



Source: Shutterstock [M]

Quarterly statement as at 30 September 2016

9 November 2016

Jörg Schneider

1	Munich Re (Group)	2
2	ERGO	8
3	Munich Health	12
4	Reinsurance	14
5	Outlook	18

Business highlights Q3 2016

Developing **innovative propositions** with **digital insurance start-ups** and digital **verticals**, e.g. Slice, Trov

ERGO **completes** acquisition of ATE and becomes **largest property-casualty** insurer in Greece

ERGO **Strategy Programme well on track** – Reconciliation of interests' agreement for German sales force **reached** in August

July **renewals** with signs of price **stabilisation** – Munich Re almost entirely **offsets** decreases by writing **attractive** new business

Excellent position in the Dow Jones **Sustainability** Indices – for the **15th** consecutive year

Global No. **13** on Fortune's **Change** the **World Top 50** List

New **big-data-based** platform **M.I.N.D.** improves clients' **risk management** in Mexico

Munich Health study¹ shows **private health insurance** in China will surge **fivefold** to RMB **1.1** trillion by 2020

Developing a new **Pandemic** product which provides insurance **solutions** for companies that could suffer financial **loss** as a result of **epidemics**

After pleasing Q3 result, annual profit to significantly exceed €2.3bn guidance

Munich Re (Group)

Net result

€684m (9M: €2,095m)

Good underwriting performance across most segments – investment result in line with expectations

Return on investment¹

2.7% (9M: 3.4%)

Resilient return given low interest rates – increased value of equity portfolio but write-downs of hedges

Shareholders' equity

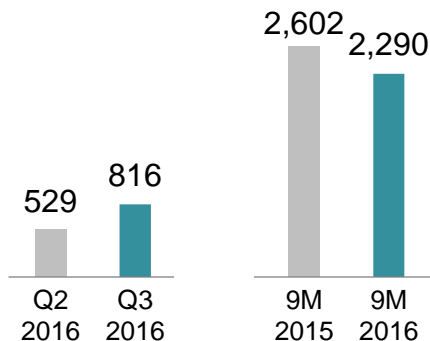
€32.4bn (+1.1% vs. 30.6.)

Further increase of valuation reserves – Solvency II ratio stable at ~250%

¹ Annualised.

Technical result

€m



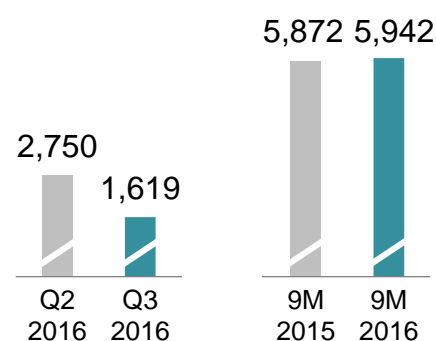
Reinsurance

Life: Technical result €146m (9M: €318m) – Well on track to achieve annual target of €400m

P-C: Combined ratio 92.5% (9M: 93.7%) – Major-loss ratio 6.6% (9M: 7.2%)

Investment result

€m



ERGO

L/H Germany: Result impacted by low interest rates

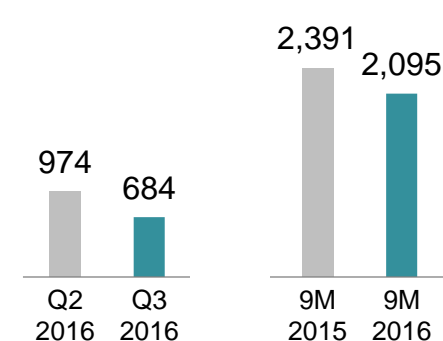
P-C: Combined ratio 96.1% (9M: 96.0%)

International: Combined ratio 98.6% (9M: 98.5%)

Q3 2016 (9M 2016)

Net result

€m











Munich Health

Reinsurance: Combined ratio 98.7% (9M: 100.9%)

Primary insurance: Combined ratio 86.8% (9M: 92.6%)

IFRS capital position

Equity

		€m		€m
Equity 31.12.2015	30,966		Change Q3	
Consolidated result	2,095			684
Changes				
Dividend	-1,329			–
Unrealised gains/losses	2,315			304
Exchange rates	-565			-177
Share buy-backs	-711			-318
Other	-416			-149
Equity 30.9.2016	32,355			343

Unrealised gains/losses

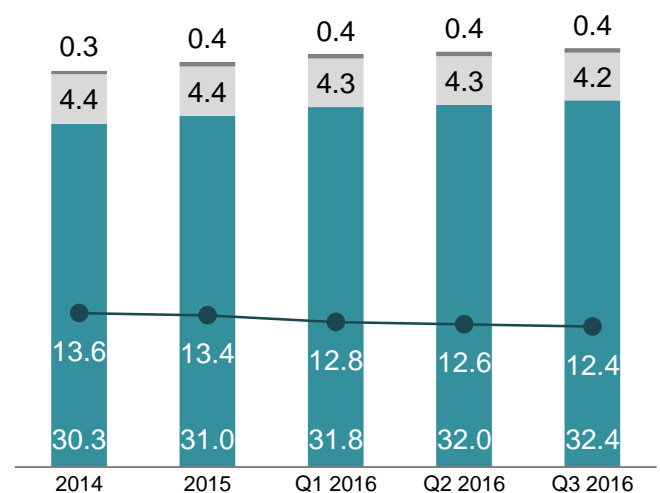
Fixed-interest securities
9M: +€2,353m Q3: +€84m





Non-fixed-interest securities
9M: -€31m Q3: +€222m

Exchange rates

FX effect mainly driven by US\$

Capitalisation



-  Debt leverage¹ (%)
-  Senior and other debt²
-  Subordinated debt
-  Equity

Investment portfolio

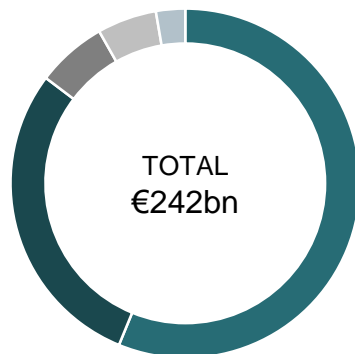
Investment portfolio¹

Land and buildings
2.7 (2.9)

Shares, equity funds and participating interests²
5.5 (5.2)

Miscellaneous³
6.5 (7.5)

Loans
29.1 (28.7)



Fixed-interest securities
56.2 (55.7)

%

Portfolio management in Q3

- Ongoing geographic diversification
- Slight increase in corporate bonds
- Reduction of cash and bank bonds
- Increase of net equity exposure to 4.4%
- Increase of asset duration in reinsurance

¹ Fair values as at 30.9.2016 (31.12.2015). ² Net of hedges: 4.4% (4.8%). ³ Deposits retained on assumed reinsurance, deposits with banks, investment funds (excl. equities), derivatives and investments in renewable energies and gold.

Investment result

Investment result

€m

	Q2 2016	Return ¹	Q3 2016	Return ¹	9M 2016	Return ¹	9M 2015	Return ¹
Regular income	1,823	3.1%	1,550	2.6%	5,001	2.8%	5,588	3.1%
Write-ups/write-downs	–22	–0.0%	–43	–0.1%	–284	–0.2%	–653	–0.4%
Disposal gains/losses	910	1.5%	696	1.2%	1,823	1.0%	2,321	1.3%
Derivatives ²	176	0.3%	–446	–0.7%	–196	–0.1%	–999	–0.6%
Other income/expenses	–137	–0.2%	–137	–0.2%	–402	–0.2%	–385	–0.2%
Investment result	2,750	4.7%	1,619	2.7%	5,942	3.4%	5,872	3.3%
Total return		8.9%		5.8%		9.3%		0.7%

3-month reinvestment yield	Q3 2016	Write-ups/ write-downs	Disposal gains/losses	Derivatives	9M 2016	Write-ups/ write-downs	Disposal gains/losses	Derivatives
Q3 2016 1.8%	Fixed income ³	15	506	–50	Fixed income ³	–25	1,620	356
	Equities	–41	190	–421	Equities	–296	334	–538
Q2 2016 1.6%	Commodities/Inflation			7	Commodities/Inflation	78		–14
Q1 2016 1.9%	Other	–17	–1	18	Other	–41	–131	1

¹ Annualised return on quarterly weighted investments (market values) in %. ² Result from derivatives without regular income and other income/expenses.

³ Thereof interest-rate hedging ERGO: Q3 €48m/€7m (gross/net); 9M €494m/€59m (gross/net).

ERGO

2

9M 2016 vs. 9M 2015

Gross premiums written €m

9M 2015		12,490
Foreign exchange		-98
Divestments/investments		-47
Organic change		-209
9M 2016		12,136

- Life and Health Germany (–€202m)
Property-casualty Germany (+€36m)
International (–€189m)
- Life Germany: Decline of regular premiums due to ordinary attrition while single premiums suffered from lower product sales
- Property-casualty Germany: positive development in almost all lines of business
- International: Increase in Property-casualty, decrease Life (esp. Poland, Belgium and disposal of Italian entity)

Major result drivers

	9M 2016	9M 2015	▲
Technical result	298	453	–154
Non-technical result	419	236	183
thereof investment result	4,126	3,703	423
Other	–828	–272	–556
Net result	–111	417	–528

	Q3 2016	Q2 2016	▲
Technical result	22	153	–131
Non-technical result	58	292	–234
thereof investment result	1,022	1,727	–705
Other	–132	–479	347
Net result	–52	–34	–18

Technical result

- 9M: L/H Germany (–€55m), mainly due to usual assessment of interest-rate assumptions in Q3 in Life
- in Q3 9M: P-C Germany (–€17m), esp. due to higher costs; large losses slightly below previous year's level
- 9M: International (–€82m), mainly from disposal of Italian entity and in Q3: Declines in Belgium, Austria

Increase in investment result

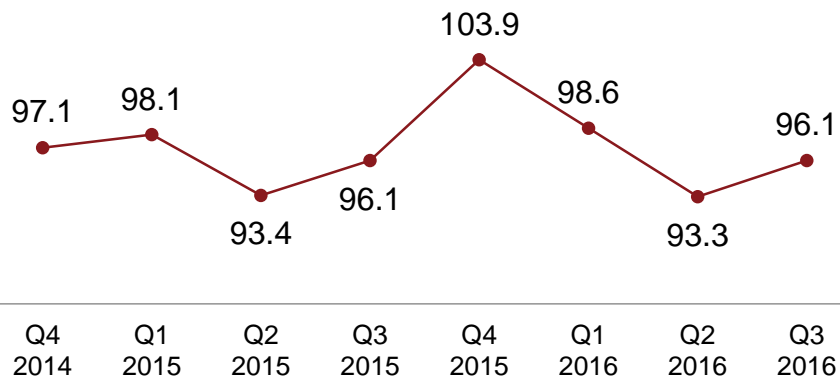
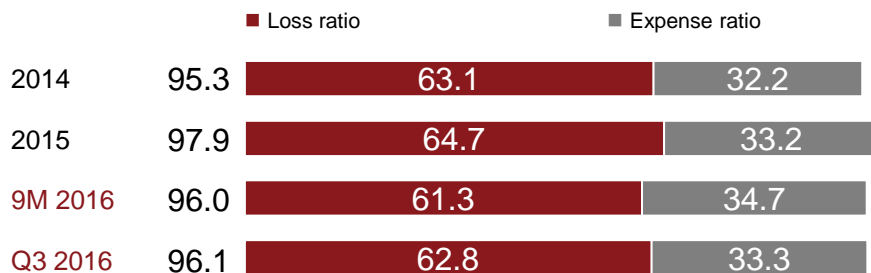
- Q3: Return on investment 2.8%
- 9M: Derivatives result significantly higher; in Q3: decline
- 9M: Release of unrealised gains for ZZR, mainly in first half of 2016

Other

- Q2: Restructuring expenses
- Q1: Negative one-off effect from accounting difference between IFRS and local GAAP regarding pension liabilities
- 9M: Higher tax expenses

ERGO Property-casualty Germany

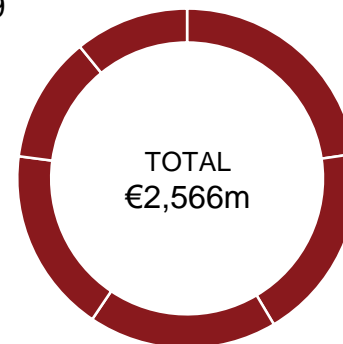
Combined ratio %



Gross premiums written €m

Other 279 582 Motor

Legal protection 309



Fire/property 453

Liability 461

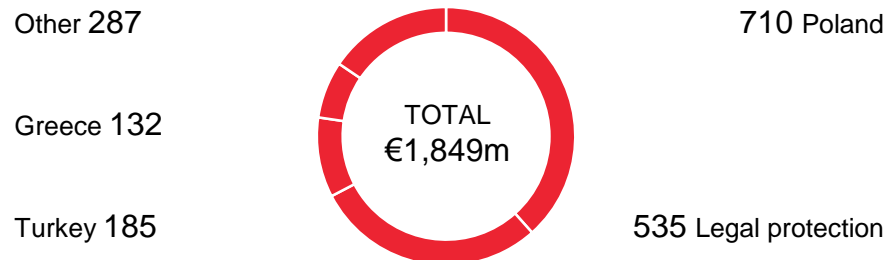
482 Personal accident

ERGO International – Property-casualty

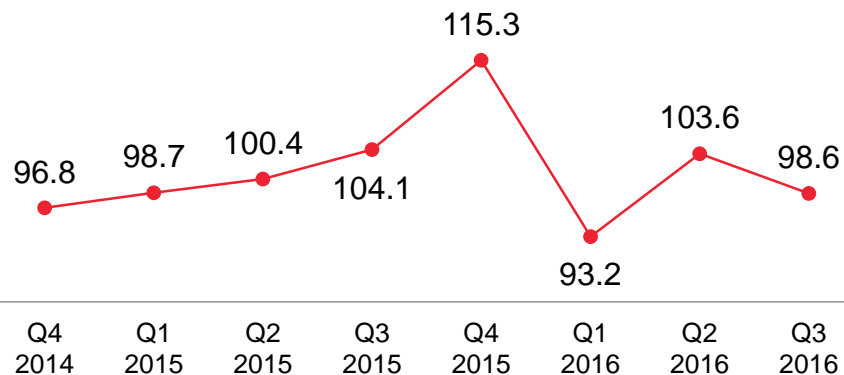
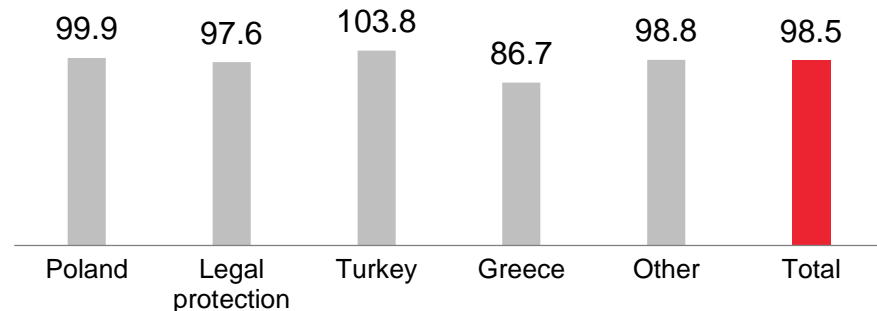
Combined ratio %



Gross premiums written – Property-casualty €m



Combined ratio 9M 2016 %



Munich Health

3

Munich Health

9M 2016 vs. 9M 2015

Gross premiums written	€m
9M 2015	4,260
Foreign exchange	-101
Divestments/investments	0
Organic change	-458
9M 2016	3,701

- Negative FX effects mainly due to Can\$
- Organic decrease mainly driven by reduced share and restructuring of one large treaty, and in US termination of poorly performing accounts...
- ... partly offset by growth in China, Middle East and Spain

Major result drivers	€m		
	9M 2016	9M 2015	▲
Technical result	32	33	-1
Non-technical result	59	53	6
thereof investment result	81	92	-11
Other	-15	-2	-13
Net result	76	84	-8
	Q3 2016	Q2 2016	▲
Technical result	52	-16	68
Non-technical result	12	24	-12
thereof investment result	23	29	-6
Other	-19	8	-27
Net result	44	16	28

Technical result

- 9M: Overall combined ratio at 99.3% (-0.2%)
 - Reinsurance: 100.9% (+0.1%)
Adverse impact of US business, albeit improved result in Q3
 - Primary insurance: 92.6% (-0.1%)
Strong contribution from Spain
- Q3: Improvement driven by US reinsurance business and seasonal effects in Spain and Belgium

Investment result

- 9M: Stable regular income, lower disposal gains
- Q3: Return on investment 2.6%

Other

- 9M: Tax rate 18.7% vs. 1.3%

Reinsurance

4

Reinsurance Life

9M 2016 vs. 9M 2015

Gross premiums written

	€m
9M 2015	7,653
Foreign exchange	-263
Divestments/investments	0
Organic change	-178
9M 2016	7,212

- Negative FX effects driven by Can\$ and GBP
- Negative organic change due to cancellation/modification of large capital-relief deals, ...
- ... partly offset by growth in Asia, Canada, UK

Major result drivers

	9M 2016	9M 2015	▲
Technical result	318	247	71
Non-technical result	66	88	-21
thereof investment result	469	628	-159
Other	-16	-163	147
Net result	369	172	197

	Q3 2016	Q2 2016	▲
Technical result	146	103	43
Non-technical result	20	119	-99
thereof investment result	164	240	-76
Other	-31	-7	-24
Net result	134	214	-80

Technical result

- Q3: Strong contribution mainly from Asia, Canada and Europe supported by one-off effects
- Well on track to achieve annual target of ~€400m

Investment result

- 9M: Lower interest income from deposits retained on assumed reinsurance due to cancellation/modification of large capital-relief deals
- 9M: Lower disposal gains
- Q3: Return on investment 2.7%

Other

- 9M: FX result of €84m vs. -€79m, high contribution from GBP
- 9M: Tax rate of 16.7% vs. 24.0%

Reinsurance Property-casualty

9M 2016 vs. 9M 2015

Gross premiums written

	€m
9M 2015	13,583
Foreign exchange	-330
Divestments/investments	0
Organic change	480
9M 2016	13,733

- Negative FX effects mainly driven by GBP
- Organic growth due to several new deals, particularly in motor and fire

Major result drivers

	9M 2016	9M 2015	▲
Technical result	1,642	1,870	-228
Non-technical result	368	414	-46
thereof investment result	1,266	1,450	-184
Other	-248	-565	317
Net result	1,761	1,718	43

	Q3 2016	Q2 2016	▲
Technical result	597	289	308
Non-technical result	108	498	-390
thereof investment result	411	754	-343
Other	-147	-10	-137
Net result	558	778	-220

Technical result

- 9M: Major loss ratio clearly below expectation of 12.0%
- Q3: Lower basic losses, as Q2 was inflated by various larger claims just below the outlier threshold

Investment result

- 9M: Reduced disposal gains and lower regular income
- Q3: Negative impact from equity derivatives (hedging) and less dividend income
- Q3: Return on investment 2.6%

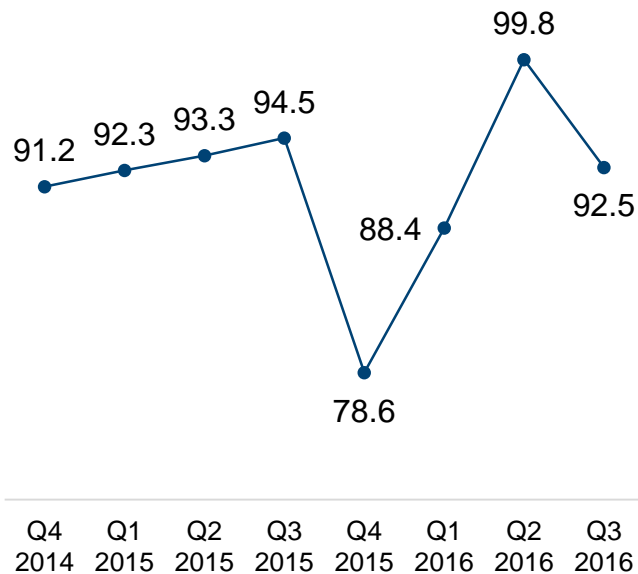
Other

- 9M: FX result of €299m vs. -€225m, high contribution from GBP
- 9M: Tax rate 20.2% vs. 11.0%

Combined ratio

Combined ratio

%



		■ Basic losses	■ Major losses	■ Expense ratio
2014	92.7	53.0	7.2	32.5
2015	89.7	50.8	6.2	32.6
9M 2016	93.7	55.2	7.2	31.3
Q3 2016	92.5	55.3	6.6	30.6

	Major losses	Nat cat	Man-made	Reserve releases ¹	Normalised combined ratio ²
9M 2016	7.2	3.7	3.5	-5.4	99.9
Q3 2016	6.6	3.4	3.1	-5.0	98.9
Ø Annual expectation	~12.0	~8.0	~4.0		

¹ Basic losses; in Q3 mainly fire; no corresponding sliding-scale effects.

² Based on 4%-pts. reserve releases.

Outlook

5

Munich Re (Group)

Net result

Significantly above **€2.3bn**
(prev. €2.3bn)

Return on investment

~3%
Solid return given ongoing
low-interest-rate environment

Gross premiums written

€47–49bn
Focus on bottom-line growth prevails

Combined ratio

~95%	~98%
Reinsurance	ERGO Germany
~99%	~99%
Munich Health	ERGO International

This presentation contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our Company. The Company assumes no liability to update these forward-looking statements or to make them conform to future events or developments.