

**talanx.**

Insurance. Investments

## Results Presentation 9M 2015

12 November 2015

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## I 9M 2015 – Operating result improved

▶ Adjusted for currency effects, 9M 2015 GWP increased by 6.5%. All segments contributed to this increase, nearly exclusively via organic growth

▶ In spite of the extraordinary goodwill charge of €155m in the previous quarter, Talanx achieved a Group net income of €488m in 9M 2015 (9M 2014: €530m). The EBIT on Group level of €1,507m in 9M 2015 was even ahead of the 9M 2014 level (€1,444m)

▶ End of September 2015, shareholders' equity stood at €8,078m or €31.96 per share. Despite the dividend payment of €316m, goodwill impairment and higher interest rates, this is above the FY2014 level of €7,998m (€31.64 per share)

▶ FY2015 net income outlook of €600-650m reiterated. The board's dividend proposal will be unaffected by the goodwill impairment and, from today's perspective, will be based on the adjusted calculation base of €755-805m

▶ FY2016 net income outlook stands at above €700m. This includes already ~€70m of anticipated restructuring costs (after tax) for the Non-Life business in Retail Germany

# I 9M 2015 results – Key financials

## Summary of 9M 2015

€m, IFRS	9M 2015	9M 2014	Change
Gross written premium	24,355	21,732	+12%
Net premium earned	19,246	17,131	+12%
Net underwriting result	(1,288)	(1,353)	(5%)
Net investment income	2,989	2,996	(0%)
Operating result (EBIT)	1,507	1,444	+4%
Net income after minorities	488	530	(8%)
Key ratios	9M 2015	9M 2014	Change
Combined ratio non-life insurance and reinsurance	96.9%	97.7%	(0.8%)pts
Return on investment	3.7%	4.0%	(0.3%)pts
Balance sheet	9M 2015	FY 2014	Change
Investments under own management	98,850	96,410	+3 %
Goodwill	1,033	1,090	(5%)
Total assets	152,886	147,298	+4 %
Technical provisions	107,361	101,109	+6 %
Total shareholders' equity	13,048	12,900	+1 %
Shareholders' equity	8,078	7,998	+1 %

## Comments

- GWP up by 12.1% y/y, helped by currency effects (currency-adj.:6.5%) - all segments contributed to growth, double-digit GWP growth from Reinsurance division
- Combined ratio improved y/y by 0.8%pts on the back of the improvement in cost ratio (9M 2015: 26.9%; 9M 2014: 27.6%). Loss ratio remained flat at 70.2% despite higher large losses (man-made and NatCat) in Industrial Lines and Reinsurance
- Total investment result declined marginally by ~€7m due to lower extraordinary investment result, while ordinary investment result was up by €132m
- EBIT is up by 4.4%, helped by improved technical result and by improved “other income” (mainly positive currency result), overcompensating the effect from the goodwill impairment on German Life (impact on EBIT and net income of €155m), already reported in Q2 2015
- Shareholders' equity slightly increased ytd to €8,078m, or €31.96 per share (FY2014: €31.64) despite the goodwill impairment, the dividend payout in May (€316m) and the moderate increase in interest rates. Solvency I ratio stands ytd unchanged at 228% (FY2014: 228%)

 **9M 2015 EBIT up by 4% y/y despite increase in large losses and Q2 2015 effect from full goodwill impairment in German Life business**

# I Large losses<sup>1</sup> in 9M 2015

€m, net		Primary insurance	Reinsurance	Talanx Group
Storms, Northern Europe	Jan./Apr./July 2015	32.7	50.1	82.8
Winterstorm, USA	February 2015	0.0	12.8	12.8
Cyclone/Storm, Australia	Feb./April 2015	8.3	21.9	30.2
Storm/Flood; USA	May/June 2015	0.7	7.0	7.7
Storm „Erika“, Carribean	August 2015	0.0	11.1	11.1
Earthquake, Chile	September 2015	0.9	43.6	44.5
<b>Total Nat Cat</b>		<b>42.7</b>	<b>146.5</b>	<b>189.2</b>
Aviation		6.3	49.4	55.7
Transport		0.0	77.1	77.1
Fire / Property		208.9	67.6	276.5
Explosion Tianjin Harbour, China		18.3	95.9	114.2
Other		11.2	0.0	11.2
<b>Total other large losses</b>		<b>244.7</b>	<b>289.9</b>	<b>534.7</b>
<b>Total large losses</b>		<b>287.4</b>	<b>436.4</b>	<b>723.9</b>
<b>Impact on Combined Ratio (incurred)</b>		<b>6.2%pts</b>	<b>7.3%pts</b>	<b>6.8%pts</b>
Total large losses 9M 2014		258.5	242.2	500.7
Impact on Combined Ratio (incurred)		6.1%pts	4.7.%pts	5.4%pts

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

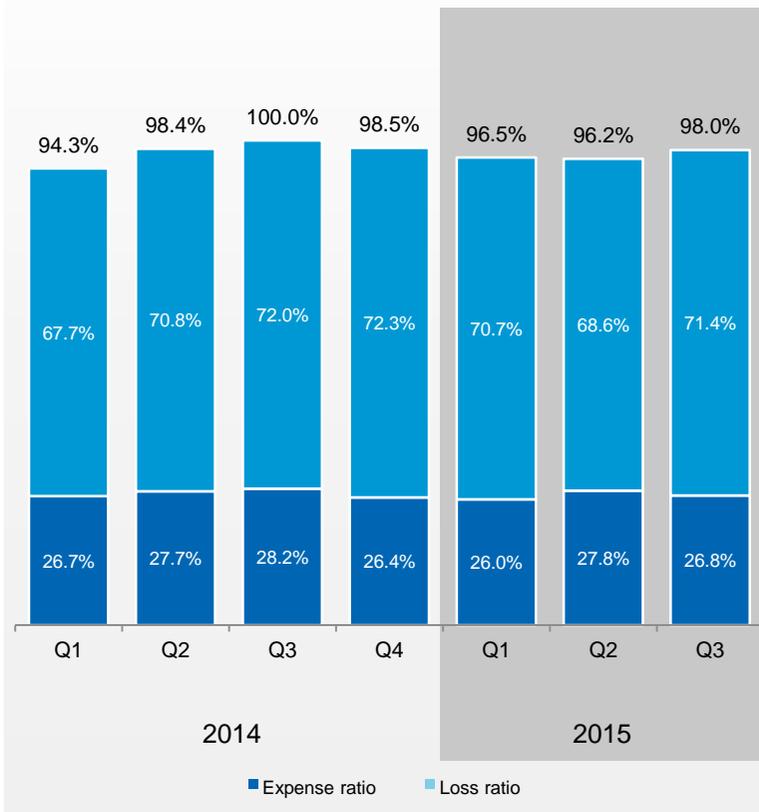
Note: 9M 2015 Primary Insurance large losses (net) are split as follows: Industrial Lines: €253.3m; Retail Germany: €20.1m; Retail International: €10.8m, Group Functions: €3.2m

- Total large loss burden of €724m (9M 2014: €501m) - slightly below the Group's 9M large loss budget (€737m)
- Q3 net burden of €122m in Primary and €239m in Reinsurance - both affected by the Tianjin blast (Primary: €18m; Reinsurance: €96m) and a mix of NatCat and man-made losses
- YTD, Reinsurance remains below its 9M 2015 large loss budget, Primary is above



# Combined ratios

## Development of net combined ratio<sup>1</sup>



Note: numbers adjusted on the basis of IAS8

## Combined ratio<sup>1</sup> by segment/selected carrier

	9M 2015	9M 2014	Q3 2015	Q3 2014
<b>Industrial Lines</b>	<b>100.2%</b>	<b>104.7%</b>	<b>103.0%</b>	<b>115.0%</b>
<b>Retail Germany</b>	<b>101.0%</b>	<b>101.7%</b>	<b>100.8%</b>	<b>102.7%</b>
<b>Retail International</b>	<b>96.3%</b>	<b>96.5%</b>	<b>98.5%</b>	<b>98.6%</b>
HDI Seguros S.A., Brazil	98.9%	98.6%	100.5%	100.2%
HDI Seguros S.A., Mexico	92.2%	91.1%	95.0%	90.4%
TUiR Warta S.A., Poland	96.6%	96.7%	98.0%	100.4%
TU Europa S.A., Poland	84.7%	81.5%	85.3%	81.7%
HDI Sigorta A.Ş., Turkey	102.7%	103.6%	102.6%	102.8%
HDI Assicurazioni S.p.A., Italy	95.7%	96.7%	101.6%	99.3%
<b>Non-Life Reinsurance</b>	<b>95.6%</b>	<b>95.3%</b>	<b>95.8%</b>	<b>95.7%</b>

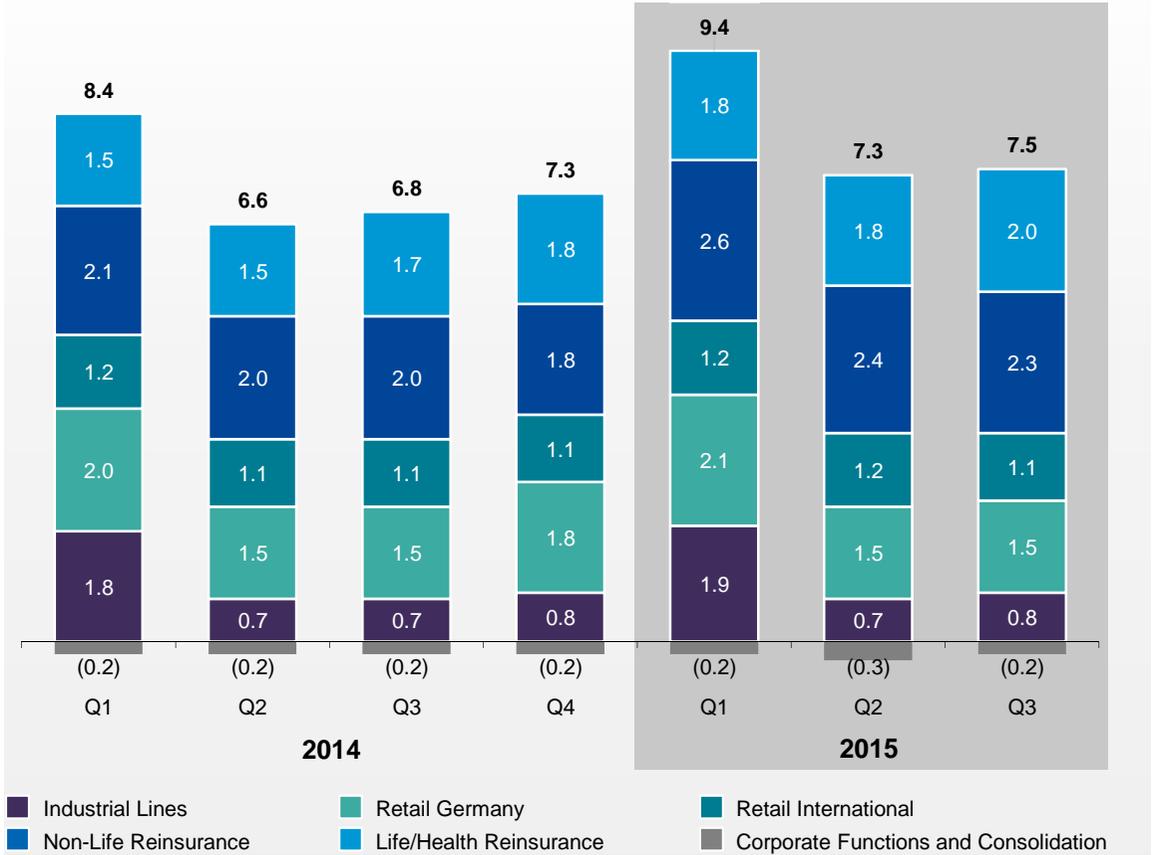
<sup>1</sup> Incl. net interest income on funds withheld and contract deposits



**9M 2015 combined ratios remain well below 100% in most of our international retail carriers and in Reinsurance**

# I GWP trend

## GWP development (€bn)



- Q3 2015 showed double-digit top-line growth (+11.4% vs. Q3 2014). Curr.-adj. GWP up 5.0%
- Reinsurance and Industrial Lines main beneficiaries of currency impact
- Retail International is negatively impacted by the depreciation of Brazilian Real
- All segments apart from Retail Germany contributed to quarterly GWP growth y/y

▶ Q3 2015 with double-digit GWP growth, helped by overall currency impact

# I Q3 2015 results – Key financials

## Summary of Q3 2015

€m, IFRS	Q3 2015	Q3 2014	Change
Gross written premium	7,528	6,757	+11%
Net premium earned	6,495	5,823	+12%
Net underwriting result	(437)	(578)	n/m
Net investment income	952	1,048	(9%)
Operating result (EBIT)	492	439	+12%
Net income after minorities	177	149	+19%
Key ratios	Q3 2015	Q3 2014	Change
Combined ratio non-life insurance and reinsurance	98.0%	100.0%	(2.0%)pts
Return on investment	3.5%	4.1%	(0.6%)pts
Balance sheet	9M 2015	FY 2014	Change
Investments under own management	98,850	96,410	+3%
Goodwill	1,033	1,090	(5%)
Total assets	152,886	147,298	+4%
Technical provisions	107,361	101,109	+6%
Total shareholders' equity	13,048	12,900	+1%
Shareholders' equity	8,078	7,998	+1%

## Comments

- Gross written premium up by 11.4% y/y, helped by currency effects (currency-adj.: +5.0%); all segments apart from Retail Germany contributed to growth
- Combined ratio of 98% improved by 2.0%pts y/y due to improvement in Industrial Lines and Retail Germany. Please note that Q3 2014 in Industrial Lines had been affected by a high large loss burden and a higher reinstatement premium. Remaining segments broadly unchanged in terms of combined ratio
- Improvement in net underwriting result predominantly driven by lower realisation of capital gains in German Life, but also due to improved combined ratio in Industrial Lines - compared to a loss-rich Q3 2014 – and strong profitable growth in Non-Life Reinsurance
- Lower investment income (-€96m) results predominantly from lower extraordinary gains (-€60m), which are mainly used to finance ZZR contribution

 **Q3 2015 bottom-line result up by €28m y/y despite significant large loss level**

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Mid-term Target Matrix

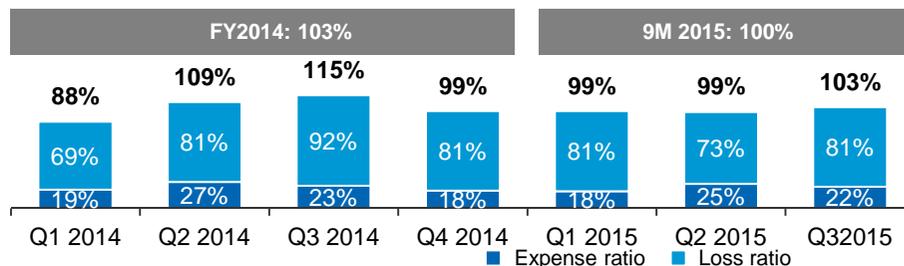
9M 2015 Additional Information

## II Segments – Industrial Lines

### P&L for Industrial Lines

€m, IFRS	9M 2015	9M 2014	Δ	Q3 2015	Q3 2014	Δ
Gross written premium	3,434	3,213	+7%	809	716	+13%
Net premium earned	1,581	1,401	+13%	560	474	+18%
Net underwriting result	(4)	(66)	n/m	(17)	(72)	n/m
Net investment income	158	209	(24%)	45	58	(22%)
Operating result (EBIT)	152	125	+22%	10	(16)	n/m
Group net income	103	85	+21%	6	(4)	n/m
Return on investment (annualised)	2.8%	4.0%	(1.2%)pts	2.3%	3.2%	(0.9%)pts

### Combined ratio<sup>1</sup>



### Comments

- 9M 2015 GWP grew by 6.9% y/y, backed by currency effects (currency-adj.:+2.7%). In Q3 2015, GWP grew by even 13.0% (+6.8%). Main growth effects from international business (e.g. France, Netherlands, North America)
- Retention rate (9M 2015: 51.4%) slightly up y/y (9M 2014: 50.5%) despite higher fronting business in the US and a lower contribution from high-retention lines due to a change in portfolio structure (e.g. restructuring Motor)
- Combined ratio in Q3 2015 is affected by large losses of €104m, predominantly from man-made (e.g. from Tianjin blast and general Property) and reinstatement premium (Q3 2015: €25m, 9M 2015: €88m)
- Progress in implementing „Balanced Book“ measures
- Decline in 9M 2015 investment result mainly due to lower realised capital gains

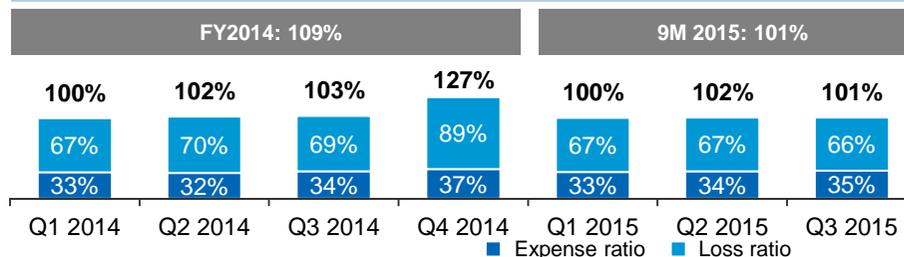
**Underlying operating performance improved vs. a loss-rich Q3 2014**

## II Segments – Retail Germany

### P&L for Retail Germany

€m, IFRS	9M 2015	9M 2014	Δ	Q3 2015	Q3 2014	Δ
<b>Gross written premium</b>	<b>5,143</b>	<b>5,079</b>	<b>+1%</b>	<b>1,475</b>	<b>1,516</b>	<b>(3%)</b>
of which Life	3,864	3,793	+2%	1,185	1,257	(6%)
of which Non-Life	1,279	1,286	(1%)	291	259	+12%
Net premium earned	4,062	3,917	+4%	1,273	1,305	(2%)
Net underwriting result	(1,201)	(1,264)	n/m	(361)	(456)	n/m
of which Life	(1,189)	(1,247)	n/m	(357)	(447)	n/m
of which Non-Life	(12)	(17)	n/m	(4)	(10)	n/m
Net investment income	1,351	1,430	(6%)	403	493	(18%)
<b>Operating result (EBIT)</b>	<b>(16)</b>	<b>119</b>	<b>n/m</b>	<b>45</b>	<b>22</b>	<b>+97%</b>
Group net income	(73)	72	n/m	31	15	+115%
Return on investment (annualised)	3.9%	4.4%	(0.5%)pts	3.4%	4.4%	(1.0%)pts

### Combined ratio<sup>1</sup>



<sup>1</sup>Incl. net interest income on funds withheld and contract deposits



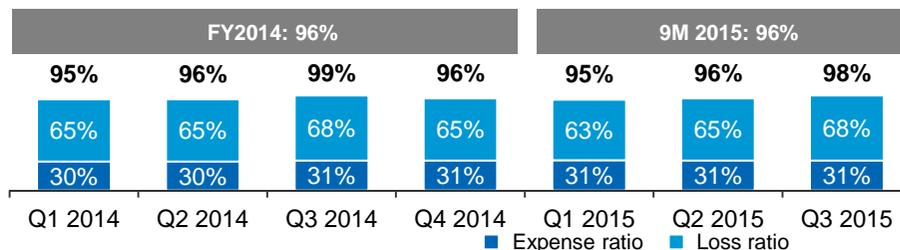
**Adjusting for the goodwill impairment effect from Q2 2015, results improved vs. previous year**

### Comments

- GWP in Life up by 1.9% in 9M 2015. Decline in Q3 2015 of 5.7% results from a normalisation effect after front-loaded single-premium business in H1 2015. In Non-Life, improved momentum in GWP in Q3 2015 largely on the back of profitabilisation measures in Motor
- Net underwriting result improved on a y/y basis, mainly due to some decline in the investment result. The latter is primarily due to a lower extraordinary investment result, in particular in Q3 2015
- 9M 2015 ZZR allocation – according to HGB – of €362m (Q3 2015: €142m). Total ZZR stock expected to reach €1.55bn until FY2015
- The negative 9M 2015 net income on segment level is explained by the write-down of the complete goodwill (€155m) attributable to the Life business already reported with the 6M 2015 results

## P&amp;L for Retail International

€m, IFRS	9M 2015	9M 2014	Change	Q3 2015	Q3 2014	Change
<b>Gross written premium</b>	<b>3,463</b>	<b>3,307</b>	<b>+5%</b>	<b>1,071</b>	<b>1,052</b>	<b>+2%</b>
of which Life	1,008	1,162	(13%)	277	336	(17%)
of which Non-Life	2,455	2,144	+14%	793	716	+11%
Net premium earned	2,755	2,820	(2%)	852	908	(6%)
Net underwriting result	1	(6)	n/m	(18)	(20)	n/m
of which Life	(71)	(69)	n/m	(27)	(29)	n/m
of which Non-Life	72	62	+16%	10	9	+11%
Net investment income	250	241	+4%	83	85	(3%)
<b>Operating result (EBIT)</b>	<b>174</b>	<b>164</b>	<b>+6%</b>	<b>47</b>	<b>41</b>	<b>+15%</b>
Group net income	106	96	+10%	28	22	+31%
Return on investment (annualised)	4.4%	4.7%	(0.3%)pts	4.2%	4.6%	(0.4%)pts

Combined ratio<sup>1</sup>

<sup>1</sup>Incl. net interest income on funds withheld and contract deposits

## Comments

- 9M GWP grew by 4.7% y/y (currency-adj.: +6.9%), negatively impacted by currency effects from Brazil and Turkey over the last months. Non-Life currency-adj. +18.6% y/y. Q3 2015 GWP grew by 1.8% y/y (currency-adj.: +4.1%).
- Main growth drivers are businesses in Brazil, Mexico and Turkey (double-digit GWP growth in local terms) and strong Life business at Warta/Poland
- Premium-wise, organic growth (excl. Magallanes acquisition) in P&C business (9M 2015: +6.8%) is partly compensated by decline in single-premium business in Italy and at TU Europa
- Total business in Chile<sup>2</sup> contributed ~€198m GWP and ~€6.5m EBIT in 9M 2015, including a negative consolidation effect in Q3 2015
- Combined ratios for 9M and Q3 2015 remained broadly stable despite some uptick in distribution cost from portfolio diversification and some large-loss exposure in Q3 2015 (Chile, fire in Poland)
- Turkey contributed ~€3.7m EBIT to 9M 2015 (Q3 2015: €1.1m)

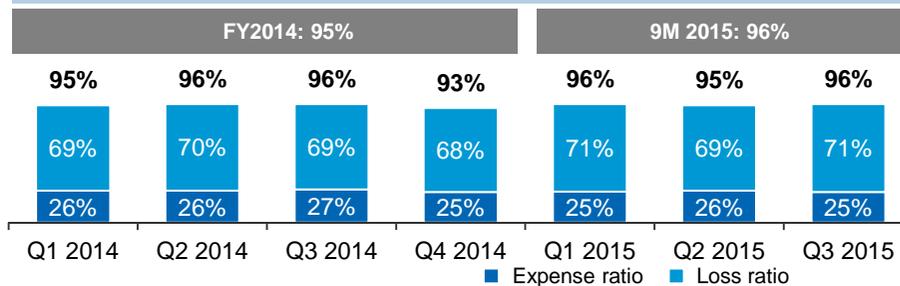
<sup>2</sup> Magallanes acquisition is consolidated from 13 February 2015



**Sound profitable growth in all Retail International markets overcompensates currency effects**

## P&amp;L for Non-Life Reinsurance

€m, IFRS	9M 2015	9M 2014	Change	Q3 2015	Q3 2014	Change
Gross written premium	7,319	6,060	+21%	2,347	1,982	+18%
Net premium earned	5,965	5,104	+17%	2,071	1,734	+19%
<b>Net underwriting result</b>	<b>248</b>	<b>224</b>	<b>+11%</b>	<b>81</b>	<b>68</b>	<b>+19%</b>
Net investment income	689	666	+3%	252	254	(1%)
<b>Operating result (EBIT)</b>	<b>975</b>	<b>868</b>	<b>+12%</b>	<b>359</b>	<b>335</b>	<b>+7%</b>
Group net income	320	271	+18%	114	106	+8%
Return on investment (annualised)	3.1%	3.3%	(0.2%)pts	3.4%	3.8%	(0.4%)pts

Combined ratio<sup>1</sup>

<sup>1</sup>Incl. net interest income on funds withheld and contract deposits

## Comments

- 9M 2015 GWP up by 20.8% y/y (adjusted for currency effects: +9.8%), mainly from US, Asia, Specialty lines and Agro business. Q3 2015 GWP grew by 18.4% y/y (adjusted for currency effects: +7.1%)
- Major losses of €436m (7.3% of net premium earned) below budget of €519m for 9M 2015
- Expected run-off reserves without extraordinary effects
- Increased ordinary investment income despite low yield environment
- Other income & expenses improved due to positive currency effects
- Favorable 9M 2015 EBIT margin<sup>2</sup> of 16.3% (9M 2014: 17.0%) well above target
- 9M 2015 net income increased by 18.1%

<sup>2</sup> EBIT margins reflect a Talanx Group view

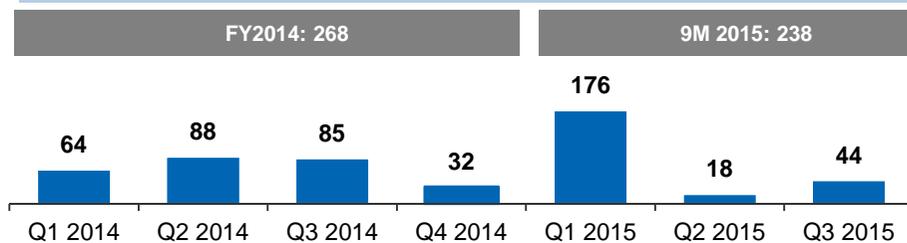


**Favourable underwriting result in a competitive**

## P&amp;L for Life/Health Reinsurance

€m, IFRS	9M 2015	9M 2014	Change	Q3 2015	Q3 2014	Change
Gross written premium	5,627	4,644	+21%	2,013	1,657	+21%
Net premium earned	4,864	3,861	+26%	1,739	1,392	+25%
<b>Net underwriting result</b>	<b>(334)</b>	<b>(242)</b>	<b>n/m</b>	<b>(118)</b>	<b>(95)</b>	<b>n/m</b>
Net investment income	542	461	+18%	176	162	+9%
<b>Operating result (EBIT)</b>	<b>238</b>	<b>237</b>	<b>+1%</b>	<b>44</b>	<b>85</b>	<b>(48%)</b>
Group net income	84	86	(2%)	15	29	(48%)
Return on investment	4.7%	3.7%	+1.0%pts	4.4%	3.3%	+1.1%pts

## EBIT (€m)



<sup>1</sup> EBIT margin reflects a Talanx Group view

## Comments

- 9M 2015 GWP up by 21.2% (adjusted for currency effects: +10.1%), mainly from Longevity, Emerging Markets, especially China as well as Australia. Q3 2015 grew by 21.5% y/y (adjusted for currency effects: +9.6%)
- 9M net premium earned grew by 14.3% on currency-adjusted basis
- Technical result from US mortality and French branch below expectation
- Improved 9M 2015 net investment income supported by one-off in Q1 2015; €-18.9m effect from ModCo derivatives
- Other income improved to currency effects
- 9M 2015 EBIT margin<sup>1</sup> of 4.9% (9M 2014: 6.1%) for the segment. Financial Solutions/Longevity above margin target, Mortality/Morbidity below



**Attractive premium growth and significantly improved earnings**

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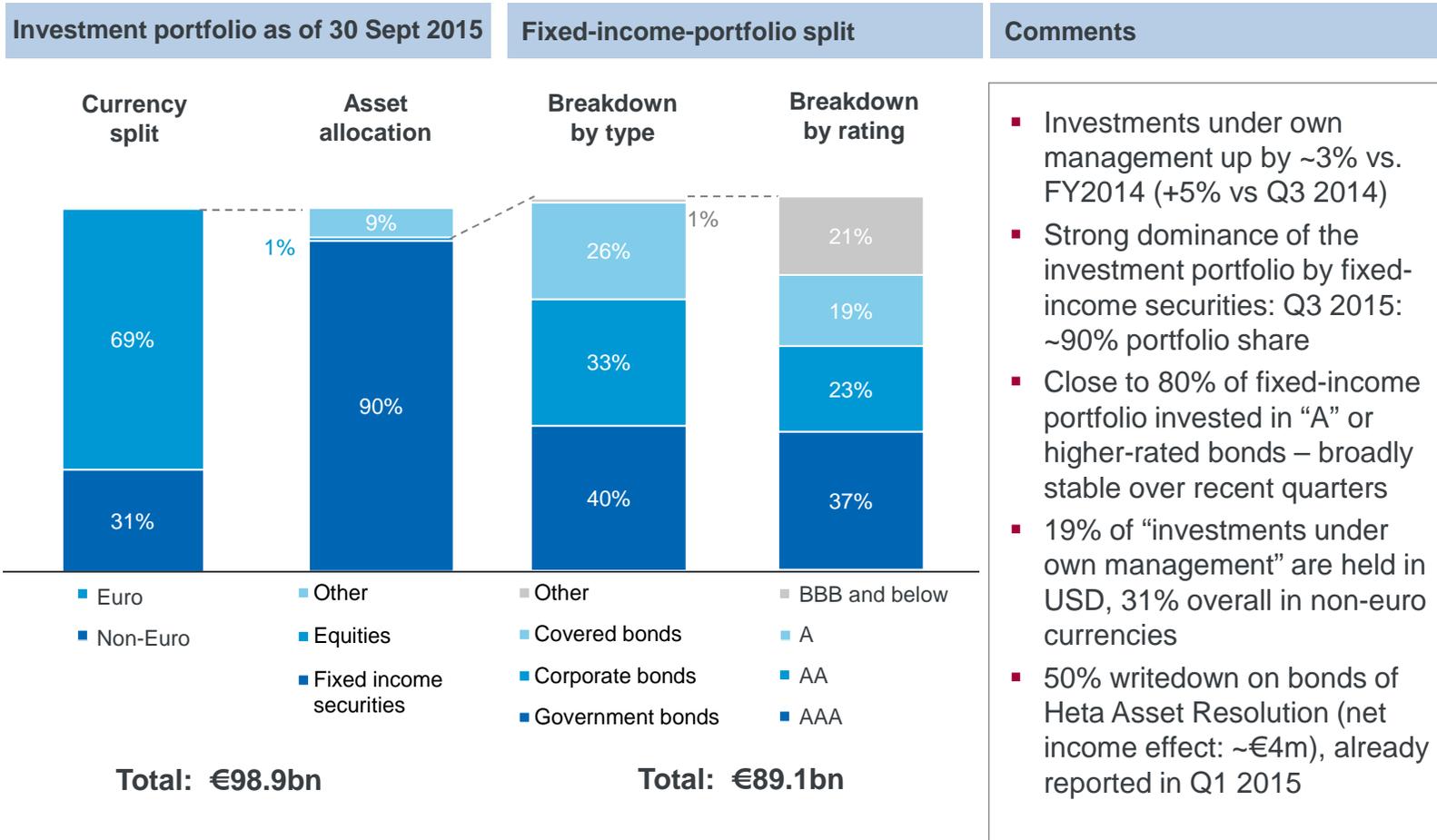
Appendix

Mid-term Target Matrix

9M 2015 Additional Information



# Investments – Breakdown of investment portfolio



**Conservative investment strategy – portfolio remains dominated by fixed-income securities**



## Net investment income

### Net investment income Talanx Group

€m, IFRS	9M 2015	9M 2014	Change	Q3 2015	Q3 2014	Change
<b>Ordinary investment income</b>	<b>2,531</b>	<b>2,400</b>	<b>+5%</b>	<b>831</b>	<b>845</b>	<b>(2)%</b>
thereof current investment income from interest	2,176	2,162	+1%	720	724	(1)%
thereof profit/loss from shares in associated companies	8	11	(27)%	2	5	(60)%
Realised net gains/losses on investments	466	477	(2)%	122	173	(29)%
Write-ups/write-downs on investments	(124)	(28)	n/m	(28)	(11)	n/m
Unrealised net gains/losses on investments	(12)	22	n/m	(12)	(18)	n/m
Investment expenses	(159)	(153)	n/m	(56)	(51)	n/m
<b>Income from investments under own management</b>	<b>2,702</b>	<b>2,718</b>	<b>(1)%</b>	<b>858</b>	<b>937</b>	<b>(9)%</b>
<b>Income from investment contracts</b>	<b>6</b>	<b>7</b>	<b>(14)%</b>	<b>2</b>	<b>5</b>	<b>(60)%</b>
<b>Interest income on funds withheld and contract deposits</b>	<b>281</b>	<b>271</b>	<b>+4%</b>	<b>92</b>	<b>106</b>	<b>(12)%</b>
<b>Total</b>	<b>2,989</b>	<b>2,996</b>	<b>(0)%</b>	<b>952</b>	<b>1,048</b>	<b>(9)%</b>

<sup>1</sup> Already reported in Q1 2015

### Comments

- Ordinary investment income up by 5% in 9M 2015, benefitting from higher assets under management, structured sourcing of illiquidity spreads, and an one-off payment following a withdrawal from a US transaction in Life & Health Reinsurance (~€40m)<sup>1</sup>
- Current investment income slightly up y/y in 9M 2015, mainly due to higher asset base and positive currency effects, Q3 2015 slightly affected by lower interest rates
- Realised investment net gains of €466m include realisations in Retail Germany to finance ZZR (allocation according to German GAAP in 9M 2015: €362m of which Q3 2015: €142m)
- Writedowns include a 50% impairment of the bond position in Heta Asset Resolution (mid double-digit €m amount)<sup>1</sup>
- Impact from results in reinsurance derivatives in 9M 2015: ModCo: €-19m (9M 2014: €-2m) and inflation swaps: €-14m (€-4m); in Q3 2015: ModCo: €-13m (Q3 2014: €-6m) and inflation swaps: €0m (Q3 2014: €-9m)

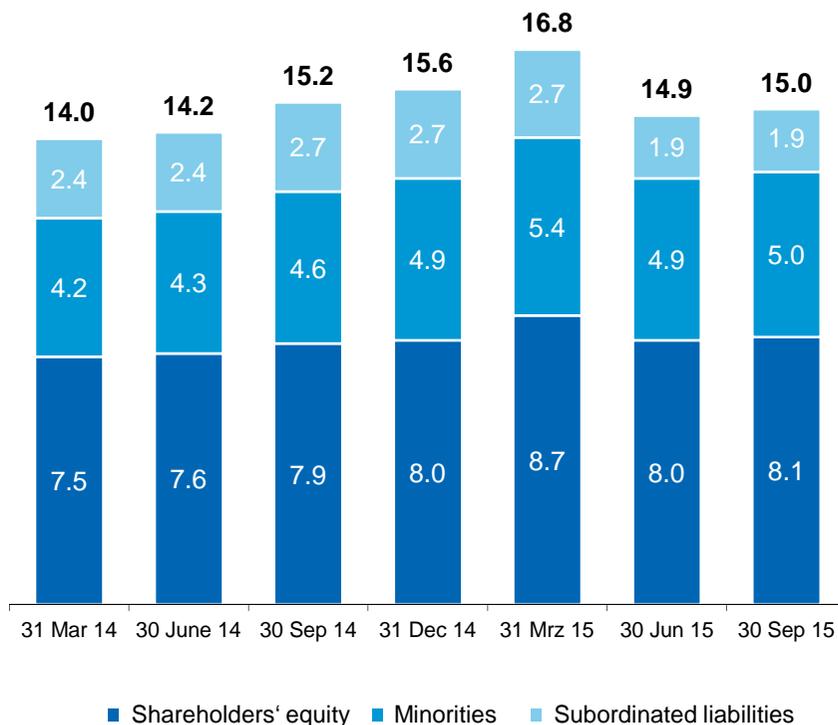


**9M 2015 ROI reached 3.7% - despite significantly lower realisations in Q3 2015**



## Equity and capitalisation – Our equity base

### Capital breakdown (€bn)



Note: Figures adjusted due to IAS8

### Comments

- End of September 2015, shareholders' equity stood at €8,078 million or €31.96 per share. Despite the dividend payment in May (€316m), the goodwill writedown on German Life in Q2 2015 (€155m) and somewhat higher interest rates, this is above the FY2014 level of €7,998m (€31.64 per share). Compared to Q2 2015, shareholders' equity is slightly up by €56m
- Book value per share stands at €31.96 (FY2014: €31.64), while NAV (excl. goodwill) per share is €27.87 (€27.33) end of September 2015
- Neither book value per share nor NAV contain off-balance sheet reserves. These amount to €437m (see next page), or €1.73 per share (shareholder share only). This adds up to an adjusted book value of €33.69 per share

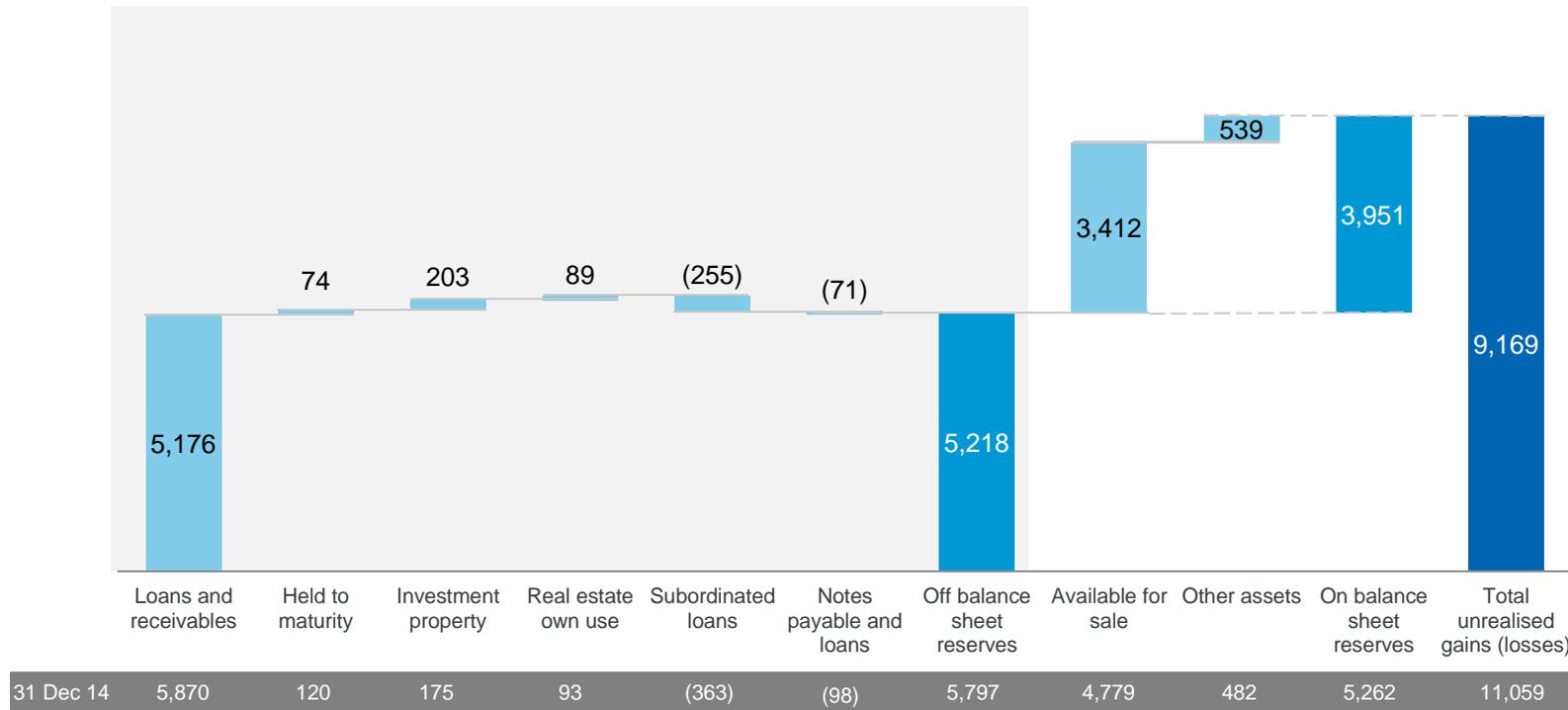


**Shareholders' equity marginally up by ~€80m vs. FY2014 and by €56m vs. Q2 2015 by**



## Equity and capitalisation – Unrealised gains

### Unrealised gains and losses (off and on balance sheet) as of 30 September 2015 (€m)



### Δ market value vs. book value

Note: Differences due to rounding error may occur



**Off-balance sheet reserves of ~€5.2bn – about €440m (€1.73 per share) attributable to shareholders (net of policyholders, taxes & minorities)**

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## V Outlook for Talanx Group 2015<sup>1</sup>

Gross written premium <sup>2</sup>	+ 1-3%
Return on investment	> 3.0%
Group net income <sup>3</sup>	€600 - 650m
Return on equity	7-8%
Dividend payout ratio <sup>4</sup>	35-45% target range

<sup>1</sup> The targets are based on an increased large loss budget of €290m (from €185m in 2014) in Primary Insurance

<sup>2</sup> On divisional level, Talanx expects gross written premium growth of +2-5% in Industrial Lines, -5% premium decline in Retail Germany, +4-8% premium growth in Retail International and moderate growth in Reinsurance

<sup>3</sup> Taking the impairment loss of goodwill into account, Talanx is expecting a Group net income of between €600m and €650m for FY2015

<sup>4</sup> The Board of Management's proposed dividend for FY2015 will remain unaffected by the goodwill impairment. From today's perspective, it will thus be based on an as-if IFRS net income of between €755m and €805m



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

## V Outlook for Talanx Group 2016<sup>1</sup>

Gross written premium	stable
Group net income <sup>2</sup>	> €700m
Dividend payout ratio	35-45% target range

<sup>1</sup> The targets are based on an unchanged large loss budget of €290m in Primary Insurance, of which €260m in Industrial Lines. The large loss budget in Reinsurance has been raised to €825m from €690m

<sup>2</sup> The outlook contains ~€70m restructuring charges (after tax) for the Non-Life business in Retail Germany in 2016

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

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Mid-term Target Matrix

9M 2015 Additional Information

# A Mid-term Target Matrix

Segments	Key figures	Strategic targets (2015 - 2019)	
<b>Group</b>	Gross premium growth <sup>1</sup>	3 - 5%	
	Return on equity	≥ 750 bps above risk free <sup>2</sup>	
	Group net income growth	mid single-digit percentage growth rate	
	Dividend payout ratio	35 - 45%	
	Return on investment	≥ risk free + (150 to 200) bps <sup>2</sup>	
<b>Primary Insurance</b>	<b>Industrial Lines</b>	Gross premium growth <sup>1</sup>	3 - 5%
		Retention rate	60 - 65%
	<b>Retail Germany</b>	Gross premium growth	≥ 0%
	<b>Retail International</b>	Gross premium growth <sup>1</sup>	≥ 10%
	Combined ratio <sup>3</sup>	~ 96%	
		EBIT margin <sup>4</sup>	~ 6%
<b>Non-Life Reinsurance<sup>7</sup></b>	Gross premium growth <sup>6</sup>	3 - 5%	
	Combined ratio <sup>3</sup>	≤ 96%	
	EBIT margin <sup>4</sup>	≥ 10%	
<b>Life &amp; Health Reinsurance<sup>7</sup></b>	Gross premium growth <sup>1</sup>	5 - 7%	
	Average value of New Business (VNB) after minorities <sup>5</sup>	> € 90m	
	EBIT margin <sup>4</sup> financing and longevity business	≥ 2%	
	EBIT margin <sup>4</sup> mortality and health business	≥ 6%	

<sup>1</sup> Organic growth only; currency-neutral

<sup>2</sup> Risk-free rate is defined as the 5-year rolling average of the 10-year German government bond yield

<sup>3</sup> Talanx definition: incl. net interest income on funds withheld and contract deposits

<sup>4</sup> EBIT/net premium earned, <sup>5</sup> Reflects Hannover Re target of at least €180m

<sup>6</sup> Average throughout the cycle; currency-neutral, <sup>7</sup> Targets reflect Hannover Re's targets for 2015-2017 strategy cycle

Note: growth targets are based on 2014 results. Growth rates, combined ratios and EBIT margins are average annual targets

	Industrial Lines			Retail Germany			Retail International		
€m, IFRS	9M 2015	9M 2014	Change	9M 2015	9M 2014	Change	9M 2015	9M 2014	Change
<b>P&amp;L</b>									
Gross written premium	3,434	3,213	+7%	5,143	5,079	+1%	3,463	3,307	+5%
Net premium earned	1,581	1,401	+13%	4,062	3,917	+4%	2,755	2,820	(2%)
Net underwriting result	(4)	(66)	n/m	(1,201)	(1,264)	n/m	1	(6)	n/m
Net investment income	158	209	(24%)	1,351	1,430	(6%)	250	241	+4%
Operating result (EBIT)	152	125	+22%	(16)	119	n/m	173	164	+5%
Net income after minorities	103	85	+21%	(73)	72	n/m	106	96	+10%
<b>Key ratios</b>									
Combined ratio non-life insurance and reinsurance	100.2%	104.7%	(4.5%)pts	101.0%	101.7%	(0.7%)pts	96.3%	96.5%	(0.2%)pts
Return on investment	2.8%	4.0%	(1.2%)pts	3.9%	4.4%	(0.5%)pts	4.4%	4.7%	(0.3%)pts

Note: Differences due to rounding may occur

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## 9M 2015 Additional Information - Segments (continued)

	Non-Life Reinsurance			Life and Health Reinsurance			Group		
€m, IFRS	9M 2015	9M 2014	Change	9M 2015	9M 2014	Change	9M 2015	9M 2014	Change
<b>P&amp;L</b>									
Gross written premium	7,319	6,060	+21%	5,627	4,644	+21%	24,355	21,732	+12%
Net premium earned	5,965	5,105	+17%	4,864	3,861	+26%	19,246	17,131	+12%
Net underwriting result	248	224	+11%	(334)	(242)	n/m	(1,288)	(1,353)	n/m
Net investment income	689	666	+3%	542	461	+18%	2,989	2,996	(0%)
Operating result (EBIT)	975	868	+12%	238	237	0%	1,507	1,444	+4%
Net income after minorities	320	271	+18%	84	86	(2%)	488	530	(8%)
<b>Key ratios</b>									
Combined ratio non-life insurance and reinsurance	95.6%	95.3%	0.3%pts	---	---	---	96.9%	97.7%	(0.8%)pts
Return on investment	3.1%	3.3%	(0.2%)pts	4.7%	3.7%	1.0%pts	3.7%	4.0%	(0.3%)pts

Note: Differences due to rounding may occur

## Retail Germany

GWP, €m, IFRS	9M 2015	9M 2014	Change
<b>Non-life Insurance</b>	<b>1,279</b>	<b>1,286</b>	<b>(1%)</b>
HDI Versicherung AG	1,172	1,180	(1%)
<b>Life Insurance</b>	<b>3,864</b>	<b>3,793</b>	<b>+2%</b>
HDI Lebensversicherung AG	1,561	1,677	(7%)
neue leben Lebensversicherung AG <sup>1</sup>	860	699	+23%
TARGO Lebensversicherung AG	764	711	+8%
PB Lebensversicherung AG	585	570	+3%
<b>Total</b>	<b>5,143</b>	<b>5,079</b>	<b>+1%</b>

<sup>1</sup> Talanx ownership 67.5%

<sup>2</sup> Talanx ownership of 75.74%

<sup>3</sup> Talanx ownership 50% + 1 share

Numbers for main carriers represent data entry values, fully consolidated

## Retail International

GWP, €m, IFRS	9M 2015	9M 2014	Change
<b>Non-life Insurance</b>	<b>2,455</b>	<b>2,144</b>	<b>+14%</b>
HDI Seguros S.A., Brazil	663	640	+4%
TUiR Warta S.A. <sup>2</sup> , Poland	675	621	+9%
TU Europa S.A. <sup>3</sup> , Poland	116	146	(21%)
HDI Assicurazioni S. p. A., Italy (P&C)	257	246	+4%
HDI Seguros S.A. De C.V., Mexico	189	130	+45%
HDI Sigorta A.Ş., Turkey	169	142	+19%
<b>Life Insurance</b>	<b>1,008</b>	<b>1,162</b>	<b>(13%)</b>
TU Warta Zycie S.A., Poland <sup>2</sup>	298	196	+52%
TU Europa Zycie, Poland <sup>3</sup>	123	155	(21%)
Open Life <sup>3</sup>	15	16	(5%)
HDI Assicurazioni S. p. A., Italy (Life)	320	512	(38%)
<b>Total</b>	<b>3,463</b>	<b>3,307</b>	<b>+5%</b>

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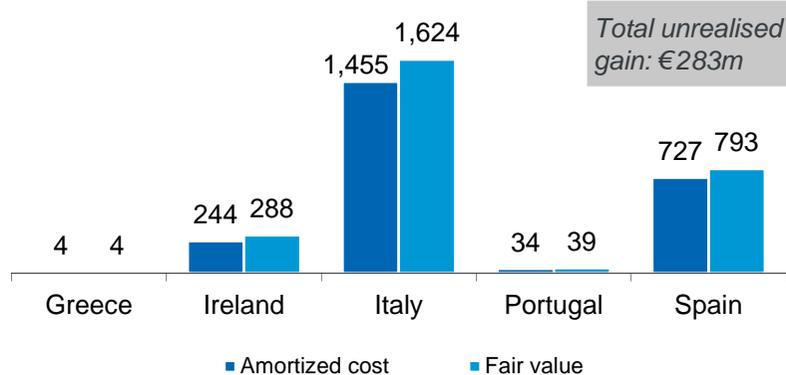
# Q3 2015 Additional Information – Details on GIIPS exposure

## Total GIIPS exposure (30 September 2015)

€m	Government bonds		Corporate bonds				Total
	Sovereign	Semi-Sovereign	Financial	Corporate	Covered	Other	
Greece	4	-	-	-	-	-	4
Ireland	288	-	32	76	522	363	1,281
Italy	1,624	-	547	625	398	-	3,194
Portugal	39	-	4	21	17	-	82
Spain	793	528	208	415	235	-	2,179
<b>Total</b>	<b>2,748</b>	<b>528</b>	<b>791</b>	<b>1,137</b>	<b>1,171</b>	<b>363</b>	<b>6,739</b>

## Details on sovereign exposure in €m

Total: €2,464m (amortized cost), €2,748m (fair value)



## Comments

- Total GIIPS exposure incl. private sector assets at ~4.4% of total assets (30.12.2014:~4.8%)
- GIIPS sovereign exposure at 1.8% of total assets (Q3 2014: 1.7%, FY2014: 1.8%)
- Corporate sector fixed income assets down by ~€340m to 2.3% (FY 2014: 2.6%) of total assets
- Total unrealised gains down by ~€20m vs. Q3 2014 and ~€100m since FY 2014, mainly due to increase of interest rate levels in Europe until end of September 2015

**GIIPS sovereign exposure just slightly up to ~1.8% of total assets**

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