

PERFORMANCE AND RESULTS

2018

6M 2018 Results
13 August 2018

Torsten Leue, CEO
Dr. Immo Querner, CFO

Talanx well on track to achieve Group net income Outlook of ~EUR 850m

Strong EBIT growth supported by the Group's improved combined ratio

All segments – except Industrial Lines - contribute to EBIT growth

Industrial Lines: “20/20/20” goal launched to bring Fire CoR to well below 100% by 2020

Net income down due to one-time tax effects – profit Outlook and payout target confirmed

RoE at 10.0% - well above the minimum target of 750bps plus risk-free rate

Agenda

- 1** Group Highlights
- 2 Segments
- 3 Investments / Capital
- 4 Outlook
- 5 Appendix
 - Mid-term Target Matrix
 - Additional Information 6M 2018
 - Risk Management

1

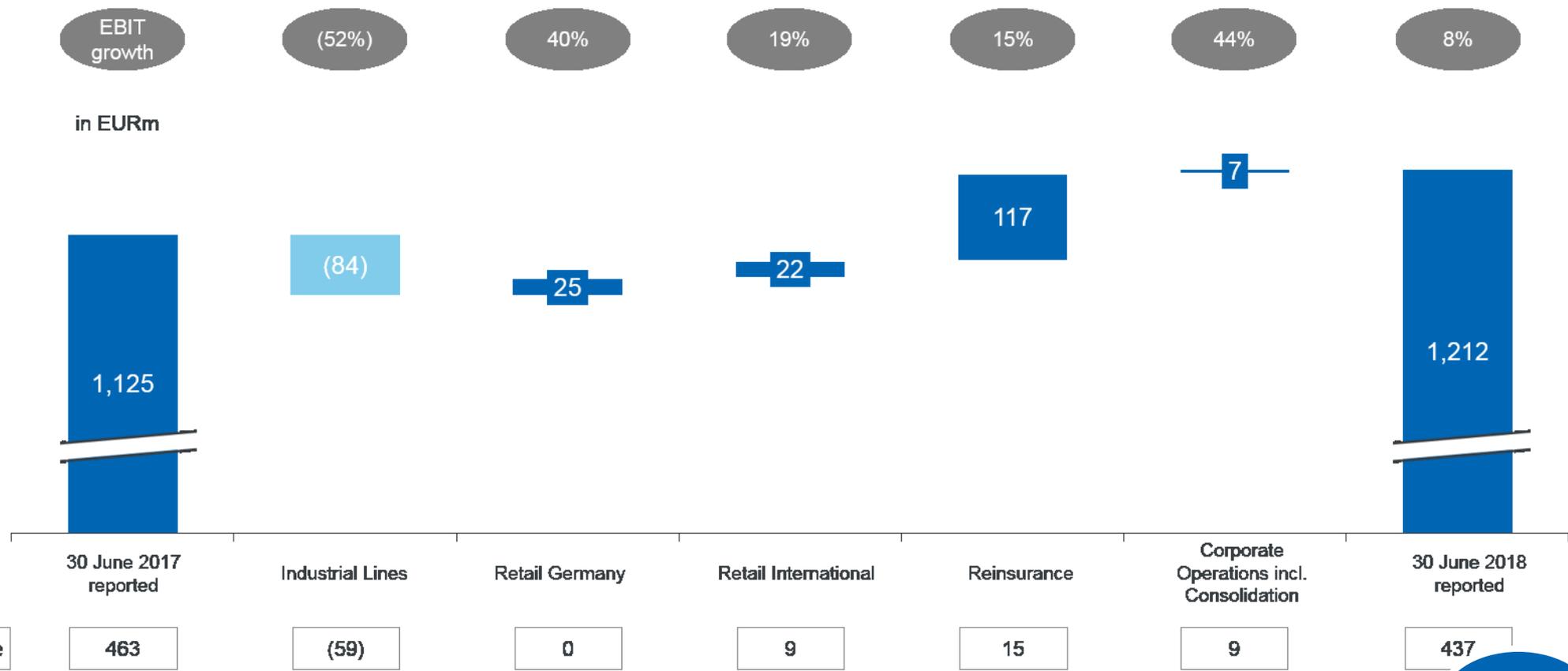
6M 2018 results – Key financials

EURm	6M 2018	6M 2017	Delta	Comments
Gross written premium (GWP)	18,760	17,553	+7%	▶ Despite currency headwind, strong business momentum continues. Currency-adjusted, top-line up by 11.8%
Net premium earned	14,435	13,450	+7%	
Net underwriting result	(748)	(940)	+20%	
t/o P/C	273	232	+18%	
t/o Life	(1,021)	(1,171)	+13%	
Net investment income	2,007	2,085	(4%)	
Other income / expenses	(47)	(20)	(135%)	
Operating result (EBIT)	1,212	1,125	+8%	▶ All operating segments – except Industrial Lines - contribute to EBIT growth. EBIT growth higher than top-line increase
Financing interests	(84)	(74)	(14%)	
Taxes on income	(357)	(267)	(34%)	▶ Higher tax rate due to Retail Germany and US tax reform
Net income before minorities	771	784	(2%)	
Non-controlling interests	(334)	(321)	(4%)	
Net income after minorities	437	463	(6%)	▶ Talanx on track to reach 2018 Group net income Outlook of ~EUR 850m
Combined ratio	96.7%	97.0%	(0.3%)pts	▶ Group combined ratio slightly improved after 6M
Tax ratio	31.6%	25.4%	+6.2%pts	
Return on equity	10.0%	10.3%	(0.3%)pts	▶ Well above target of ≥750bps plus risk-free

1

6M 2018 – Divisional contribution to change in Group EBIT

EBIT growth in EURm



Note: figures restated on the base of IAS 8

>50% of FY2018 Outlook

Broad-based EBIT improvement

1

Q2 2018 results – Key financials

EURm	Q2 2018	Q2 2017	Delta	Comments
Gross written premium (GWP)	8,200	7,801	+5%	▶ GWP increases markedly despite currency headwind. Currency-adjusted, top-line up by 9.0%
Net premium earned	7,446	6,752	+10%	
Net underwriting result	(318)	(525)	+39%	
t/o P/C	154	97	+59%	
t/o Life	(472)	(620)	+24%	
Net investment income	944	1,074	(12%)	▶ Largely driven by the lower realisation of capital gains in Retail Germany
Other income / expenses	(6)	0	n/m	
Operating result (EBIT)	620	549	+13 %	▶ Significant improvement in the net underwriting result over-compensates decline in the net investment income and in the other income / expenses
Financing interests	(43)	(38)	(13%)	
Taxes on income	(194)	(125)	(55%)	▶ Higher tax rates in Retail Germany, Retail International and Reinsurance Division
Net income before minorities	383	386	(1%)	
Non-controlling interests	(164)	(161)	(2%)	
Net income after minorities	219	225	(3%)	▶ Higher tax rate triggers slight decline in Q2 bottom-line
Combined ratio	96.5%	97.6%	(1.1%)pts	▶ Combined ratio improves in Q2 2018
Tax ratio	33.6%	24.5%	+9.1%pts	
Return on equity	10.1%	9.8%	+0.3%pts	▶ RoE in Q2 2018 slightly above the 10%-level

1

Large losses¹ in 6M 2018 (in EURm)

NatCat	Primary Insurance	Reinsurance	Talanx Group	Man-made	Primary Insurance	Reinsurance	Talanx Group
 Storm	31.2 (Winter Storm "Friederike")	31.1 (Winter Storm "Friederike")	62.4 (Winter Storm "Friederike")	 Fire/Property	100.5	26.3	126.8
 Earthquake	9.2 (Papua New Guinea)	11.2 (Papua New Guinea)	20.4 (Papua New Guinea)	 Credit	-	24.7	24.7
				 Other	6.7		6.7
Total NatCat	40.4	42.4	82.8	Total Man-made	107.2	50.9	158.1
Total large losses	Primary Insurance	147.7 (72.1)	Reinsurance	93.3 (122.9)	Talanx Group	241.0 (195.0)	

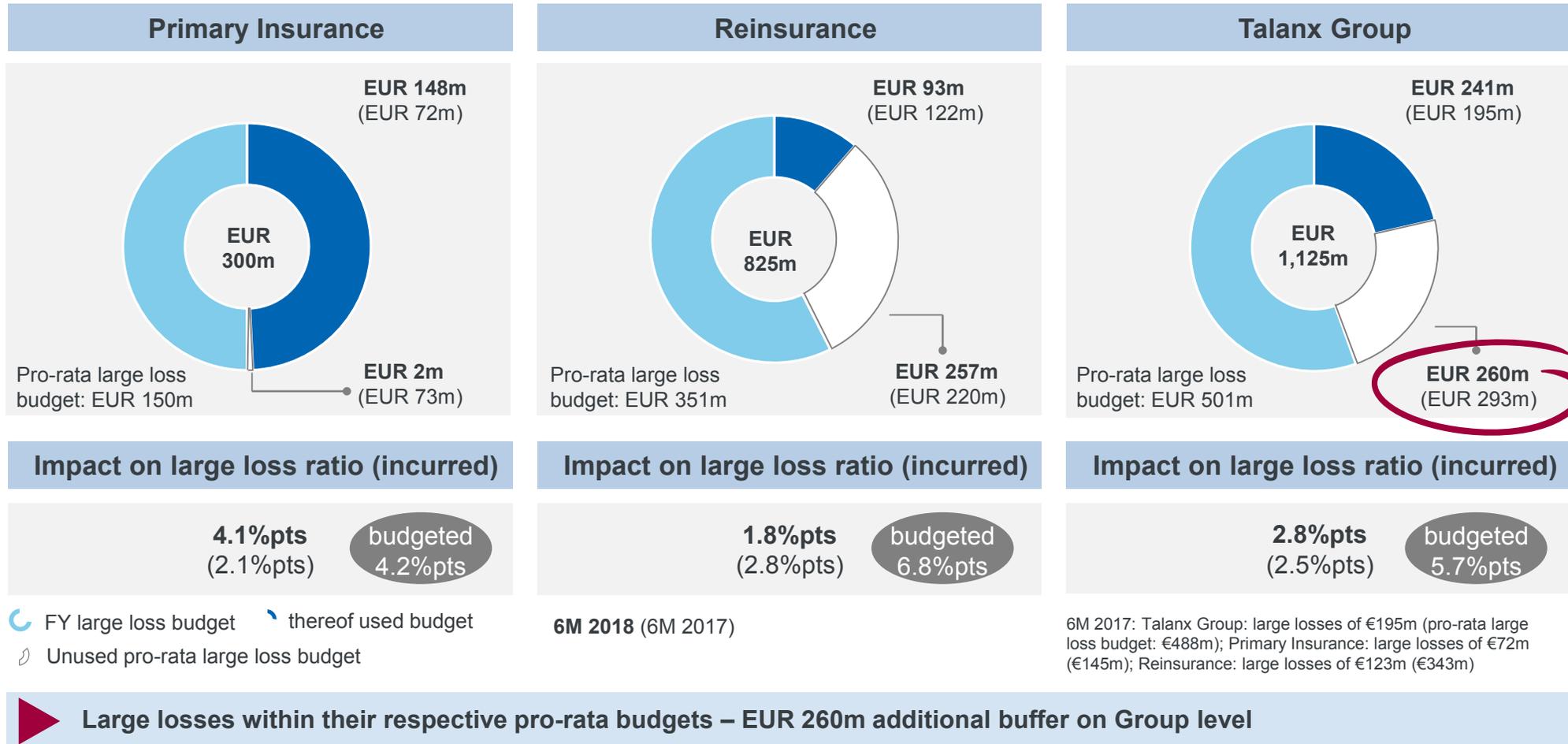
6M 2018 (6M 2017)

¹ Definition "large loss": in excess of EUR 10m gross in either Primary Insurance or Reinsurance

Note: 6M 2018 Primary Insurance large losses (net) are split as follows: Industrial Lines: EUR 131.2m; Retail Germany: EUR 11.9; Retail International: EUR 0.1m, Corporate Operations: EUR 4.5m; since FY2016 reporting onwards, the table includes large losses from Industrial Liability line, booked in the respective FY. The 6M budget for large losses stands at EUR150m in Primary Insurance and at EUR351m in Reinsurance. By consequence, Primary Insurance and Reinsurance have both remained within their budgets, implying an extra cushion – also when compared to last year' 6M – for the remainder of the year.

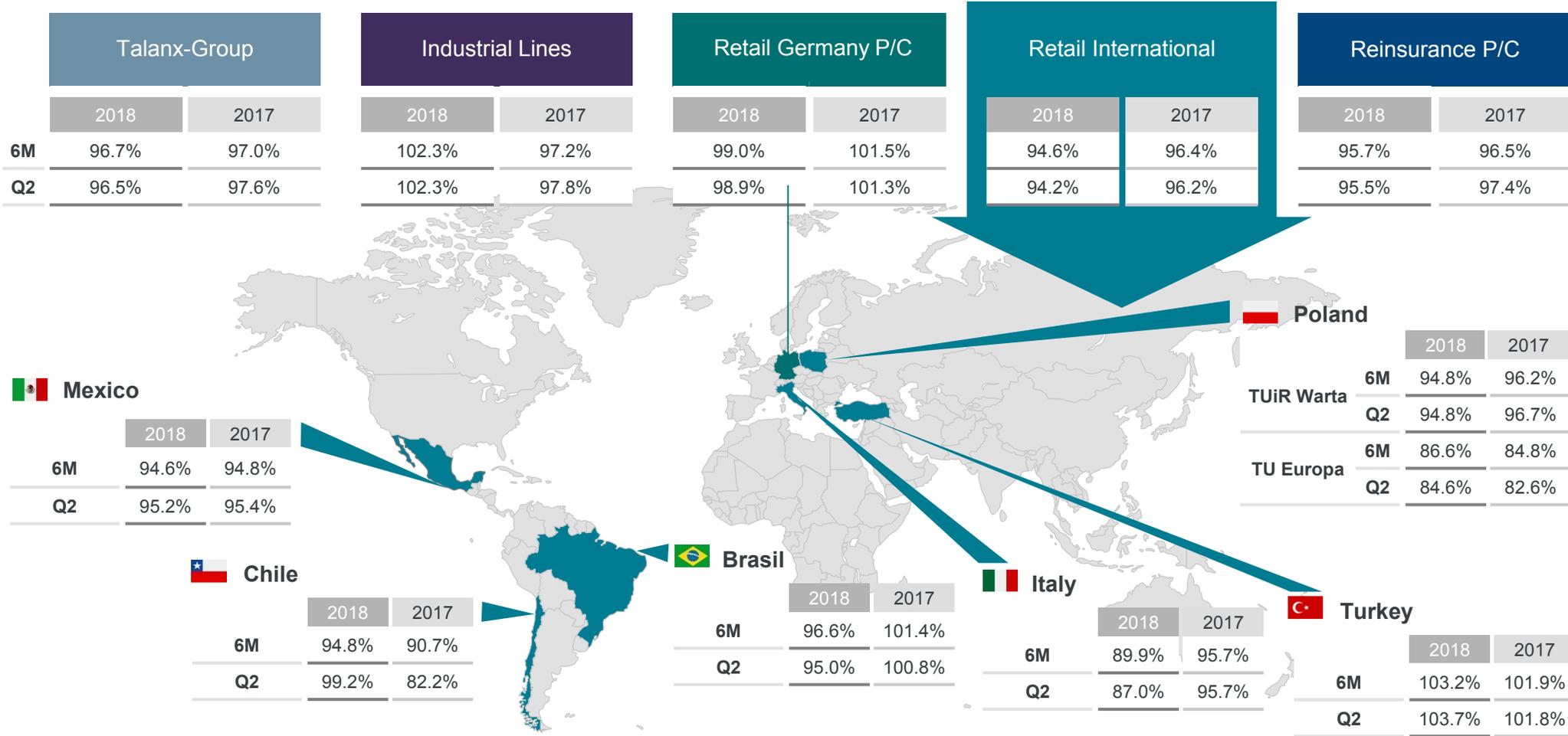
1

Large loss budget in 6M 2018



1

Combined Ratios



1

Industrial Lines: key results of a thorough analysis

	Total Division	of which "Fire" line ¹	of which all other lines
Net premium earned 6M 2018	EUR1,235m	~20%	~80%
Combined ratio 6M 2018	102.3%	~119%	~97%

Analysis

Normalised run-off results after 6M / decent positive reserve quality by division and by line

Focus on ~20% of Industrial Lines portfolio, ~80% are in good shape

HDI Global slightly behind market average. German Fire market loss-making (GDV 2018E: 115%²)

Frequent renewal dates give opportunity for a fast clean-up

¹ Fire defined as the Property line "Property Damage/Business Interruption". This excludes the Engineering and Multi-Risk lines

² GDV estimate for market combined ratio in German Industrial Property („industrielle Sachversicherung“)

1 Industrial Lines: promising launch of the “20/20/20” goal

New line management to present programme in detail at CMD 2018 on 23 October

“20/20/20 goal”



A broad-based profitabilisation of the Fire portfolio, with a particular focus on Germany:

min. 20% CoR improvement on 20% of portfolio effective in 2020 (“20/20/20”)

Steps taken

New management team in place since Q2 2018 ✓

Thorough analysis of status quo ✓

Shift from selective to broad-based price increases as of Q2 2018 ✓

Fast-track profitabilisation within the next 18 months

Commitment

~1/3 of targeted price increases contracted until June 2018

The new team is committed to bring the combined ratio in Fire to well below 100% until 2020

▶ Mid-term aspiration to achieve a divisional combined ratio of ~96% remains unchanged

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

Agenda

1

Group Highlights

2

Segments

3

Investments / Capital

4

Outlook

5

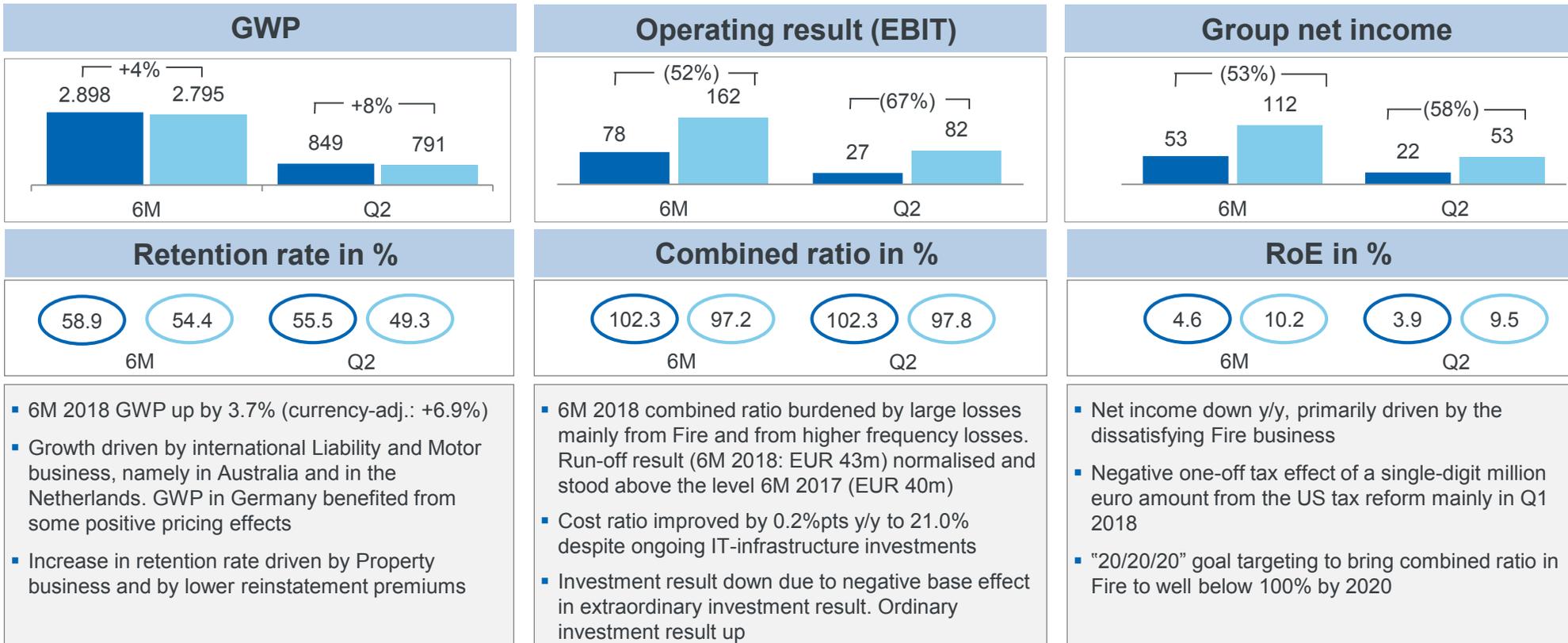
Appendix

Mid-term Target Matrix

Additional Information 6M 2018

Risk Management

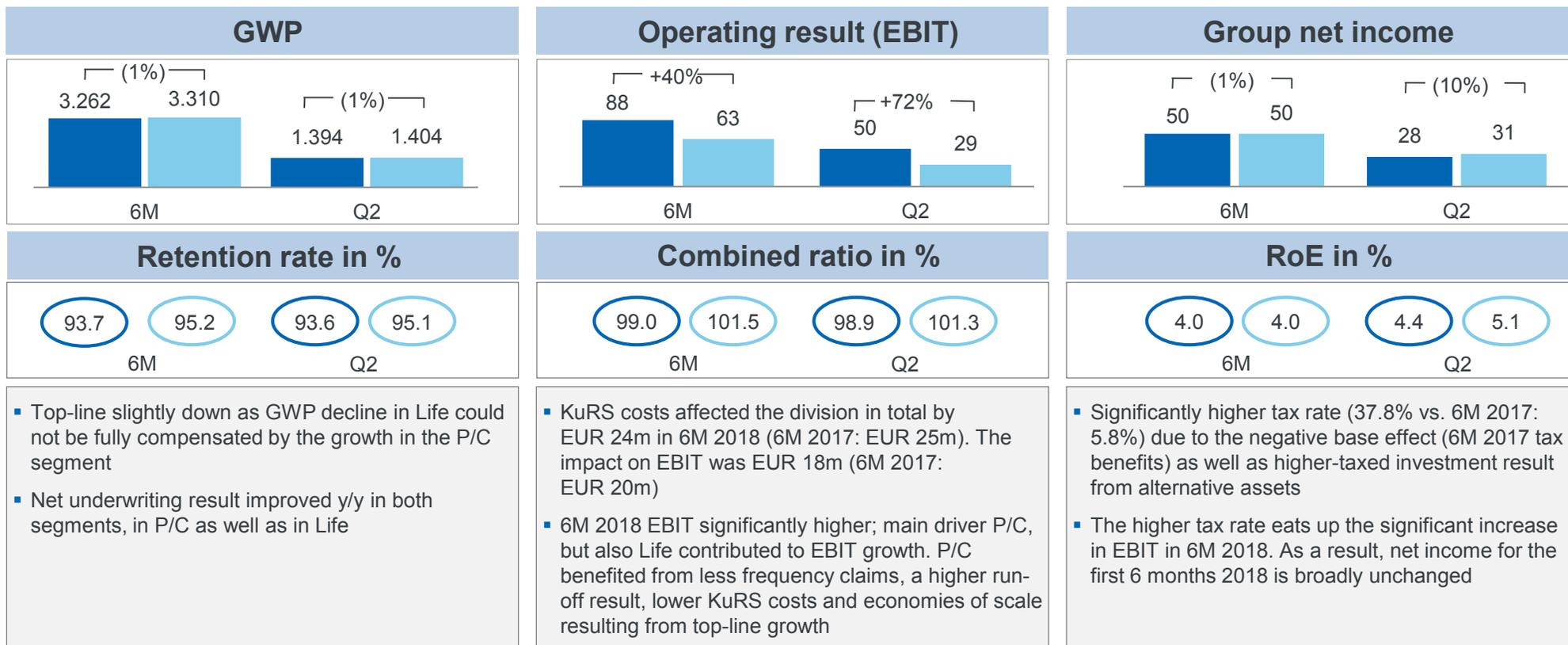
2 Segments – Industrial Lines



EURm, IFRS ■ 2018 ■ 2017

▶ Dissatisfying combined ratio driven by only 20% of overall business – run-off result normalised

2 Segments – Retail Germany Division

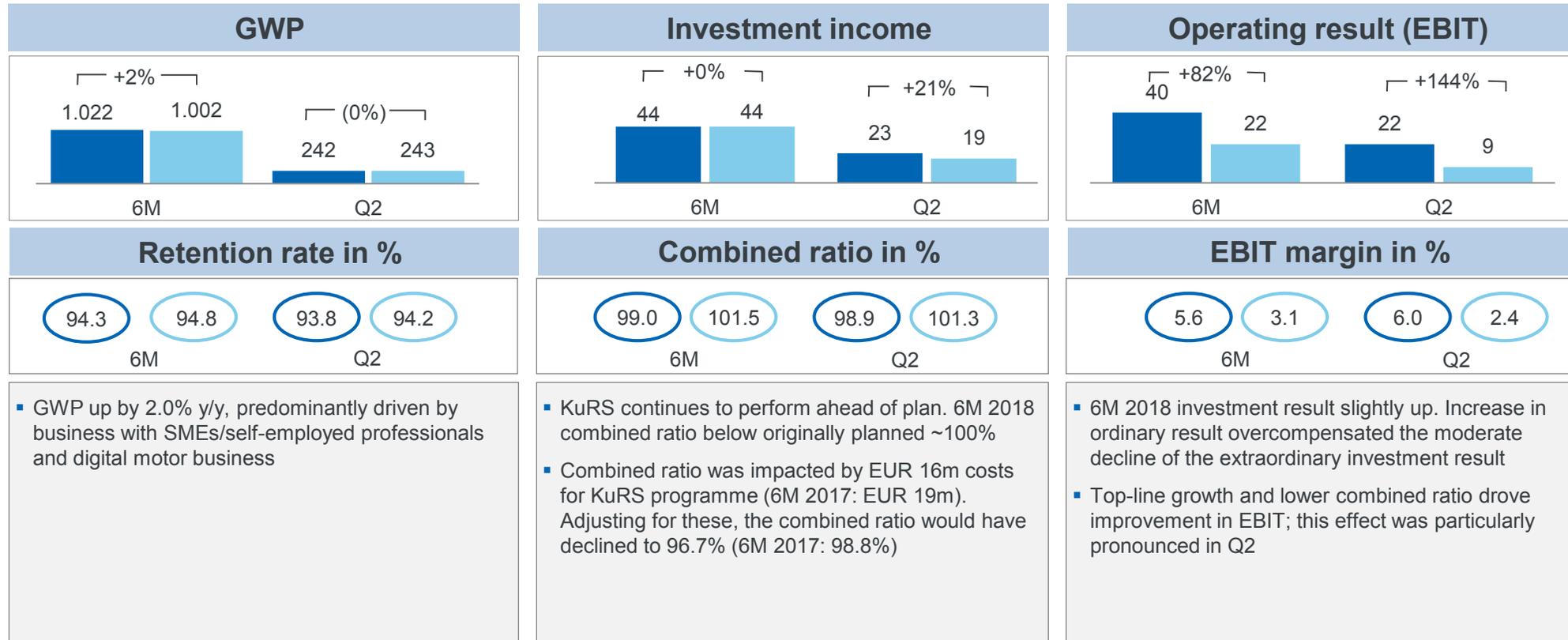


EURm, IFRS ■ 2018 ■ 2017

▶ 6M EBIT significantly up, driven by P/C and Life business ahead of KuRS targets – bottom-line burdened by higher tax rate

2

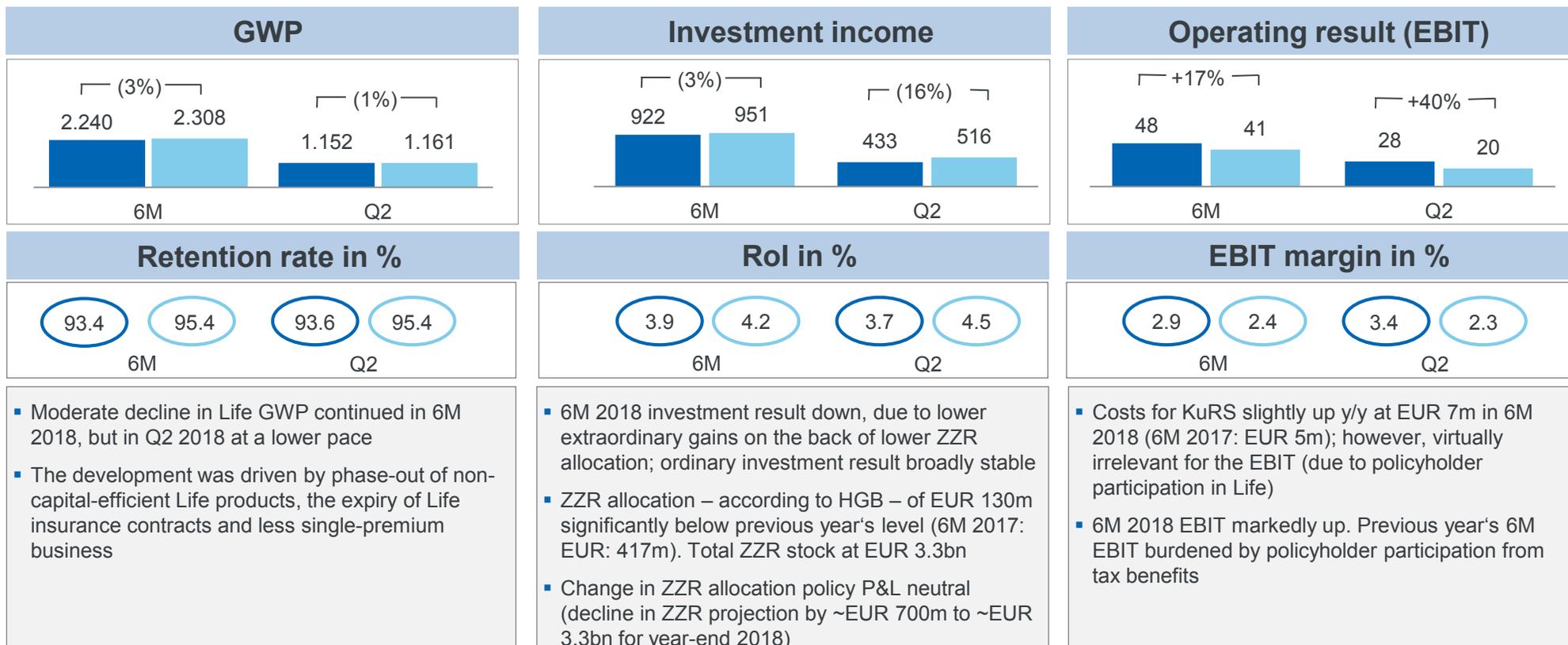
Segments – Retail Germany P/C



EURm, IFRS ■ 2018 ■ 2017

▶ Significant EBIT increase driven by the further improved underwriting performance – KuRS ahead of plan

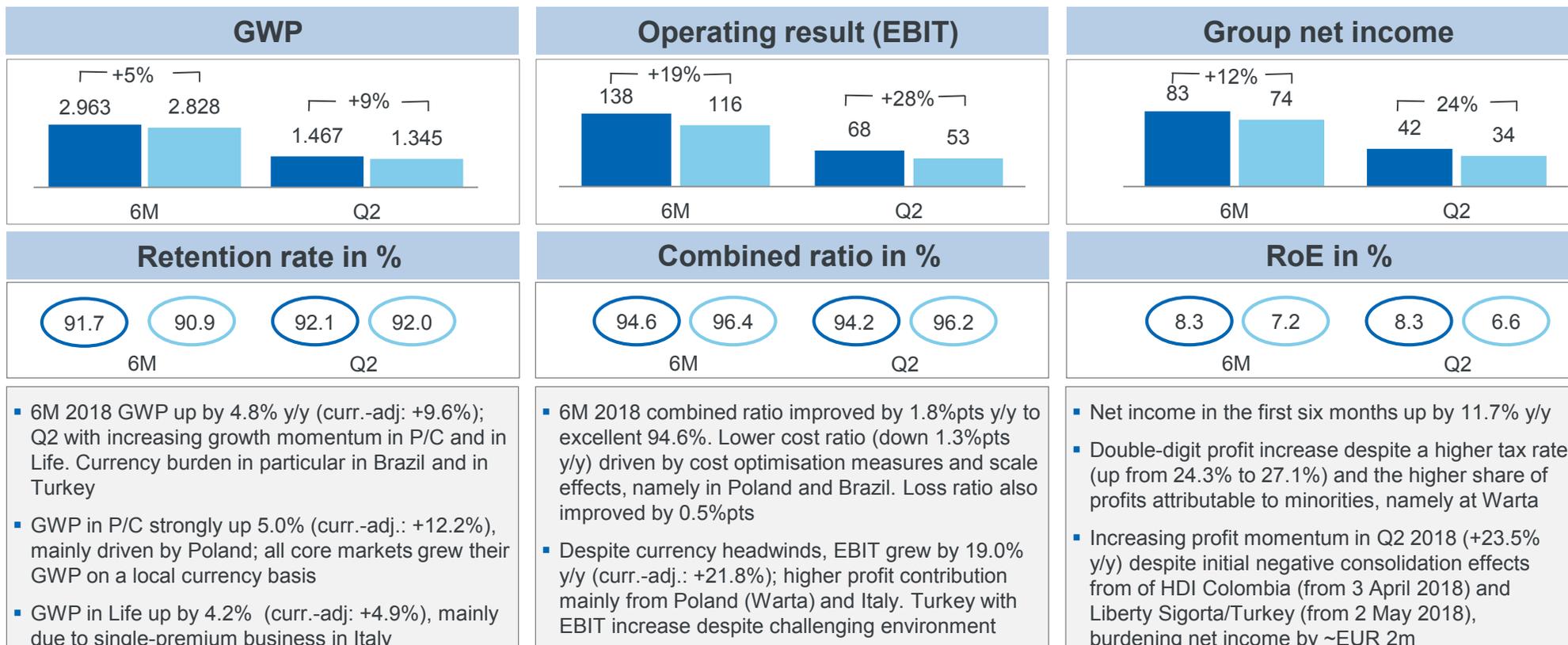
2 Segments – Retail Germany Life



EURm, IFRS ■ 2018 ■ 2017

▶ Lower ZZR contribution in 6M 2018 – EBIT significantly improved

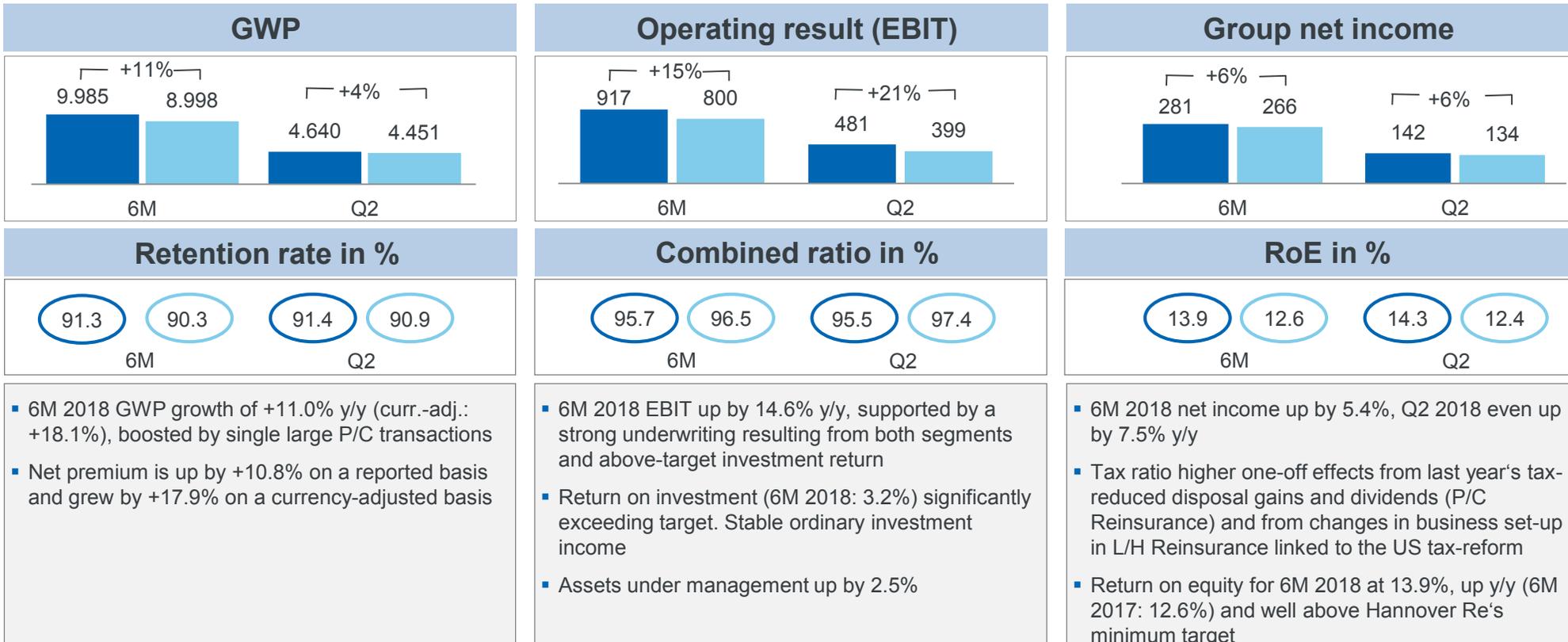
2 Segments – Retail International



EURm, IFRS ■ 2018 ■ 2017

▶ Q2 2018 with improving momentum in strong top-line growth and profitability

2 Segments – Reinsurance Division



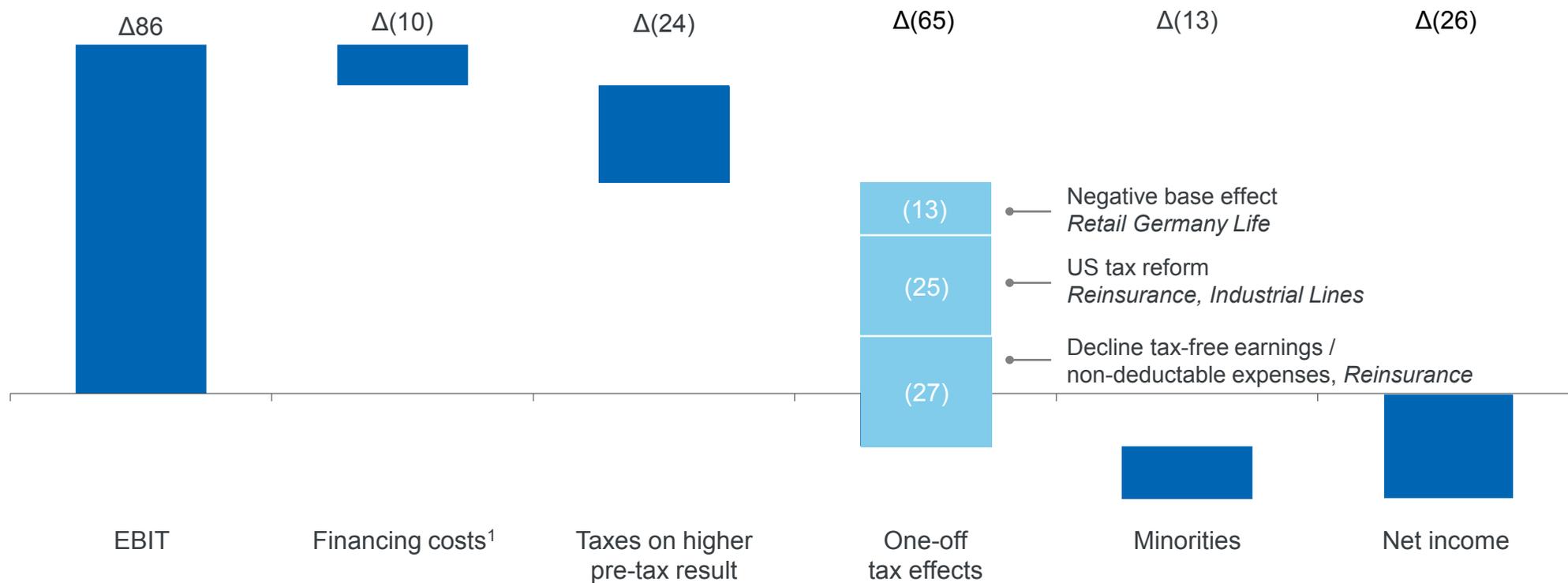
EURm, IFRS ■ 2018 ■ 2017

▶ 6M 2018 with satisfactory performance driven by strong underwriting results

2

Transition bridge from improved EBIT to lower Group net income

Changes from 6M 2017 to 6M 2018
in EURm



¹ Reflecting the funding costs of the Talanx EUR 750m 2.25% 30-NC-10 bond, issued December 2017 and the Hannover Re EUR 750m (2028) 1.125% senior bond issued April 2018

Significantly higher tax rate leads to decline in Group net income

Agenda

1

Group Highlights

2

Segments

3

Investments / Capital

4

Outlook

5

Appendix

Mid-term Target Matrix

Additional Information 6M 2018

Risk Management

3 Net investment income

Net investment income Talanx Group

EUR m, IFRS	6M 2018	6M 2017	Change
Ordinary investment income	1,687	1,683	+0%
thereof current investment income from interest	1,329	1,359	(2%)
thereof profit/loss from shares in ass. companies	4	7	(45%)
Realised net gains/losses on investments	419	466	(10%)
Write-ups/write-downs on investments	(79)	(95)	(16%)
Unrealised net gains/losses on investments	(6)	30	(121%)
Investment expenses	(120)	(113)	+6%
Income from investments under own management	1,901	1,971	(4%)
Income from investment contracts	(0)	(2)	(95%)
Interest income on funds withheld and contract deposits	106	116	(8%)
Total	2,007	2,085	(4%)

Comments

- Ordinary investment income stable. Effects from low-interest rate environment were compensated by higher investment results from private equity and infrastructure
- Realised net investment gains down by EUR 47m y/y to EUR 419m in 6M 2018; decision to realise less capital gains due to the anticipation of a new ZZR regime. 6M 2018 ZZR allocation significantly lower at EUR 130m (6M 2017: 417m).
- Originally higher Q1 ZZR contribution re-allocated to RfB
- 6M 2018 RoI slightly down to 3.5% (6M 2017: 3.7%) – impacted by markedly lower realised gains compared to the previous year
- Lower level of writedowns in investments, predominantly from positive base effects in 6M 2017

 **6M 2018 RoI at 3.5% - well in-line with Outlook of $\geq 3.0\%$, despite significantly lower realised investment gains**

Agenda

1

Group Highlights

2

Segments

3

Investments / Capital

4

Outlook

5

Appendix

Mid-term Target Matrix

Additional Information 6M 2018

Risk Management

4 Outlook 2018 for Talanx Group¹

Gross written premium	▶	> 5%
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**)

minimum
2018 DPS
target of
EUR 1.40

¹ 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

Agenda

1

Group Highlights

2

Segments

3

Investments / Capital

4

Outlook

5

Appendix

Mid-term Target Matrix

Additional Information 6M 2018

Risk Management

5

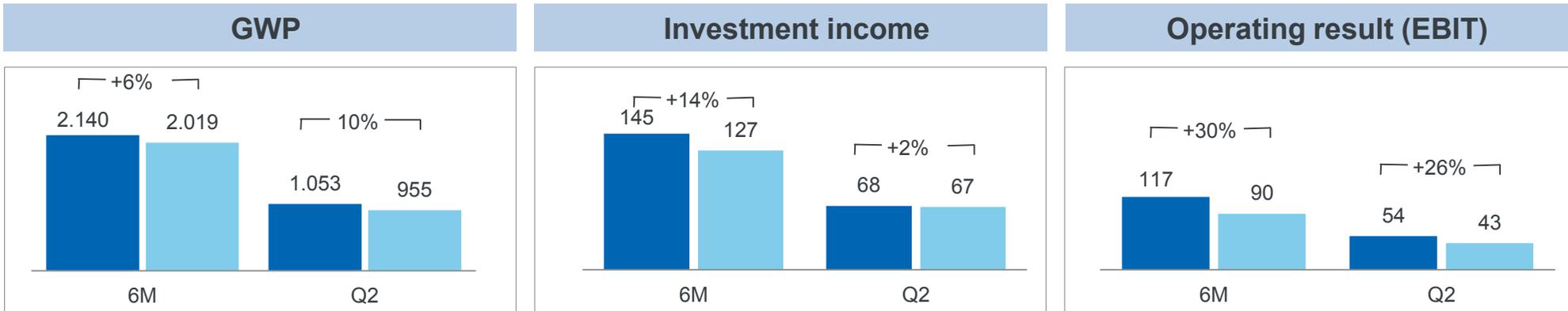
Mid-term target matrix & current status

Segments	Key figures	Strategic targets (2015 - 2019)	2017	2015-2017 ⁹		
Group	Gross premium growth ¹	3 - 5%	7.5% ✓	4.0% ✓		
	Return on equity	≥ 750 bps above risk free ²	7.5% [≥8.3%]	9.0% [≥8.5%] ✓		
	Group net income growth	mid single-digit percentage growth rate	(25.5%)	(4.4%)		
	Dividend payout ratio	35 - 45%	52.7% ✓	45.1% ✓		
	Return on investment	≥ risk free + (150 to 200) bps ²	4.0% [≥2.3 - 2.8%] ✓	3.7% [≥2.5 - 3.0%] ✓		
Primary Insurance	Industrial Lines	Gross premium growth ¹	3 - 5%	5.2% ✓		
		Retention rate	60 - 65%	55.2%	53.5%	
	Retail Germany	Gross premium growth ¹	≥ 0%	(2.9%)	(4.0%)	
		Retail International	Gross premium growth ¹	≥ 10%	10.5% ✓	9.2%
			Combined ratio ³	~ 96%	101.2%	99.1%
EBIT margin ⁴	~ 6%	4.1%	4.4%			
P/C Reinsurance^{7,8}	Gross premium growth ⁶	3 - 5%	18.7% ✓	8.8% ✓		
	Combined ratio ³	≤ 96%	99.8% ✓	96.0% ✓		
	EBIT margin ⁴	≥ 10%	12.5% ✓	15.6% ✓		
Life & Health Reinsurance^{7,8}	Gross premium growth ¹	5 - 7%	1.4%	2.1%		
	Average value of New Business (VNB) after minorities ⁵	≥ EUR 110m	EUR 183m ✓	EUR 301m ✓		
	EBIT margin ⁴ financing and longevity business	≥ 2%	13.2% ✓	11.2% ✓		
	EBIT margin ⁴ mortality and health business	≥ 6%	0.0%	2.3%		

¹ Organic growth only; currency-neutral; CAGR; ² Risk-free rate is defined as the 5-year rolling average of the 10-year German government bond yield; ³ Talanx definition: incl. net interest income on funds withheld and contract deposits; ⁴ EBIT/net premium earned; ⁵ Reflects Hannover Re target of at least EUR 220m; ⁶ Average throughout the cycle; currency-neutral; ⁷ Targets reflect Hannover Re's targets for 2015-2017 strategy cycle; ⁸ For 2018, Hannover Re has stated a new EBIT growth target of ≥5%. By contrast, it does not state EBIT margin targets by reporting category anymore; ⁹ Growth rates calculated as 2014 - 2017 CAGR; otherwise arithmetic mean; Note: growth targets are based on 2014 results. Growth rates, CoR and EBIT margins are average annual targets

5

6M 2018 Additional Information – Retail International Europe: Key financials



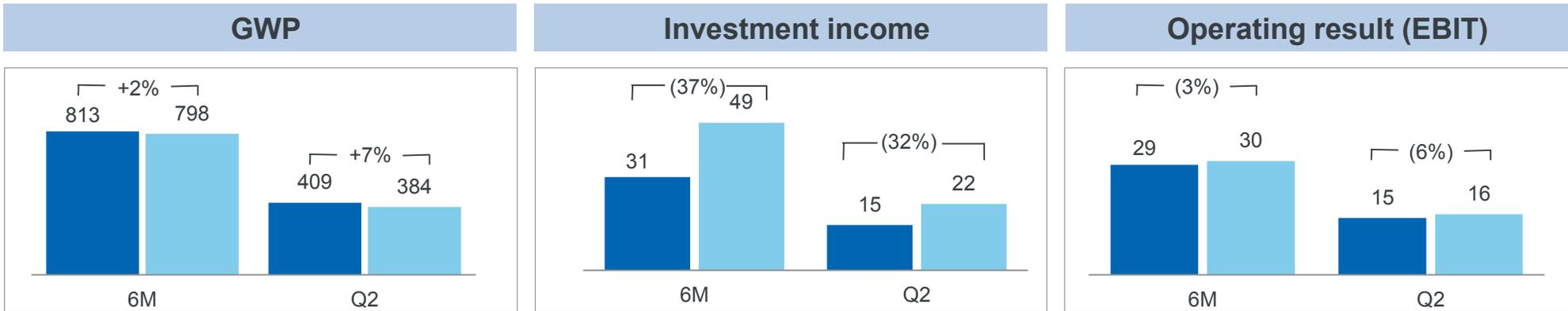
EURm, IFRS ■ 2017 ■ 2016



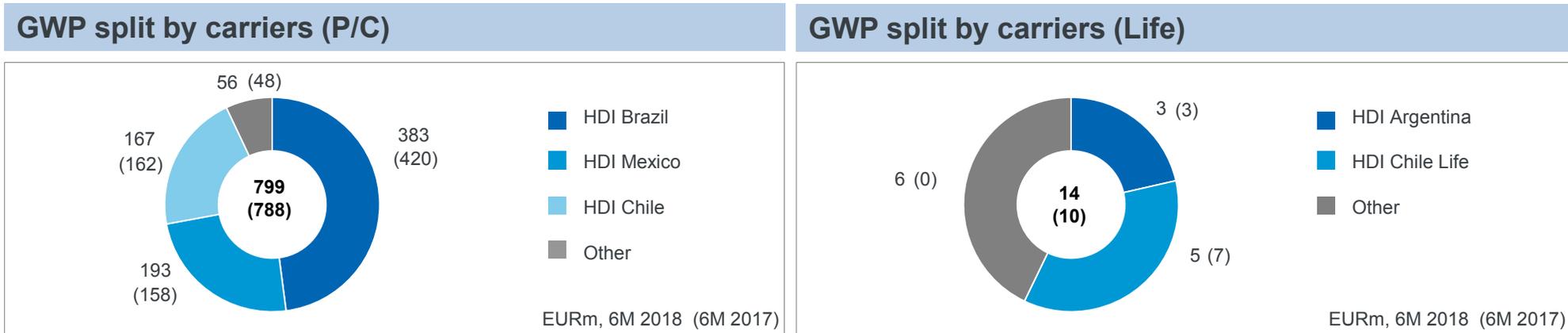
► Strong improvement on top-line and on bottom-line – Poland and Italy drive EBIT improvement

5

6M 2018 Additional Information – Retail International LatAm: Key financials



EURm, IFRS ■ 2017 ■ 2016



EURm, 6M 2018 (6M 2017)

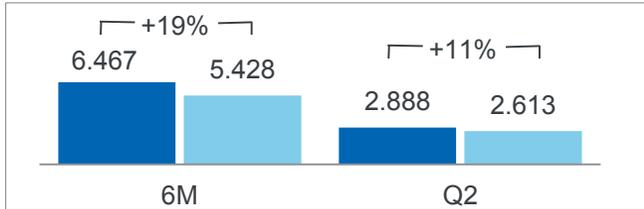
EURm, 6M 2018 (6M 2017)

▶ EBIT roughly stable in euro-terms despite headwinds from currencies and interest rates

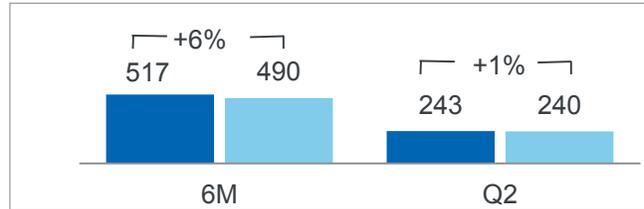
5

6M 2018 Additional Information – Segment P/C Reinsurance

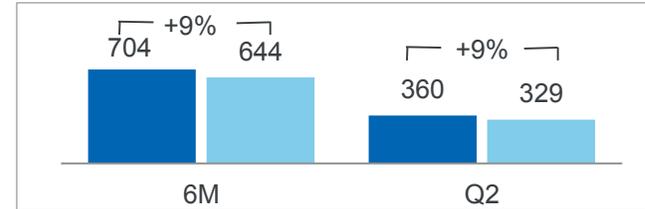
GWP



Investment income



Operating result (EBIT)



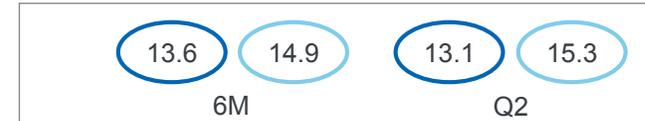
Retention rate in %



Combined ratio in %



EBIT margin in %¹



- 6M 2018 GWP up by +19.2% y/y (curr.-adj.:+27.6%); mainly from Structured Reinsurance; diversified growth in other areas
- Net premium earned grew by +20.0% (curr.-adj.: +28.4%)

- Major losses of EUR 93m (1.8% of Net premium earned) well below budget of EUR 351m
- Unchanged reserving policy should lead to stable confidence level, run-off without extraordinary effects
- Satisfactory ordinary investment income
- Other income and expenses lower due to less positive currency effects

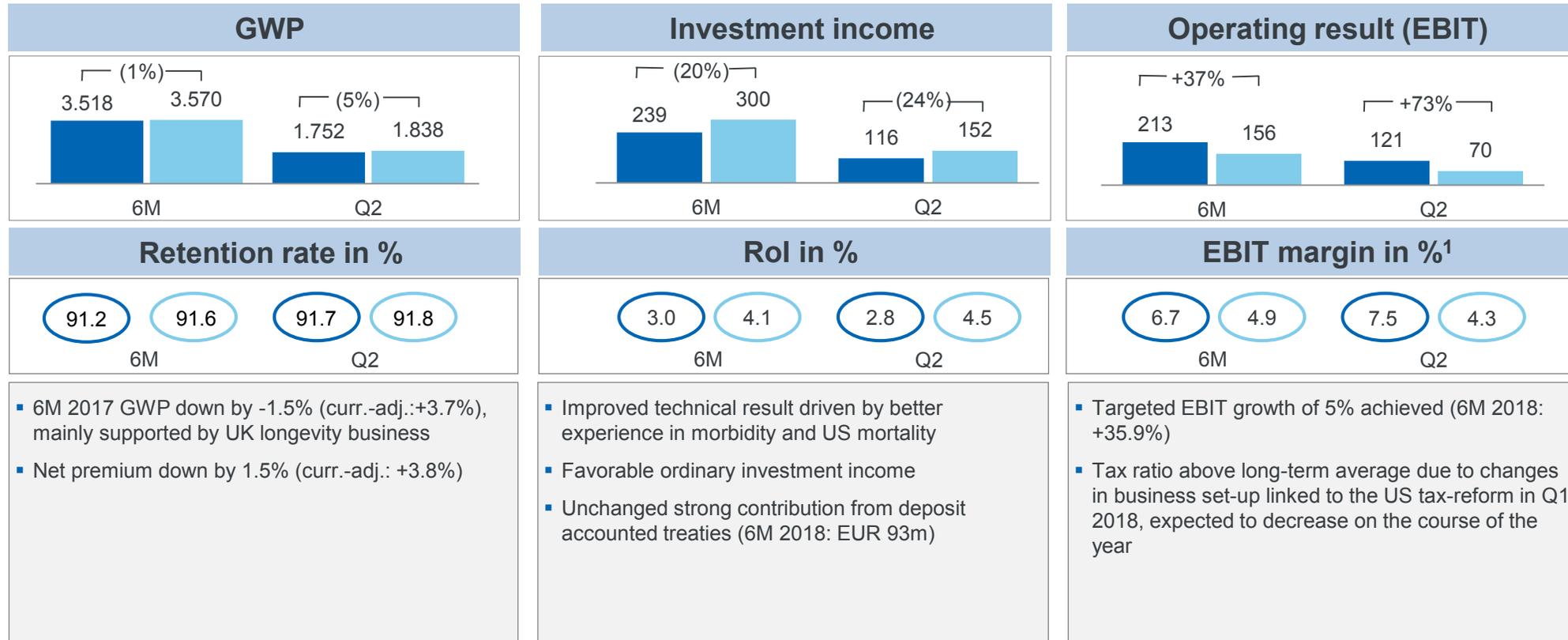
- 6M 2018 EBIT margin¹ of 13.6% (6M 2017: 14.9%) - well above target
- Tax ratio higher principally due to tax-reduced disposal gains and dividends in the previous year

¹ EBIT margin reflects a Talanx Group view
EURm, IFRS ■ 2018 ■ 2017

High profitability supported by increased underwriting result

5

6M 2018 Additional Information – Segment Life/Health Reinsurance



¹ EBIT margin reflects a Talanx Group view
 EURm, IFRS ■ 2018 ■ 2017

Overall good profitability – US mortality results better than expected

5

6M 2018 Additional Information – Segments

	Industrial Lines			Retail Germany P/C			Retail Germany Life		
EURm, IFRS	6M 2018	6M 2017	Change	6M 2018	6M 2017	Change	6M 2018	6M 2017	Change
P&L									
Gross written premium	2,898	2,795	+4%	1,022	1,002	+2%	2,240	2,308	(3%)
Net premium earned	1,235	1,160	+6%	701	688	+2%	1,654	1,702	(3%)
Net underwriting result	(28)	32	n/m	8	(9)	n/m	(858)	(900)	+5%
Net investment income	124	137	(9%)	44	44	+0%	923	951	(3%)
Operating result (EBIT)	78	162	(52%)	40	22	+84%	48	41	+19%
Net income after minorities	53	112	(52%)	n/a	n/a	n/m	n/a	n/a	n/m
Key ratios									
Combined ratio non-life insurance and reinsurance	102.3% ¹	97.2%	5.1%pts	99.0% ²	101.5%	(2.5%)pts	-	-	-
Expense ratio	21.0%	21.2%	(0.2%)pts	35.8%	36.5%	(0.7%)pts	-	-	-
Loss ratio	81.3%	76.0%	5.3%pts	63.1%	64.9%	(1.8%)pts	-	-	-
Return on investment	3.0%	3.5%	(0.5%)pts	2.2%	2.3%	(0.1%)pts	3.9%	4.2%	(0.3%)pts

¹ Q2 2018 combined ratio: 102.3% (Q2 2017: 97.8%), expense ratio: 21.7% (21.7%), loss ratio: 80.6% (76.1%)

² Q2 2018 combined ratio: 98.9% (Q2 2017: 101.3%), expense ratio: 36.0 (36.4%), loss ratio: 62.9% (64.8%)

5

6M 2018 Additional Information – Segments

	Retail International			P/C Reinsurance			Life/Health Reinsurance			Group		
EURm, IFRS	6M 2018	6M 2017	Change	6M 2018	6M 2017	Change	6M 2018	6M 2017	Change	6M 2018	6M 2017	Change
P&L												
Gross written premium	2,963	2,828	5%	6,467	5,428	19%	3,518	3,570	-1%	18,760	17,553	7%
Net premium earned	2,513	2,358	7%	5,175	4,313	20%	3,171	3,220	-2%	14,435	13,450	7%
Net underwriting result	33	14	138%	206	149	38%	(108)	(229)	+53%	(748)	(940)	+20%
Net investment income	174	173	0%	517	490	6%	239	300	n/m	2,007	2,085	-4%
Operating result (EBIT)	138	116	18%	704	644	9%	213	156	36%	1,212	1,125	8%
Net income after minorities	83	74	12%	n/a	n/a	n/m	n/a	n/a	n/m	437	463	-6%
Key ratios												
Combined ratio non-life insurance and reinsurance	94.6% ¹	96.4%	(1.8%)pts	95.7% ²	96.5%	(0.8%)pts	-	-	-	96.7% ³	97.0%	(0.3%)pts
Expense ratio	28.3%	29.6%	(1.3%)pts	31.3%	28.7%	2.7%pts	-	-	-	29.7%	28.4%	1.3%pts
Loss ratio	66.2%	66.8%	(0.6%)pts	64.7%	67.9%	(3.2%)pts	-	-	-	67.2%	68.6%	(1.4%)pts
Return on investment	3.4%	3.7%	(0.3%)pts	3.2%	3.0%	0.2%pts	3.0%	4.1%	(1.1%)pts	3.5%	3.7%	(0.2%)pts

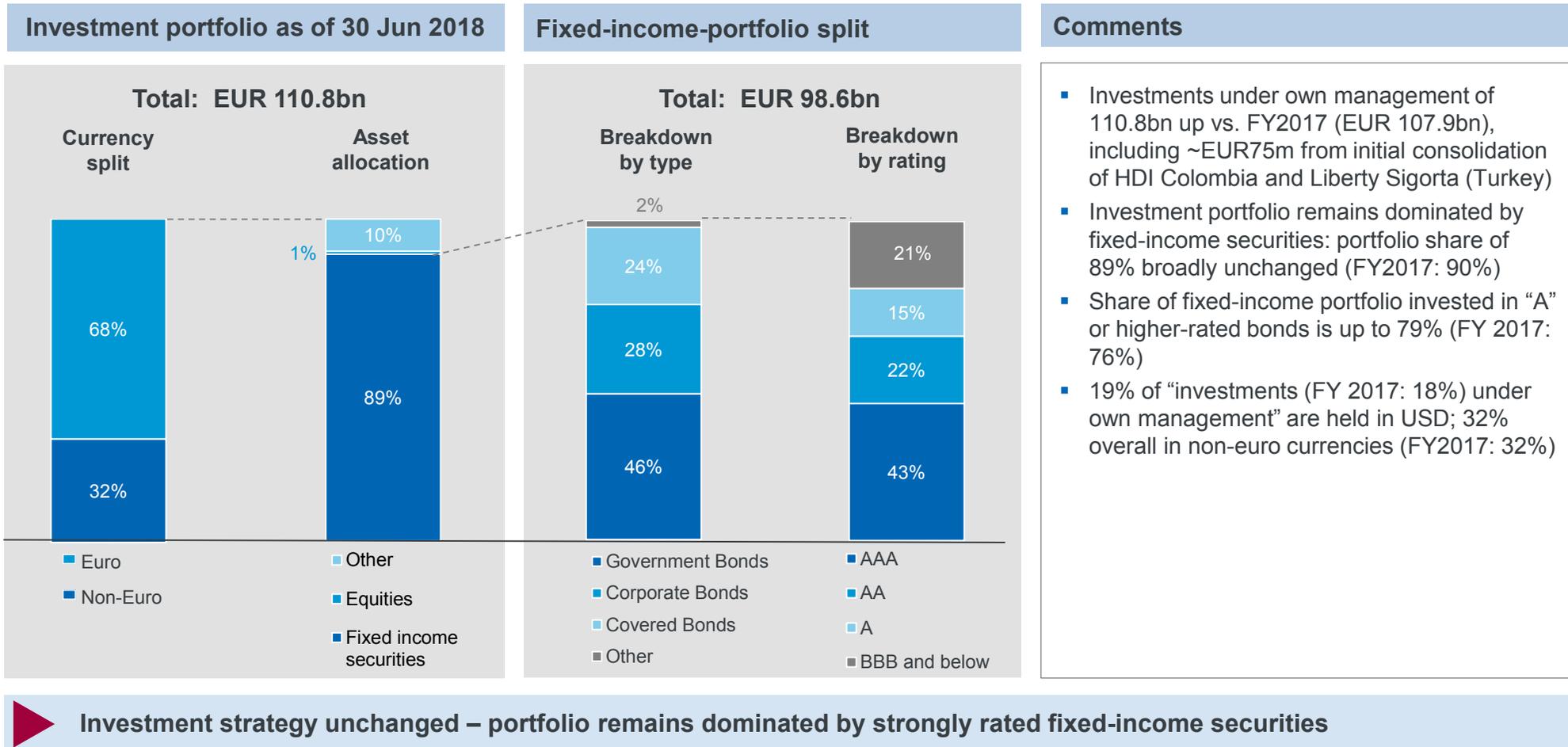
1 Q2 2018 combined ratio: 94.2% (Q2 2017: 96.2%), expense ratio: 28.6% (29.6%), loss ratio: 65.6% (66.6%)

2 Q2 2018 combined ratio: 95.5% (Q2 2017: 97.4%), expense ratio: 34.4% (29.5%), loss ratio: 61.4% (67.7%)

3 Q2 2018 combined ratio: 96.5% (Q2 2017: 97.6%), expense ratio: 31.6% (28.9%), loss ratio: 65.0% (68.6%)

5

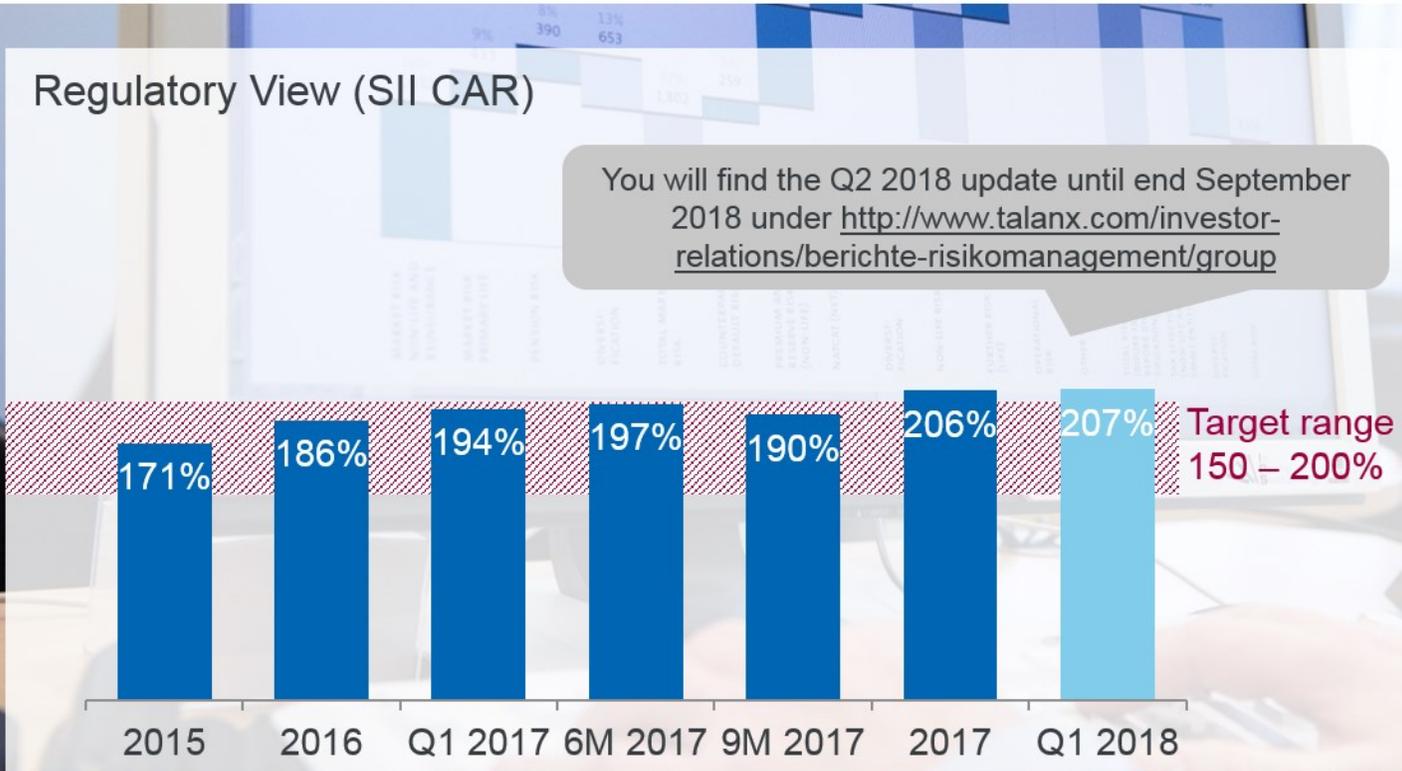
6M 2018 Additional Information – Breakdown of investment portfolio



3 Risk management – Solvency II capital

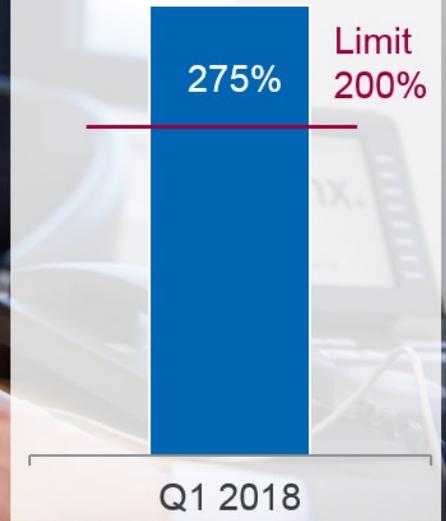
Development of Solvency II capitalisation

Regulatory View (SII CAR)



You will find the Q2 2018 update until end September 2018 under <http://www.talanx.com/investor-relations/berichte-risikomanagement/group>

Economic View (BOF CAR)



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 Q1 2018 was 251% (FY2017 253%).

Disclaimer

This presentation contains forward-looking statements which are based on certain assumptions, expectations and opinions of the management of Talanx AG (the "Company") or cited from third-party sources. These statements are, therefore, subject to certain known or unknown risks and uncertainties. A variety of factors, many of which are beyond the Company's control, affect the Company's business activities, business strategy, results, performance and achievements. Should one or more of these factors or risks or uncertainties materialize, actual results, performance or achievements of the Company may vary materially from those expressed or implied as being expected, anticipated, intended, planned, believed, sought, estimated or projected in the relevant forward-looking statement.

The Company does not guarantee that the assumptions underlying such forward-looking statements are free from errors nor does the Company accept any responsibility for the actual occurrence of the forecasted developments. The Company neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

Where any information and statistics are quoted from any external source, such information or statistics should not be interpreted as having been adopted or endorsed by the Company as being accurate. Presentations of the company usually contain supplemental financial measures (e.g., return on investment, return on equity, gross/net combined ratios, solvency ratios) which the Company believes to be useful performance measures but which are not recognised as measures under International Financial Reporting Standards, as adopted by the European Union ("IFRS"). Therefore, such measures should be viewed as supplemental to, but not as substitute for, balance sheet, statement of income or cash flow statement data determined in accordance with IFRS. Since not all companies define such measures in the same way, the respective measures may not be comparable to similarly-titled measures used by other companies. This presentation is dated as of 13 August 2018. Neither the delivery of this presentation nor any further discussions of the Company with any of the recipients shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since such date. This material is being delivered in conjunction with an oral presentation by the Company and should not be taken out of context.

Guideline on Alternative Performance Measures - For further information on the calculation and definition of specific Alternative Performance Measures please refer to the Annual Report 2017 Chapter "Enterprise management", pp. 25 and the following, the "Glossary and definition of key figures" on page 290 as well as our homepage http://www.talanx.com/investor-relations/ueberblick/midterm-targets/definitions_apm.aspx