



talanx.

Insurance. Investments.

Roadshow Munich / Edinburgh / Dublin

Herbert K. Haas, CEO
8 - 10 July 2013

Talanx – the new kid on the block

- 1 Where are we coming from?
- 2 Where do we stand today?
- 3 What is special about us and what makes us different to peers?
- 4 How are we going to move forward?
- 5 Which return to expect from us in the mid-term?

1 Where are we coming from?

Overview **HDI** V.a.G.

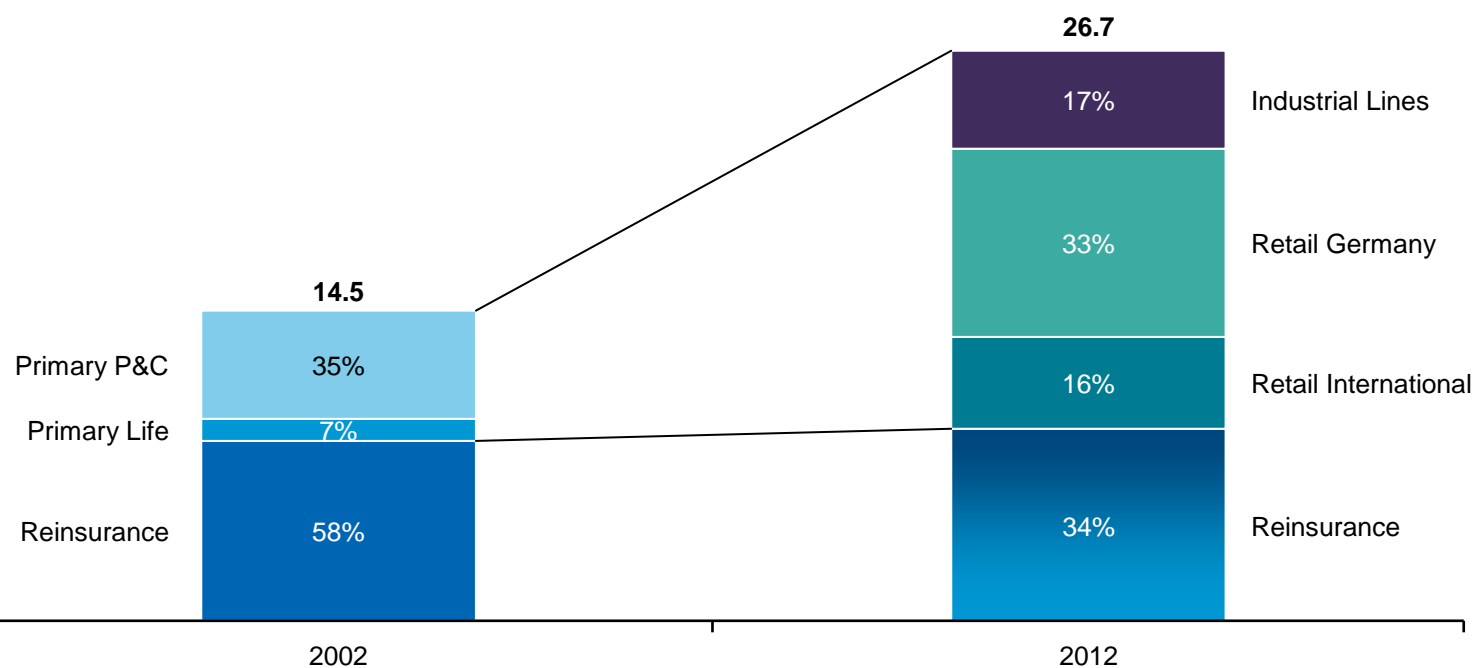
- HDI V.a.G. is a mutual insurance company and majority-owner of the holding company Talanx AG
- Around 1900, a fast-growing German industry saw the need for a more efficient way to receive third-party liability insurance cover
- On 8 December 1903, 176 companies and 6 employers liability insurance associations founded the “Haftpflichtverband der deutschen Eisen- und Stahlindustrie” (“liability association of the German steel industry”)
- The organisational setup reflects the historic roots of HDI, an association of important companies of the German industry that offers mutual insurance cover
- Approx. 0.8m members of HDI V.a.G.

History

1903	Foundation as ‘Haftpflichtverband der deutschen Eisen- und Stahlindustrie’ in Frankfurt
1919	Relocation to Hannover
1953	Companies of all industry sectors are able to contract insurance with HDI V.a.G.
1966	Foundation of Hannover Rückversicherungs AG
1991	Diversification into life insurance
1994	IPO of Hannover Rückversicherung AG
1998	Renaming of HDI Beteiligungs AG to Talanx AG
2001	Start transfer of insurance business from HDI V.a.G. to individual entities
2006	Acquisition of Gerling insurance group by Talanx AG

1 Where are we coming from? – in topline growth

GWP by segment 2002 and 2012 (€bn)^{1,2}



¹ Share of segments in total GWP calculated before consolidation

² Calculated based total GWP adjusted for the respective stake in HannoverRe



Talanx's business portfolio on a strive for better diversification

1 Where are we coming from? – in global presence

Location overview primary insurance 2000 and 2013



Talanx on the move to a global footprint

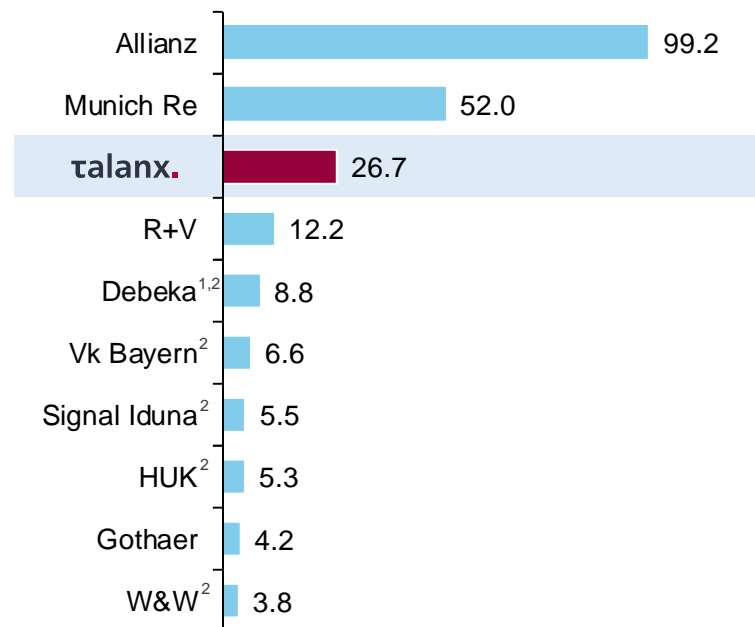
2 Where do we stand today? – our corporate identity



2 Where do we stand today? – our size versus peers

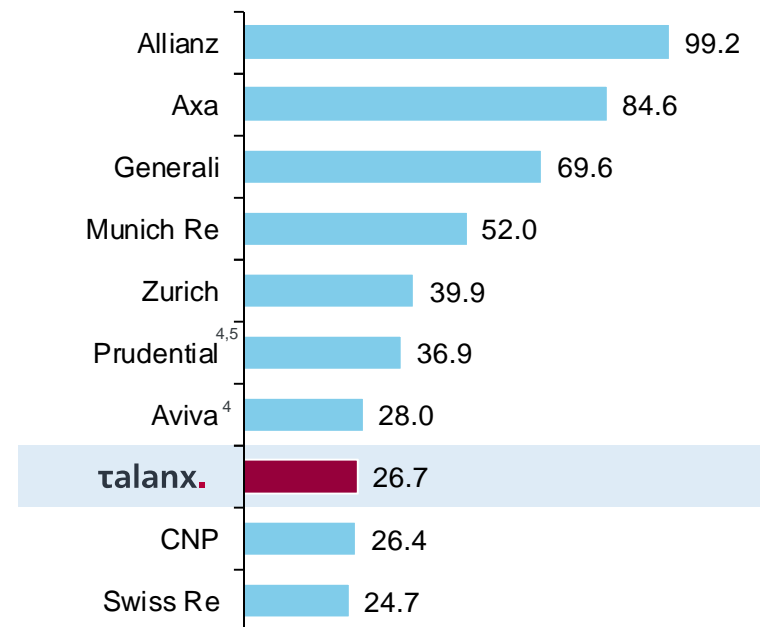
Top 10 German insurers

German insurers by global GWP (2012, €bn)



Top 10 European insurers

European insurers by global GWP (2012, €bn)



¹ Cumulated individual financial statements

² Figure of 2011

³ Without discontinued operations in 2011

⁴ Gross premiums earned

⁵ Figure of 2010

Source: SNL Financial, annual reports



Third-largest German insurance group with leading position in Europe and strong roots in Germany

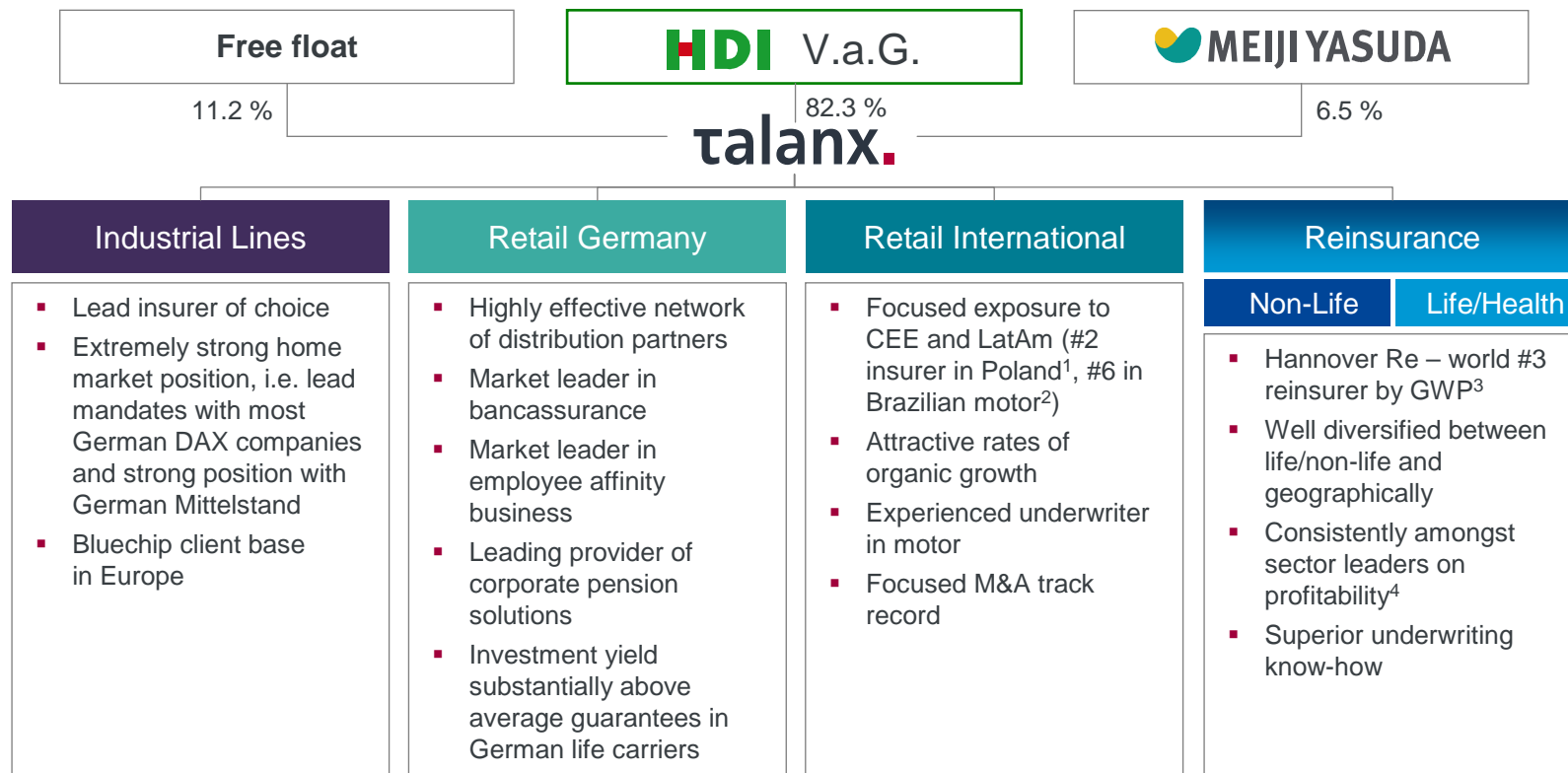
2 Where do we stand today? – our portfolio of brands

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Talanx is an integrated international insurance group, anchored in Germany, running a multi-brand approach

2 Where do we stand today? – our divisions



¹ Combined ranking based on 2012 data of Polish regulator as per local GAAP

² According to Siscorp based on local GAAP

³ Based on A.M. Best ranking (September 2012)

⁴ Based on S&P ranking by average RoE 2002-2010 and also number 1 by average RoE as per KPMG 2012

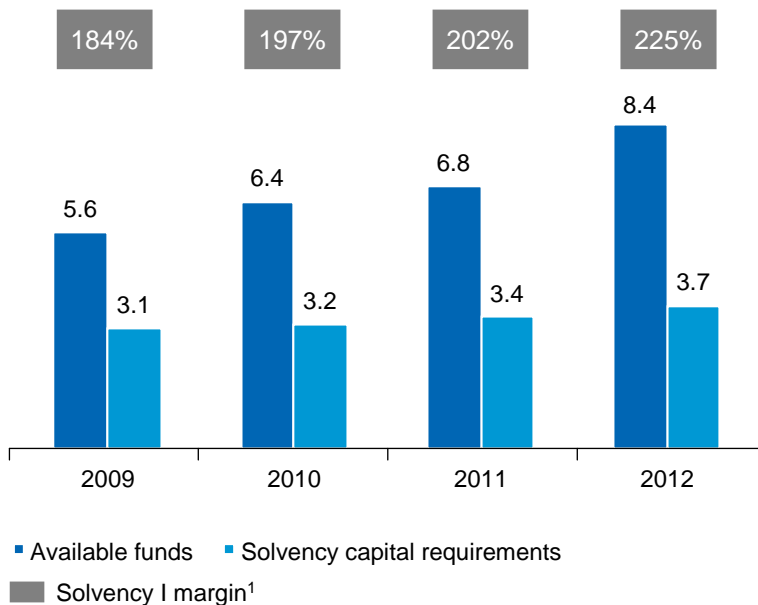


Integrated insurance group with leading market positions in all segments

2 Where do we stand today? – in regulatory capital

Solvency I capital position

(€bn)



Comments

- Talanx has extensive experience in innovative capital management
- As of 31 December 2012, available funds include €1.7bn of subordinated debt²
- Goodwill of €1,152m as of 31 December 2012 (relative to shareholders' equity excl. minorities of €7.5bn)
- Successful issue of €500m new hybrid in April 2012 to partially refinance callable bonds (2014/15)

¹ Talanx Group based on the solvency of HDI V.a.G. (HDI V.a.G. is the relevant legal entity for the calculation of group solvency from a regulatory perspective)

² €1.7bn of the Group's total subordinated debt (€3.1bn) are eligible for Solvency I capital (after accounting for minority interest and capped by regulatory thresholds)



Solid solvency and high-quality capital with relatively low goodwill supporting optimal balance sheet strength

2 Where do we stand today? – in ratings capital

Current financial strength ratings

	Standard & Poor's		A. M. Best	
	Grade	Outlook	Grade	Outlook
Talanx Group ¹			A	Stable
Talanx Primary Group ²	A+	Stable		
Hannover Re subgroup ³	AA–	Stable	A+	Stable

S&P rating of Talanx Primary Group

**STANDARD
& POOR'S**

Financial
Strength Rating:
A+ (Stable)

Competitive Position	ERM	Accounting
Strong	Strong	Good
Operating performance	Investments	Capitalisation
Strong	Very Strong	Strong
Liquidity	Financial Flexibility	
Strong	Strong	

¹ The designation used by A. M. Best for the Group is "Talanx AG and its leading non-life direct insurance operation and its leading life insurance operation"

² This rating applies to the core members of Talanx Primary Group (the subgroup of primary insurers in Talanx Group); see description on the right side

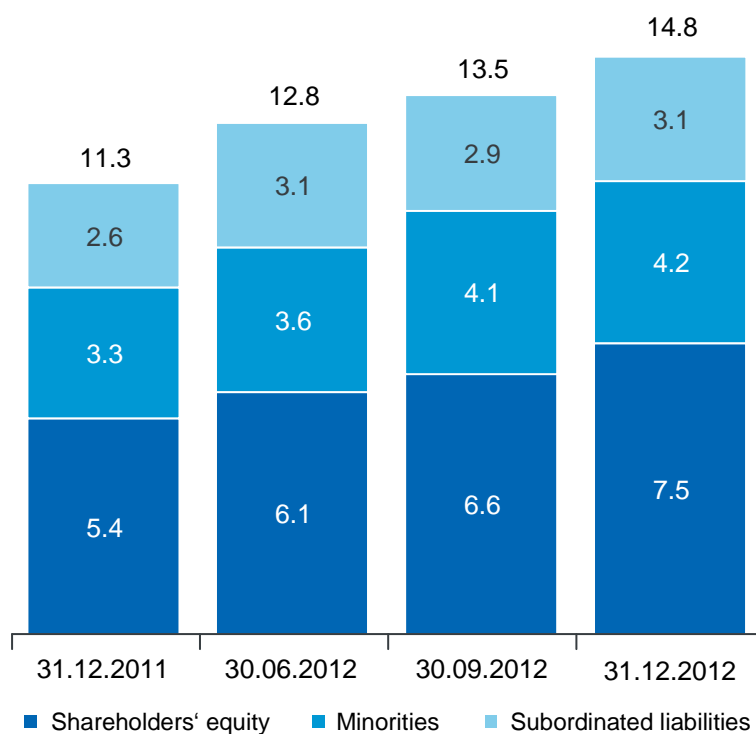
³ This rating applies to Hannover Re and its major core companies. The Hannover Re subgroup corresponds to the Talanx Group Reinsurance segment



Financial strength underpinned by S&P and A.M. Best ratings

2 Where do we stand today? – in capital and performance

Capital structure (€bn)



Summary of FY 2012

€m, IFRS	FY 2012	FY2011	Change
Gross written premium	26,659	23,682	+13 %
Net premium earned	21,999	19,456	+13 %
Net underwriting result	(1,433)	(1,690)	+15 %
Net investment income	3,795	3,262	+16 %
Operating result (EBIT)	1,760	1,238	+42 %
Net income after minorities	630	515	+22 %
Key ratios	FY 2012	FY 2011	Change
Combined ratio non-life insurance and reinsurance	96.4%	101.0%	-4.7%pts
Return on investment	4.3%	4.0%	0.3%pts

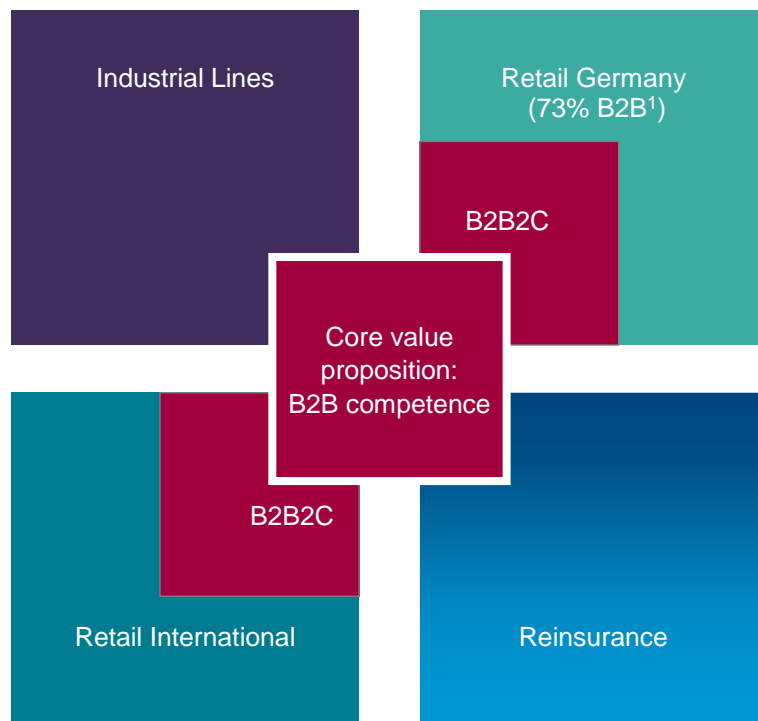


Based on solid capitalization and strong performance good upside potential

3

What is special about us? – B2B competence as key differentiator

Linkage between different Group segments



Excellence in B2B2C channels²



¹ Distribution via B2B channels (IFAs/brokers and bancassurance) in percent of total APE 2011

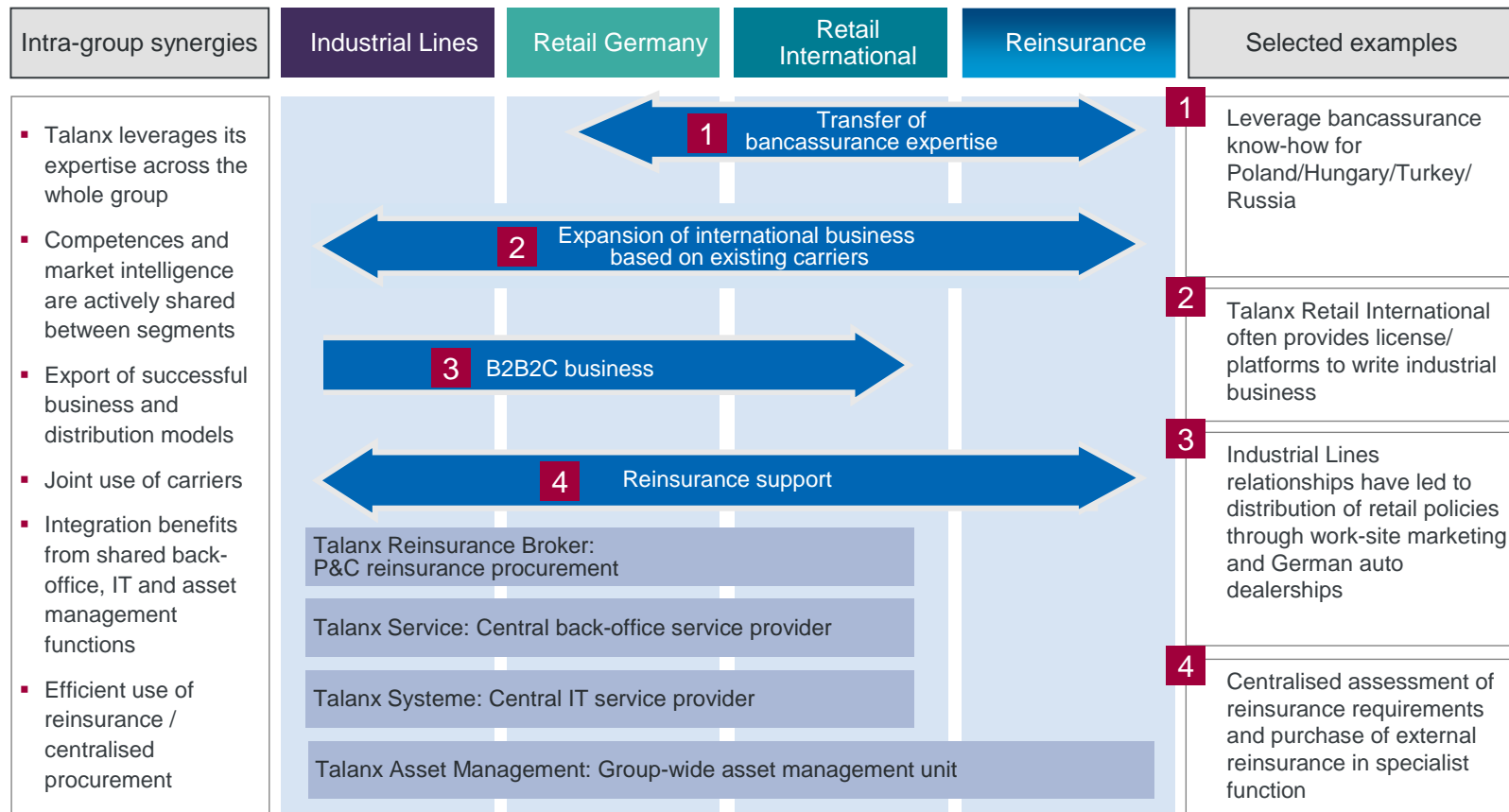
² Samples of clients/partners



Superior service of corporate relationships lies at heart of our value proposition

3

What is special about us? – B2B competence allows business integration across all divisions

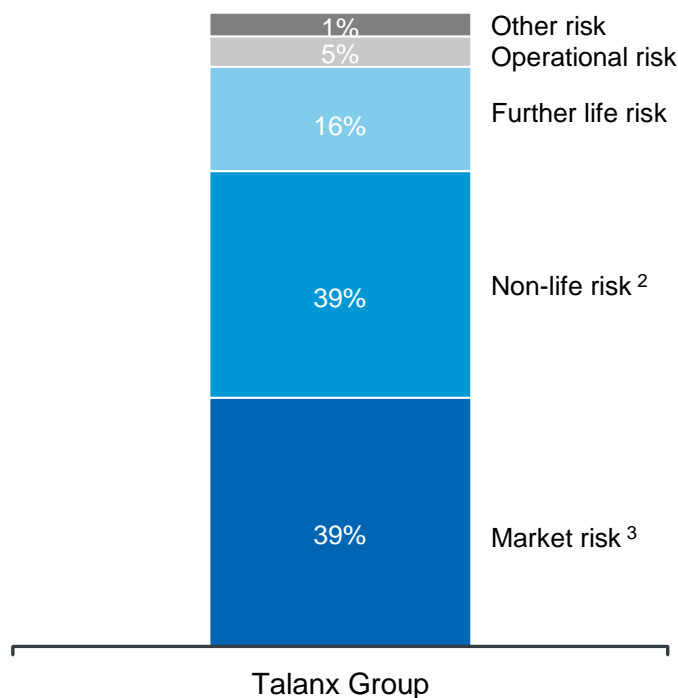


Enhanced business activity and efficiency through close cooperation and best-practice approach across all segments

3

What is special about us? – Sophisticated underwriter with low gearing to market risk

Risk components of Talanx Group¹



Comments

- Total market risk of 39%, of solvency capital requirements, which is comfortably below the 50% limit
- Risk capacity priority for insurance risk
- Non-life is the dominating insurance risk category, comprising premium and reserve risk, NatCat and counterparty default risk
- At a 99.5% security level, applying the Economic View in Talanx's internal model, the Solvency capital requirement stands at €1.9bn for 2012; the Capital Adequacy Ratio at 351%. In the stricter 99.97% view, the ratio stands at 196%
- Equities ~1% of investments under own management
- GIIPS sovereign exposure 0.7% of total assets

¹ Figures show risk categorisation, in terms of solvency capital requirements, of the Talanx Group after minorities, after tax, post diversification effects as of 2012

² Includes premium and reserve risk (non-life), net NatCat and counterparty default risk

³ Refers to the combined effects from market developments on assets and liabilities



Market risk sensitivity (limited to less than 50% of solvency capital requirement) is deliberately low

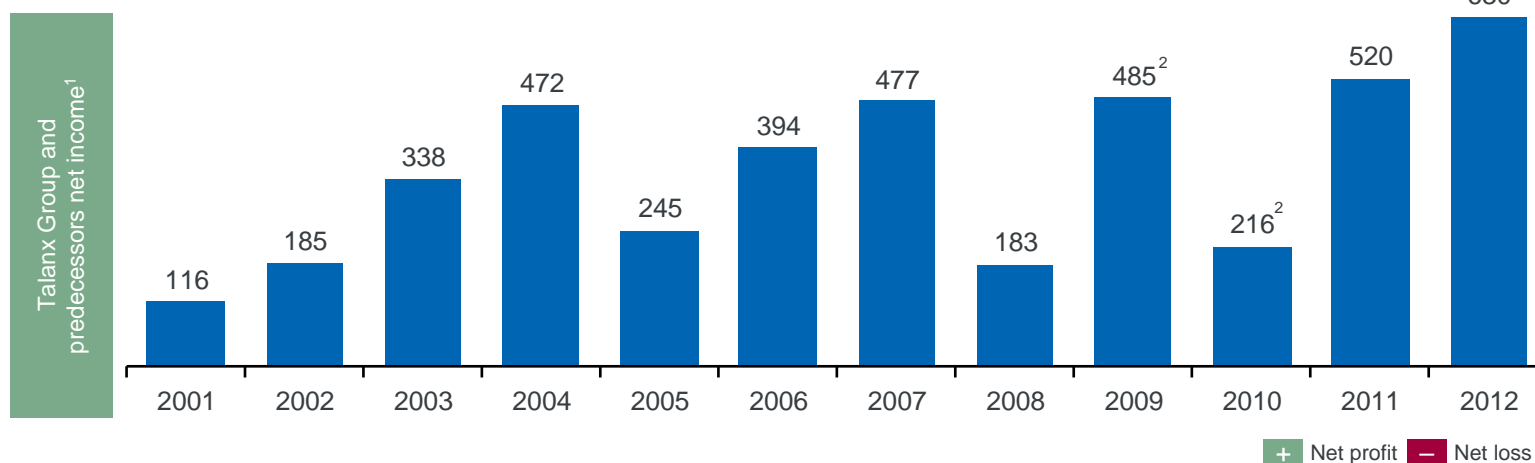
3

What is special about us? – Proven earnings resilience over cycle

Talanx Group net income development



Talanx Group net income¹ (€m)



¹ Net income of Talanx after minorities, after tax based on restated figures as shown in annual reports; 2001–2003 according to US GAAP, 2004–2011 according to IFRS

² Adjusted on the basis of IAS 8

Source: Annual reports of Talanx Group and Hannover Re Group



Robust cycle resilience due to diversification of segments

3 What is special about us? – Attractive risk-return profile

RoE standard deviation of selected European insurance companies



Note: Calculation based on respective accounting standards used in respective years. Accounting standards may have changed over periods analysed
 ■ Median RoE and standard deviation of RoE 2001 – 2011 of selected European insurance groups; R+V 2001 – 2010, Groupama 2001 – 2010, Covea 2005 – 2010
 ■ Minority interests only given in 2010 and 2011, no adjustment for variable interest entities
 Source: Based on data of "Benchmarking of selected insurance companies" analysis by KPMG AG as of 27 April 2012

► Sustainable earnings development due to prudent risk management approach

4 How to move forward? – Overall Group strategy

Focus of the Group is on long-term increase in value by sustainable and profitable growth and vigorous implementation of our B2B-expertise

Profit target	Capital management	Risk management	Growth target	Human resource policy
<ul style="list-style-type: none"> ▪ $\text{RoE}^1 > \emptyset$ TOP20 European insurers ▪ $\text{RoE}^1 \geq \text{risk-free interest rate}^2 + 750\text{bps}$ 	<ul style="list-style-type: none"> ▪ Fulfill S&P “AA” capital requirement ▪ Efficient use of available financing instruments 	<ul style="list-style-type: none"> ▪ Generate positive annual earnings with a probability of 90% ▪ Sufficient capital to withstand at least an aggregated 3,000-year shock ▪ Investment risk <50% 	<ul style="list-style-type: none"> ▪ 50% of primary GWP from foreign operations ▪ Selective profitable growth in Retail Germany and Reinsurance 	<ul style="list-style-type: none"> ▪ Continuous development and promotion of own workforce ▪ Individual responsibility and entrepreneurial spirit

¹ In accordance with IFRS

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



Group and divisional strategies define goals and actions to be taken

How to move forward? – Entrepreneurial culture across the Group

Central steering combined with decentralized responsibilities...

- Talanx Group centralised management, controlling, services and back-office functions
- Principle: central strategic leadership combined with decentralised / local management responsibility
- Individual business units have strong responsibility for delivering results within the guidelines of the group-wide performance management
- International units are managed locally by local country managers

leads to

...strong entrepreneurial spirit

- Empowerment of individual managers
- Freedom to pursue new ventures within group guidelines
- Strong can-do attitude supporting group development and making use of market expertise
- Entrepreneurial pursuit of new opportunities building on traditional strengths of the group (B2B, B2B2C business)



Strong entrepreneurial culture across the Group to unlock full earnings potential

4 How to move forward? – Sources for growth

Industrial Lines

- Growth through globalisation
- Increase retention

Retail Germany

- Elimination of cost disadvantages
- Intelligent products and B2B focus

Retail International

- Focus on emerging markets (LatAM / CEE)
- Consolidation and integration of acquisitions

Reinsurance

- Efficient cycle management
- Expansion into emerging markets

5 Which return to expect from us? – Q1 at a glance

Summary of Q1 2013

€m, IFRS	Q1 2013	Q1 2012	Change
Gross written premium	8,458	7,605	+11 %
Net premium earned	5,715	4,965	+15 %
Net underwriting result	(263)	(289)	(9) %
Net investment income	875	961	(9) %
Operating result (EBIT)	516	538	(4) %
Net income after minorities	203	206	(1) %
Key ratios	Q1 2013	Q1 2012	Change
Combined ratio non-life insurance and reinsurance	95.0%	96.4%	-1.4%pts
Return on investment ¹	3.7%	4.6%	-0.9%pts
Balance sheet	Q1 2013	Q4 2012	Change
Investments und. own mgmt.	86,568	84,052	+3 %
Goodwill	1,149	1,153	(0) %
Total assets	134,611	130,350	+3 %
Technical provisions	92,328	89,484	+3 %
Total shareholders' equity	11,596	11,309	+3 %
Shareholders' equity	7,359	7,153	+3 %

¹ Annualised
2012 numbers in this presentation adjusted on the basis of IAS8

Comments

- 11% y/y growth in gross written premium and even somewhat higher momentum in net premium earned
- Combined ratio down 1.4%pts to 95.0%
- On EBIT level, the substantial decline in net investment income overcompensates the beneficial effect from the improved underwriting result
- Bottom-line result close to the excellent Q1 2012 figures
- Shareholders' equity of €7,359m already includes the negative OCI effect of €334m from the amendments to IAS19 (employee benefits)
- Solvency I ratio only marginally down from end-2012 level: 222% vs. 225%

 **Significant top-line growth and solid performance**

5 Which return to expect from us? – Outlook 2013

Talanx Group

Gross Written Premium	≥ +4%
• Industrial Lines	~ +4-6%
• Retail Germany	flat
• Retail International	~ +17-20%
• Non-Life Reinsurance	~ +3-5%
• Life and Health Reinsurance	~ +5-7%
Return on investment	~ 3.5%
Group net income	> €650m
Return on equity	> 9%
Dividend payout ratio	35-45% target range

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

5 Which return to expect from us? – Mid-term target matrix

Segments	Key figures	Strategic targets
Group	Return on equity	≥ 750 bps above risk free ¹
	Group net income growth	~ 10%
	Dividend payout ratio	35 - 45%
	Return on investment ²	≥ 3.5%
Industrial Lines	Gross premium growth ³	3 - 5%
	Combined ratio	≤ 96%
	EBIT margin ⁴	≥ 10%
	Retention rate	60 - 65%
Retail Germany	Gross premium growth	≥ 0%
	Combined ratio (non-life)	≤ 97%
	New business margin (life)	≥ 2%
	EBIT margin ⁴	≥ 4.5%
Retail International	Gross premium growth ³	≥ 10%
	Combined ratio (non-life)	≤ 96%
	Value of New Business (VNB) growth	5 - 10%
	EBIT margin ⁴	≥ 5%
Non-life reinsurance	Gross premium growth	3 - 5%
	Combined ratio	≤ 96%
	EBIT margin ⁴	≥ 10%
Life & health reinsurance	Gross premium growth ³	5 - 7%
	Value of New Business (VNB) growth	≥ 10%
	EBIT margin ⁴ financing and longevity business	≥ 2%
	EBIT margin ⁴ mortality and health business	≥ 6%

¹ Risk-free rate is defined as the 5-year rolling average of the 10-year German government bond yield

² Derived from actual asset duration. Currently ~ 6.5 years, therefore the minimum return is the 13-year average of 13-year German government bond yield.

Annually rolling

³ Organic growth only; currency neutral

⁴ EBIT/net premium earned

Note: growth targets are on p.a. basis

APPENDIX: HDI V.a.G. placement strengthens position in MDAX

MDAX ranking free-float market cap – June 2013

Rank	Group
	...
38	Peer 1
39	Peer 2
40	Peer 3
41	Peer 4
42	Peer 5
43	Peer 6
44	Peer 7
45	Peer 8
46	Peer 9
47	Peer 10
48	Peer 11
49	Peer 12
50	tal anx.
	...

Rank - pro forma	Group
	...
38	tal anx.
39	Peer 1
40	Peer 2
41	Peer 3
42	Peer 4
43	Peer 5
44	Peer 6
45	Peer 7
46	Peer 8
47	Peer 9
48	Peer 10
49	Peer 11
50	Peer 12
	...

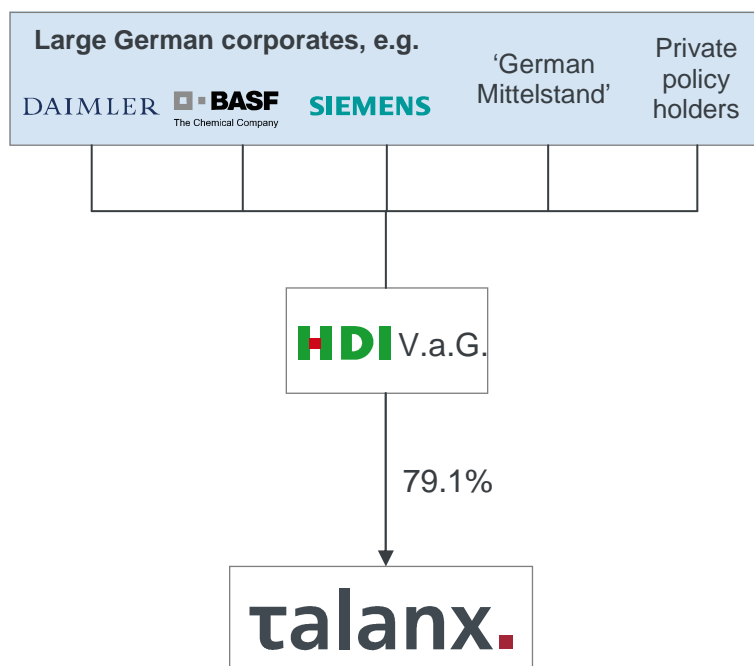
Comments

- In July, HDI V.a.G. placed 8.2m shares (3.2% of Talanx's share capital) at €23.25 per share
- The transaction has reduced HDI V.a.G.'s share in Talanx to 79.1% while raising the free-float from 11.2 to 14.4%
- Based on Talanx-internal analysis, the transaction would push Talanx from #50 in the free-float market cap ranking in June to pro-forma #38
- With respect to turnover, Talanx reached #37 in the June ranking

Source: Talanx analysis based on June 2013 MDAX statistics. Pro-forma addition of 8.2m shares @€23.25 to Talanx's free-float market cap.

APPENDIX: HDI V.a.G. structure

Members of HDI V.a.G.



Relationship HDI V.a.G. – Talanx AG

- HDI V.a.G. is a mutual insurance company and majority-owner of the holding company Talanx AG; commitment to remain long-term majority shareholder post IPO
- Alignment of interests of HDI V.a.G. and Talanx Group through
 - Providing efficient and reliable insurance to mutual members at market rates, often syndicate-based
 - Same decision makers: Mr Haas, Dr Hinsch, Dr Querner
 - HDI V.a.G. has no other investments besides Talanx and is interested to further strengthen and enable Talanx to provide stable insurance capacity to industrial clients
 - Talanx and HDI V.a.G. committed to capital market oriented dividend policy
- No financial liabilities on mutual level
- Very limited business relations / intercompany contracts between HDI V.a.G. and Talanx



Strong and reliable anchor shareholder with aligned interests

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