

PERFORMANCE AND RESULTS

2018

Q1 2018 Results
11 May 2018

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Overall good Q1 underpins FY2018 Group net income Outlook of ~EUR 850m



Retail International and Reinsurance with strong start into the new year



Retail Germany fully on track to deliver on its "KuRS" targets – P/C growing, CoR <100%



Industrial Lines: volatile Q1 run-off results and dissatisfying performance of German Fire business



Solvency II ratio at year-end 2017 at 206% - above upper end of target range



HDI Global Specialty: HDI Global's and Hannover Re's joint venture to focus on growing and margin-rich Specialty business

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Mid-term Target Matrix

Additional Information Q1 2018

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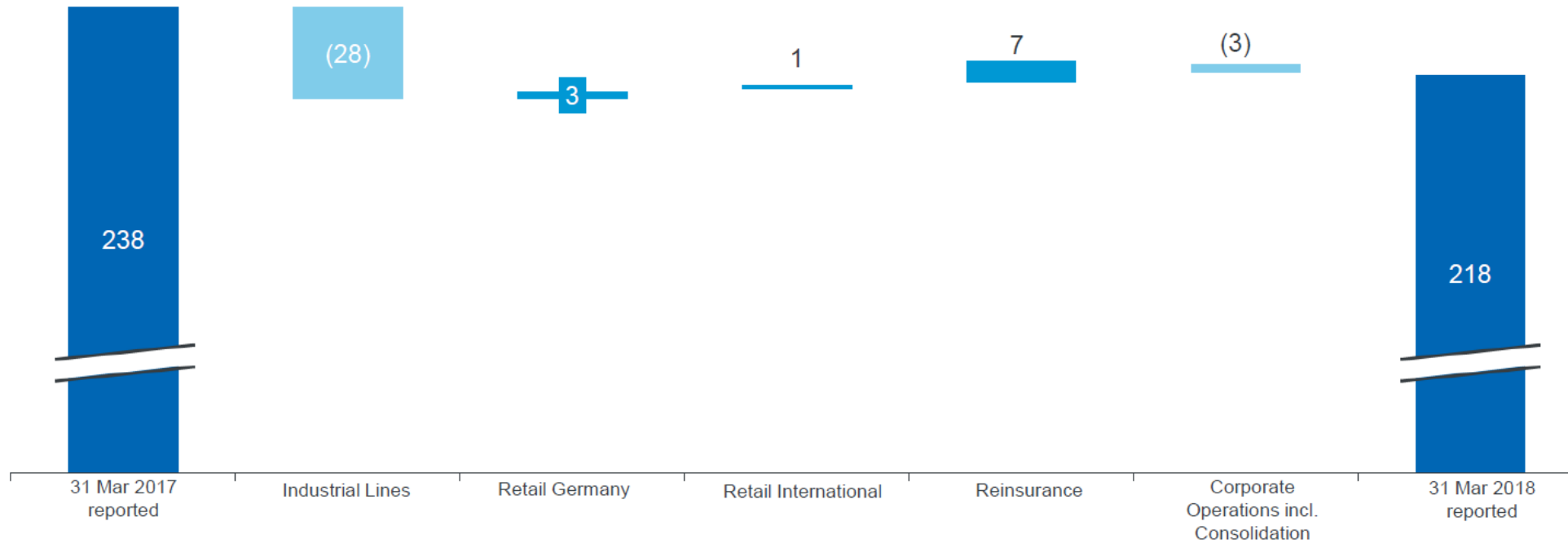
Q1 2018 results – Key financials

EURm	Q1 2018	Q1 2017	Delta	Comments
Gross written premium (GWP)	10,560	9,752	8%	Q1 2018 GWP grew by 8.3% despite strong currency headwind. Currency-adjusted, top-line up by 14.1%
Net premium earned	6,989	6,698	4%	
Net underwriting result	-430	-415	-4%	
t/o P/C	119	135	-12%	
t/o Life	-548	-550	0%	
Net investment income	1,063	1,011	5%	All operating divisions – except Industrial Lines - contribute to EBIT growth. Industrial Lines' Q1 burdened by volatile run-off results and dissatisfying performance of German Fire business
Other income / expenses	-41	-20	-105%	
Operating result (EBIT)	592	576	3%	One-off effects from the US tax reform
Financing interests	-41	-36	-14%	
Taxes on income	-163	-142	-15%	Higher share of profits attributable to minorities, namely in the Reinsurance Division and at Warta
Net income before minorities	388	398	-2%	
Non-controlling interests	-170	-160	-6%	
Net income after minorities	218	238	-8%	Overall good Q1 underpins FY 2018 Group net income Outlook of ~EUR 850m
Combined ratio	97.0%	96.3%	0.7%pts	Slight deterioration of Group combined ratio driven by Industrial Lines
Tax ratio	29.6%	26.3%	3.3%pts	
Return on equity	9.9%	10.4%	-0.5%pts	

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Q1 2018 – Divisional contribution to change in Group net income

in EURm








Note: figures restated on the base of IAS 8



Industrial Lines down y/y – all other operating divisions with an improved net income contribution

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Large losses¹ in Q1 2018 (in EURm)

NatCat	Primary Insurance	Reinsurance	Talanx Group	Man-made	Primary Insurance	Reinsurance	Talanx Group
 Storm	27.2 (Hurricane "Friederike")	31.5 (Hurricane "Friederike")	58.7 (Hurricane "Friederike")	 Fire/Property	22.7	19.0	41.7
 Earthquake	7.6 (Papua New Guinea)	-	7.6 (Papua New Guinea)	 Credit	-	22.9	22.9
				 Other	6.7		6.7
Total NatCat	34.8	31.5	66.3	Total Man-made	29.4	41.9	71.3
Total large losses	Primary Insurance	64.2 (19.2)	Reinsurance	73.4 (133.7)	Talanx Group	137.6 (152.9)	

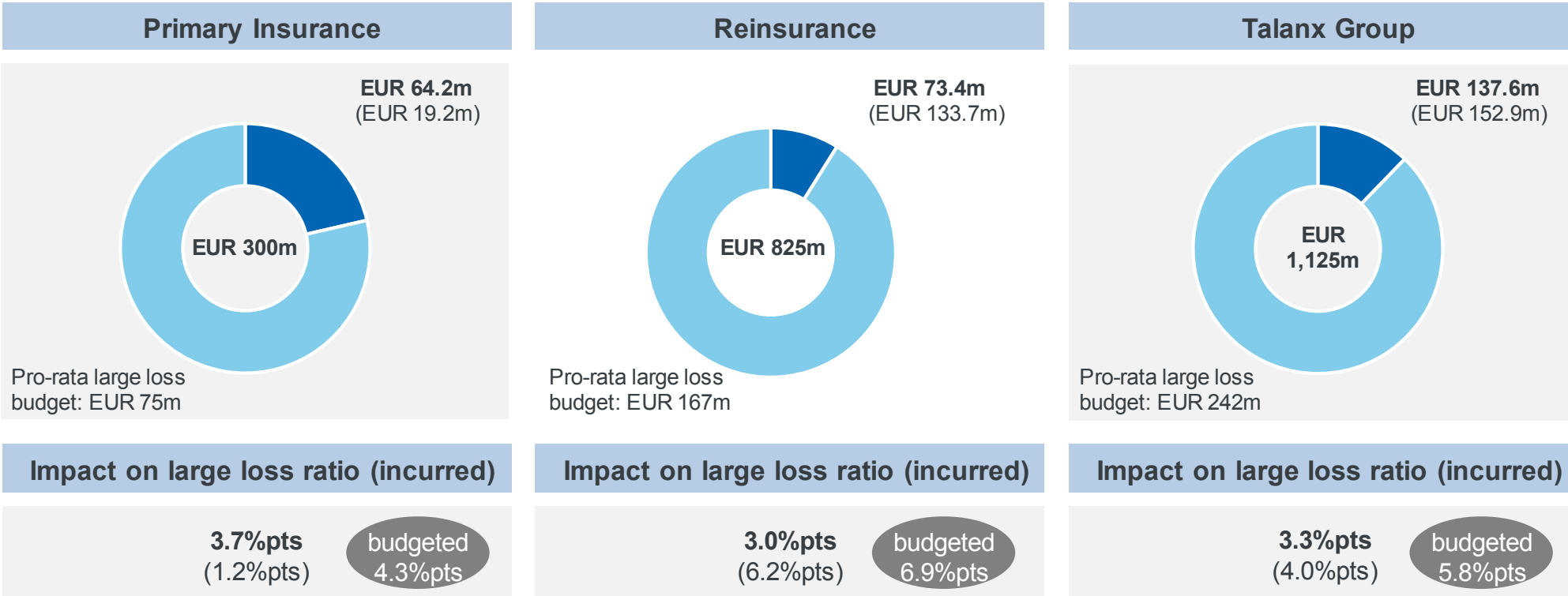
Q1 2018 (Q1 2017)

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

Note: Q1 2018 Primary Insurance large losses (net) are split as follows: Industrial Lines: EUR 48.8m; Retail Germany: EUR 11.8; Retail International: EUR 0.1m, Corporate Operations: EUR 3.5m; since FY2016 reporting onwards, the table includes large losses from Industrial Liability line, booked in the respective FY. The Q1 budget for large losses stands at EUR75m in Primary Insurance and at EUR167m in Reinsurance. By consequence, Primary Insurance and Reinsurance have both remained within their budgets, implying an extra cushion – also when compared to last year' Q1 – for the remainder of the year

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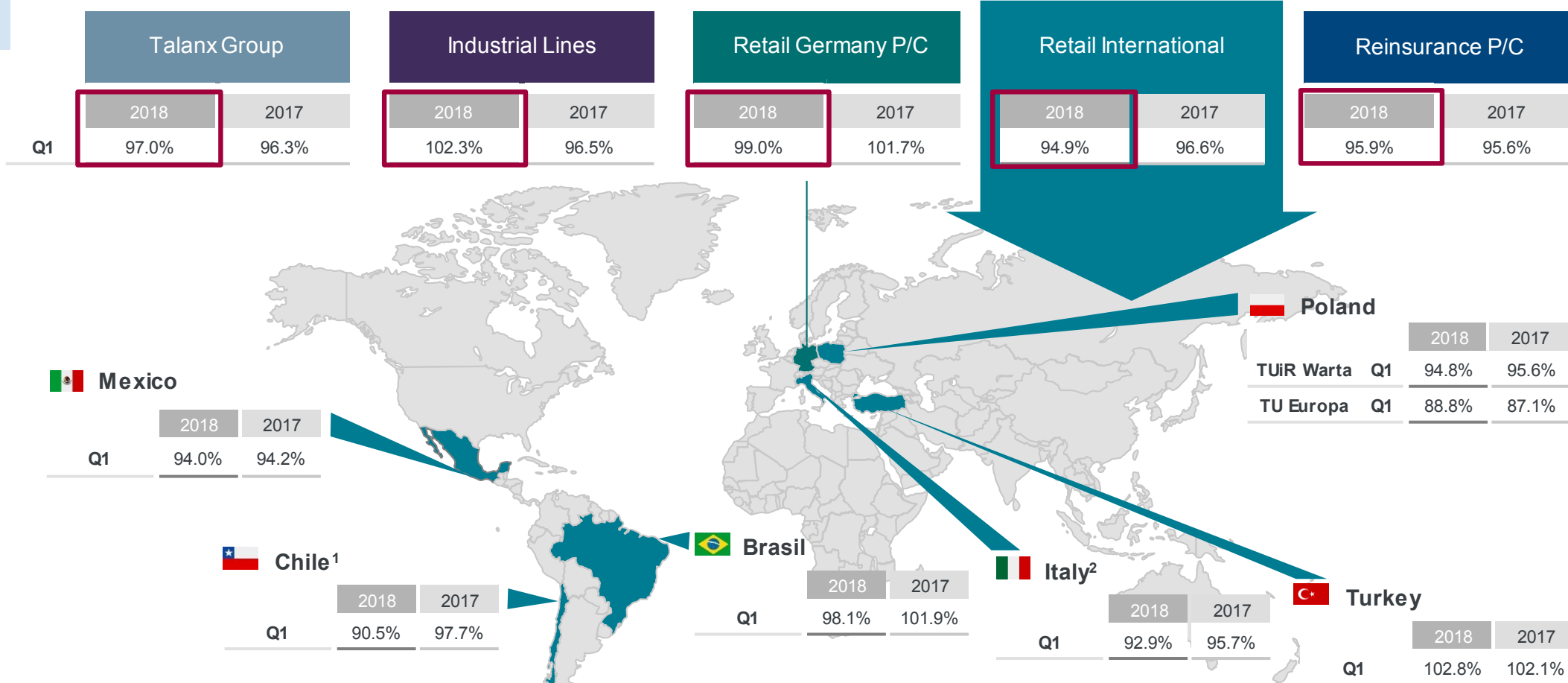
Large loss budget in Q1 2018



● FY large loss budget
 ▸ thereof used budget
 Q1 2018 (Q1 2017)

▶ Large losses within the respective pro-rata budgets

1 Combined Ratios



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

2 Incl. InChiaro (P/C); merged with HDI Italy on 29 June 2017

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HDI Global Specialty: HDI Global and Hannover Re launch a joint growth initiative in specialty business

Bundling the know-how of HDI Global and Hannover Re in the **fast-growing and high-margin** specialty business

HDI Global Specialty as **joint venture** with more than EUR 1bn gross written premium and potential for significant organic growth

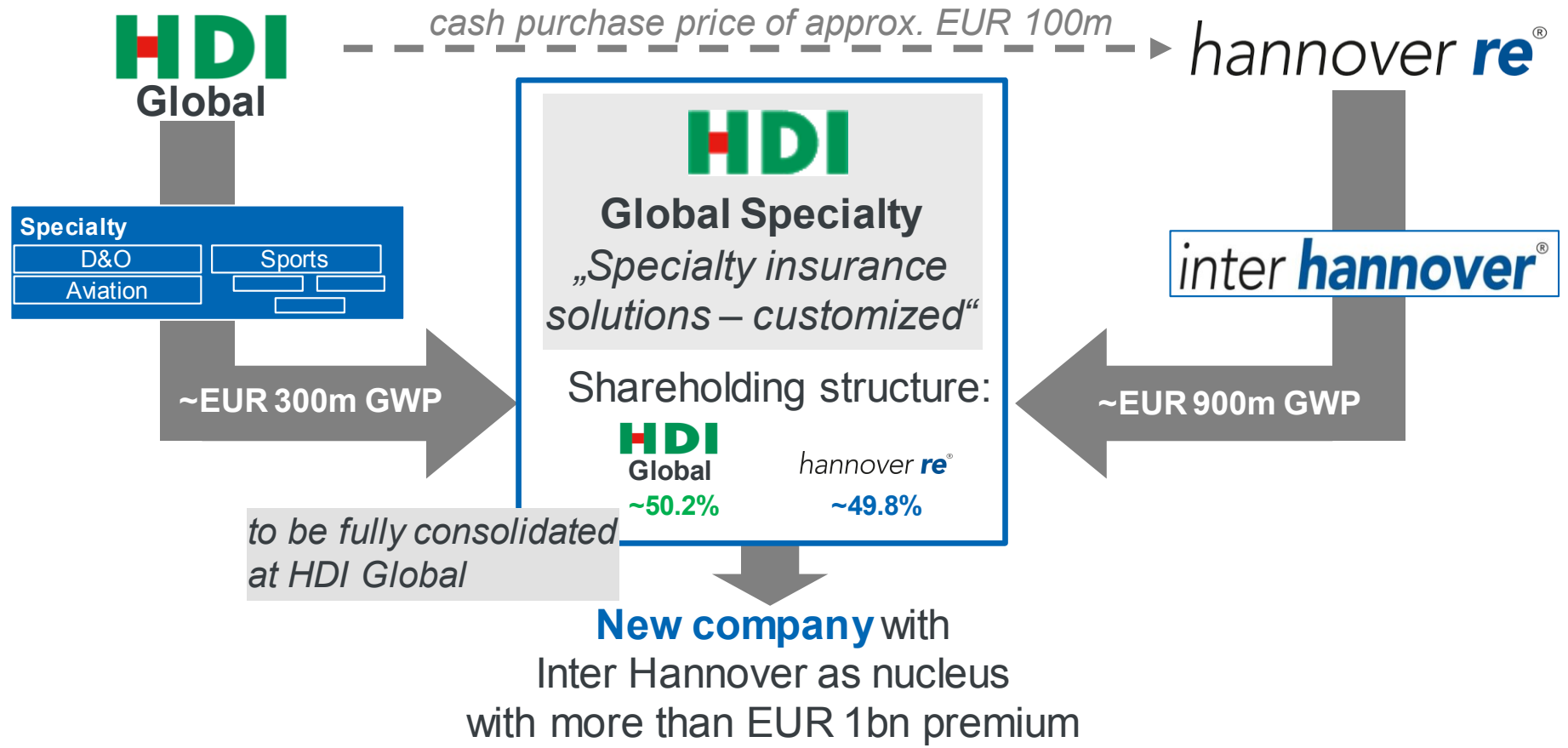
Focused addressing and expansion of specialty-activities within the Group (e.g. D&O, political risks, sports, energy, aviation)

Profit contribution to HDI Global and Hannover Re is expected to be higher for both entities as of 2019 than within the current structure

Planned start: 1 January 2019

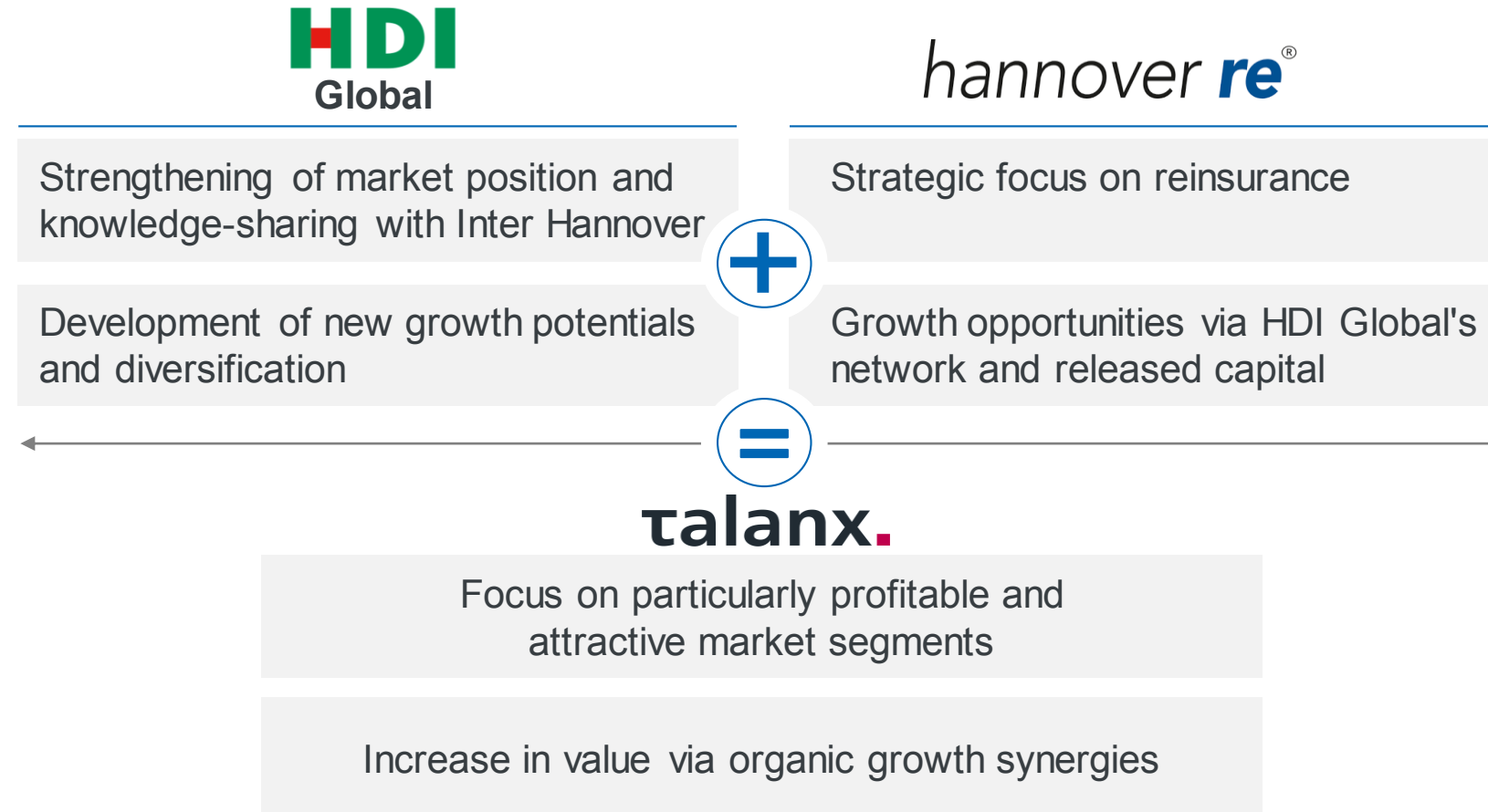
1 HDI Global Specialty: the joint venture

Realignment per January 2019



1

HDI Global Specialty: establishing the platform for future growth



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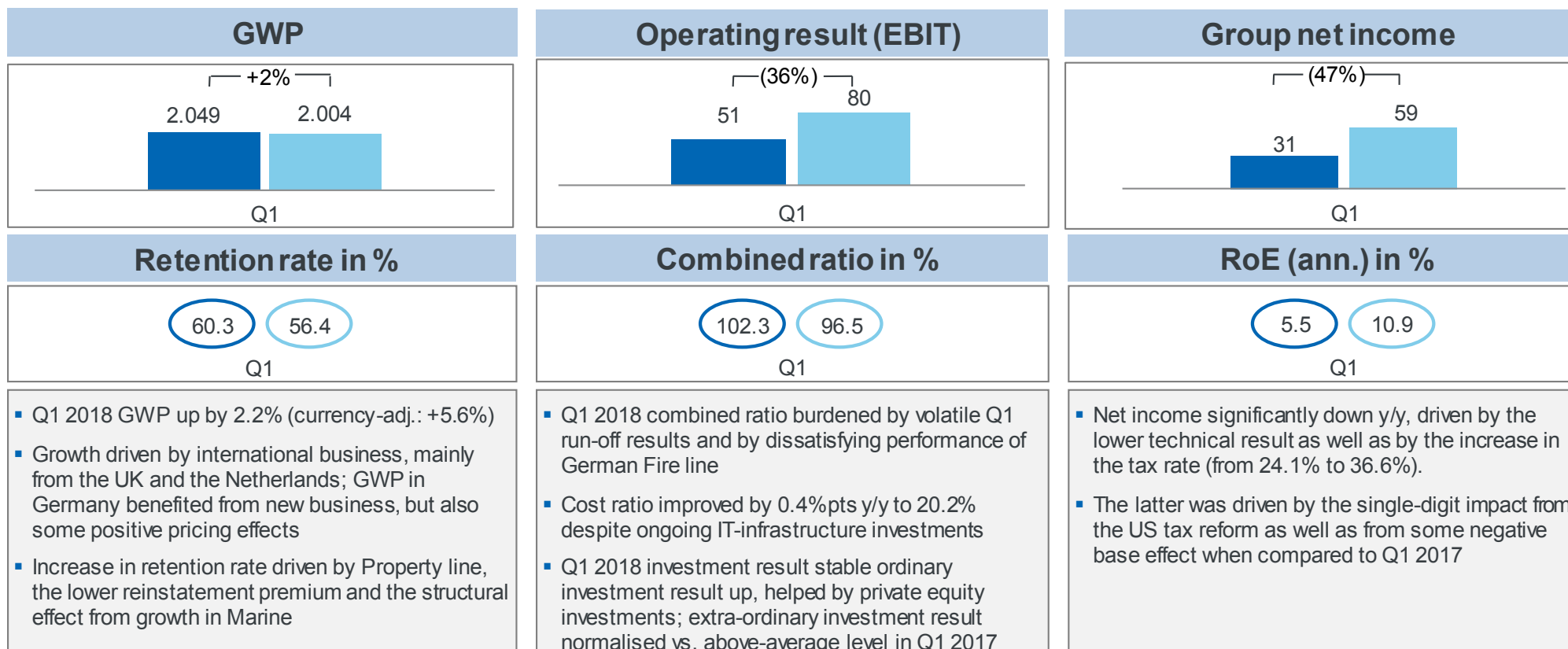
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Mid-term Target Matrix

Additional Information Q1 2018

2 Segments – Industrial Lines



EURm, IFRS ■ 2018 ■ 2017

▶ Volatile Q1 run-off results and dissatisfying performance of German Fire business

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Segments – Retail Germany Division

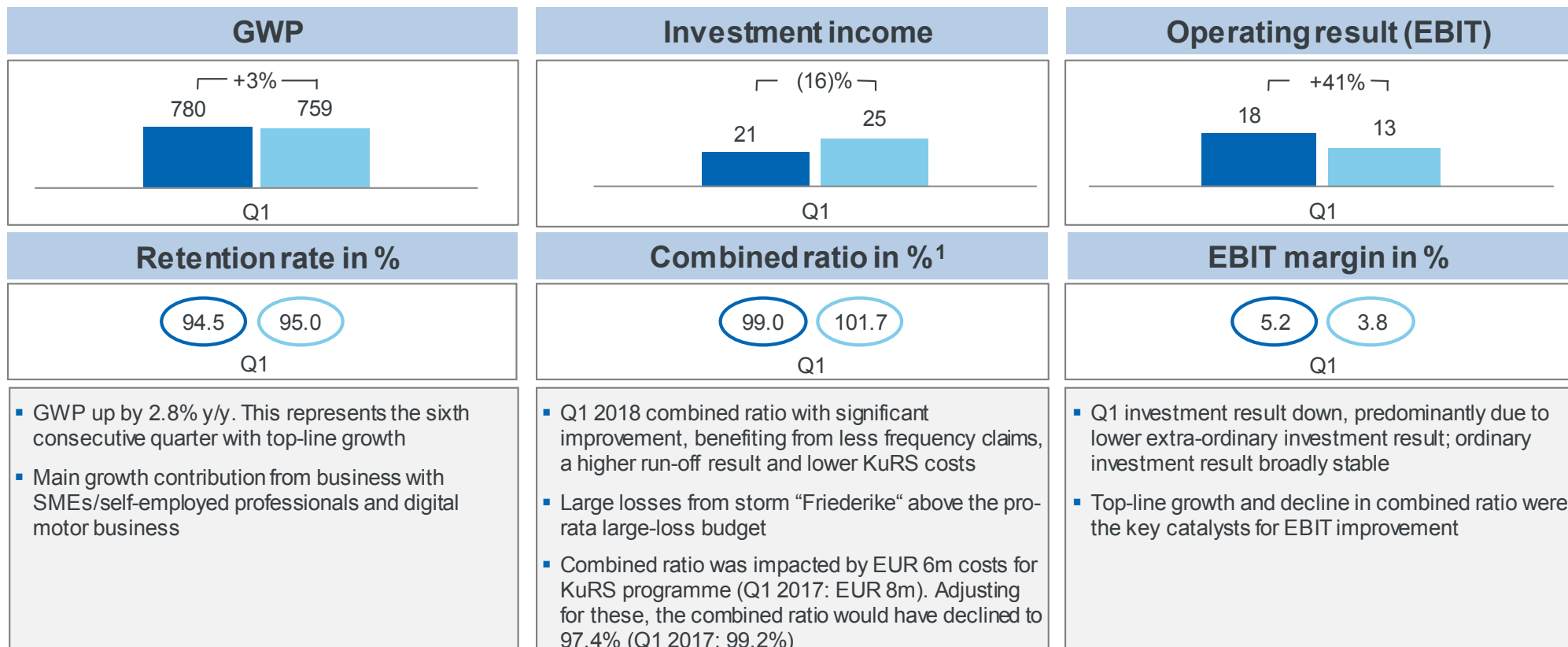
GWP	Operating result (EBIT)	Group net income
<p>Q1</p>	<p>Q1</p>	<p>Q1</p>
Retention rate in %	Combined ratio in % ¹	RoE (ann.) in %
<p>Q1</p>	<p>Q1</p>	<p>Q1</p>
<ul style="list-style-type: none"> Top-line slightly down. GWP decline in Life business could not be fully compensated by pleasing growth in P/C segment Net underwriting result in P/C further improved y/y Decline in technical Life result mainly reflects the higher RfB contribution mirroring the funding of the ZZR 	<ul style="list-style-type: none"> KuRS costs affected the division in total by EUR 9m in Q1 2018 (Q1 2017: EUR 12m), the impact on EBIT was EUR 6m (Q1 2017: EUR 9m) EBIT markedly up, driven by the P/C segment, which benefited from less frequency claims and from lower costs for the KuRS programme 	<ul style="list-style-type: none"> Improvement in net income was driven by the higher EBIT and was also helped by the somewhat lower tax rate Retail Germany is well on track to further increase its profitability - as targeted

EURm, IFRS ■ 2018 ■ 2017

¹ Adjusted for KuRS costs; reported combined ratios are Q1 2018: 97.4%, Q1 2017: 99.2%

Division on track to reach KuRS targets

2 Segments – Retail Germany P/C



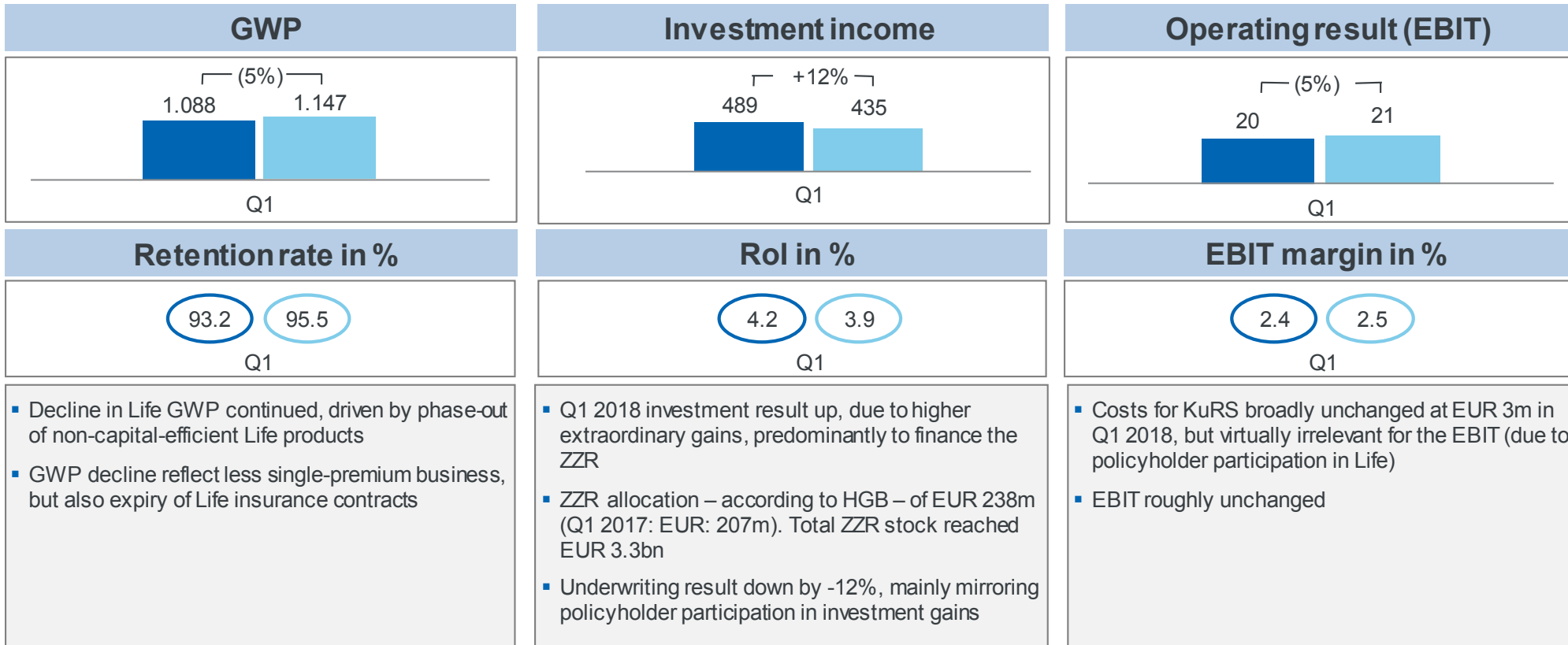
EURm, IFRS ■ 2018 ■ 2017

¹ Adjusted for KuRS costs; reported combined ratios are Q1 2018: 97.4%, Q1 2017: 99.2%

▶ P/C segment growing at a combined ratio (incl. KuRS effects) of below 100%

2

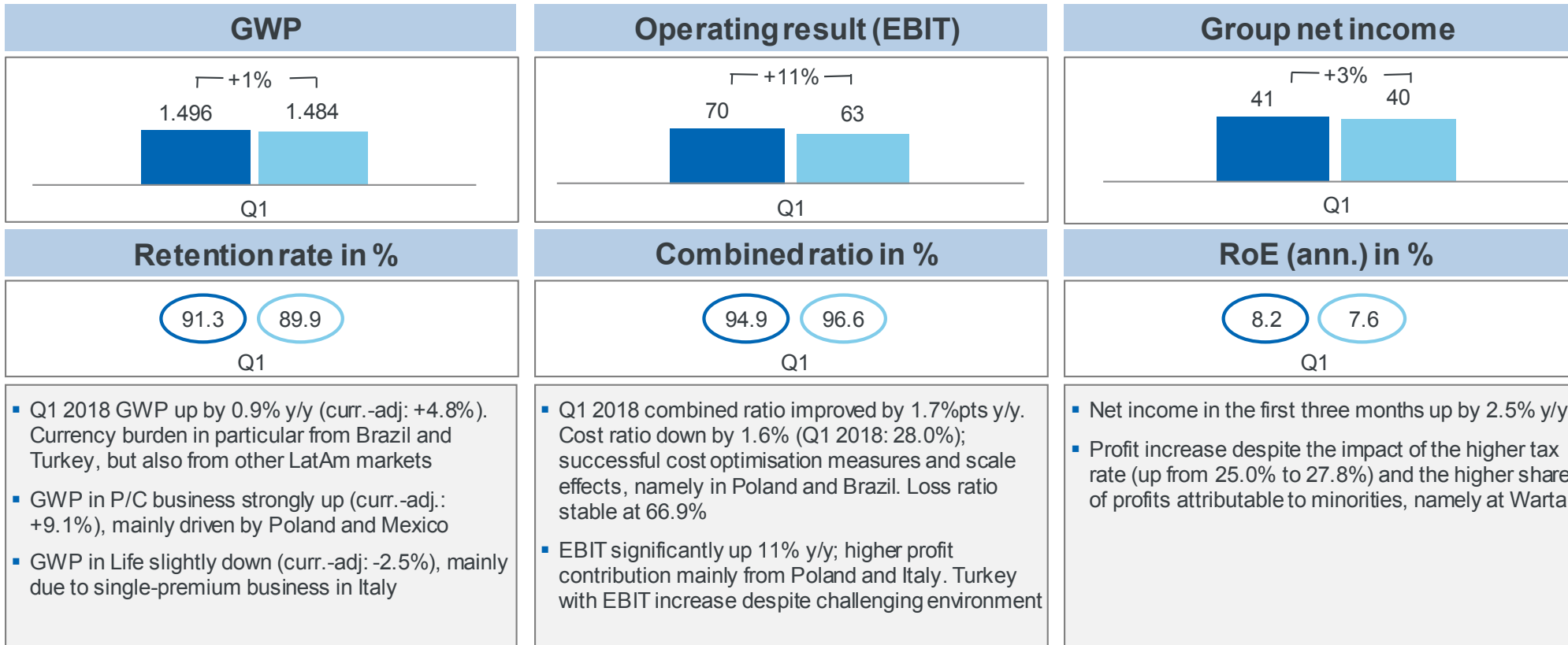
Segments – Retail Germany Life



EURm, IFRS ■ 2018 ■ 2017

▶ **Accepting decline in non-capital-efficient business to improve profitability**

2 Segments – Retail International



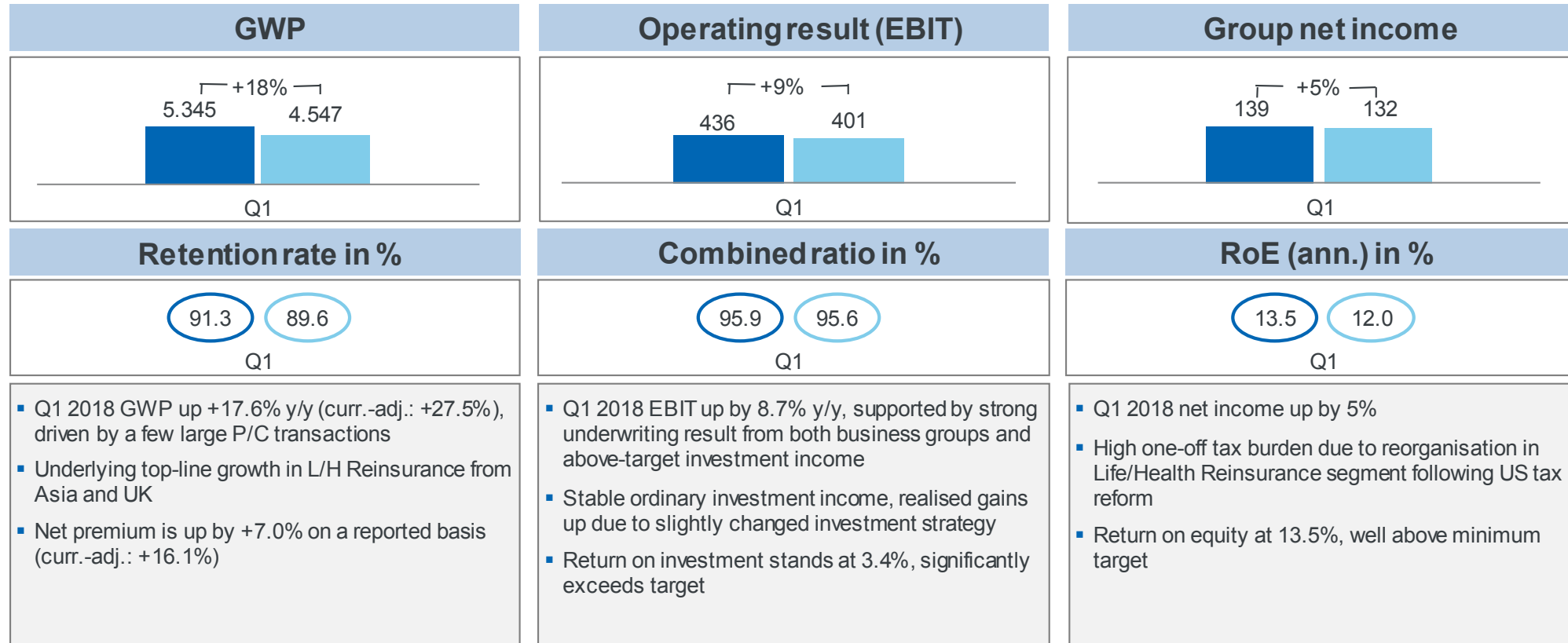
EURm, IFRS ■ 2018 ■ 2017

Note: figures restated on the base of IAS 8

▶ **Top-line up despite currency headwind – profits growing even stronger**

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Segments – Reinsurance Division



EURm, IFRS ■ 2018 ■ 2017

Favourable start to 2018 – EBIT up by 8.7% y/y

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3 Net investment income

Net investment income Talanx Group

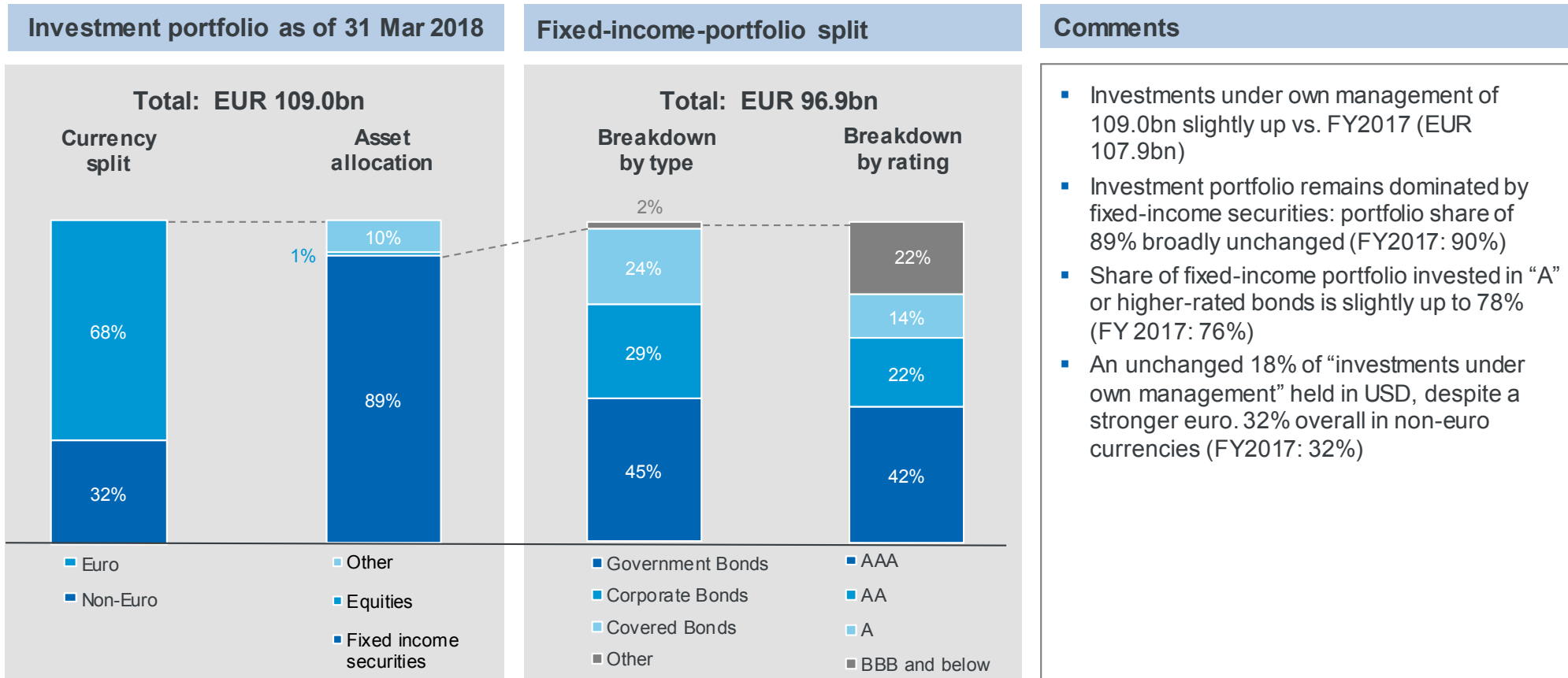
EUR m, IFRS	Q1 2018	Q1 2017	Change
Ordinary investment income	851	867	(2%)
thereof current investment income from interest	675	705	(4%)
thereof profit/loss from shares in ass. companies	3	5	(35%)
Realised net gains/losses on investments	264	137	+92%
Write-ups/write-downs on investments	(42)	(32)	n/m
Unrealised net gains/losses on investments	(6)	25	n/m
Investment expenses	(59)	(54)	n/m
Income from investments under own management	1,008	943	+7%
Income from investment contracts	(0)	(1)	n/m
Interest income on funds withheld and contract deposits	55	69	(20%)
Total	1,063	1,011	+5%

Comments

- Ordinary investment income down by -1.8%. Effects from low-interest rate environment were not fully compensated by higher investment results from infrastructure and private equity
- Realised net investment gains up by EUR 127m y/y to EUR 264 in Q1 2018 - to a large extent used to finance ZZR. Q1 2018 ZZR allocation: EUR 238m (Q1 2017: 207m). P/C Reinsurance segment also reported increase in realised gains vs. Q1 2017
- Q1 2018 RoI reached 3.7% (Q1 2017: 3.5%), supported by somewhat higher realised gains
- Increase in writedowns resulting from equities, from funds in real estate and in private equity as well as from regular depreciation in real estate

 **Q1 2018 RoI at 3.7% - driven by a broadly stable ordinary investment income and by somewhat higher realised gains**

3 Breakdown of investment portfolio



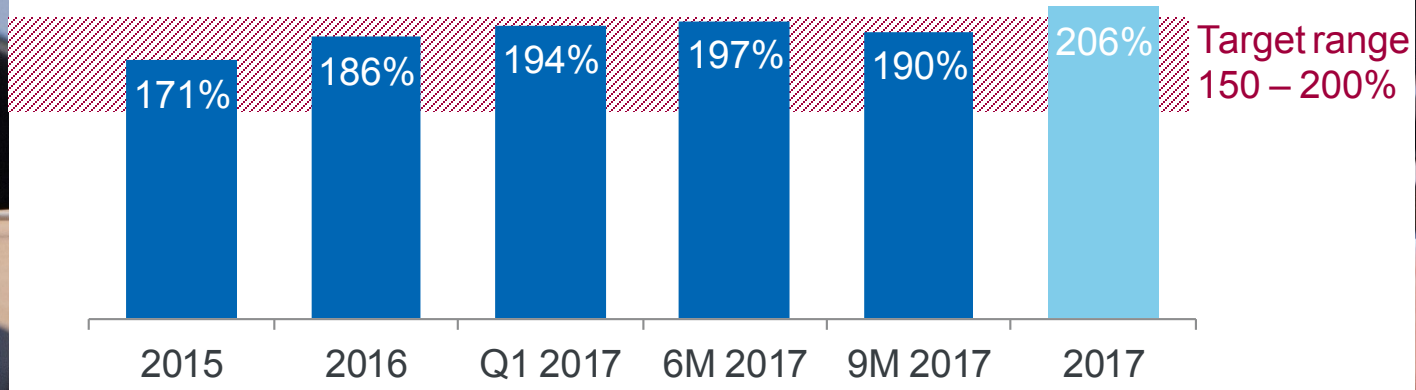
Investment strategy unchanged – portfolio remains dominated by strongly rated fixed-income securities

3 Risk management – Solvency II capital

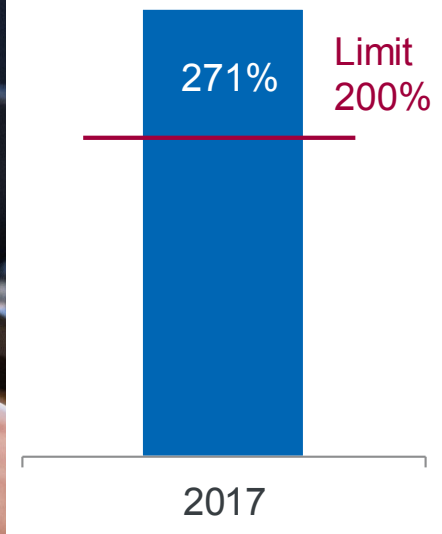
Development of Solvency II capitalisation

Regulatory View (SII CAR)

You will find the Q1 2018 update in the course of July 2018 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 chart does not contain the effect of transitional measures
Solvency II ratio including transitional measures for FY2017 was 253% (FY2016 236%)

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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**)

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

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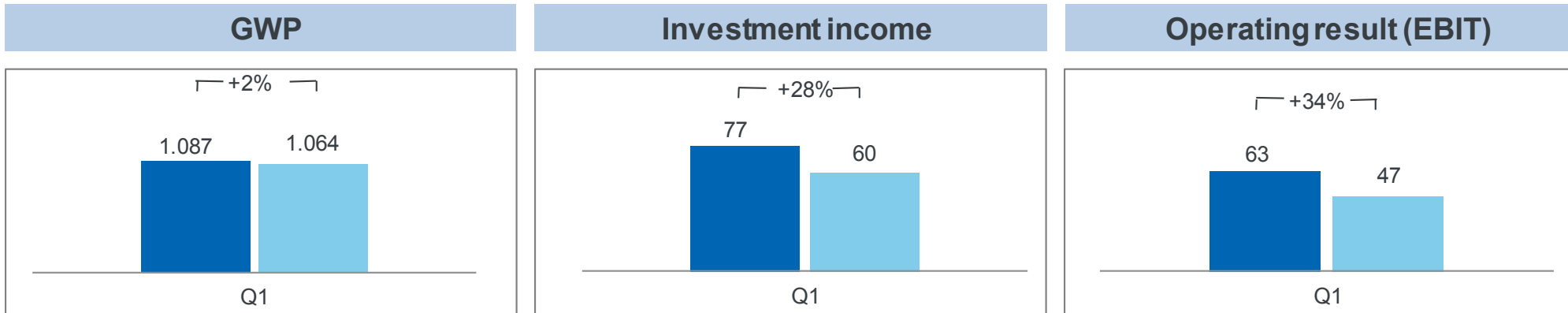
Mid-term target matrix & current status

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%] ✓		
Industrial Lines	Gross premium growth ¹	3 - 5%	5.2% ✓	2.5%		
	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%
Primary Insurance	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

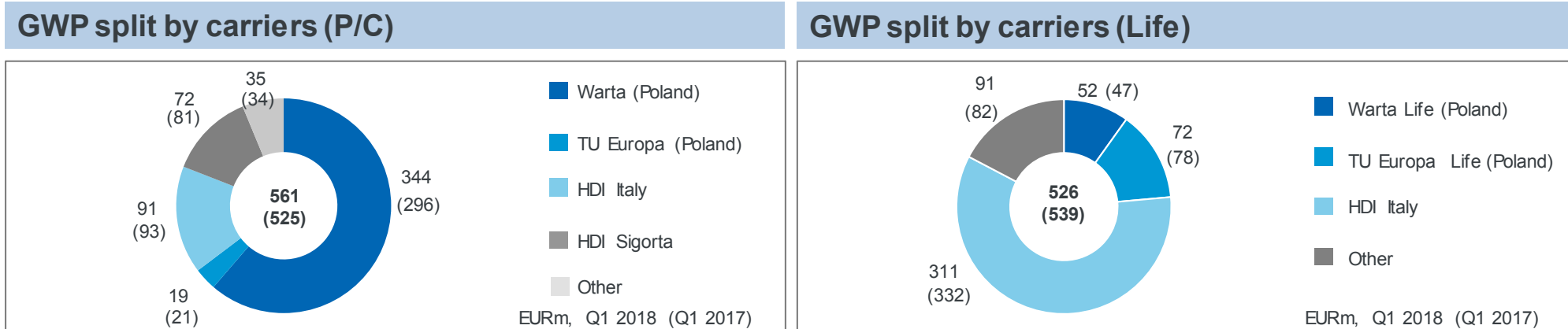
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Q1 2018 Additional Information – Retail International Europe: Key financials



EURm, IFRS ■ 2018 ■ 2017

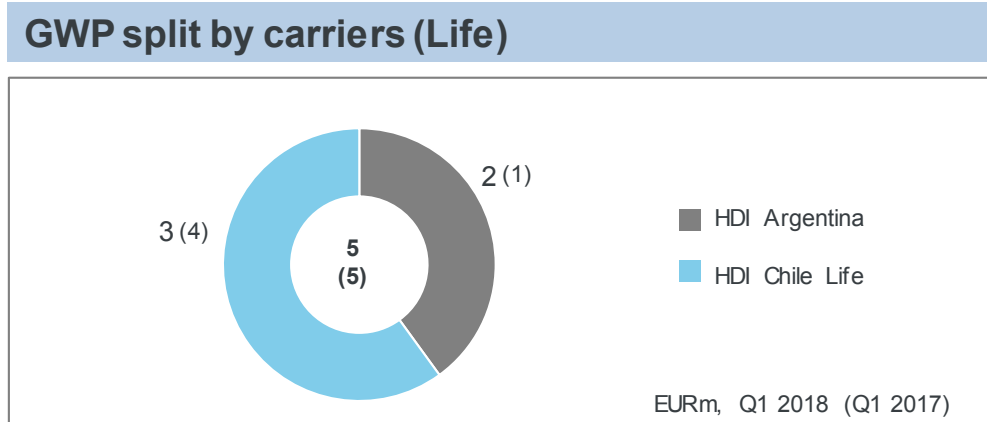
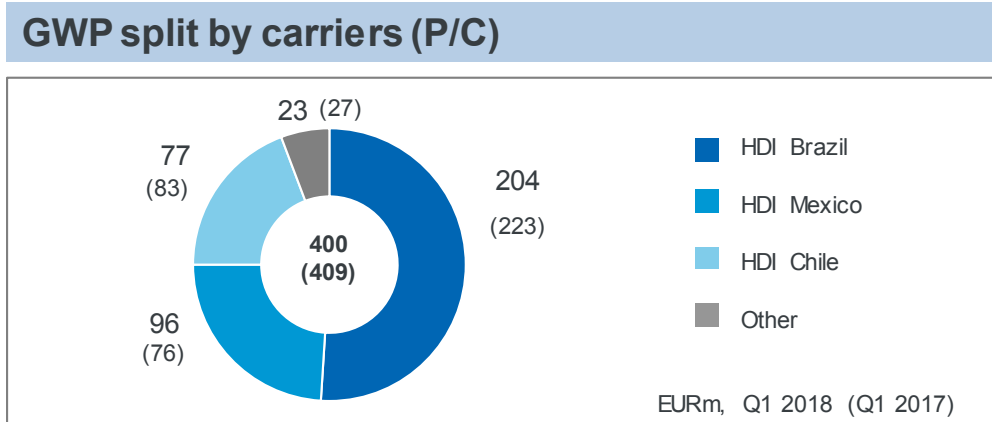
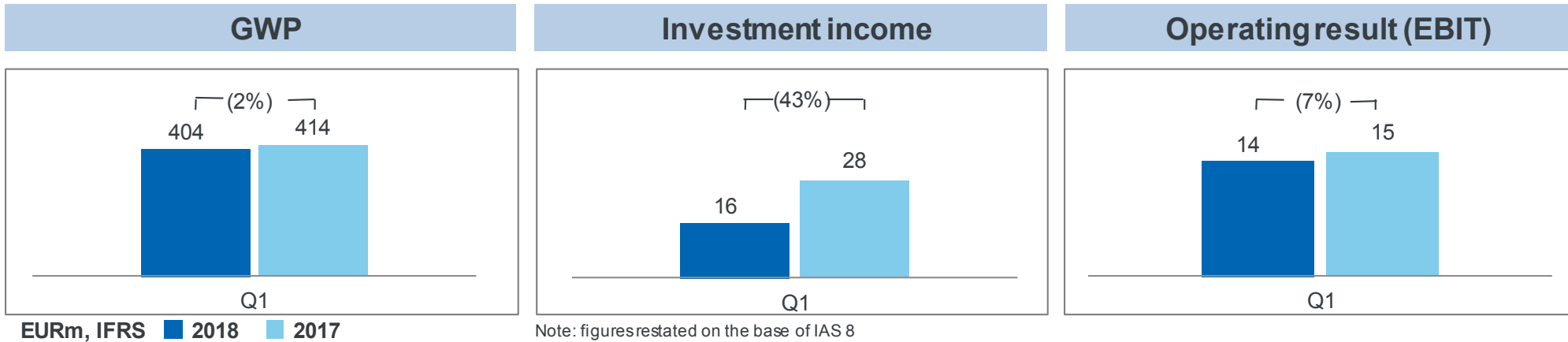
Note: figures restated on the base of IAS 8



▶ Q1 2018 with significant improvement in EBIT

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Q1 2018 Additional Information – Retail International LatAm: Key financials



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

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Q1 2018 Additional Information – Segment P/C Reinsurance

GWP	Investment income	Operating result (EBIT)
<p>Q1</p>	<p>Q1</p>	<p>Q1</p>
Retention rate in %	Combined ratio in %	EBIT margin in % ¹
<p>Q1</p>	<p>Q1</p>	<p>Q1</p>
<ul style="list-style-type: none"> Q1 2018 GWP up by +27.1% y/y (curr.-adj.: +38.8%); particular strong growth in Structured Reinsurance and Worldwide Treaty; further growth in other business lines Net premium earned grew by +12.0% (curr.-adj.: +22.4%) 	<ul style="list-style-type: none"> Major losses of EUR 73m below budget for Q1 2018 (3.0% of NPE) Unchanged policy regarding setting of loss reserves Satisfactory ordinary investment income and positive contribution from realised gains 	<ul style="list-style-type: none"> Q1 2018 EBIT margin¹ of 14.2% (Q1 2017: 14.6%) - well above target

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

Increased underwriting result and strong investment income

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Q1 2018 Additional Information – Segment Life/Health Reinsurance

GWP	Investment income	Operating result (EBIT)
<p>Q1</p>	<p>Q1</p>	<p>Q1</p>
Retention rate in %	RoI in %	EBIT margin in % ¹
<p>Q1</p>	<p>Q1</p>	<p>Q1</p>
<ul style="list-style-type: none"> Q1 2018 GWP up by 2.0% y/y (curr.-adj.: +9.2%), mainly driven from Asia and United Kingdom Net premium earned up by 0.1% (curr.-adj.: +7.4%) 	<ul style="list-style-type: none"> Improved technical result driven by better morbidity experience Stable ordinary investment income Other income is lower due to currency effects; contribution from deposit accounted treaties of EUR 45m (Q1 2017: EUR 47m) 	<ul style="list-style-type: none"> Targeted EBIT growth of +5% achieved Tax ratio above the above long-term average due to changes in business set-up linked to the US tax-reform

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

▶ Pleasing EBIT growth - US mortality result better than expected

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Q1 2018 Additional Information – Segments

	Industrial Lines			Retail Germany P/C			Retail Germany Life		
EURm, IFRS	Q1 2018	Q1 2017	Change	Q1 2018	Q1 2017	Change	Q1 2018	Q1 2017	Change
P&L									
Gross written premium	2,049	2,004	+2%	780	759	+3%	1,088	1,147	(5%)
Net premium earned	583	552	+6%	345	340	+2%	807	844	(5%)
Net underwriting result	-13	19	n/m	3	-6	n/m	-467	-416	n/m
Net investment income	68	69	0%	21	25	(17%)	489	435	+12%
Operating result (EBIT)	51	80	(36%)	18	13	+41%	20	21	(7%)
Net income after minorities	31	59	(47%)	n/a	n/a	n/m	n/a	n/a	n/m
Key ratios									
Combined ratio non-life insurance and reinsurance	102.3%	96.5%	5.8%pts	99.0%	101.7%	(2.7%)pts	-	-	-
Expense ratio	20.2%	20.6%	(0.4%)pts	35.6%	36.7%	(1.1%)pts	-	-	-
Loss ratio	82.1%	75.9%	6.2%pts	63.4%	65.0%	(1.6%)pts	-	-	-
Return on investment	3.5%	3.5%	0.0%pts	2.1%	2.5%	(0.4%)pts	4.2%	3.9%	0.3%pts

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Q1 2018 Additional Information – Segments

	Retail International			P/C Reinsurance			Life/Health Reinsurance			Group		
EURm, IFRS	Q1 2018	Q1 2017	Change	Q1 2018	Q1 2017	Change	Q1 2018	Q1 2017	Change	Q1 2018	Q1 2017	Change
P&L												
Gross written premium	1,496	1,483	+1%	3,579	2,815	+27%	1,766	1,732	+2%	10,560	9,752	+8%
Net premium earned	1,251	1,217	+3%	2,425	2,166	+12%	1,574	1,573	+0%	6,989	6,698	+4%
Net underwriting result	15	7	+103%	91	91	+1%	-56	-114	n/m	-430	-415	n/m
Net investment income	92	87	+6%	274	250	+9%	123	148	(17%)	1,063	1,011	+5%
Operating result (EBIT)	70	63	+12%	344	315	+9%	92	86	+7%	592	576	+3%
Net income after minorities	41	40	+5%	n/a	n/a	n/m	n/a	n/a	n/m	218	238	(9%)
Key ratios												
Combined ratio non-life insurance and reinsurance	94.9%	96.6%	(1.7%)pts	95.9%	95.6%	0.3%pts	-	-	-	97.0%	96.3%	0.7%pts
Expense ratio	28.0%	29.6%	(1.6%)pts	27.9%	27.8%	0.1%pts	-	-	-	27.5%	27.9%	(0.4%)pts
Loss ratio	66.9%	66.9%	0.0%pts	68.3%	68.0%	0.3%pts	-	-	-	69.7%	68.6%	1.1%pts
Return on investment	3.6%	3.7%	0.1%pts	3.5%	3.0%	0.5%pts	3.1%	3.6%	(0.5%)pts	3.7%	3.5%	0.2%pts

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