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Insurance. Investments.

FY 2018 Results

18 March 2019

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Both retail divisions and Reinsurance drive further operating improvement

- Strong GWP growth of 5.5% y/y (curr.-adj. 8.7%) – primarily abroad
- Both retail divisions and Reinsurance drive the 12.5% increase in EBIT
- Group net income of EUR 703m (+4.8% y/y) – Group RoE at 8.0%
- Industrial Lines above large-loss budget – “20/20/20” initiative ahead of plan
- Dividend proposal of EUR 1.45 per share, the sixth consecutive dividend rise since IPO
- Group net income Outlook for 2019 at EUR ~900m (~+28.0% y/y) significantly above 2018

Agenda

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1 FY 2018 results – Target achievement

	Outlook		Achievement
Curr.-adj. GWP growth	> 5%	▶	**8.7%**
Return on Investment	≥ 3%	▶	**3.3%**
Return on Equity	~ 8%	▶	**8.0%**
Group net income	~ EUR 700m	▶	**EUR 703m**
Pay-out ratio	35 - 45%	▶	**52.2%**
DPS	min. EUR 1.40	▶	**EUR 1.45**

Note: In May 2018, the GWP growth target was increased from >2% to >5%. In October 2018, the Outlook for Group net income was adjusted from ~EUR 850m to ~EUR 700m, the RoE target from ~9.0% to ~8.0%. Talanx's minimum target for return on equity for 2018 stood at 7.9% (5-year average of 10-year Bunds + 750 bps)

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FY 2018 results – Key financials
Continuous focus on profitable growth

EURm	FY 2018	FY 2017	Delta
Gross written premium (GWP)	**34,885**	**33,060**	**+6%**
Net premium earned	29,574	27,418	+8%
Net underwriting result	(1,647)	(2,546)	+35%
t/o P/C	285	(81)	n/a
t/o Life	(1,932)	(2,465)	+22%
Net investment income	3,767	4,478	(16%)
Other income / expenses	(88)	(127)	+31%
Operating result (EBIT)	**2,032**	**1,805**	**+13%**
Financing interests	(170)	(149)	(14%)
Taxes on income	(503)	(387)	(30%)
Net income before minorities	1,359	1,269	+7%
Non-controlling interests	(656)	(598)	(10%)
Net income after minorities	**703**	**671**	**+5%**
Combined ratio	98.2%	100.4%	(2.2%)pts
Tax ratio	27.0%	23.4%	+3.6%pts
Return on equity	8.0%	7.5%	+0.5%pts
Return on investment	3.3%	4.0%	(0.7%)pts

Comments

- Strong growth momentum continues. GWP +9% curr.-adj.
- Significantly lower NatCat losses compared to 2017 ("HIM")
- Extraordinary investment result down due to lower ZZR contribution and less equity disposal gains in Reinsurance
- Both retail divisions and Reinsurance drive further operating improvement – outweighing EBIT decline in Industrial Lines
- Impacted by higher tax rate and interest expenses
- Higher tax rate, mainly from US "BEAT" tax reform, and from the previous year's tax-free benefits on the equity disposal gains in Reinsurance

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1 Large losses in FY 2018 – In sum well below last year despite the burden from Fire/Property

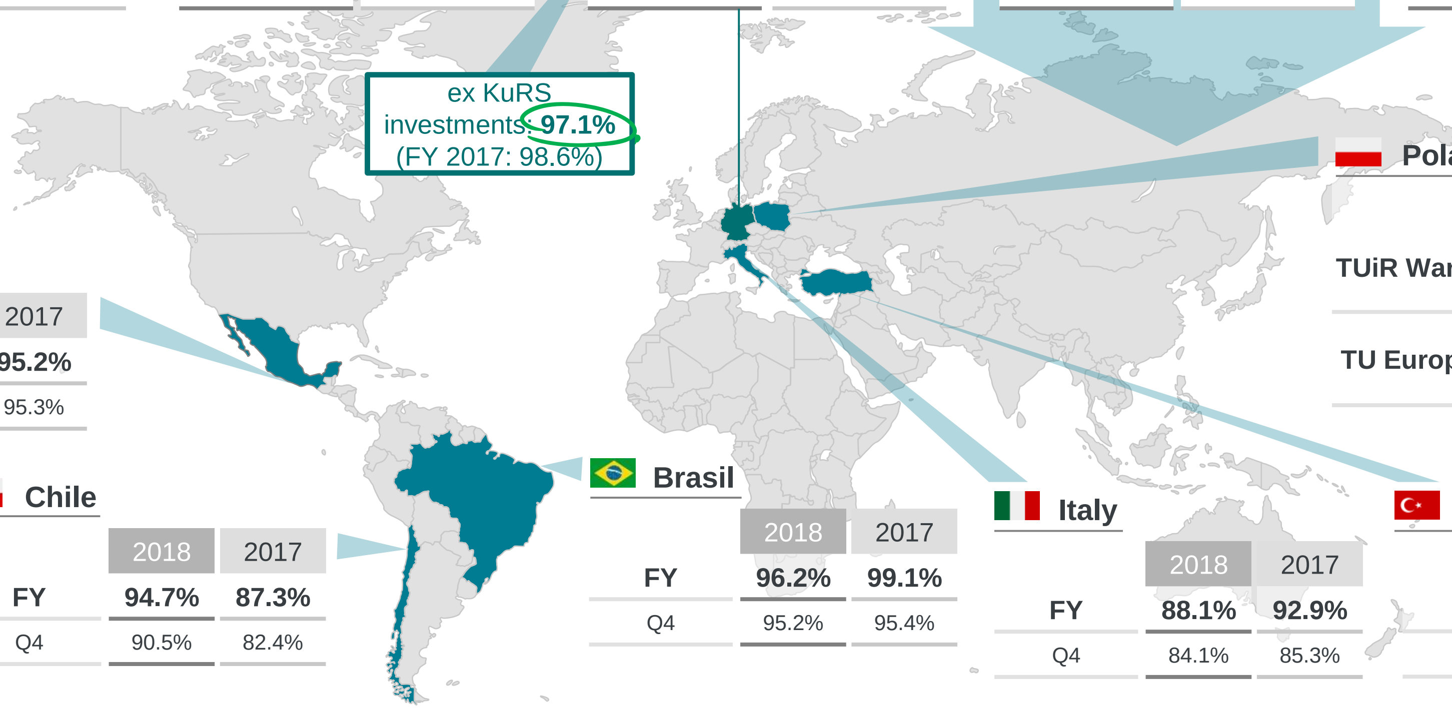
Net losses Talanx Group in EURm, FY 2018 (FY 2017)	**Industrial Lines**	**Retail Germany**	**Retail International**	**∑ Primary Insurance**	+ **Reinsurance**	= **Talanx Group**
Typhoon *Jebi*, Japan	6.8			6.8	134.7	141.5
Wildfire *Camp*, California					129.5	129.5
Heavy rain & dam, Columbia	38.8			38.8	48.4	87.2
Wildfire *Woolsey*, California					63.8	63.8
Hurricane *Florence*, USA	18.1			18.1	37.4	55.4
Winter Storm *Friederike*	13.8	11.9	0.1	30.3	24.3	54.6
Hurricane *Michael*, USA	1.3			1.3	46.3	47.6
Typhoon *Trami*	0.3			0.3	26.9	27.2
Other NatCat	16.4		0.9	17.3	97.9	115.1
Sum NatCat	**95.5** (231.8)	**11.9** (8.4)	**0.9** (3.4)	**112.8** (243.7)	**609.1** (988.2)	**722.0** (1,231.9)
Fire/Property	280.8			280.8	90.5	371.4
Credit					102.5	102.5
Other					47.6	47.6
Sum other large losses	**280.8** (248.7)	**0.0** (0.0)	**0.0** (0.0)	**280.8** (248.7)	**240.7** (139.1)	**521.5** (387.8)
Total large losses	**376.4** (480.5)	**11.9** (8.4)	**0.9** (3.4)	**393.7** (492.4)	**849.8** (1,127.3)	**1,243.5** (1,619.7)
FY large loss budget	260.0	24.0	8.0	300.0	825.0	1,125.0
Impact on CoR	14.3%pts (19.7%pts)	0.8%pts (0.6%pts)	0.0%pts (0.1%pts)	5.3%pts (7.0%pts)	7.9%pts (12.3%pts)	6.8%pts (10.0%pts)
Impact on CoR - large loss budget	9.9%pts (10.7%pts)	1.7%pts (1.4%pts)	0.2%pts (0.1%pts)	4.1%pts (4.2%pts)	7.6%pts (9.0%pts)	6.2%pts (6.9%pts)

Note: Definition "large loss": in excess of EUR 10m gross in either Primary Insurance or Reinsurance. "Other NatCat" includes 8 larges losses with <EUR 25m net on Group level. 34 man-made losses, of which 23 in Fire/Property. Additional FY 2018 Primary Insurance large losses (net) in Corporate Operations: EUR 4.5m; since FY2016 reporting onwards, the table includes large losses from Industrial Liability line, booked in the respective FY

1 Combined Ratios

	Talanx-Group 2018	Talanx-Group 2017	Industrial Lines 2018	Industrial Lines 2017	Retail Germany P/C 2018	Retail Germany P/C 2017	Retail International 2018	Retail International 2017	Reinsurance P/C 2018	Reinsurance P/C 2017
FY	98.2%	100.4%	109.1%	108.5%	99.3%	101.6%	94.3%	95.4%	96.6%	99.8%
Q4	97.2%	92.7%	102.3%	104.3%	102.7%	106.9%	94.0%	93.7%	96.0%	87.0%

ex KuRS investments: 97.1%
(FY 2017: 98.6%)



Poland

		2018	2017
TUiR Warta	FY	93.3%	95.2%
	Q4	93.1%	94.4%
TU Europa	FY	85.7%	86.5%
	Q4	85.0%	92.0%

Mexico

	2018	2017
FY	95.5%	95.2%
Q4	96.7%	95.3%

Chile

	2018	2017
FY	94.7%	87.3%
Q4	90.5%	82.4%

Brasil

	2018	2017
FY	96.2%	99.1%
Q4	95.2%	95.4%

Italy

	2018	2017
FY	88.1%	92.9%
Q4	84.1%	85.3%

Turkey

	2018	2017
FY	110.0%	102.5%
Q4	125.6%	102.6%

Note: Turkey: FY 2018 EBIT of EUR 5m (FY 2017: EUR 5m)

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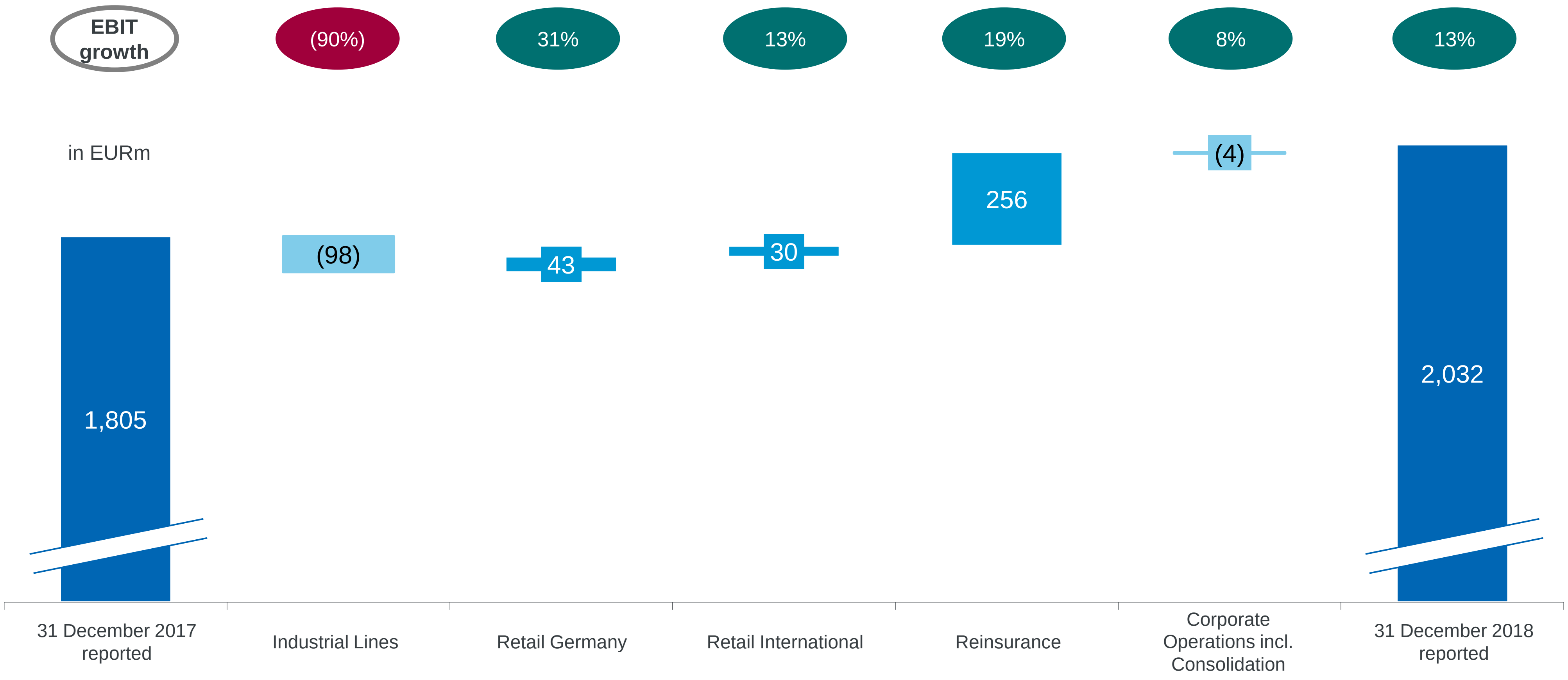
1 FY 2018 – Group EBIT increase by 13% to above EUR 2bn



Reinsurance and both retail divisions drive further operating improvement

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Q4 2018 results – Key financials
Steady underlying business development

EURm	Q4 2018	Q4 2017	Delta
Gross written premium (GWP)	**7,794**	**7,821**	**0%**
Net premium earned	7,733	7,133	+8%
Net underwriting result	(223)	(424)	+47%
t/o P/C	123	305	(60%)
t/o Life	(346)	(729)	+53%
Net investment income	866	1,168	(26%)
Other income / expenses	(82)	(40)	(>100%)
Operating result (EBIT)	**562**	**703**	**(20%)**
Financing interests	(41)	(38)	(11%)
Taxes on income	(103)	(197)	+48%
Net income before minorities	417	468	(11%)
Non-controlling interests	(202)	(240)	+16%
Net income after minorities	**215**	**228**	**(6%)**
Combined ratio	97.2%	92.7%	+4.5%pts
Tax ratio	19.8%	29.6%	(9.8)%pts
Return on equity	9.9%	10.4%	(0.5%)pts
Return on investment	3.0%	4.2%	(1.2%)pts

Comments

- Net premium earned: Continuous underlying growth momentum
- Net investment income: Lower realisation of capital gains mainly in Retail Germany (lower ZZR contribution)
- Operating result (EBIT): Base effect from exceptionally high run-off results in Q4 2017 in P/C Reinsurance (CoR: 96.0% vs. 87.0%) and selective redundancy improvements
- Tax ratio: Low tax ratio in Reinsurance and the previous year's depreciation of DTA in Corporate Operations

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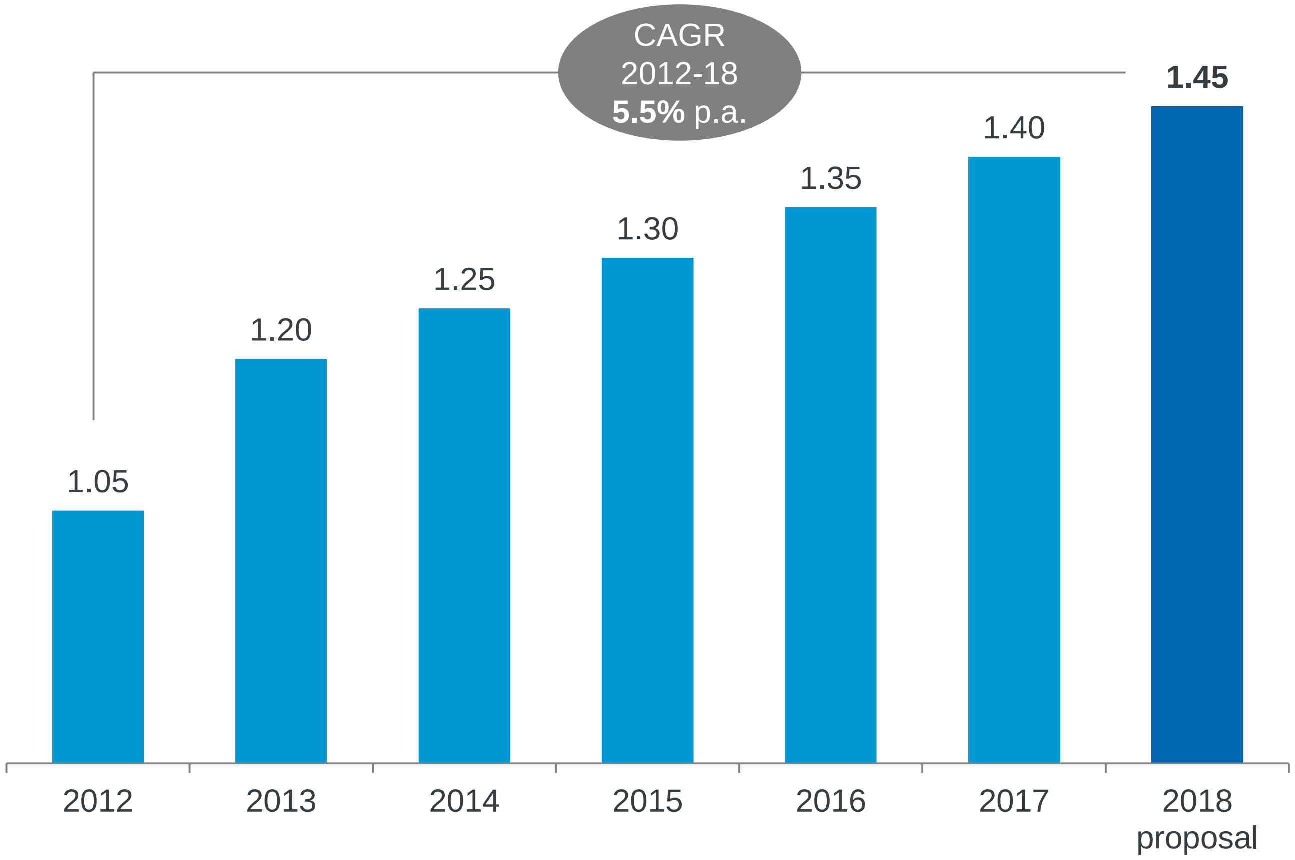
1 Dividend proposal of EUR 1.45 – sixth consecutive dividend rise since IPO

Dividend per share (EUR)



Dividend yield

Note: 2018 dividend proposal implies a pay-out ratio of 52.5% of IFRS earnings. Dividend yield based on average annual share price

Agenda

1 Group Highlights

2 Segments

3 Investments / Capital

4 Outlook

5 Appendix

- Mid-term Target Matrix
- Additional Information FY 2018
- Risk Management

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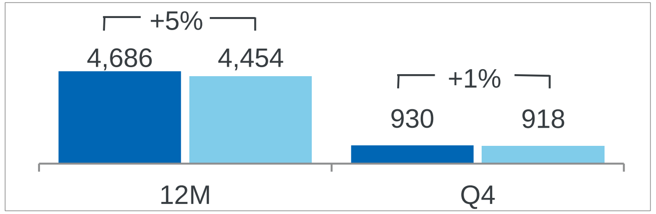
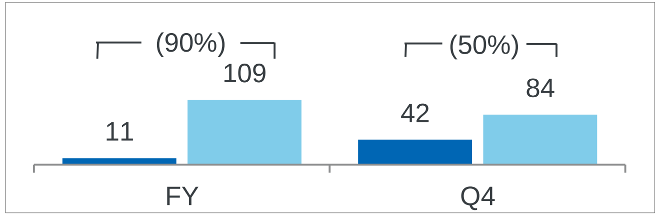
2 Segments – Industrial Lines

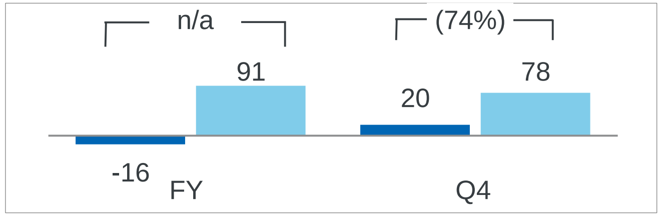
GWP



Operating result (EBIT)



Net income



Retention rate in %

	2018	2017
FY	58.6	55.2
Q4	61.7	57.9

Combined ratio in %

	2018	2017
FY	109.1	108.5
Q4	102.3	104.3

RoE in %

	2018	2017
FY	(0.7)	4.1
Q4	(2.5)	14.0

- FY 2018 GWP up by 5.2% (currency-adj.: +7.1%)
- Growth largely driven by Liability and Transport lines
- Increase in retention rate also resulting from lower reinstatement premiums when compared to the previous year

- FY 2018 combined ratio burdened by large losses mainly from Property/Fire as well as from higher frequency claims. Positive run-off result of EUR 129m after FY 2018 (FY 2017: EUR 255m)
- Cost ratio improved by 1.0%pt y/y to 21.8%, reinforcing the cost leadership
- Investment result down due to pressure on yields
- Non-systematic negative currency result of EUR -24m (EUR +34m)

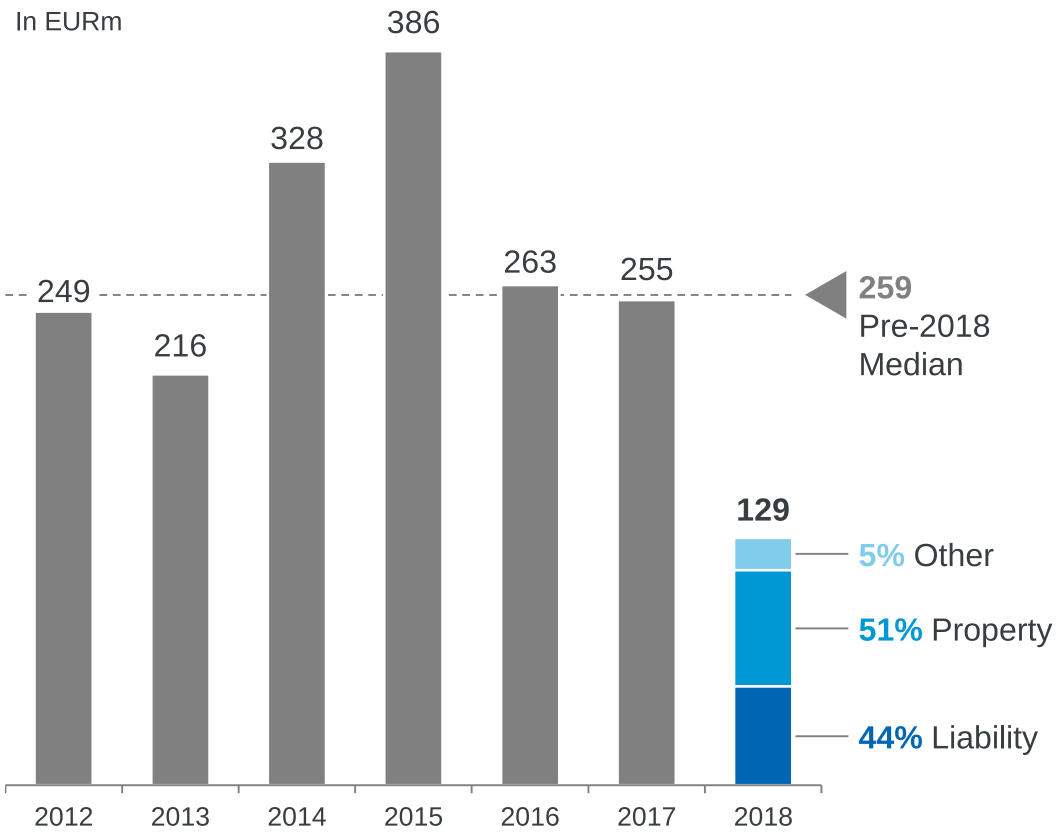
- Tax payment includes negative one-off tax effect (single-digit million euro amount) from the US “BEAT” tax reform mainly in Q1 2018
- ”20/20/20” initiative is ahead of initial plan, targeted to bring the divisional CoR to ~100% in 2019. As of 1 March 2019, 87% of minimum target locked in

EURm, IFRS ■ **2018** ■ **2017**

Dissatisfying combined ratio burdened by large losses and by higher frequency claims in Property business

Industrial Lines - Run-off results lower, but markedly positive

Historical run-off results



Liability and Property Lines remain the key drivers for run-off results

2018 drivers: less positive special items, the long lasting soft market, selective redundancy improvements

Expectation for upcoming years: above 2018 and below the pre-2018 median

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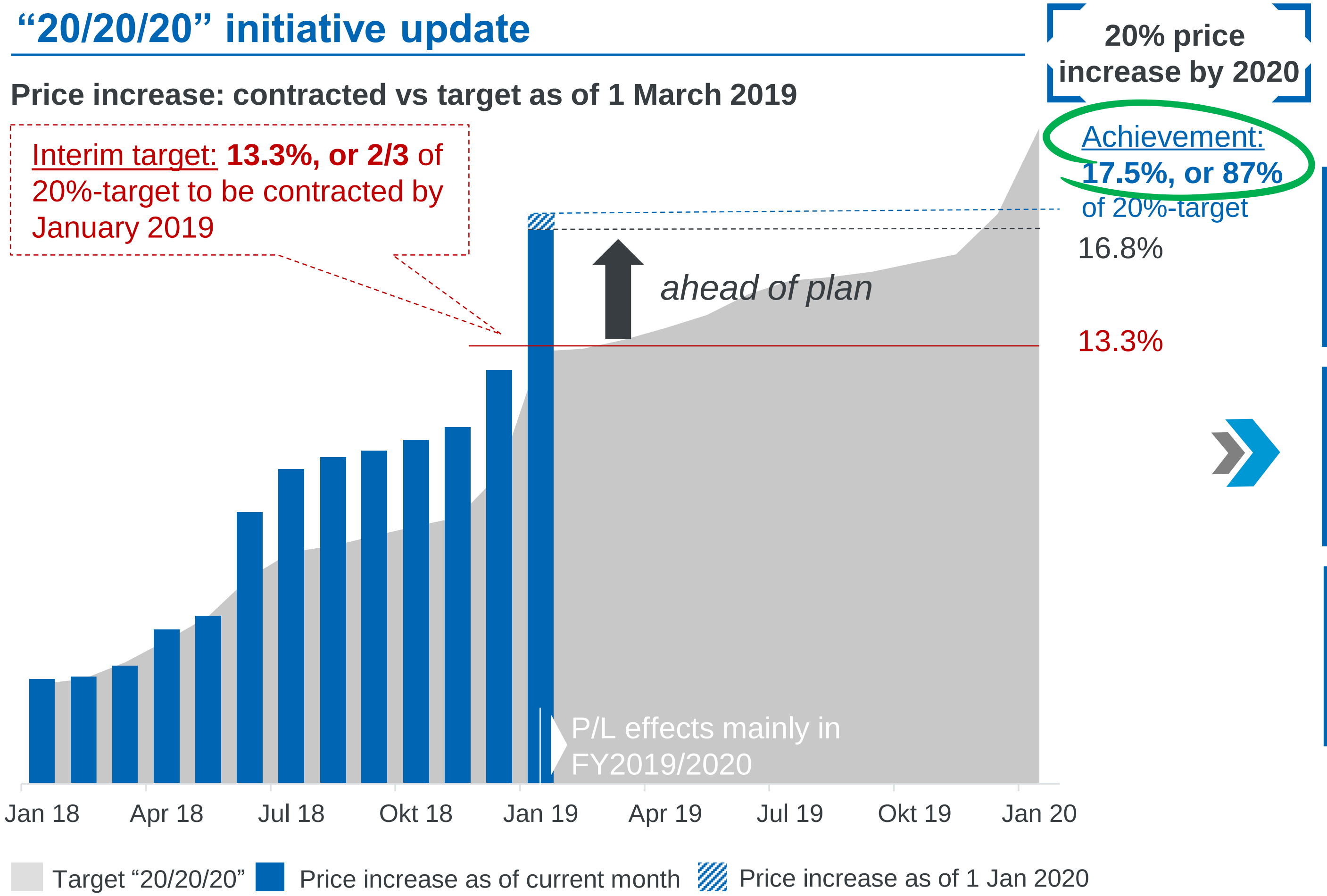
“20/20/20” initiative ahead of plan – Close to 90% of minimum target locked in

“20/20/20” initiative update

Price increase: contracted vs target as of 1 March 2019



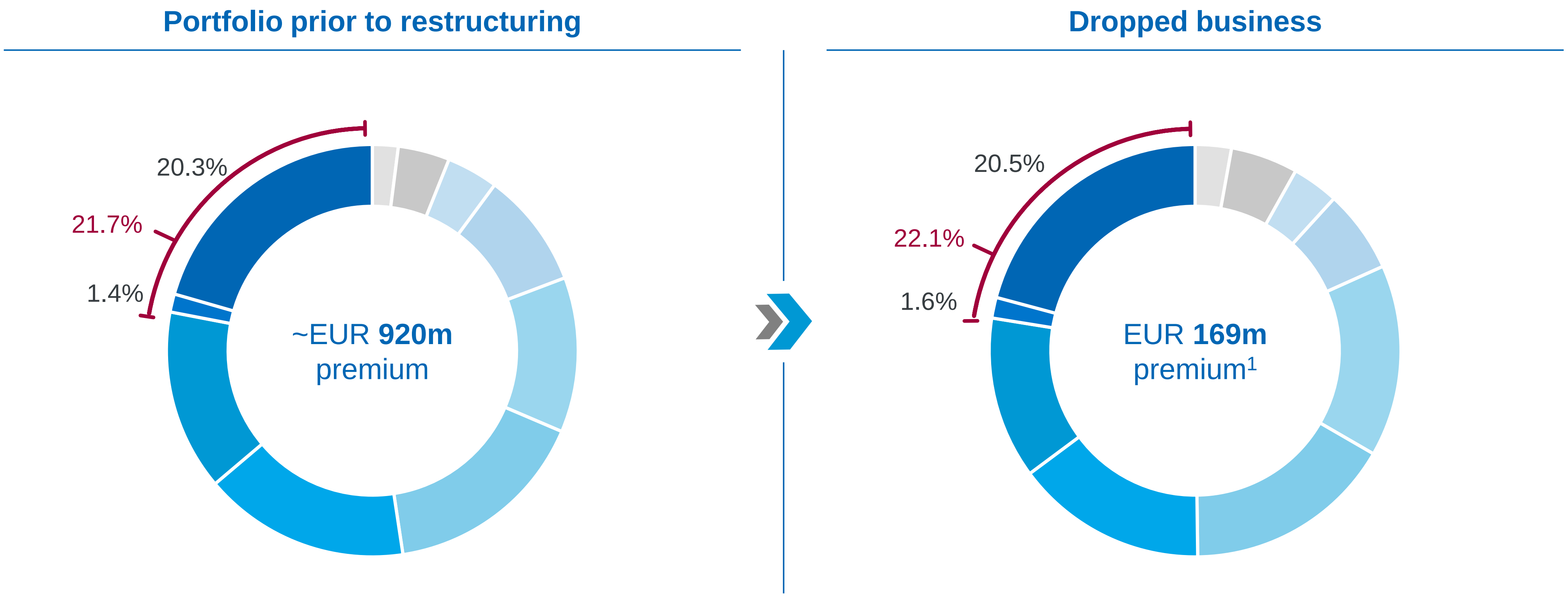
87% of minimum target locked in (17.5%pts. of 20%)

Main P/L effects as of 2019

Premium base so far broadly stable: ~ EUR -85m, or ~ -9% (net effect)

Note: 20% price increase in 2020 derives from 15% premium increase + 5% premium-equivalent measures. Refers to renewed business only

"20/20/20" initiative - Risk classes point towards at least stable risk profile



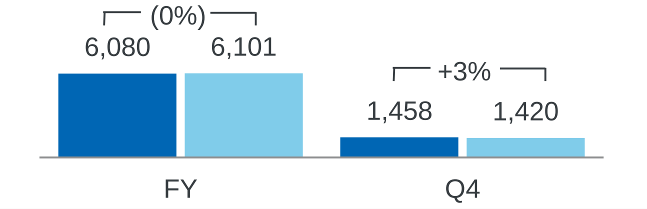
Risk classes

Low 1 2 3 4 5 6 7 8 9 10 **High**

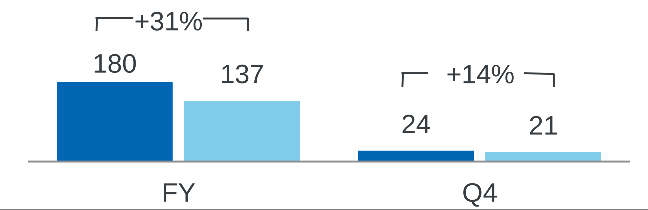
Note: Premium defined as GWP excluding fronting and internal cessions, all numbers as of 1 March 2019. Dropped business since June 2018, internal start of 20/20/20 initiative: EUR 104m out of EUR 169m

Segments – Retail Germany Division

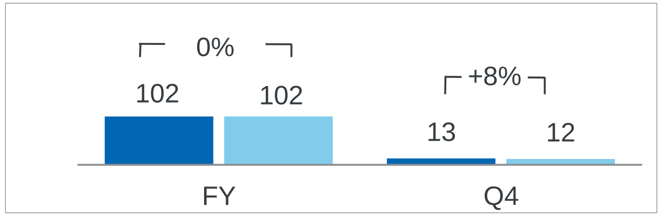
GWP



Operating result (EBIT)



Net income



Retention rate in %

	FY		Q4	
	2018	2017	2018	2017
Retention rate in %	93.9	95.0	94.5	94.5

Combined ratio in %

	FY		Q4	
	2018	2017	2018	2017
Combined ratio in %	99.3	101.6	102.7	106.9

RoE in %

	FY		Q4	
	2018	2017	2018	2017
RoE in %	4.2	4.1	2.1	2.0

- Top-line broadly stable – moderate GWP decline in Life nearly compensated by growth in the P/C segment
- Net underwriting result improved y/y in both segments, P/C and Life

- KuRS costs affected the Division in total by EUR 47m in FY 2018 (FY 2017: EUR 60m). The impact on EBIT was EUR 36m (FY 2017: EUR 46m)
- FY 2018 EBIT significantly up, driven by P/C as well as by Life. Higher EBIT in P/C due to profitable growth, economies of scale and cost-cutting initiatives. Life segment benefited also from positive base effects, i.e. last year‘s policyholder participation in the 2017 tax benefits (~EUR 15m)

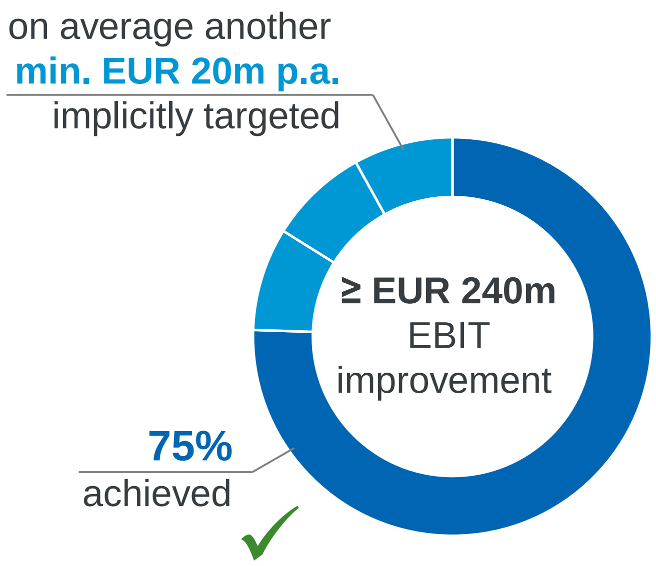
- Significantly higher tax rate (36.7% vs. FY 2017: 13.5%) due to the before mentioned base effect as well as from higher-taxed investment gains in alternative assets
- The higher tax rate eats up the significant increase in EBIT in FY 2018. As a result, net income for 2018 is broadly unchanged

EURm, IFRS ■ **2018** ■ **2017**

FY 2018 EBIT significantly up, both in P/C as well as in Life – KuRS drives profitability improvements

Retail Germany Division – Continuous progress on KuRS

EBIT target 2021



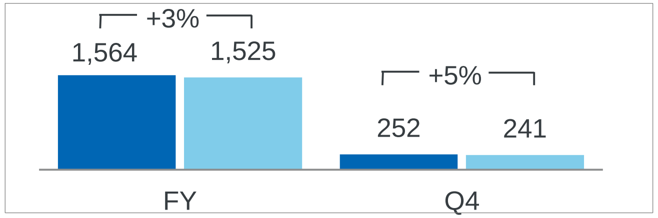
Further acceleration of digital transformation

- ~75% of EBIT target achieved
- On average another min. EUR 20m p.a. in EBIT improvement until 2021
- Faster-than-planned progress allows to reinforce and to speed up digitalisation investments

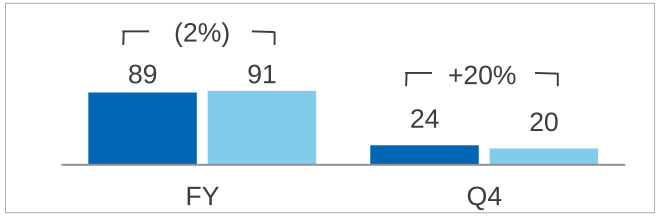
Note: 72% of the 2021 EUR ~240m cost reduction target achieved. > EUR 190m cumulated cost reduction outperformance compared to initial KuRS plan. > EUR 90m cumulated outperformance on EBIT level.

Segments – Retail Germany P/C

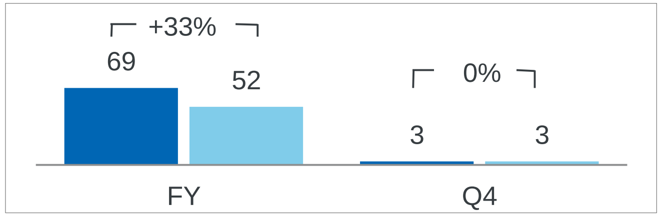
GWP



Investment income



Operating result (EBIT)



Retention rate in %

	2018	2017
FY	94.5	94.6
Q4	94.6	93.2

Combined ratio in %

	2018	2017
FY	99.3	101.6
Q4	102.7	106.9

EBIT margin in %

	2018	2017
FY	4.7	3.7
Q4	0.8	0.9

- FY 2018 GWP up by 2.5% y/y, mainly driven by business with SMEs/self-employed professionals and growth in overall Motor business
- Top-line growth even improved momentum in Q4 2018 (+4.5% y/y)

- KuRS continues to run ahead of plan. FY 2018 combined ratio well below originally planned ~100%, supported by profitable growth, stringent cost management and economies of scale
- Combined ratio impacted by EUR 32m costs for KuRS programme (FY 2017: EUR 43m). Adjusting for these, the combined ratio would have declined to 97.1% (FY 2017: 98.6%)

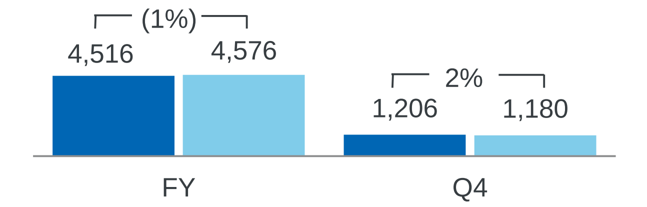
- FY 2018 investment result slightly down by EUR 2m. The higher ordinary investment result could not fully compensate for the high single-digit euro million decline in the extraordinary investment result
- Despite significantly lower other income (-73% y/y), EBIT is significantly up

EURm, IFRS ■ **2018** ■ **2017**

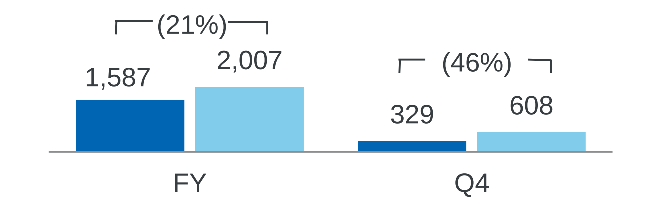
Further improvement in combined ratio drives EBIT growth – KuRS ahead of plan

Segments – Retail Germany Life

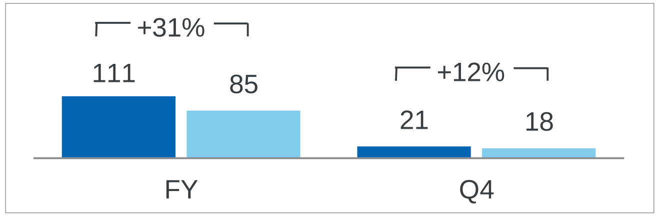
GWP



Investment income



Operating result (EBIT)



Retention rate in %

	2018	2017
FY	93.6	95.2
Q4	94.4	94.9

RoI in %

	2018	2017
FY	3.4	4.4
Q4	2.8	5.2

EBIT margin in %

	2018	2017
FY	3.3	2.5
Q4	2.2	2.0

- Pace of GWP decline further reduced (FY 2018: -1.3% y/y). Strategy-conform shift to capital-efficient products progressed
- Most recently uptick in premium development (Q4 2018: +2.2%), especially in single premium business

- FY 2018 investment result down, due to lower extraordinary gains following lower ZZR allocation; ordinary investment result just slightly down (-0.4%)
- ZZR allocation – according to HGB – of EUR 301m significantly below the previous year's level (FY 2017: EUR 809m) due to the new ZZR regime. Total ZZR stock at close to EUR 3.4bn
- Change in ZZR allocation policy P&L neutral

- Costs for KuRS further decreased at a y/y perspective (FY 2018: EUR 12m vs. FY 2017: EUR 15m); however, virtually irrelevant for the EBIT (due to policyholder participation in Life)
- FY 2018 EBIT markedly up. The previous year's 12M EBIT burdened by policyholder participation in tax benefits

EURm, IFRS ■ **2018** ■ **2017**

Lower ZZR contribution in FY 2018 – EBIT significantly improved

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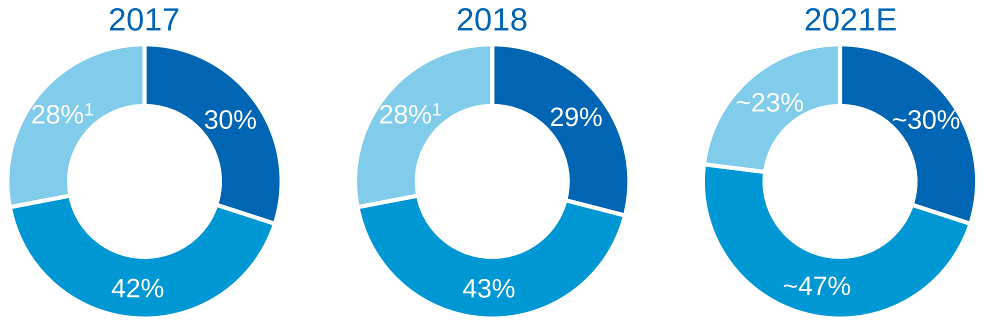
Segments – Retail Germany Life portfolio overview

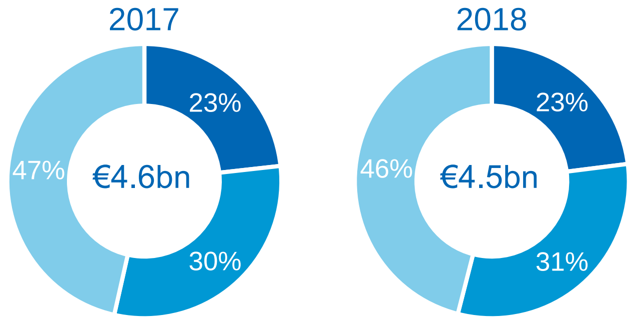
New business premium by product



Biometric, Credit Life & Others · Capital-efficient products · Non-capital-efficient products

Note: Dynamics in existing contracts impact new business premium split in favour of traditional Life products

Split of in-force-business by business line (GWP)



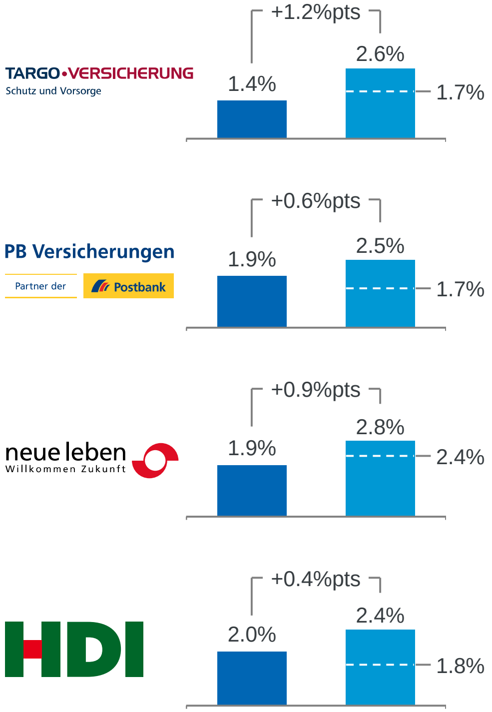
Biometric, Credit Life & Others

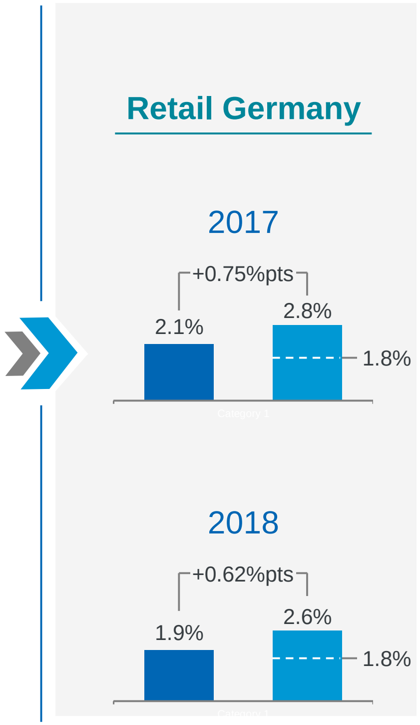
Capital-efficient products

Non-capital-efficient products

Business in force 2018

According to German GAAP





Average guarantee rate

Average running yield

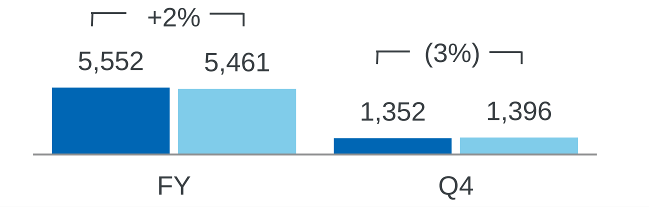
- -: Average re-investment yield

+x.y%pts: investment spread

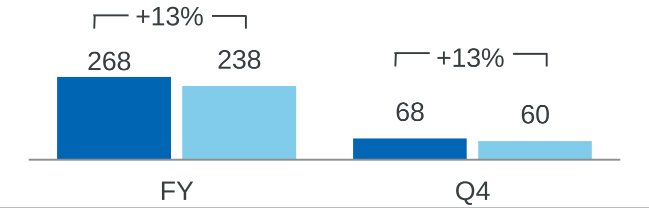
Investment spreads in Retail Germany Life remain clearly positive for all our carriers

1 Split 2018 (2017): ~11%pts (~11%pts) profitable new business, ~6%pts (~5%pts) 'unwanted' classic business, ~11%pts (~13%pts) effects from dynamics

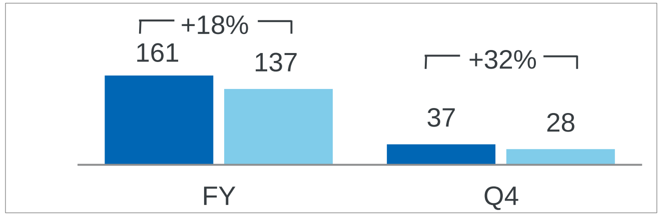
GWP



Operating result (EBIT)



Net income



Retention rate in %

	FY		Q4	
	92.1	91.7	91.7	92.5

Combined ratio in %

	FY		Q4	
	94.3	95.4	94.0	93.7

RoE in %

	FY		Q4	
	8.1	6.7	8.2	7.1

- FY 2018 GWP up by 1.7% y/y (curr.-adj.: +7.4%). Significant currency headwind particularly in Brazil and in Turkey
- Top-line in P/C up by 2.7% y/y (curr.-adj.: +10.7%), mainly driven by Poland and Mexico. All core markets grew top-line on a local currency basis
- GWP in Life marginally down (-0.5% y/y; curr.-adj: +0.5%)

- FY 2018 combined ratio improved by 1.1%pts y/y to 94.3%. Cost ratio down by 0.7%pts y/y, driven by cost optimisation and scale effects, namely in Poland and Brazil as well as lower commission for MTPL in Turkey. Loss ratio improved by 0.4%pts
- Despite currency headwinds and a lower investment result, EBIT grew by 12.7% y/y (curr.-adj.: +17.8%). Higher profit contribution mainly from Poland (Warta) and Italy

- Net income in 2018 up by 17.0% y/y, mainly due to the improved underwriting result and despite the decline in investment result
- FY 2018 RoE (annualised) increasing by 1.4%pts to 8.1%

EURm, IFRS ■ **2018** ■ **2017**

EBIT and net income significantly up, mirroring the further improvement in combined ratio

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2 Segments – Retail International core markets overview

Market share 9M 2018 (FY 2017)

Brazil

Motor: **8.6%** (8.5%)
P/C: **4.6%** (4.6%)

GWP growth (local currency)	**7.9%**	
Combined Ratio	**96.2%**	-2.9%pts
EBIT (EUR)	**38.2m**	+2.9%

Mexico

Motor: **7.1%** (5.8%)
P/C: **3.1%** (2.4%)

GWP growth (local currency)	**26.2%**	
Combined Ratio	**95.5%**	+0.3%pts
EBIT (EUR)	**11.8m**	+15.4%

Chile[1]

Motor: **18.5%** (18.1%)
P/C: **10.3%** (10.2%)

GWP growth (local currency)	**3.3%**	
Combined Ratio	**94.7%**	+6.0%pts
EBIT (EUR)	**0.7m**	-96.4%

Poland

Motor[2]: **16.7%** (16.9%)
P/C[2]: **14.0%** (13.5%)

GWP growth (local currency)	**0.5%**	
– thereof Life	-17.5%	
– thereof Non-Life	+6.8%	
Combined Ratio[2]	**93.3%**	-1.9%pts
EBIT (EUR)	**152m**	+23.3%
– thereof Life	11m	+18.1%
– thereof Non-Life	141m	+23.8%

Turkey

Motor: **3.8%** (3.2%)
P/C: **3.2%** (2.8%)

GWP growth (local currency)	**33.0%**	
Combined Ratio	**110.0%**	+7.5%pts
EBIT (EUR)	**5.1m**	-0.9%

1 Includes all entities of HDI Chile Group operating in the Chilean market
2 Warta only
Note: Market shares based on regional supervisory authorities or insurance associations (Polish KNF, Turkish TSB, Brazilian Siscorp, Mexican AMIS, Chilean AACH); figures restated on the base of IAS 8

Our core markets in Retail International with profitable and growing businesses

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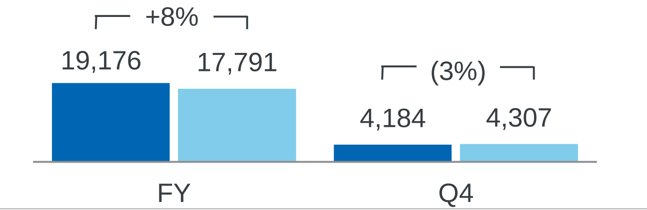
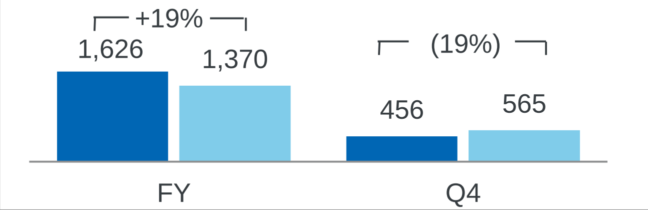
Segments – Reinsurance Division

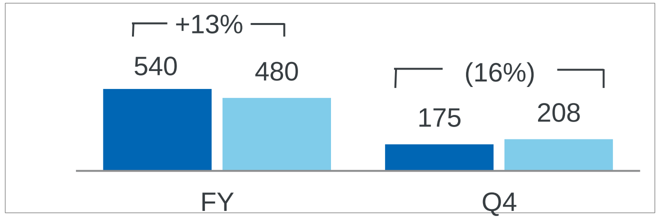
GWP



Operating result (EBIT)



Net income



Retention rate in %

	2018	2017
FY	90.7	90.5
Q4	90.4	91.6

Combined ratio in %

	2018	2017
FY	96.6	99.8
Q4	96.0	87.0

RoE in %

	2018	2017
FY	13.0	11.3
Q4	16.9	20.7

- FY 2018 GWP growth of +7.8% y/y (curr.-adj.: +11.6%), growth driven by increased demand for reinsurance
- Net premium is up by +10.6% on a reported basis and grew by +14.5% on a currency-adjusted basis

- FY 2018 EBIT up by 18.7% y/y, supported by improved technical result and favourable investment income
- Ordinary investment income increased by +2.1%
- Assets under management up by 6.0% y/y

- FY 2018 net income up by +12.8% y/y
- Tax ratio above long-term average due to one-time charges in deferred taxes in L/H Reinsurance from change in business set-up linked to the US tax reform in Q1 2018
- Return on equity for FY 2018 at 13.0% (FY 2017: 11.3%), well above target

EURm, IFRS **2018** **2017**

RoE well above target, despite impact from recaptures in L/H Reinsurance – 10th consecutive double-digit RoE

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- Additional Information FY 2018
- Risk Management

Net investment income

Net investment income Talanx Group

EUR m, IFRS	FY 2018	FY 2017	Change
Ordinary investment income	**3,445**	**3,397**	**+1%**
thereof current investment income from interest	2,711	2,684	+1%
thereof profit/loss from shares in ass. companies	7	24	(71%)
Realised net gains/losses on investments	585	1,245	(53%)
Write-ups/write-downs on investments	(181)	(198)	+9%
Unrealised net gains/losses on investments	(12)	64	n/a
Investment expenses	(261)	(245)	(7%)
Income from investments under own management	**3,576**	**4,263**	**(16%)**
Income from investment contracts	**(1)**	**(4)**	**+75%**
Interest income on funds withheld and contract deposits	**192**	**219**	**(12%)**
Total	**3,767**	**4,478**	**(16%)**

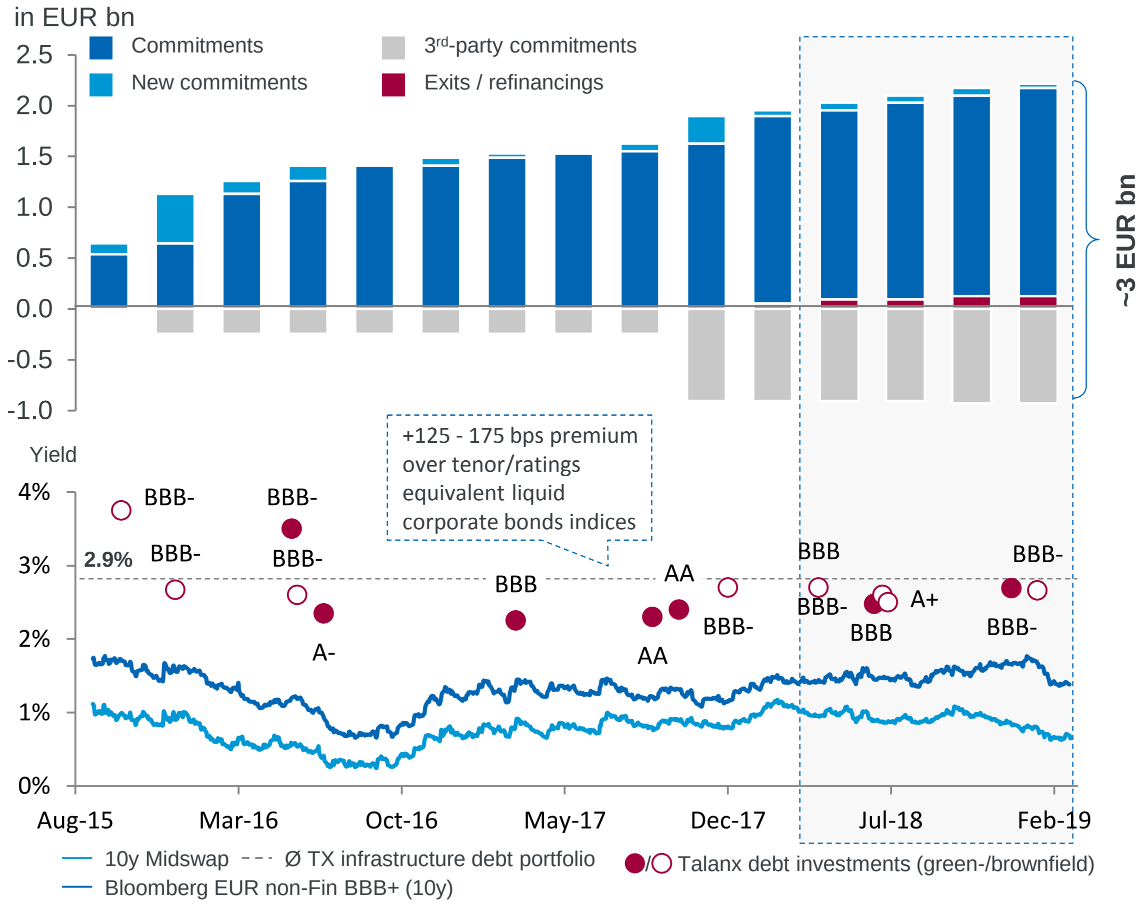
Comments

- Ordinary investment income slightly up. This is driven by higher investment result mainly from private equity
- Realised net investment gains down by EUR 660m y/y to EUR 585m in FY 2018, partly as a result of lower extraordinary gains in Retail Germany due to the new ZZR regime. There was also a significant base effect from previous year's equity disposal gains in Reinsurance (EUR 225m). FY 2018 ZZR allocation significantly lower at EUR 302m (FY 2017: 809m)
- FY 2018 RoI down to 3.3% (FY 2017: 4.0%), predominantly driven by markedly lower realised gains
- Primary Insurance will remain structurally burdened by the interest environment due to its higher share in euro investments and the higher portfolio duration. Explicitly no plans to deviate from our low-beta strategy

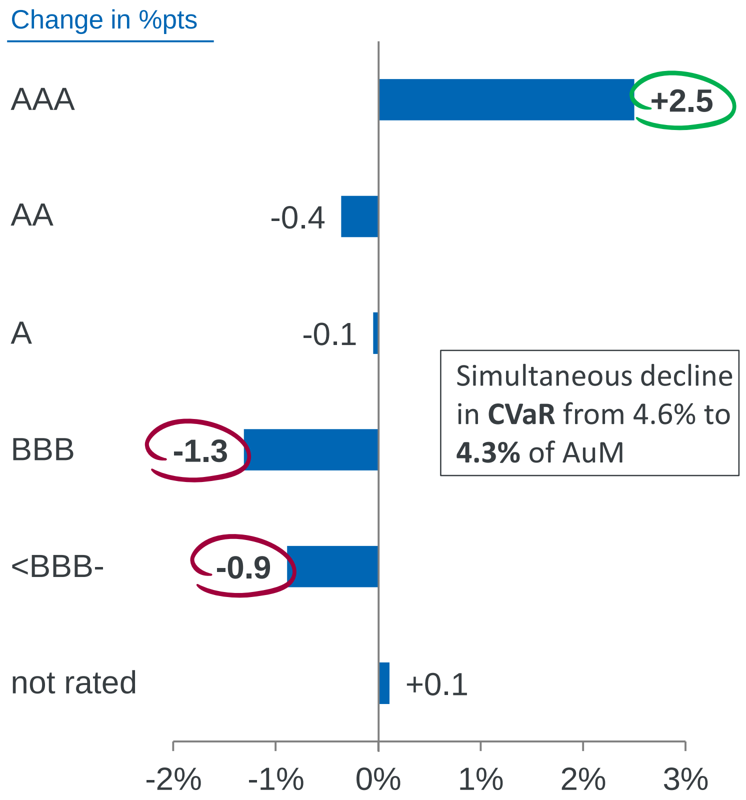
No plan to deviate from our low-beta strategy

Infrastructure Investments – Investing while improving the overall risk profile

Building up our infrastructure portfolio….



…while de-risking the investment portfolio



Simultaneous decline in **CVaR** from 4.6% to **4.3%** of AuM

Note: Rating changes reflect fixed-income portfolio only.
Changes FY 2018 vs. FY 2017

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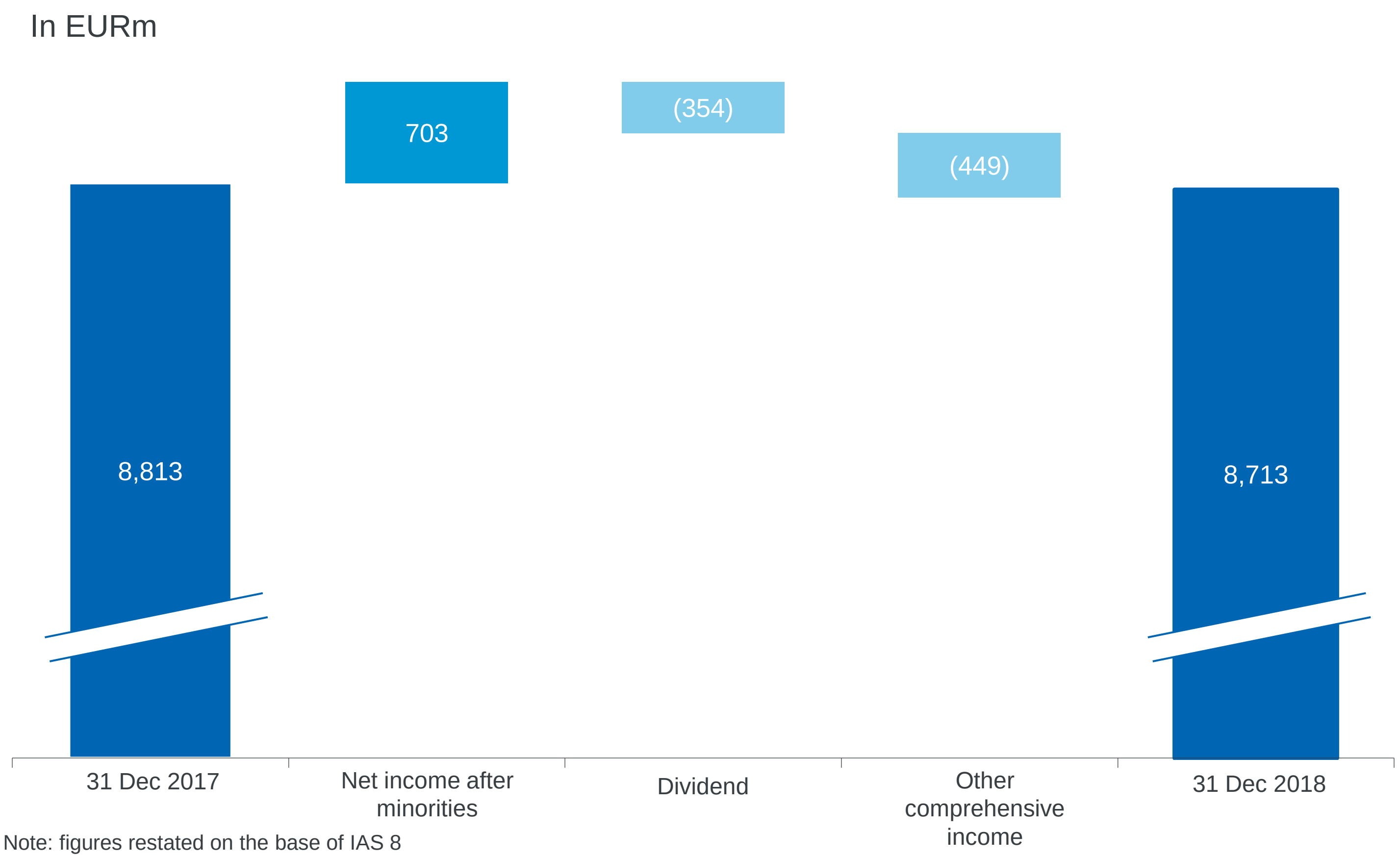
Equity and capitalisation – Contribution to change in equity



Note: figures restated on the base of IAS 8

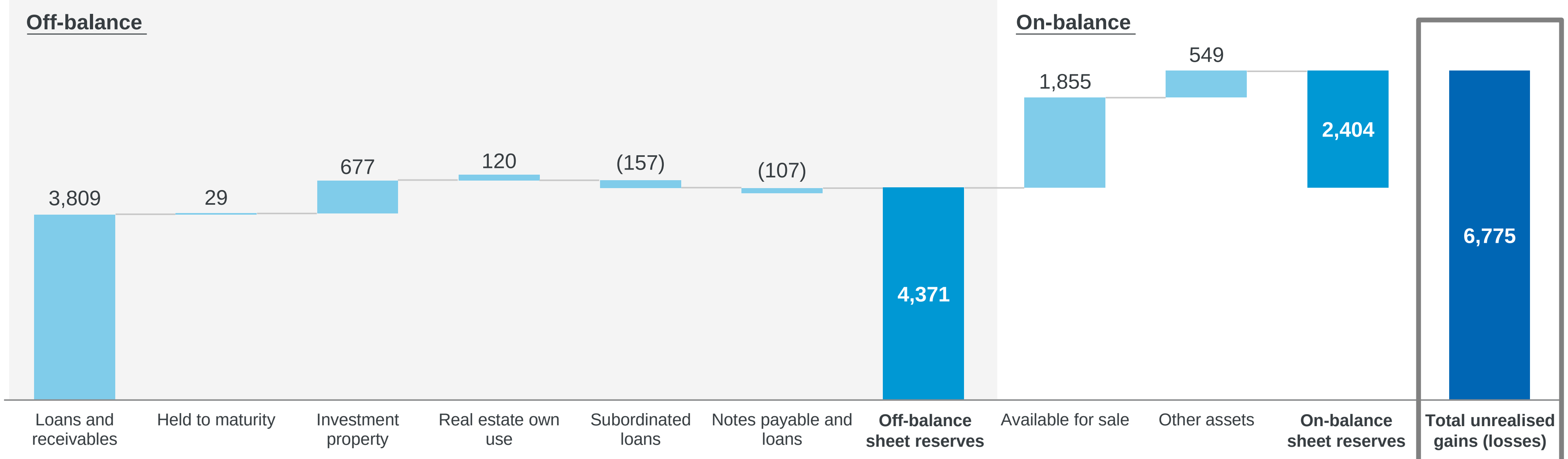
Comments

- At the end of FY 2018, shareholders' equity stood at EUR 8,713 EUR 173m above the level of 9M 2018 and EUR 100m below FY 2017
- The book value per share was EUR 34.47 (9M 2018: EUR 33.78), NAV (excl. goodwill) per share was EUR 30.28 (EUR 29.57)
- In sum, the decline in OCI – reflecting the interest-driven decline in bond values – and the dividend payout were somewhat higher than the Group net income

Shareholders' equity moderately down primarily reflecting the lower OCI

3 Equity and capitalisation – Unrealised gains of close to EUR 7bn

Unrealised gains and losses (off- and on-balance sheet) as of 31 December 2018 (EURm)



	Loans and receivables	Held to maturity	Investment property	Real estate own use	Subordinated loans	Notes payable and loans	Off-balance sheet reserves	Available for sale	Other assets	On-balance sheet reserves	Total unrealised gains (losses)
31 Dec 17	4,260	39	433	124	(382)	(144)	**4,330**	3,515	526	**4,042**	**8,372**

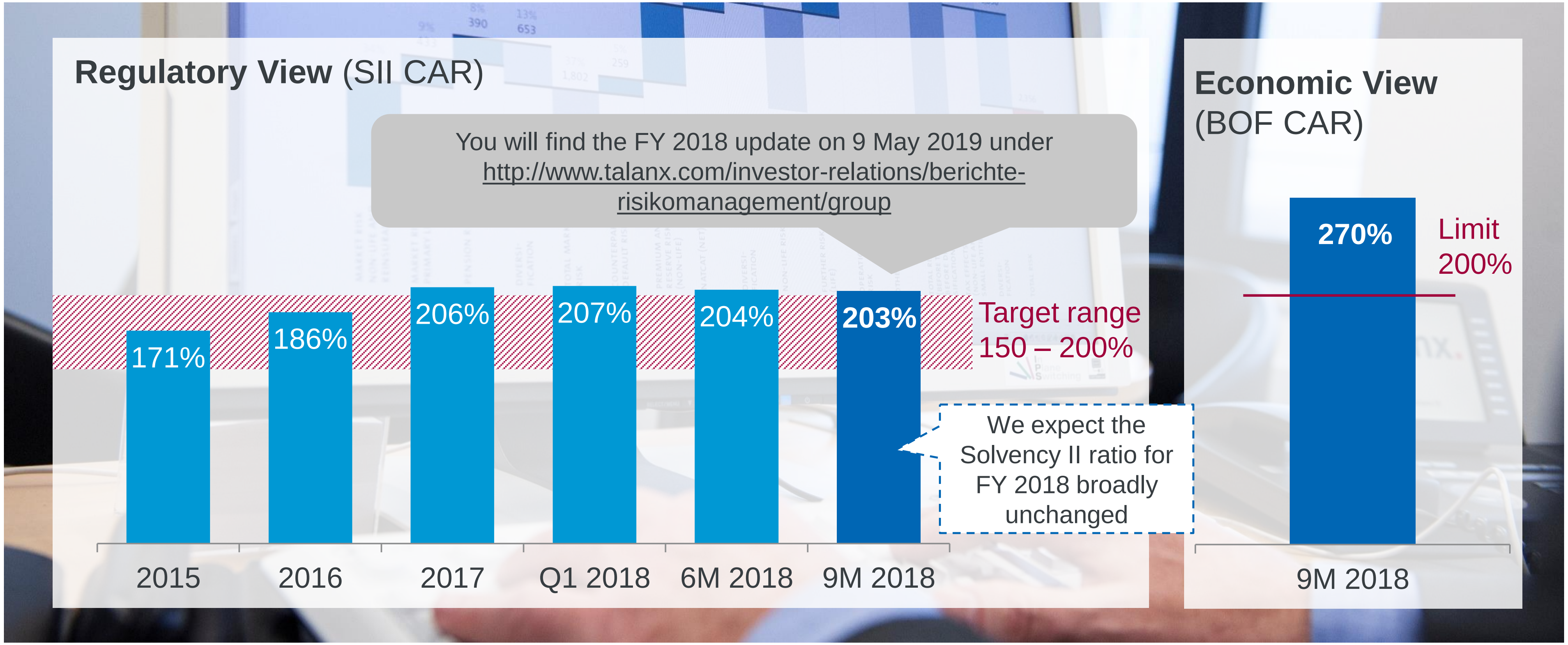
Δ market value vs. book value

Note: Shareholder contribution estimated based on historical profit sharing pattern

Off-balance sheet reserves of ~ EUR 4.4bn – EUR 435m (EUR 1.72 per share) attributable to shareholders (net of policyholders, taxes & minorities)

3 Risk management – Solvency II capital at very solid level

Development of Solvency II capitalisation



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 9M 2018 was 245% (FY 2017: 253%).

Agenda

4 Outlook 2019 for Talanx Group

	Outlook 2019	FY 2018 results
Gross written premium	~4%	
Return on investment	~2.7%	
Group net income	~900 EURm	703 EURm
Return on equity	~9.5%	8.0%
Dividend payout	35-45% DPS at least stable y/y	

UP!

Note: The 2019 Outlook is based on a large loss budget of EUR 315m (2018: EUR 300m) in Primary Insurance, of which EUR 278m in Industrial Lines. The large loss budget in Reinsurance stands at EUR 875m (2018: EUR 825m). All targets are subject to no large losses exceeding the large loss budget, no turbulences on capital markets and no material currency fluctuations

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5 Mid-term target matrix

Targets

Return on equity	EPS growth	Dividend payout ratio
High level of profitability	Profitable growth	Sustainable & attractive payout
≥ 800bp above risk-free rate	**≥ 5%** on average p.a.	**35% - 45%** of IFRS earnings; DPS at least stable y/y

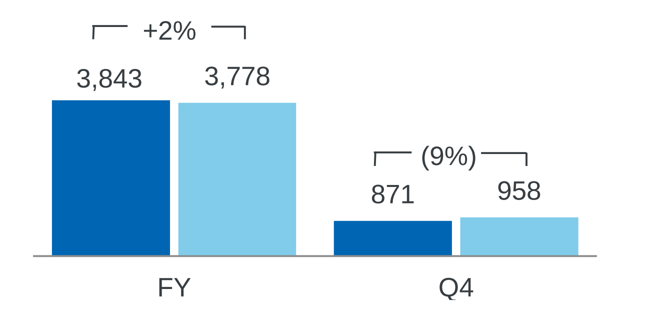
Constraints

Strong capitalisation	Market risk limitation (low beta)	High level of diversification
Solvency II target ratio 150 - 200%	Market risk ≤ 50% of Solvency Capital Requirement	targeted 2/3 of Primary Insurance premiums from outside Germany

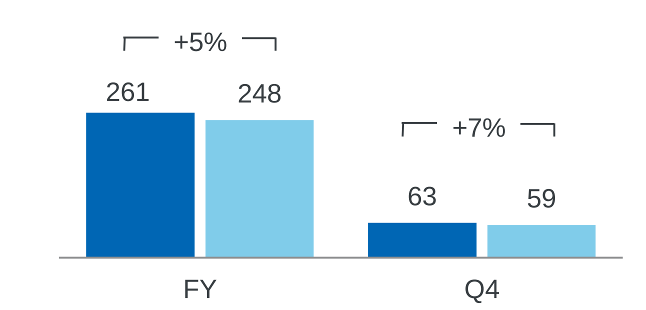
Note: Targets are relevant as of FY2019. EPS CAGR until 2022 (base level: original Group net income Outlook of ~EUR 850m for 2018). The risk-free rate is defined as the 5-year rolling average of the 10-year German Bund yield. Targets are subject to large losses staying within their respective annual large-loss budgets as well as no major turmoil on currency and/or capital markets

FY 2018 Additional Information – Retail International Europe: Key financials

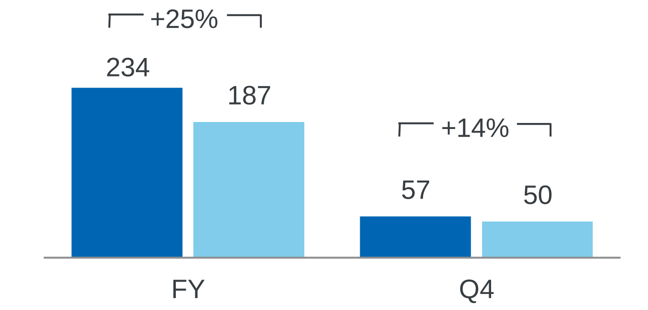
GWP



Investment income

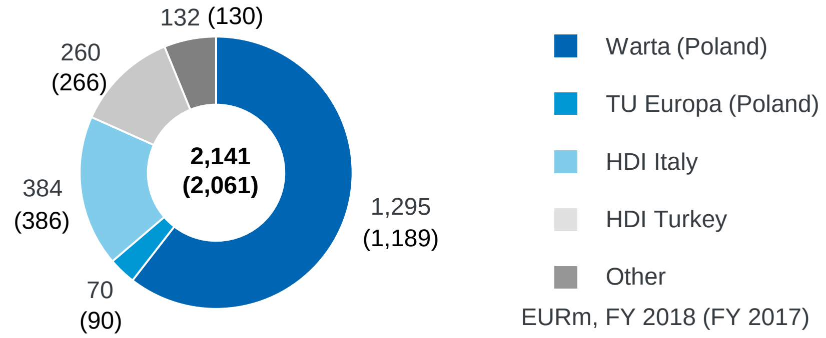


Operating result (EBIT)



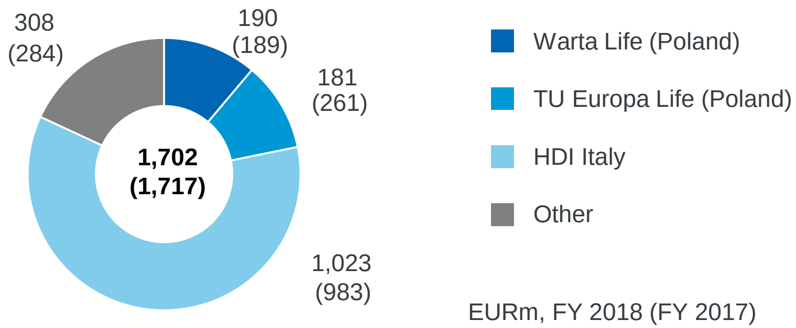
EURm, IFRS **2018** **2017**

GWP split by carriers (P/C)



EURm, FY 2018 (FY 2017)

GWP split by carriers (Life)



EURm, FY 2018 (FY 2017)

Top-line up by 2% – EBIT improvement driven by Poland and Italy

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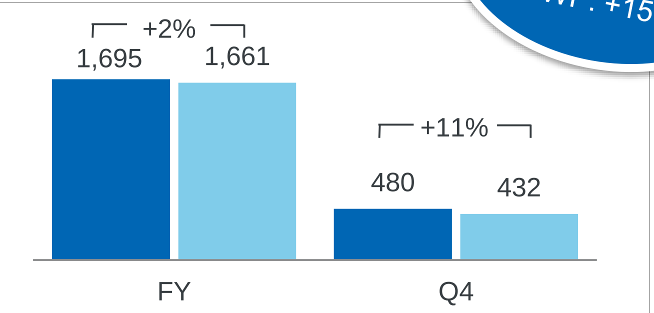
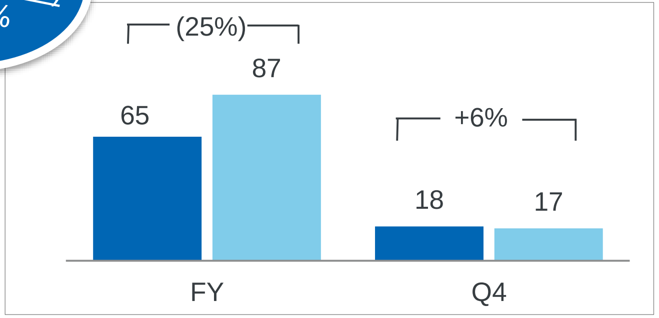
5 FY 2018 Additional Information – Retail International LatAm: Key financials

FY 2018 (currency adjusted) GWP: +15%

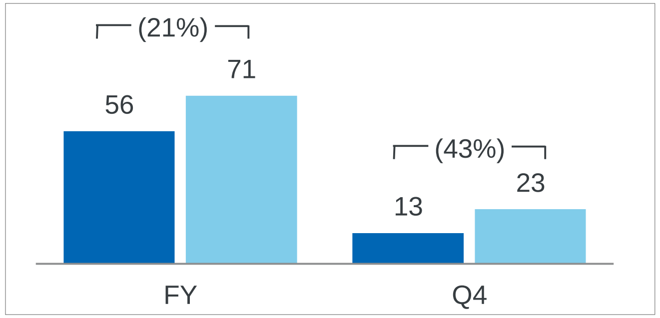
GWP



Investment income

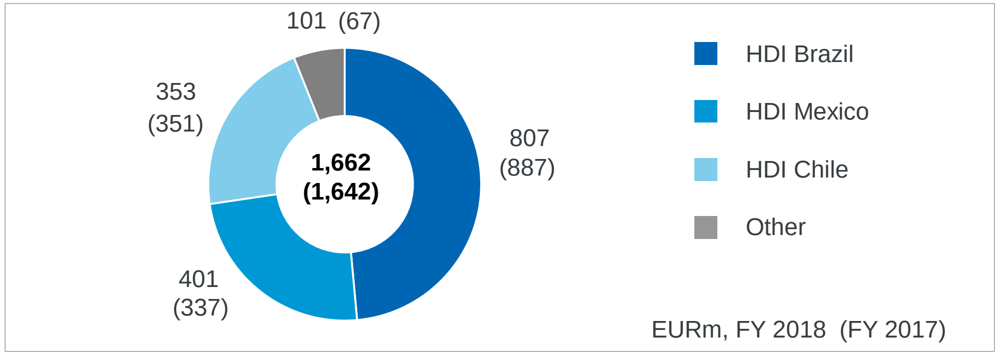


Operating result (EBIT)

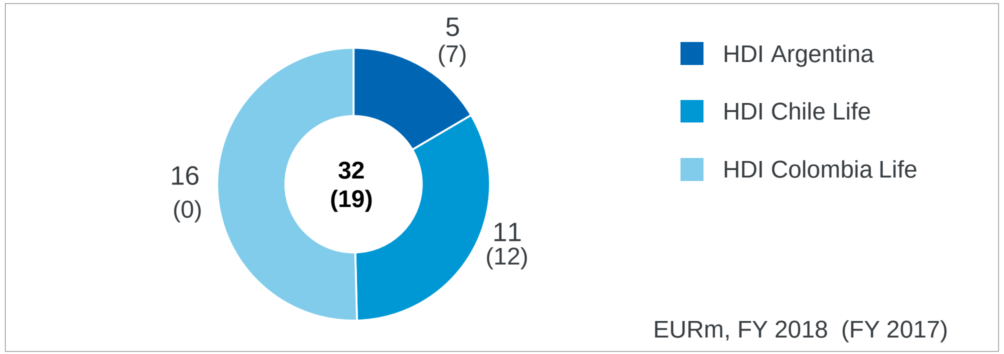


EURm, IFRS **2018** **2017**

GWP split by carriers (P/C)



GWP split by carriers (Life)



Currency effects and decline in interest rates burdening EBIT in LatAm

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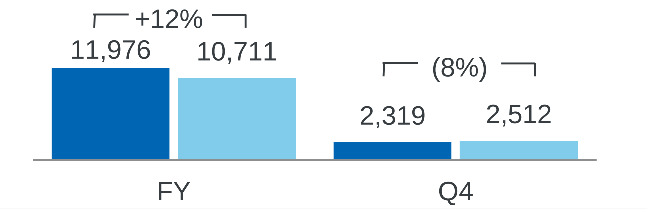
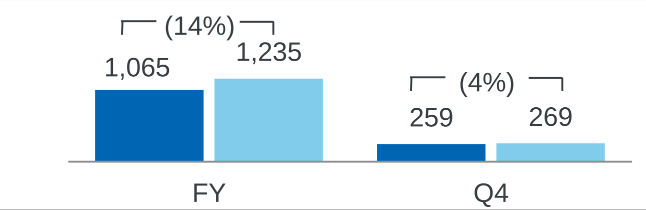
FY 2018 Additional Information – Segment P/C Reinsurance

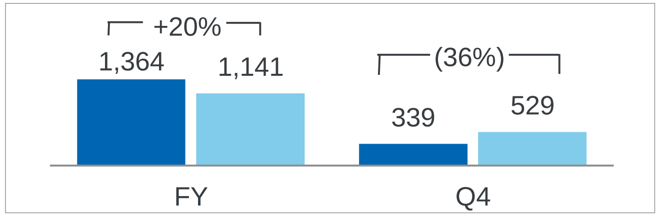
GWP



Investment income



Operating result (EBIT)



Retention rate in %

	2018	2017
FY	90.7	89.7
Q4	90.0	91.1

Combined ratio in %

	2018	2017
FY	96.6	99.8
Q4	96.0	87.0

EBIT margin in %

	2018	2017
FY	12.6	12.5
Q4	12.2	22.0

- FY 2018 GWP up by +11.8% y/y (curr.-adj.:+16.2%); mainly from Structured Reinsurance and traditional reinsurance
- Net premium earned grew by +18.0% y/y (curr.-adj.: +22.5%)

- Major losses of EUR 850m (7.9% of Net premium earned) slightly above budget of EUR 825m
- Positive run-off result and (unchanged) initial conservative reserving
- Favourable ordinary investment income despite absence of extraordinary impact from equities sale
- Other income and expenses mainly improved due to positive currency effects

- FY 2018 EBIT margin of 12.6% (FY 2017: 12.5%) - above target
- Tax ratio at normal level; increase due to tax-reduced disposal gains and dividends in previous year

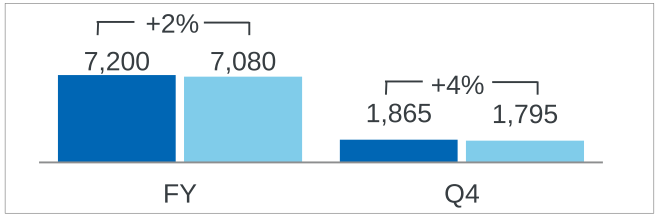
Note: EBIT margin reflects a Talanx Group view

EURm, IFRS ■ **2018** ■ **2017**

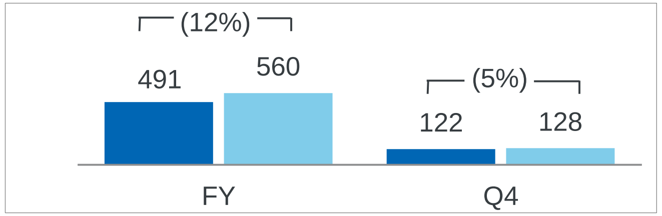
Good profitability supported by substantially improved underwriting and investment result

FY 2018 Additional Information – Segment Life/Health Reinsurance

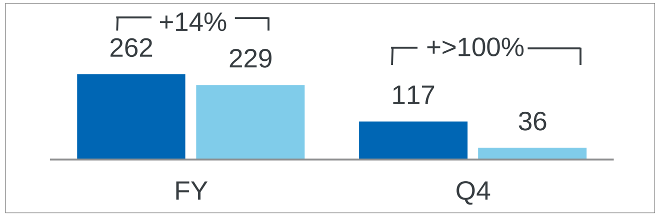
GWP



Investment income



Operating result (EBIT)



Retention rate in %

	2018	2017
FY	90.7	91.7
Q4	91.0	92.3

RoI in %

	2018	2017
FY	3.4	3.8
Q4	3.5	3.5

EBIT margin in %

	2018	2017
FY	4.0	3.5
Q4	6.8	2.1

- FY 2018 GWP up by +1.7% y/y (curr.-adj.:+4.6%), mainly from new business in China and UK Longevity
- Net premium earned up by 0.2% (curr.-adj.: +3.2%)

- Technical result impacted by recaptures (EUR -272m) and release of expense reserve (EUR +87m); positive underlying development
- Increased ordinary investment income (+8.5% y/y)
- Other income and expenses (FY 2018: EUR 187m; 15.5% y/y) mainly the result of strong contribution from deposit accounted treaties

- Strong EBIT development above growth target
- Tax ratio above long-term average due to one-time charges in deferred taxes due to change in business set-up linked to the US tax reform in Q1 2018

Note: EBIT margin reflects a Talanx Group view

EURm, IFRS ■ **2018** ■ **2017**

EBIT growth target achieved due to favourable underlying profitability

5 FY 2018 Additional Information – Segments

EURm, IFRS	Industrial Lines			Retail Germany P/C			Retail Germany Life		
	FY 2018	FY 2017	Change	FY 2018	FY 2017	Change	FY 2018	FY 2017	Change
P&L									
Gross written premium	4,686	4,454	+5%	1,564	1525	+3%	4,516	4,576	(1%)
Net premium earned	2,635	2,434	+8%	1,453	1,411	+3%	3,379	3,397	(1%)
Net underwriting result	(240)	(207)	(16%)	11	(21)	n/a	(1,421)	(1,883)	+25%
Net investment income	242	277	(13%)	89	91	(2%)	1,587	2,007	(21%)
Operating result (EBIT)	11	109	(90%)	69	52	+33%	111	85	+31%
Net income after minorities	(16)	91	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Key ratios									
Combined ratio non-life insurance and reinsurance	109.1%[1]	108.5%	+0.6%pts	99.3%[2]	101.6%	(2.3%)pts	-	-	-
Expense ratio	21.8%	22.8%	(1.0%)pts	35.9%	37.0%	(1.1%)pts	-	-	-
Loss ratio	87.3%	85.7%	+1.6%pts	63.4%	64.6%	(1.2%)pts	-	-	-
Return on investment	3.0%	3.6%	(0.6%)pts	2.3%	2.4%	(0.1%)pts	3.4%	4.4%	(1.0%)pts

1 Q4 2018 combined ratio: 102.3% (Q4 2017: 104.3%), expense ratio: 23.7% (24.9%), loss ratio: 78.5% (79.4%)
2 Q4 2018 combined ratio: 102.7% (Q4 2017: 105.5%), expense ratio: 37.1 (40.8%), loss ratio: 65.6% (66.1%)

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5 FY 2018 Additional Information – Segments

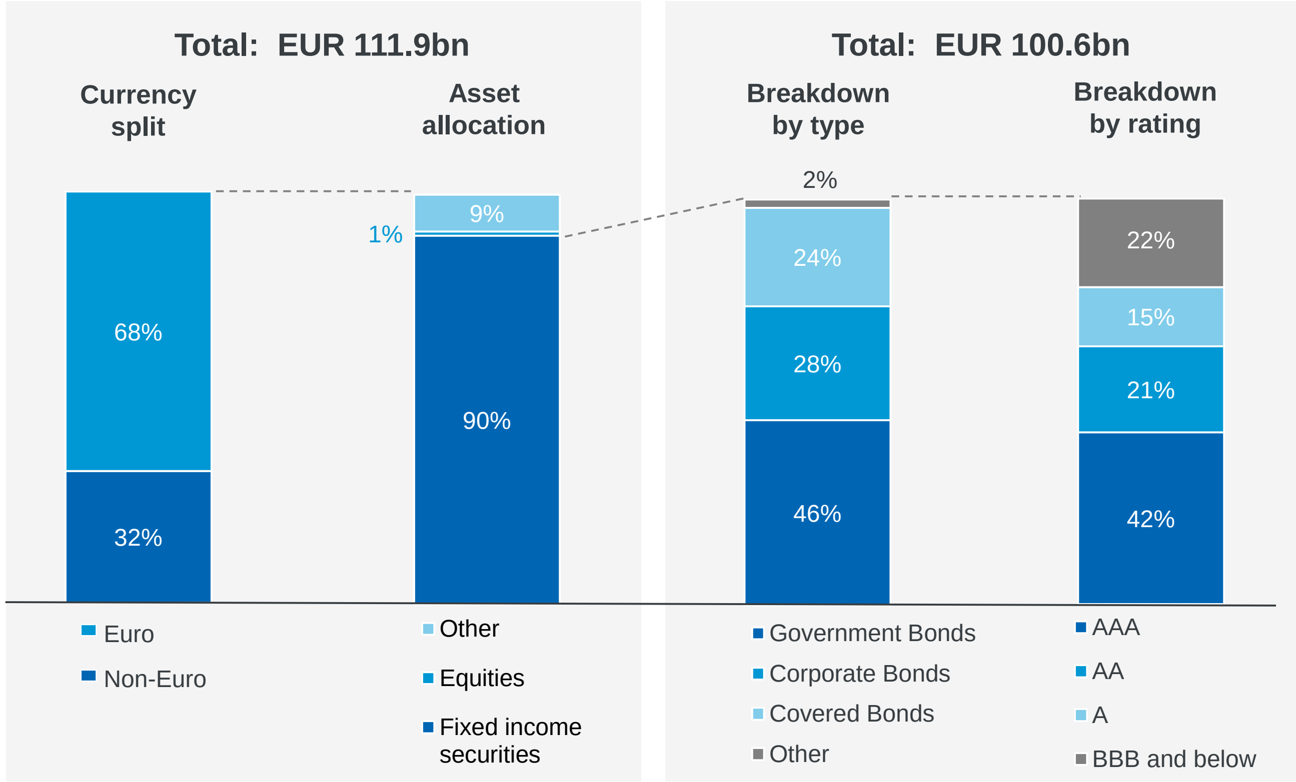
EURm, IFRS	Retail International FY 2018	Retail International FY 2017	Retail International Change	P/C Reinsurance FY 2018	P/C Reinsurance FY 2017	P/C Reinsurance Change	Life/Health Reinsurance FY 2018	Life/Health Reinsurance FY 2017	Life/Health Reinsurance Change	Group FY 2018	Group FY 2017	Group Change
P&L												
Gross written premium	5,552	5,461	+2%	11,976	10,711	+12%	7,200	7,080	+2%	34,885	33,060	+6%
Net premium earned	4,816	4,579	+5%	10,805	9,158	+18%	6,484	6473	+0%	29,574	27,418	+8%
Net underwriting result	91	53	+72%	333	1	>100%	(416)	(493)	+16%	(1,647)	(2,546)	+35%
Net investment income	321	329	(2%)	1,065	1,235	(14%)	491	560	(12%)	3,767	4,478	(16%)
Operating result (EBIT)	268	238	+13%	1,364	1,141	+20%	262	229	+14%	2,032	1,805	+13%
Net income after minorities	161	137	+18%	-	-	-	-	-	-	703	671	+5%
Key ratios												
Combined ratio non-life insurance and reinsurance	94.3%[1]	95.4%	(1.1%)pts	96.6%[2]	99.8%	(3.2%)pts	-	-	-	98.2%[3]	100.4%	(2.2%)pts
Expense ratio	28.5%	29.2%	(0.7%)pts	29.9%	28.7%	1.2%pts	-	-	-	29.0%	28.6%	+0.4%pts
Loss ratio	65.8%	66.2%	(0.4%)pts	67.0%	71.2%	(4.2%)pts	-	-	-	69.5%	71.9%	(2.4%)pts
Return on investment	3.1%	3.4%	(0.3%)pts	3.2%	3.8%	(0.6%)pts	3.4%	3.8%	(0.4%)pts	3.3%	4.0%	(0.7%)pts

1 Q4 2018 combined ratio: 94.0% (Q4 2017: 93.6%), expense ratio: 29.9% (29.7%), loss ratio: 64.1% (64.0%)
2 Q4 2018 combined ratio: 96.0% (Q4 2017: 87.0%), expense ratio: 28.3% (30.6%), loss ratio: 68.1% (56.6%)
3 Q4 2018 combined ratio: 97.2% (Q4 2017: 92.7%), expense ratio: 28.5% (30.4%), loss ratio: 68.9% (62.4%)

FY 2018 Additional Information – Breakdown of investment portfolio

Investment portfolio as of 31 Dec 2018

Fixed-income-portfolio split



Comments

- Investments under own management of EUR 111.9bn up vs. FY 2017 (EUR 107.9bn)
- Investment portfolio remains dominated by fixed-income securities: portfolio share of 90% unchanged (FY 2017: 90%)
- Share of fixed-income portfolio invested in “A” or higher-rated bonds is up to 78% (FY 2017: 76%)
- 18% of “investments under own management” are held in USD (FY 2017: 18%); 32% overall in non-euro currencies (FY 2017: 32%)

Investment strategy unchanged – portfolio continuously dominated by strongly rated fixed-income securities

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5 FY 2018 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	2,319	-	547	501	454	-	**3,821**
Brazil	BB-	270		42	354	-	4	**669**
Mexico	BBB+	120	3	59	267	-	-	**450**
Hungary	BBB-	541	-	2	11	26	-	**581**
Russia	BBB-	239	15	25	146	-	-	**425**
South Africa	BB+	147	-	5	52	-	2	**206**
Portugal	BBB	38	-	11	53	20	-	**121**
Turkey	BB-	18	-	26	32	3	-	**79**
Other BBB+		73	-	52	70	-	-	**195**
Other BBB		161	6	124	114	-	-	**405**
Other <BBB		197	26	108	139	-	255	**726**
Total		**4,122**	**51**	**1,002**	**1,739**	**503**	**261**	**7,678**
in % of total investments under own management		3.7%	0.1%	0.9%	1.6%	0.5%	0.2%	**6.9%**
in % of total Group assets		2,5%	0.0%	0.6%	1.1%	0.3%	0.2%	**4.7%**

1 Investment under own management

talanx.

Financial Calendar and IR contacts

- 9 May 2019
  Annual General Meeting
- 9 May 2019
  Quarterly Statement as at 31 March 2019
- 12 August 2019
  Quarterly Statement as at 30 June 2019
- 20 November 2019
  Capital Markets Day in Frankfurt

Carsten Werle, CFA
Head of IR

Carsten Fricke
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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 2018 Chapter “Enterprise management”, pp. 26 and the following, the “Glossary and definition of key figures” on page 262 as well as our homepage http://www.talanx.com/investor-relations/ueberblick/midterm-targets/definitions_apm.aspx