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PERFORMANCE AND RESULTS

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Insurance. Investments.

6M 2017 Results
14 August 2017

Herbert K. Haas, CEO
Dr. Immo Querner, CFO

Key essentials:

6M 2017 results significantly up triggering the increase in FY Outlook

6M 2017 Group net income up 15% y/y to EUR 463m – all divisions contributing to this improvement

The Group's combined ratio largely stable at 97.0% (6M 2016: 96.8%). Large losses in Primary Insurance as well as in Reinsurance below the previous year's level and within their respective large loss budgets

Retail Germany P/C business growth has picked up - combined ratio, also when adjusted for KuRS effects, further down

Shareholders' equity stood at EUR 8,968, or EUR 35.48 per share at the end of Q2 2017. Strong RoE at 10.3% (FY2016: 10.4%), driven by the double-digit RoEs in Reinsurance and in Industrial Lines

Guidance up: the Group now expects a FY2017 Group net income of ~EUR 850m (up from ~EUR 800m). GWP growth expected >4% (up from >1%), RoE ~9.0% (up from >8.0%)



FTSE4Good

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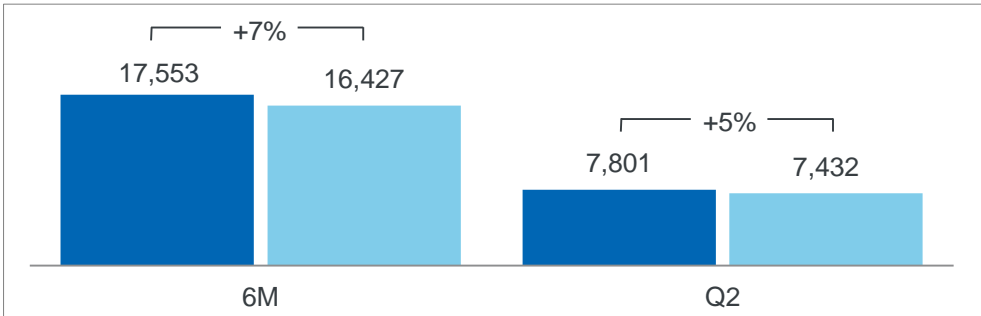
Mid-term Target Matrix

Additional Information 6M 2017

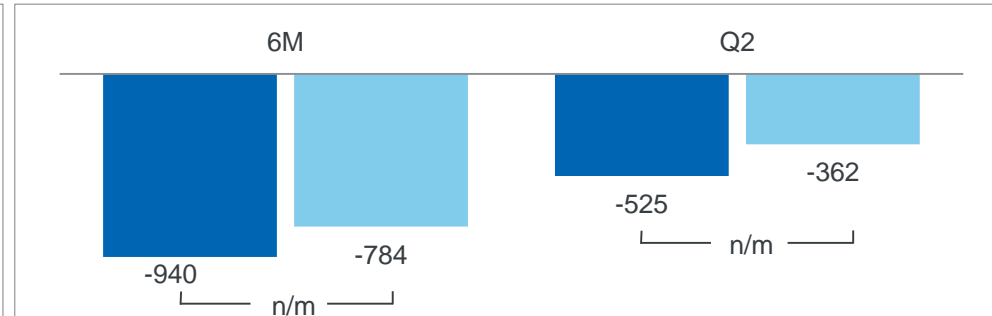
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6M 2017 results – Key financials

Gross written premium



Net underwriting result



Retention rate in %



Combined ratio in %



- 6M 2017 GWP markedly up +6.9% y/y (curr.-adj. GWP growth rate of +6.5%). Main growth contribution from Retail International and P/C Reinsurance. Q2 2017 GWP up +5.0% (curr.-adj.: +5.3%)
- Retention rate slightly up – in line with strategic plan
- Large losses on Group level well within the pro-rata large loss budget





- Net underwriting result deteriorated, mainly due to higher policyholder participation in German Life
- Combined ratio largely stable in 6M 2017 y/y, slightly up in Q2 2017. The latter mainly due to the higher cost ratio in P/C Reinsurance

EURm, IFRS ■ 2017 ■ 2016

▶ Strong top-line growth continued over 6M 2017 – combined ratio largely stable y/y

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Large losses¹ in 6M 2017 (in EURm)

NatCat	Primary Insurance	Reinsurance	Talanx Group	Man-made	Primary Insurance	Reinsurance	Talanx Group
 Storms	27.6 (Cyclone „Debbie“: 7.2 Storm „Quirin“: 20.5)	57.4 (Cyclone „Debbie“: 46.4 Tornadoes, USA: 11.0)	85.1 (Cyclone „Debbie“: 53.6 Tornadoes, USA: 11.0 Storm „Quirin“: 20.5)	 Fire/Property	41.6	29.2	70.8
 Wildfire	2.9 (Chile)	19.8 (Chile)	22.7 (Chile)	 Credit		16.4	16.4
Total NatCat	30.5	77.2	107.8	Total Man-made	41.6	45.6	87.2
Total large losses	Primary Insurance	72.1 (142.4)	Reinsurance	122.9 (352.7)	Talanx Group	195.0 (495.1)	

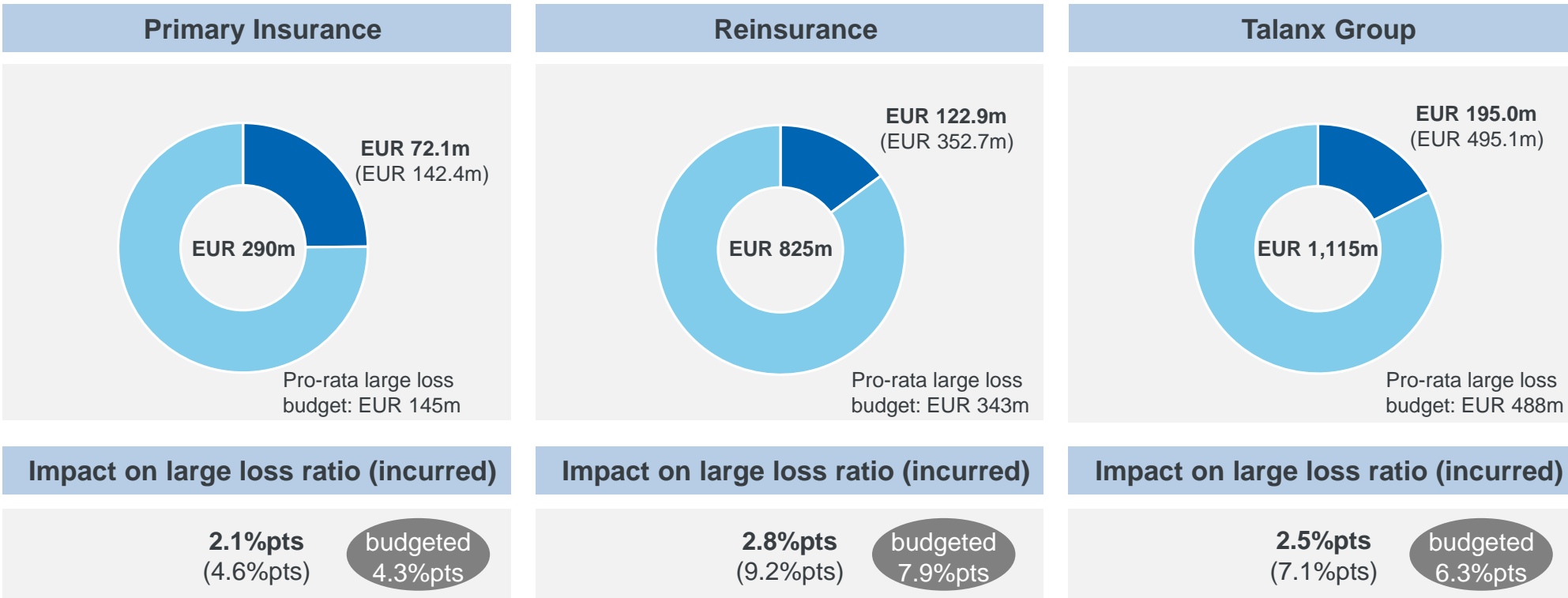
6M 2017 (6M 2016)

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

Note: 6M 2017 Primary Insurance large losses (net) are split as follows: Industrial Lines: EUR 62.5m; Retail Germany: EUR 6.7m; Retail International: EUR 2.9m, Corporate Operations: EUR 0m; since FY2016 reporting onwards, the table includes large losses from Industrial Liability line, booked in the respective FY.

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Large loss budget in 6M 2017



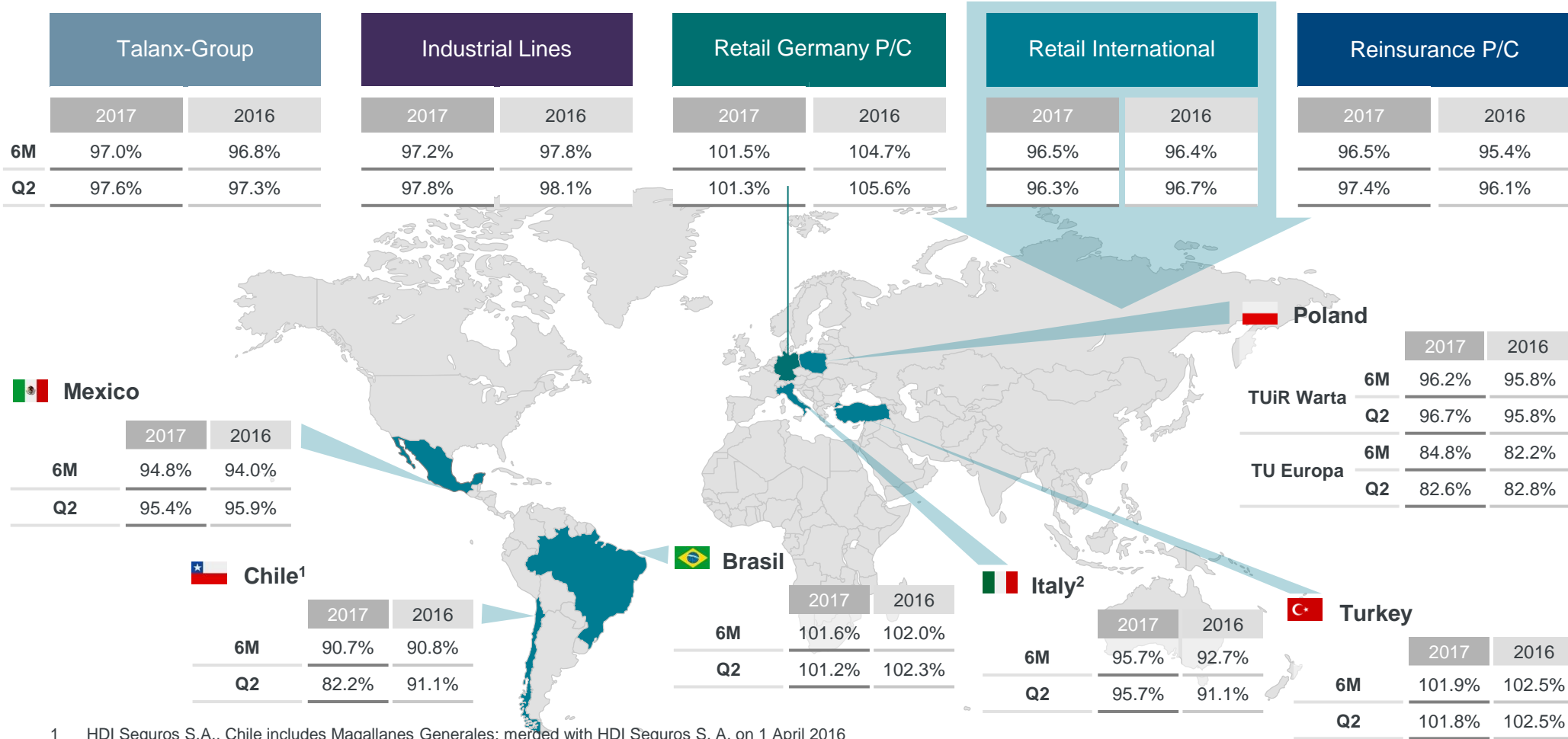
● FY large loss budget
 ■ thereof used budget

6M 2017 (6M 2016)

▶ Primary Insurance as well as Reinsurance well within their respective pro-rata large loss budgets

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Combined Ratios



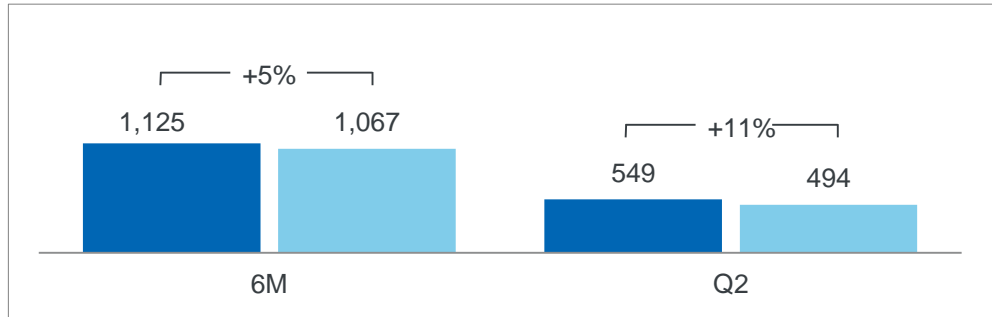
1 HDI Seguros S.A., Chile includes Magallanes Generales; merged with HDI Seguros S. A. on 1 April 2016

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

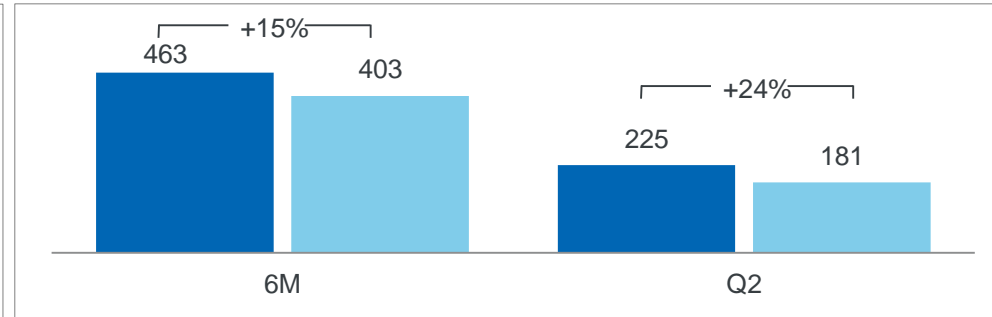
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6M 2017 results – Key financials

Operating result (EBIT)



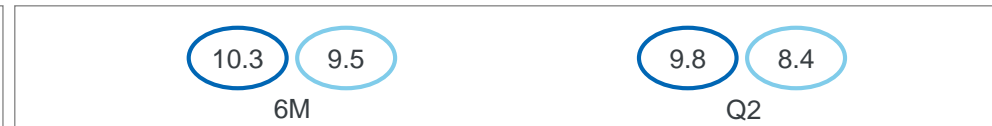
Group net income



RoI in %



RoE in %



- 6M 2017 investment result up +6%, partly due to higher extraordinary gains; ordinary investment result also up, e.g. in Reinsurance and Retail International
- EBIT up, reflecting premium growth at largely stable combined ratios in P/C segments and the improved „other result“ in Retail Germany – the latter as a result of no further provisions for personnel redundancies

- Industrial Lines and Retail Germany P/C are the main drivers of the improved operating result
- Net income with a lower tax rate (6M 2017: 25.4%; 6M 2016: 30.4%), resulting from tax benefits from previous years in Retail Germany and from international entities with below-average tax rates, e.g. Industrial Lines and Retail Internat.

EURm, IFRS ■ 2017 ■ 2016



Strong top-line growth and profitable underwriting lead to significantly higher bottom-line result

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6M 2017 – Divisional contribution to change in Group net income

in EURm



▶ Improvement of Group net income driven by all operating divisions

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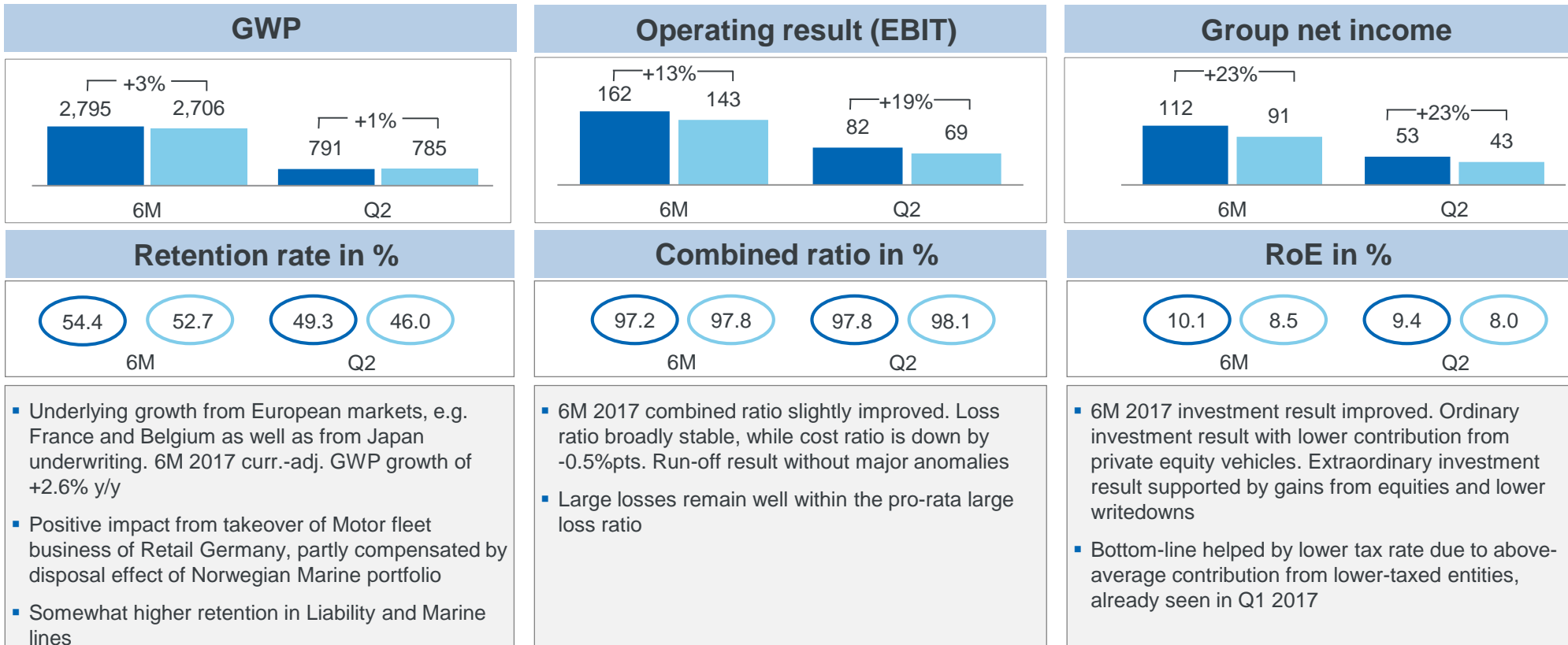
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Mid-term Target Matrix

Additional Information 6M 2017

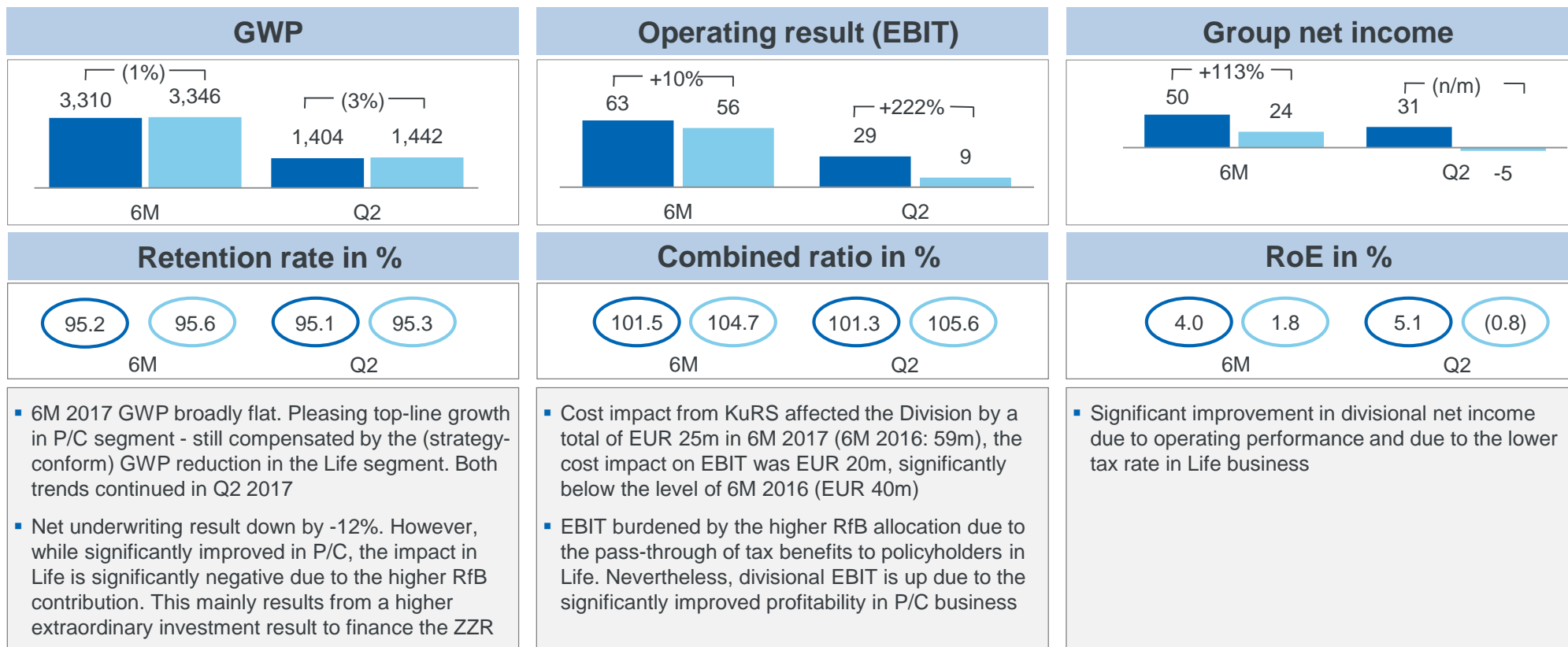
2 Segments – Industrial Lines



EURm, IFRS ■ 2017 ■ 2016

▶ Improved net underwriting and investment result lead to higher profitability

2 Segments – Retail Germany Division

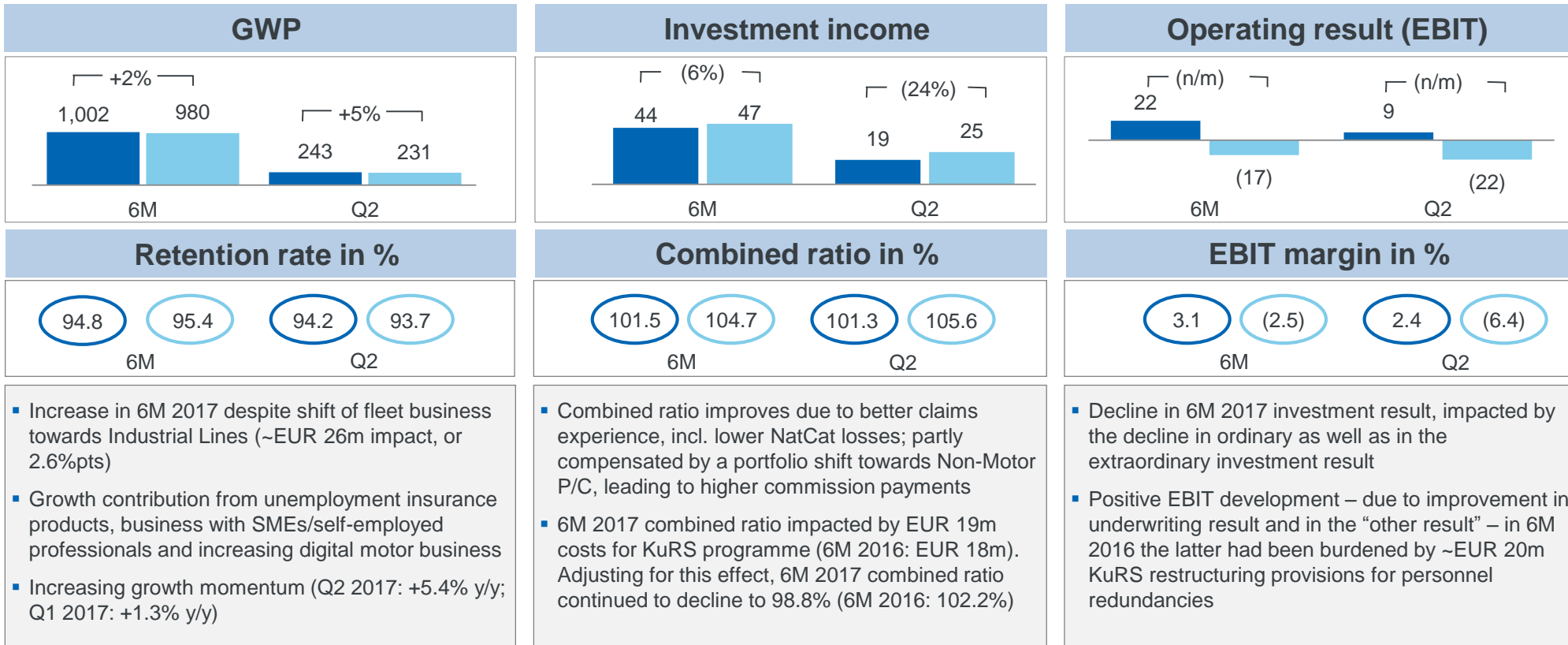


EURm, IFRS ■ 2017 ■ 2016

▶ Bottom line significantly up - improved profitability in P/C segment

2

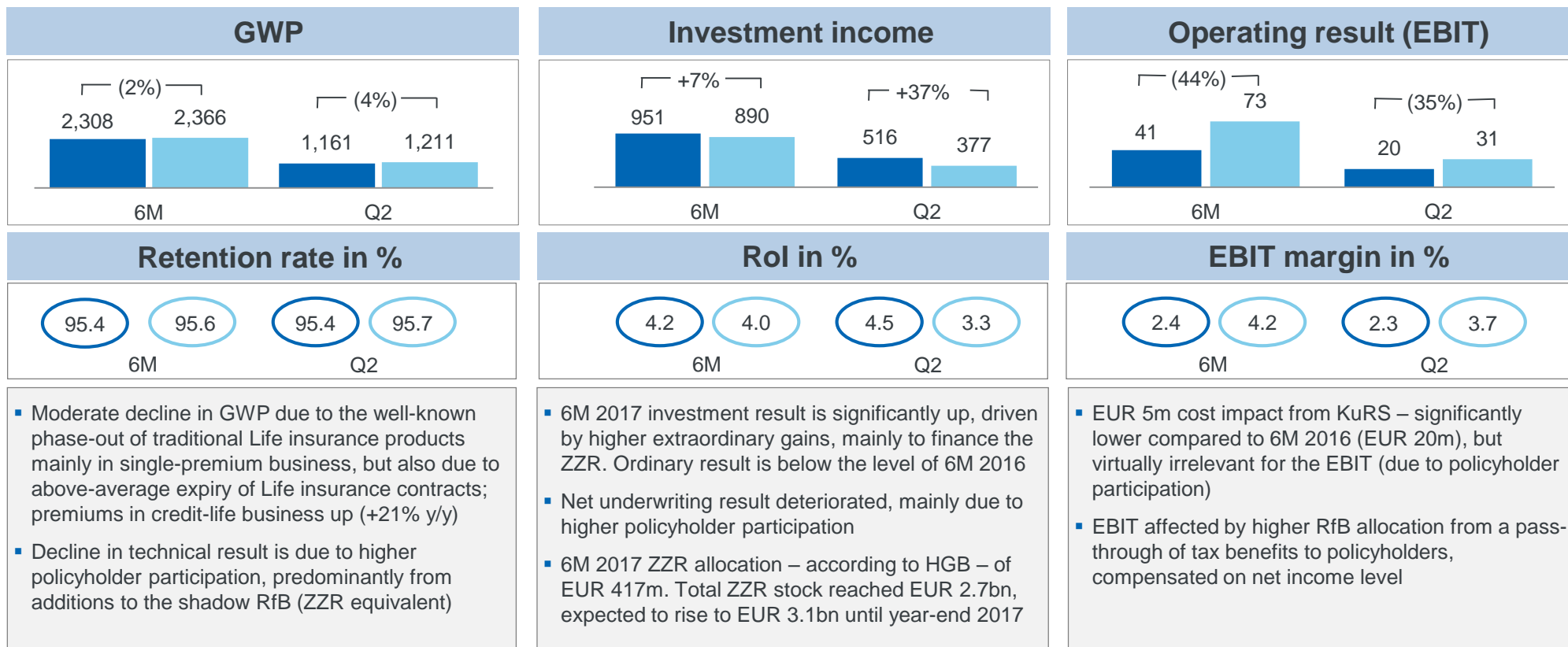
Segments – Retail Germany P/C



EURm, IFRS ■ 2017 ■ 2016

▶ Significant EBIT improvement due to lower KuRS costs and due to the further improved underlying technical performance

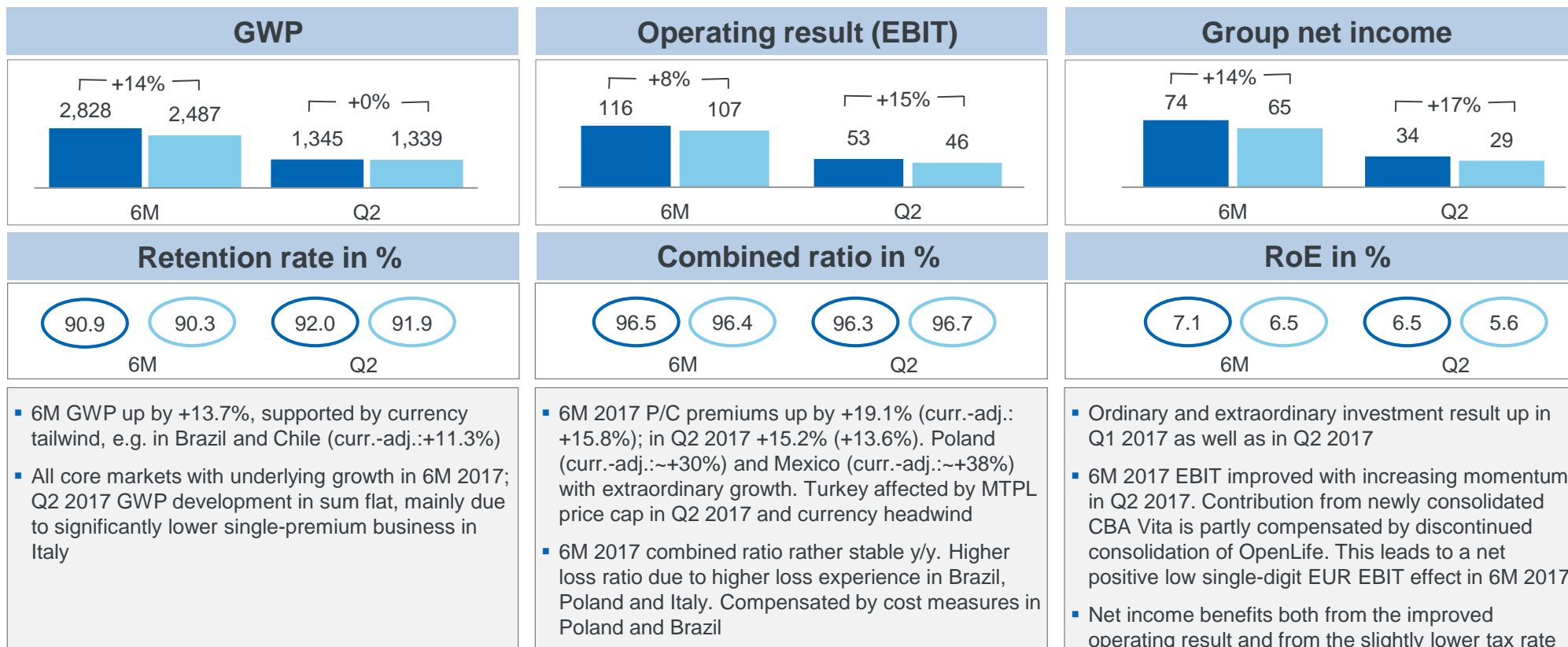
2 Segments – Retail Germany Life



EURm, IFRS ■ 2017 ■ 2016

▶ Strategy-conform decline in traditional business – EBIT improved when adjusting for ZZR and tax effects

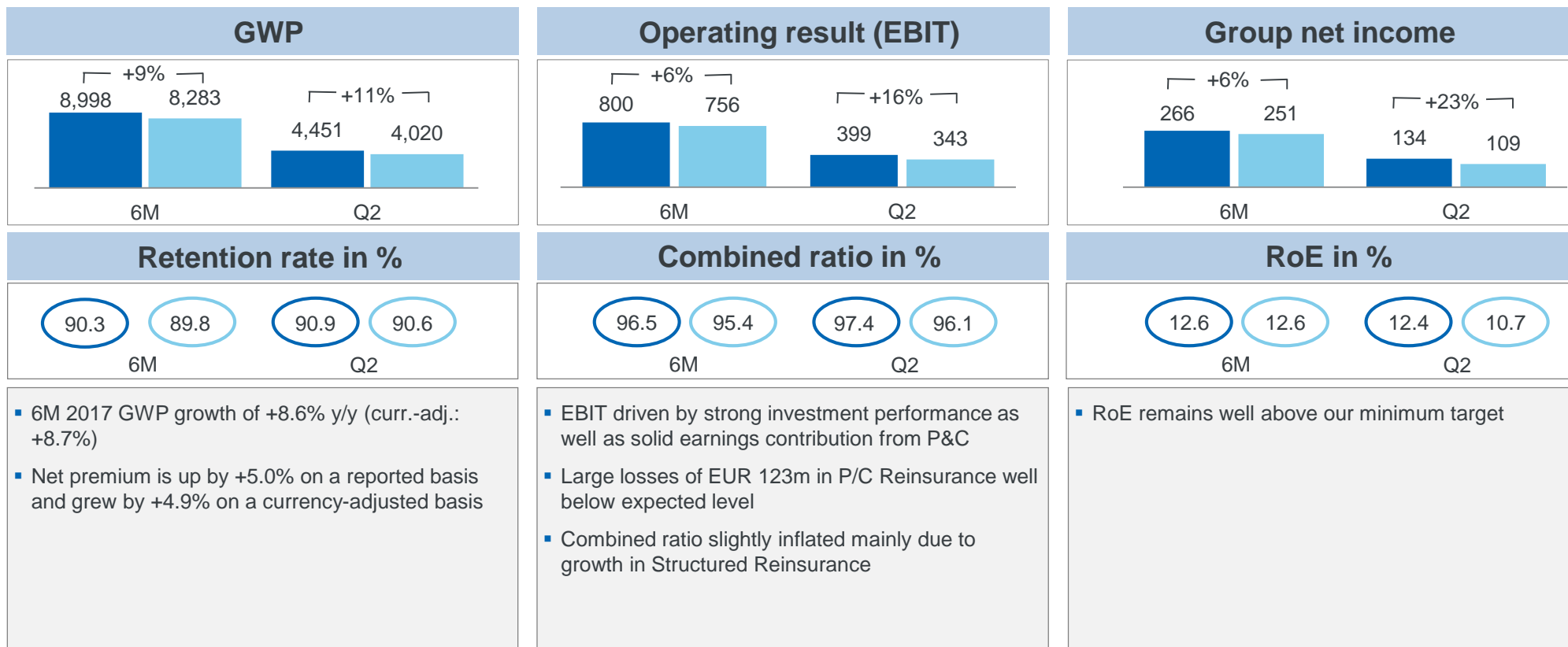
2 Segments – Retail International



EURm, IFRS ■ 2017 ■ 2016

▶ Strong top-line growth and significant improvement of profitability

2 Segments – Reinsurance Division



EURm, IFRS ■ 2017 ■ 2016

▶ 6M 2017 results in line with full-year targets

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3 Net investment income

Net investment income Talanx Group

EUR m, IFRS	6M 2017	6M 2016	Change
Ordinary investment income	1,683	1,639	+3%
thereof current investment income from interest	1,359	1,374	(1%)
thereof profit/loss from shares in associated companies	7	3	+133%
Realised net gains/losses on investments	466	330	+41%
Write-ups/write-downs on investments	(95)	(106)	(10%)
Unrealised net gains/losses on investments	30	44	(32%)
Investment expenses	(113)	(118)	(4%)
Income from investments under own management	1,971	1,789	+10%
Income from investment contracts	(2)	6	(133%)
Interest income on funds withheld and contract deposits	116	167	(31%)
Total	2,085	1,962	+6%

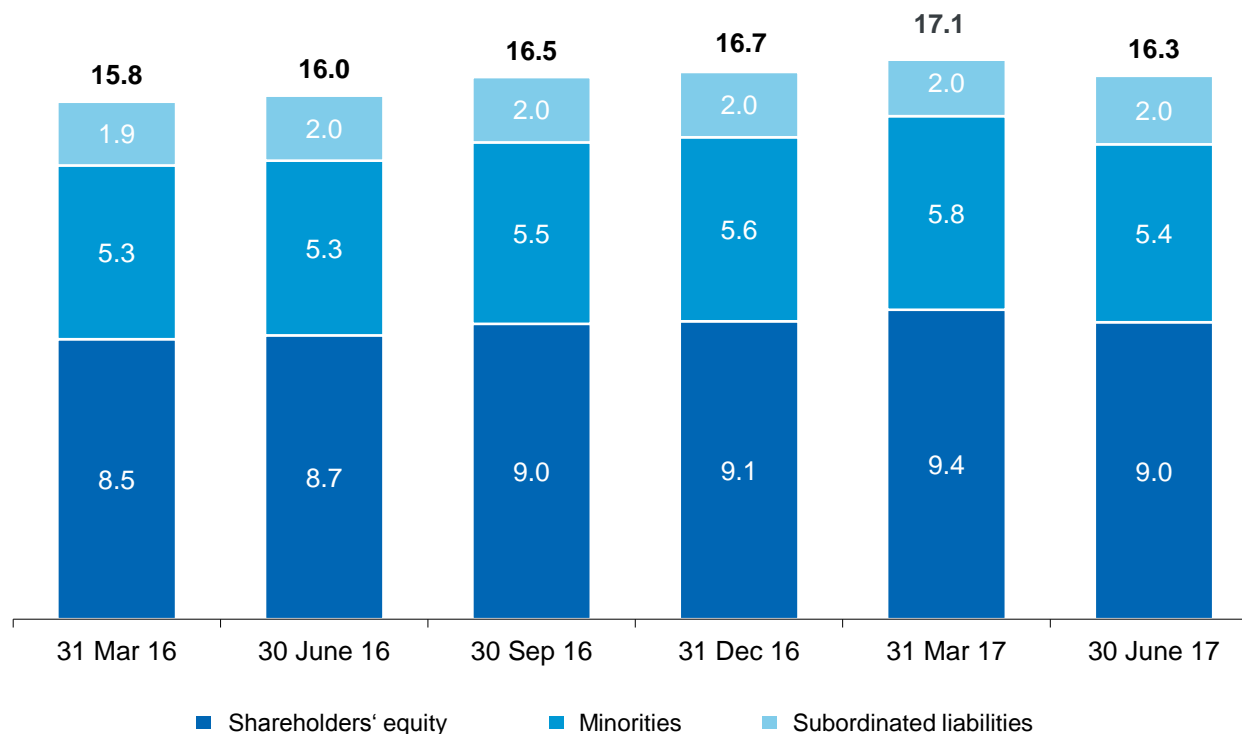
Comments

- Ordinary investment income up. Distributions in real estate and other alternative investments one driver overcompensating the effects from the low-interest environment
- Realised investment net gains ~EUR 140m up y/y to EUR 466m in 6M 2017, predominantly used to finance ZZR. 6M 2017 ZZR allocation: EUR 417m vs. 6M 2016: EUR 295m
- Investment writedowns 10% lower compared to 6M 2016, still at moderate level
- Decent 6M 2017 RoI at 3.7% - slightly higher compared to previous year's level (6M 2016: 3.5%), supported by higher realised gains on investments. Well on track to reach FY2017 outlook of "at least 3.0%"
- Impact from ModCo derivatives was EUR 3m in 6M 2017 vs. 6M 2016: EUR -2m; in Q2 2017 impact was EUR 2m (Q2 2016: EUR 0)

 **6M 2017 RoI of 3.7% at decent level - well on track to reach FY2017 Outlook of "at least 3.0%"**

3 Equity and capitalisation – Our equity base

Capital breakdown (EUR bn)



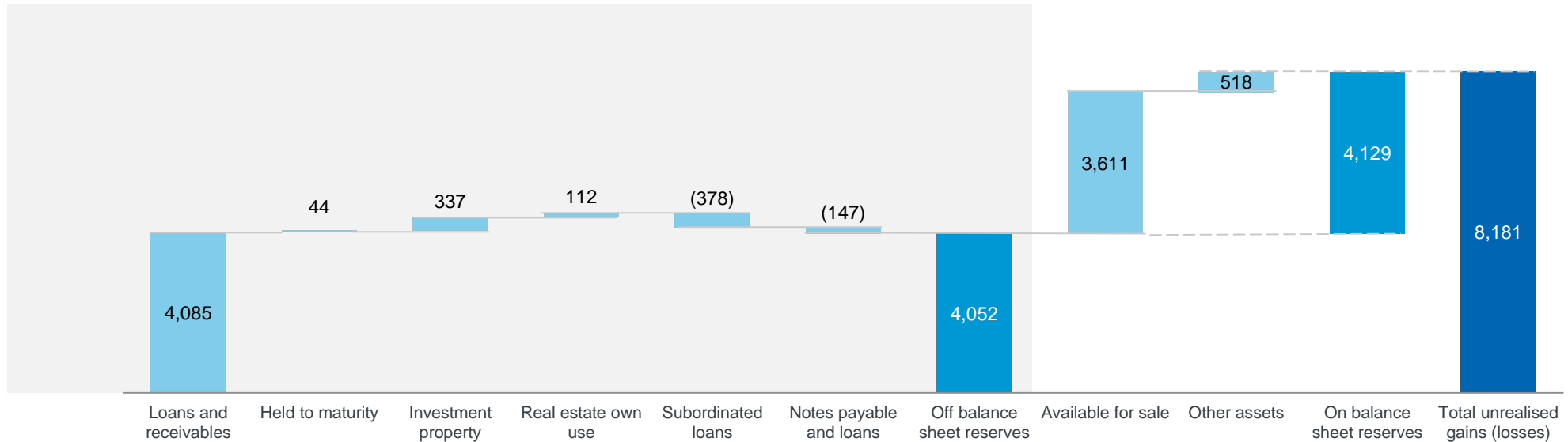
Comments

- Compared to the end of FY2016, shareholders' equity is slightly down by EUR 110m to EUR 8,968m. The decline results from the dividend payout in May 2017 (EUR 341m) and from the EUR 231m lower OCI, which in total could not be fully compensated by the strong 6M 2017 Group net income
- Book value per share at EUR 35.48 (FY2016: 35.91), NAV (excl. Goodwill) per share was EUR 31.35 (EUR 31.80)
- Off-balance sheet reserves amounted to EUR 231m (see next page), or EUR 0.92 per share (shareholder share only), neither included in book value nor in the NAV calculation

▶ Shareholders' equity at EUR 8,968m, or EUR 35.48 per share

3 Equity and capitalisation – Unrealised gains

Unrealised gains and losses (off and on balance sheet) as of 30 June 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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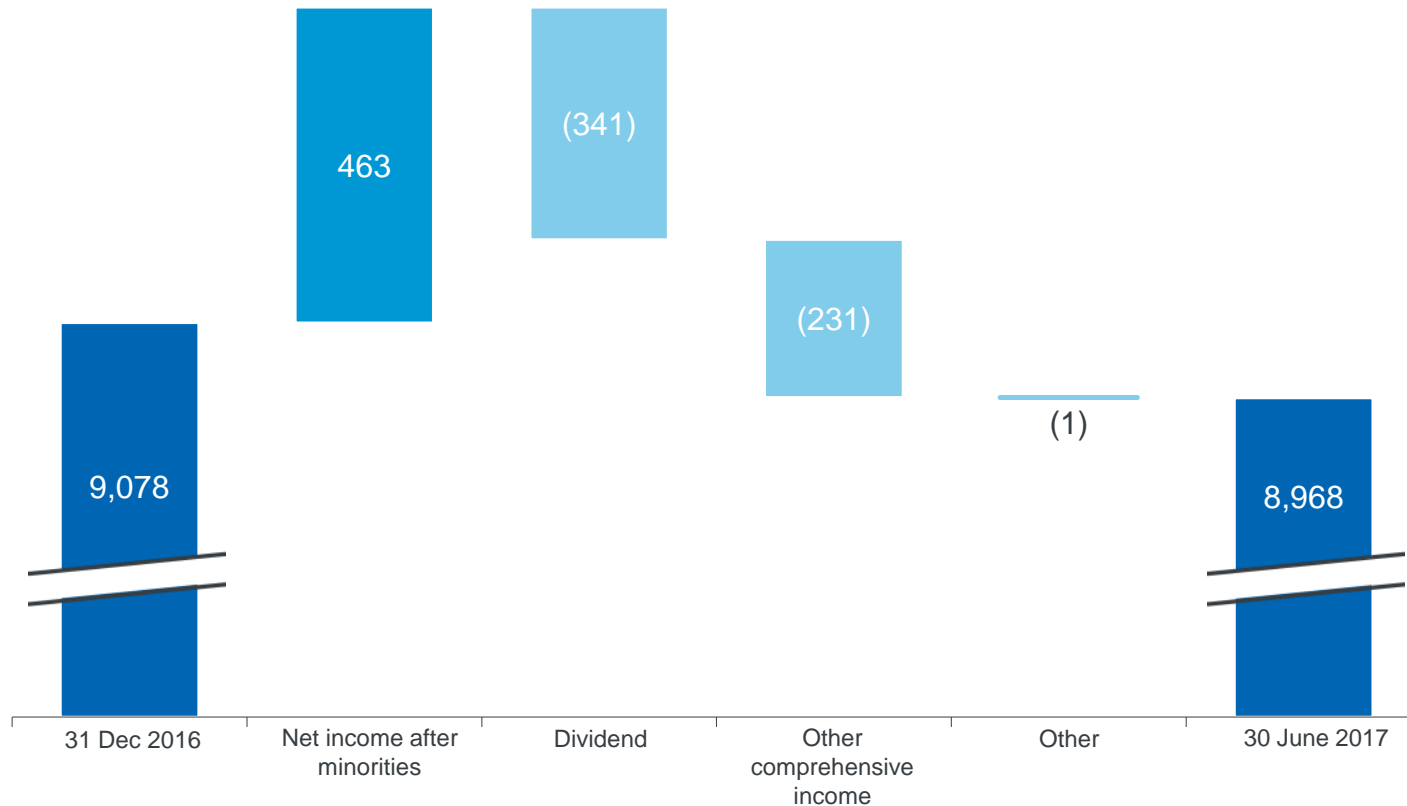
Δ market value vs. book value

Note: Shareholder contribution estimated based on FY2015 profit sharing pattern

▶ Off-balance sheet reserves of ~ EUR 4.1bn – EUR 231m (EUR 0.92 per share) attributable to shareholders (net of policyholders, taxes & minorities)

3 Equity and capitalisation – Contribution to change in equity

In EURm



Comments

- At the end of 6M 2017, shareholders' equity stood at EUR 8,968m, or EUR 110m below the level of FY2016
- The decline reflects the dividend payout in May 2017 (EUR 341m) and the EUR 231m lower OCI, which could not be fully compensated by the net income contribution (EUR 463m)
- The decline in OCI results predominantly from currency effects
- At the end of Q1 2017, the Solvency II Ratio (Solvency II view, HDI Group level) stood at 194% (FY2016: 186%) excl. the effect of transitional measures– update for 6M 2017 until end-Sept. on our webpage: <http://www.talanx.com/investor-relations/berichte-risikomanagement/group>

▶ Shareholders' equity close to FY2016, despite the dividend payout and the lower OCI

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4 Outlook for Talanx Group¹

Gross written premium	▶	>4%
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**)

¹ The targets are based on a large loss budget of EUR 290m (2016: EUR 300m) in Primary Insurance, of which EUR 260m (2016: EUR 270m) in Industrial Lines. The large loss budget in Reinsurance stands at an unchanged EUR 825m

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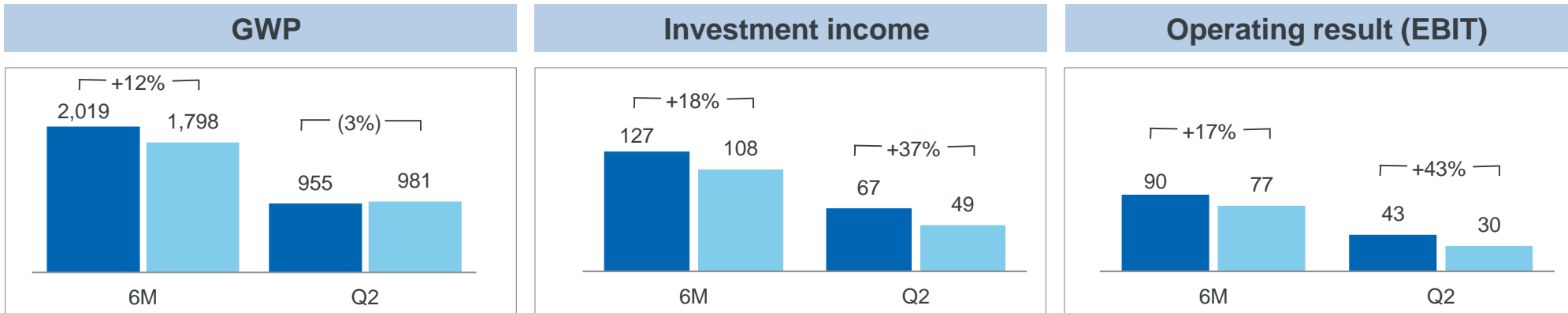
6M 2017 Additional information – Mid-term target matrix & current status

Segments	Key figures	Strategic targets (2015 - 2019)	2016	2015/2016 ⁸		
Group	Gross premium growth ¹	3 - 5%	(0.3%)	2.2%		
	Return on equity	≥ 750 bps above risk free ²	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 ²	3.6% [≥2.4 - 2.9%]	3.6% [≥2.6 - 3.1%]		
Primary Insurance	Industrial Lines	Gross premium growth ¹	3 - 5%	(0.1%)	1.2%	
		Retention rate	60 - 65%	53.4%	52.6%	
	Retail Germany	Gross premium growth ¹	≥ 0%	(5.7%)	(4.5%)	
		Retail International	Gross premium growth ¹	≥ 10%	10.2%	8.4%
			Combined ratio ³	~ 96%	98.1%	-
EBIT margin ⁴	~ 6%	5.3%	4.5%			
P/C Reinsurance⁷	Gross premium growth ⁶	3 - 5%	(0.2%)	4.1%		
	Combined ratio ³	≤ 96%	93.7%	-		
	EBIT margin ⁴	≥ 10%	17.2%	17.2%		
Life & Health Reinsurance⁷	Gross premium growth ¹	5 - 7%	(4.3%)	2.5%		
	Average value of New Business (VNB) after minorities ⁵	≥ EUR 110m	EUR 448m	EUR 361m		
	EBIT margin ⁴ financing and longevity business	≥ 2%	9.4%	10.2%		
	EBIT margin ⁴ mortality and health business	≥ 6%	3.4%	3.5%		

¹ Organic growth only; currency-neutral; 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 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

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6M 2017 Additional Information – Retail International Europe: Key financials



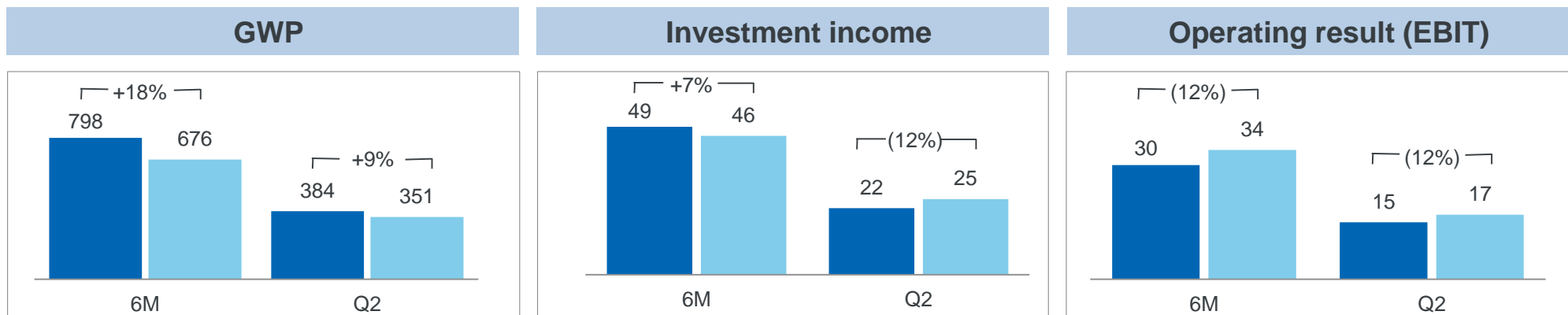
EURm, IFRS ■ 2017 ■ 2016



► Strong improvement on top line and on bottom line – Poland benefits from Motor market hard cycle

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6M 2017 Additional Information – Retail International LatAm: Key financials



EURm, IFRS ■ 2017 ■ 2016



EURm, 6M 2017 (6M 2016)

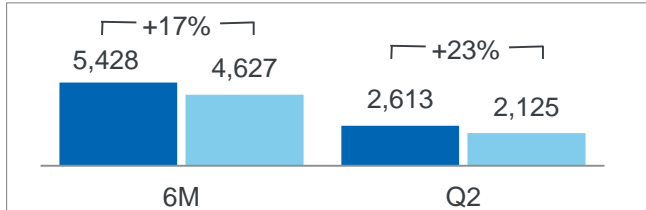
EURm, 6M 2017 (6M 2016)

▶ Strong top-line growth – slightly lower EBIT explained by Brazil

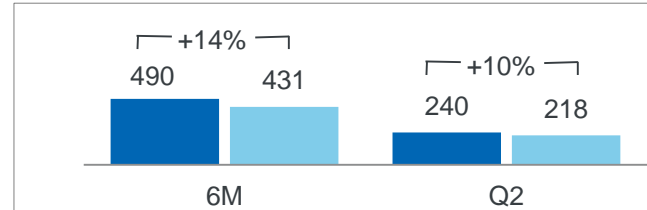
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6M 2017 Additional Information – Segment P/C Reinsurance

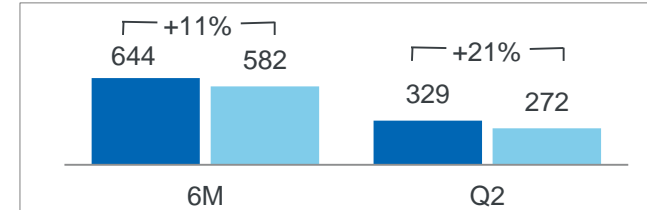
GWP



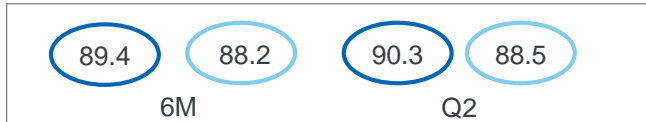
Investment income



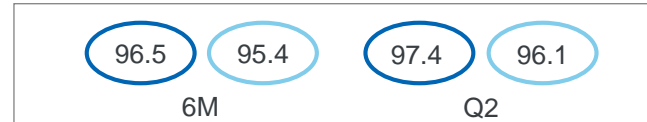
Operating result (EBIT)



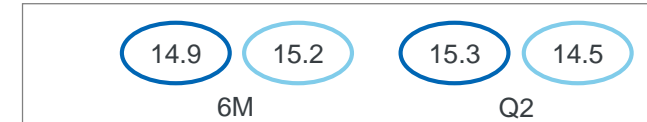
Retention rate in %



Combined ratio in %



EBIT margin in %¹



- 6M 2017 GWP up by +17.3% y/y (curr.-adj.:+16.9%); growth mainly from Structured Reinsurance; diversified growth in other areas
- Net premium earned grew by +12.3% (curr.-adj.:+11.8%)

- Major loss expectation reflected in reserves as usual
- Combined ratio slightly inflated mainly due to growth in Structured Reinsurance
- Reserve increase due to Ogden tables of EUR 291m compensated by reserve releases
- Favorable ordinary investment income

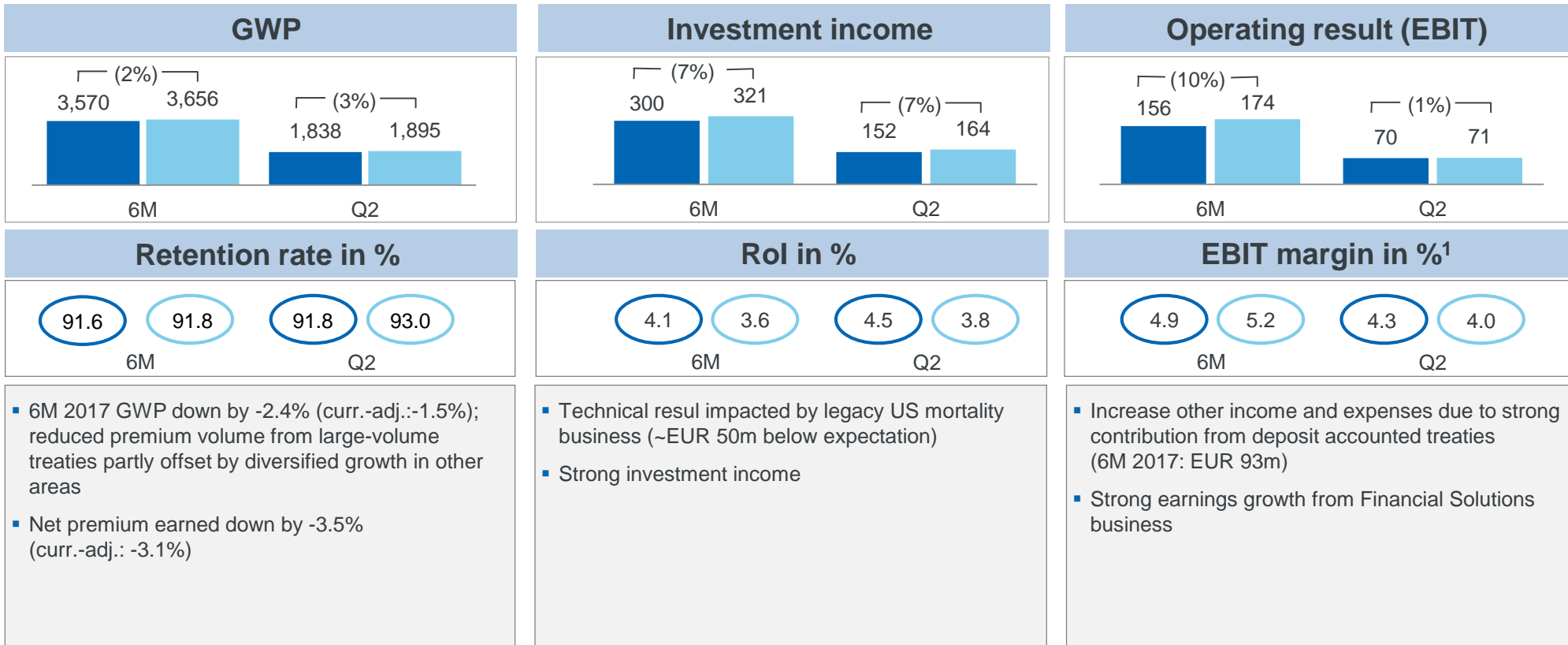
- Other income and expenses benefited from positive currency effects
- 6M 2017 EBIT growth of 10.7% in line with volume growth
- 6M 2017 EBIT margin¹ of 14.9 (6M 2016: 15.2%) well above target

¹ EBIT margin reflects a Talanx Group view
EURm, IFRS ■ 2017 ■ 2016

► Solid underwriting result in a competitive environment

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6M 2017 Additional Information – Segment Life/Health Reinsurance



¹ EBIT margin reflects a Talanx Group view
 EURm, IFRS ■ 2017 ■ 2016

Overall profitability in Life & Health Reinsurance below expectation

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6M 2017 Additional Information – Segments

	Industrial Lines			Retail Germany P/C			Retail Germany Life		
EURm, IFRS	6M 2017	6M 2016	Change	6M 2017	6M 2016	Change	6M 2017	6M 2016	Change
P&L									
Gross written premium	2,795	2,706	+3%	1,002	980	+2%	2,308	2,366	(2%)
Net premium earned	1,160	1,083	+7%	688	691	(0%)	1,701	1,763	(4%)
Net underwriting result	32	25	+28%	(9)	(32)	n/m	(901)	(780)	n/m
Net investment income	137	109	+26%	44	47	(6%)	951	890	+7%
Operating result (EBIT)	162	143	+13%	22	(17)	n/m	41	73	(44%)
Net income after minorities	112	91	+23%	n/a	n/a	n/m	n/a	n/a	n/m
Key ratios									
Combined ratio non-life insurance and reinsurance	97.2%	97.8%	(0.6%)pts	101.5%	104.7%	(3.2%)pts	-	-	-
Return on investment	3.5%	2.8%	0.7%pts	2.3%	2.5%	(0.2%)pts	4.2%	4.0%	0.2%pts

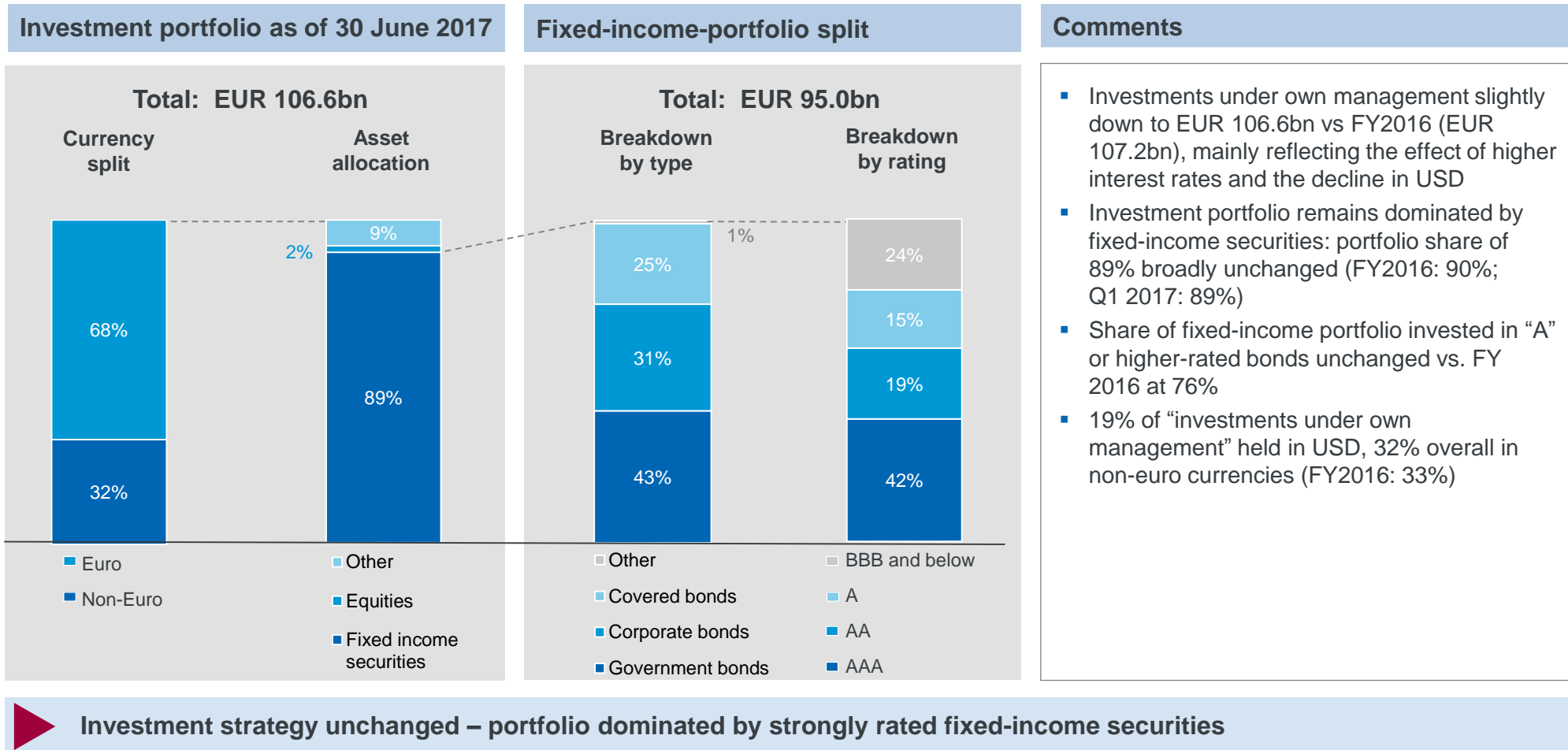
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6M 2017 Additional Information – Segments

	Retail International			P/C Reinsurance			Life/Health Reinsurance			Group		
EURm, IFRS	6M 2017	6M 2016	Change	6M 2017	6M 2016	Change	6M 2017	6M 2016	Change	6M 2017	6M 2016	Change
P&L												
Gross written premium	2,828	2,487	+14%	5,428	4,627	+17%	3,570	3,656	(2%)	17,553	16,427	+7%
Net premium earned	2,358	2,097	+12%	4,313	3,839	+12%	3,210	3,328	(4%)	13,440	12,810	+5%
Net underwriting result	14	7	+100%	149	165	(10%)	(229)	(176)	n/m	(940)	(784)	n/m
Net investment income	173	153	+13%	490	431	+14%	300	321	(7%)	2,085	1,962	+6%
Operating result (EBIT)	116	107	+8%	644	582	+11%	156	174	(10%)	1,125	1,067	+5%
Net income after minorities	74	65	+14%	n/a	n/a	n/m	n/a	n/a	n/m	463	403	+15%
Key ratios												
Combined ratio non-life insurance and reinsurance	96.5%	96.4%	0.1%pts	96.5%	95.4%	1.1%pts	-	-	-	97.0%	96.8%	0.2%pts
Return on investment	3.7%	3.6%	0.1%pts	3.0%	2.7%	0.3%pts	4.1%	3.6%	0.5%pts	3.7%	3.5%	0.2%pts

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6M 2017 Additional Information – Breakdown of investment portfolio



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6M 2017 Additional Information – Details on selected fixed-income country exposure

Investments into issuers from countries with a rating below A⁻¹ (in EURm)

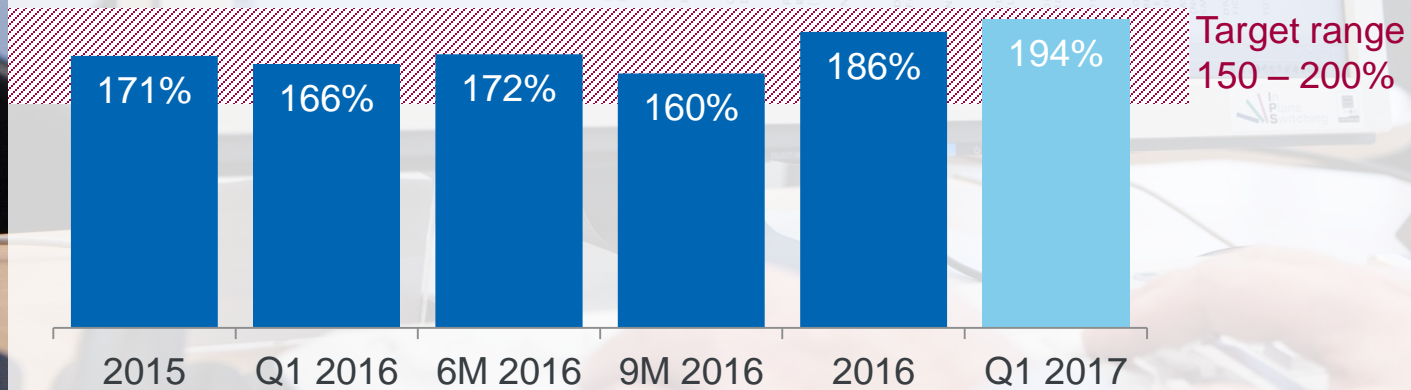
Country	Rating	Sovereign	Semi-Sovereign	Financial	Corporate	Covered	Other	Total
Italy	BBB	2,186	-	644	633	396	-	3,859
Spain	BBB+	729	424	227	419	272	-	2,073
Brazil	BB	241	-	83	356	-	7	687
Mexico	BBB+	118	2	52	231	-	-	402
Hungary	BBB-	465	-	-	9	20	-	495
Russia	BB+	174	12	63	180	-	-	429
South Africa	BBB-	164	2	12	49	-	6	233
Portugal	BB+	44	-	6	72	35	-	157
Turkey	BB+	17	-	24	16	3	-	60
Greece	CCC	-	-	-	-	-	-	-
Other BBB+		14	-	31	58	-	-	104
Other BBB		82	35	50	50	-	-	217
Other <BBB		211	29	88	190	-	267	785
Total		4,445	505	1,279	2,264	727	280	9,500
In % of total investments under own management		4.2%	0.5%	1.3%	2.1%	0.7%	0.3%	8.9%
In % of total Group assets		2.8%	0.3%	0.8%	1.4%	0.5%	0.2%	6.0%

¹ Investment under own management

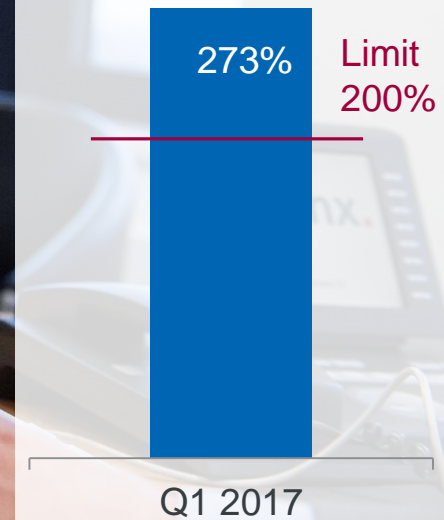
Solvency II capitalisation within target range

Regulatory View (SII CAR)

You will find the 6M 2017 update until end-September 2017 under <http://www.talanx.com/investor-relations/berichte-risikomanagement/group>



Economic View (BOF CAR)



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



- **13 November 2017**
Quarterly Statement as at 30/09/2017
- **23 November 2017**
Capital Markets Day
- **19 March 2018**
Annual Report 2017



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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Guideline on Alternative Performance Measures - For further information on the calculation and definition of specific Alternative Performance Measures please refer to the Annual Report 2016 Chapter "Enterprise management", pp. 23 and the following, the "Glossary and definition of key figures" on page 256 as well as our homepage http://www.talanx.com/investor-relations/ueberblick/midterm-targets/definitions_apm.aspx