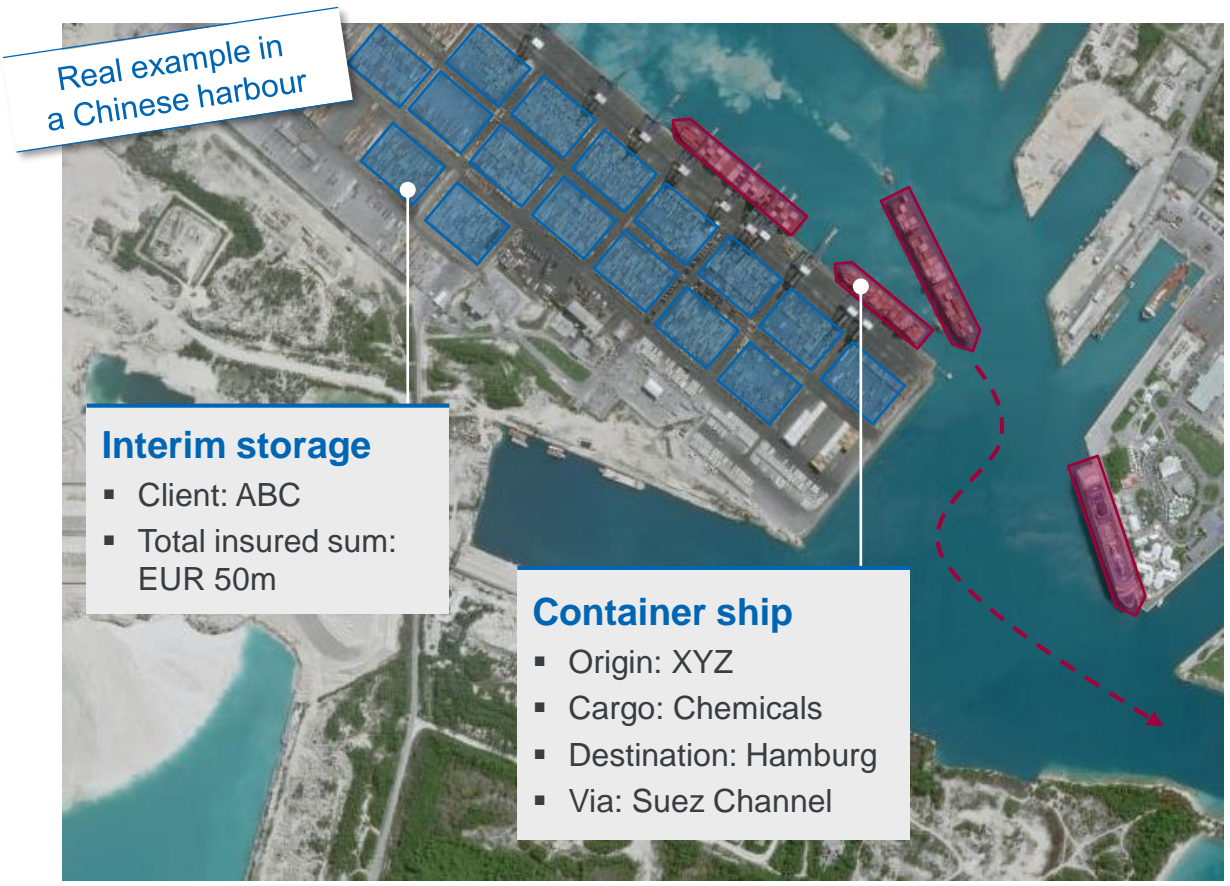


¹ Annual savings accrue in Industrial Lines and Retail Germany

II Get ready – Cloud platform

Our cloud-based modern data platform will enable best-in-class data analytics capabilities

Example: AI-enabled analysis of risk concentration based on satellite image recognition



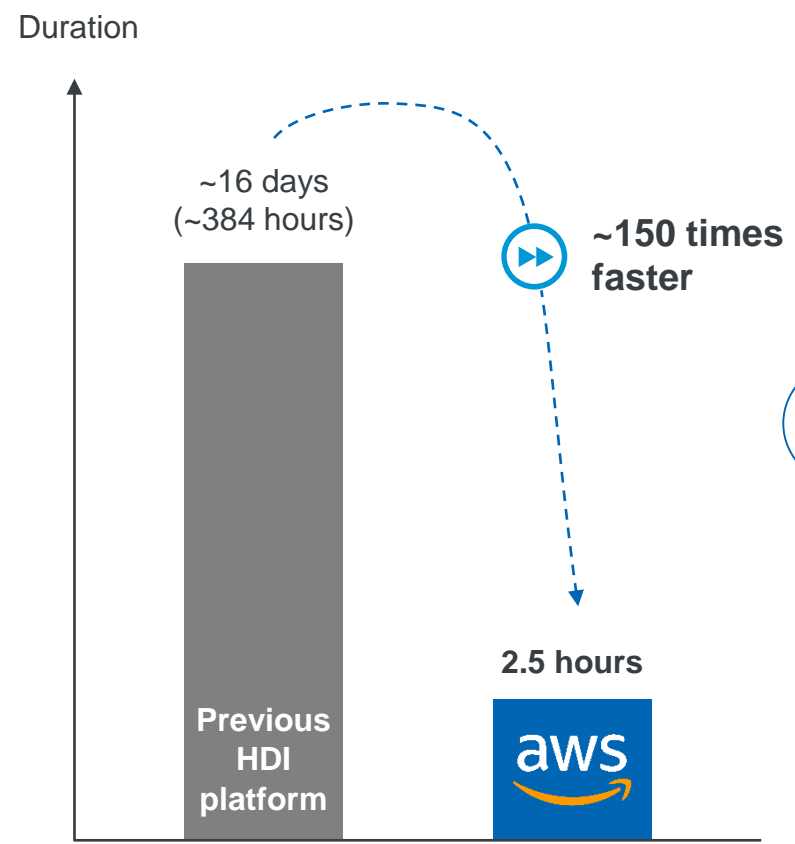
Note: AI = Artificial Intelligence



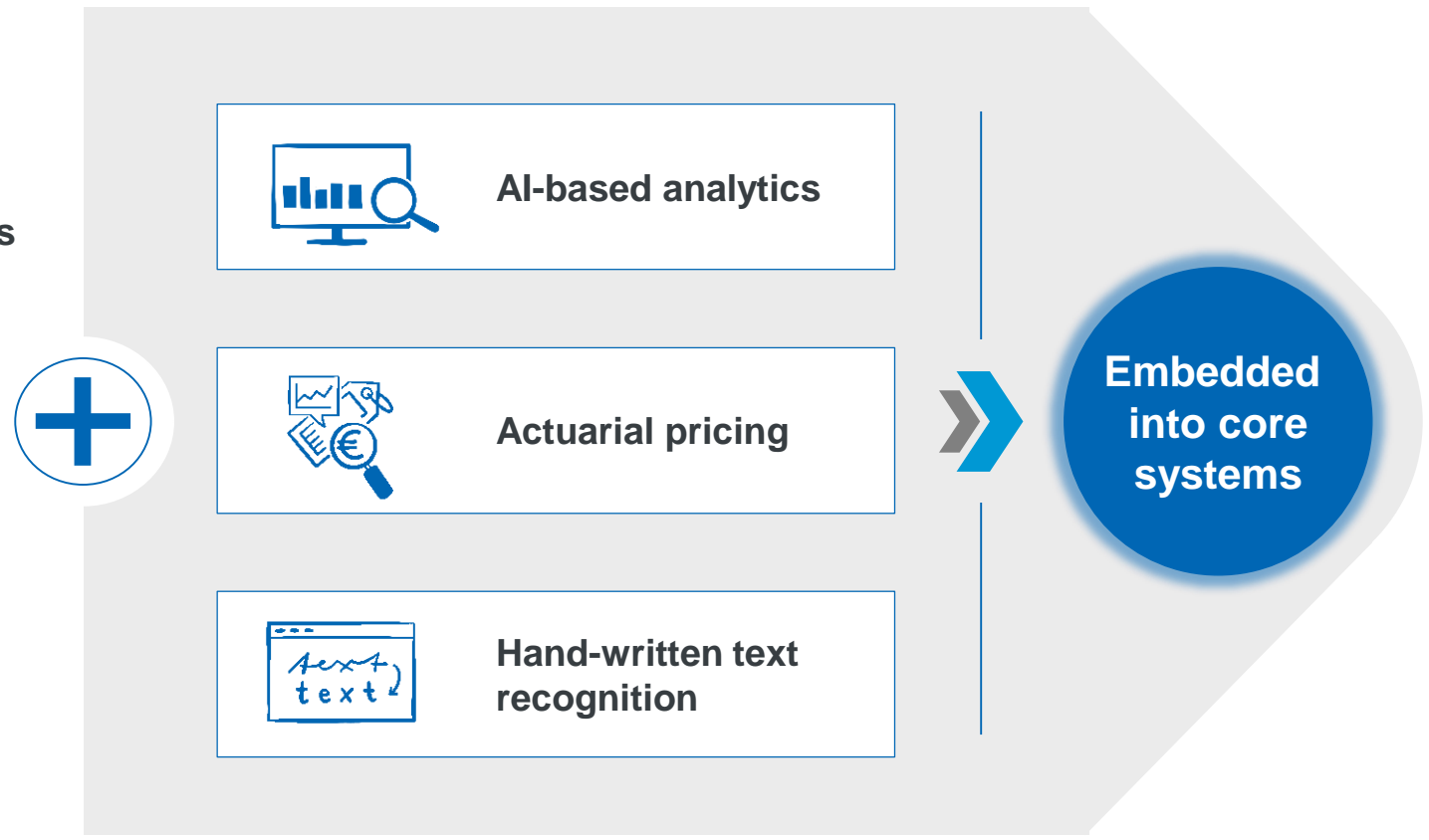
II Get ready – Cloud platform

The cloud-based data platform heavily accelerates data analytics in a variety of use cases

Risk recognition via satellite image



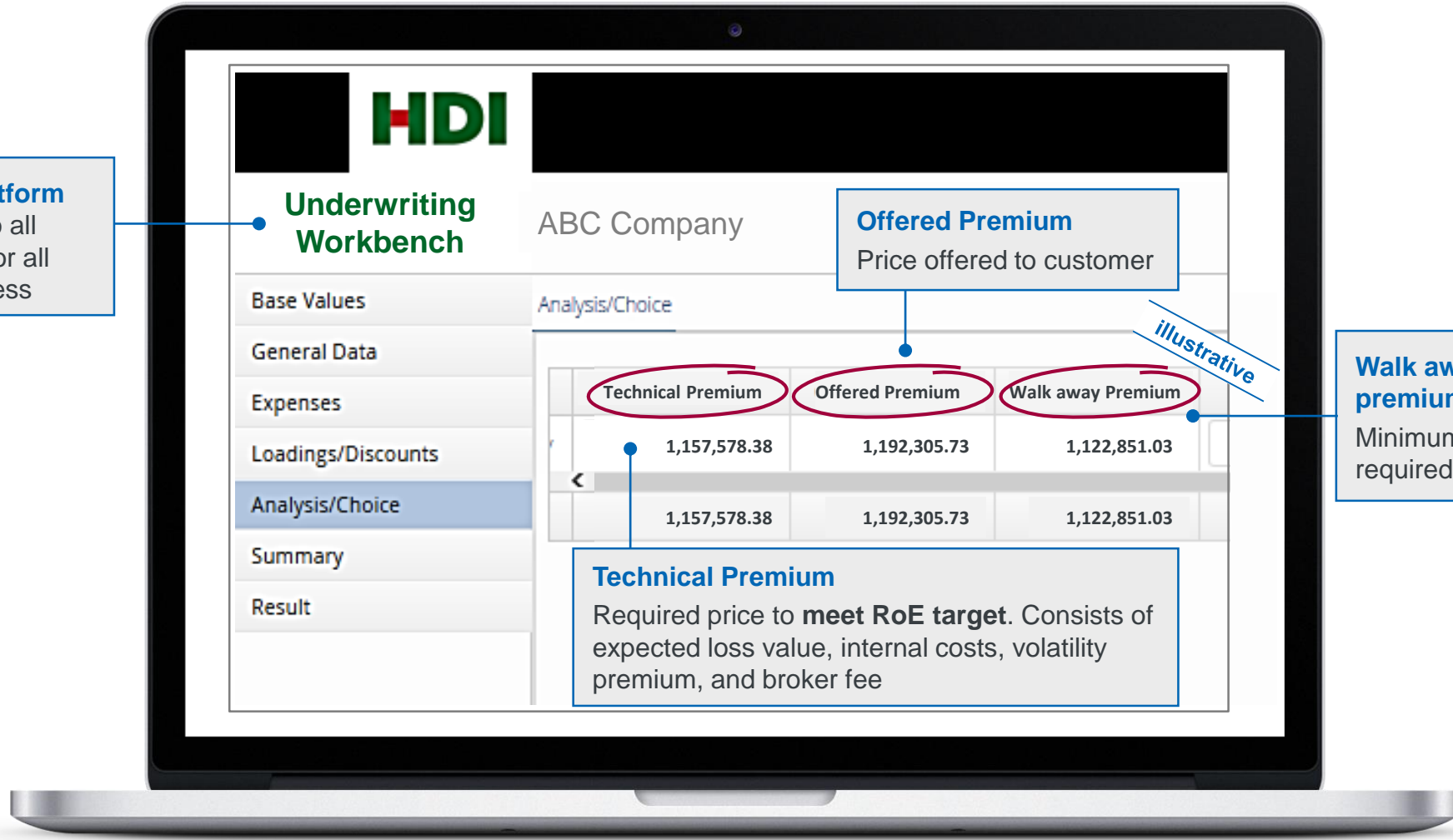
Additional cloud-enabled use cases



III Get skills – Global Underwriting Workbench

The “Underwriting Workbench” is the new standard platform for all our pricing activities

Standard platform
with access to all pricing tools for all lines of business



Offered Premium
Price offered to customer

Technical Premium Offered Premium Walk away Premium

Technical Premium
Required price to **meet RoE target**. Consists of expected loss value, internal costs, volatility premium, and broker fee

Walk away premium
Minimum price level required for given risk

Technical break-even point

illustrative

Key messages

- Industrial Lines uniquely positioned to **capture new revenue opportunities** from IoT
- **Better risk insights** enabled by new workbench and data analytics
- Shut down of legacy systems and **infrastructure modernisation well underway**
- Digitalisation agenda adequately funded at current level – **cost leadership secured**

Agenda

I	Group Strategy	Torsten Leue
II	Group Financials	Immo Querner
	Industrial Lines	
III	Strategy	Edgar Puls
IV	Making Fire profitable	David Hullin
V	CFO cockpit	Clemens Jungsthöfel
VI	HDI Global Specialty	Ulrich Wallin
VII	Digitalisation	Thomas Kuhnt
VIII	Essentials Industrial Lines	Edgar Puls
IX	Final Remarks	Torsten Leue

Essentials Industrial Lines

- We are fully committed to raise profitability while lowering earnings volatility
- We have turned commercial lines markets and we expect to benefit from the market hardening going forward
- We expect on-going pressure on investment yields and other result to hamper, but not to impede raising profitability
- We make efficient use of capital to increase RoE and to support capital upstream to the Group
- We are in an excellent position to generate profitable growth in Specialty business
- We are uniquely positioned to capture new revenue opportunities from IoT services
- We confirm our RoE ambition of 8-10%

Agenda

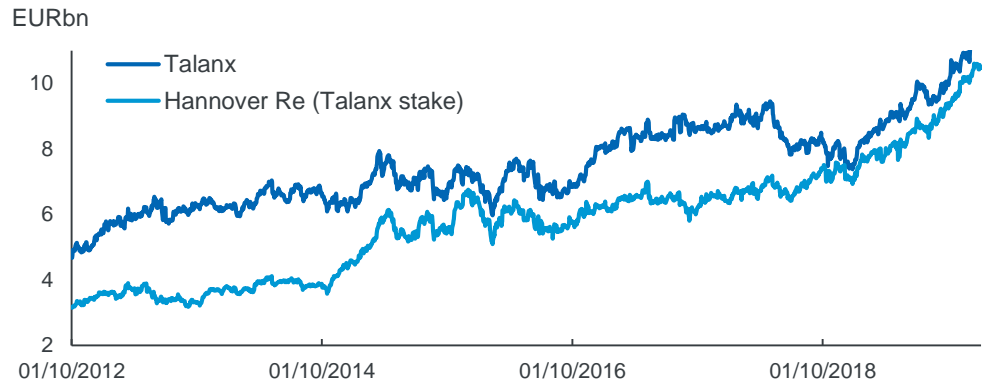
I	Group Strategy	Torsten Leue
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Final Remarks

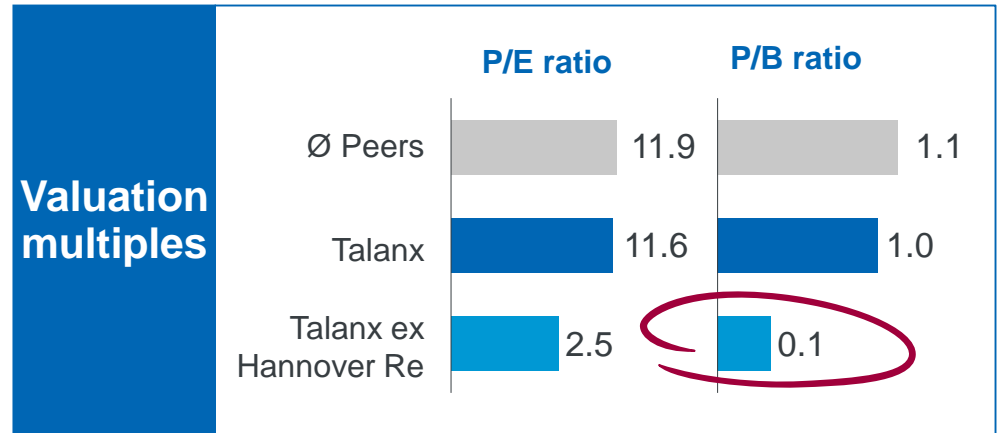
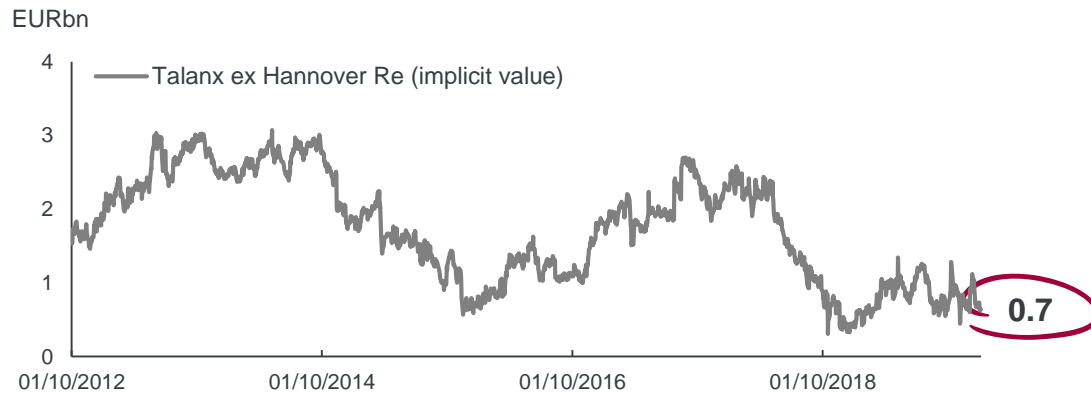
- We are well on track to deliver on our Strategy 2022
- We successfully manage the generational change in our Group
- Industrial Lines have taken decisive steps to turn into a reliable and meaningful profit and cash contributor
- We focus on maintaining the high level of resilience of our business
- We are well on track to deliver on the EPS growth target of $\geq 5\%$ on average p.a. until 2022

Implicit valuation Talanx ex Hannover Re

Market cap development



Implicit market cap Talanx ex Hannover Re stake



Note: Multiples as of 30 December 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

A 3D cube graphic with a light blue top face and dark blue side faces, positioned behind the year '2019'.

2019

PERFORMANCE AND RESULTS

9M 2019 - Highlights

tal anx.
Insurance. Investments.

Very satisfactory 9M 2019 results

Gross written premiums grew 11.9% in 9M (10.6% currency-adjusted), 13.6% in Q3 y/y

EBIT increased 26.7% in 9M, with all divisions contributing

24.2% price increases achieved with “20/20/20” – Industrial Lines 2019 combined ratio outlook now at ~101%, down 8 percentage points from 109.1% in 2018

9M 2019 Group net income of EUR 742m (+52%) – Group RoE at 10.4%, stable vs 6M 2019 and significantly up from 9M 2018 (7.5%)

FY 2019 Group net income outlook unchanged at “more than EUR 900m”

FY 2020 Group net income outlook: between “more than EUR 900m” and EUR 950m, despite EUR ~25m headwinds from lower interest rates

9M 2019 – Profitable growth continues

EURm	9M 2019	9M 2018	Delta	Comments
Gross written premiums (GWP)	30,325	27,091	+12%	Strong growth momentum continues, driven by Reinsurance and Industrial Lines. GWP +10.6% curr.-adj.
Net premiums earned	24,186	21,841	+11%	
Net underwriting result	(1,282)	(1,423)	+10%	
thereof P/C	196	162	+21%	Increase of extraordinary investment result, driven by ZZR build-up, positive one-off Viridium impact and real-estate disposals
thereof Life	(1,478)	(1,585)	+7%	
Net investment income	3,156	2,900	+9%	EBIT increase driven by improvement in Industrial Lines and Reinsurance (including Viridium)
Other income / expenses	(11)	(6)	(80%)	
Operating result (EBIT)	1,864	1,471	+27%	EBIT improvement and lower tax ratio
Financing interests	(142)	(128)	(11%)	
Taxes on income	(408)	(401)	(2%)	
Net income before minorities	1,314	942	+40%	RoE after significant increase at 6M 2019 level, well above the (800 bps + risk-free rate) minimum target
Non-controlling interests	(572)	(454)	(26%)	
Net income after minorities	742	488	+52%	
Combined ratio	98.5%	98.6%	(0.1%pts)	
Tax ratio	23.7%	29.8%	(6.1%pts)	
Return on equity	10.4%	7.5%	+2.9%pts	
Return on investment	3.4%	3.3%	+0.1%pts	

Note: The minimum RoE target (of 800 bps + 5-year average of 10-year Bund yields) is expected to be 8.2% for FY 2019

Q3 2019 – Strong comeback after weak Q3 2018

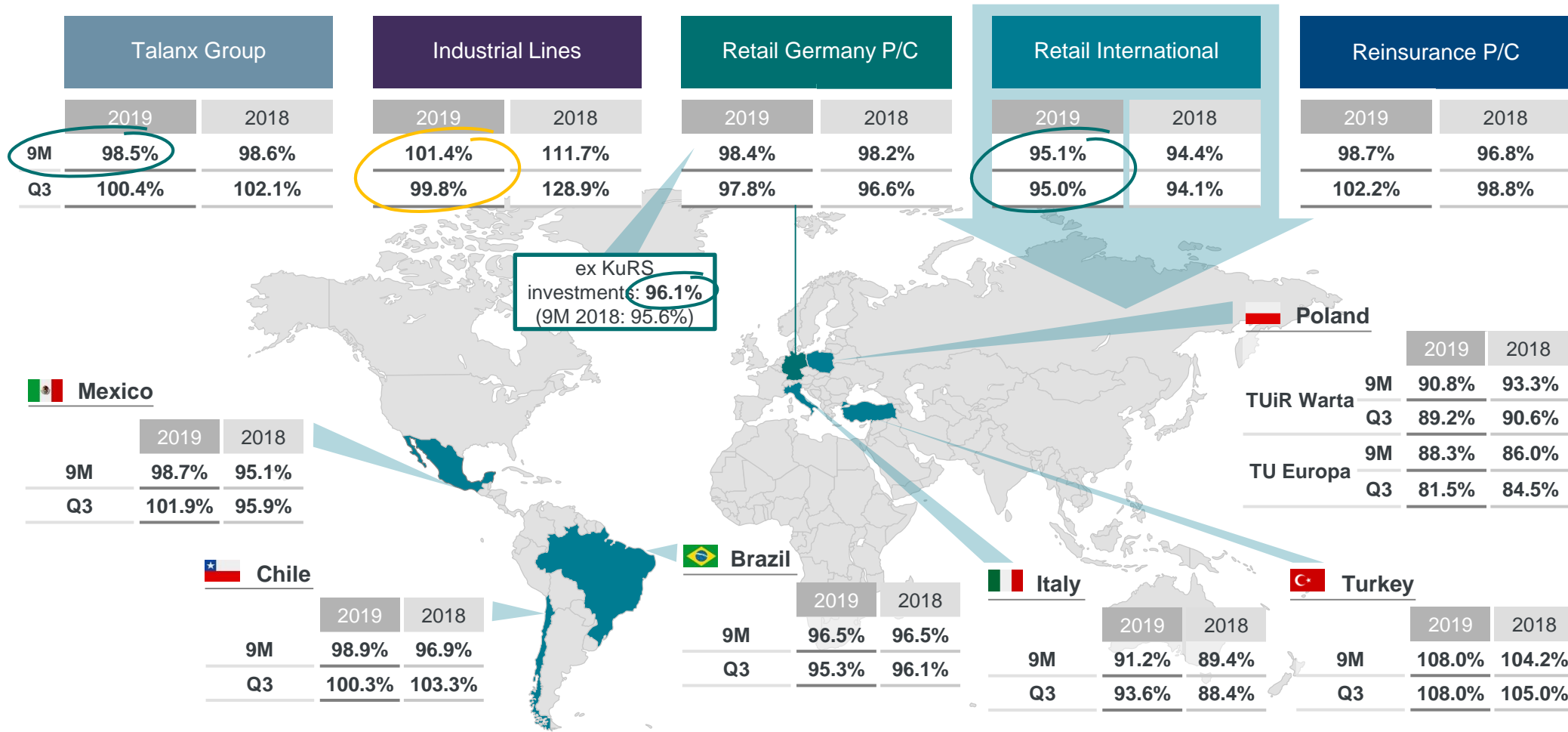
EURm	Q3 2019	Q3 2018	Delta	Comments
Gross written premiums (GWP)	9,461	8,331	+14%	▶ Ongoing growth momentum, particularly in Reinsurance and Industrial Lines
Net premiums earned	8,269	7,406	+12%	
Net underwriting result	(574)	(675)	+15%	
thereof P/C	(30)	(110)	+73%	▶ Improvement in Fire and lower large losses
thereof Life	(544)	(565)	+4%	
Net investment income	1,170	893	+31%	▶ Significantly higher ZZR-induced realisation of capital gains, plus other extraordinary gains
Other income / expenses	23	41	(44%)	
Operating result (EBIT)	619	259	+139%	
Financing interests	(48)	(44)	(9%)	
Taxes on income	(115)	(44)	(162%)	
Net income before minorities	456	171	+166%	
Non-controlling interests	(191)	(120)	(60%)	
Net income after minorities	265	51	+412%	▶ Significant improvement of bottom-line result after claims-fraught Q3 2018
Combined ratio	100.4%	102.1%	(1.7%pts)	
Tax ratio	20.1%	20.4%	(0.3%pts)	▶ Reduced tax ratio in both quarters due to tax-reduced capital gains in Reinsurance
Return on equity	10.7%	2.4%	+8.3%pts	
Return on investment	3.7%	3.0%	+0.7%pts	▶ Rol inflated by ZZR-driven realisation of capital gains and other gains

9M 2019 – Large loss budget underutilised, primary business in line

Net losses Talanx Group in EURm, 9M 2019 (9M 2018)	Industrial Lines	Retail Germany	Retail International	∑ Primary Insurance	+ Reinsurance	= Talanx Group
Hurricane <i>Dorian</i> , Bahamas & USA [Sep.]	19.4			19.4	186.6	206.0
Typhoon <i>Faxai</i> , Japan [Sep.]	0.1			0.1	75.9	76.1
Hailstorm <i>Jörn</i> , Central Europe [Jun.]	13.1	16.8		29.9	10.7	40.6
Flood <i>Santo Andre</i> , Brazil [Mar.]	32.9		1.0	33.9		33.9
Flood <i>Queensland</i> , Australia [Jan.-Feb.]	4.6			4.6	28.3	32.9
Flood "Middle West", USA [Mar.]	13.4			13.4	14.1	27.5
Storm <i>Eberhard</i> , Central Europe [Mar.]	5.5	7.2	2.7	15.5	11.3	26.8
Earthquake <i>Chile</i> , South America [Jan.]			0.4	0.4	10.6	11.0
Sum NatCat	89.0 (61.0)	24.1 (11.6)	4.1 (0.1)	117.2 (77.2)	337.5 (287.6)	454.7 (364.8)
Fire/Property	74.4		4.6	79.9	60.4	140.3
Credit					112.4	112.4
Marine	24.3			24.3	7.8	32.0
Aviation	1.9			1.9	27.8	29.7
Casualty	12.9			12.9		12.9
Sum other large losses	113.4 (205.9)	0.0 (0.0)	4.6 (0.0)	119.0 (205.9)	208.4 (77.0)	327.4 (282.9)
Total large losses	202.5 (266.8)	24.1 (11.6)	8.7 (0.1)	236.2 (283.0)	545.9 (364.6)	782.0 (647.6)
Pro-rata large loss budget	208.2	18.0	6.0	236.0	664.3	900.5
FY large loss budget	277.6	24.0	8.0	314.6	875.0	1,189.6
Impact on CR: materialised large losses	9.4%pts (14.0%pts)	2.2%pts (1.1%pts)	0.3%pts (0.0%pts)	4.0%pts (5.2%pts)	5.9%pts (4.5%pts)	5.2%pts (4.8%pts)
Impact on CR: large loss budget	9.7%pts (10.2%pts)	1.6%pts (1.7%pts)	0.2%pts (0.2%pts)	4.0%pts (4.2%pts)	7.2%pts (7.9%pts)	5.9%pts (6.4%pts)

Note: Definition "large loss": in excess of EUR 10m gross in either Primary Insurance or Reinsurance. EUR 0.9m large losses (net) in Corporate Operations in 9M 2019 Primary Insurance

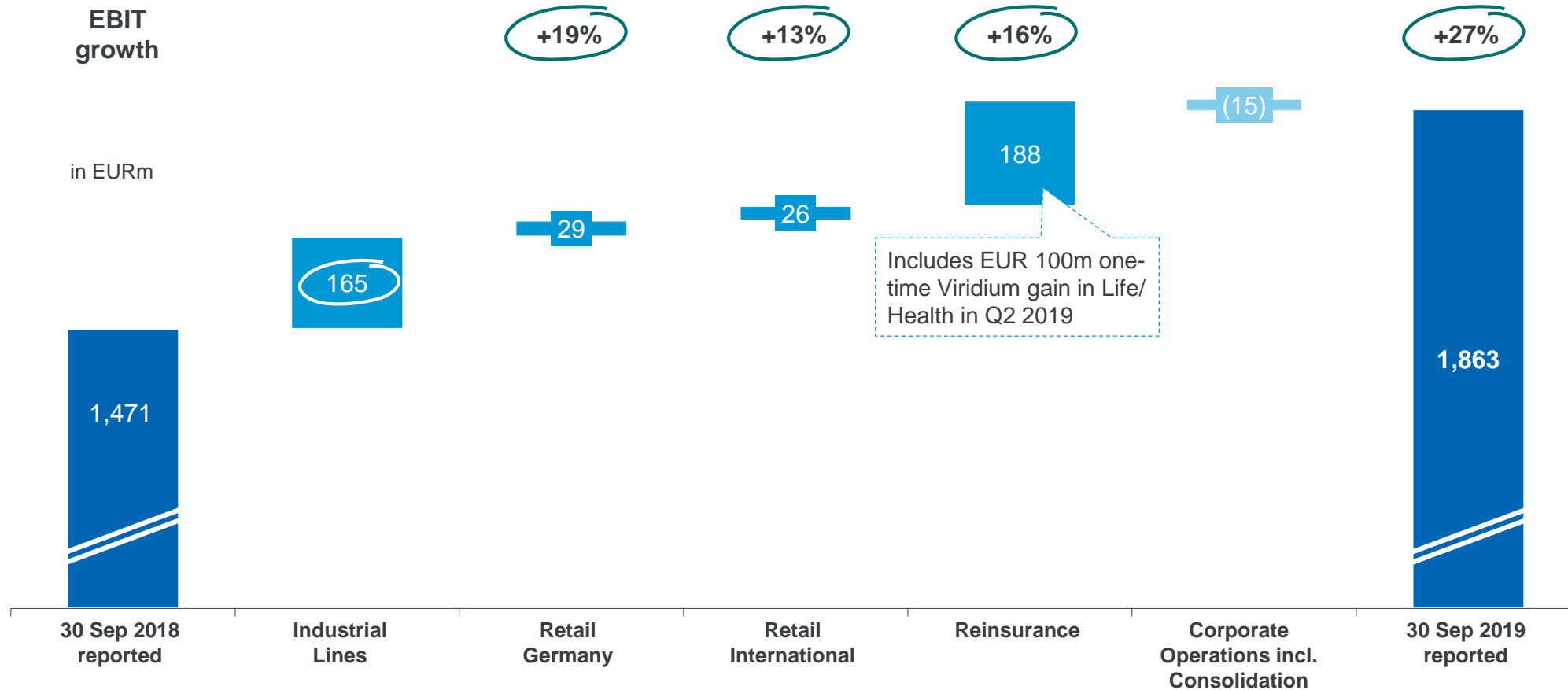
9M 2019 – Combined Ratios



Note: Visual highlights only core markets plus Italy for Retail International. Turkey 9M 2019 EBIT of EUR 5m (+83.6% y/y, incl. Ergo). Due to industrial action, the 9M and Q3 2018 reporting for HDI Chile was carried out on the basis of the figures for the first eight months of 2018 only

9M 2019 – All divisions drive EBIT improvement

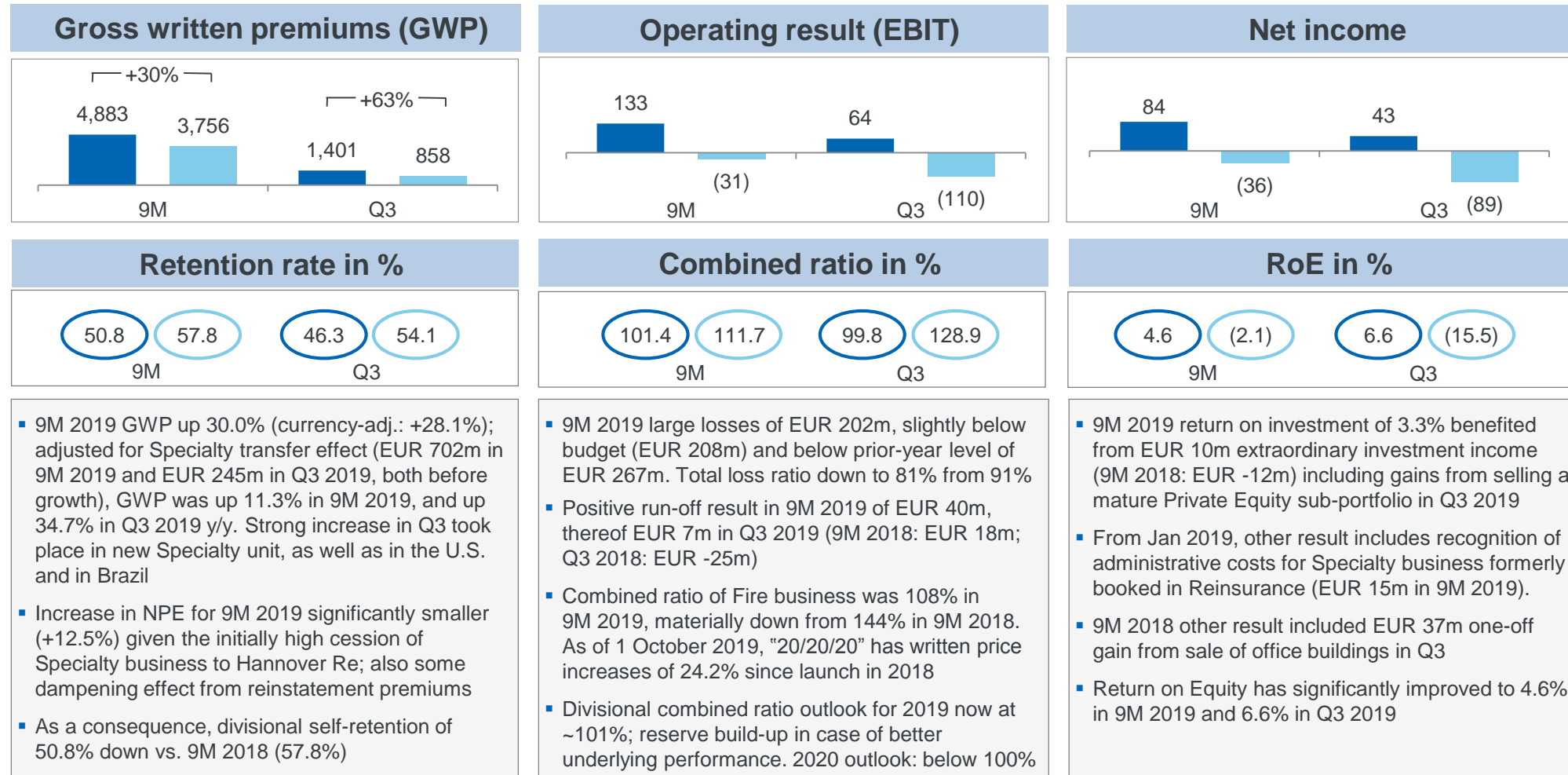
YoY EBIT development by divisions



Note: Numbers may not add up due to rounding

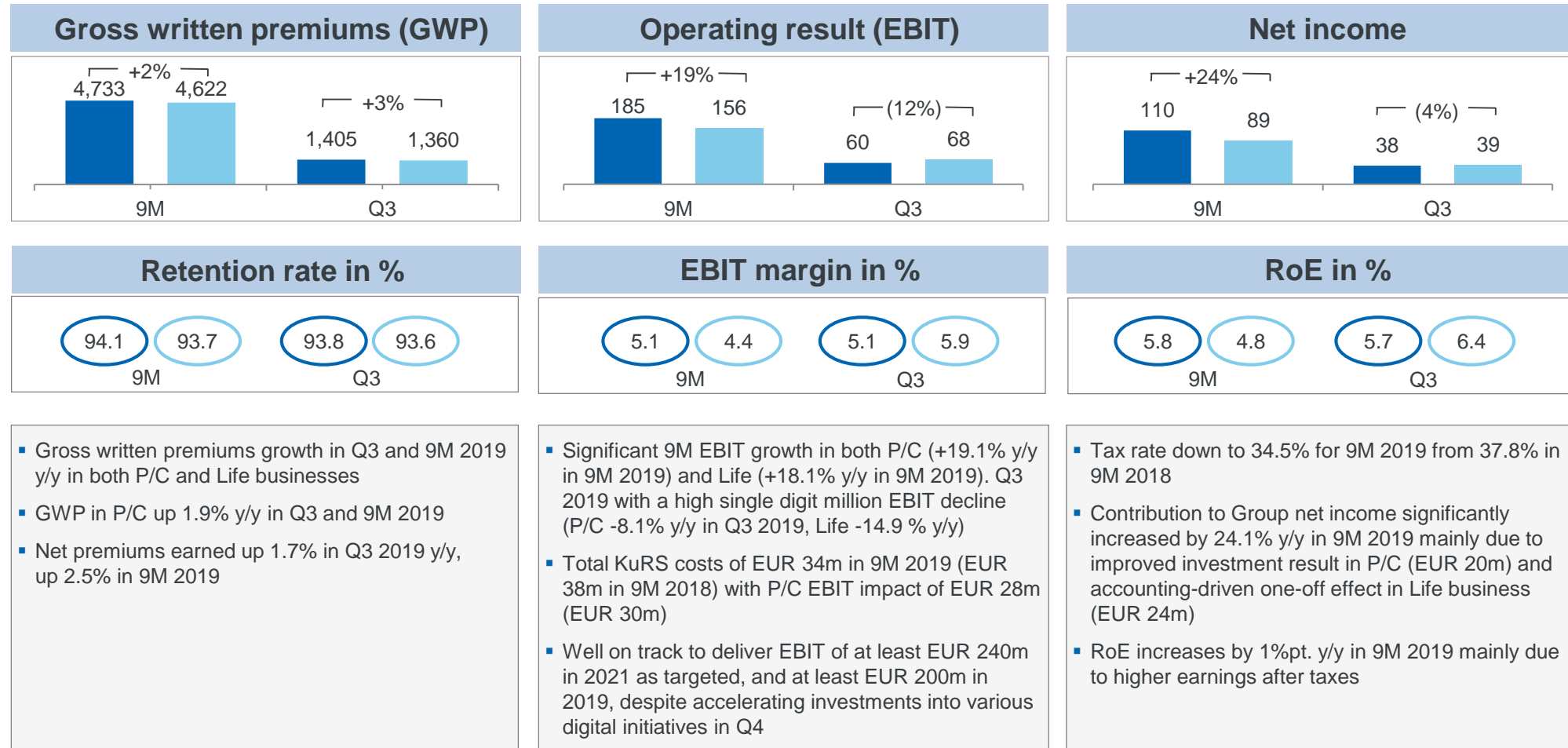
9M 2019 – Industrial Lines: Positive impact from improvement in Fire

EURm, IFRS ■ 2019 ■ 2018



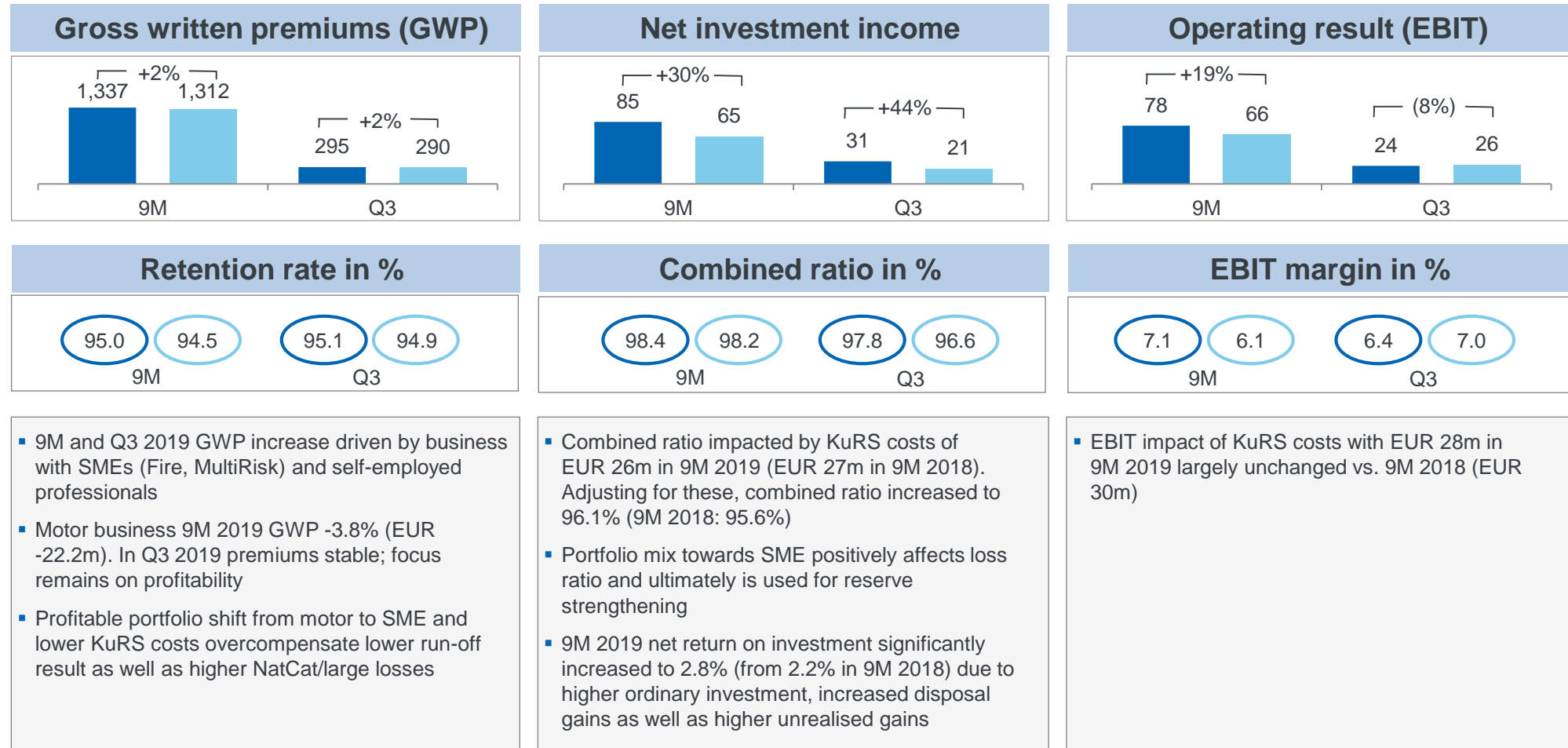
9M 2019 – Retail Germany Division: Well on track to achieve EUR 200m EBIT in 2019

EURm, IFRS ■ 2019 ■ 2018



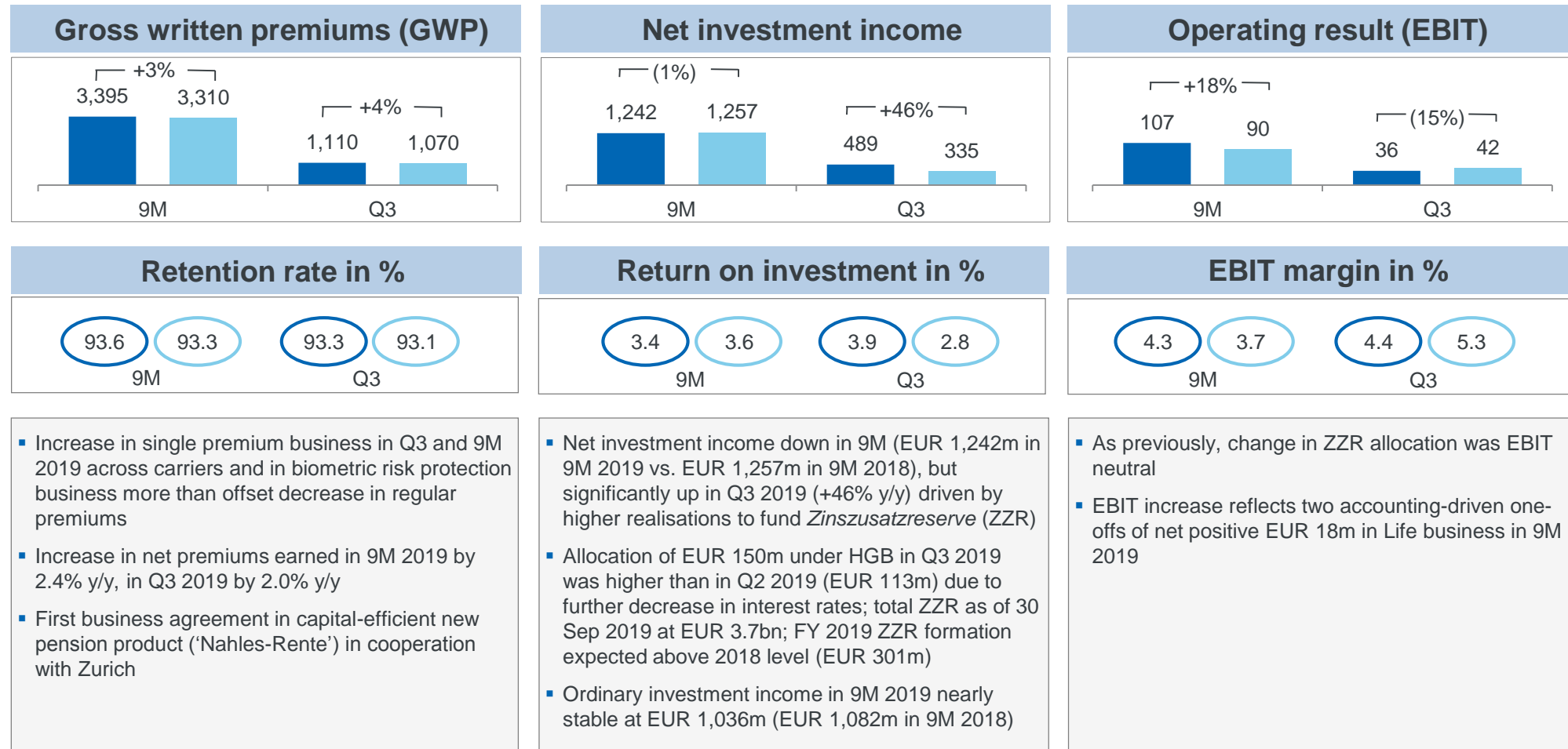
9M 2019 – Retail Germany P/C: Further profitable growth

EURm, IFRS ■ 2019 ■ 2018



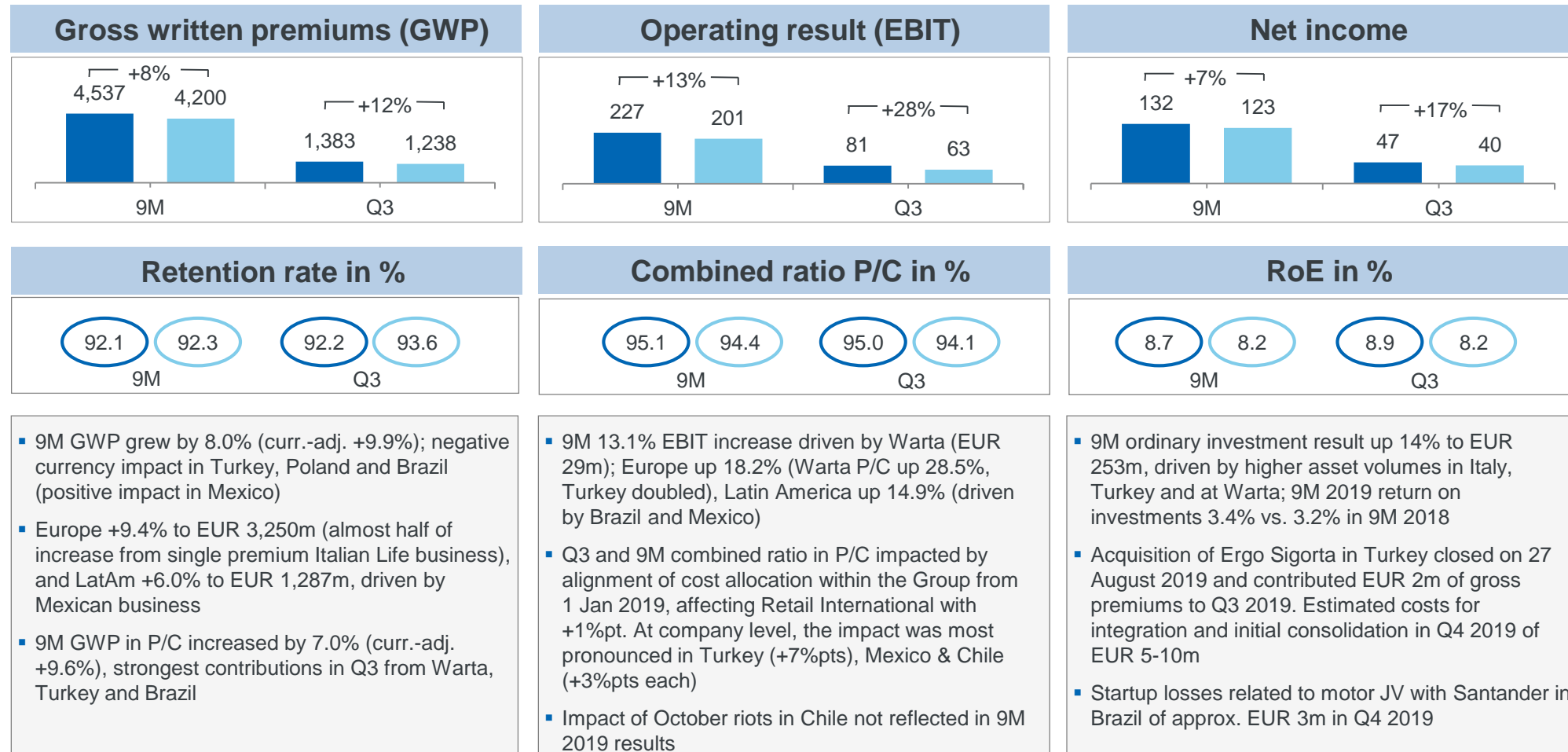
9M 2019 – Retail Germany Life: Top and bottom line growth continues

EURm, IFRS ■ 2019 ■ 2018



9M 2019 – Retail International: Profitable growth continues

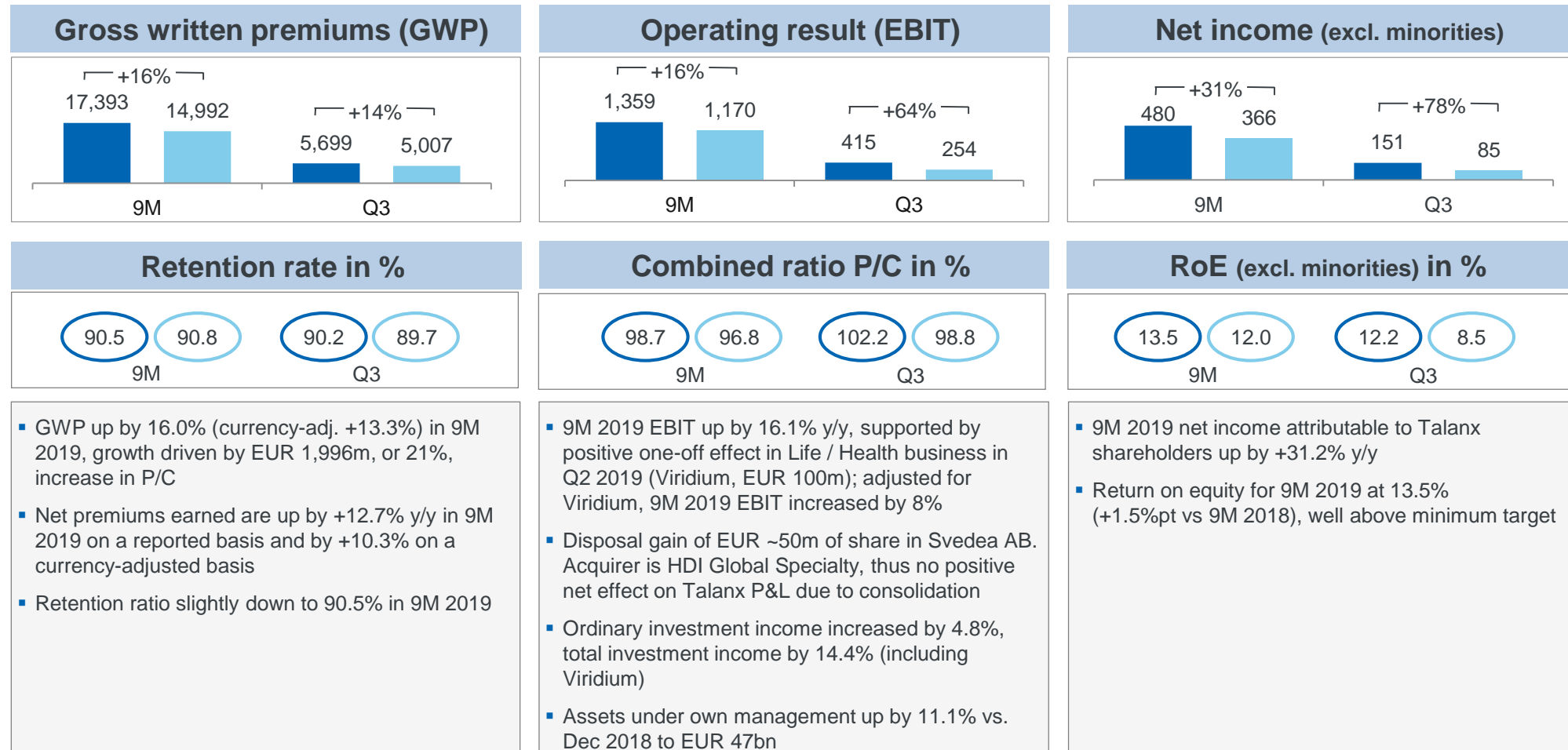
EURm, IFRS ■ 2019 ■ 2018



Note: Due to industrial action, the 9M and Q3 2018 reporting for HDI Chile has been carried out on the basis of the figures for the first eight months of 2018 only

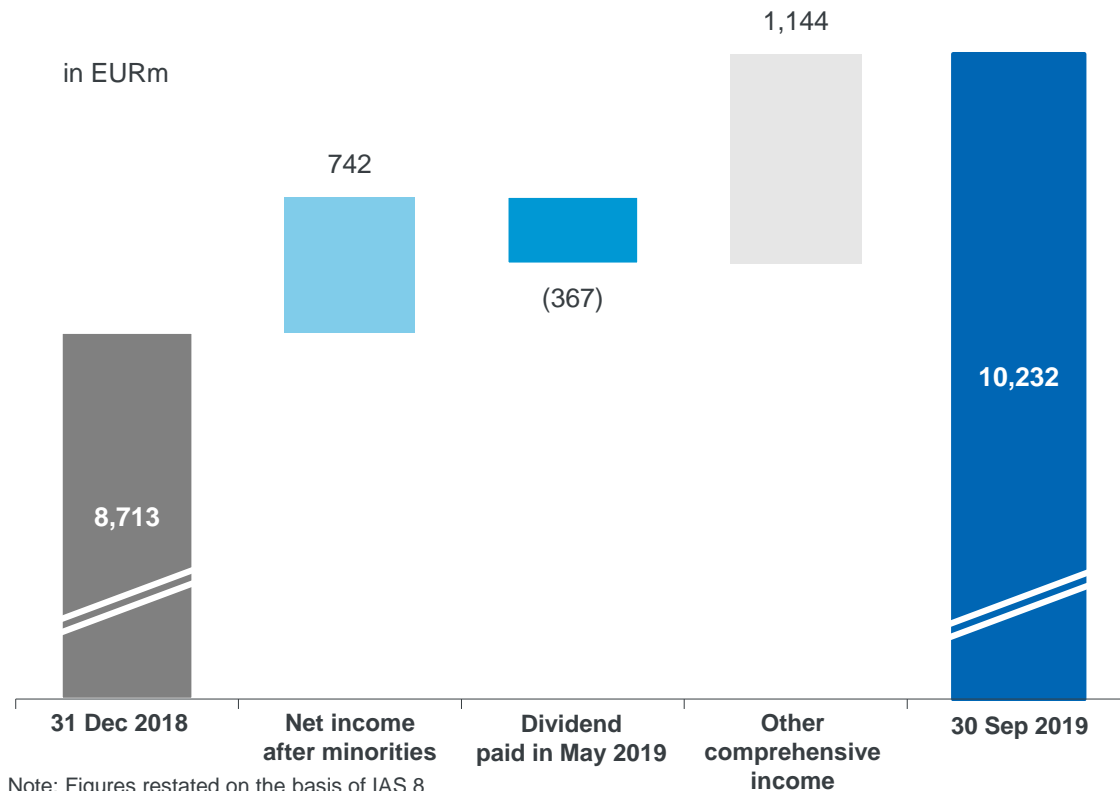
9M 2019 – Reinsurance: RoE well above minimum target

EURm, IFRS ■ 2019 ■ 2018



9M 2019 – Changes in equity

Shareholders' equity



Comments

- Shareholders' equity rose to EUR 10,232, which is EUR 1,519m, or 17%, above the level of Dec 2018 and EUR 615m, or 6.4% above 30 June 2019
- Strong increase in OCI continues to be caused mainly by positive effect of decreasing interest rates on bond values and currency effects

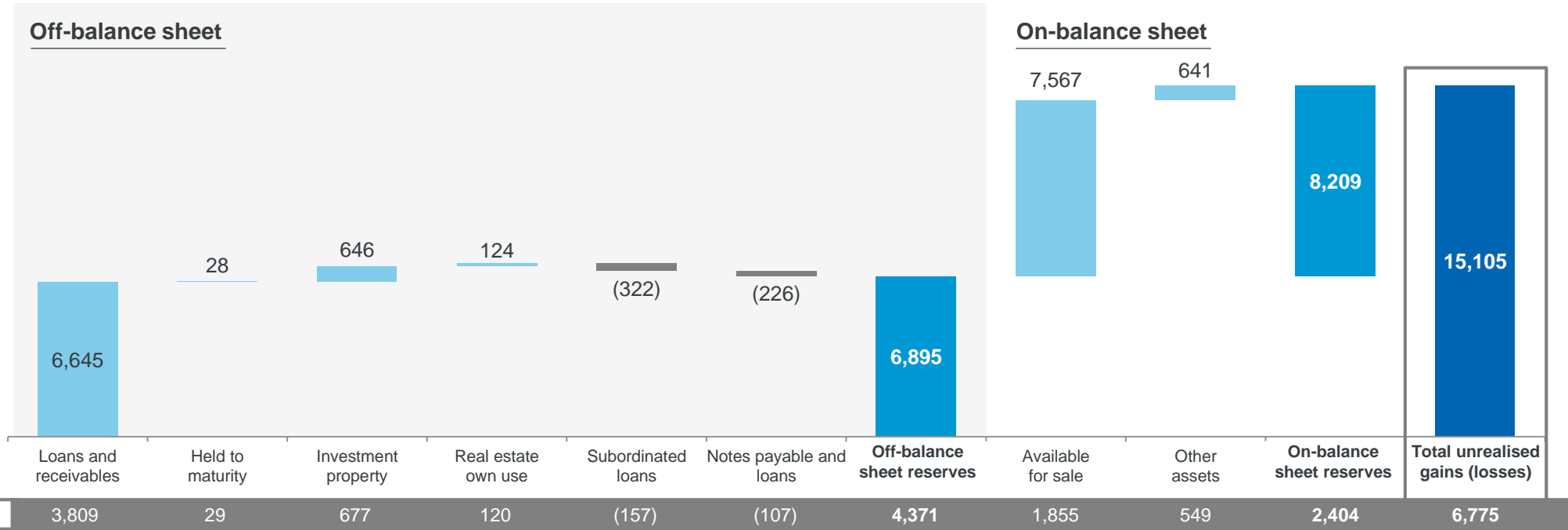
Book value per share

in EUR	31 Dec 2018	30 Sep 2019	Change	
			Abs.	%
Book value per share	34.47	40.48	6.01	+17.4
excl. goodwill	30.28	36.11	5.83	+19.3

▶ Shareholders' equity materially up, primarily reflecting increased bond values

9M 2019 – Unrealised gains of EUR 15.1bn

Unrealised gains and losses (off- and on-balance sheet) as of 30 September 2019 (EURm)



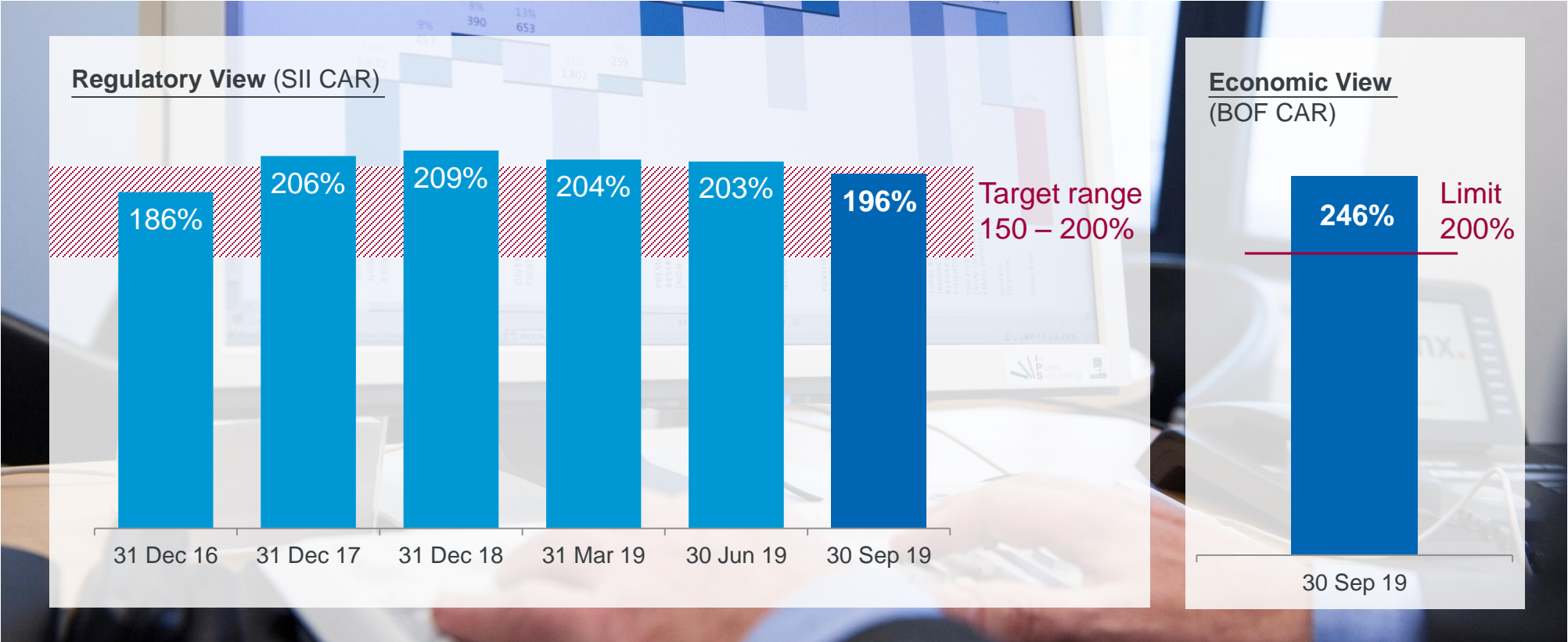
Δ market value vs. book value

Note: Shareholder contribution estimated based on historical profit sharing pattern

▶ **Off-balance sheet reserves of ~EUR 6.9bn – EUR 492m (EUR 1.94 per share) attributable to shareholders (net of policyholders, taxes & minorities)**

9M 2019 – Solvency II capitalisation remains at very solid level

Development of Solvency II capitalisation (excl. transitional)



Note: Solvency II ratio relates to HDI Group as the regulated entity. The chart does not contain the effect of transitional measures. Solvency II ratio including transitional measures for 30 Sep 2019: 232% (30 Jun 2019: 240%; 31 Mar 2019: 241%; 31 Dec 2018: 252%).

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Debt Roadshow London

16 March 2020
Annual Report 2019

7 May 2020
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Quarterly Statement as at 31 March 2020



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