

Quarterly Statement as at 30 September 2016

**talanx.**

Insurance. Investments.

2016  
**PERFORMANCE AND RESULTS**

**9M 2016 Results**

15 November 2016

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

# Agenda

I Group Highlights

II Segments

III Investments / Capital

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Mid-term Target Matrix

Additional Information

## An overall robust set of 9M results



9M 2016 Group net income increased to €635m (9M 2015: €488m). When adjusting for last year's goodwill impairment of €155m in line with the 9M 2015 results



The Group's combined ratio slightly improved from 96.9% (9M 2015) to 96.6%. In addition, Non-Life Reinsurance and Industrial Lines both stayed well within their respective pro-rata large loss budgets



The shareholders' equity increased by €720m ytd to €9,002m or €35.61 per share. NAV up to €31.49 per share. 9M 2016 RoE stood at 9.8%, above target level



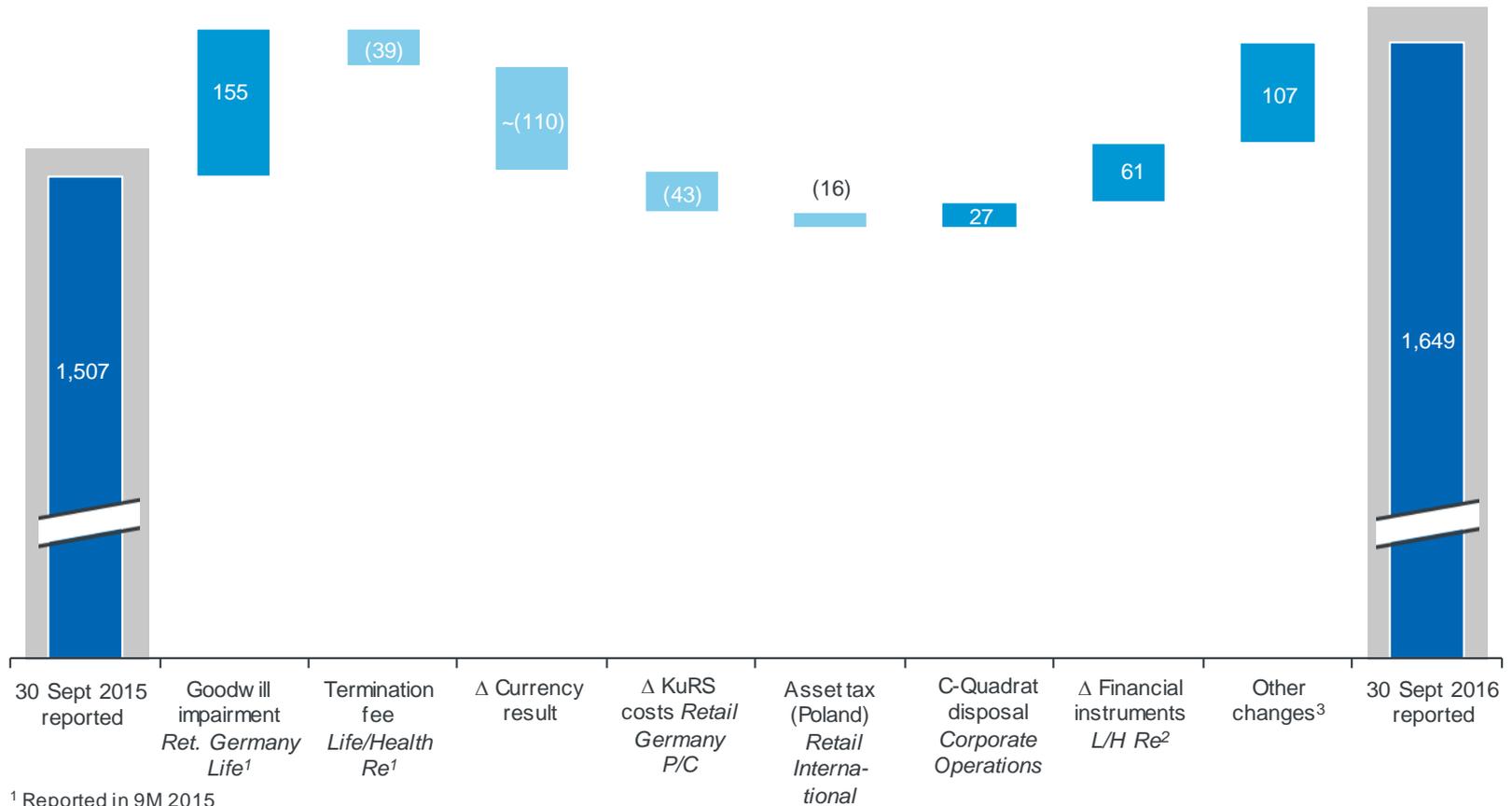
Talanx slightly raises its 2016 Outlook for the Group net income to "at least €750m" (from "around €750m")



From today's perspective, Talanx expects a comparable FY2017 result as for the current year. As a consequence, the Group net income target for FY2017 also stands at "at least €750m"

# I 9M 2016 – Drivers of change in Group EBIT

in €m



<sup>1</sup> Reported in 9M 2015

<sup>2</sup> Incl. fees from letters of credit ("LOC")

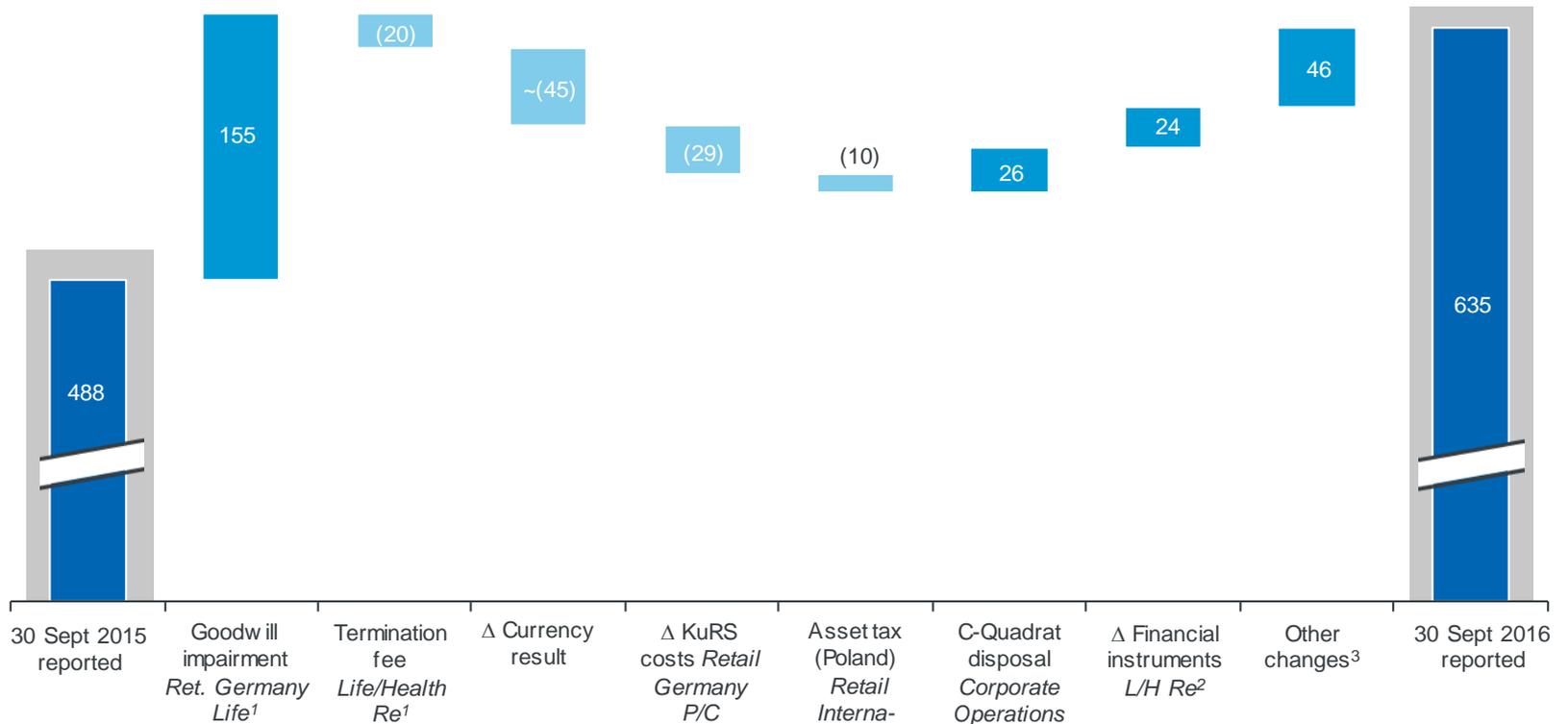
<sup>3</sup> From operating performance, incl. minor other effects



**Currencies and programme costs for KuRS strongly affect EBIT comparison**

# I 9M 2016 – Drivers of change in Group net income

in €m



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<sup>3</sup> From operating performance, incl. minor other effects



**Currencies and programme costs for KuRS strongly affect net income comparison**

# I 9M 2016 results – Key financials

## Summary of 9M 2016

€m, IFRS	9M 2016	9M 2015	Change
Gross written premium	23,749	24,355	(2%)
Net premium earned	19,134	19,246	(1%)
Net underwriting result	(1,168)	(1,288)	n/m
Net investment income	2,981	2,989	(0%)
Operating result (EBIT)	1,649	1,507	+9%
Net income after minorities	635	488	+30%
Key ratios	9M 2016	9M 2015	Change
Combined ratio non-life insurance and reinsurance	96.6%	96.9%	(0.3%)pts
Return on investment	3.5%	3.7%	(0.2%)pts
Balance sheet	9M 2016	FY2015	Change
Investments under own management	107,085	100,777	+6%
Goodwill	1,040	1,037	(0%)
Total assets	159,272	152,760	+4%
Technical provisions	111,409	106,832	+4%
Total shareholders' equity	14,532	13,431	+8%
Shareholders' equity	9,002	8,282	+9%

## Comments

- GWP down by 2.5% y/y, dampened by currency effects. Adjusted for these, GWP remained nearly stable with Retail International achieving top-line growth
- Group combined ratio improved slightly to 96.6% (9M 2015: 96.9%) due to lower loss ratios in Industrial Lines (combined ratio: 98.0% vs. 9M 2015: 100.2%) and Non-Life Re (95.1% vs. 95.6%). Combined ratio in Retail Germany P/C (103.2% vs. 101.0%) was affected by KuRS costs (impact: 2.9%pts). Retail International's combined ratio (97.0% vs. 96.3%) was slightly up
- Group EBIT was significantly up. Even adjusted for the Q2 2015 goodwill writedown, EBIT in 9M 2016 nearly reached the previous year's level - despite significant burdens, e.g. costs for KuRS programme (~€43m vs. 9M 2015), lower – yet positive - currency results (~€110m), the Polish asset tax (~16m) and the accelerated amortisation of PVFP in Retail Germany Life (~€22m). The C-Quadrat disposal gain (~€27m) contributed positively in Q2 2016
- 9M 2016 ZZR allocation was €502m. ZZR stock is expected to go up to ~€2.2bn at year-end FY2016 (FY2015: €1.56bn)
- Shareholders' equity increased ytd to €9,002m, or €35.61 per share (FY2015: €32.76, Q2 2016: €34.23). NAV up to €31.49 per share (FY 2015: €28.66, Q2 2016: €30.14)

 Improvement in Group combined ratio – net income of €635m despite various burdening factors

# I Large losses<sup>1</sup> in 9M 2016

€m, net		Primary Insurance	Reinsurance	Talanx Group
Earthquake; Taiwan	February 2016	3.8	19.9	23.7
Hail storm; Texas	April 2016	8.4	-	8.4
Earthquake; Japan	April 2016	3.7	24.5	28.2
Earthquake; Ecuador	April 2016	1.2	55.5	56.7
Wild fire; Canada	April/May 2016	-	125.3	125.3
Stom „Elvira“; Germany, France, Austria	May 2016	15.3	12.7	28.0
Storms; Germany	June 2016	14.2	7.7	21.9
Flood; China	June/July 2016	0.5	13.0	13.5
<b>Total NatCat</b>		<b>47.1</b>	<b>258.6</b>	<b>305.7</b>
Transport		0.0	50.2	50.2
Fire/Property		92.6	62.1	154.7
Credit		-	22.3	22.3
<b>Total other large losses</b>		<b>92.6</b>	<b>134.6</b>	<b>227.2</b>
<b>Total large losses</b>		<b>139.8</b>	<b>393.2</b>	<b>533.0</b>
9M pro-rata large loss budget		225.0	620.8	845.8
<b>Impact on Combined Ratio (incurred)</b>		<b>3.0%pts</b>	<b>6.6%pts</b>	<b>5.0%pts</b>
Total large losses 9M 2015		287.4	436.4	723.9
Impact on Combined Ratio (incurred) 9M 2015		6.2%pts	7.3%pts	6.8%pts

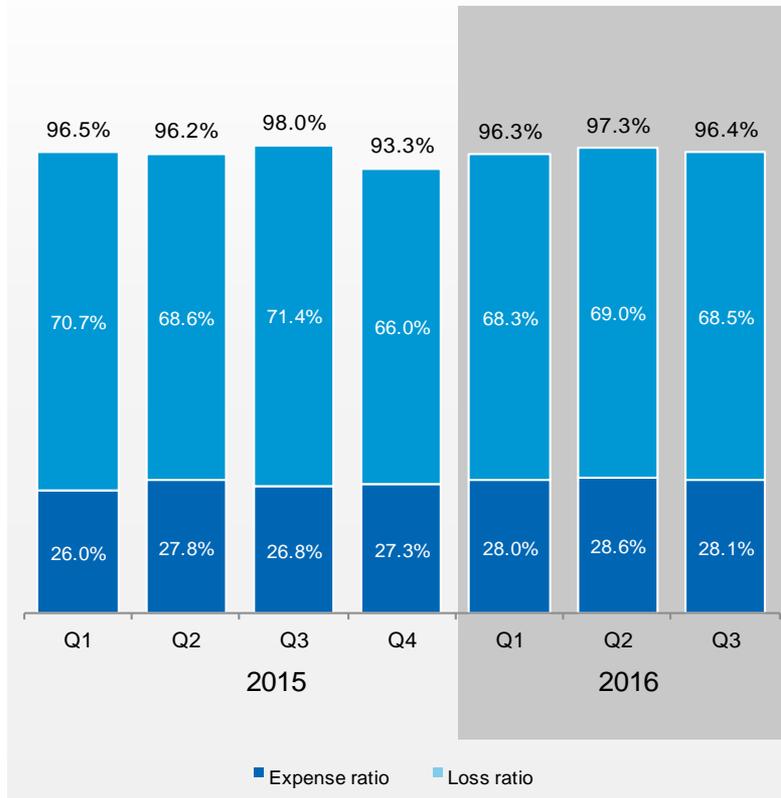
<sup>1</sup> Definition „large loss“: in excess of €10m gross in either Primary Insurance or Reinsurance

Note: 9M 2016 Primary Insurance large losses (net) are split as follows: Industrial Lines: €123m; Retail Germany: €17m; Retail International: €0m, Group Functions: €0m; from FY2016 onwards, the table includes large losses from Industrial Liability line, booked in the respective FY. The latter also explains the stated increase in the large loss budget for Primary Insurance by €10m for FY2016.

- Group 9M 2016 large loss burden of €533m, significantly below 9M 2015 level (9M 2015: €724m) and also well below pro-rata large loss budget (€846m)
- 9M 2016 large loss burden of €140m in Primary and €393m in Reinsurance
- Main impact resulting from Canada wild fires (€125m), earthquakes (Japan, Ecuador, Taiwan) and storms in Central Europe, reported already with 6M 2016 results
- Q3 2016 turned out a loss-light quarter in Reinsurance and in Primary Insurance

# Combined ratios

## Development of net combined ratio<sup>1</sup>



## Combined ratio<sup>1</sup> by segment/selected carrier

	9M 2016	9M 2015	Q3 2016	Q3 2015
<b>Industrial Lines</b>	<b>98.0%</b>	<b>100.2%</b>	<b>98.4%</b>	<b>103.0%</b>
<b>Retail Germany P/C</b>	<b>103.2%</b>	<b>101.0%</b>	<b>100.3%</b>	<b>100.8%</b>
<b>Retail International</b>	<b>97.0%</b>	<b>96.3%</b>	<b>98.0%</b>	<b>98.5%</b>
HDI Seguros S.A., Brazil	102.4%	98.9%	103.1%	100.5%
HDI Seguros S.A., Mexico	95.7%	92.2%	99.0%	95.0%
HDI Seguros S.A., Chile <sup>2</sup>	90.6%	92.7%	90.2%	102.8%
TUIR Warta S.A., Poland	96.7%	96.6%	98.3%	98.0%
TU Europa S.A., Poland	82.7%	84.7%	83.6%	85.3%
HDI Sigorta A.Ş., Turkey	102.5%	102.7%	102.5%	102.6%
HDI Assicurazioni S.p.A., Italy	93.6%	95.7%	92.6%	101.6%
<b>Non-Life Reinsurance</b>	<b>95.1%</b>	<b>95.6%</b>	<b>94.5%</b>	<b>95.8%</b>

<sup>1</sup> Incl. net interest income on funds withheld and contract deposits

<sup>2</sup> Incl. Magallanes Generales; merged with HDI Seguros S.A. on 1 April 2016

**▶ Apart from Retail Germany - burdened by KuRS implementation costs -, combined ratios in all non-life segments well below the 100% level**

# I Q3 2016 results – Key financials

## Summary of Q3 2016

€m, IFRS	Q3 2016	Q3 2015	Change
Gross written premium	7,322	7,528	(3%)
Net premium earned	6,324	6,495	(3%)
Net underwriting result	(384)	(437)	n/m
Net investment income	1,019	952	+7%
Operating result (EBIT)	585	492	+19%
Net income after minorities	234	177	+32%
Key ratios	Q3 2016	Q3 2015	Change
Combined ratio non-life insurance and reinsurance	96.4%	98.0%	(1.6%)pts
Return on investment	3.6%	3.5%	0.1%pts
Balance sheet	9M 2016	FY 2015	Change
Investments under own management	107,085	100,777	+6%
Goodwill	1,040	1,037	(0%)
Total assets	159,272	152,760	+4%
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Total shareholders' equity	14,532	13,431	+8%
Shareholders' equity	9,002	8,282	+9%

## Comments

- Q3 2016 GWP down by 2.7% y/y, partly due to currency effects (curr.-adj.: -1.1%). Lower GWP in Industrial Lines (impacted by effects from re-underwriting measures) and in Life/Health Re could not be fully compensated by significant premium growth in Retail International (+10.4%; curr.adj.: 11.7%) and Non-Life Reinsurance (+6.2%; +7.5%)
- Combined ratio on Group level improved significantly to 96.4% (Q3 2015: 98.0%) driven by lower loss ratios in all segments, only partially compensated by an overall slightly higher cost ratio
- Q3 2016 EBIT up by ~€90m y/y despite a ~€40m lower currency result in the „other result“. Driver of profitability was net underwriting result. The latter was due to the pleasing combined ratio, which was even burdened by an above-average RfB contribution resulting from higher extraordinary capital gains in Retail Germany Life
- Net income improved by ~€55m, somewhat helped by a lower tax rate



**Significant increase in Q3 2016 EBIT mainly due to improvement in the underwriting result**

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Mid-term Target Matrix

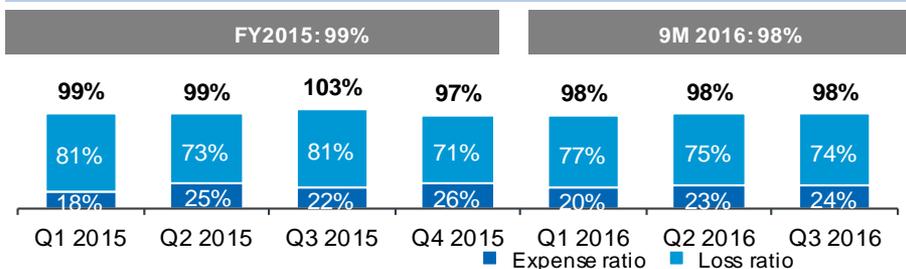
Additional Information

## II Segments – Industrial Lines

### P&L for Industrial Lines

€m, IFRS	9M 2016	9M 2015	Δ	Q3 2016	Q3 2015	Δ
<b>Gross written premium</b>	<b>3,390</b>	<b>3,434</b>	<b>(1%)</b>	<b>684</b>	<b>809</b>	<b>(15%)</b>
Net premium earned	1,630	1,581	+3%	547	560	(2%)
Net underwriting result	33	(4)	n/m	8	(17)	n/m
Net investment income	165	158	+4%	56	45	+24%
<b>Operating result (EBIT)</b>	<b>204</b>	<b>152</b>	<b>+34%</b>	<b>61</b>	<b>10</b>	<b>+610%</b>
Group net income	132	103	+28%	41	6	+683%
Return on investment (annualised)	2.8%	2.8%	0.0%pts	2.9%	2.3%	+0.6%pts

### Combined ratio<sup>1</sup>



### Comments

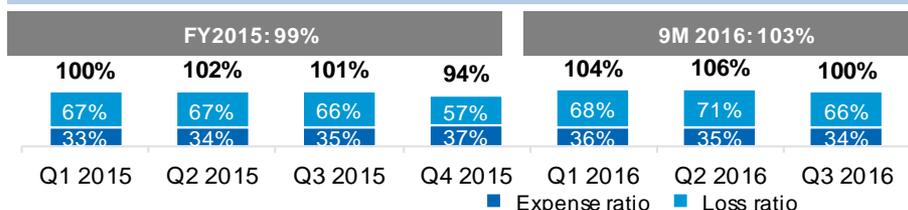
- 9M GWP 2016 slightly lower by 1.3% y/y, slightly dampened by currency effects (curr.-adj.: -0.5%). Positive effects from international markets (e.g. US and new business unit in Brazil), but overcompensated by dampening effects from re-underwriting measures (i.e. "Balanced Book") and the withdrawal from Aviation business
- 9M 2016 retention rate slightly up to 52.9% despite higher cessions in Property
- Combined ratio improved (9M 2016: 98.0% vs. 9M 2015: 100.2%) due to a 3.2%pts lower loss ratio. Cost ratio up by 0.9%pts due to higher commission levels in growing global business. Large losses were well within the pro-rata large loss budget. Conservative reserving policy in 9M 2016 translates into a significantly lower run-off result
- 9M 2016 net investment result up, reflecting the positive impact from investment in alternative assets, while the extraordinary investment result was slightly lower y/y

<sup>1</sup> Incl. net interest income on funds withheld and contract deposits

**Improved net underwriting result leads to higher profitability**

## P&amp;L for Retail Germany P/C

€m, IFRS	9M 2016	9M 2015	Δ	Q3 2016	Q3 2015	Δ
Gross written premium	1,261	1,279	(1%)	281	291	(3%)
Net premium earned	1,049	1,068	(2%)	358	376	(5%)
Net underwriting result	(33)	(11)	n/m	(1)	(4)	n/m
Net investment income	69	75	(8%)	21	27	(21%)
<b>Operating result (EBIT)</b>	<b>(9)</b>	<b>60</b>	<b>n/m</b>	<b>7</b>	<b>30</b>	<b>(75%)</b>
EBIT margin	(0.9%)	5.6%	(6.5%)	2.1%	8.1%	(6.0%)
Investments under own Management	3,934	3,876	1%	3,934	3,876	1%
Return on investment (annualised)	2.4%	2.6%	(0.2%)pts	2.2%	2.6%	(0.4%)pts

Combined ratio<sup>1</sup>

<sup>1</sup> Incl. net interest income on funds withheld and contract deposits



**KuRS investments and slightly higher loss ratio due to NatCat events explain EBIT decline**

## Comments

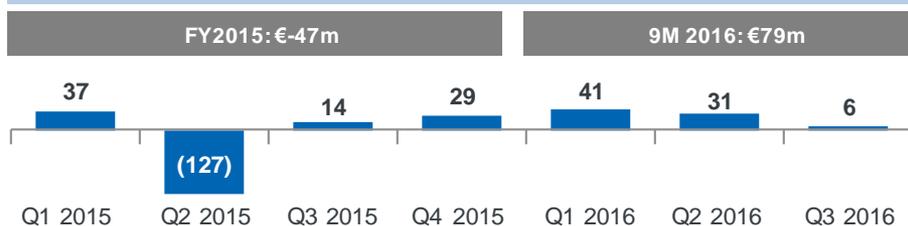
- 9M 2016 GWP 1.5% lower y/y (down -3.4% y/y in Q3 2016). Gross premiums still negatively impacted by profitabilisation measures in Motor. Positive effects from growth in SMEs and self-employed professionals, in unemployment insurance and from the promising start of the digital distribution (“direct business”) in Motor
- 9M combined ratio was slightly impacted by storms (in 6M 2016) and €30m costs for KuRS programme (Q3 impact was €12m, 3.5%pts impact). Adjusting for KuRS, the combined ratio reached 100.4% (9M 2015: 100.6%). In Q3 2016, significant improvement in KuRS adjusted combined ratio (96.9% vs. 99.7%) due to 3.3%pts lower adj. cost ratio
- Net investment income down, mainly reflecting low interest rate levels. RoI was just slightly down to 2.4% (9M 2015: 2.6%)
- 9M 2016 EBIT burdened by €22m final personnel redundancy costs for KuRS, booked in the “other result” in 6M 2016

## II Segments – Retail Germany Life

### P&L for Retail Germany Life

€m, IFRS	9M 2016	9M 2015	Δ	Q3 2016	Q3 2015	Δ
<b>Gross written premium</b>	<b>3,515</b>	<b>3,864</b>	<b>(9%)</b>	<b>1,149</b>	<b>1,185</b>	<b>(3%)</b>
Net premium earned	2,558	2,994	(15%)	794	897	(11%)
Net underwriting result	(1,205)	(1,190)	n/m	(425)	(357)	n/m
Net investment income	1,333	1,276	4%	443	376	18%
<b>Operating result (EBIT)</b>	<b>79</b>	<b>(76)</b>	<b>n/m</b>	<b>6</b>	<b>14</b>	<b>(59%)</b>
EBIT margin	3.1%	(2.6%)	5.7%	0.7%	1.5%	(0.8%)
Investments under own Management	46,775	43,617	7%	46,775	43,617	7%
Return on investment (annualised)	4.0%	4.0%	(0.0%)pts	3.8%	3.5%	(0.3%)pts

### EBIT (€m)



### Comments

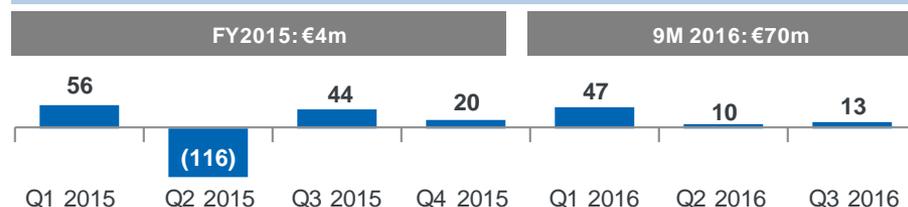
- Targeted phase-out of traditional and single-premium business leads to lower GWP, also impacted by a base effect on the back of spill-over effects from the strong 2014 into 2015. Credit life insurance business with significant growth impetus
- €23m cost impact from strategic programme KuRS (incl. €15m restructuring costs in “other result”) – completely compensated in the EBIT by a lower RfB contribution due to policyholder participation
- Investment result up, mainly due to higher extraordinary gains to finance ZZR
- 9M 2016 ZZR allocation of €502m (9M 2015: €362m; 6M 2016: €295m). Total ZZR stock reached €2.06bn, expected to rise to ~€2.2bn until year-end
- 9M 2016 EBIT impacted by an accelerated and more conservative amortisation of PVFP (~€22m impact in Q3 2016), but above the 9M 2015 EBIT, even when also adjusting for last year’s goodwill impairment (€155m in Q2 2015)

▶ **EBIT impacted by an accelerated PVFP amortisation, but still ahead of the 9M 2015 EBIT - even when also adjusting for the full goodwill impairment in Q2 2015**

## P&amp;L for Retail Germany

€m, IFRS	9M 2016	9M 2015	Δ	Q3 2016	Q3 2015	Δ
<b>Gross written premium</b>	<b>4,776</b>	<b>5,143</b>	<b>(7%)</b>	<b>1,430</b>	<b>1,475</b>	<b>(3%)</b>
of which Life	3,515	3,864	(9%)	1,149	1,185	(3%)
of which Non-Life	1,261	1,279	(1%)	281	291	(3%)
Net premium earned	3,606	4,062	(11%)	1,152	1,273	(9%)
Net underwriting result	(1,239)	(1,201)	n/m	(426)	(361)	n/m
of which Life	(1,205)	(1,190)	n/m	(425)	(357)	n/m
of which Non-Life	(33)	(11)	n/m	(1)	(4)	n/m
Net investment income	1,402	1,351	+4%	466	403	+15%
<b>Operating result (EBIT)</b>	<b>70</b>	<b>(16)</b>	<b>n/m</b>	<b>13</b>	<b>44</b>	<b>(70%)</b>
Group net income	39	(73)	n/m	15	31	(51%)
Return on investment (annualised)	3.8%	3.9%	(0.1%)pts	3.8%	3.4%	+0.4%pts

## EBIT (€m)



## Comments

- Starting with 6M 2016 reporting, the Life and P/C segments in the German Retail business report separately. In addition, we continue to show the aggregated numbers for the Division
- 9M 2016 GWP -7% lower, predominantly due to a premium decline in Life - consistent with the targeted phase-out of traditional guarantee business and the intended reduction in single-premium business. GWP development in P/C is down by ~1.5%, mainly due to the continued profitabilisation in Motor
- Net investment income is up by ~4%, predominantly due to higher extraordinary gains in Retail Germany Life to finance ZZR. Moderate decline in ordinary investment result of ~2% is reflecting the low-interest rate environment
- Cost impact from strategy programme KuRS affected the Division by a total of ~€75m (Q3 2016: €16m). The impact on the 9M EBIT was €52m (Q3 2016: €12m). Adjusted for the impact from KuRS and the 2015 goodwill writedown, the 9M2016 EBIT was ~€122m, i.e. somewhat down y/y – fully explained by the faster amortisation of PVFP (~€22m)



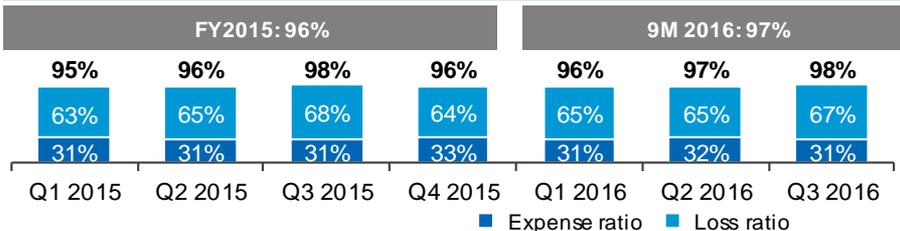
**9M 2016 significantly positive despite KuRS burden and impact from PVFP amortisation**

## II Segments – Retail International

### P&L for Retail International

€m, IFRS	9M 2016	9M 2015	Change	Q3 2016	Q3 2015	Change
<b>Gross written premium</b>	<b>3,669</b>	<b>3,463</b>	<b>+6%</b>	<b>1,182</b>	<b>1,071</b>	<b>+10%</b>
of which Life	1,322	1,008	+31%	372	277	+34%
of which Non-Life	2,347	2,455	(4%)	811	793	+2%
Net premium earned	3,098	2,755	+12%	1,001	852	+17%
Net underwriting result	(4)	1	n/m	(11)	(18)	n/m
of which Life	(65)	(71)	n/m	(25)	(27)	n/m
of which Non-Life	61	72	(16%)	14	10	+44%
Net investment income	245	250	(2%)	92	83	+10%
<b>Operating result (EBIT)</b>	<b>163</b>	<b>174</b>	<b>(6%)</b>	<b>57</b>	<b>47</b>	<b>+20%</b>
Group net income	98	106	(8%)	33	28	+17%
Return on investment (annualised)	<b>3.7%</b>	<b>4.4%</b>	<b>(0.7%)pts</b>	<b>4.0%</b>	<b>4.2%</b>	<b>(0.2%)pts</b>

### Combined ratio<sup>1</sup>



### Comments

- 9M 2016 GWP up by 6.0% y/y despite currency headwinds mainly in Latin America (curr.-adj.:+11.9%), helped by a significant increase in single-premium Life business in Italy and the consolidation of CBA/Italy end of June 2016 (GWP impact: ~€100m). In Q3 2016, GWP grew by 10.4% (curr.-adj.:+11.7%)
- On a currency-adjusted basis, GWP in P/C grew by 2.8% in 9M 2016 y/y, backed by underlying growth in core markets Poland, Chile, Mexico and Turkey
- 9M 2016 combined ratio was up 0.7%pts y/y to 97.0% as business diversification led to a slightly higher cost ratio. Currency depreciation affects costs for spare parts and led to higher loss ratios, namely in Brazil and Mexico, only partially compensated by a better combined ratio in Chile. In Q3 2016, combined ratio for the segment improved by 0.5%pts y/y to 98.0%
- Moderate 9M 2016 EBIT decline despite negative currency translation effect (~€11m) and the additional asset tax charge in Poland (~€16m), only partially offset by a positive one-off in Brazil (~€8m)
- Turkey added €4.5m to 9M 2016 EBIT (9M 2015: €3.7m). Contribution from Chile<sup>2</sup> was €221m GWP (€181m) and ~€14m EBIT (€6.6m)

<sup>1</sup> Incl. net interest income on funds withheld and contract deposits

<sup>2</sup> Consolidated from 13 Feb 2015; "as-if" numbers for HDI Seguros S.A after merger (1 April 2016) with Magallanes Generales

**9M 2016 EBIT decline fully explained by currency headwind and impact from asset tax in Poland**

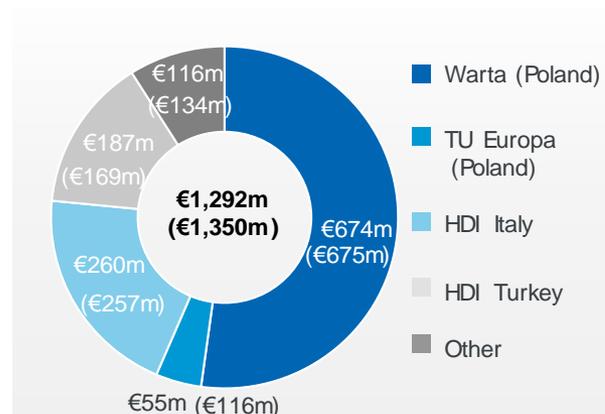


# Retail International Europe: Key financials

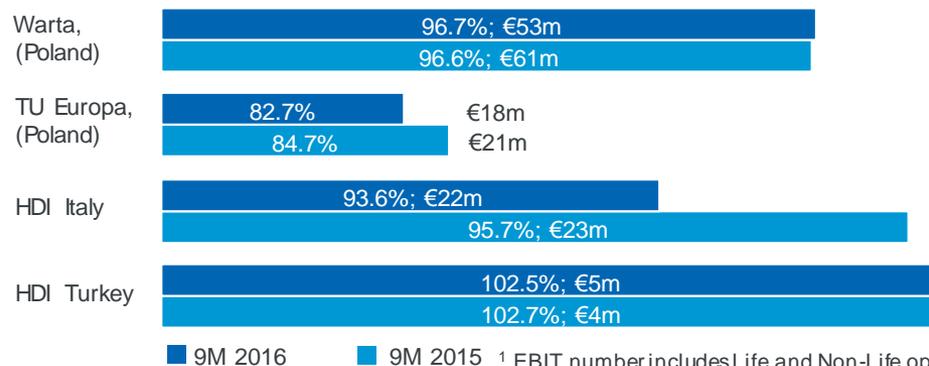
## P&L for Retail International Europe

€m, IFRS	9M 2016	9M 2015	Δ	Q3 2016	Q3 2015	Δ
<b>Gross written premium</b>	<b>2,571</b>	<b>2,307</b>	<b>12%</b>	<b>773</b>	<b>662</b>	<b>17%</b>
Net premium earned	2,136	1,825	17%	664	549	21%
Net underwriting result	(10)	(28)	n/m	8	18	(56%)
Net investment income	173	182	(5%)	65	60	9%
<b>Operating result (EBIT)</b>	<b>118</b>	<b>129</b>	<b>(9%)</b>	<b>42</b>	<b>39</b>	<b>8%</b>

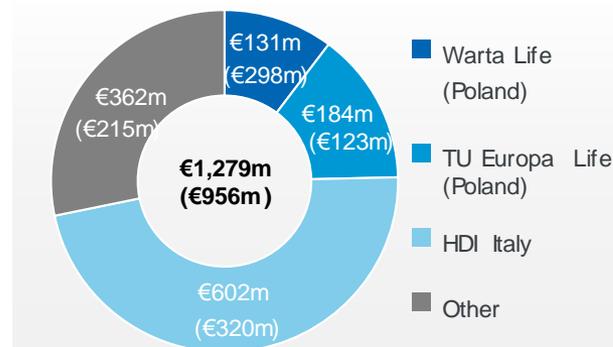
## GWP split by carriers (P/C), 9M 2016



## Combined ratio and EBIT<sup>1</sup> by selected carrier, 9M 2016



## GWP split by carriers (Life), 9M 2016



**EBIT impacted by asset tax in Poland and lower investment income**

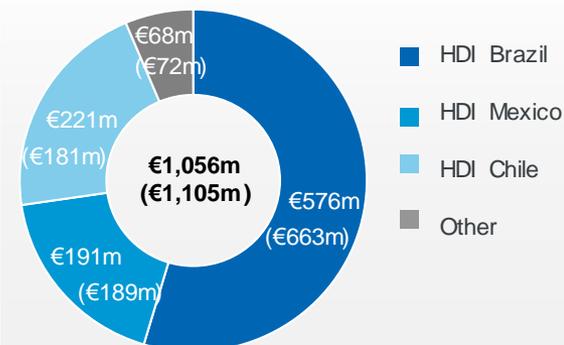


# Retail International LatAm: Key financials

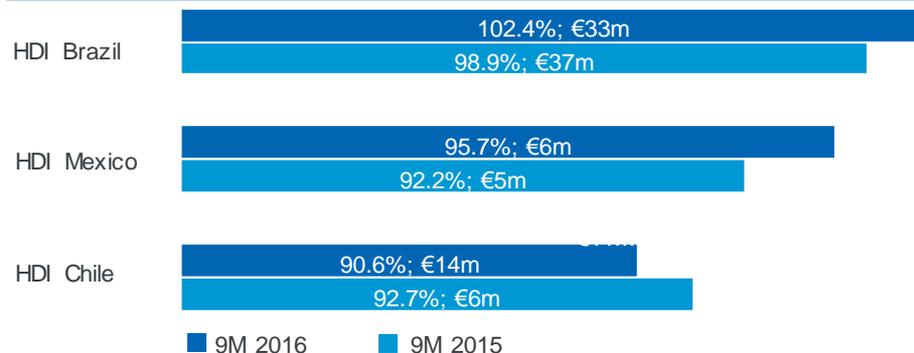
## P&L for Retail International LatAm

€m, IFRS	9M 2016	9M 2015	Δ	Q3 2016	Q3 2015	Δ
Gross written premium	1,078	1,130	(5%)	402	400	1%
Net premium earned	961	926	4%	336	302	11%
Net underwriting result	6	30	(81%)	(2)	1	(377%)
Net investment income	73	69	5%	27	23	14%
Operating result (EBIT)	53	52	2%	20	10	100%

## GWP split by carriers (P/C)

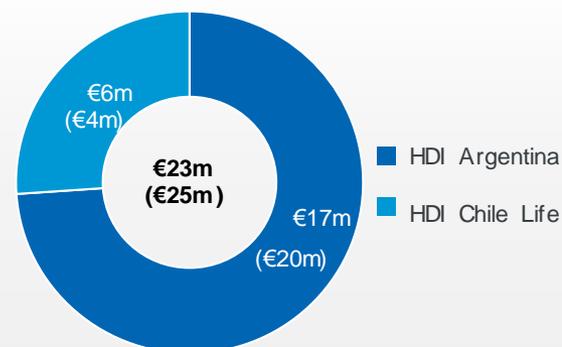


## Combined ratio and EBIT<sup>1</sup> by selected carrier



<sup>1</sup> EBIT number includes Life and Non-Life operations

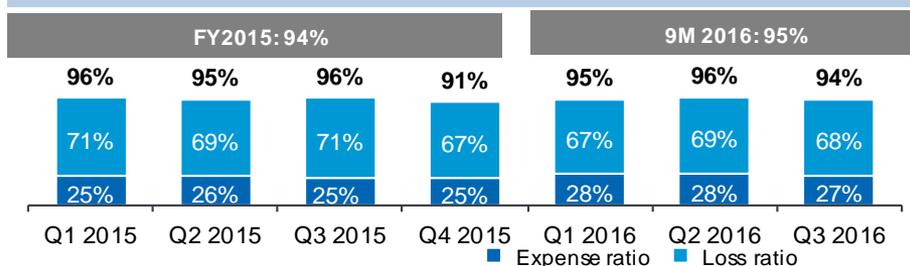
## GWP split by carriers (Life)



EBIT negatively impacted by currency depreciation in a number of Latin American markets

## P&amp;L for Non-Life Reinsurance

€m, IFRS	9M 2016	9M 2015	Change	Q3 2016	Q3 2015	Change
Gross written premium	7,121	7,319	(3%)	2,494	2,347	+6%
Net premium earned	5,925	5,965	(1%)	2,086	2,071	+1%
<b>Net underwriting result</b>	<b>274</b>	<b>248</b>	<b>+10%</b>	<b>109</b>	<b>81</b>	<b>+35%</b>
Net investment income	663	689	(4%)	232	252	(8%)
<b>Operating result (EBIT)</b>	<b>917</b>	<b>975</b>	<b>(6%)</b>	<b>337</b>	<b>359</b>	<b>(6%)</b>
Group net income	301	320	(6%)	114	114	+0%
Return on investment	2.8%	3.1%	(0.3%)pts	2.9%	3.4%	(0.5%)pts

Combined ratio<sup>1</sup>

<sup>1</sup>Incl. net interest income on funds withheld and contract deposits

<sup>2</sup> EBIT margins reflect a Talanx Group view

## Comments

- 9M 2016 GWP declined by 2.7% y/y (adjusted for currency effects: -1.5%); growth mainly from US and structured Reinsurance, reduced volume from China motor business and specialty lines. Currency-adjusted, 9M 2016 net premium earned up by 0.9%
- Major losses of €393m, well below budget of €621m for 9M 2016
- Positive run-off as expected, no extraordinary effects in Q3 2016
- Satisfactory ordinary investment income
- Other income and expenses unremarkable, 9M 2015 benefitted from positive currency effects
- 9M 2016 EBIT margin<sup>2</sup> of 15.5% (9M 2015: 16.3%) well above target

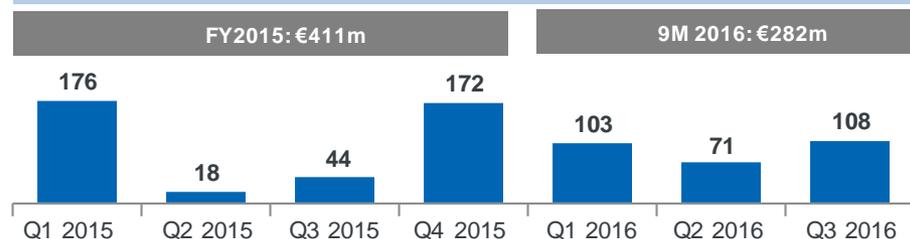


Premium development in line with selective underwriting approach

## P&amp;L for Life/Health Reinsurance

€m, IFRS	9M 2016	9M 2015	Change	Q3 2016	Q3 2015	Change
Gross written premium	5,334	5,627	(5%)	1,678	2,013	(17%)
Net premium earned	4,841	4,864	(0%)	1,513	1,739	(13%)
<b>Net underwriting result</b>	<b>(237)</b>	<b>(334)</b>	<b>n/m</b>	<b>(61)</b>	<b>(118)</b>	<b>n/m</b>
Net investment income	494	542	(9%)	173	176	(2%)
<b>Operating result (EBIT)</b>	<b>282</b>	<b>238</b>	<b>+18%</b>	<b>108</b>	<b>44</b>	<b>+145%</b>
Group net income	102	84	+21%	39	15	+160%
Return on investment	4.0%	4.7%	(0.7%)pts	4.9%	4.4%	+0.5%pts

## EBIT (€m)



<sup>1</sup> EBIT margin reflects a Talanx Group view



**Significantly increased earnings contribution from L/H Reinsurance**

## Comments

- 9M 2016 GWP -5.2%; adjusted for currency effects: -2.0%, reduced premium due to discontinued large-volume treaties in Australia and China, partly offset by growth from UK Longevity
- Net premium earned grew by 2.8% on currency-adjusted basis
- Improved technical result in line with expectation
- Ordinary investment income in line with expectation (Q1 2015 affected by positive one-off of €39m)
- Decreased impact from positive currency effects in other income
- 9M 2016 EBIT margin<sup>1</sup> of 5.8% (9M 2015: 4.9%) for the segment

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# Net investment income

## Net investment income Talanx Group

€m, IFRS	9M 2016	9M 2015	Change	Q3 2016	Q3 2015	Change
<b>Ordinary investment income</b>	<b>2,441</b>	<b>2,531</b>	<b>(4%)</b>	<b>802</b>	<b>831</b>	<b>(3%)</b>
thereof current investment income from interest	2,055	2,176	(6%)	681	720	(5%)
thereof profit/loss from shares in associated companies	5	8	(42%)	2	2	+36%
Realised net gains/losses on investments	547	466	+17%	216	122	+77%
Write-ups/write-downs on investments	(138)	(123)	+12%	(34)	(28)	+20%
Unrealised net gains/losses on investments	59	(12)	n/m	16	(12)	n/m
Investment expenses	(174)	(160)	+9%	(55)	(56)	(2%)
<b>Income from investments under own management</b>	<b>2,735</b>	<b>2,702</b>	<b>+1%</b>	<b>946</b>	<b>857</b>	<b>+10%</b>
<b>Income from investment contracts</b>	<b>7</b>	<b>6</b>	<b>+12%</b>	<b>1</b>	<b>2</b>	<b>(45%)</b>
<b>Interest income on funds withheld and contract deposits</b>	<b>238</b>	<b>281</b>	<b>(15%)</b>	<b>71</b>	<b>93</b>	<b>(23%)</b>
<b>Total</b>	<b>2,981</b>	<b>2,989</b>	<b>(0%)</b>	<b>1,018</b>	<b>952</b>	<b>+7%</b>

## Comments

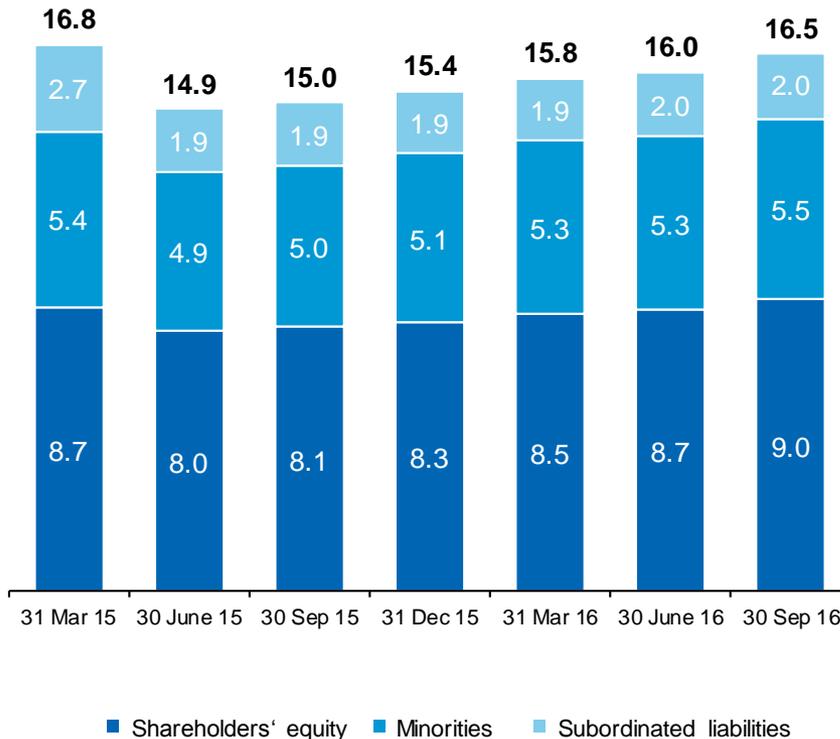
- Ord. investment income reflects the decline in interest income - and on 9M 2016 basis - the negative base effect from the one-off payment following a withdrawal from a US-transaction (~€39m) in L/H Reinsurance in Q1 2015
- Realised investment net gains increased by ~17% y/y to €547m in 9M 2016, mainly due to higher realised gains in Retail Germany to finance ZZR (9M 2016 allocation: €502 vs. 9M 2015: €362m).
- Somewhat higher writedowns on investments in 9M 2016 y/y mainly in Q2 2016 due to lower equity prices. Base effect from Q1 2015, which had been impacted by a 50% impairment of the bond position in Heta Asset Resolution (mid double-digit €m amount) – to be largely unwound in Q4 2016
- ROI of 3.5% just slightly lower y/y (9M 2015: 3.7%) and well above the FY2016 outlook of “at least 3.0%”
- ModCo derivatives: €0m (9M 2015: €-19m); in Q3 2016: €1m (Q3 2015: €-13m); no impact from inflation swaps as these have been terminated in FY2015 (9M 2015: €-14m; Q3 2015: €0m)

 **9M 2016 ROI at 3.5% - just slightly below the 9M 2015 level and well above the FY2016 target of “at least 3.0%”**



# Equity and capitalisation – Our equity base

## Capital breakdown (€bn)



## Comments

- Compared to the end of FY2015, shareholders' equity increased by ~€720m to €9,002 million at the end of Q3 2016. The FY2015 dividend payout in May (€329m) has been more than compensated by the net income (€635m) and by the positive change in OCI (€423m), the latter predominantly due to lower interest rates
- Book value per share stood at €35.61 compared to €31.96 in Q3 2015 and €32.76 in FY 2015, while NAV per share was €31.49 (Q3 2015: €27.87, FY2015: €28.66)
- Neither book value per share nor NAV contain off-balance sheet reserves. These amounted to €534m (see next page) or €2.11 per share (shareholder share only). This added up to an adjusted book value of €37.72 per share and an adj. NAV (excluding goodwill) of €33.60

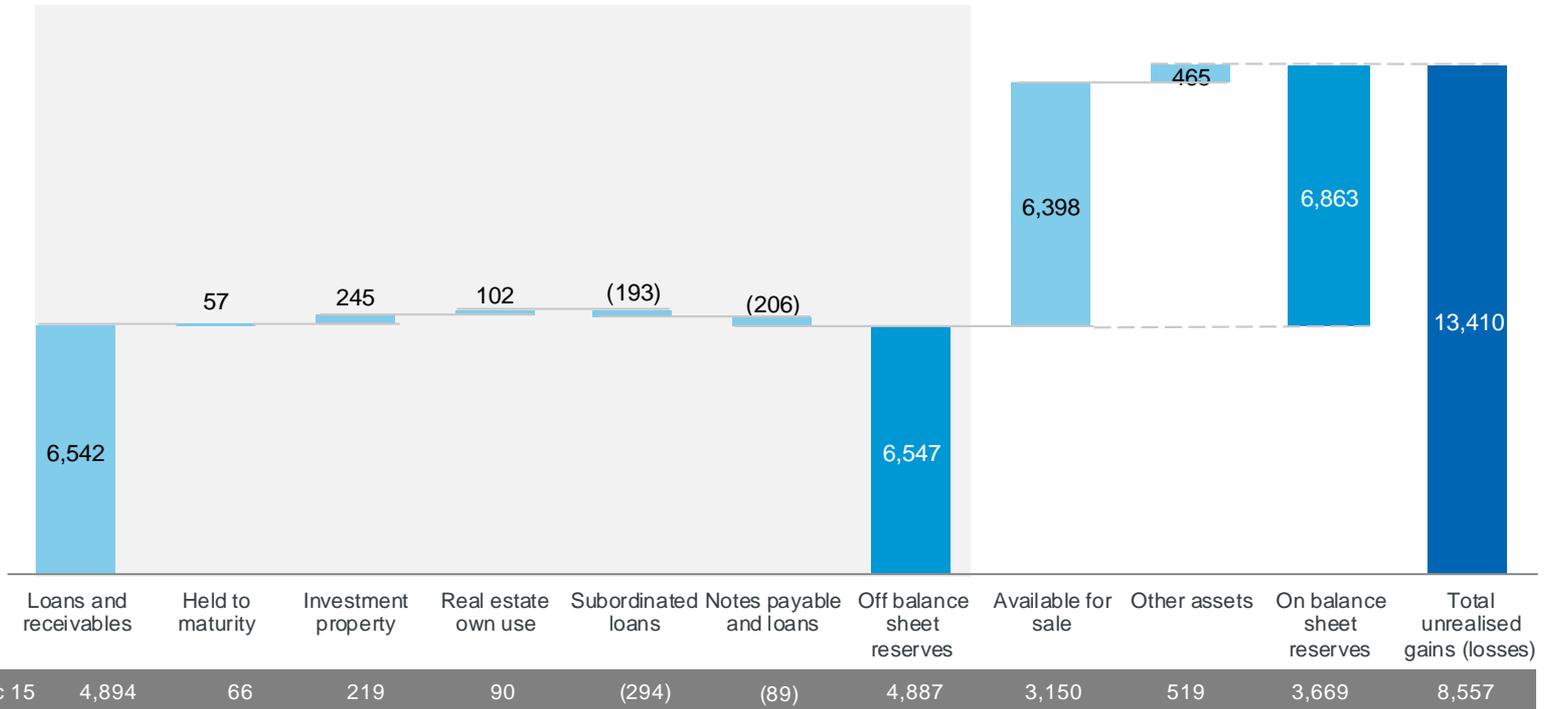


**Shareholders' equity up by ~€720m compared to end of FY2015**



# Equity and capitalisation – Unrealised gains

## Unrealised gains and losses (off and on balance sheet) as of 30 September 2016 (€m)



### Δ market value vs. book value

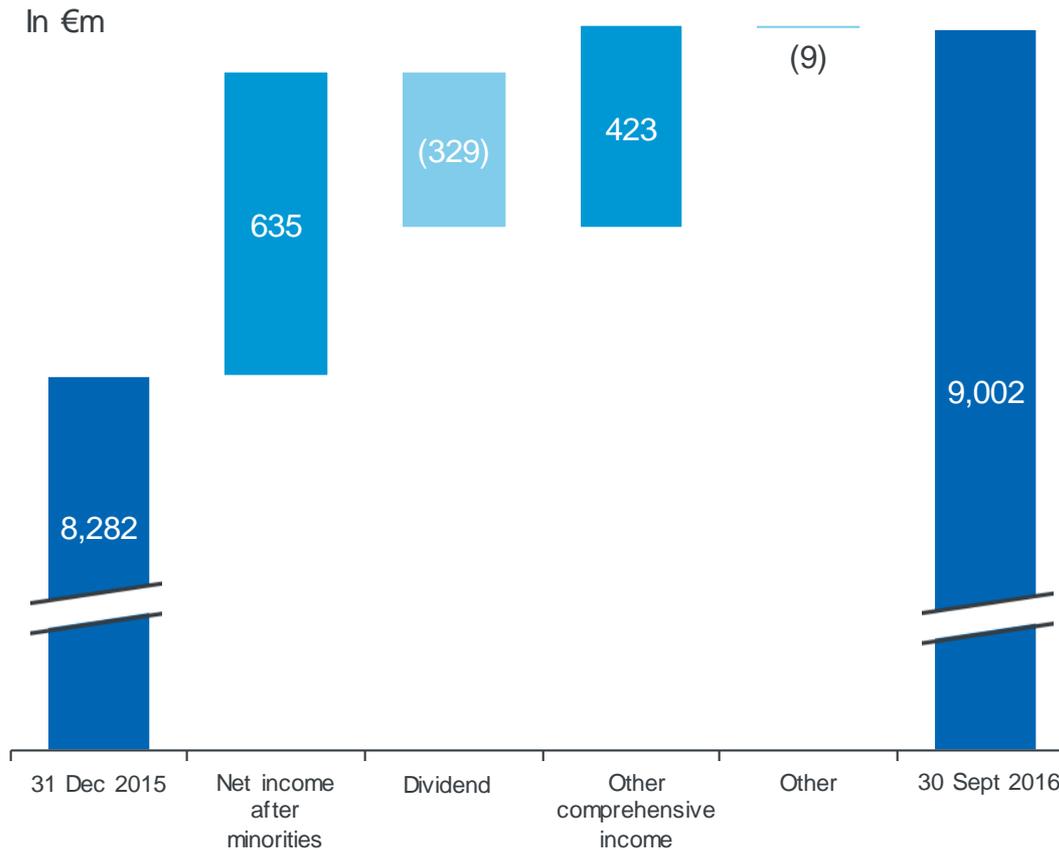
Note: Shareholder contribution estimated based on FY2015 profit sharing pattern



**Off-balance sheet reserves of ~€6.5bn – €534m (€2.11 per share) attributable to shareholders (net of policyholders, taxes & minorities)**



# Equity and capitalisation – Contribution to change in equity



## Comments

- At the end of September 2016, shareholders' equity stood at €9,002m or €35.61 per share
- This was above the level at the end of FY2015 (€8,282m or €32.76 per share) predominantly driven by the 9M 2016 Group net income and the positive OCI movement - well above the dividend payout in May 2016
- At the end of Q2 2016, the Solvency II Ratio (Regulatory View) stood at a good 172 (FY2015: 171; Q1 2016: 166) percent (HDI Group level). Based on Basic Own Funds, so taking the full internal model into account, Talanx's capitalisation was 262 (FY2015: 253; Q1 2016: 245) percent – all numbers before transitionals



**Shareholders' equity up to €9,002m or €35.61 per share**

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## IV Outlook for Talanx Group 2016<sup>1</sup>

Gross written premium	stable
Return on investment	≥3.0%
Group net income	≥€750m 
Return on equity	>8.5%
Dividend payout ratio	35-45% target range

<sup>1</sup> The targets are based on a large loss budget of €300m in Primary Insurance, of which €270m in Industrial Lines. From FY2016 onwards, table includes large losses from Industrial Liability line, booked in the respective FY. The large loss budget in Reinsurance stands at €825m (2015: €690m)



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

Gross written premium	≥1 %
Return on investment	≥3.0%
Group net income	≥€750m
Return on equity	>8.0%
Dividend payout ratio	35-45% target range

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



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

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# A Mid-term Target Matrix

Segments	Key figures	Strategic targets (2015 - 2019)	
<b>Group</b>	Gross premium growth <sup>1</sup>	3 - 5%	
	Return on equity	≥ 750 bps above risk free <sup>2</sup>	
	Group net income growth	mid single-digit percentage growth rate	
	Dividend payout ratio	35 - 45%	
	Return on investment	≥ risk free + (150 to 200) bps <sup>2</sup>	
<b>Primary Insurance</b>	<b>Industrial Lines</b>	Gross premium growth <sup>1</sup>	3 - 5%
		Retention rate	60 - 65%
	<b>Retail Germany</b>	Gross premium growth	≥ 0%
	<b>Retail International</b>	Gross premium growth <sup>1</sup>	≥ 10%
	Combined ratio <sup>3</sup>	~ 96%	
EBIT margin <sup>4</sup>	~ 6%		
<b>Non-Life Reinsurance<sup>7</sup></b>	Gross premium growth <sup>6</sup>	3 - 5%	
	Combined ratio <sup>3</sup>	≤ 96%	
	EBIT margin <sup>4</sup>	≥ 10%	
<b>Life &amp; Health Reinsurance<sup>7</sup></b>	Gross premium growth <sup>1</sup>	5 - 7%	
	Average value of New Business (VNB) after minorities <sup>5</sup>	> € 90m	
	EBIT margin <sup>4</sup> financing and longevity business	≥ 2%	
	EBIT margin <sup>4</sup> mortality and health business	≥ 6%	

<sup>1</sup> Organic growth only; currency-neutral

<sup>2</sup> Risk-free rate is defined as the 5-year rolling average of the 10-year German government bond yield

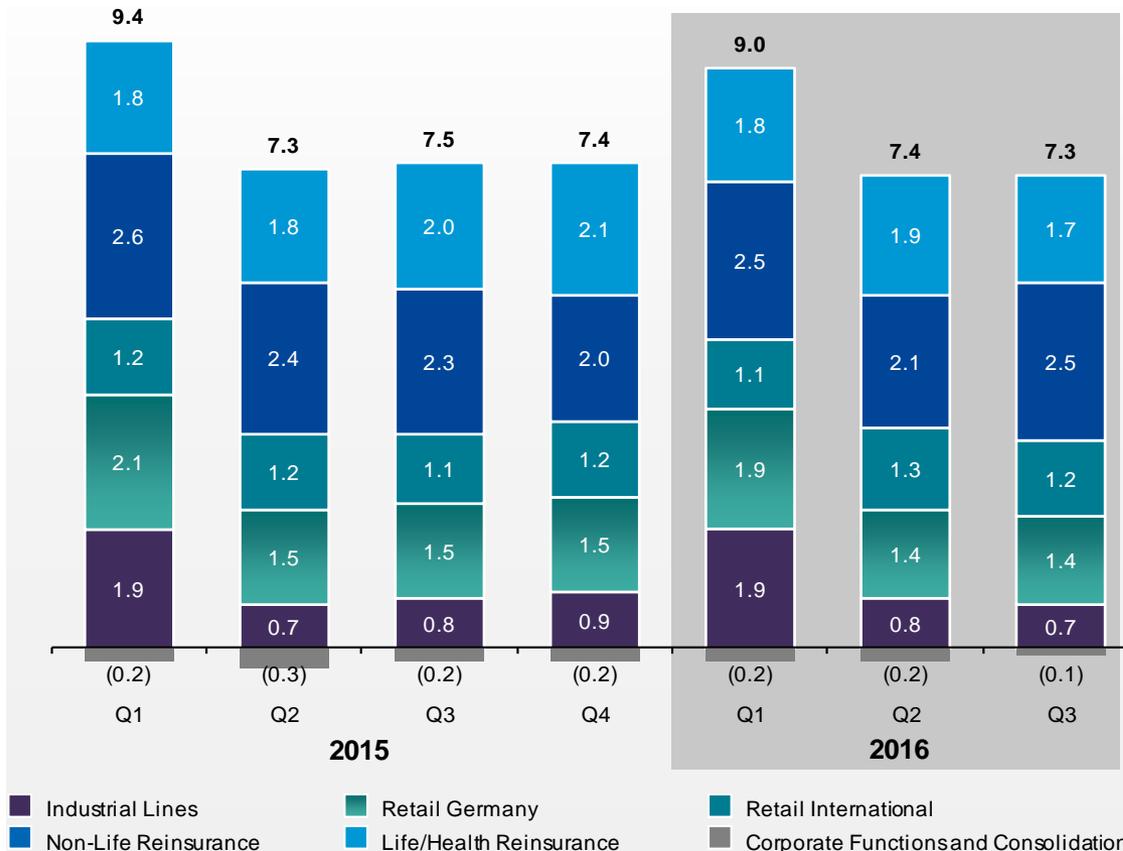
<sup>3</sup> Talanx definition: incl. net interest income on funds withheld and contract deposits

<sup>4</sup> EBIT/net premium earned, <sup>5</sup> Reflects Hannover Re target of at least €180m

<sup>6</sup> Average throughout the cycle; currency-neutral, <sup>7</sup> Targets reflect Hannover Re's targets for 2015-2017 strategy cycle

Note: growth targets are based on 2014 results. Growth rates, combined ratios and EBIT margins are average annual targets

## GWP development (€bn)



## Comments

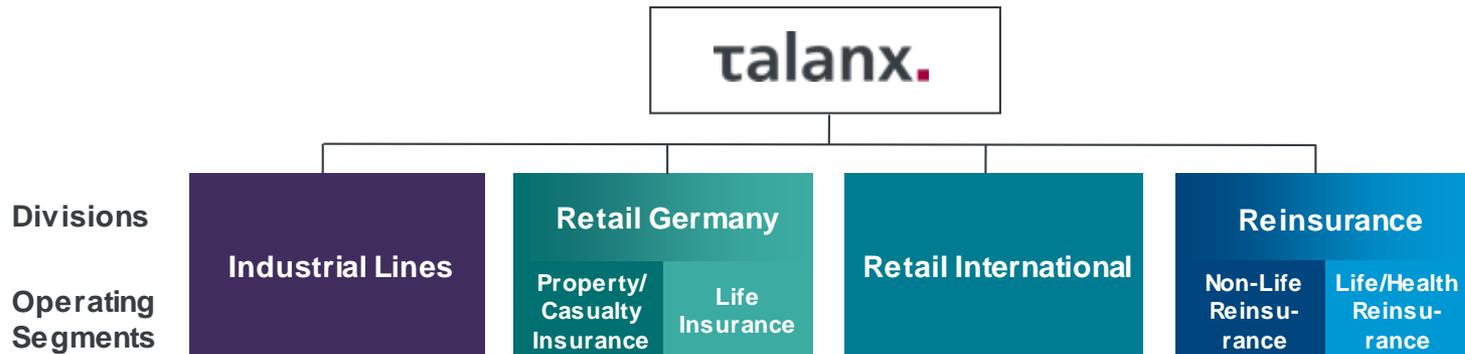
- Q3 2016 GWP down by 2.7%, dampened by currency effects (curr.-adj.: -1.1%), the strategy-conform decline in Retail Germany and effects from re-underwriting in Industrial lines
- Retail International and Non-Life Reinsurance with underlying GWP growth
- Retail International benefits from the initial consolidation of CBA/Italy (from 30 June 2016)
- Seasonal pattern remains intact

▶ Q3 2016 GWP dampened by currency effects and the targeted decline in Retail Germany

## A

# New Segmentation in Retail Germany

- The responsibilities within the Retail Germany Division have been separated between “Life” and “Property/Casualty”. As a consequence, applying IFRS 8, both segments report separate P&Ls (incl. EBIT) since the 6M 2016 reporting<sup>1</sup>
- In addition, Talanx continues to show the former segment “Retail Germany” as the aggregated division
- Talanx insurance activities are now subdivided into six, rather than the previous five reportable segments



- Retail International continues to act as one single segment including life and non-life activities. To further raise transparency, Talanx has started to show regional P&Ls (incl. EBIT) in the status report

<sup>1</sup> The (very limited) effects of the interaction between the two new segments in the “Retail Germany” division are now eliminated in the Group’s consolidation line. Under the former segmentation, interaction between “Life” and “Non-Life” business has been eliminated within “Retail Germany”.

	Industrial Lines			Retail Germany Life			Retail Germany P/C		
€m, IFRS	9M 2016	9M 2015	Change	9M 2016	9M 2015	Change	9M 2016	9M 2015	Change
<b>P&amp;L</b>									
Gross written premium	3,390	3,434	(1%)	3,515	3,864	(9%)	1,261	1,279	(1%)
Net premium earned	1,630	1,581	+3%	2,558	2,994	(15%)	1,049	1,068	(2%)
Net underwriting result	33	(4)	n/m	(1,205)	(1,190)	n/m	(33)	(11)	n/m
Net investment income	165	158	+5%	1,333	1,276	4%	69	75	(8%)
Operating result (EBIT)	204	152	+34%	79	(76)	n/m	(9)	60	n/m
Net income after minorities	132	103	+28%	n/a	n/a	n/a	n/a	n/a	n/a
<b>Key ratios</b>									
Combined ratio non-life insurance and reinsurance	98.0%	100.2%	(2.2%)pts	-	-	-	103.2%	101.0%	2.2%pts
Return on investment	2.8%	2.8%	0.0%pts	4.0%	4.0%	(0.0%)pts	2.4%	2.6%	(0.2%)pts

## A 9M 2016 Additional Information – Segments (continued)

	Retail International			Non-Life Reinsurance			Life and Health Reinsurance			Group		
€m, IFRS	9M 2016	9M 2015	Change	9M 2016	9M 2015	Change	9M 2016	9M 2015	Change	9M 2016	9M 2015	Change
<b>P&amp;L</b>												
Gross written premium	3,669	3,463	+6%	7,121	7,319	(3%)	5,334	5,627	(5%)	23,749	24,355	(2%)
Net premium earned	3,098	2,755	+12%	5,925	5,965	(1%)	4,841	4,864	(0%)	19,134	19,246	(1%)
Net underwriting result	(4)	1	n/m	274	248	+10%	(237)	(334)	(29%)	(1,168)	(1,288)	(9%)
Net investment income	245	250	(2%)	663	689	(4%)	494	542	(9%)	2,981	2,989	(0%)
Operating result (EBIT)	163	174	(6%)	917	975	(6%)	282	238	+18%	1,649	1,507	+9%
Net income after minorities	98	106	(8%)	301	320	(6%)	102	84	+21%	635	488	+30%
<b>Key ratios</b>												
Combined ratio non-life insurance and reinsurance	97.0%	96.3%	0.7%pts	95.1%	95.6%	(0.5%)pts	---	---	---	96.6%	96.9%	(0.3%)pts
Return on investment	3.7%	4.4%	(0.6%)pts	2.8%	3.1%	(0.3%)pts	4.0%	4.7%	(0.7%)pts	3.5%	3.7%	(0.2%)pts

## Retail Germany

GWP, €m, IFRS	9M 2016	9M 2015	Change
<b>Non-life Insurance</b>	<b>1,261</b>	<b>1,279</b>	<b>(1%)</b>
HDI Versicherung AG	1,138	1,172	(3%)
<b>Life Insurance</b>	<b>3,515</b>	<b>3,864</b>	<b>(9%)</b>
HDI Lebensversicherung AG	1,432	1,561	(8%)
neue leben Lebensversicherung AG <sup>1</sup>	634	860	(26%)
TARGO Lebensversicherung AG	771	764	+1%
PB Lebensversicherung AG	558	585	(5%)
<b>Total</b>	<b>4,776</b>	<b>5,143</b>	<b>(7%)</b>

<sup>1</sup> Talanx ownership 67.5%

<sup>2</sup> Talanx ownership of 75.74%

<sup>3</sup> Talanx ownership 50% + 1 share

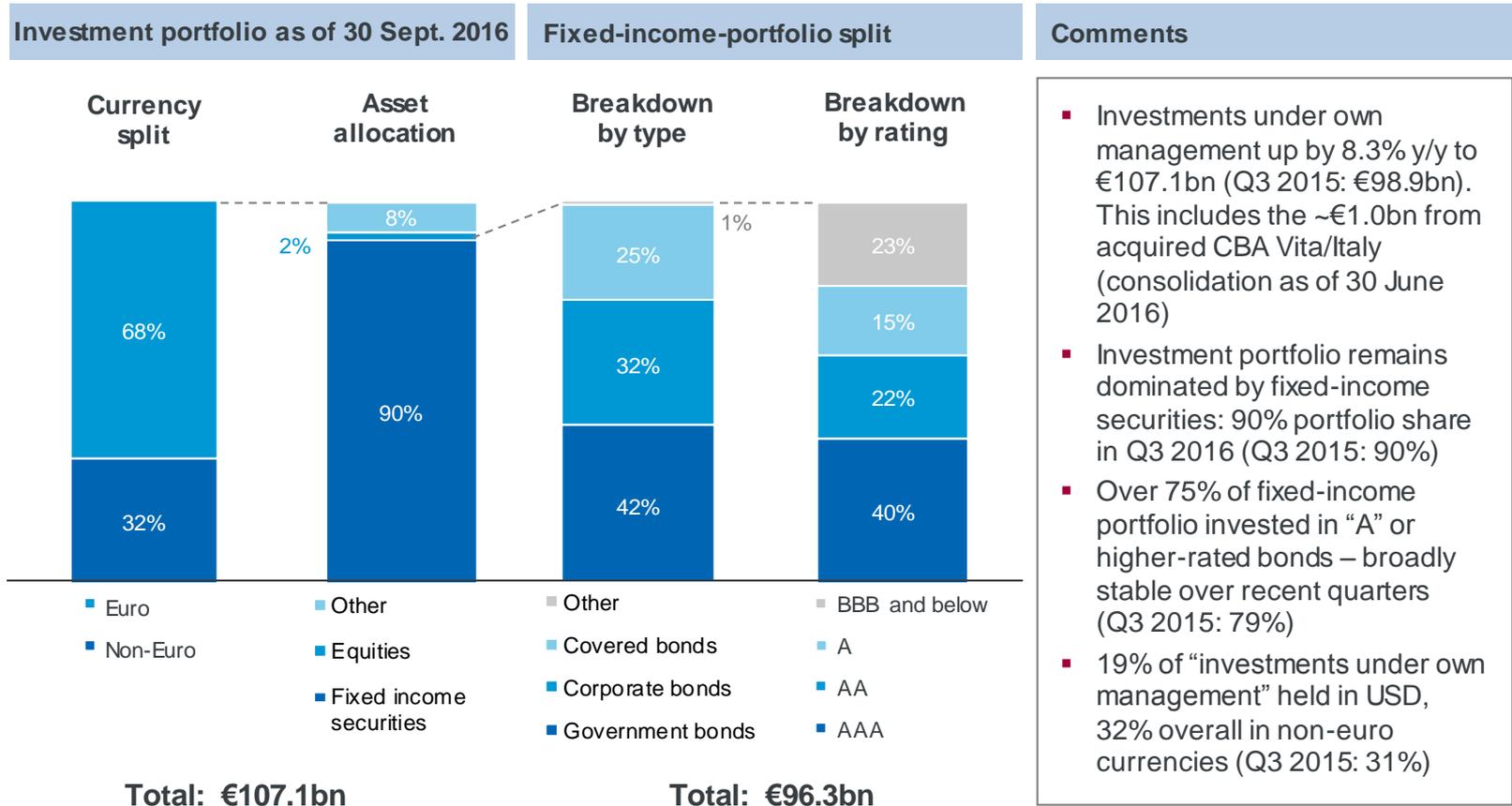
<sup>4</sup> incl. MagallanesGenerales; merged with HDI Seguros S.A. from 1 April 2016

## Retail International

GWP, €m, IFRS	9M 2016	9M 2015	Change
<b>Non-life Insurance</b>	<b>2,347</b>	<b>2,455</b>	<b>(4%)</b>
HDI Seguros S.A., Brazil	576	663	(13%)
TUiR Warta S.A. <sup>2</sup> , Poland	674	675	(0%)
TU Europa S.A. <sup>3</sup> , Poland	55	116	(52%)
HDI Assicurazioni S. p. A., Italy (P&C)	260	257	+1%
HDI Seguros S.A. De C.V., Mexico	191	189	+1%
HDI Sigorta A.Ş., Turkey	187	169	+10%
HDI Seguros S.A., Chile <sup>4</sup>	221	181	+22%
<b>Life Insurance</b>	<b>1,322</b>	<b>1,008</b>	<b>+31%</b>
TU Warta Zycie S.A., Poland <sup>2</sup>	131	298	(56%)
TU Europa Zycie, Poland <sup>3</sup>	184	123	50%
Open Life <sup>3</sup>	13	15	(14%)
HDI Assicurazioni S. p. A., Italy (Life)	602	320	+88%
<b>Total</b>	<b>3,669</b>	<b>3,463</b>	<b>+6%</b>



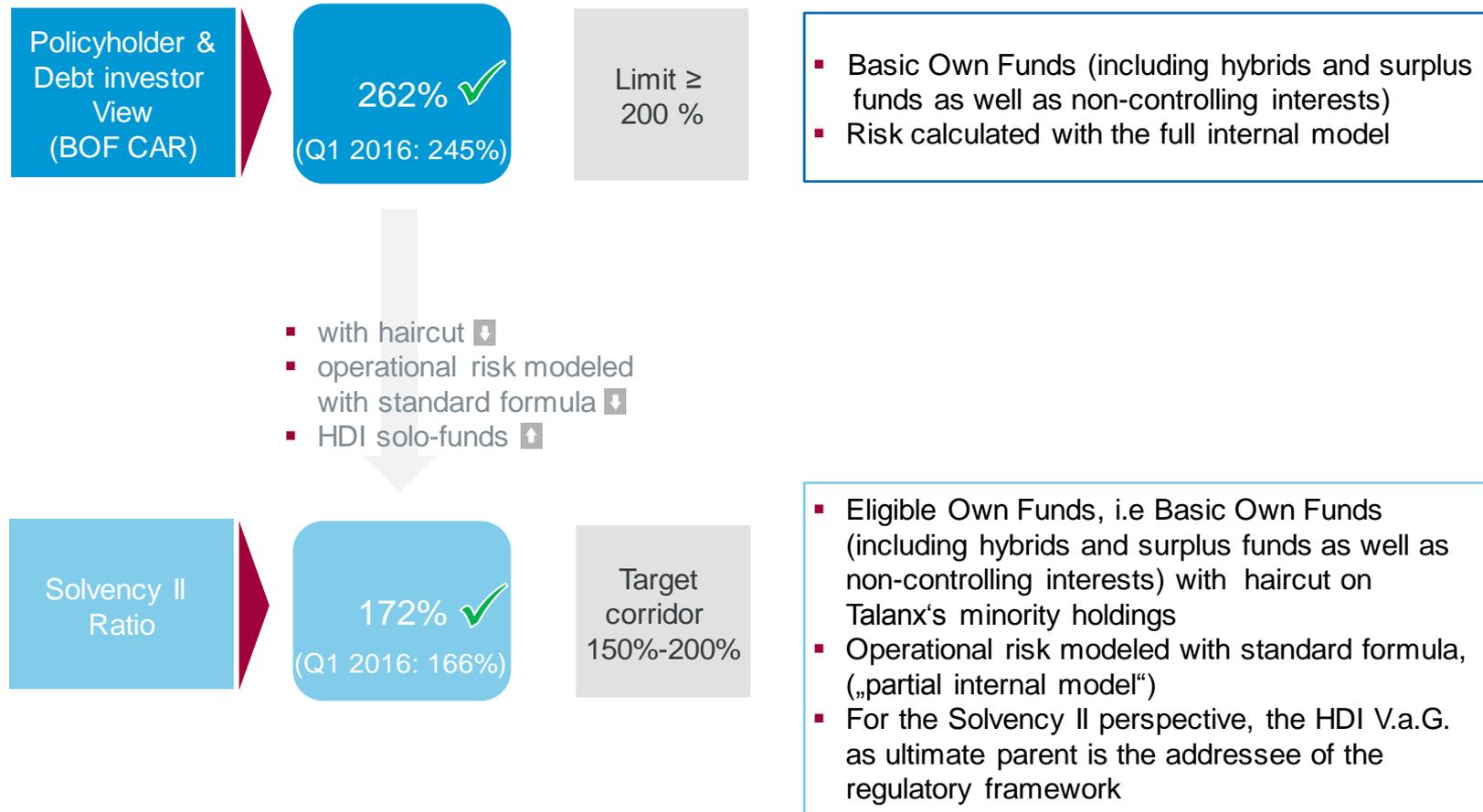
# 9M 2016 Additional Information – Breakdown of investment portfolio



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

A

## TERM results 6M 2016 – Capitalisation perspectives



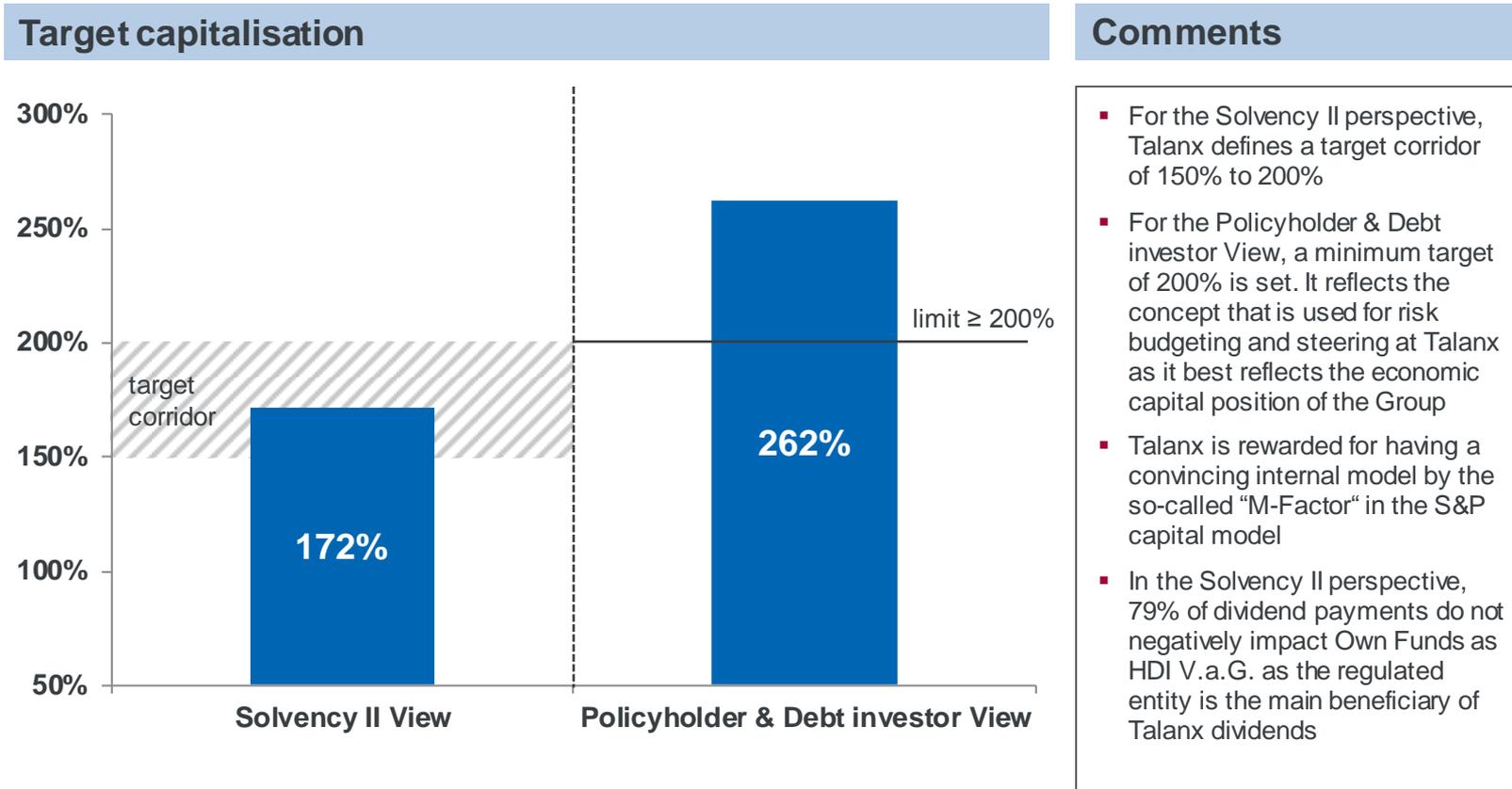
Note: In the entire presentation, calculations of Solvency II Capital Ratios are based on a 99.5% confidence level, including volatility adjustments yet without the effect of applicable transitionals.



**Talanx continuously shows a comfortable capital position from all angles**



# Solvency II Update – Target capitalisation levels (as of 6M 2016)



Note: In the entire presentation, calculations of Solvency II Capital Ratios are based on a 99.5% confidence level, including volatility adjustments yet without the effect of applicable transitionals.



**Improved capitalisation quarter on quarter – well within our target range / above our target limit**

## Q3 2016 Additional Information – Details on selected fixed income country exposure

### Investments into issuers from countries with a rating below A-<sup>1</sup> (in €m)

Country	Rating	Sovereign	Semi-Sovereign	Financial	Corporate	Covered	Other	Total
Italy	BBB	2,231	-	839	644	327	-	4,041
Spain	BBB+	800	446	283	451	335	-	2,316
Brazil	BB	227	-	95	330	-	9	661
Mexico	BBB+	100	6	34	286	-	-	426
Hungary	BB+	386	-	3	8	7	-	404
Russia	BB+	103	5	95	152	-	-	354
South Africa	BBB-	172	7	14	49	-	7	249
Portugal	BB+	34	-	3	61	17	-	115
Turkey	BBB-	23	5	25	22	3	-	79
Greece	CCC	-	-	-	-	-	-	-
Other BBB+		46	5	59	78	3	-	191
Other BBB		81	42	49	46	-	-	217
Other <BBB		126	17	77	140	3	320	678
<b>Total</b>		<b>4,329</b>	<b>534</b>	<b>1,575</b>	<b>2,270</b>	<b>688</b>	<b>336</b>	<b>9,732</b>
In % of total investments under own management		4.0%	0.5%	1.5%	2.1%	0.6%	0.3%	9.1%
In % of total Group assets		2.7%	0.3%	1.0%	1.4%	0.4%	0.2%	6.1%

<sup>1</sup> Investment under own management

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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 2015 Chapter "Enterprise management", pp. 22 and the following as well as to the "Glossary and definition of key figures" on page 257.