

**talanx.**

Insurance. Investments.

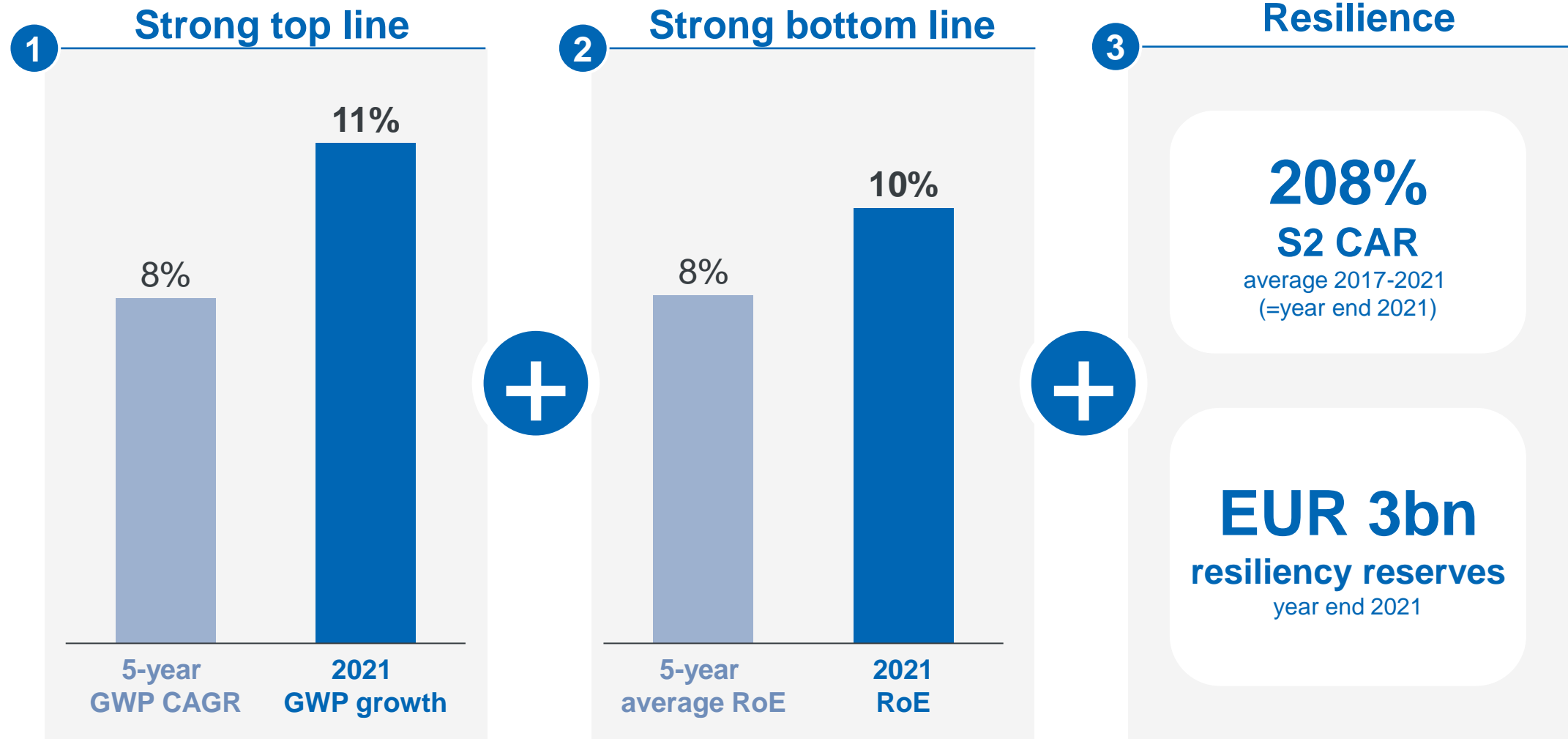
# Talanx: Sustainable profitability

9 June 2022  
Frankfurt

Torsten Leue, CEO  
Berenberg Frankfurt Seminar



# Summary: Profitable growth has generated a resilient franchise

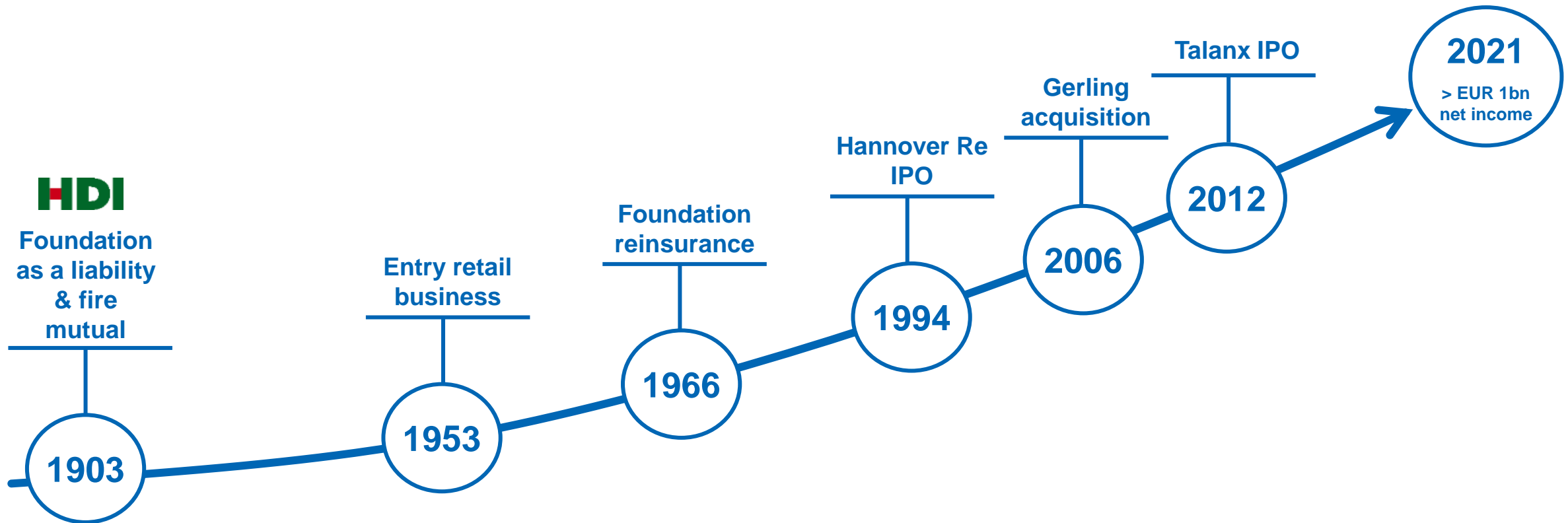




# Agenda

- 1 Talanx at a glance**
- 2 Recent results
- 3 Segment update
- 4 Investments and Capital
- 5 Appendix

# 1 Talanx has a history of more than 100 years



# Talanx operates a well-balanced business with a low risk profile

## Underwriting



~ **50%**  
outside Europe

**Strong diversification**

## Investments

Investment portfolio as of 31 Dec 2021



**87%**  
Bonds

**2%**  
Equities

**Low investment risk**

## Solvency

Solvency 2 CAR for HDI Group  
as of 31 Dec 2021



**208%**

**Solid capitalisation**

## Ratings

Insurer financial strength rating  
(Talanx Primary Group)

**A+**

(outlook: stable)

**STANDARD  
& POOR'S**

**A**

(outlook: positive)



# Talanx is an integrated primary and reinsurance player

## Key facts

2021 / 31 Dec 2021, in EURbn

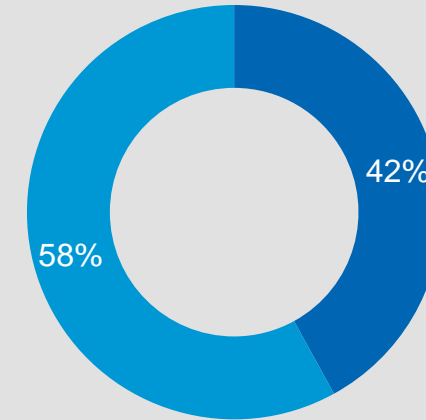
<b>GWP</b>	<b>45.5</b>
<b>Net income</b>	<b>1.01</b>
<b>AuM</b>	<b>136.0</b>
<b>Shareholders equity</b>	<b>10.8</b>
<b>Market Cap</b>	<b>10.8</b>

<sup>1</sup> Primary Insurance is the sum of Industrial Lines, Retail Germany and Retail International. Percentages are calculated excluding Corporate Operations and Consolidation

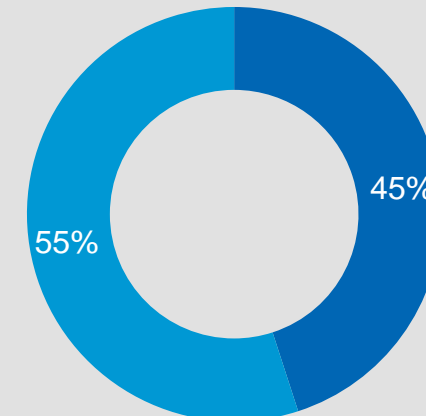
Berenberg Frankfurt Seminar 2022, Frankfurt, 9 June 2022

## Business mix<sup>1</sup>

GWP 2021 in % of total



Net income 2021 in % of total



■ Primary  
■ Reinsurance

# 1 Talanx operates a multi-brand business with 4 segments

## Industrial Lines



- Lines of business include coverage of standard industrial risks (e.g. liability, motor, fire & property)
- Segment also includes specialty lines business (e.g. financial lines, aviation etc.)

2021, in EURm

GWP

7,560

Net  
income

143

## Retail Germany



- Standard Retail Property & Casualty and Life products operated under HDI brand
- Bancassurance business with various German banks (e.g. Deutsche Bank, Sparkassen and Targobank)

6,170

161

## Retail International



- Standard retail Property & Casualty and Life products
- Regional focus on CEE (Poland, Turkey, Hungary, Austria), Italy and LatAm (Brazil, Mexico, Chile, Colombia, Argentina)

6,127

189

## Reinsurance

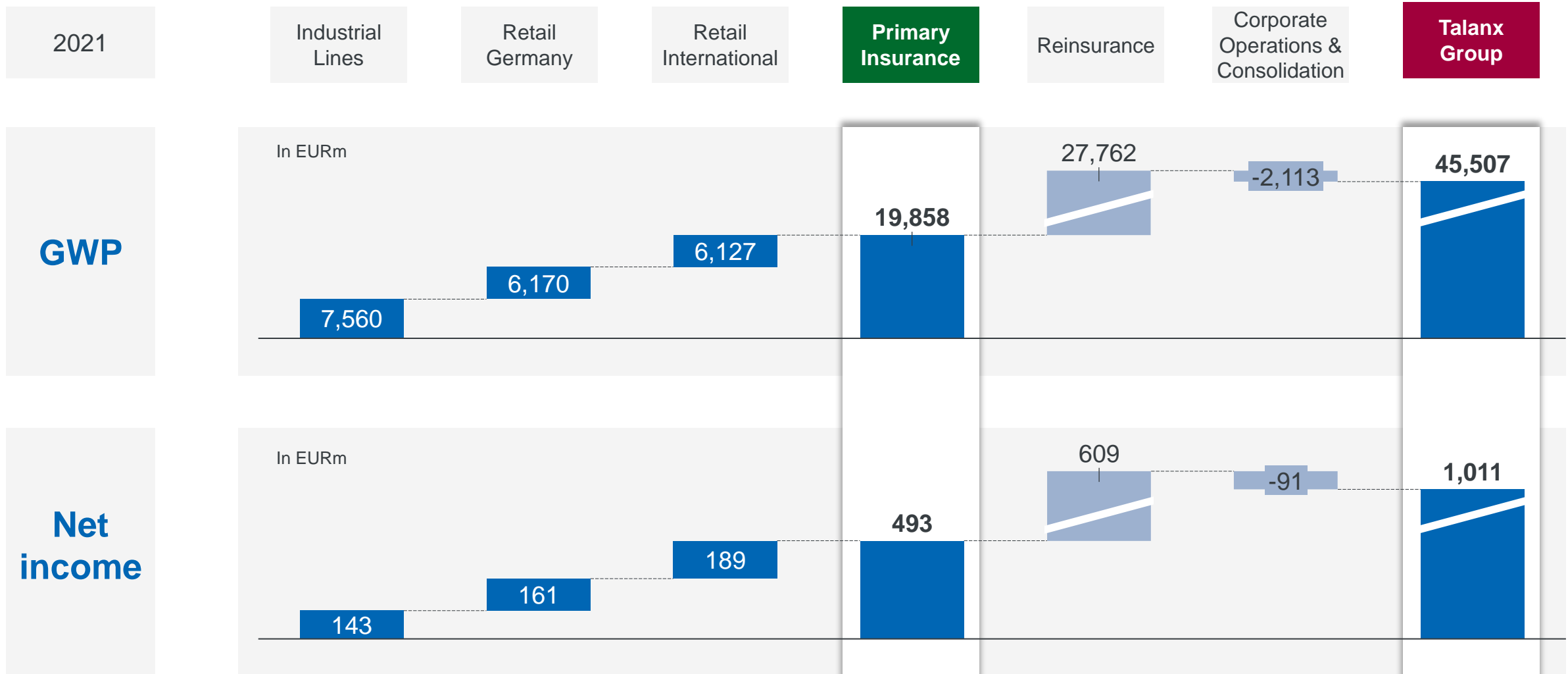


- 3<sup>rd</sup> largest reinsurer worldwide offering full range of life and non-life reinsurance products
- Listed since 1994
- 50.2% owned by Talanx

27,762

609

# 1 Well diversified portfolio with three strong primary insurance divisions





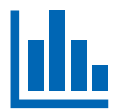


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# Summary FY 2021

## 2 Exceeding one billion EUR net income for the first time



Premiums



Earnings



Return on Equity



Achievements

GWP,  
in EURbn

+11%

41.1

45.5

2020

2021

Group net  
income,  
in EURm

+56%

648<sup>1</sup>

1,011

2020

2021

Return on  
equity

+3.3%  
pts.

6.3%<sup>1</sup>

9.6%

2020

2021

High single-digit percentage growth



Upper end of EUR 900 - EUR 950m<sup>2</sup>



~9.0% return on equity



Note: Talanx's mid-term ambition comprises a minimum target for return on equity of at least 800 bps over the risk-free rate, defined as the 5-year average of 10-year Bunds. Thus, for 2021, the minimum RoE target corresponds to 8.0%. 1 Adjusted in accordance with IAS 8. 2 Initial earnings guidance for 2021 was EUR 800 – 900m

# Summary Q1 2022

## 2 Solid results despite strong headwinds



Premiums



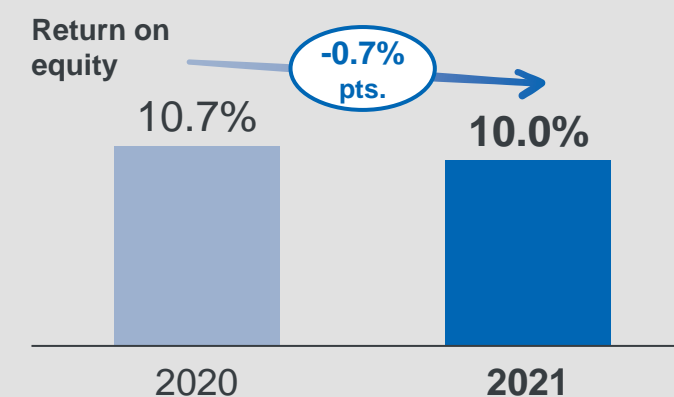
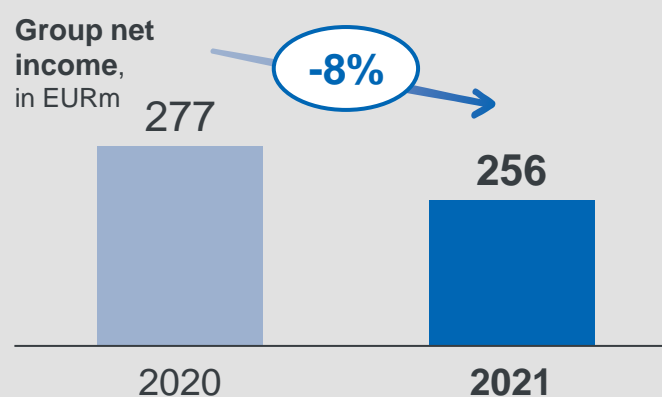
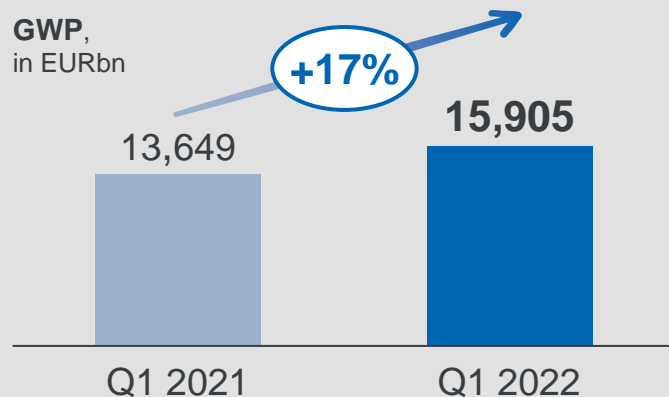
Earnings



Return on Equity



Achievements



Comments

- Continued strong growth
- 13% currency-adjusted
- All segments contributing

- Combined ratio at 98.3%
- Large losses EUR 71m over pro-rata budget
- Approx. EUR 150m bulk reserves related to Ukraine situation

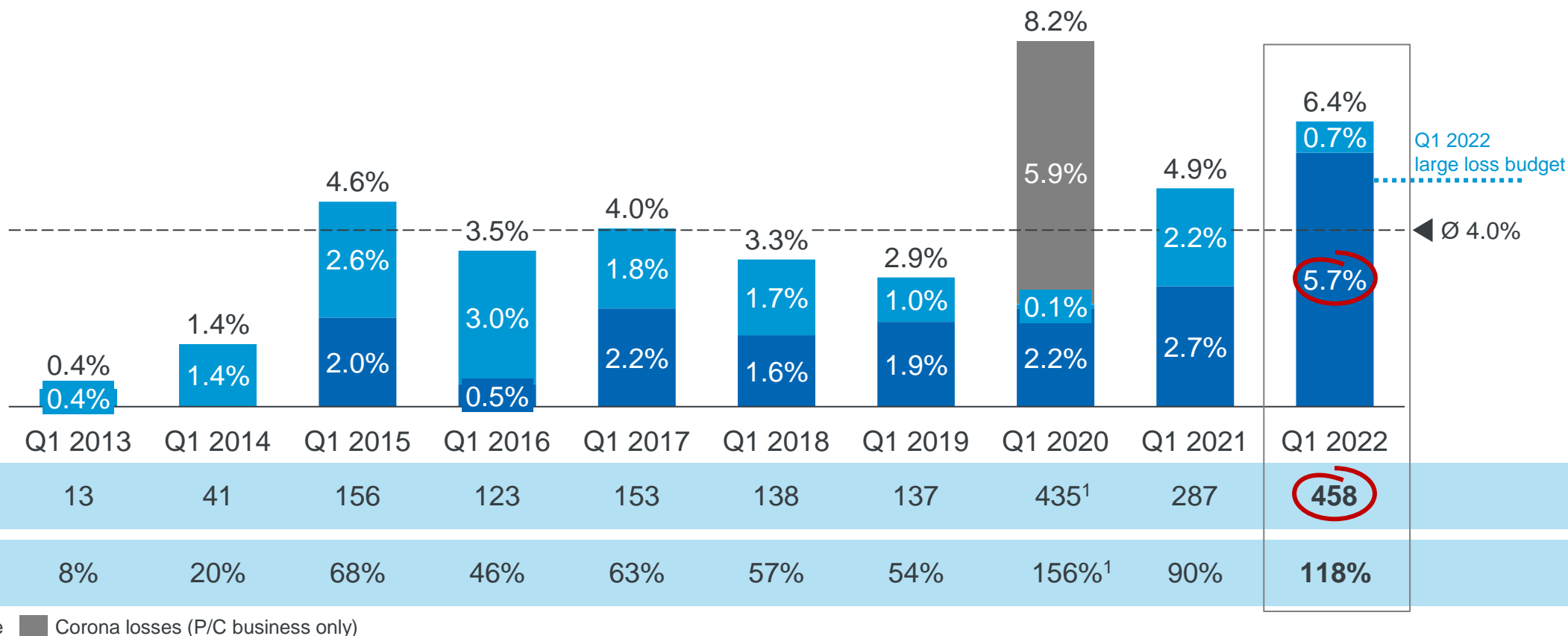
- On track to achieve 2022 10% RoE target
- Earnings guidance for FY 2022 unchanged in the range between EUR 1.05 and 1.15bn
- Higher uncertainty due to Russian war in Ukraine

Note: Q1 2021 Adjusted in accordance with IAS 8.

# First quarter large loss development

## 2 NatCat events result in highest absolute net large loss in a first quarter

Net large losses, in % of net premiums earned (P/C business only)

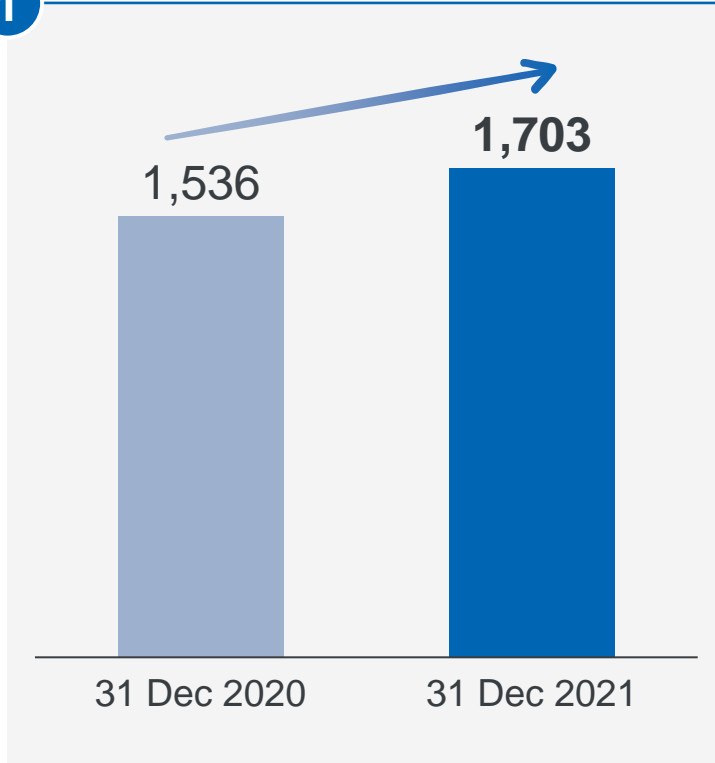


Note: Definition "large loss": In excess of EUR 10m gross in either Primary Insurance or Reinsurance. 1 Amount of EUR 435m and ratio of 156% include NatCat, man-made and Corona (EUR 122m and 44% excluding Corona)

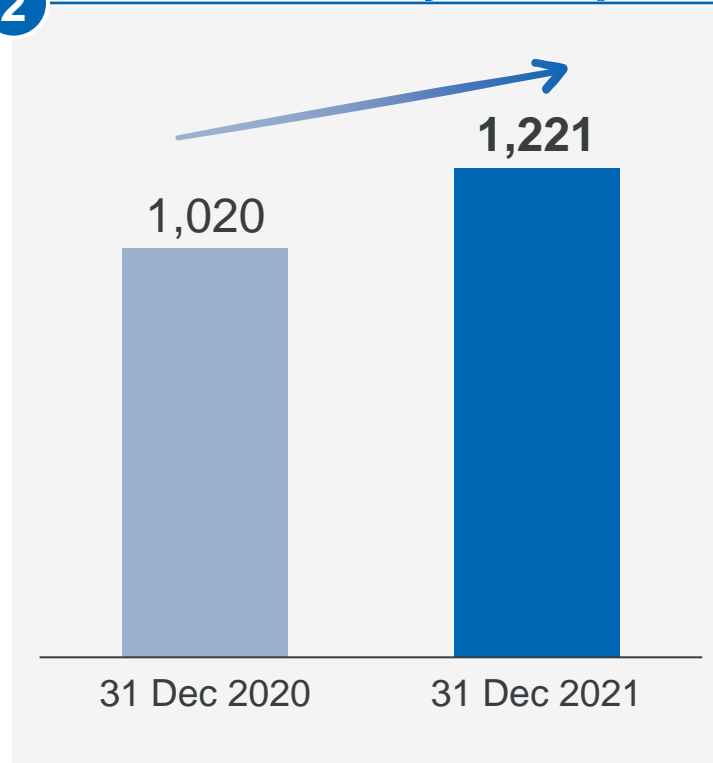
## 2 Strong resiliency level maintained

Net resiliency reserves<sup>1</sup> embedded in best estimate<sup>2</sup>, in EURm

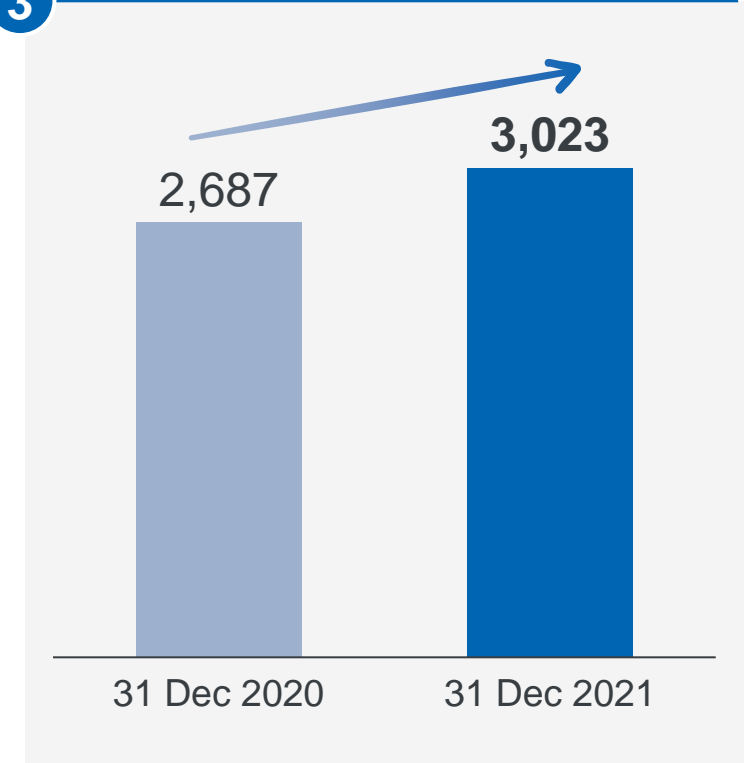
### 1 Reinsurance (Hannover Re)



### 2 Talanx Primary Group<sup>3</sup>

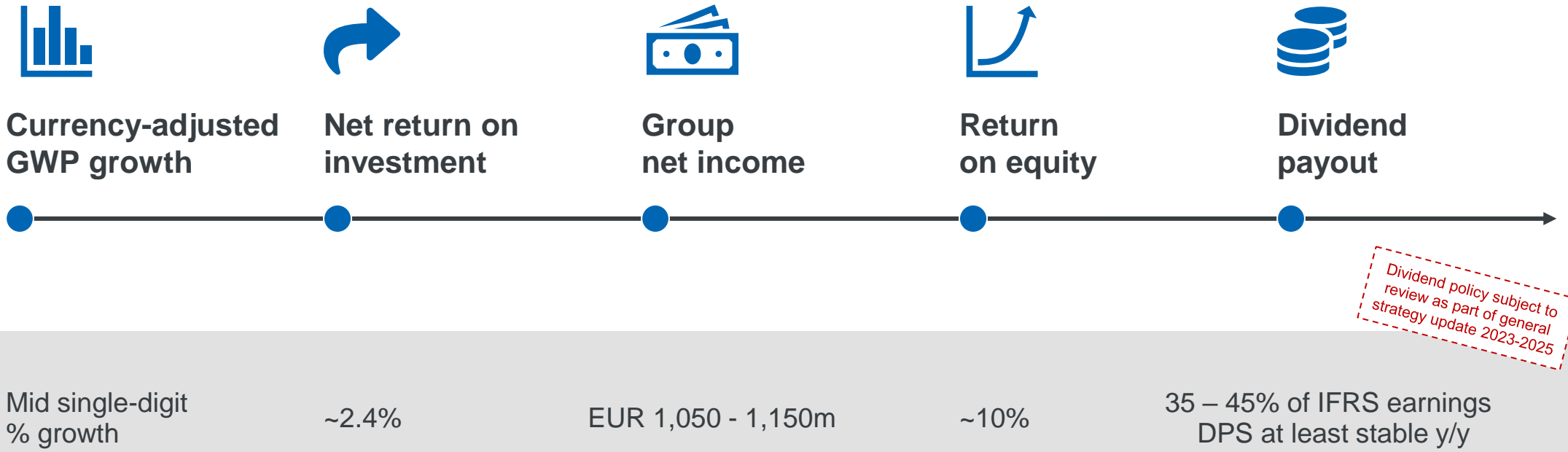


### 3 Talanx net<sup>4</sup>



1 Resiliency reserves are defined as the difference between booked reserves (based on Talanx' own best estimates) and WTW analysis. 2 Before taxes and minorities; source: WTW calculation based on data provided by Talanx. 3 Talanx Primary Group, excluding Talanx AG. 4 Sum of Hannover Re, Talanx Primary Group, Talanx AG (not consolidated)

## 2 Outlook 2022 for Talanx Group



Outlook  
2022

Note: All targets are subject to large losses not exceeding the large loss budget, no turbulences on capital markets and no material currency fluctuations. The Outlook 2022 is based on a large loss budget of EUR 1,810m for Talanx Group, thereof EUR 410m in Primary Insurance, of which EUR 330m in Industrial Lines. The large loss budget in Reinsurance 2022 is EUR 1,400m. The Russian war in Ukraine has emerged as an uncertainty factor. It is currently too early to fully assess the impact on the 2022 business year.



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# Talanx global footprint

## Normalising post Corona but impacted by two large NatCat losses

Industrial Lines		Retail Germany P/C		Retail International		Primary Insurance		Reinsurance P/C		Talanx Group	
Q1 21	Q1 22	Q1 21	Q1 22	Q1 21	Q1 22	Q1 21	Q1 22	Q1 21	Q1 22	Q1 21	Q1 22
98.7%	97.1%	84.2%	97.8%	93.9%	94.0%	94.1%	95.9%	96.2%	99.5%	96.1%	98.3%



Retail International					
Mexico		Chile		Brazil	
Q1 21	Q1 22	Q1 21	Q1 22	Q1 21	Q1 22
97.6%	93.3%	95.1%	98.3%	99.9%	115.0%
Italy		Poland		Turkey	
Q1 21	Q1 22	Q1 21	Q1 22	Q1 21	Q1 22
76.0%	81.7%	93.2%	90.4%	109.2%	143.5%

Note: Non-life business. Primary Insurance excludes figures for Corporate Operations. For Retail International this page highlights only core markets plus Italy. Poland includes TUIR Warta only, which generates approx. 95% of P/C GWP in Poland

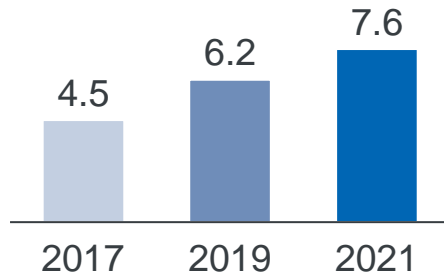


# Industrial Lines

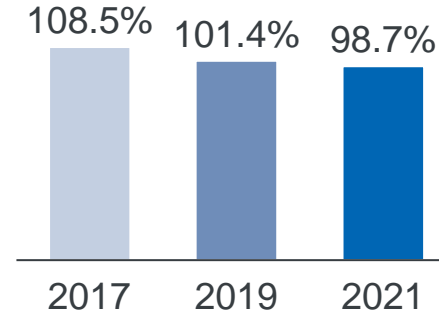
## 3 Keeping growth momentum on path to double-digit RoE

### GWP

EURbn



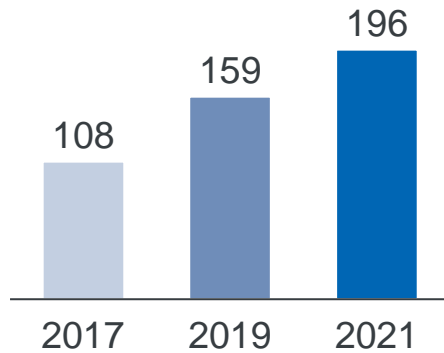
### Combined ratio



- Double-digit RoE
- Global specialty player
- Leading innovation partner

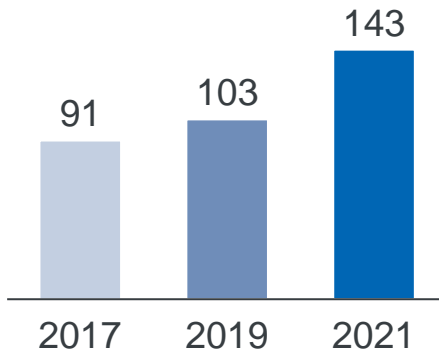
### EBIT

EURm

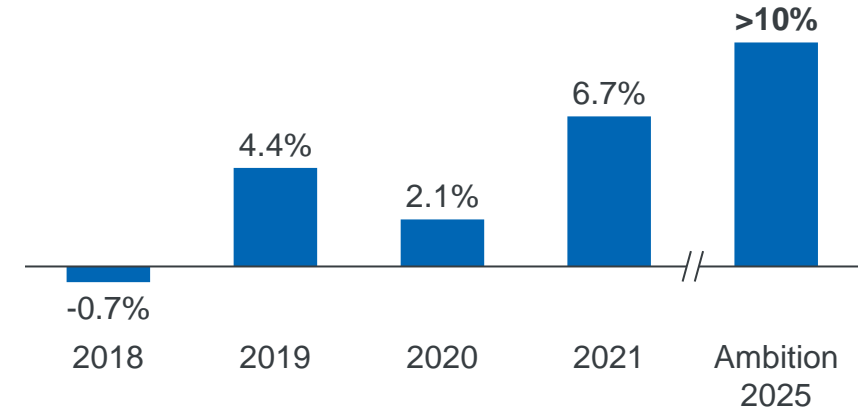


### Net income

EURm



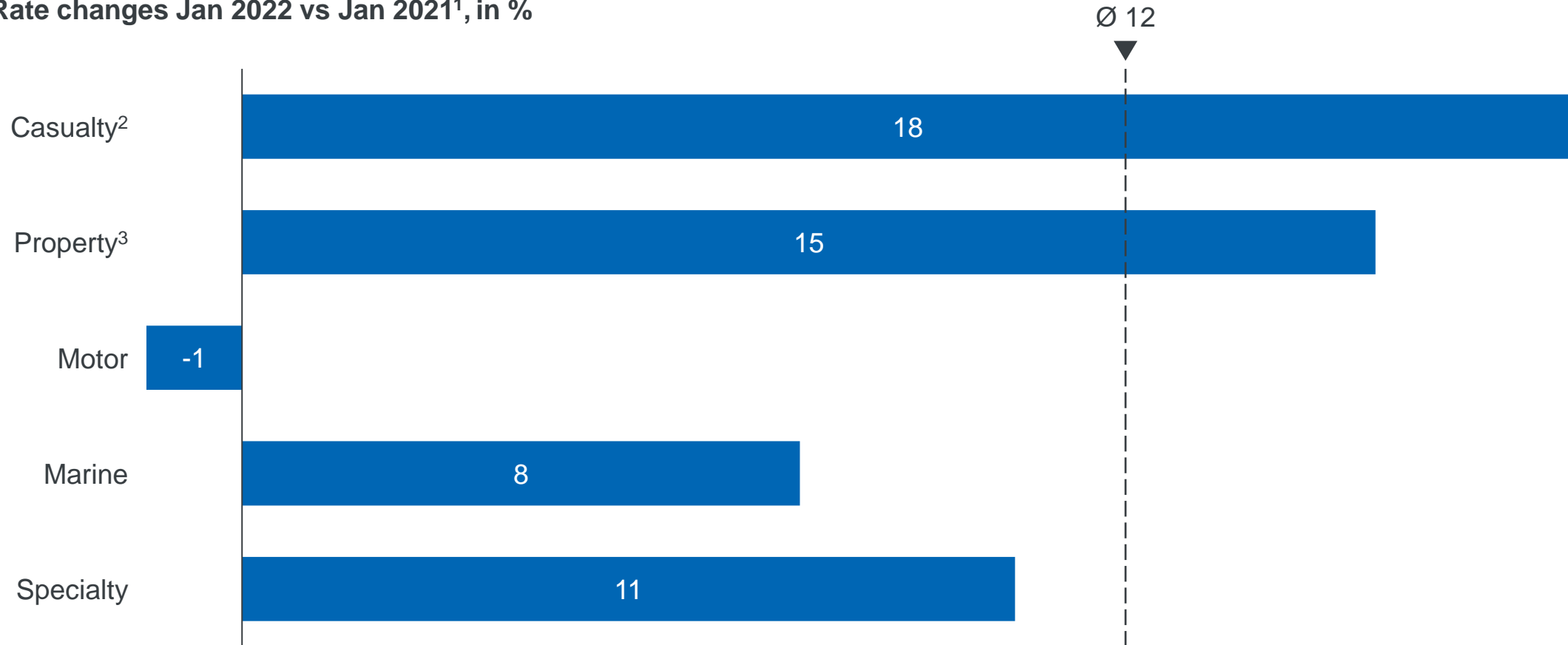
### Return on Equity (RoE)



# Industrial Lines

## 3 Rate changes comfortably above expected inflation

Rate changes Jan 2022 vs Jan 2021<sup>1</sup>, in %

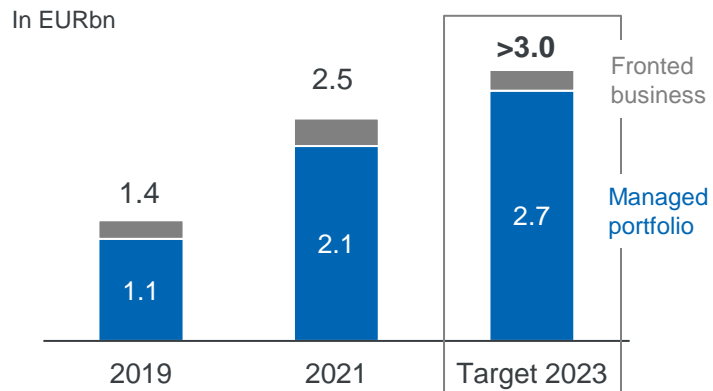


<sup>1</sup> Based on renewed premium (prior to central reinsurance after cancellations and change of share) and considering effects of premium, fees and equivalents. <sup>2</sup> Including Liability and Cyber. <sup>3</sup> Including Fire and Engineering

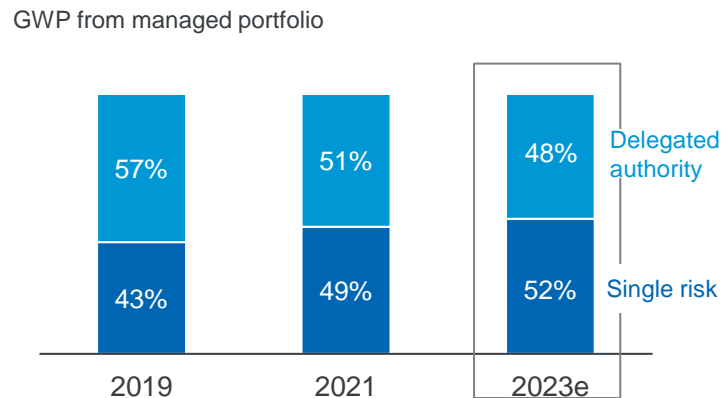
# HDI Global Specialty

## 3 Growing profitably even faster than planned

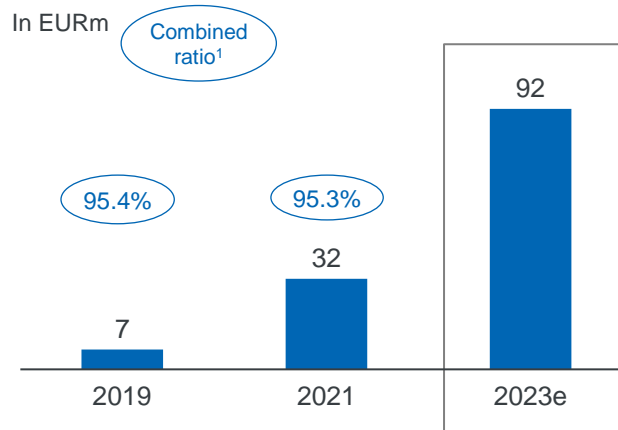
### Gross written premiums



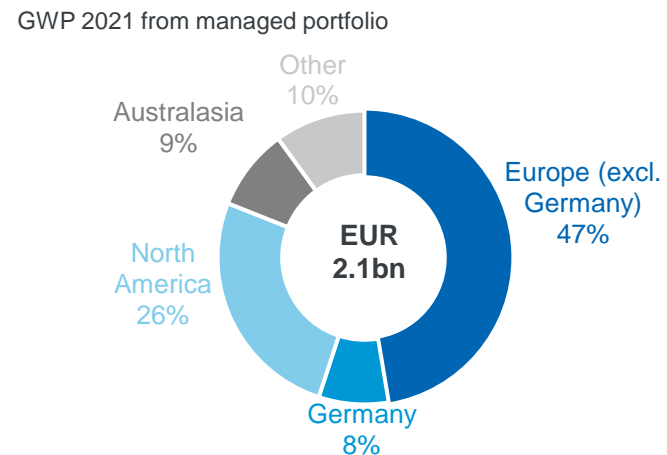
### Portfolio structure



### EBIT



### Regional split



### Comments

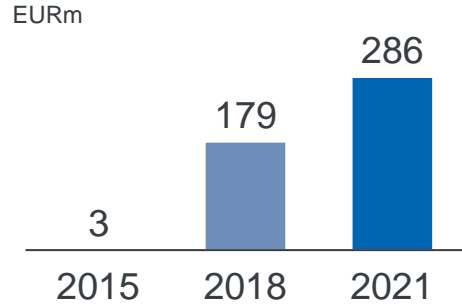
- The 2022 target of EUR 2.1bn GWP was already exceeded in 2021, raising the bar for 2022 and 2023
- EUR 27m total Corona-related claims in 2020 and 2021 absorbed
- Increasing share of single risk mandates with higher margins also enhances portfolio diversification
- Good regional balance with slight increase of European portion versus 2019
- In 2025 we expect Specialty to contribute roughly one third of Industrial Lines' operating profit (EBIT)

1 Relates to managed portfolio before internal reinsurance and minorities; including cost reimbursement for fronted business

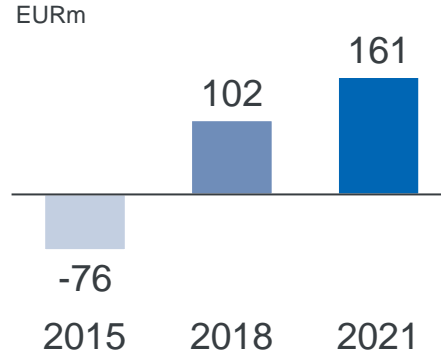
# Retail Germany

## 3 Now solid profit contributor to the group

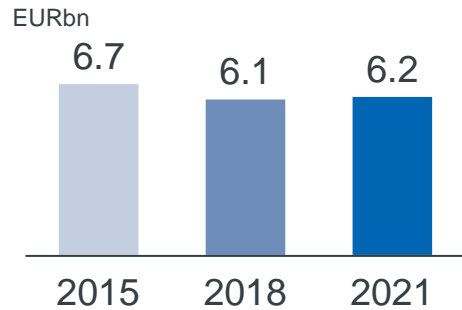
### EBIT



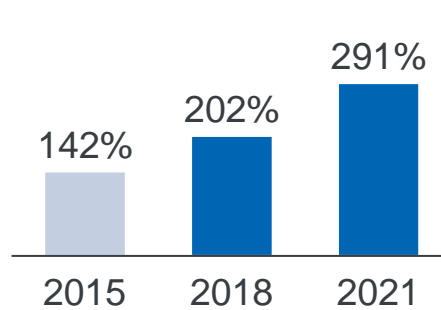
### Net income



### GWP



### S2 ratio Life<sup>1</sup>

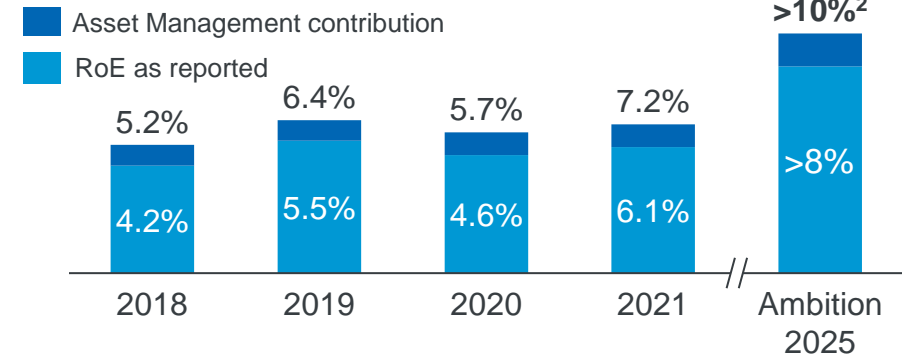


1 As-if-merged Solvency Capital Adequacy Ratio for the four German life entities, excluding transitional measure, as of period end. 2 RoE including Asset Management contribution



- Double-digit RoE
- Leading player for SME and bancassurance
- Focused life business and de-risking

### Return on Equity (RoE)



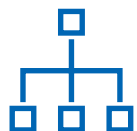
# Retail Germany Life

## 3 Focus new business and further de-risk

### 1 Improve inforce business



Finance / ALM optimisation



IT consolidation and simplification



Cost reduction

### 2 Focus new business on products with >10% RoE<sup>1</sup>



Unit-linked pensions



Occupational retirement pensions (bAV)

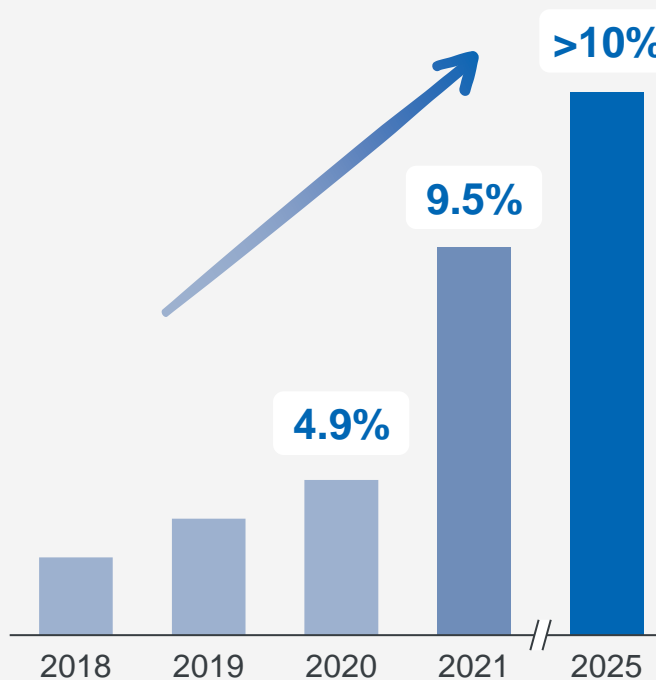


Biometrics

Product reduction

From 30 to <10

### 3 RoE Life (incl. AM contribution)

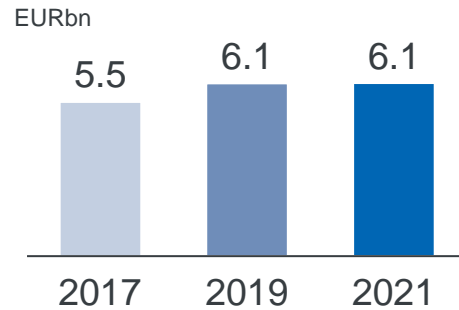


<sup>1</sup> Return on equity per annum

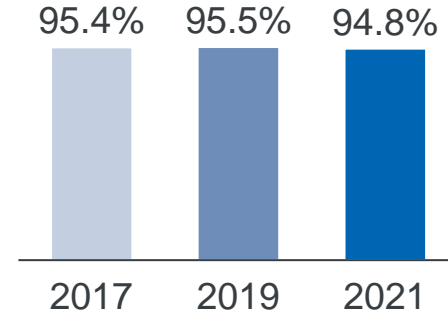
# Retail International

## Stable profit growth

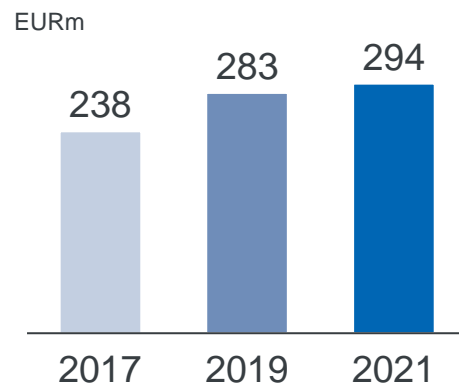
### GWP



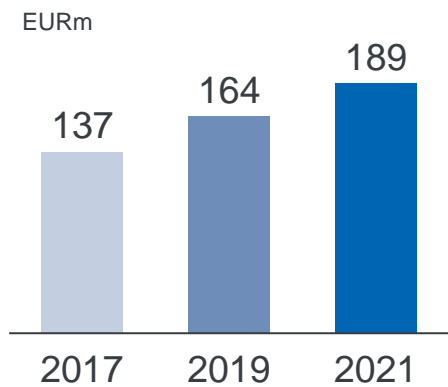
### Combined ratio



### EBIT



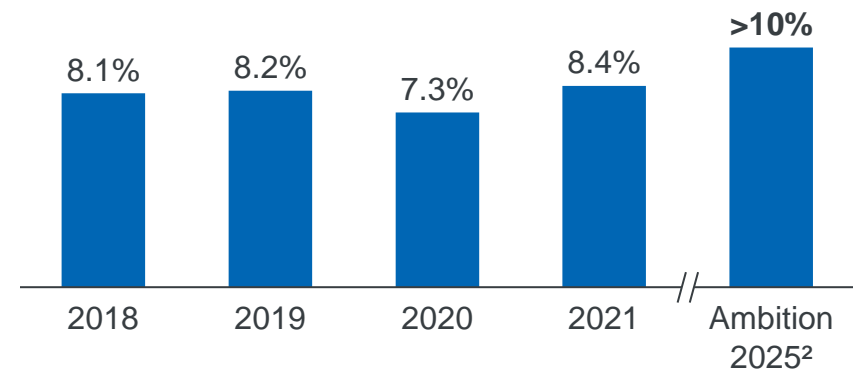
### Net income



**HINexT  
2025**

- TOP 5 in core P&C markets
- Outperform peers (CoR <95%)
- Higher diversification:  
+EUR 900m GWP non-motor<sup>1</sup>

### Return on Equity (RoE)



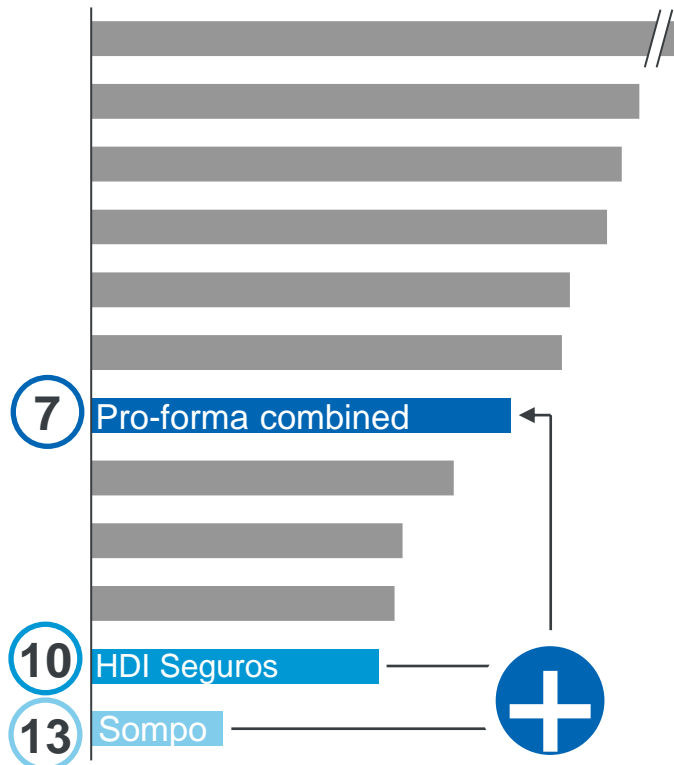
1 Versus 2020 starting point of EUR 1.1bn. 2 Mid-term ambition without M&A.

# Retail International

## 3 Delivery towards strategic goals via recent acquisition in Brazil

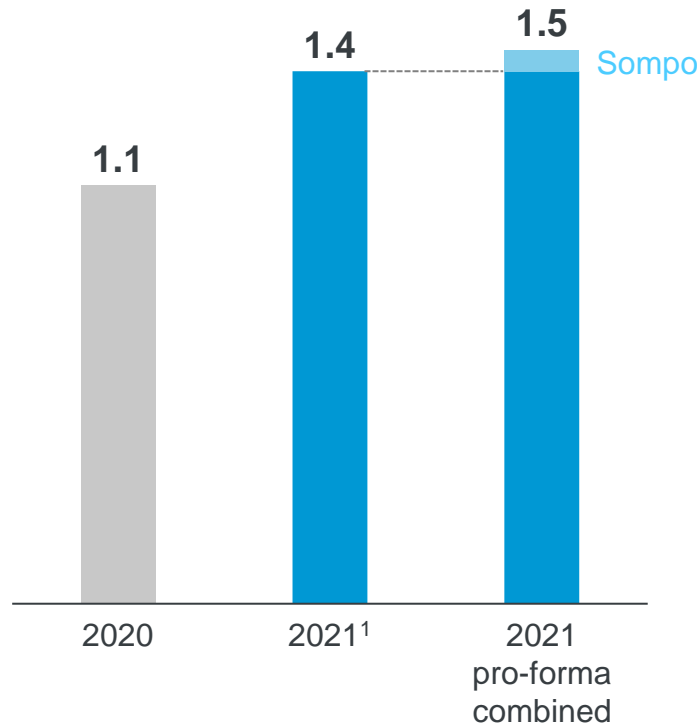
### 1 Become TOP 5 in P/C core markets

P/C retail GWP in Brazil FY2021 in EURm



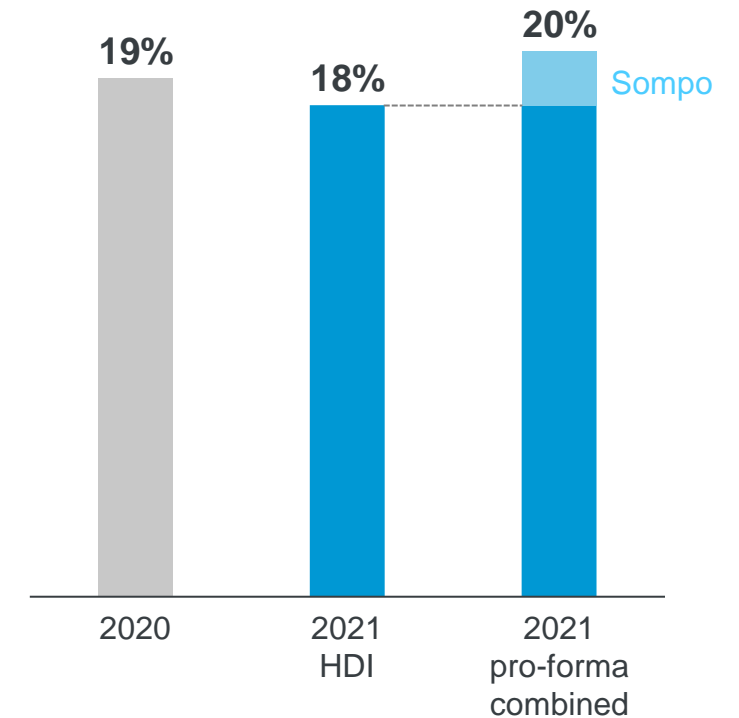
### 2 Grow non-motor P/C by EUR 900m

Retail International non-motor P/C GWP, in EURbn



### 3 Grow life protection share to >30%

Retail International life protection share of life business<sup>2</sup>



1 Thereof EUR 91m from Amissima acquisition in Italy, which was closed as of 1 April 2021. 2 Excluding Russian life entity which was sold in December 2021.



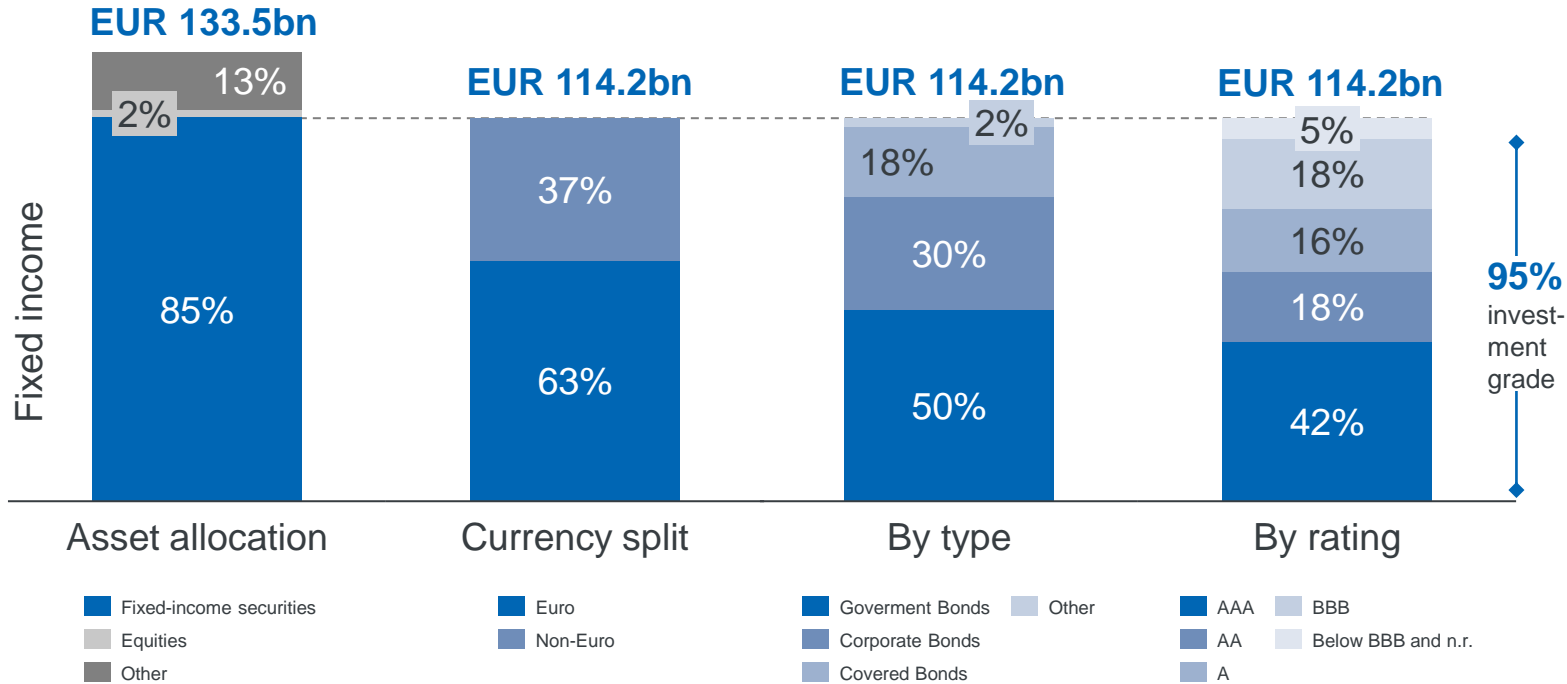
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# 4 Talanx low beta investment portfolio

Assets under own management, as of 31 March 2022



## Comments

- Investment portfolio remains dominated by fixed-income securities: 85% portfolio share slightly down vs. 31 Dec 2021 (87%)
- 20% of fixed-income portfolio is held in USD (31 Dec 2021: 20%)
- Portion of fixed-income portfolio invested in “A” or higher-rated bonds (76%) stable vs. 31 Dec 2021. 95% of bonds are investment grade

Note: “Below BBB and n.r.” includes non-rated bonds

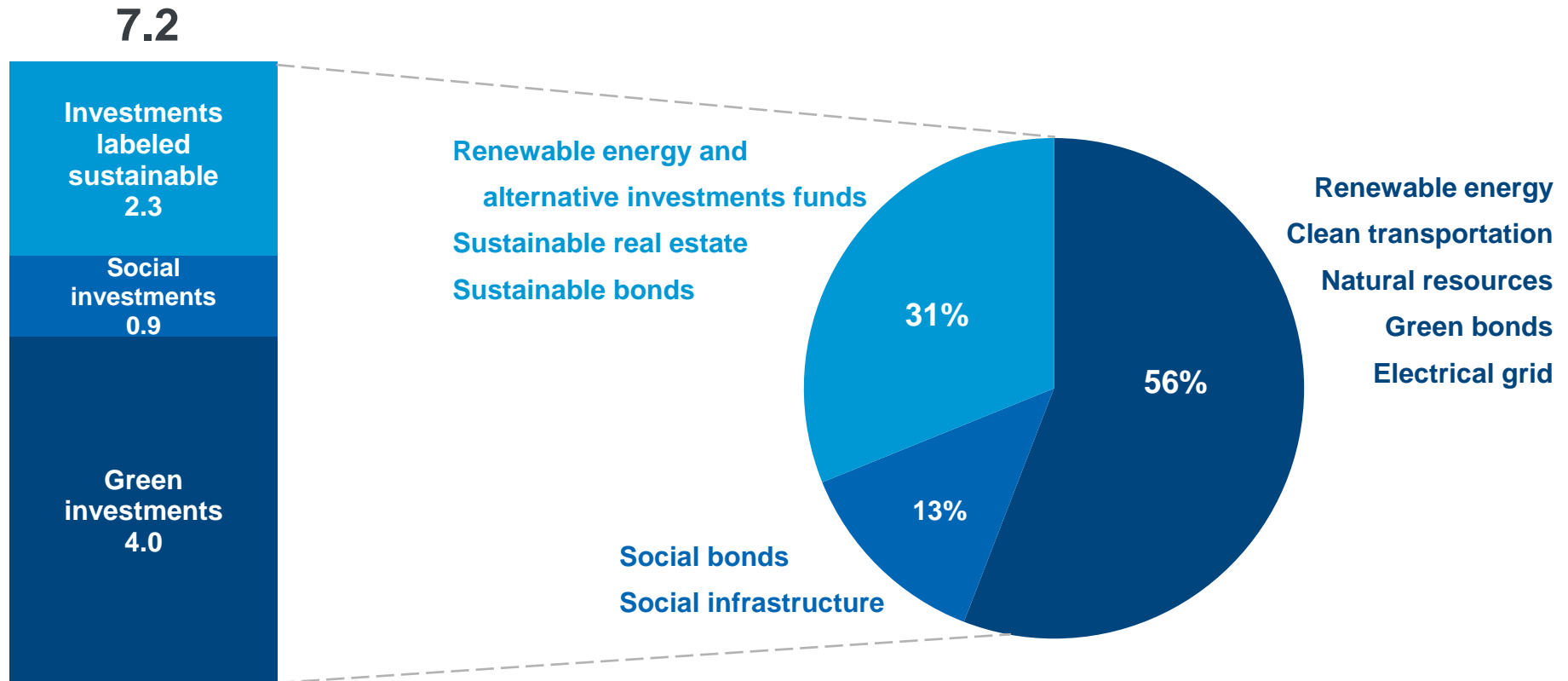
# 4 EUR 7.2bn sustainable investments

## Sustainable investments

As of 31 Dec 2021, in EURbn

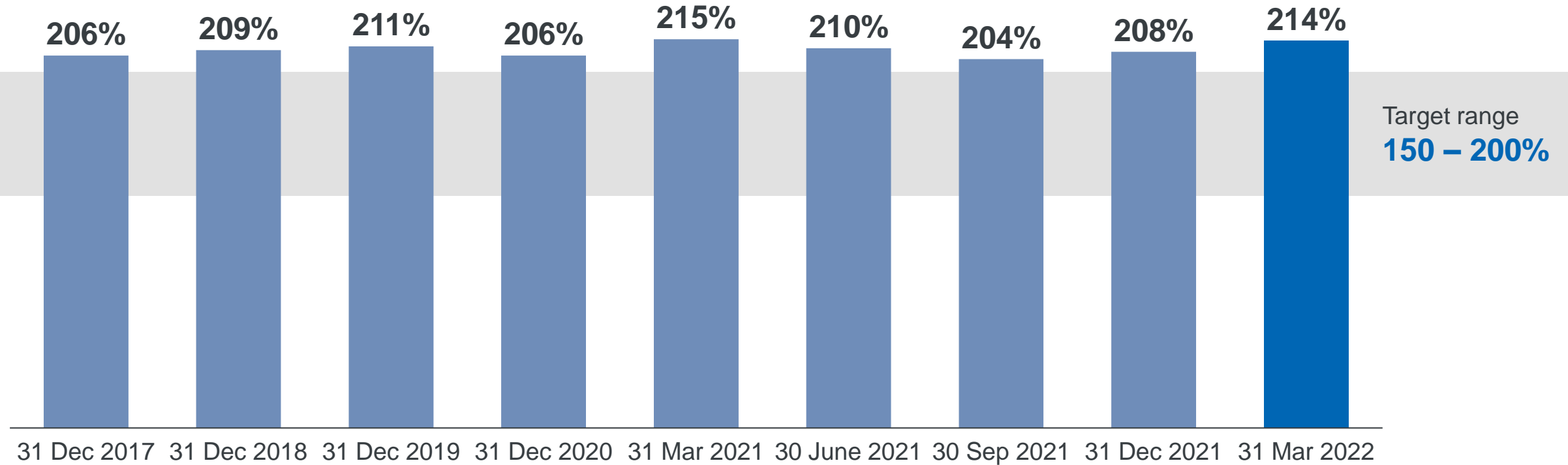
## Investment categories

In %



## 4 Strong capital position

Solvency 2 ratio HDI Group, excluding transitional

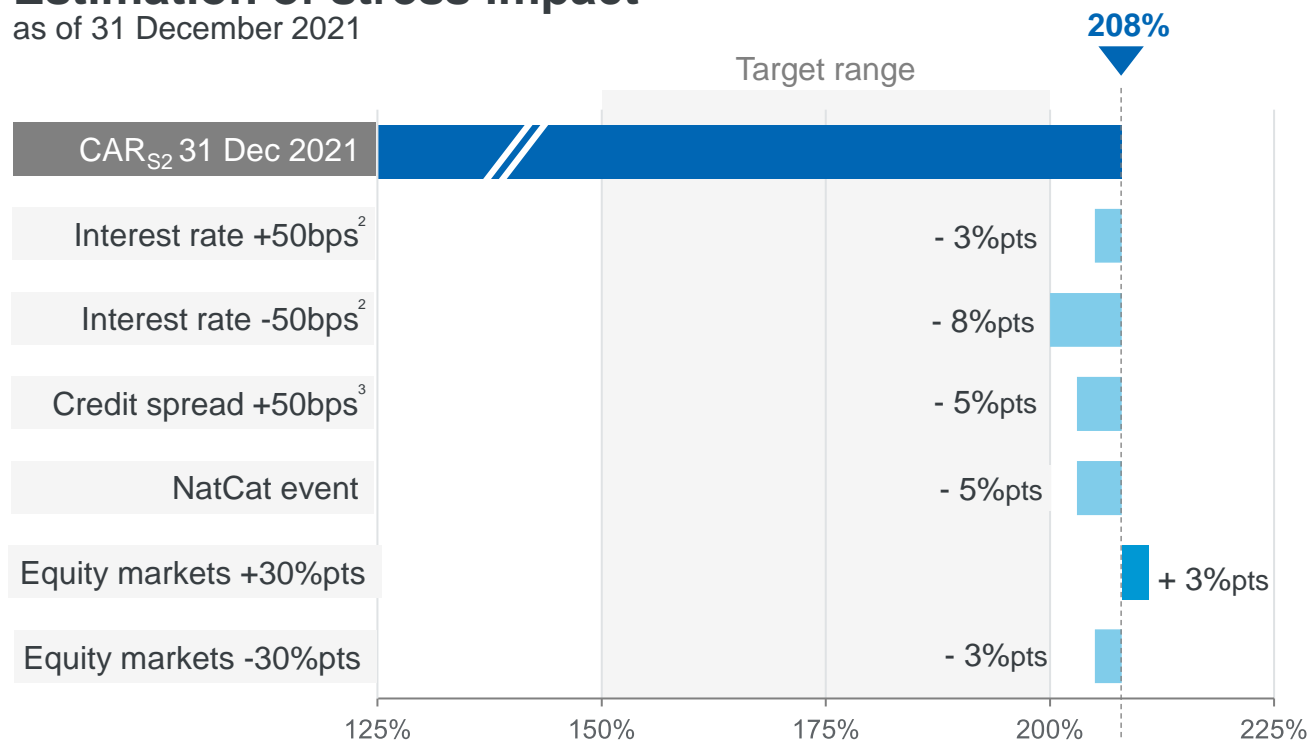


Note: Solvency 2 ratio including transitional measure as of 31 March 2021: 251%

# 4 Sensitivities of Solvency 2 ratio

## Estimation of stress impact<sup>1</sup>

as of 31 December 2021



<sup>1</sup> Estimated solvency ratio changes in case of stress scenarios (stress applied on both Eligible Own Funds and capital requirement, approximation for loss absorbing capacity of deferred taxes). <sup>2</sup> Interest rate stresses based on non-parallel shifts of the interest rate curve based on EIOPA approach. <sup>3</sup> The credit spreads are calculated as spreads over the swap curve (credit spread stresses include simultaneous stress on government bonds)

### Interest rate sensitivities:

At group level, the +50bps scenario also has a negative sensitivity, ie impact on Basic Own Funds (BOF) per 31 Dec 2021, for two main reasons:

1. Hannover Re typically does not benefit from increasing interest rates, as the impact of interest rate changes on assets is stronger than on liabilities. This effect is more pronounced relative to 31 Dec 2020
2. German life business: As interest rates are higher, stresses are relatively less severe. This higher risk bearing capacity results in smaller interest rate sensitivities

### Credit spread sensitivity:

- Main driver in the credit spread widening scenario is the reduction of BOF at Hannover Re
- The effect on BOF at the German life entities is weaker than per 31 Dec 2020 due to higher risk-bearing capacity and portfolio reallocations. This results in a somewhat reduced relative impact of higher spreads at group level (-8%pts per 31 Dec 2020)



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## 5 Outlook 2022 for primary insurance segments



Currency-adjusted  
GWP growth



Combined  
ratio



Return  
on equity

Industrial Lines

>7%

<98%

~8%

Retail Germany

Retail Germany P/C

High single-digit % growth

~96%

Retail Germany Life

Low single-digit % decline

Retail International

High single-digit % growth in P/C  
business

<95%

~8%

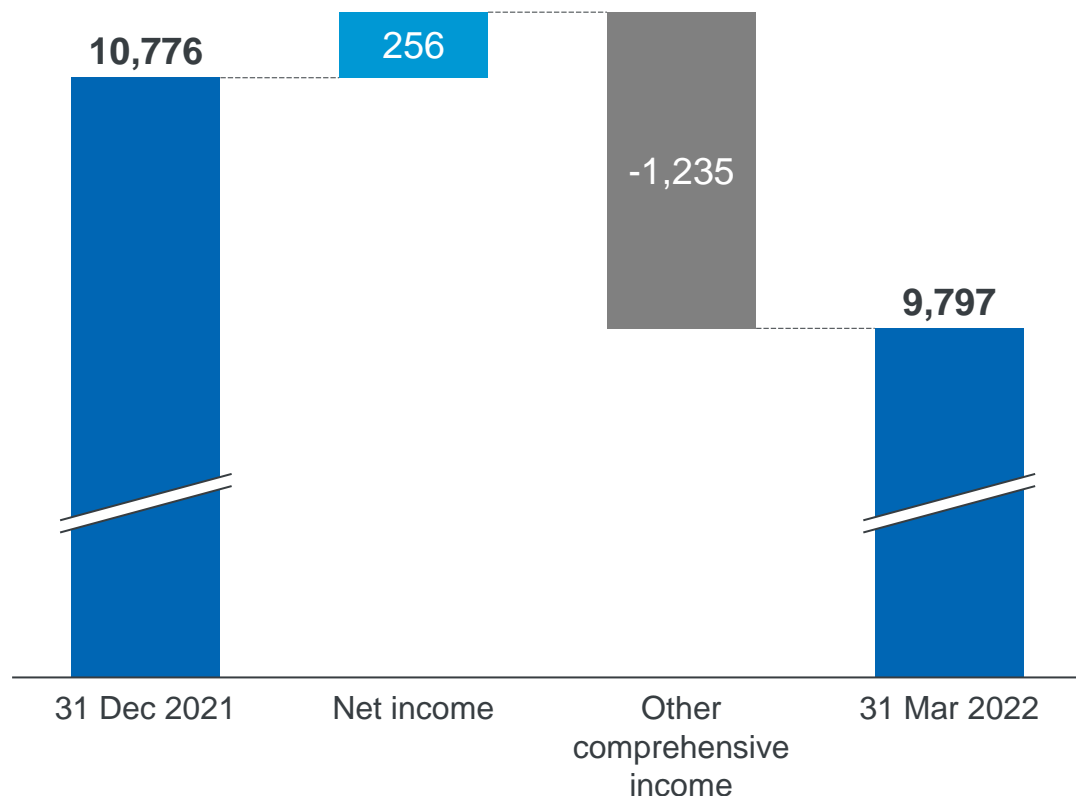
<sup>1</sup> -6.5% excluding Asset Management contribution

# Book value per share

5 Down 9.1% in Q1 2022

## Shareholders' equity

in EURm



## Comments

- Shareholders' equity at EUR 9,797m, down 9.1% versus the level of Dec 2021
- Significant decline in other comprehensive income (OCI) is due to sharp increase in interest rates and corresponding decline in market value of fixed income securities, whilst before introduction of IFRS 17 liabilities are accounted for at nominal value

## Book value per share

EUR	31 Dec	31 Mar	31 Dec	31 Mar	Change in Q1	
	2020	2021	2021	2022	Abs.	%
Including goodwill	41.01	41.13	42.58	<b>38.71</b>	-3.87	-9.1
Excluding goodwill	37.00	37.17	38.51	<b>34.62</b>	-3.89	-10.1

# 5 Talanx Primary Insurance and Reinsurance Contributions to net income

Net income attributable to Talanx AG shareholders, in EURm

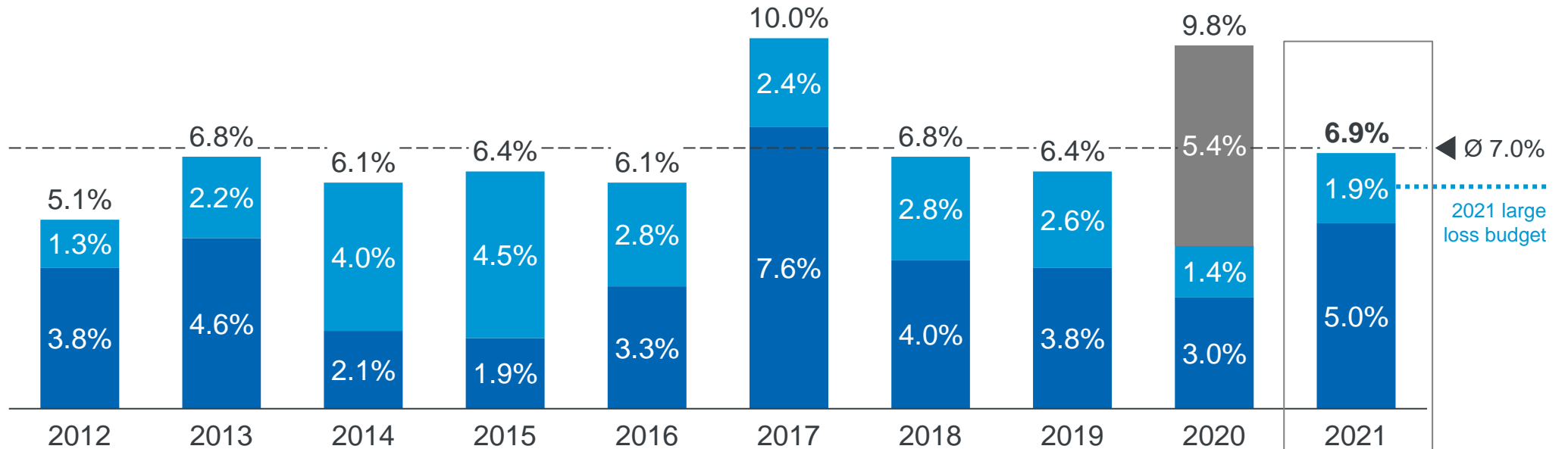
	1	2	3	4	5	6	7	8
	Industrial Lines	Retail Germany	Retail International	$\Sigma$ Primary Insurance	Reinsurance	Corporate Operations	Consolidation	Talanx Group
2015	127	-76	148	199 25%	606 75%	-51	-20	734
2016	241	68	124	433 42%	595 58%	-135	+10	903
2017	91	102	138	331 41%	479 59%	-141	2	671
2018	-16	102	161	247 31%	540 69%	-80	-4	703
2019	103	133	164	400 39%	619 61%	-97	+1	923
2020	47	119	160	326 42%	442 58%	-117	-3	648
2021	143	161	189	493 45%	609 55%	-105	+14	1,011
Q1 2022	31	42	46	119 47%	133 53%	-6	+11	256

Note: Primary Insurance is the sum of Industrial Lines, Retail Germany and Retail International. Percentages are calculated in percent of Group net income adjusted for Corporate Operations and Consolidation (e.g. adding back EUR +6m to, and subtracting EUR 11m from, EUR 256m in Q1 2022)



## 5 10-year large loss development

Net large losses, in % of net premiums earned (P/C business only)



In EURm	600	838	782	992	883	1,620	1,244	1,319	2,148	<b>1,745</b>
Usage of budget for NatCat and man-made	94%	119%	91%	94%	78%	145%	111%	111%	161% <sup>1</sup>	<b>116%</b>

■ NatCat ■ Man-made ■ Corona losses (P/C business only)

Note: Definition "large loss": In excess of EUR 10m gross in either Primary Insurance or Reinsurance | 1 Ratio of 161% includes NatCat, man-made and Corona

# Q1 2022 large loss detail

## 5 Budget exceeded due to significant NatCat events

<b>Net losses</b> in EURm, Q1 2022 (Q1 2021)	<b>Industrial Lines</b>	<b>Retail Germany</b>	<b>Retail International</b>	<b>∑ Primary Insurance</b>	<b>Reinsurance</b>	<b>Corporate Operations</b>	<b>Talanx Group</b>
Flood Sydney, Australia (February/March)	49.5			49.5	185.6		235.1
Storms Central Europe (February)	10.1	21.2	8.6	39.9	124.2		164.2
Earthquake, Japan (March)	7.2			7.2		0.3	7.5
<b>Sum NatCat</b>	<b>66.9 (51.5)</b>	<b>21.2 (0.0)</b>	<b>8.6 (0.0)</b>	<b>96.7 (51.5)</b>	<b>309.8 (105.0)</b>	<b>0.3 (0.0)</b>	<b>406.8 (156.5)</b>
Fire/Property	11.8			11.8	12.1		23.9
Marine	10.0			10.0	13.9	0.6	24.6
Casualty							
Credit							
Aviation	2.9			2.9			2.9
Cyber							
<b>Sum other large losses</b>	<b>24.7 (41.1)</b>	<b>0.0 (0.0)</b>	<b>0.0 (0.0)</b>	<b>24.7 (41.1)</b>	<b>26.0 (88.2)</b>	<b>0.6 (0.8)</b>	<b>51.3 (130.1)</b>
<b>Total large losses</b>	<b>91.5 (92.5)</b>	<b>21.2 (0.0)</b>	<b>8.6 (0.0)</b>	<b>121.3 (92.5)</b>	<b>335.8 (193.2)</b>	<b>0.9 (0.8)</b>	<b>458.1 (286.6)</b>
Pro-rata large loss budget	82.5	7.5	2.5	92.5	284.3	10.0	386.8

Note: Definition "large loss": in excess of EUR 10m gross in either Primary Insurance or Reinsurance.

## 5 Details on selected fixed-income country exposure

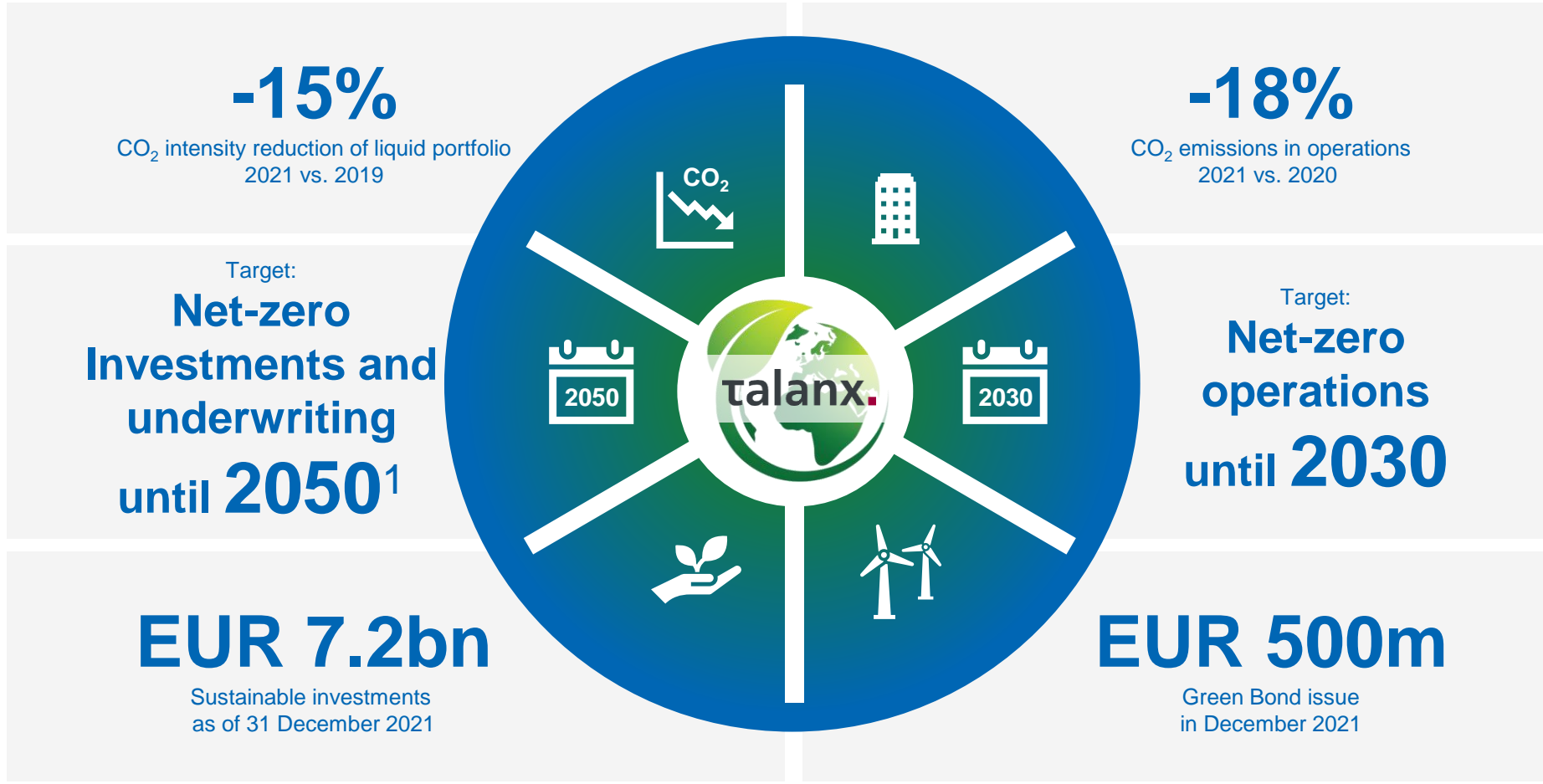
Investments into issuers from countries with a rating below A- (in EURm), as of 31 March 2022

Country	Rating	Sovereign	Semi-Sovereign	Financial	Corporate	Covered	Other	Total
Italy	BBB	3,909	-	721	535	249	5	5,420
Mexico	BBB	374	-	163	333	-	-	870
Brazil	BB-	283	-	101	206	-	18	609
Hungary	BBB	528	-	12	18	5	-	562
South Africa	BB-	138	-	5	133	-	3	279
Portugal	BBB	108	-	10	28	11	-	157
Turkey	B+	59	-	14	12	-	-	85
Russia		57	-	5	14	-	-	76
Other BBB+		70	-	14	39	-	-	123
Other BBB		229	90	110	215	-	-	644
Below BBB or non-rated		331	71	123	223	-	-	748
<b>Total</b>		<b>6,087</b>	<b>161</b>	<b>1,279</b>	<b>1,757</b>	<b>265</b>	<b>26</b>	<b>9,574</b>
<b>In % of total investments under own management<sup>1</sup></b>		4.6%	0.1%	1.0%	1.3%	0.2%	~0.0%	7.2%
<b>In % of total Group assets<sup>2</sup></b>		3.0%	0.1%	0.6%	0.9%	0.1%	~0.0%	4.8%

Note: Percentages may not add up due to rounding. 1 EUR 133,498m. 2 EUR 200,434m.

# 5 Highlights of Sustainability Report 2021

Click here to discover our Sustainability Report



<sup>1</sup> Underwriting: Full withdrawal from thermal coal infrastructure and oilsands until 2038

## 5 Contact us



### Bernd Sablowsky

Head of Investor Relations and M&A

+49 511 3747-2793

[bernd.sablowsky@talnx.com](mailto:bernd.sablowsky@talnx.com)



### Anna Färber

Event Management

+49 511 3747-2227

[anna.farber@talnx.com](mailto:anna.farber@talnx.com)



### Bernt Gade

Equity & Debt IR

+49 511 3747-2368

[bernt.gade@talnx.com](mailto:bernt.gade@talnx.com)

## Financial calendar

### 10 August 2022

6M 2022 results

### 14 November 2022

9M 2022 results

### 06 December 2022

Capital Markets Day in Frankfurt



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## Find us

Talnx AG

HDI-Platz 1, 30659 Hannover, Germany

E-mail: [ir@talnx.com](mailto:ir@talnx.com)



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