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PERFORMANCE AND RESULTS

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**tal anx.**  
Insurance. Investments.

9M 2017 Results  
13 November 2017

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# Talanx achieves 9M 2017 result of EUR 444m despite very significant NatCat losses

9M 2017 Group net income down by ~30% to €444m - Industrial Lines and Non-Life Reinsurance with NatCat-dominated large loss burden

The Talanx Group suffers claims of EUR 920m as a result of hurricanes Harvey, Irma and Maria, and the earthquakes in Mexico. After nine months, the large loss burden after reinsurance and retrocessions for the Group is more than EUR 1.2bn and already exceeds the budget for the entire year

Talanx's retail operations have performed strongly in the third quarter. Particularly the encouraging improvement in Retail Germany has partly compensated for some of the large-loss burden

As already indicated, Talanx now expects Group net income of around EUR650 million for the FY2017. This forecast is subject to one quarterly large loss budget for Q4 2017. A dividend payment at least equal to the year-earlier level is assured from today's perspective

Talanx expects to successfully pursue its growth path in 2018. The Outlook for the Group net income for the coming business year stands at around EUR 850m

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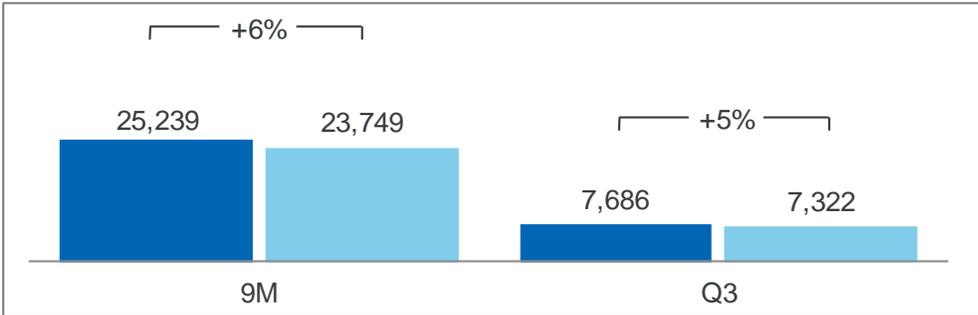
Mid-term Target Matrix

Additional Information 9M 2017

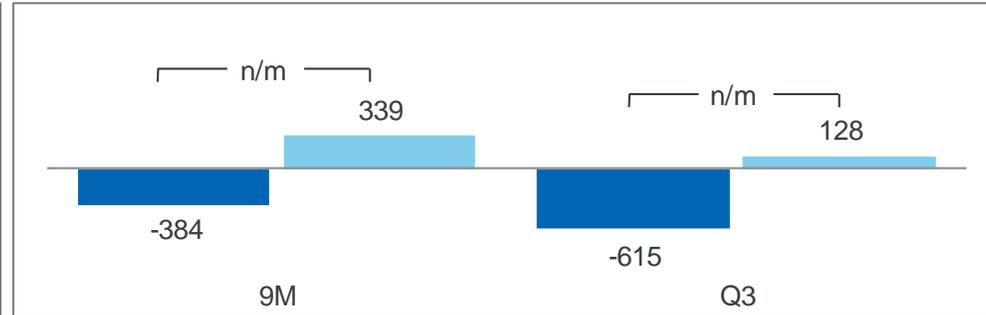
# 1

## 9M 2017 results – Key financials

### Gross written premium



### Net underwriting result (P/C)



### Retention rate in %



### Combined ratio in %



- 9M 2017 GWP up by +6.3% y/y (curr.-adj.: +6.7%). Main growth contribution from Industrial Lines, Retail International and P/C Reinsurance. Q3 2017 GWP up +5.0% (curr.-adj.: +7.3%). Retail Germany P/C with top-line growth

- Net underwriting result significantly deteriorated, predominantly reflecting NatCat burden in Industrial Lines and Non-Life Reinsurance. Large loss burden on Group level already above the budget for the entire year
- Combined ratio above 100%, driven by large losses. Retail Germany P/C and Retail International significantly improved their combined ratios

EURm, IFRS ■ 2017 ■ 2016

**▶ Strong top-line growth continued over 9M 2017 – combined ratio affected by the series of NatCat losses in Q3 2017**

# 1

## Large losses<sup>1</sup> in 9M 2017 (in EURm)

NatCat	Primary Insurance	Reinsurance	Talanx Group	Man-made	Primary Insurance	Reinsurance	Talanx Group
 Storms	184.5 (Hurricane „Harvey“: 71.2, Hurricane „Irma“: 44.8, Hurricane „Maria“: 41.6, Storm „Quirin“: 14.9, Cyclone „Debbie“: 9.9, Typhoon „Hato“: 2.1) <sup>2</sup>	715.5 (Hurricane „Harvey“: 100.0, Hurricane „Irma“: 329.9, Hurricane „Maria“: 220.8, Cyclone „Debbie“: 42.2, Typhoon „Hato“: 13.4, Tornadoes USA: 9.2) <sup>2</sup>	900.0 (Hurricane „Harvey“: 171.2, Hurricane „Irma“: 374.6, Hurricane „Maria“: 262.4, Cyclone „Debbie“: 52.1, Typhoon „Hato“: 15.5, Tornadoes USA: 9.2) <sup>2</sup>	 Fire/Property	90.2	48.6	138.8
 Wildfire	3.0 (Chile)	31.0 (Chile, South Africa)	34.0 (Chile, South Africa)	 Credit		27.6	27.6
 Earthquake	39.1 (Mexico)	71.5 (Mexico)	110.7 (Mexico)	 Other	10.5		10.5
<b>Total NatCat</b>	<b>226.6</b>	<b>818.0</b>	<b>1,044.6</b>	<b>Total Man-made</b>	<b>100.7</b>	<b>76.3</b>	<b>176.9</b>
<b>Total large losses</b>	<b>Primary Insurance</b>	<b>327.3 (139.8)</b>	<b>Reinsurance</b>	<b>894.3 (393.2)</b>	<b>Talanx Group</b>	<b>1,221.5 (533.0)</b>	

9M 2017 (9M 2016)

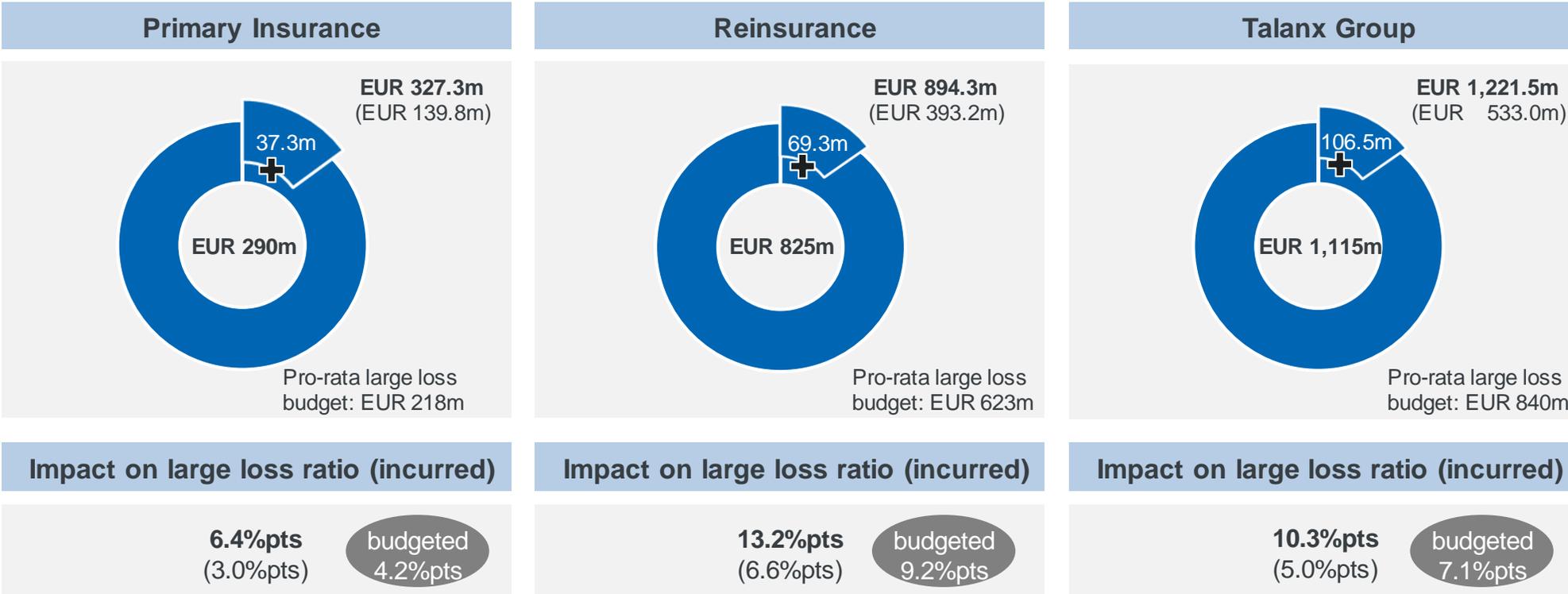
<sup>1</sup> Definition „large loss“: in excess of EUR 10m gross in either Primary Insurance or Reinsurance

<sup>2</sup> Occured during Q1 2017: several tornadoes in USA and „Debbie“. Occured during Q2 2017: „Quirin“. Occurred during Q3 2017: „Hato“, „Harvey“, „Irma“ and „Maria“

Note: 9M 2017 Primary Insurance large losses (net) are split as follows: Industrial Lines: EUR 315.1m; Retail Germany: EUR 8.8m; Retail International: EUR 3.4m, Corporate Operations: EUR 0m; since FY2016 reporting onwards, the table includes large losses from Industrial Liability line, booked in the respective FY

# 1

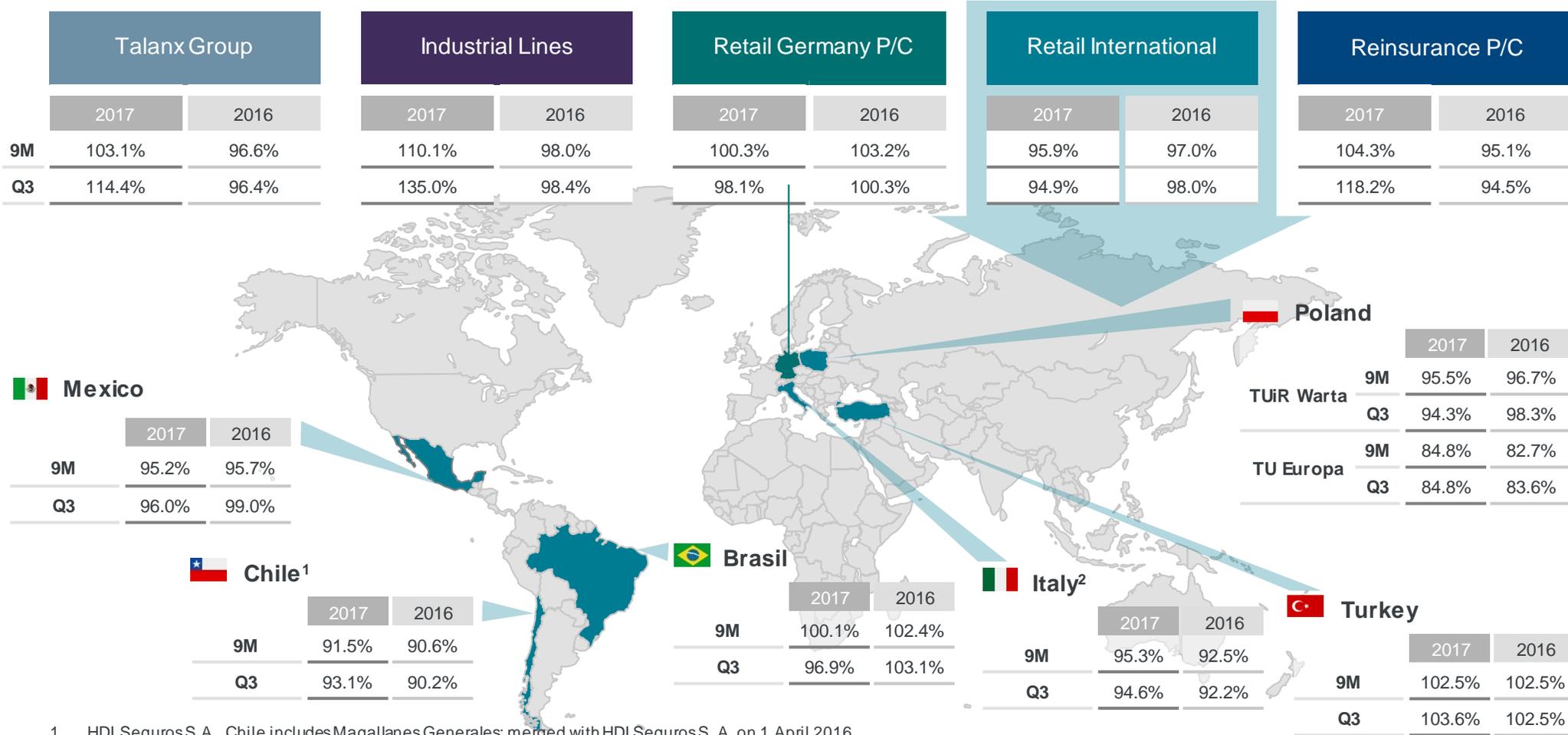
## Large loss budget in 9M 2017



○ FY large loss budget 
 ◐ thereof used budget  
**9M 2017** (9M 2016)

▶ **Primary Insurance as well as Reinsurance heavily affected by NatCat events – large losses for both already above their respective budgets planned for the entire year**

# 1 Combined Ratios



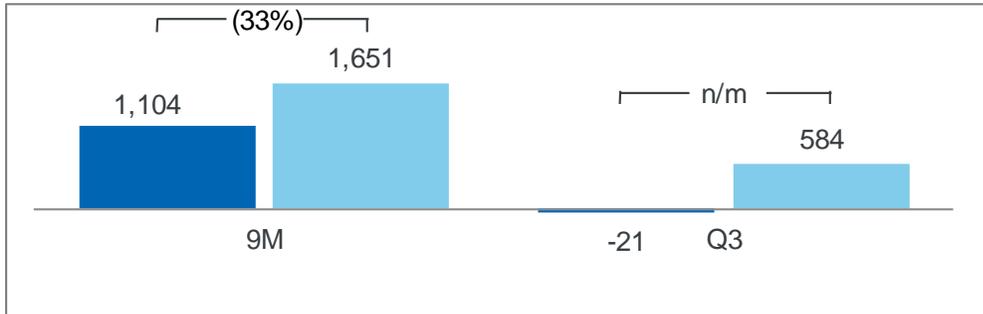
1 HDI Seguros S.A., Chile includes Magallanes Generales; merged with HDI Seguros S. A. on 1 April 2016

2 Incl. InChiaro (P/C); merged with HDI Italy on 29 June 2017; numbers for 2016 are as-if-numbers

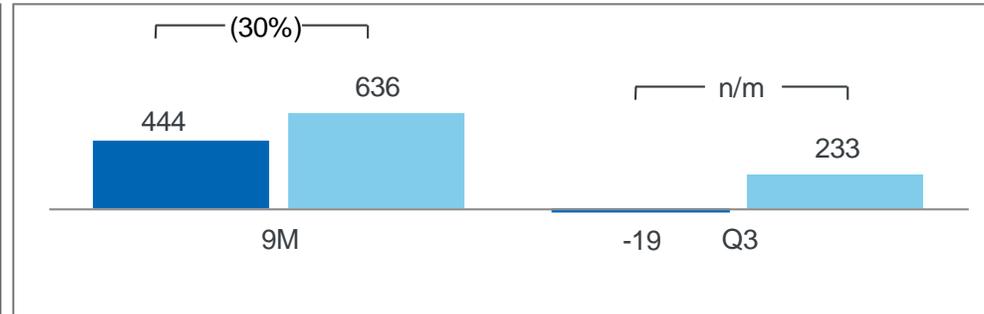
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## 9M 2017 results – Key financials

### Operating result (EBIT)



### Group net income



### RoI in %



### RoE in %



- 9M 2017 investment result increased significantly by +11%; ordinary and extraordinary result up; the latter benefited mainly from higher realised gains in Retail Germany Life and P/C Reinsurance
- 9M 2017 EBIT down y/y, reflecting the deterioration in net underwriting result. "Other result" improved. Q3 2017 EBIT close to zero

- Retail Germany P/C and Retail International with markedly increase in their 9M 2017 and Q3 2017 EBIT
- Net income down by -30% y/y, but significantly positive. Small net loss in Q3 2017. Low tax rate of +19% results from tax benefits from previous years in Retail Germany, below-average tax rates in international businesses and virtually tax-free equity gains in P/C Reinsurance

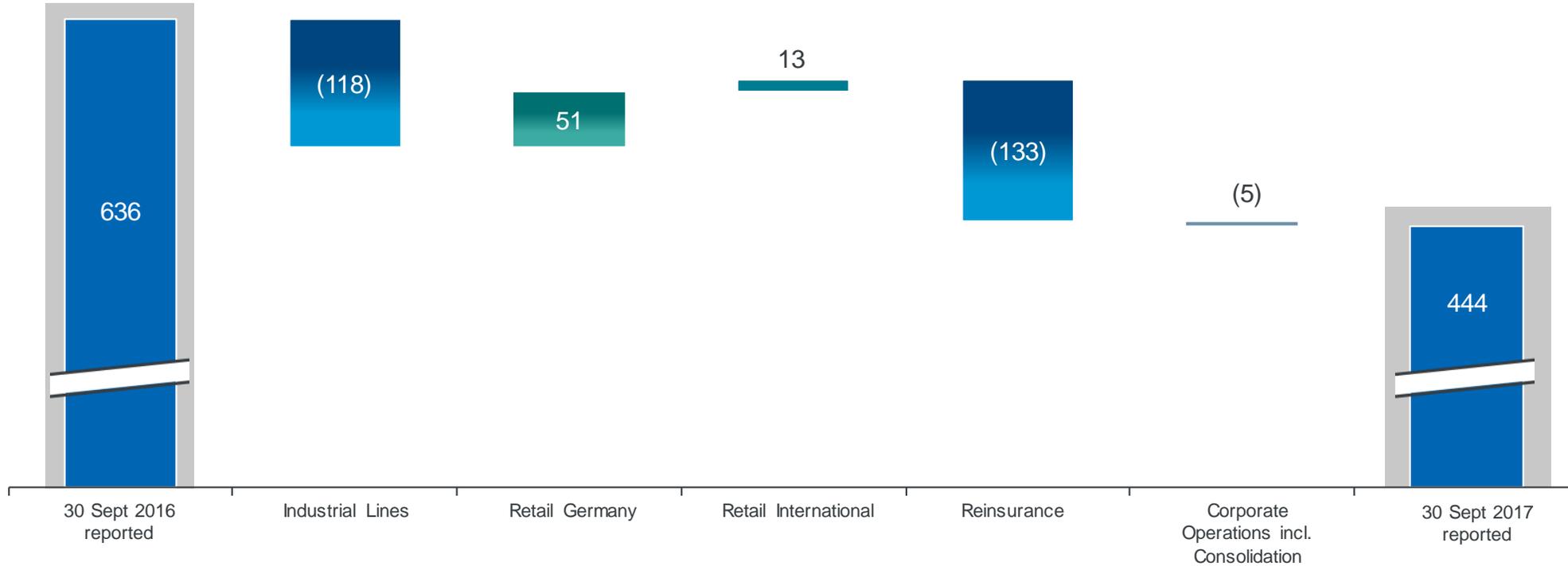
EURm, IFRS ■ 2017 ■ 2016

▶ Net income down y/y following the deterioration in net underwriting result

# 1

## 9M 2017 – Divisional contribution to change in Group net income

in EURm



▶ Net income improvement in Retail Germany and Retail International more than offset by large-loss burden in Industrial Lines and in Reinsurance

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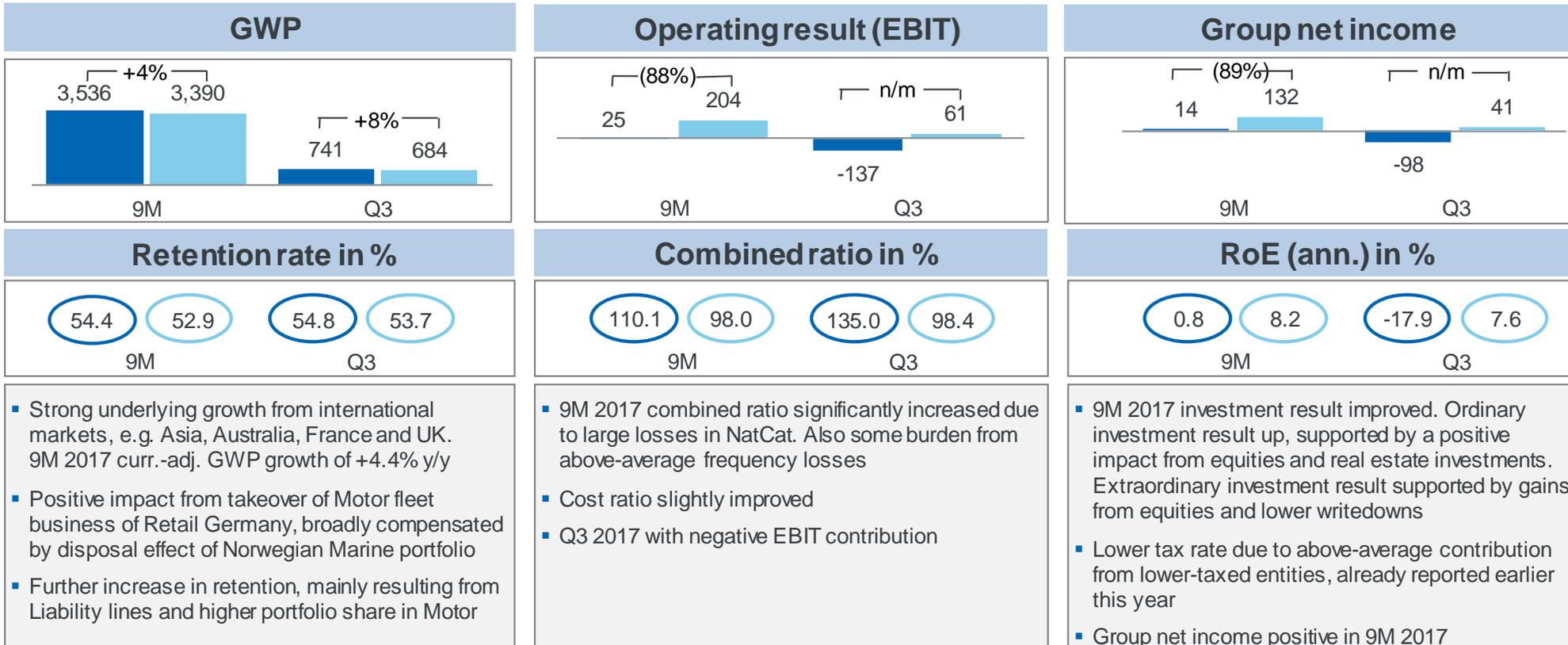
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Appendix

Mid-term Target Matrix

Additional Information 9M 2017

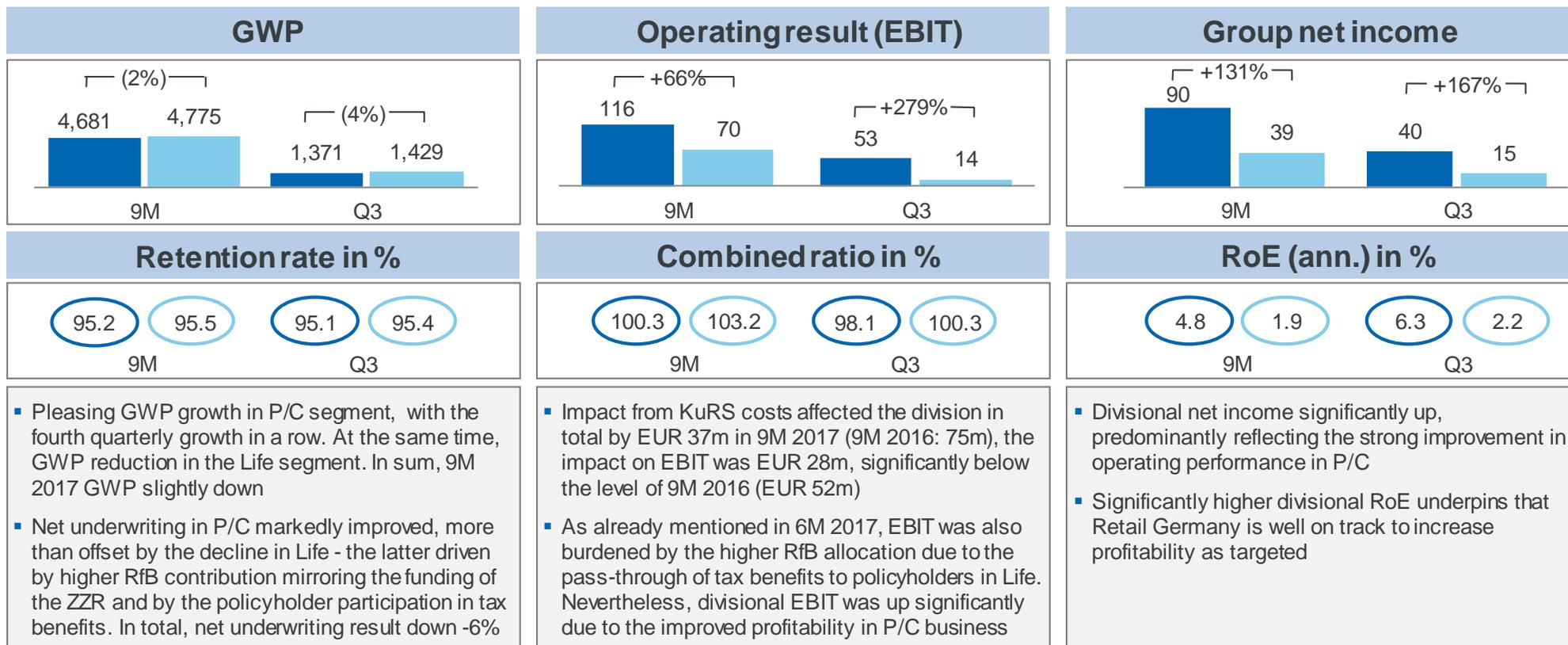
## 2 Segments – Industrial Lines



EURm, IFRS ■ 2017 ■ 2016

► 9M 2017 results severely impacted by NatCat events in Q3 2017

## 2 Segments – Retail Germany Division

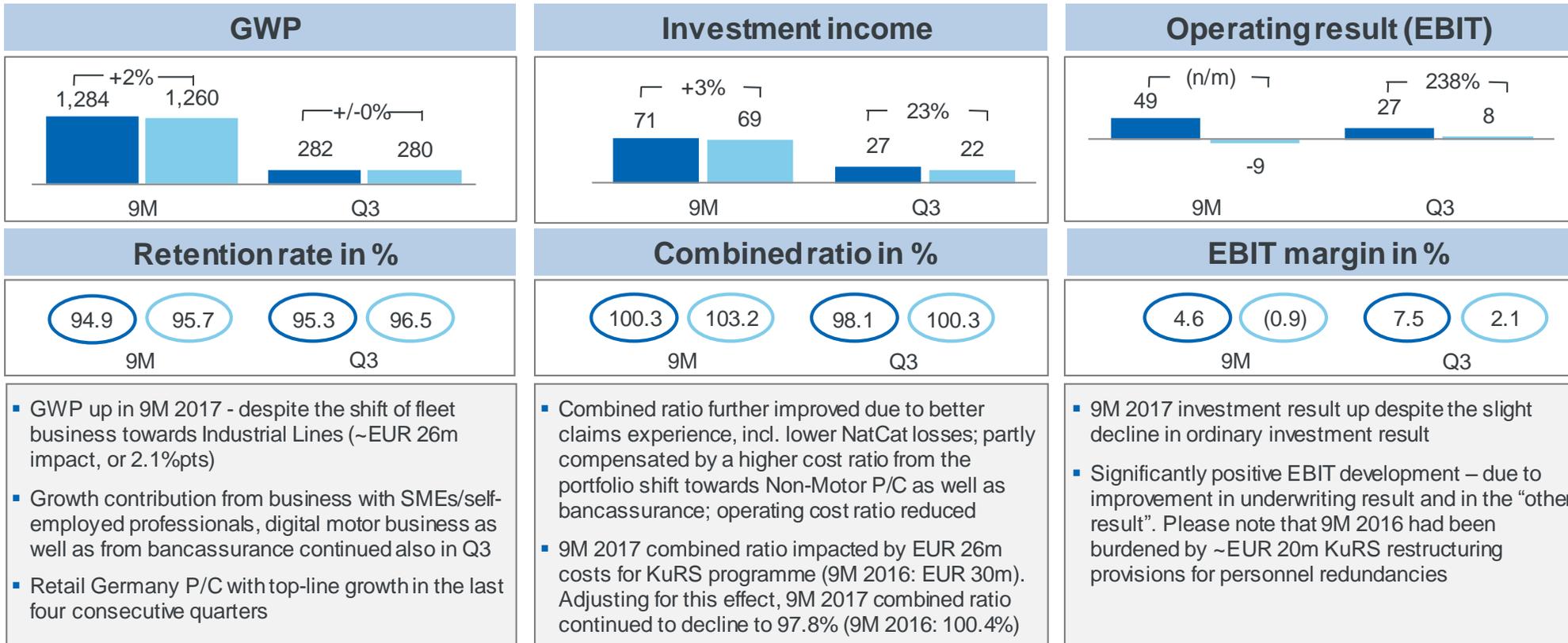


EURm, IFRS ■ 2017 ■ 2016

▶ P/C segment re-confirms return to growth mode – Profitability in division significantly up

# 2

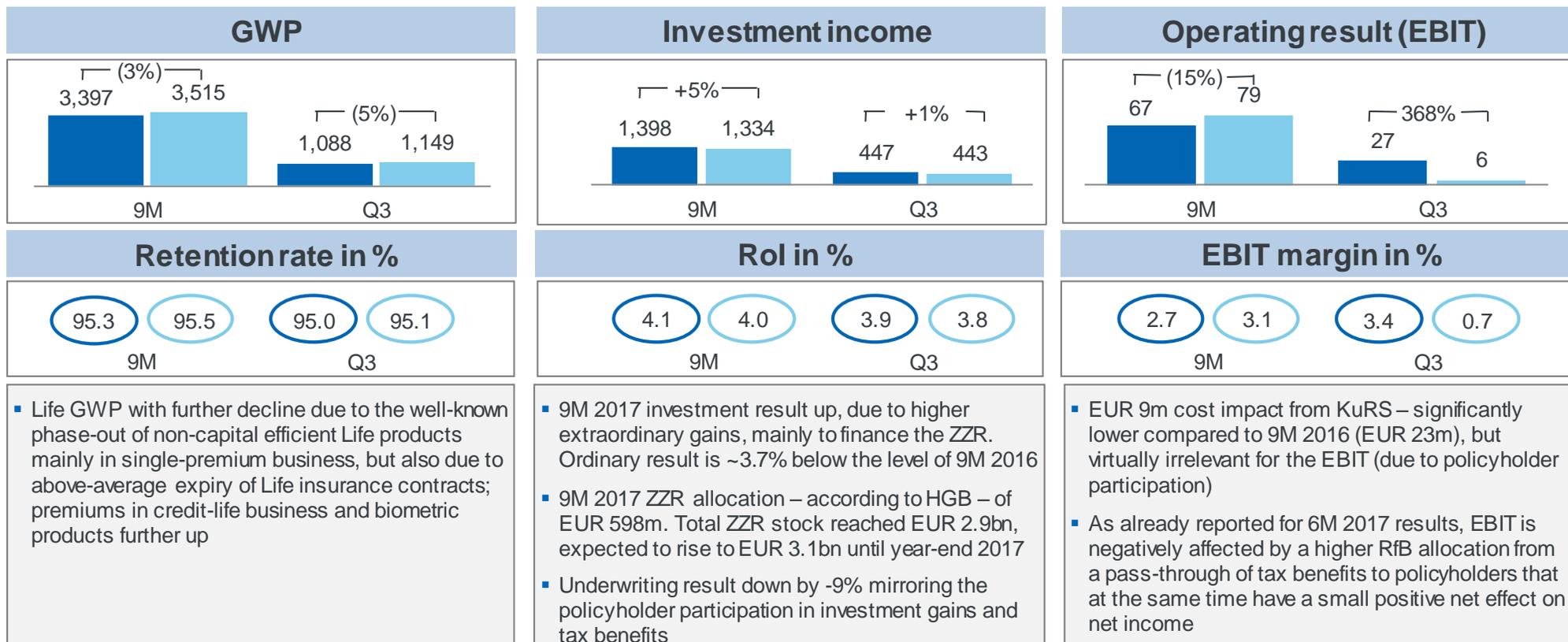
## Segments – Retail Germany P/C



EURm, IFRS ■ 2017 ■ 2016

▶ Significant EBIT improvement due to top-line growth, lower KuRS costs and improvement in underlying combined ratio

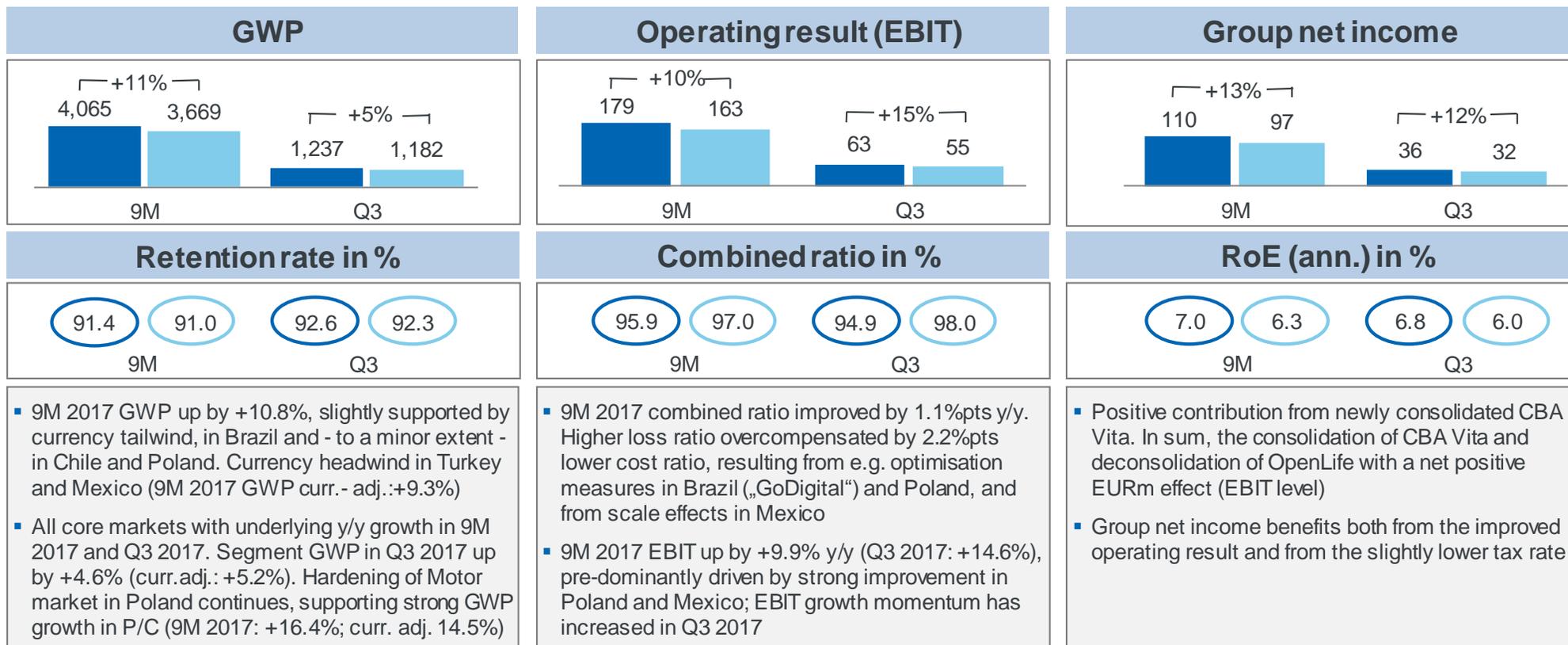
## 2 Segments – Retail Germany Life



EURm, IFRS ■ 2017 ■ 2016

▶ Profitability focus explains decline in non-capital efficient business – underlying profitability improved

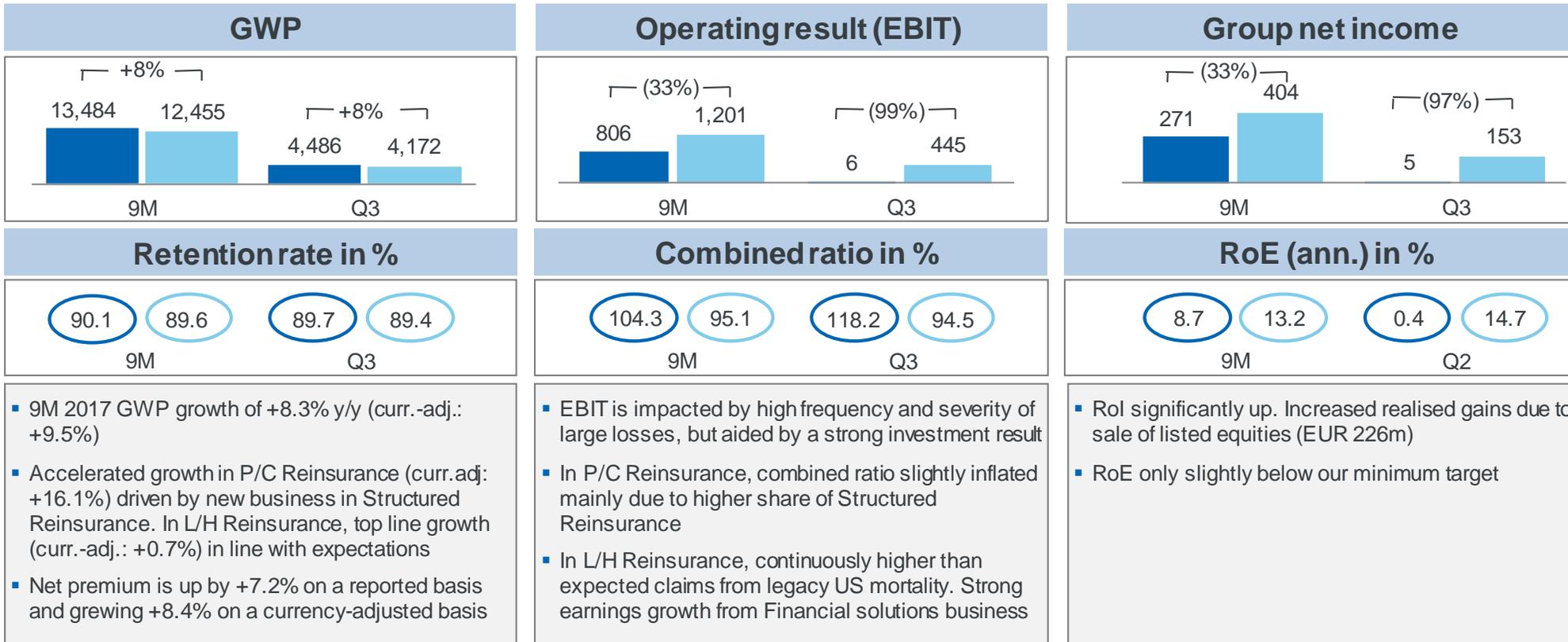
## 2 Segments – Retail International



EURm, IFRS ■ 2017 ■ 2016

**▶ Strong top-line growth in P/C accompanied by a significant improvement in profitability**

## 2 Segments – Reinsurance Division



EURm, IFRS ■ 2017 ■ 2016

▶ Q3 losses absorbed within quarterly earnings - positive Q3 result supported by sale of listed equities

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# 3 Net investment income

## Net investment income Talanx Group

EUR m, IFRS	9M 2017	9M 2016	Change
<b>Ordinary investment income</b>	<b>2,518</b>	<b>2,441</b>	<b>+3%</b>
thereof current investment income from interest	2,025	2,055	(1%)
thereof profit/loss from shares in ass. companies	13	5	+160%
Realised net gains/losses on investments	889	547	+63%
Write-ups/write-downs on investments	(137)	(138)	(1%)
Unrealised net gains/losses on investments	45	59	(24%)
Investment expenses	(171)	(174)	(2%)
<b>Income from investments under own management</b>	<b>3,145</b>	<b>2,735</b>	<b>+15%</b>
<b>Income from investment contracts</b>	<b>(2)</b>	<b>7</b>	<b>n/m</b>
<b>Interest income on funds withheld and contract deposits</b>	<b>168</b>	<b>239</b>	<b>(30%)</b>
<b>Total</b>	<b>3,311</b>	<b>2,981</b>	<b>+11%</b>

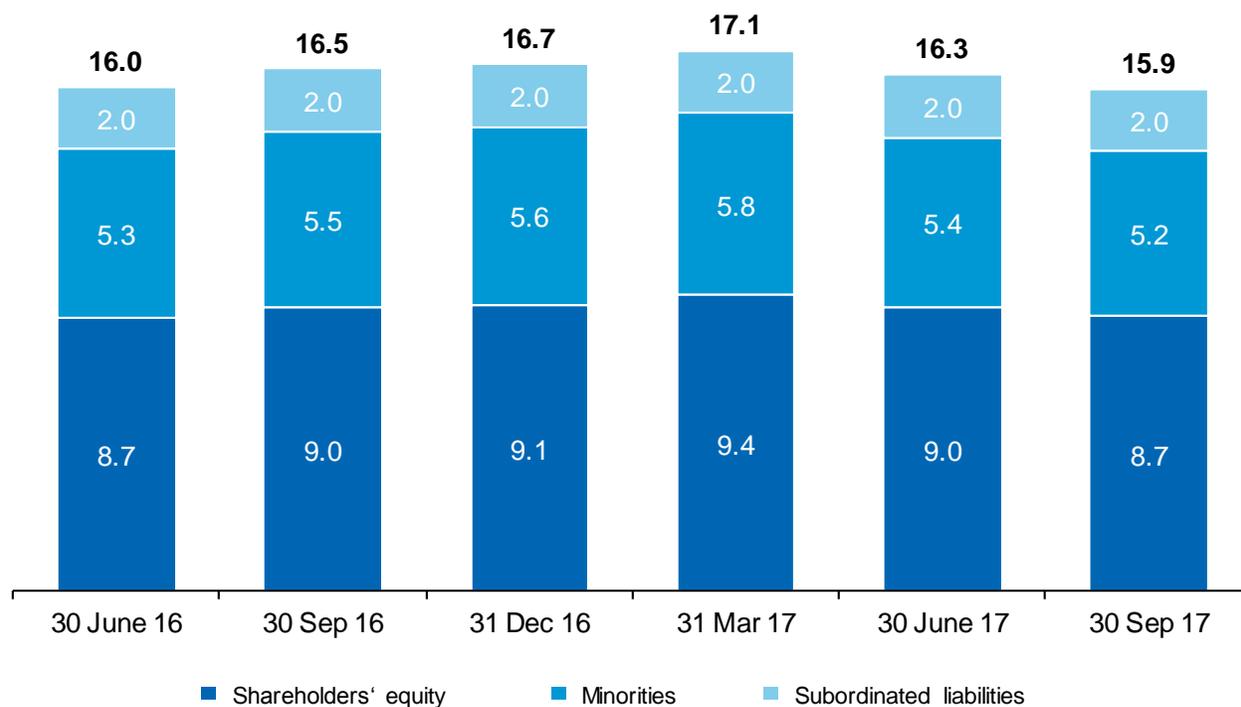
## Comments

- Ordinary investment income up by +3%. Investment result from real estate and other alternative investments are a major driver, overcompensating the effects from the low-interest environment
- Realised net investment gains up by ~EUR 340m y/y to EUR 889m in 9M 2017, to a large extent used to finance ZZR. 9M 2017 ZZR allocation: EUR 598 vs. 9M 2016: EUR 502m. P/C Reinsurance with increased investment income from realisations
- 9M 2017 RoI up to 3.9% (9M 2016: 3.5%), also supported by EUR 226m capital gains from the disposal of the portfolio of listed equities in Reinsurance
- Significant decline in interest income on funds withheld and contract deposits due to the recapture of life reinsurance treaties

 **9M 2017 RoI of 3.9% significantly above FY2017 Outlook of „at least 3.0%“ – supported by above-average realised gains**

### 3 Equity and capitalisation – Our equity base

#### Capital breakdown (EUR bn)



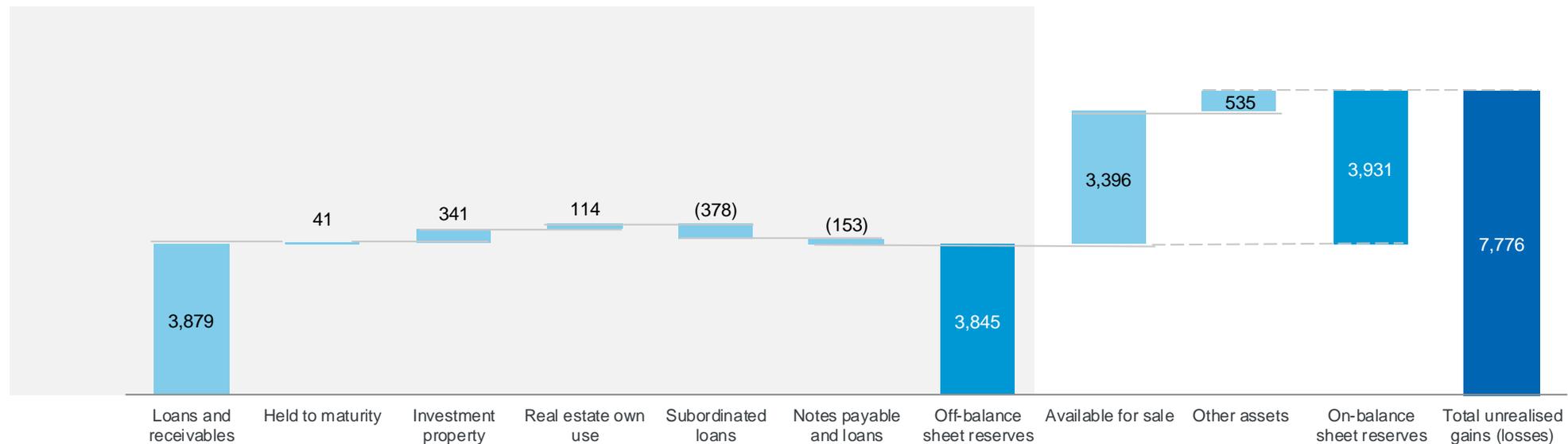
#### Comments

- Compared to the end of FY2016, shareholders' equity is down by EUR 361m to EUR 8,717m
- Book value per share was EUR 34.48 (FY2016: 35.91), NAV (excl. Goodwill) per share was EUR 30.33 (EUR 31.80)
- Off-balance sheet reserves amounted to EUR 208m (see next page), or EUR 0.82 per share (shareholder share only), neither included in book value nor in the NAV calculation

▶ Shareholders' equity at EUR 8,717m, or EUR 34.48 per share

### 3 Equity and capitalisation – Unrealised gains

#### Unrealised gains and losses (off- and on-balance sheet) as of 30 September 2017 (EURm)



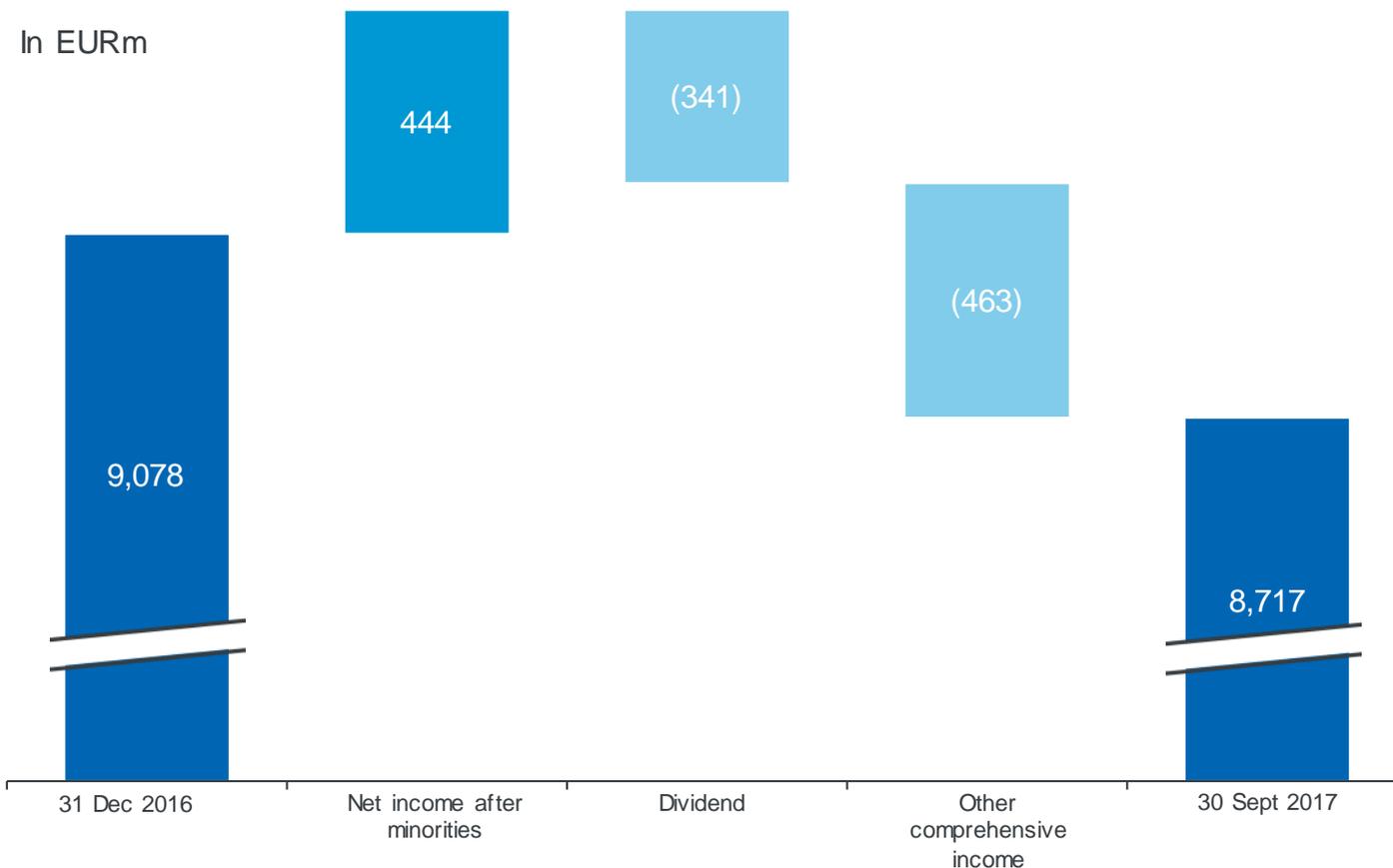
31 Dec 16	4,928	47	333	104	(296)	(168)	4,948	4,191	528	4,718	9,666
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#### Δ market value vs. book value

Note: Shareholder contribution estimated based on FY2015 profit sharing pattern

▶ **Off-balance sheet reserves of ~ EUR 3.8bn – EUR 208m (EUR 0.82 per share) attributable to shareholders (net of policyholders, taxes & minorities)**

### 3 Equity and capitalisation – Contribution to change in equity



#### Comments

- At the end of 9M 2017, shareholders' equity stood at EUR 8,717m, or EUR ~360m below the level of FY2016
- The reduction was due to the decline in OCI and the dividend payout in May 2017; these two effects could only be partially compensated by the net income contribution (EUR 443m)
- The decline in OCI results from currency and from interest rate effects
- At the end of 6M 2017, the Solvency II Ratio (Solvency II view, HDI Group level) stood at 197% (FY2016: 186%) excl. the effect of transitional measures
- Despite the Q3 NatCat losses, we expect a rather robust reaction of the 9M Solvency II ratio

▶ Shareholders' equity is down by EUR ~360m vs. FY2016 – negative impact from OCI, mainly reflecting currency effects

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## 4 Outlook 2017 for Talanx Group<sup>1</sup>

Gross written premium	▶	>4%
Return on investment	▶	≥3.0%
Group net income	▶	~650 EURm
Return on equity	▶	~7.5%
Dividend payout ratio	▶	35-45% <sup>2</sup> target range

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

<sup>1</sup> The targets are subject to the large loss burden during the fourth quarter not exceeding the large losses budgeted for one quarter

<sup>2</sup> A dividend payout at least equal to the year-earlier level is assured from today's perspective

## 4 Outlook 2018 for Talanx Group<sup>1</sup>

Gross written premium	▶	≥ 2%
Return on investment	▶	≥ 3.0%
Group net income	▶	~850 EURm
Return on equity	▶	~9.0%
Dividend payout ratio	▶	35-45% target range

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

<sup>1</sup> The targets are based on an large loss budget of EUR 300m (2017: EUR 290m) in Primary Insurance, of which EUR 260m in Industrial Lines. The large loss budget in Reinsurance stands at EUR 825m

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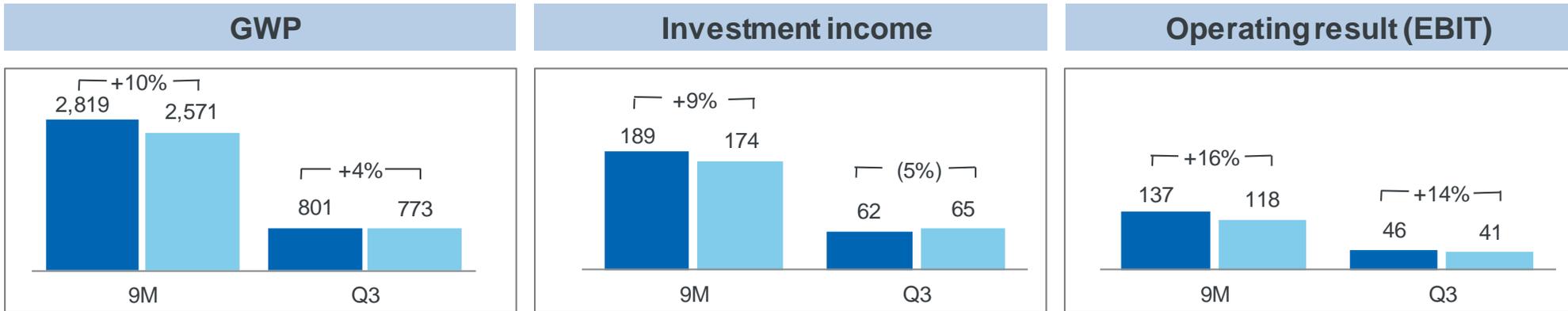
## 9M 2017 Additional information – Mid-term target matrix &amp; current status

Segments	Key figures	Strategic targets (2015 - 2019)	2016	2015/2016 <sup>8</sup>
<b>Group</b>	Gross premium growth <sup>1</sup>	3 - 5%	(0.3%)	2.2%
	Return on equity	≥ 750 bps above risk free <sup>2</sup>	10.4% [≥8.4%]	9.7% [≥8.6%]
	Group net income growth	mid single-digit percentage growth rate	23.6%	9.5%
	Dividend payout ratio	35 - 45%	37.6%	41.2%
	Return on investment	≥ risk free + (150 to 200) bps <sup>2</sup>	3.6% [≥2.4 - 2.9%]	3.6% [≥2.6 - 3.1%]
<b>Primary Insurance</b>	Gross premium growth <sup>1</sup>	3 - 5%	(0.1%)	1.2%
	Retention rate	60 - 65%	53.4%	52.6%
	Gross premium growth <sup>1</sup>	≥ 0%	(5.7%)	(4.5%)
	Gross premium growth <sup>1</sup>	≥ 10%	10.2%	8.4%
	Combined ratio <sup>3</sup>	~ 96%	98.1%	-
EBIT margin <sup>4</sup>	~ 6%	5.3%	4.5%	
<b>P/C Reinsurance<sup>7</sup></b>	Gross premium growth <sup>6</sup>	3 - 5%	(0.2%)	4.1%
	Combined ratio <sup>3</sup>	≤ 96%	93.7%	-
	EBIT margin <sup>4</sup>	≥ 10%	17.2%	17.2%
<b>Life &amp; Health Reinsurance<sup>7</sup></b>	Gross premium growth <sup>1</sup>	5 - 7%	(4.3%)	2.5%
	Average value of New Business (VNB) after minorities <sup>5</sup>	≥ EUR 110m	EUR 448m	EUR 361m
	EBIT margin <sup>4</sup> financing and longevity business	≥ 2%	9.4%	10.2%
	EBIT margin <sup>4</sup> mortality and health business	≥ 6%	3.4%	3.5%

<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 EUR 220m; <sup>6</sup> Average throughout the cycle; currency-neutral; <sup>7</sup> Targets reflect Hannover Re's targets for 2015-2017 strategy cycle; <sup>8</sup> Growth rates calculated as 2014 - 2016 CAGR; otherwise arithmetic mean; Note: growth targets are based on 2014 results. Growth rates, CoR and EBIT margins are average annual targets

# 5

## 9M 2017 Additional Information – Retail International Europe: Key financials



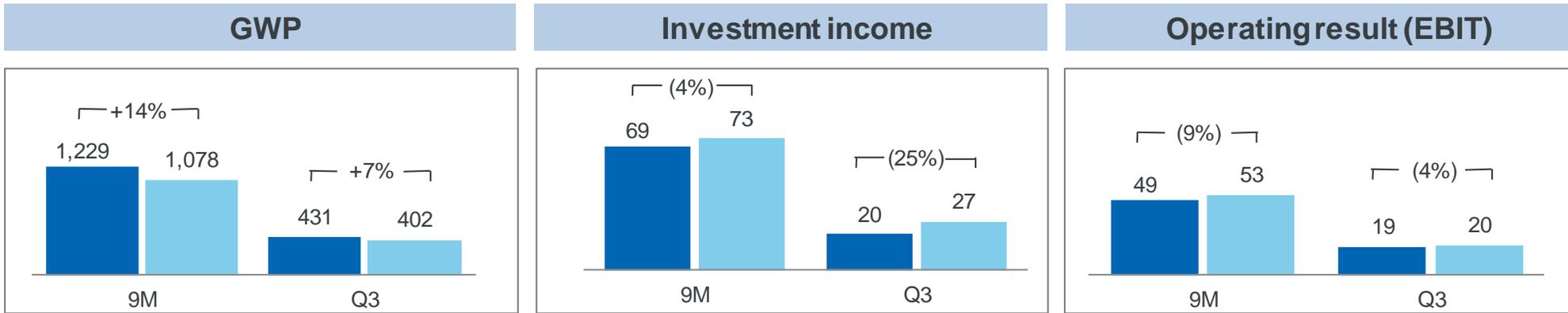
EURm, IFRS ■ 2017 ■ 2016



**► Strong improvement on top-line and on EBIT level – Poland benefits from hard cycle in Motor market**

# 5

## 9M 2017 Additional Information – Retail International LatAm: Key financials



EURm, IFRS ■ 2017 ■ 2016



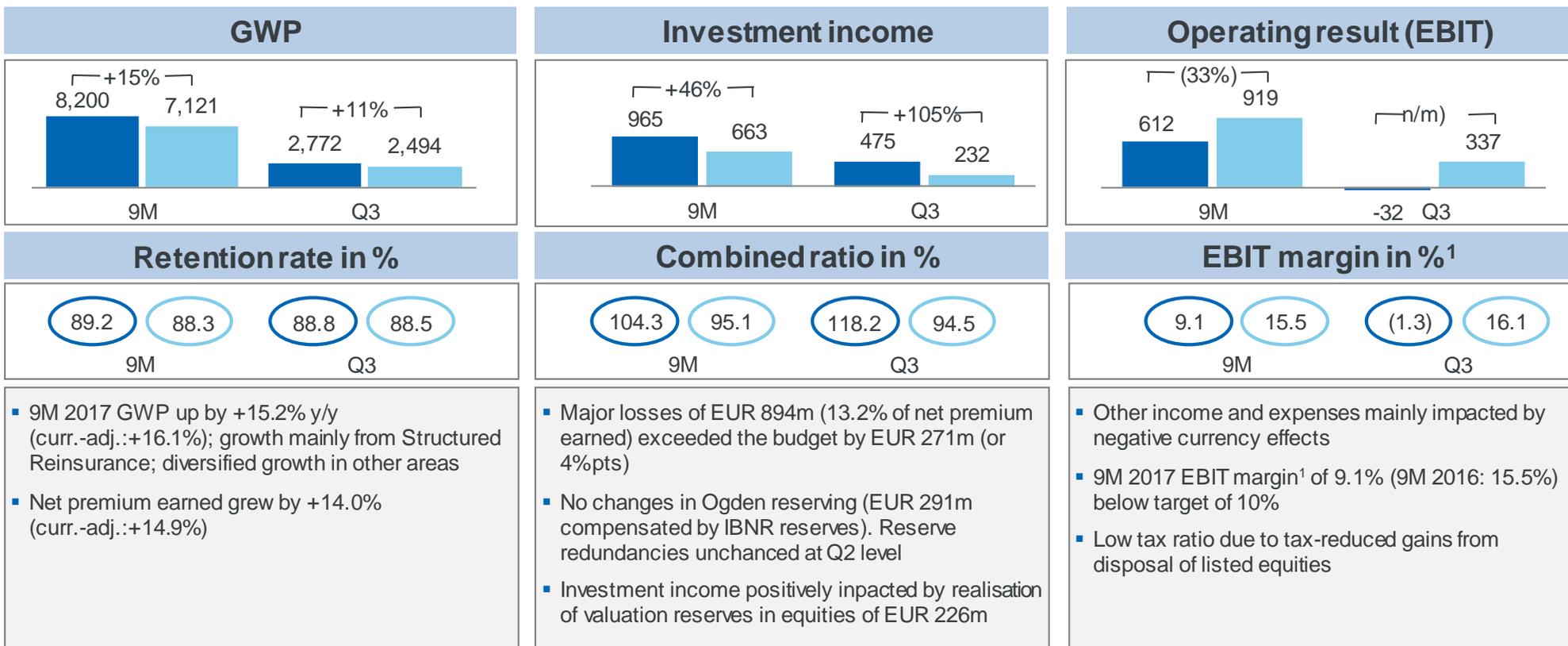
EURm, 9M 2017 (9M 2016)

EURm, 9M 2017 (9M 2016)

**▶ Strong top-line growth – EBIT decline fully explained by a negative one-time base effect in Brazil in 9M 2016**

# 5

## 9M 2017 Additional Information – Segment P/C Reinsurance

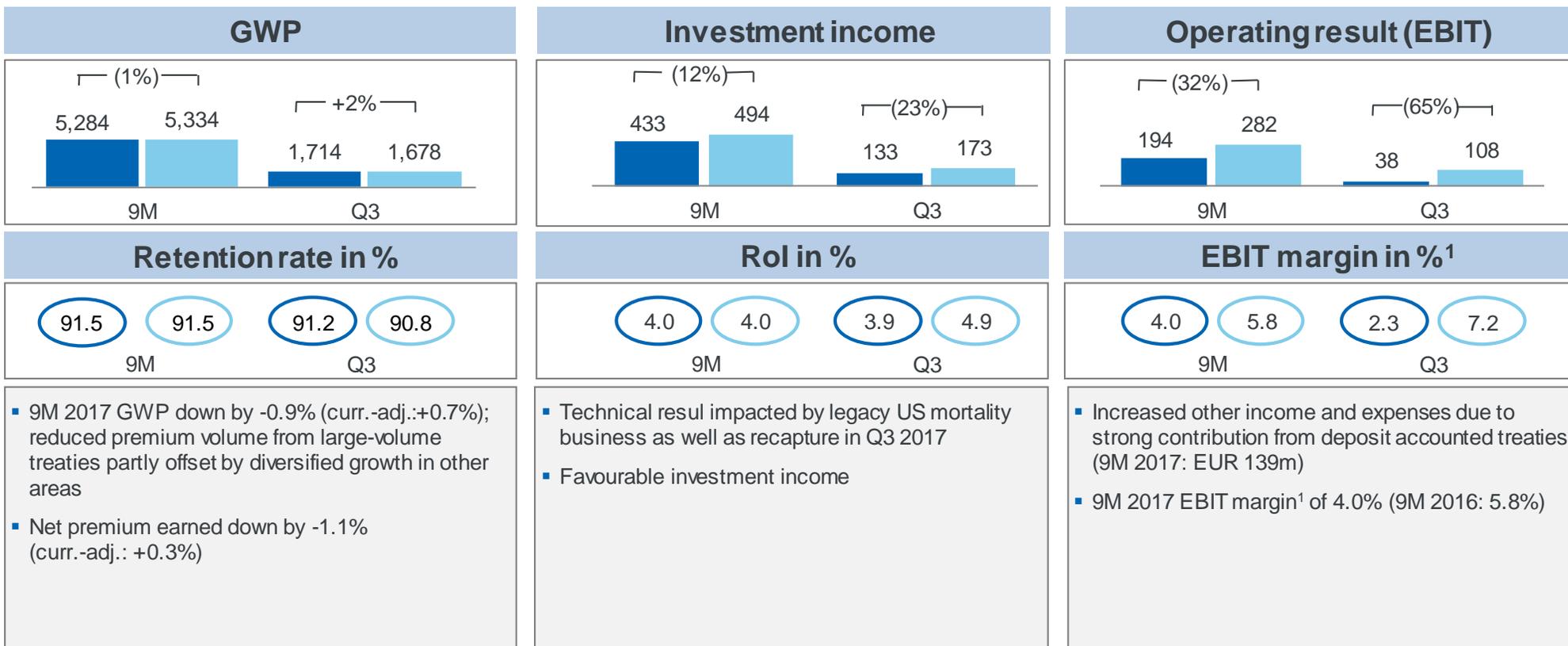


<sup>1</sup> EBIT margin reflects a Talanx Group view  
 EURm, IFRS ■ 2017 ■ 2016

▶ **EBIT margin of 9.1% despite NatCat frequency – Moderate underwriting loss, mitigated by favorable investment income**

# 5

## 9M 2017 Additional Information – Segment Life/Health Reinsurance



<sup>1</sup> EBIT margin reflects a Talanx Group view  
 EURm, IFRS ■ 2017 ■ 2016

**▶ Profitability in Life/Health segment negatively impacted by US mortality**

## 5

## 9M 2017 Additional Information – Segments

	Industrial Lines			Retail Germany P/C			Retail Germany Life		
EURm, IFRS	9M 2017	9M 2016	Change	9M 2017	9M 2016	Change	9M 2017	9M 2016	Change
<b>P&amp;L</b>									
Gross written premium	3,536	3,390	+4%	1,284	1,260	+2%	3,397	3,515	(3%)
Net premium earned	1,764	1,630	+8%	1,049	1,049	+0%	2,493	2,557	(3%)
Net underwriting result	(179)	33	n/m	2	(33)	n/m	(1,310)	(1,206)	n/m
Net investment income	203	165	+23%	71	69	+3%	1,398	1,334	+5%
Operating result (EBIT)	25	204	(88%)	49	(9)	n/m	67	79	(15%)
Net income after minorities	14	132	(89%)	n/a	n/a	n/m	n/a	n/a	n/m
<b>Key ratios</b>									
Combined ratio non-life insurance and reinsurance	110.1% <sup>1</sup>	98.0%	12.1%pts	100.3% <sup>2</sup>	103.2%	(2.9%)pts	-	-	-
Expense ratio	22.1%	22.4%	(0.3%)pts	36.1%	34.9%	1.2%pts	-	-	-
Loss ratio	88.1%	75.6%	12.5%pts	64.1%	68.3%	(4.2%)pts	-	-	-
Return on investment	3.5%	2.8%	0.7%pts	2.4%	2.4%	0.0%pts	4.1%	4.0%	0.1%pts

<sup>1</sup> Q3 2017 combined ratio: 135.0% (Q3 2016:98.4%), expense ratio: 23.7% (24.0%), loss ratio: 111.2% (74.4%)

<sup>2</sup> Q3 2017 combined ratio: 98.1% (Q3 2016: 100.3%), expense ratio: 35.4% (34.2%), loss ratio: 62.7% (66.1%)

## 5

## 9M 2017 Additional Information – Segments

	Retail International			P/C Reinsurance			Life/Health Reinsurance			Group		
EURm, IFRS	9M 2017	9M 2016	Change	9M 2017	9M 2016	Change	9M 2017	9M 2016	Change	9M 2017	9M 2016	Change
<b>P&amp;L</b>												
Gross written premium	4,065	3,669	+11%	8,200	7,121	+15%	5,284	5,334	(1%)	25,239	23,749	+6%
Net premium earned	3,422	3,099	+10%	6,754	5,925	+14%	4,787	4,841	(1%)	20,284	19,134	+6%
Net underwriting result	31	(3)	n/m	(306)	274	n/m	(363)	(237)	n/m	(2,120)	(1,168)	n/m
Net investment income	255	244	+5%	965	663	+46%	433	494	(12%)	3,311	2,981	+11%
Operating result (EBIT)	179	163	+10%	612	919	(33%)	194	282	(31%)	1,104	1,651	(33%)
Net income after minorities	110	97	+13%	n/a	n/a	n/m	n/a	n/a	n/m	444	636	(30%)
<b>Key ratios</b>												
Combined ratio non-life insurance and reinsurance	95.9% <sup>1</sup>	97.0%	(1.1%)pts	104.3% <sup>2</sup>	95.1%	9.2%pts	-	-	-	103.1% <sup>3</sup>	96.6%	6.5%pts
Expense ratio	29.0%	31.1%	(2.1%)pts	28.1%	27.6%	0.5%pts	-	-	-	28.0%	28.2%	(0.2%)pts
Loss ratio	67.0%	65.8%	1.2pts	76.5%	67.7%	8.8%pts	-	-	-	75.2%	68.6%	6.6%pts
Return on investment	3.6%	3.7%	(0.1%)pts	4.0%	2.8%	1.2%pts	4.0%	4.0%	0.0%pts	3.9%	3.5%	0.4%pts

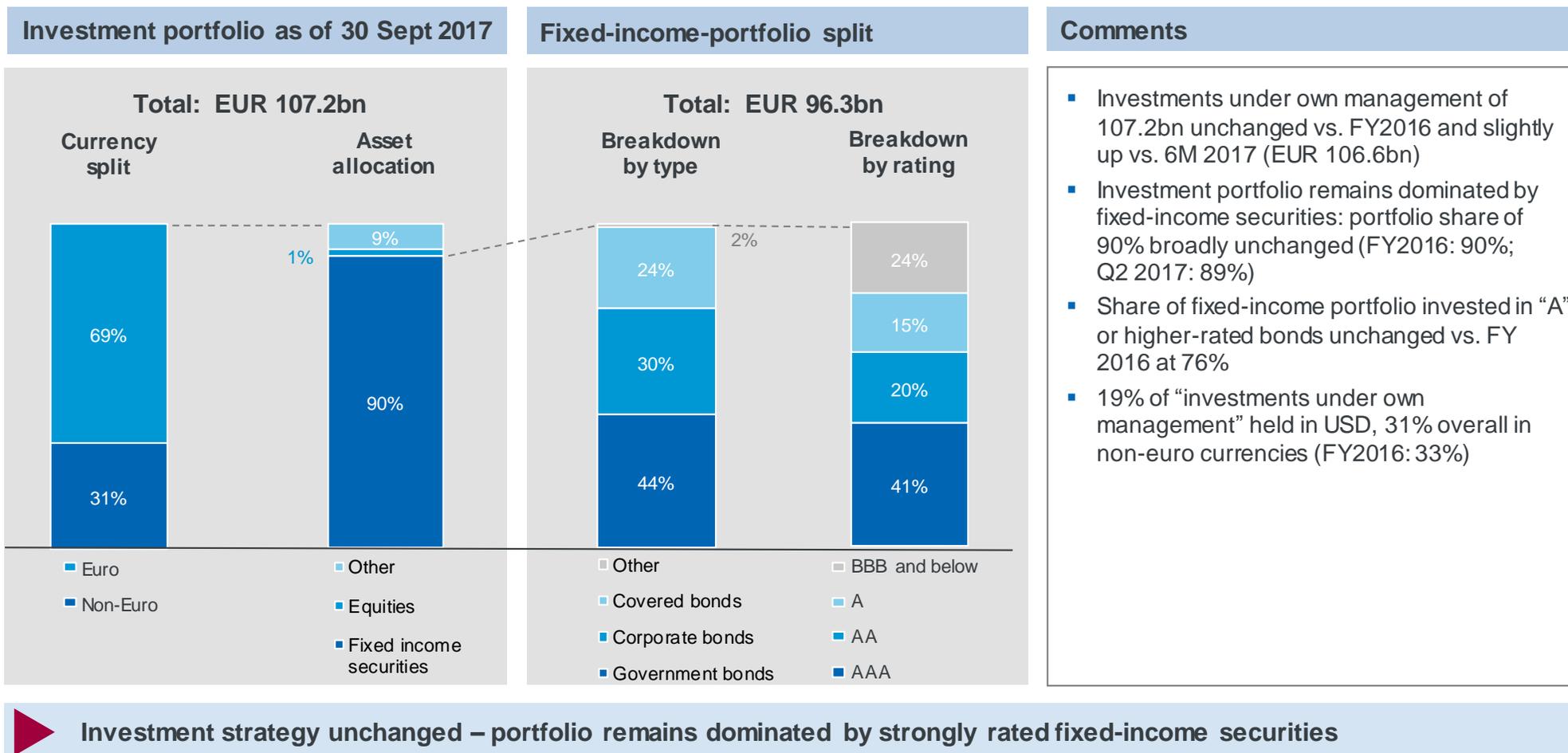
<sup>1</sup> Q3 2017 combined ratio: 94.9% (Q3 2016: 98.0%), expense ratio: 27.7% (30.6%), lossratio: 67.2% (67.4%)

<sup>2</sup> Q3 2017 combined ratio: 104.3% (Q3 2016: 95.1%), expense ratio: 28.1% (27.6%), lossratio: 76.5% (67.7%)

<sup>3</sup> Q3 2017 combined ratio: 114.4% (Q3 2016: 96.4%), expense ratio: 27.3% (28.1%), lossratio: 87.4% (68.5%)

# 5

## 9M 2017 Additional Information – Breakdown of investment portfolio



## 5

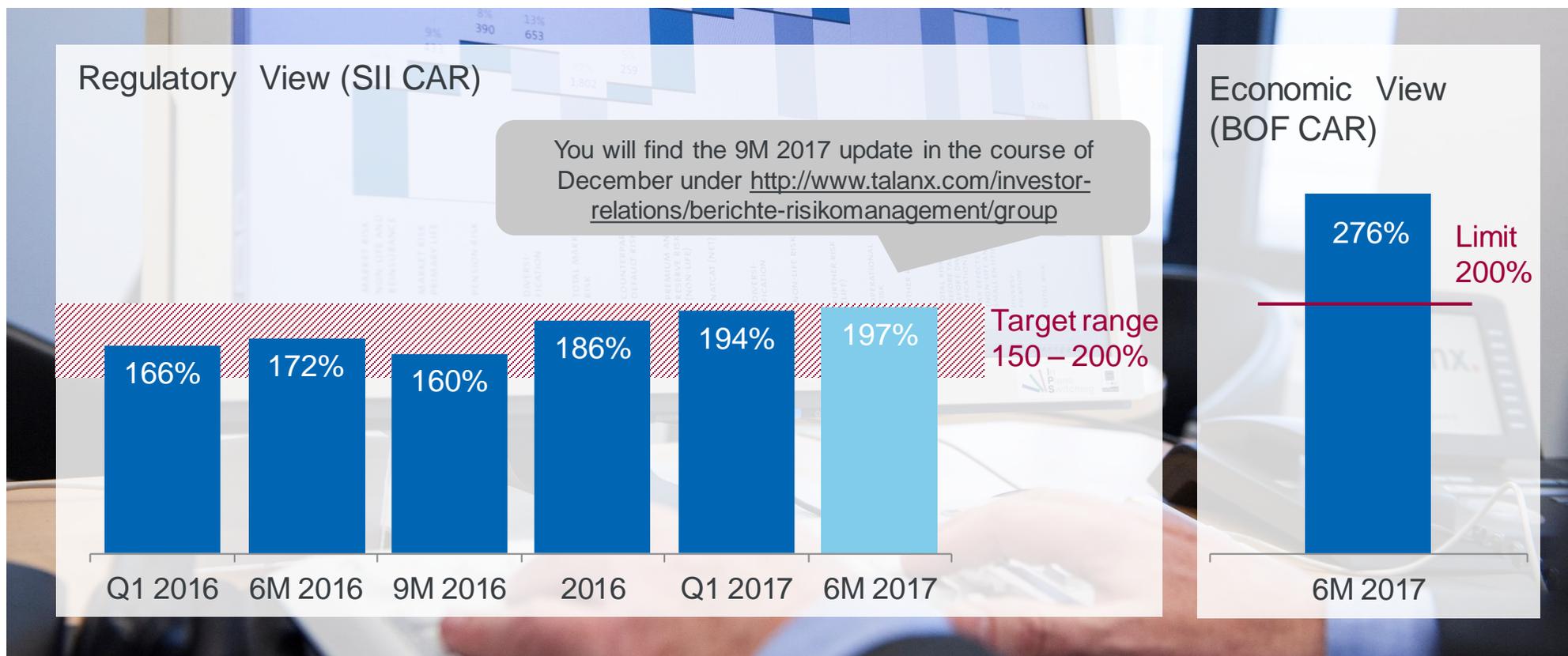
## 9M 2017 Additional Information – Details on selected fixed-income country exposure

Investments into issuers from countries with a rating below A-<sup>1</sup> (in EURm)

Country	Rating	Sovereign	Semi-Sovereign	Financial	Corporate	Covered	Other	Total
Italy	BBB	2,221	-	629	597	432	-	<b>3,879</b>
Spain	BBB+	719	423	200	437	270	-	<b>2,049</b>
Brazil	BB	249	-	79	327	-	6	<b>662</b>
Mexico	BBB+	135	4	38	227	-	-	<b>404</b>
Hungary	BBB-	478	-	0	9	23	-	<b>510</b>
Russia	BB+	195	12	44	179	-	-	<b>430</b>
South Africa	BBB-	135	2	9	62	-	5	<b>213</b>
Portugal	BB+	45	-	6	77	37	-	<b>166</b>
Turkey	BB+	16	-	25	18	3	-	<b>62</b>
Greece	CCC	-	-	-	-	-	-	<b>-</b>
Other BBB+		14	-	28	63	-	-	<b>105</b>
Other BBB		96	44	63	50	-	-	<b>252</b>
Other <BBB		195	17	79	172	-	259	<b>721</b>
<b>Total</b>		<b>4,497</b>	<b>502</b>	<b>1,200</b>	<b>2,217</b>	<b>766</b>	<b>270</b>	<b>9,453</b>
In % of total investments under own management		4.2%	0.5%	1.1%	2.1%	0.7%	0.3%	<b>8.8%</b>
In % of total Group assets		2.9%	0.3%	0.8%	1.4%	0.5%	0.2%	<b>6.0%</b>

<sup>1</sup> Investment under own management

## Solvency II capitalisation within target range



Note: Solvency II ratio relates to HDI V.a.G. as the regulated entity. The depiction does not contain the effect of transitional measures. Solvency II ratio including transitional measures for FY2016 was at 236%.

# 5 Financial Calendar and Contacts



- **23 November 2017**  
Capital Markets Day
- **19 March 2018**  
Annual Report 2017
- **8 May 2018**  
Annual General Meeting



**From left to right:** Alexander Grabenhorst (*Equity & Debt IR*), Anna Färber (*Team Assistant*), Carsten Werle (*Head of IR*), Wiebke Großheim (*Roadshows & Conferences, IR webpage*), Hannes Meyburg (*Ratings*); Alexander Zessel (*Ratings*), Marcus Sander (*Equity & Debt IR*); not in the picture: Nicole Tadge (*maternity leave*)

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