

talanx.

Versicherungen. Finanzen.

Retail Germany roadshow

22 March 2022

Christopher Lohmann,
Member of Group Board
Head of Retail Germany

Sven Lixenfeld,
Head of German Life

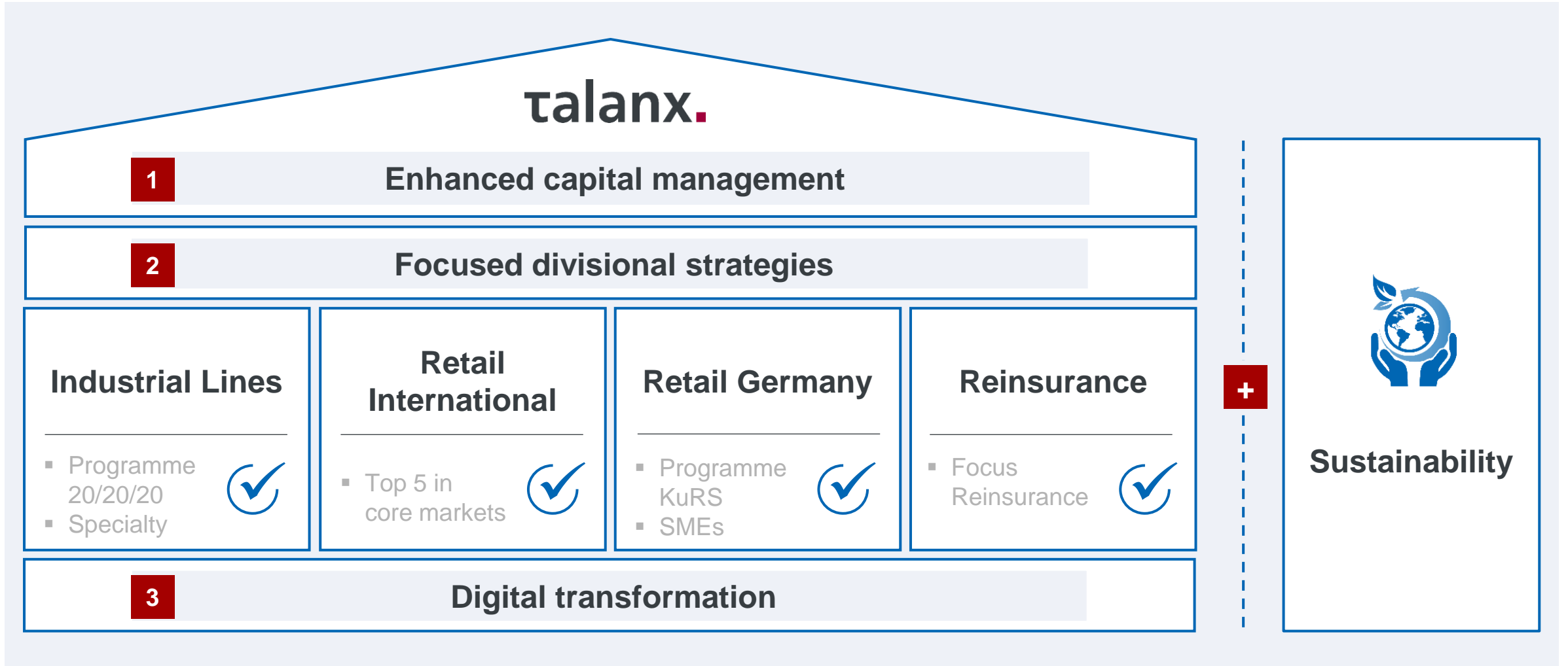




Agenda

- 1 Talanx Group**
- 2 Retail Germany
- 3 Life business in Retail Germany
- 4 Appendix

1 Our structure and current strategic focus



1 2021 results summary

1 Strong top line



>10%
GWP growth
FY 2021

Growing
profitably



2 Strong bottom line



~10%
RoE
FY 2021

Well above
cost of capital



3 Resilience

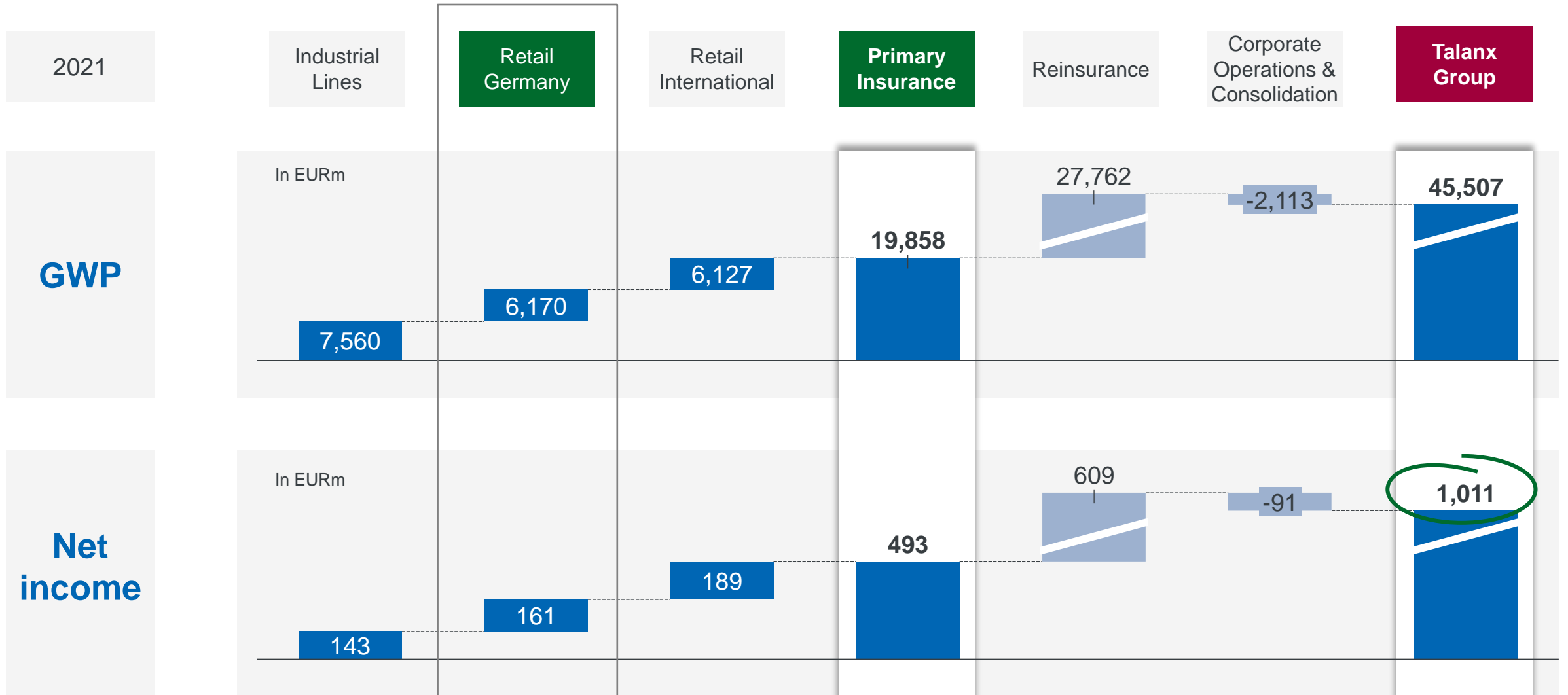


~200%
S2 CAR
FY 2021

Diversified
business model

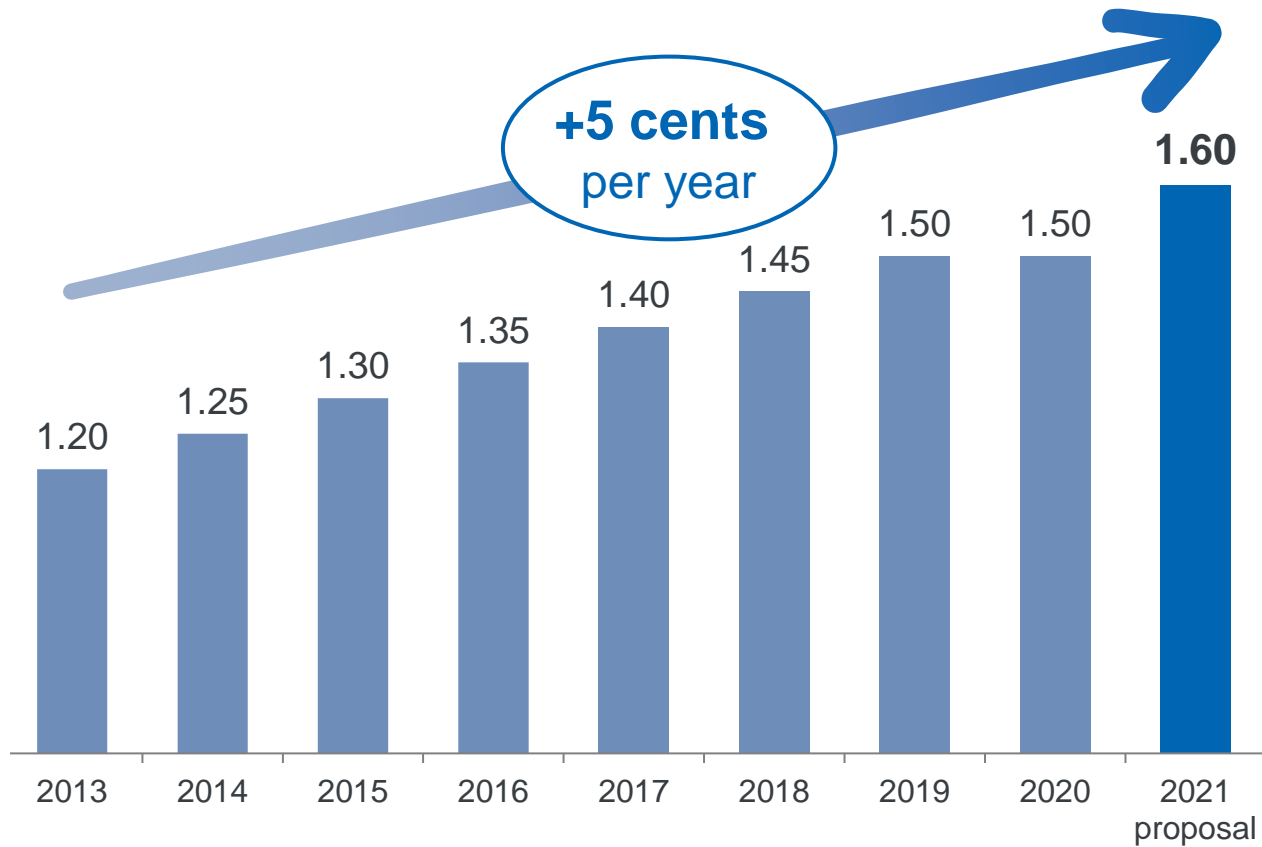


1 Well diversified portfolio with three strong primary insurance divisions



1 Growing dividends

Dividend per share (in EUR)

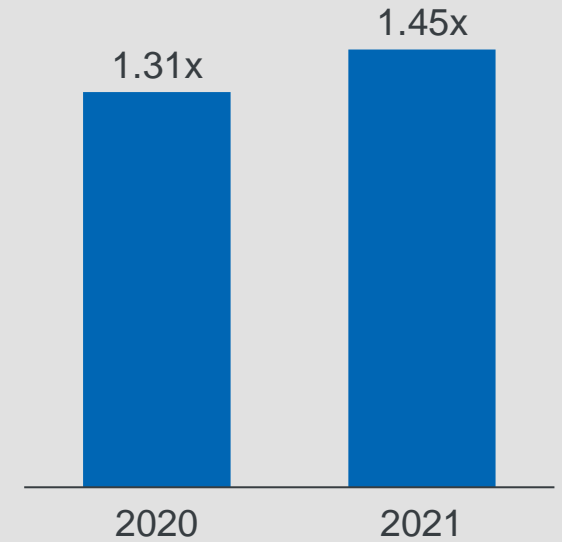


Note: 2021 dividend proposal implies a pay-out ratio of 40% of IFRS earnings

Dividend policy subject to review as part of general strategy update 2023-2025

Cash pool

Retained profits carried forward under German GAAP divided by annual dividend



Target cash pool of >1.5x dividend likely to be achieved for financial year 2023 at the latest



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2 Introduction to Retail Germany

2021

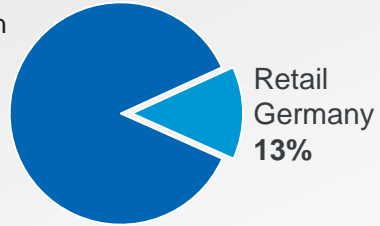
Talanx Group¹

Retail Germany

Retail Germany Life

GWP

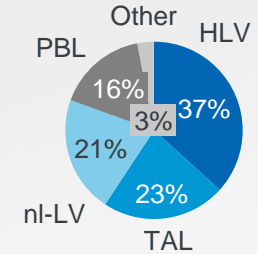
45.5 EURbn



6.2 EURbn

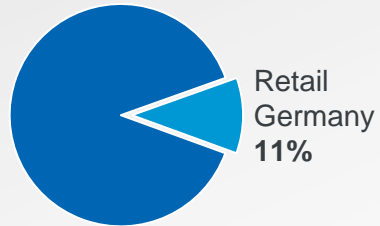


4.6 EURbn

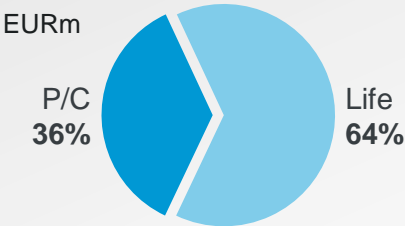


EBIT

2.5 EURbn



286 EURm



RoE

9.6%



7.2%



AM contribution

HDI Lebensversicherung AG

HDI sales channels: brokers, tied agents and direct sales

TARGO Lebensversicherung AG

Bancassurance cooperation with TARGOBANK

neue leben Lebensversicherung AG

Bancassurance cooperation Cooperation with multiple saving association bancs

PB Lebensversicherung AG

Bancassurance cooperation with Postbank / Deutsche Bank

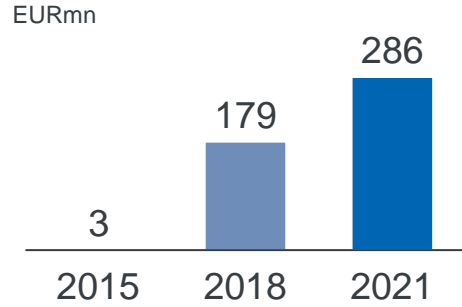
Other

Bancassurance cooperation LifeStyle and pension funds carriers

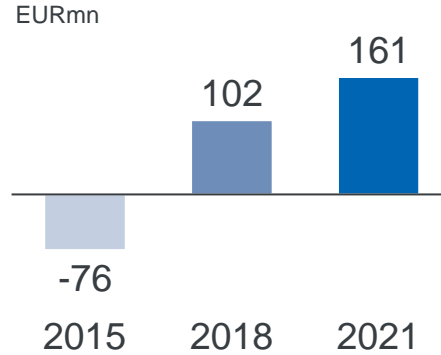
¹ Percentages for GWP and EBIT are calculated in percent of Group adjusted for Corporate Operations and Consolidation (e.g. subtracting EUR 1,119m and adding back EUR 3,232m to EUR 45,507m)

Retail Germany is now solid profit contributor to the group

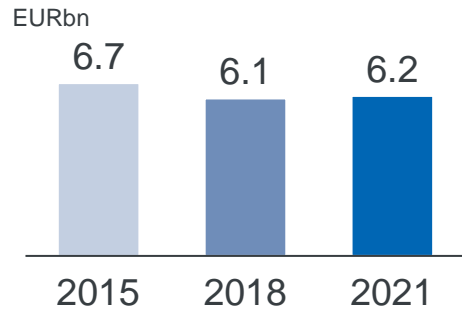
EBIT



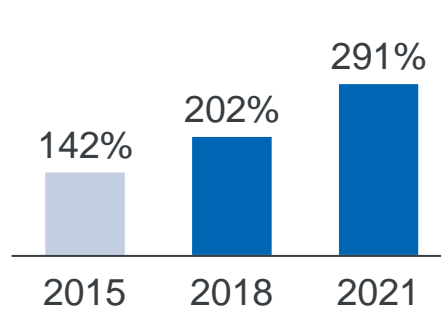
Net income



GWP



S2 ratio Life¹

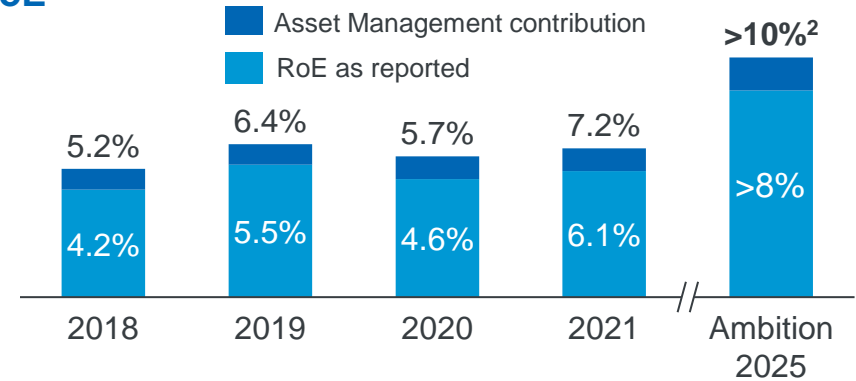


1 As-if-merged Solvency Capital Adequacy Ratio for the four German life entities, excluding transitional measure, as of period end. 2 RoE including Asset Management contribution



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

RoE





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3 Turnaround from weakness to profit driver initiated

Investors concerns...

"I am very concerned about the German Life business and it keeps me from investing more in the Talanx stock"

TX Investor; Sep 2020

"The low primary insurance ROE is mainly due to the dilution from the capital-intensive German life back book rather than due to value destruction on new business."

Berenberg analyst; Oct 2021

"We see an unprecedented need in the German and broader European market for equity capital and reinsurance solutions to support run-off portfolios and closed block reinsurance transactions, particularly those with high guarantees"

Deepak Rajan, Executive Vice President at Athora; Apr 2017

...are addressed by our strategic goals



Improve inforce management – do it like the dedicated PE players



Focus new business on profitable products – radically delist all products not delivering 10% RoE p. a.



RoE ambition >10%



Market players set the benchmark...

... that HDI can achieve

VIRIDIUM  **ATHORA**

HDI

Run-off for risk carriers

Internal run-off for Postbank Life Insurance and HDI Pensionskasse; de-facto internal run-off for HDI Life Insurance related to guarantee business

3 risk carriers as of 2023

Consistent de-risking: hedging of assets and liabilities

Enforced inforce management with two dedicated units in actuarial and operations. Consequent closing of duration mismatch with investments „long and secure“ - using every temporary interest high

291% solvency ratio Dec 2021

Focused management and separated responsibilities for sales and back book

Dedicated and separated management responsibilities for New business and back-books.

*F. von Löffbecke
Bartek Maciaga
Silke Fuchs*

Cost-optimised IT strategy

Change in IT strategy with different view on new business and stock business

IT cost at benchmark level

Consistent cost and performance management

Structural change of target operating model for sustainable reduction in administration costs

Admin. cost at benchmark level (25 € per contract)

Matching employee mindset

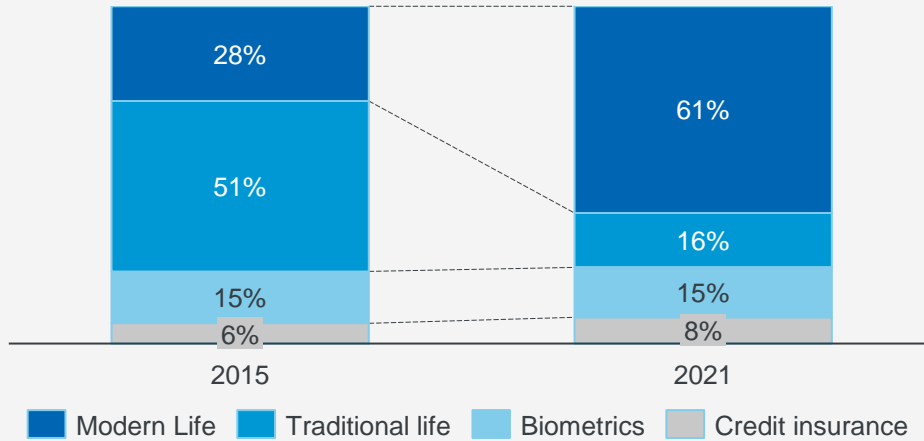
Strict codification of RoE and costs target in target agreements

10% RoE fixed in target agreements



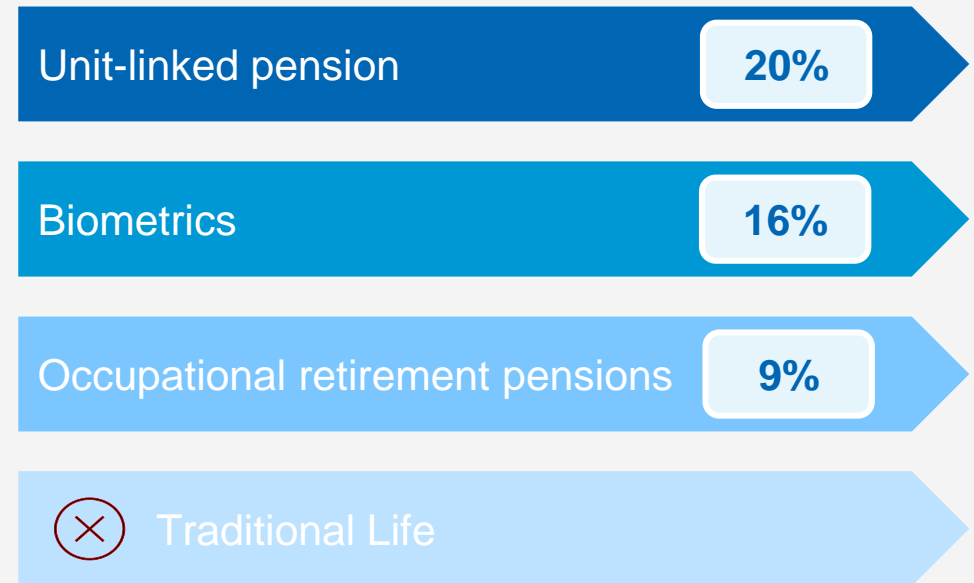
Evolution: Minimise guarantees

Product mix of new business



Revolution: Strong focus on profitability

Inherent profitability of the products¹



¹ Return on equity per annum

Market perspective

- **From a customer perspective**, there is further need for private pensions due to insufficient state pensions
- **New government** supports further reduction of interest rate guarantees to improve customer needs



Strategic measures

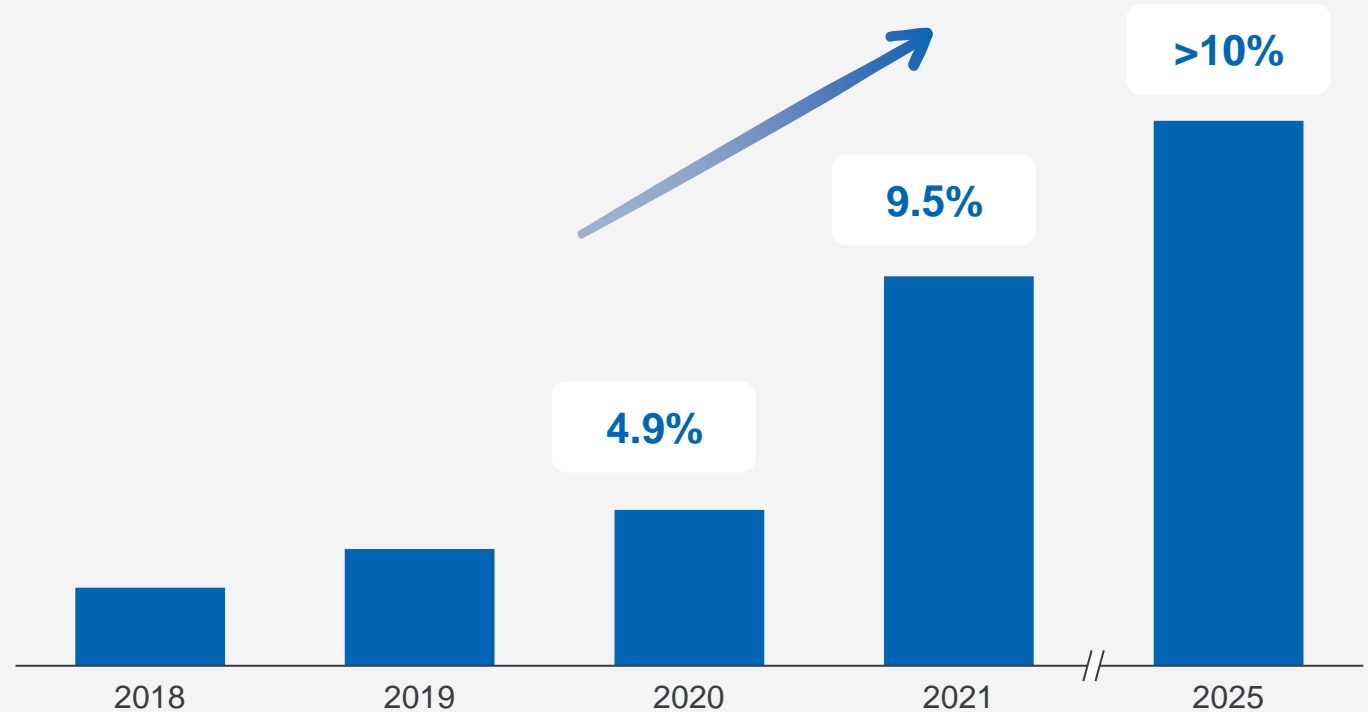
Ambition ROE Life >10% (incl. AM contribution)



Improve inforce business



Focus new business on profitable products





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Outlook 2022 for Talanx Group



Currency-adjusted
GWP growth



Net return on
investment



Group
net income



Return
on equity



Dividend
payout



Dividend policy subject to review as part of general strategy update 2023-2025

Outlook
2022

Mid single-digit
% growth

~2.4%

EUR 1,050 - 1,150m

~10%

35 – 45% of IFRS earnings
DPS at least stable y/y

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 geopolitical conflict in Ukraine is emerging as an uncertainty factor. It is currently too early to assess the impact on the current business year. The targeted dividend payout is subject to the regulator's approval.

4 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%

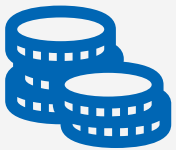
¹ ~6.5% excluding Asset Management contribution

4 Low direct exposure to Russia and Ukraine



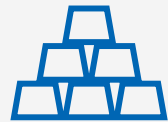
GWP 2021

EUR 94m



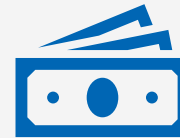
Investments

EUR 136m



Dividend default risk

NA



Impairment risk¹

EUR 4m



Note: All data except GWP as of 21 February 2022. All data exclude CiV Life, which was sold to Sovcombank (purchase price received on 16 February 2022). A reliable and comprehensive assessment of the direct and indirect impact which the war in Ukraine might have on group profitability is not yet possible

¹ Relating to book value of HDI Global S.E. subsidiary in Russia

4 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	Σ Primary Insurance	Reinsurance	Corporate Operations	Consolidations	Talanx Group
2014	121	-84	122	159 24%	508 76%	132	-30	769
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

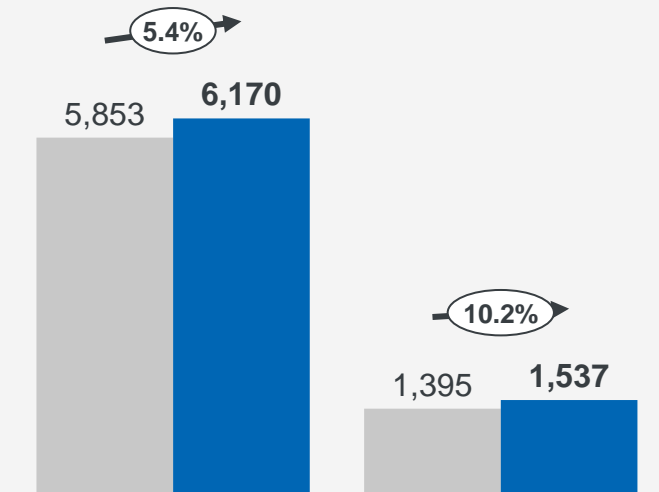
Note: Primary Insurance is the sum of Industrial Lines, Retail Germany and Retail International. Percentages are calculated in percent of Group net income adjusted for Corporate Operations and Consolidation (e.g. adding back EUR 105m to, and subtracting EUR 14m from, EUR 1,011m in 2021)

Retail Germany

Strong sales results

EURm ■ 2020 ■ 2021

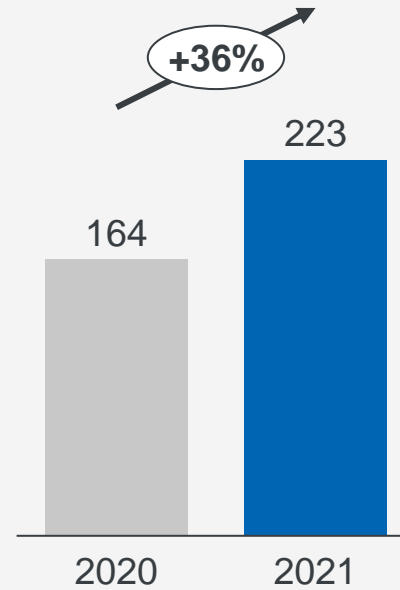
Gross written premiums (GWP)



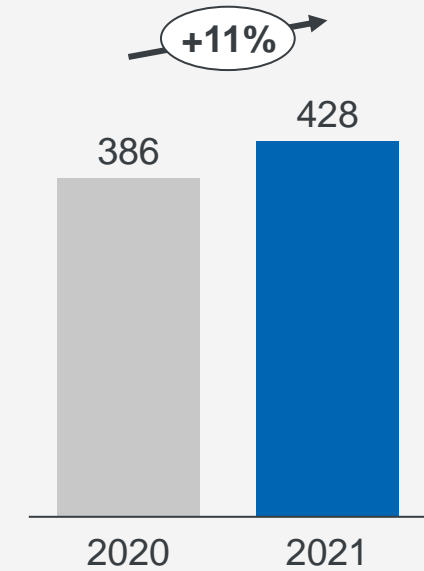
Retention ratio in %

92.3	91.6	88.0	93.0
GJ		Q4	

New business P/C (APE)



New business Life (APE)

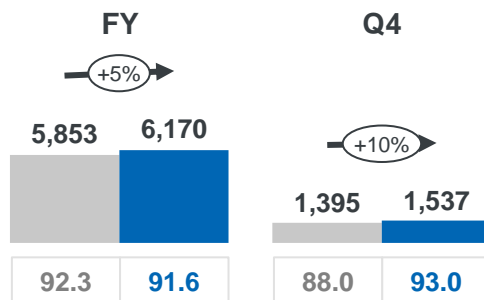


Retail Germany (total)

4 Restructuring completed – now focusing on profitable growth

FY 2021 Corona impact (EBIT)		
Claims	EUR	-4
Run-off	EUR	1
Offsetting	EUR	10
Investments	EUR	n.a.

Gross written premiums (GWP)

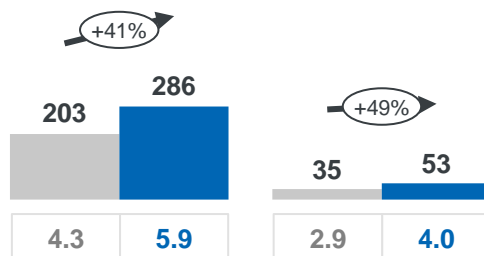


- FY gross written premiums up 4.8% in P/C and 5.6% in Life, reflecting more normalisation after lockdown in 2020 and continued increase in SME business
- Net premiums up 2.9% in FY, up 11.1% in Q4

Retention ratio in %



Operating result (EBIT)

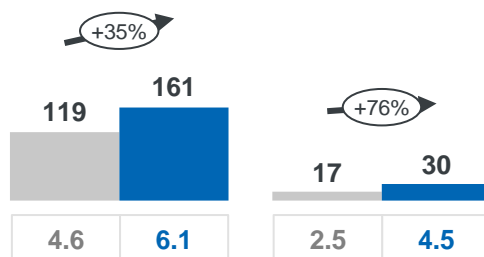


- FY EBIT increase due to development in Life
- Q4 EBIT: Significant increase in Life partially offset by decrease in P/C, which was impacted by the normalisation of frequency losses versus 2020 and by EUR 26m restructuring expenses (EUR 37m additional restructuring expenses in Life with no EBIT impact)
- FY 2021 EBIT target of EUR 240m outperformed by almost 20%

EBIT margin in %



Net income



- GO25 transformation, as presented at Capital Markets Day in November 2021, is in progress
- FY 2021 RoE of 7.2% including Asset Management contribution (5.7% in 2020)

RoE in %



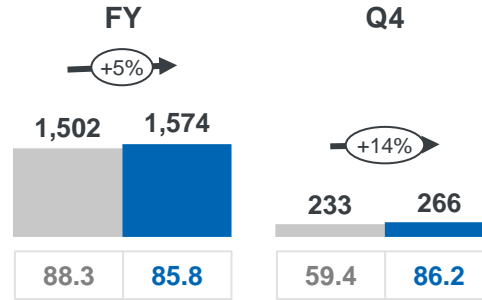
EURm, IFRS ■ 2020 ■ 2021

4 Retail Germany P/C

Floods impact weighs on full-year results

FY 2021 Corona impact (EBIT)		
Claims	EUR	-4
Run-off	EUR	1
Offsetting	EUR	10
Investments	EUR	na

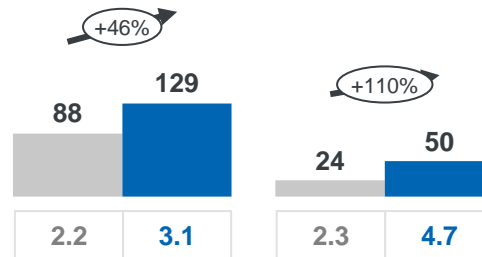
Gross written premiums (GWP)



Retention ratio in %



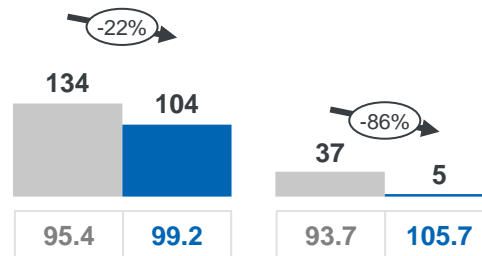
Net investment income



Return on investment in %



Operating result (EBIT)



Combined ratio in %



EURm, IFRS ■ 2020 ■ 2021

- 9% increase in FY GWP in target business with SMEs and self-employed professionals to EUR 475m; 10% increase in Q4
- Increase in SME and property partially offset by EUR 36m decline in Motor
- Net premiums earned down 0.3% in FY, impacted by change in the reinsurance structure in Q4 2020 (EBIT-neutral), and by EUR 20m reimbursement premium to reinsurers related to July flood event

- High 4.7% net return on investment in Q4 includes EUR 9m private equity gains
- Increase in FY net return on investment also impacted by non-recurrence of Corona-related impairments in 2020
- Decrease in FY technical result to EUR 11m (EUR 62m in FY 2020) impacted by flood event (total of EUR 36m losses) and higher claims frequency

- Q4 technical result (EUR -20m) reflects normalised frequency losses and higher distribution cost ratio due to shift to SME business
- FY combined ratio adjusted for Corona impact at 99.8% (FY 2020: 94.6%)
- FY 2021 combined ratio at 97.1% if adjusted for Corona and "Bernd"
- EBIT down in FY and Q4, despite increase in net investment income, mainly due to flood event and EUR 25m restructuring expenses in Q4 2021

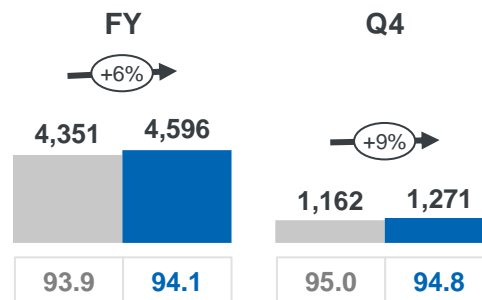
Retail Germany Life

Business picking up momentum

FY 2021 Corona impact (EBIT)

Claims	-
Run-off	-
Offsetting	-
Investments	-

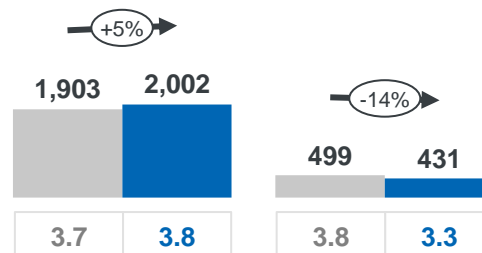
Gross written premiums (GWP)



Retention ratio in %



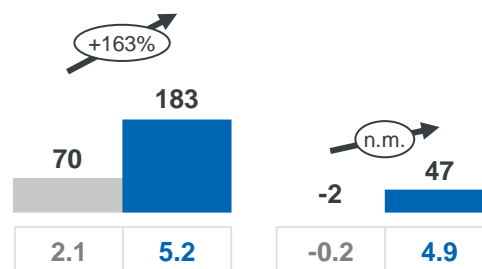
Net investment income



Return on investment in %



Operating result (EBIT)



EBIT margin in %



EURm, IFRS ■ 2020 ■ 2021

1 Largest biometric product is payment protection insurance (PPI)

- FY new business increased 11% to EUR 428m (APE), 28% of which in biometric products¹ (31% in FY 2020); EUR 14m in new fund-linked product CleverInvest
- Q4 new business increased 17% y/y to EUR 146m (APE)
- Due to focus on profitable products we expect low single-digit percentage decline of GWP 2022 versus 2021

- FY net investment income and RoI up due to increase in net realised gains (+EUR 149m to EUR 928m), to finance ZZR requirements and restructuring expenses
- FY 2021 ZZR allocation under German accounting of EUR 493m, thereof EUR 169m in Q4 (FY 2020: EUR 626m, Q4 2020: EUR 189m). Total stock of ZZR as of 31 December 2021 at EUR 4.9bn

- Significant FY EBIT increase partly due to non-recurrence from EUR 16m negative Corona-related impact in 2020, and EUR 16m amortisation of investment in bank distribution platform in 2020
- As-if-merged Solvency 2 Capital Adequacy Ratio for the four German life entities as of 31 December 2021 (without transitional measure) at 291%