



planpicture/Stop/Ralf Helmisch

# Delivering strong capital returns

Analysts' conference 2015

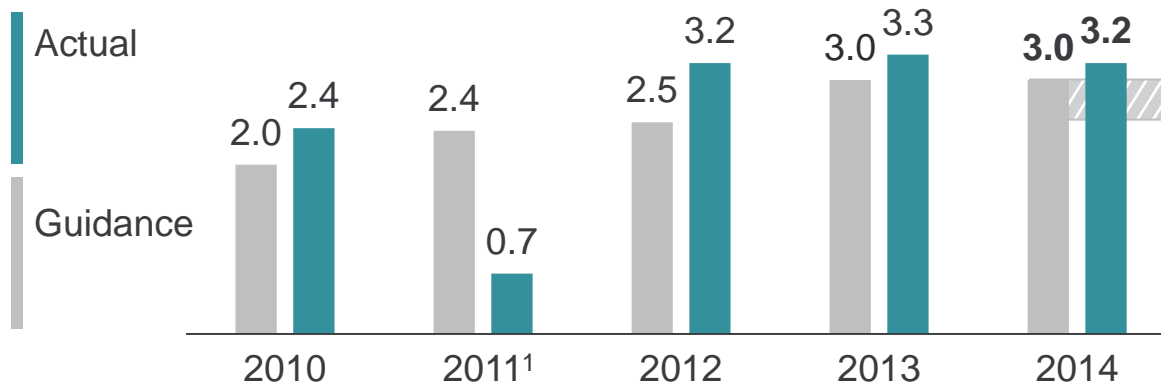
Munich, 11 March 2015

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# Munich Re remains an under-promise/ over-deliver investment case

## Delivering on promised net result


€bn



## Earnings outlook 2015

Strong balance sheet 

2.5–3.0

Direct and indirect impact  
of low interest rates 

## Sensitivities

## Economic solvency ratio<sup>2</sup>

%

## Shareholders' equity

€bn

As at 31.12.14

138

30.3

Interest rates +100bps

155

26.8

Interest rates –100bps

117

**Strong balance sheet mitigates earnings pressure from low interest rates and declining reinsurance margins**

<sup>1</sup> Assuming normal nat cat claims based on 8.5% budget, net result would have exceeded guidance.

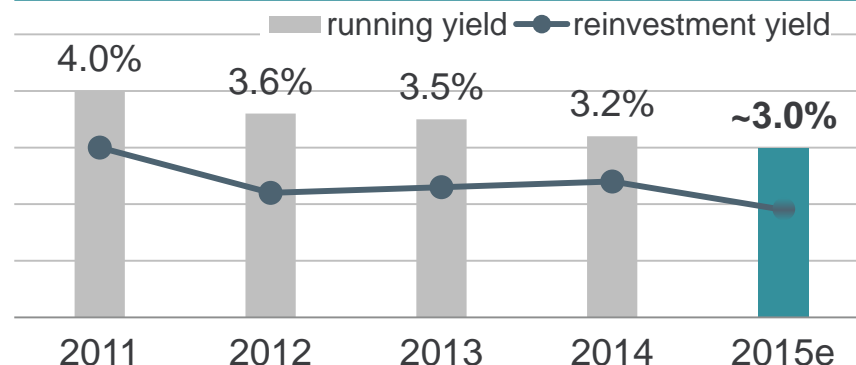
<sup>2</sup> Solvency II capital based on VaR 99.5%, Munich Re internal risk model based on 175% of Solvency II capital.

# Munich Re well positioned to successfully master industry challenges

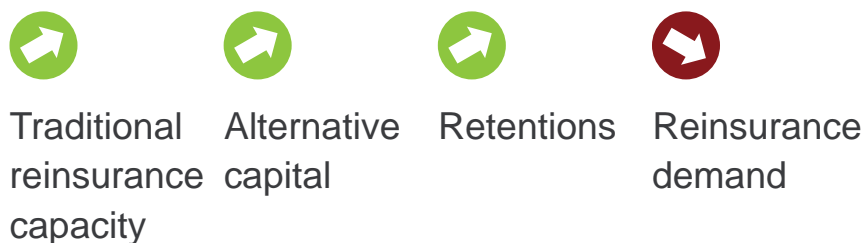
## Ongoing decline in interest rates is ...



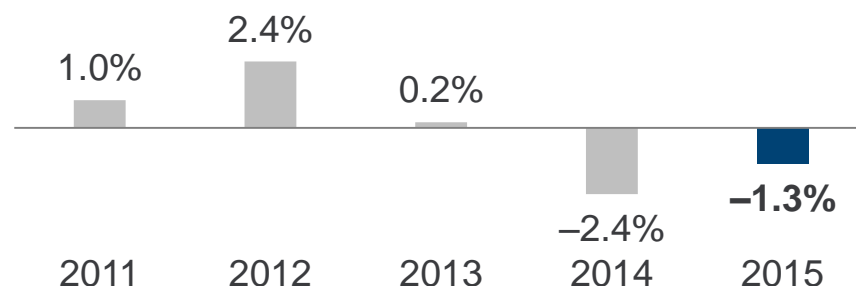
## ... weighing on the investment result



## ... also leading to imbalance of supply and demand



## ... and putting pressure on underwriting margins<sup>1</sup>

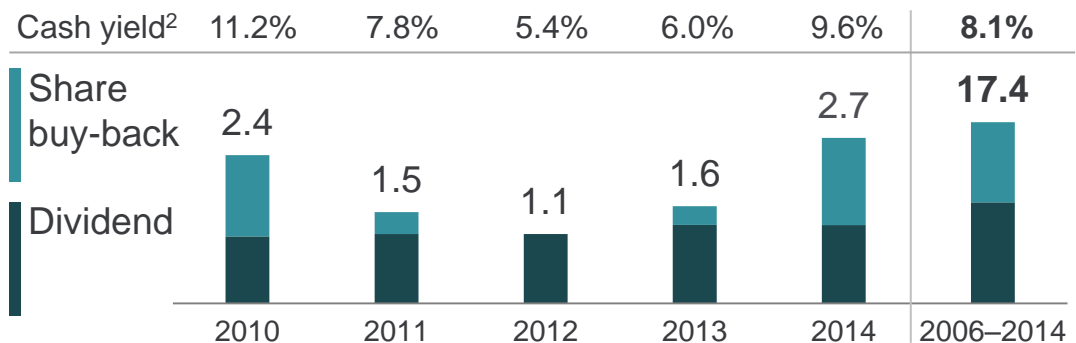


**Prudent investment strategy and underwriting discipline are the order of the day**

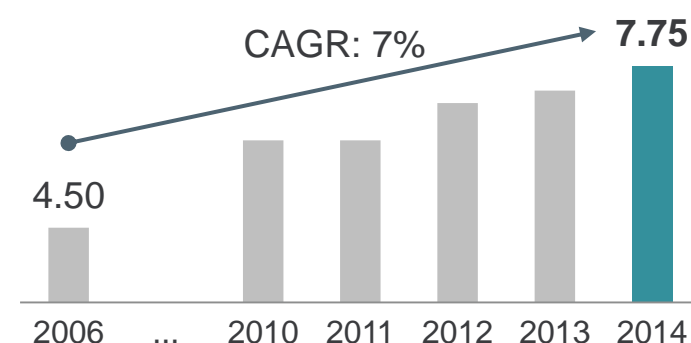
<sup>1</sup> Year-to-date price change of renewals. 2015 only includes January renewals.

# Sound capitalisation is driving high shareholder payout ... Munich RE

## Attractive shareholder participation<sup>1</sup>



## Dividend per share



## Excellent economic solvency ratio



## Substantial rating capital buffer



## Solid German statutory accounts



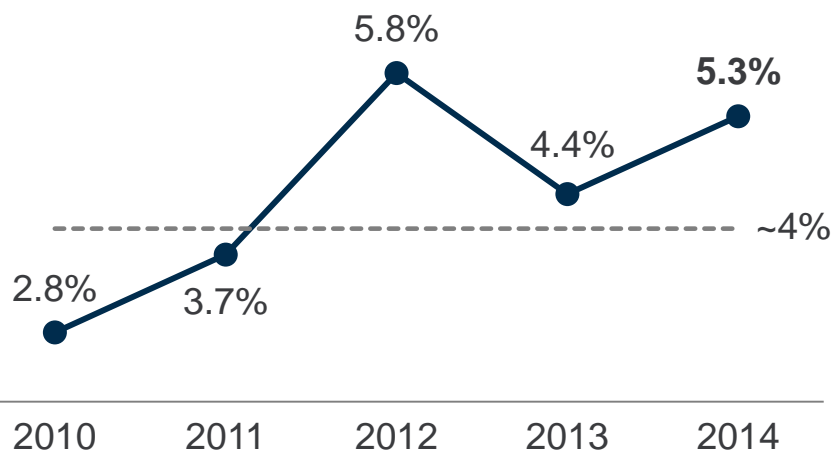
**Temporarily lower earnings are not jeopardising our capital return story**

<sup>1</sup> Cash-flow view. <sup>2</sup> Total payout (dividend and buy-back) divided by average market capitalisation.

<sup>3</sup> German statutory accounting standards.

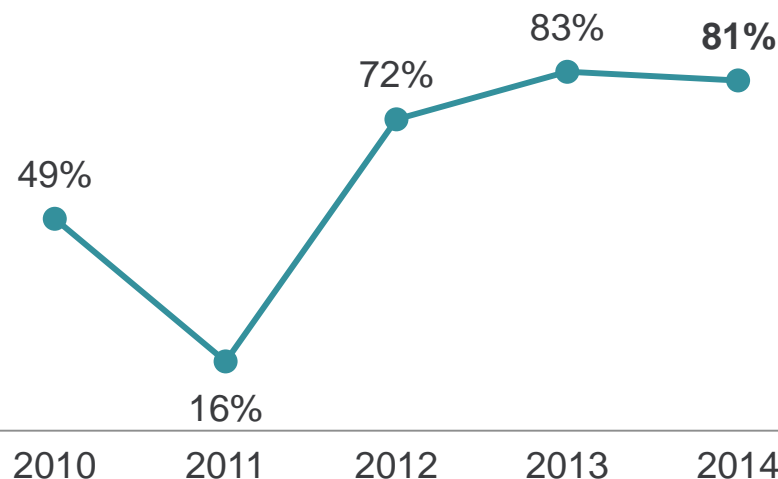
# ... and stabilising earnings in a softening reinsurance market

Constantly positive net run-off results in property-casualty reinsurance<sup>1</sup> ...



Actual losses consistently below actuarial expectations – at least 4% reserve releases also expected going forward

... support high earnings contribution from underwriting at Group level<sup>2</sup>



Sound technical results (including technical interest) mitigate declining contribution from investment income

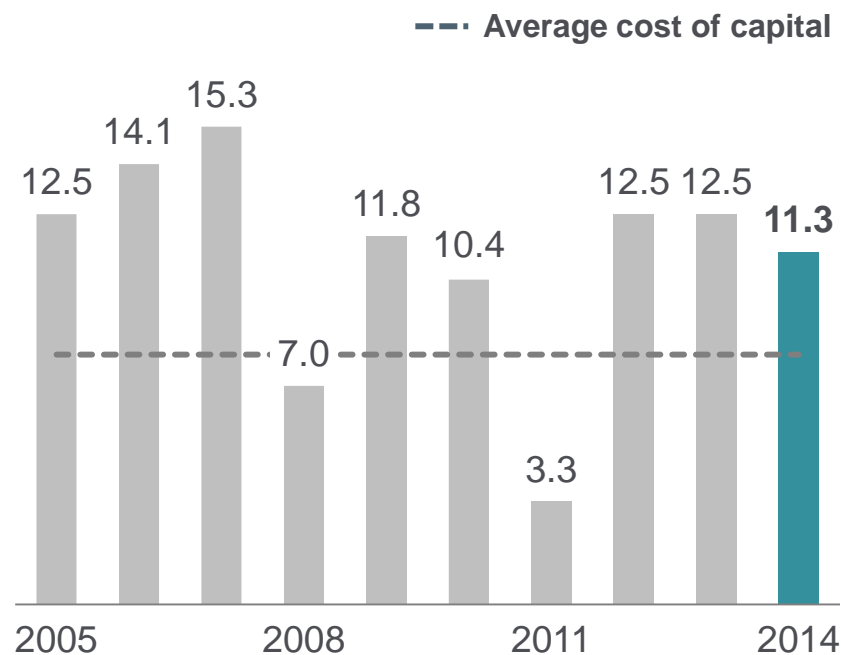
**Profitability in property-casualty reinsurance supported by strong reserving position**

<sup>1</sup> In % of net earned premiums, adjusted for commission effects.

<sup>2</sup> Contribution of technical result as a percentage of operating result.

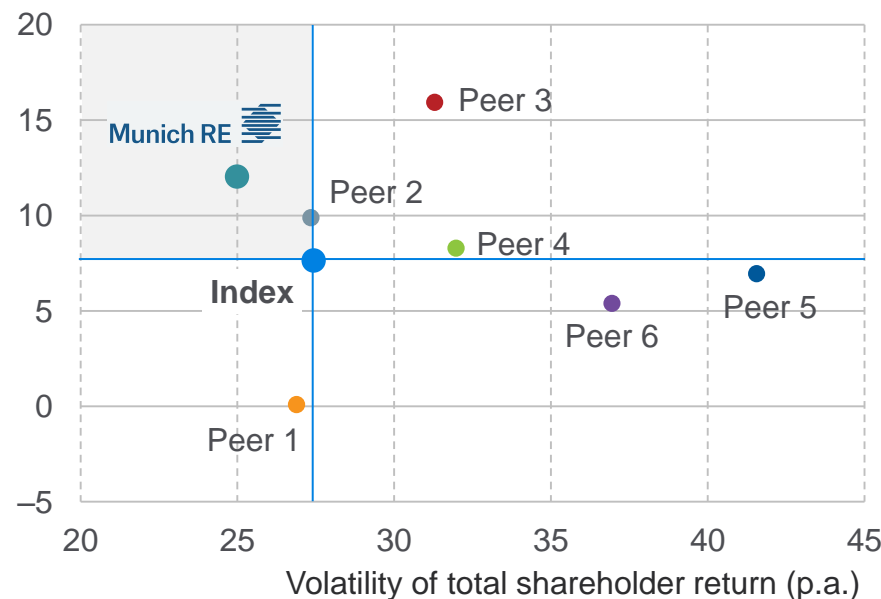
# Strong track record in value generation

## Return on equity %



## Risk/return profile<sup>1</sup> %

Total shareholder return (p.a.)



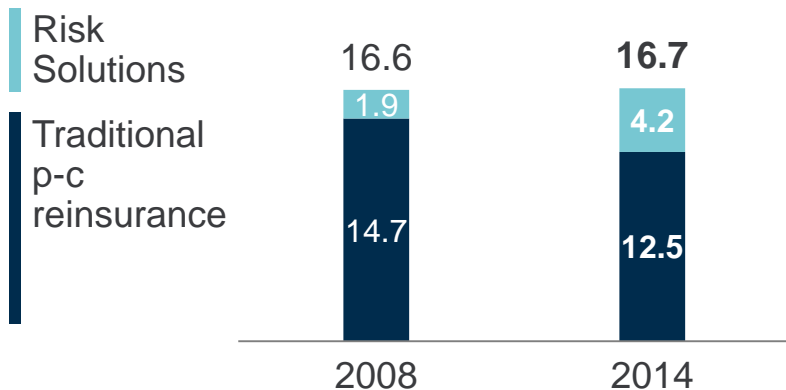
**Balanced business portfolio paves the way for sustainable profitability**

<sup>1</sup> Annualised total shareholder return defined as price performance plus dividend yield over the period from 1.1.2005 until 28.2.2015; based on Datastream total return indices in local currency; volatility calculation with 250 trading days per year. Peers: Allianz, Axa, Generali, Hannover Re, Swiss Re, ZIG, Stoxx 600 Insurance ("index").

# Reinsurance – Leveraging on leading market position

Property-casualty – GWP<sup>1</sup>

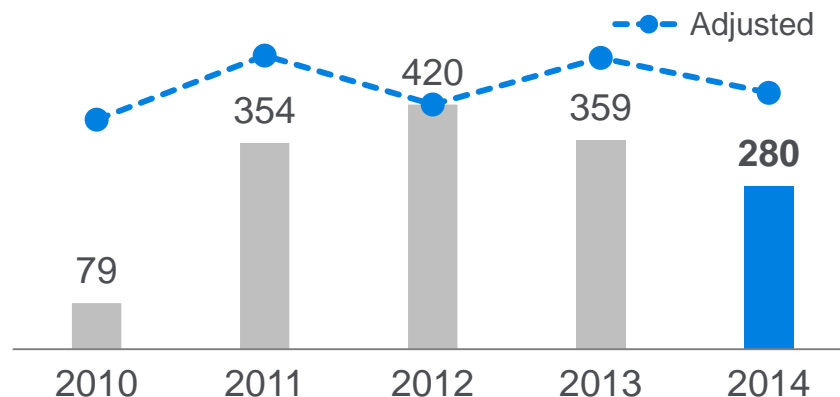
€bn



- Continued growth in attractive specialty business (Risk Solutions) ...
- ... mitigates competitive pressure and decline of traditional book – rigorous cycle management
- Expansion of tailor-made solutions and innovative concepts for new and emerging risks

Life – Technical result

€m



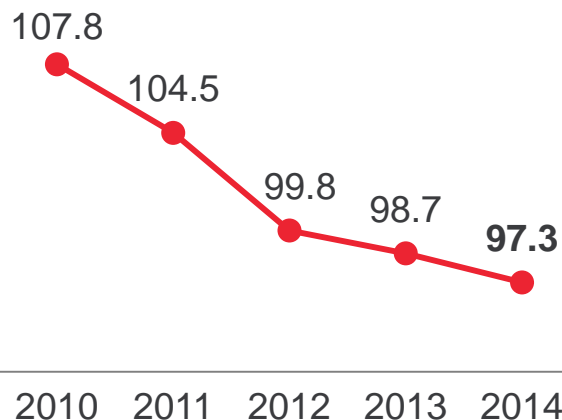
- Thorough review of critical portfolios results in earnings volatility ...
- ... while majority of the business performs in line with expectations or better
- Confirmed technical result target of ~€400m p.a.

**Actively shaping our business model – Seizing opportunities for profitable growth, taking advantage of underinsured markets/risks and demographic challenges**

<sup>1</sup> Gross premiums written.

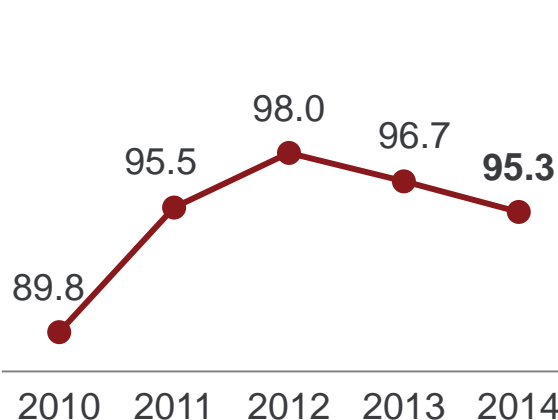
# ERGO – Management measures bearing fruit

International – Combined ratio %



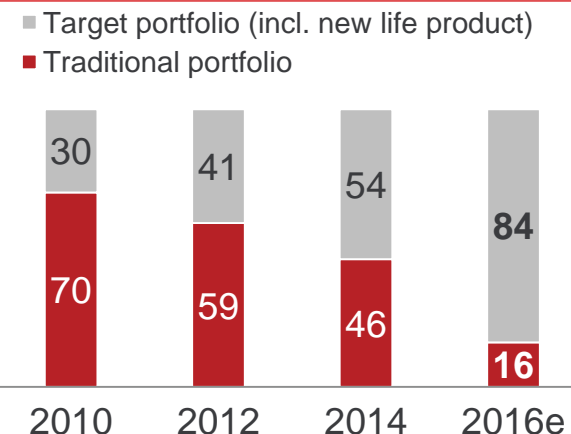
- Back to normal – Turnaround successfully completed
- Combined ratio better than initial target of ~98%

P-C Germany – Combined ratio %



- Sound profitability – Based on favourable business mix
- Combined ratio target: ~93%

Life Germany %



Continuously improving risk/return profile

- Expansion of new life product
- Interest-rate hedging
- Duration management
- Restrictive bonus policy

**Low interest rates reign – ERGO on the move, addressing the challenges**

# Munich Health – Focus on stabilising business

## **E**XCELLENCE

Strengthen core capabilities

- ✓ Continuously improve processes in underwriting, client management and product development

## **E**XECUTION

Improve effectiveness

- ✓ Stronger business-unit-level focus
- ✓ Turnaround of underperforming business
- ✓ Seize opportunities of digitalisation

## **E**XPANSION

Seize growth opportunities

- ✓ Expansion in Middle East

- Set up expertise and best practice
- Enhance new focus areas, e.g. data analytics

- Further recalibrate local strategies to market conditions and client needs
- Explore digitalisation developments and their application to health

- Implement new ventures
- Tap emerging markets

Continuous approach

Current focus

Stronger focus in future

**Private health insurance growing worldwide above GDP – Munich Health paving the way for sustainable growth**

# Munich Re well positioned for the introduction of Solvency II

## Impact on insurance industry

### New standards in risk-based supervision

Uniform regulatory framework enhances comparability

### Munich RE

Risk management already effective and integrated in decision-making process



### Changing capital requirements

Depending on company size, level of diversification and product specifics

Capitalisation remains very strong – No major changes expected in capital allocation and distribution



### Market dynamics

Driver for consolidation, increasing reinsurance demand and product innovation

Market-leader position in structuring complex tailor-made solutions – launch of new life products in 2013



**Ready for regulatory requirements while providing clients with capital management solutions**

## Short-term priorities

### Managing downside

ERGO traditional  
German Life



### Preserving profitability

ERGO P-C Germany



ERGO Health Germany



Reinsurance Life



Traditional P-C reinsurance



Munich Health



### Business expansion

ERGO International



Risk Solutions



### Mid-term outlook



Remain disciplined  
with strict bottom-  
line focus

Maintain focus on  
technical excellence  
and underwriting rigour

Foster strong capital  
base and financial  
flexibility

Continue to increase  
dividend with long-  
term earnings growth

**Temporary earnings pressure outweighed by mid- and long-term growth perspectives – Innovative power key to success**

## Munich Re (Group)

### GROSS PREMIUMS WRITTEN<sup>1</sup>

**€47–49bn**

Focus on bottom-line growth prevails

### RETURN ON INVESTMENT

**at least 3%**

Solid return given ongoing low interest-rate environment

### NET RESULT

**€2.5–3bn**

RoRaC target of 15% after tax over the cycle to stand

## Reinsurance

### COMBINED RATIO

**~98%**

### NET RESULT

**at least €2bn**

## ERGO

### COMBINED RATIO

Germany: **~93%**  
International: **~97%**

### NET RESULT

**~€500m**

## Munich Health

### COMBINED RATIO

**~99%**

### NET RESULT

**€50–100m**

<sup>1</sup> By segment: Reinsurance €26–27bn, ERGO €16–16.5bn, Munich Health slightly above €5bn.

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Delivering strong capital returns

Nikolaus von Bomhard

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**Munich Re (Group)**

Jörg Schneider

Risk management

Bernhard Kaufmann

ERGO

Torsten Oletzky

Reinsurance Property-casualty

Torsten Jeworrek

Reinsurance Life

Joachim Wenning

Backup

# Good annual profit of €3.2bn – Dividend increasing to €7.75 per share

## Munich Re (Group) – Q1–4 2014 (Q4 2014)

NET RESULT  
**€3,171m** (€729m)

Pleasing result with several countervailing items – tax refund, benign major losses, goodwill impairment, Australian disability

SHAREHOLDERS' EQUITY  
**€30.3bn** (+3.6% vs. 30.9.)

Strong capital position – increased dividend and continuation of share buy-back of €1bn until AGM 2016

INVESTMENT RESULT  
**Rol of 3.6%** (3.4%)

Solid return given low interest rates – Economic ALM results in losses on derivatives while usual portfolio turnover leads to disposal gains

### Reinsurance

NET RESULT  
**€2,893m** (€962m)

2,483

410

P-C

Combined ratio  
92.7% (91.2%)  
Major-loss ratio  
7.2% (6.1%)

LIFE

Technical result  
of €280m below  
annual guidance  
– sound  
underlying  
performance

### ERGO<sup>1</sup>

NET RESULT  
**€169m** (–€247m)

269

176

–276

P-C GERMANY

Combined ratio 95.3% (97.1%)

L/H GERMANY

Decent  
net result

INTERNATIONAL

Combined ratio  
97.3% (96.8%)

### Munich Health

NET RESULT  
**€109m** (€14m)

109

REINSURANCE

Combined ratio 99.4% (99.1%)

PRIMARY INSURANCE



Combined ratio 95.5% (103.0%)

<sup>1</sup> Unless otherwise indicated, all ERGO figures shown in this presentation refer to the business field ERGO according to the segment reporting of Munich Re (Group).



# Strong balance sheet protecting earnings

**Impact on earnings** – Short-term pressure mitigated by strong balance sheet

## 1 Investment result

-  Disposal gains
-  Lower reinvestment yields

## 2 Property-casualty reinsurance result

-  Strong reserving position
-  Reinsurance cycle

**Impact on capital management** – High persistency based on strong capitalisation

3



Economic solvency ratio well above 120% – good basis for distributions to shareholders

4



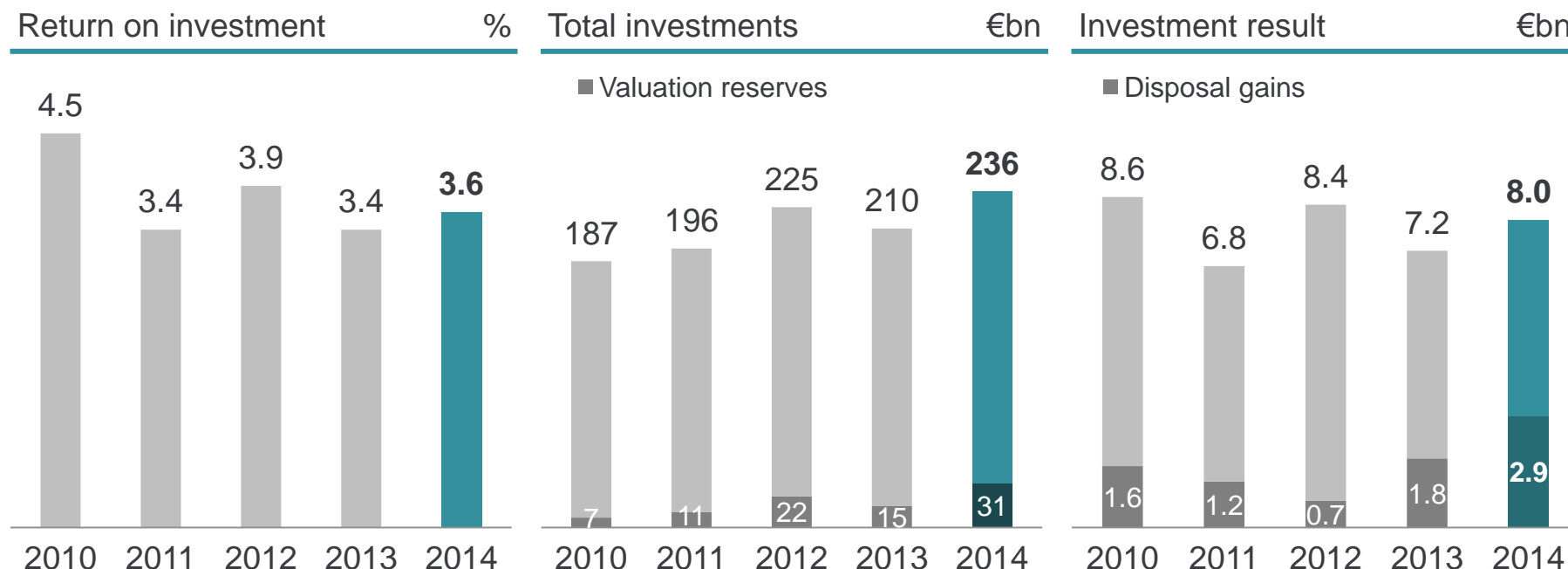
Substantial capital buffer supporting AA rating – providing high level of flexibility



German statutory earnings, largely protected by huge equalisation reserve, financing capital repatriation

**High distribution in spite of temporary earnings pressure**

## 1 Low interest rates impacts investment result ...



Resilient RoI given ongoing decline of interest rates ...

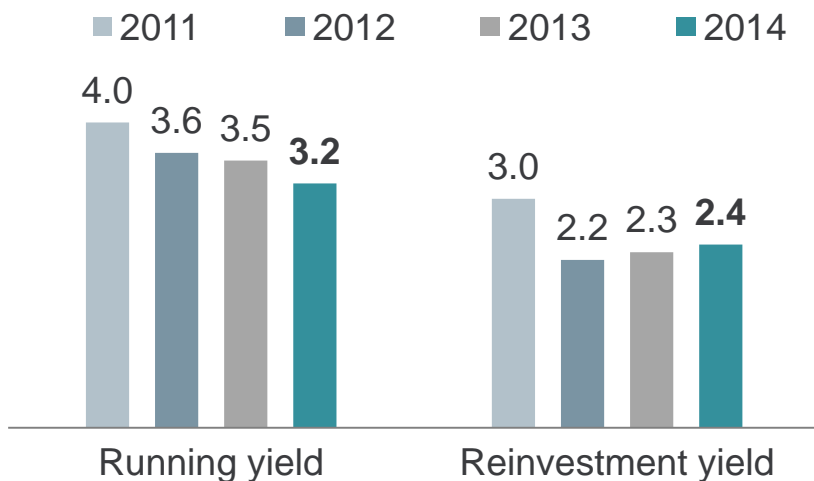
... which significantly pushes up valuation reserves – ...

... leading to disposal gains due to usual portfolio turnover

... mitigated by increasing amount of unrealised gains

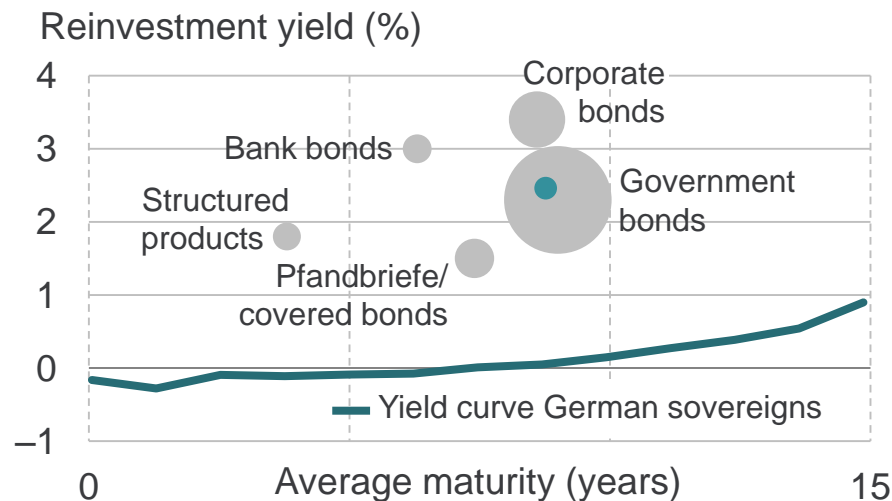
# 1 Well-balanced investment management in low-interest-rate environment

Running and reinvestment yield %



- Long duration has been stabilising investment returns in recent years
- At current interest-rate levels, expected annual attrition of running yield ~20bps in 2015

Composition of reinvestment yield 2014<sup>1</sup>



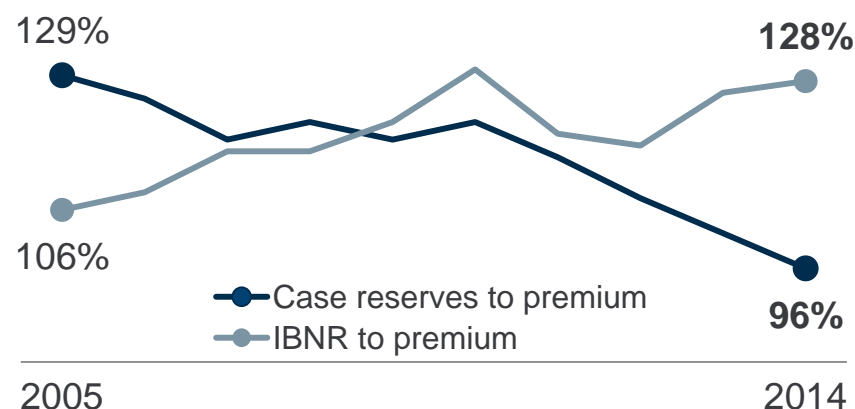
- Solid reinvestment yields without taking high risks
- In addition to long duration, ongoing geographic diversification and cautious expansion of credit exposure mitigating attrition of running yield

**Well-balanced portfolio provides resilience against adverse capital market scenarios**

<sup>1</sup> Bubble size reflects reinvestment volume. Yield curve as at 31.12.2014.

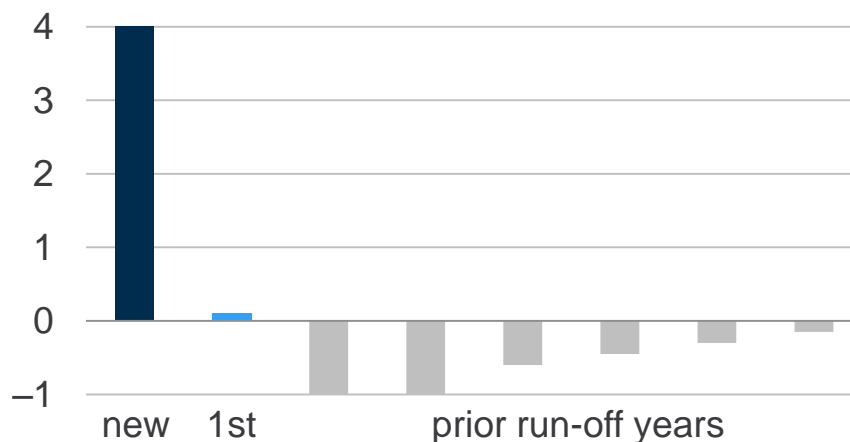
## 2 Strong reserving position – Resilience of future profits despite adverse market conditions

Reserving approach has continuously increased the strength of our balance sheet



- **IBNR to premium:** Increase based on prudent reserving strategy – reserve position at the upper end of reasonable best estimates
- **Case reserves to premium:** Decrease reflects decline of reserve portfolio duration – reduces interest-rate sensitivity

Munich Re's reserving approach – Independent from market environment<sup>1</sup>



- Conservative loss picks for new business ...
- ... facilitate offsetting favourable emergence from older business

**Unchanged reserving discipline usually facilitates reserve releases of at least 4% without challenging the prudence level**

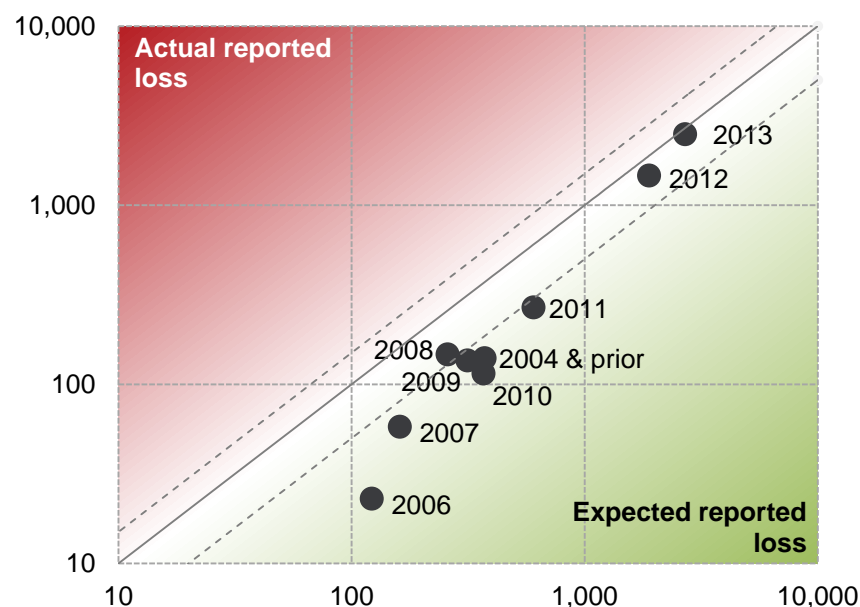
<sup>1</sup> Illustrative graph showing how reserving approach impacts new and old financial years.

## 2 Actual versus expected comparison – Loss monitoring yields consistent picture across years

Reinsurance group – Comparison of incremental expected losses with actual reported losses<sup>1</sup>

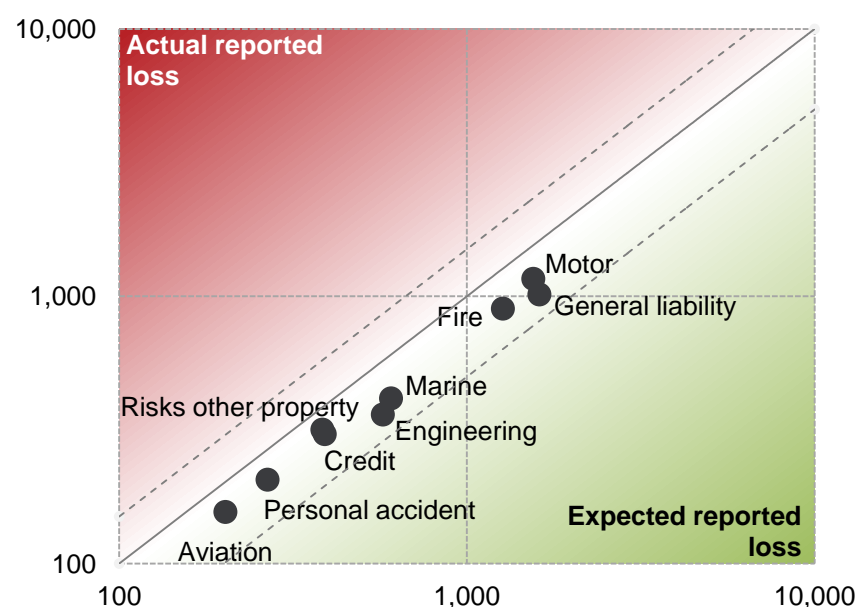
€m

By exposure year



**Legend:**  
**Green** Actuals below expectation  
**Red** Actuals above expectation

By line of business



**Solid line** Actuals equal expectation  
**Dotted line** Actuals are 50% above/below expectations

**Actual losses consistently below actuarial expectations –  
 Very strong reserve position**

<sup>1</sup> Reinsurance group losses as at Q4 2014, not including parts of Risk Solutions, special liabilities and major losses (i.e. events of over €10m or US\$ 15m for Munich Re's share).

## 2 Positive run-off result without weakening resilience against future volatility

### Ultimate losses<sup>1</sup> (adjusted to exchange rates as at 31.12.2014)

€m

Date	Accident year (AY)											Total
	≤2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
31.12.2004	47,574											
31.12.2005	45,334	12,845										
31.12.2006	45,505	13,085	11,034									
31.12.2007	45,696	13,074	10,975	12,191								
31.12.2008	45,649	12,648	10,855	12,386	13,394							
31.12.2009	45,255	12,607	10,652	12,296	13,639	13,192						
31.12.2010	45,416	12,172	10,379	12,221	13,610	13,184	13,638					
31.12.2011	45,394	11,991	10,285	12,175	13,328	12,736	13,873	17,631				
31.12.2012	45,291	11,786	10,119	11,816	13,204	12,634	13,754	17,718	14,496			
31.12.2013	45,246	11,710	10,156	11,599	13,024	12,637	13,845	17,400	14,348	14,479		
31.12.2014	45,188	11,644	10,039	11,524	12,769	12,332	13,856	17,067	14,142	14,670	14,391	
<b>CY 2014 run-off change</b>	<b>58</b>	<b>66</b>	<b>117</b>	<b>75</b>	<b>255</b>	<b>305</b>	<b>-11</b>	<b>333</b>	<b>206</b>	<b>-191</b>	<b>-</b>	<b>1,213</b>
<b>CY 2014 run-off change (%)</b>	<b>0.1</b>	<b>0.6</b>	<b>1.2</b>	<b>0.7</b>	<b>2.0</b>	<b>2.5</b>	<b>-0.1</b>	<b>2.0</b>	<b>1.5</b>	<b>-1.3</b>	<b>-</b>	<b>0.7</b>

### Ultimate reduction

Prior-year releases of €1.2bn driven by reinsurance portfolio

- Favourable actual vs. expected comparison facilitates ultimate reductions for prior years
- Reserve position remains strong
- AY 2014: Prudent initial assessment
- AY 2013: Increase as immediate reaction to a few signs of adverse development (agriculture, some motor segments) to maintain level of prudence

### Ultimate reduction

Reinsurance<sup>2</sup> €1,178m  
ERGO €35m

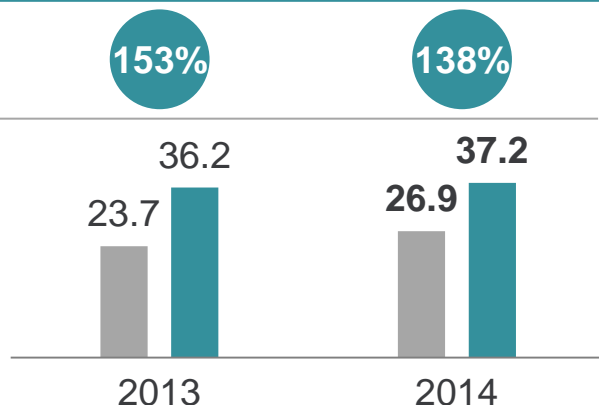
<sup>1</sup> Basic and major losses. <sup>2</sup> Thereof €1,144m basic losses (including planned unwinding of discount in workers' compensation of -€48m) and €34m major losses.

### 3 Economic capitalisation

#### Economic solvency position €bn

Economic solvency ratio<sup>1</sup>

■ ERC ■ AFR

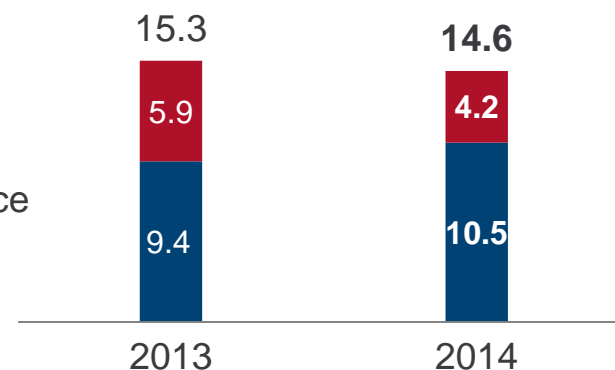


- Economic solvency ratio decreased to 138% (242% with Solvency II VaR 99.5% measure)
- Lower interest rates, weaker euro and higher volatilities increase capital requirements
- AFR: Strong increase of IFRS shareholders' equity largely offset by capital repatriation and decrease of MCEV uplift

#### MCEV €bn

■ ERGO

■ Reinsurance



#### Reinsurance

Again pleasing VNB (€453m) offsetting adverse development in Australian business; positive currency impact (€642m)

#### ERGO

Decline in interest rates and higher interest-rate volatilities mainly impact German life business – No smoothing measures applied

**Economic capital position still very strong**

<sup>1</sup> Solvency II capital based on VaR 99.5%, Munich Re internal risk model based on 175% of Solvency II capital.  
2014: After announced dividend payout of ~€1.3bn for 2014 to be paid in April 2015 and outstanding share buy-backs of ~€0.3bn.

### 3 Stringent capital management

Sound net profit



Less required capital



Strong capitalisation



#### Capital allocation

##### **Subdued growth opportunities**



##### **No intention for substantially more investment risks**



##### **Sustainable capital repatriation**

- Currently limited opportunities to profitably grow the business in traditional reinsurance ...
- ... tend to lead to lower capital requirements for FX-adjusted underwriting risks
- M&A prices often too high

- Spreads of many asset classes do not adequately reflect underlying risks anymore

- High payouts to shareholders given muted business opportunities and redundant underwriting capital
- Sensible to hold some capital buffer to absorb downside risks of macroeconomic uncertainties

**Continued high payout safeguards attractive shareholder returns**

## 4 Distributable earnings of parent company – Safeguarding capital repatriation

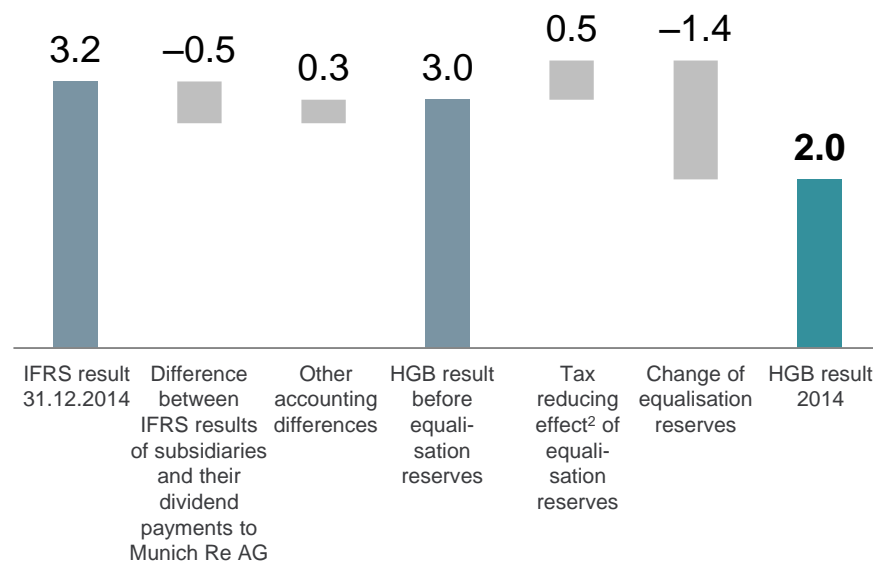
HGB earnings financing capital repatriation €bn



Average 2009–2014

-1.1	-0.6	1.8
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Reconciliation IFRS to HGB result in 2014 €bn



Average 2009–2014

2.6	-0.9	0.2	1.9	0.0	-0.1	1.8
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**Solid cash at Group level – HGB earnings financing capital repatriation**

<sup>1</sup> Changes in restrictions on distribution.

<sup>2</sup> Assuming a tax rate of 33% for Munich Re AG.

## 4 Distributable earnings of parent company – Main drivers of HGB result

### Dividends from subsidiaries

### Munich Re AG HGB earnings

Majority of Group earnings, including

- investment disposal gains,
- reserve releases (partly absorbed by the equalisation reserve)

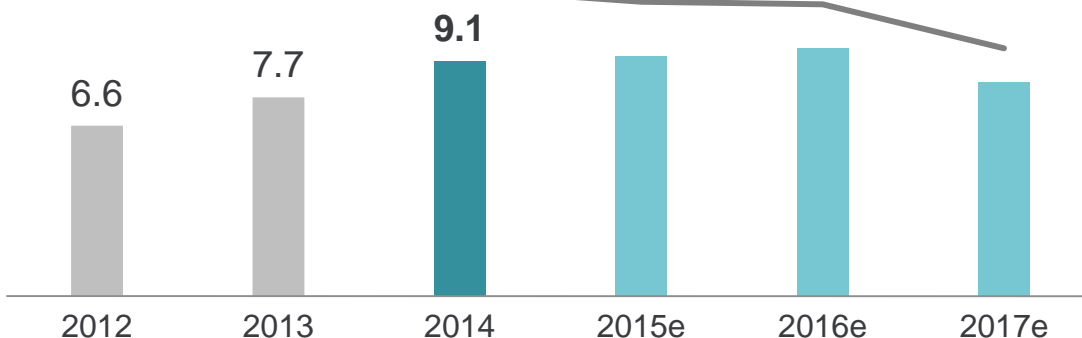
**HGB result before equalisation reserve**

### Equalisation reserve

€bn

Max. requirement

ILLUSTRATIVE



Strengthening

Transition period

Relief

**2012–2014**

**2014**

**2015–2016**

**2017**

Strengthening of equalisation reserve adversely affects HGB results

~75% of maximum requirement achieved

Lower replenishments, hardly impacting HGB results anymore

Relief due to drop-out of extreme outliers

**HGB result**

**Distributable earnings protected by strong reserves – Capital structure less dependent on dividends**

# Strong balance sheet facilitates earnings resilience and attractive distributions to shareholders

## Financial results

NET RESULT  
**€3.2bn**

Again pleasing result above annual guidance

## Investment portfolio

ROI  
**3.6%**

Continued diversification of investment portfolio and active duration management

## Reserving

COMBINED RATIO<sup>1</sup>  
**92.7%**

Careful reserving protects solid balance sheet and facilitates strong underwriting results

## Capital position

DIVIDEND PER SHARE  
**+6.9%**

Strong capital position continuously built up over years establishes the basis for resilient profitability

<sup>1</sup> Reinsurance Property-casualty.

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Delivering strong capital returns

Nikolaus von Bomhard

Munich Re (Group)

Jörg Schneider

---

**Risk management**

Bernhard Kaufmann

ERGO

Torsten Oletzky

Reinsurance Property-casualty

Torsten Jeworrek

Reinsurance Life

Joachim Wenning

Backup

# Challenging environment for the (re-)insurance industry

## Geopolitical risks

Negative impact on local/global economy and financial markets

## Macroeconomic challenges

- Historically low interest rates
- Inadequate pricing and allocation of risks
- Re-escalation of euro sovereign debt crisis possible

## (Re-)insurance market

- High competition due to overhanging supply
- Subdued economic growth may challenge growth opportunities in insurance

## Economic solvency/profitability

- Negative impact from low interest rates ...
- ... partly compensated for by hedging programmes
- Reserving assumptions and risk-adjusted return calculation reflect downturn in RI cycle

## Investments

- Low bond yields
- Inadequate compensation for risks, e.g. credit risk
- Munich Re does not follow “hunt for yield”

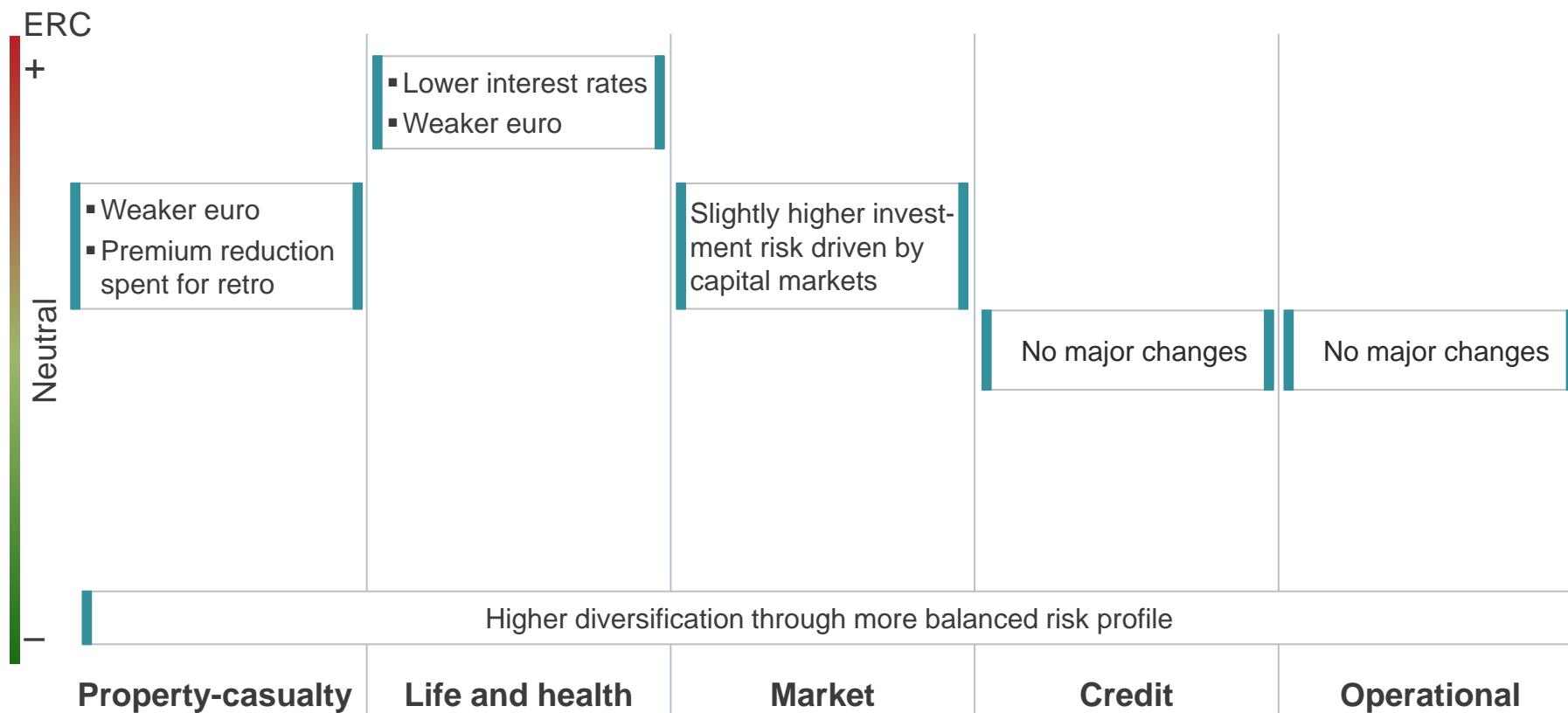
## M&A

- Economic environment also driving M&A activities in (re-)insurance market
- Continuation of very careful assessment of M&A targets

**Munich Re well capitalised to overcome challenges – No need to adjust risk strategy**

# Major developments at Group level

## Changes in risk profile



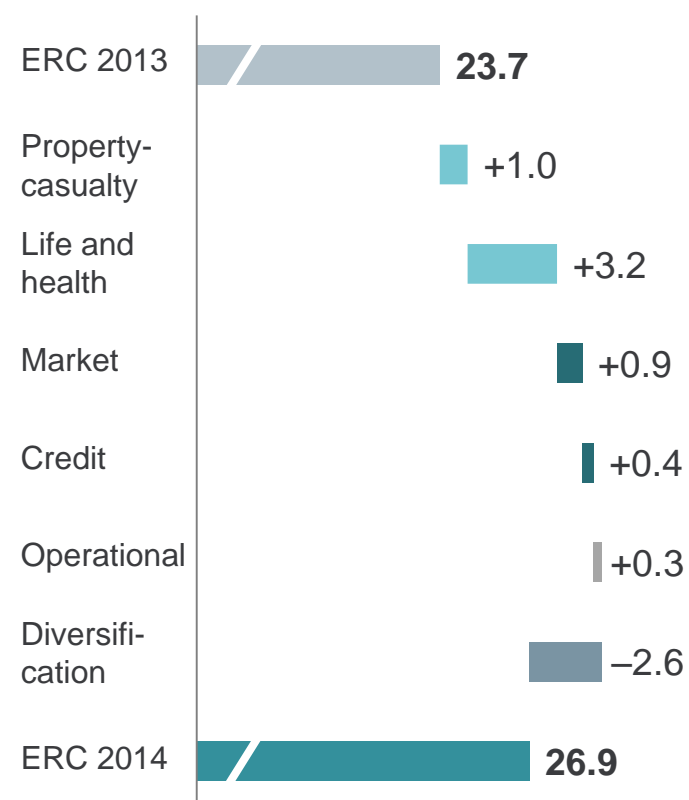
**Changes in risk profile largely driven by lower interest rates and currency – Improved diversification**

# Group economic risk capital (ERC) – Breakdown by risk category

## Economic risk capital – Breakdown by risk category €bn

Risk category	Group		RI ERGO		MH	Div.
	2013	2014	2014	2014	2014	2014
Prop.-casualty <sup>1</sup>	9.0	<b>10.0</b>	9.8	0.6	0.0	–0.4
Life and health	5.8	<b>9.0</b>	6.2	4.8	0.5	–2.5
Market	11.6	<b>12.5</b>	7.5	6.7	0.0	–1.7
Credit <sup>2</sup>	6.3	<b>6.7</b>	4.8	2.0	0.0	–0.1
Operational risk	1.4	<b>1.7</b>	1.3	0.6	0.1	–0.3
<b>Simple sum</b>	<b>34.1</b>	<b>39.9</b>	<b>29.6</b>	<b>14.7</b>	<b>0.6</b>	<b>–5.0</b>
Diversification	–10.4	<b>–13.0</b>	–10.1	–4.0	–0.0	–
<b>Total ERC</b>	<b>23.7</b>	<b>26.9</b>	<b>19.5</b>	<b>10.7</b>	<b>0.6</b>	<b>–3.9</b>

## Development of Group ERC €bn



**Capital market environment driving ERC – More balanced risk profile leads to better diversification**

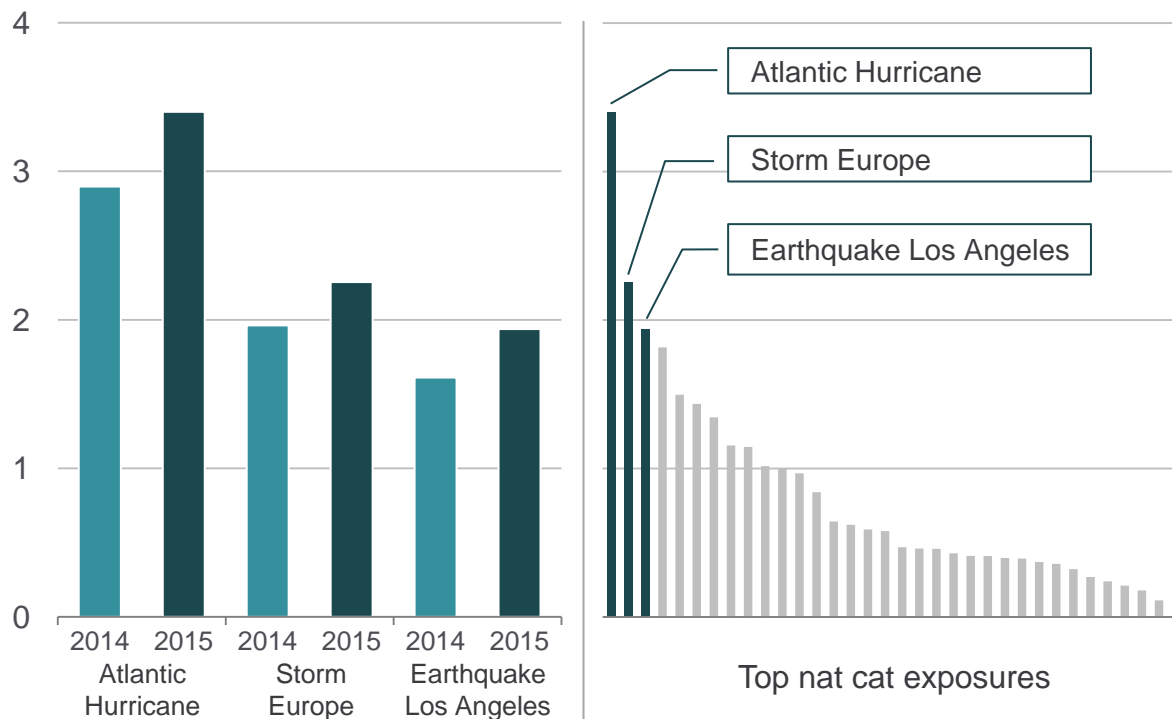
<sup>1</sup> Credit (re)insurance included.

<sup>2</sup> Default and migration risk.

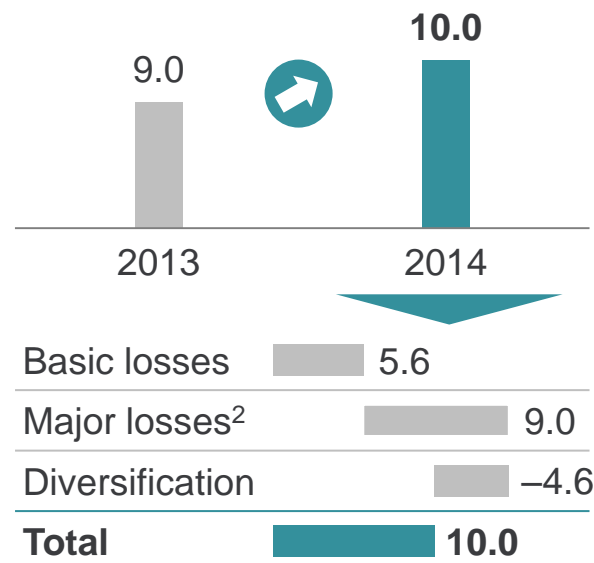
# Property-casualty risks: Natural catastrophe exposure

## Munich Re (Group) – Nat cat exposure (net of retrocession)<sup>1</sup> €bn

AggVaR (return period 200 years)  
(pre-tax)



## ERC property-casualty €bn



### Main drivers for ERC increase

- Weaker euro
- Premium reduction spent for retrocession

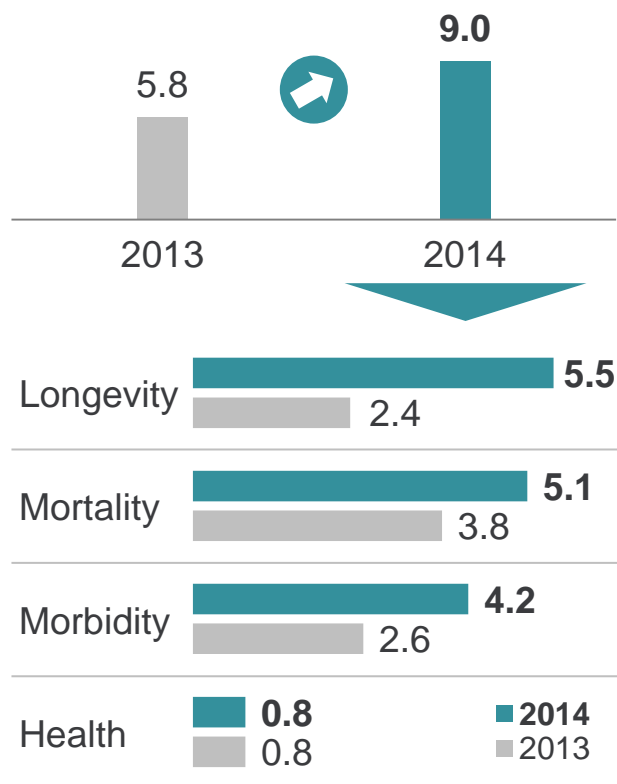
**Munich Re benefits from strong diversification between natural catastrophe risks**

<sup>1</sup> Exposures relate to the full year, e.g. 2015 relates to the period from 1.1.2015 to 31.12.2015.

<sup>2</sup> Natural catastrophes, man made (including terror and casualty accumulation) and major single losses.

# Life and health risks

## ERC life and health €bn



## ERGO Life/Health

- Increase mainly driven by lower interest rates
  - Higher present value of liabilities
  - Higher impact of lapse and policyholder behaviour

## Reinsurance Life

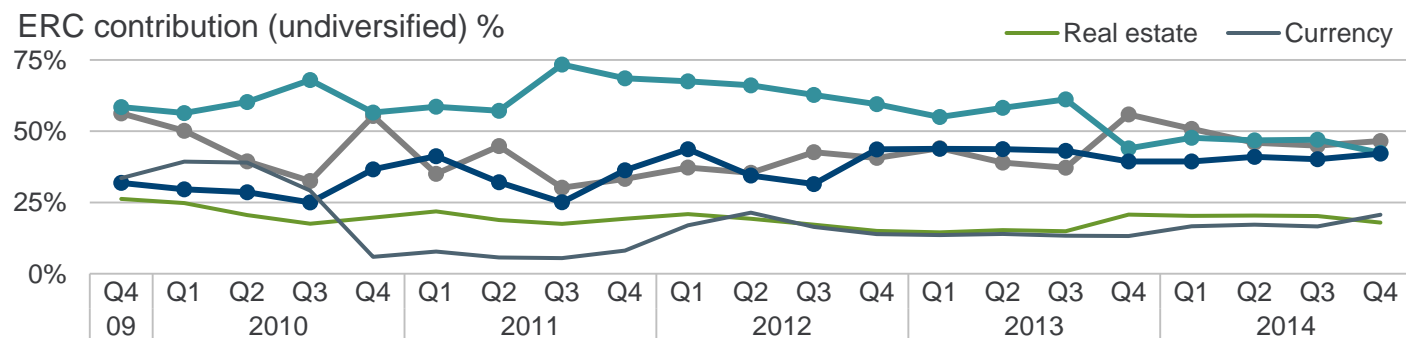
- Increase mainly driven by FX and lower interest rates
  - Higher present value of euro liabilities
- Model enhancements (e.g. Australian disability)

## Longevity

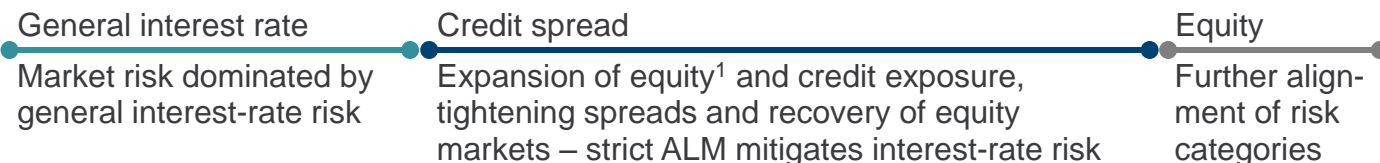
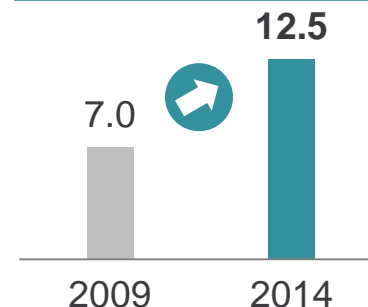
- Highly sensitive to interest rates – long duration of liabilities
- Primary life: risk further increased (shareholder's perspective) by:
  - Reduced risk-mitigating buffers
  - Higher value of policyholder options
  - Higher impact of lapse and policyholder behaviour
- Reinsurance Life: higher exposure due to new business

**Increase in life/health economic risk capital largely driven by lower interest rates**

# Evolution of Group's market risk profile



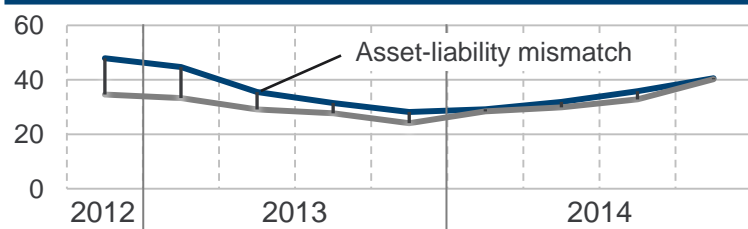
Market risk €bn



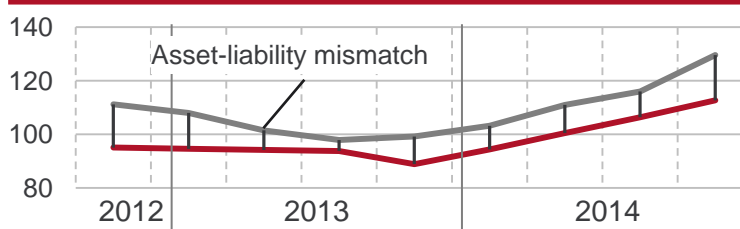
Increase mainly driven by changing capital-market environment

DV01 – Sensitivity to parallel shift of yield curve by one basis point reflecting portfolio size €m

## Reinsurance



## ERGO







**Despite substantial decrease in interest rates, duration of assets and liabilities remains closely matched**

<sup>1</sup> Equity risk also includes alternative investments, such as investments in infrastructure.

# Composition of available financial resources (AFR) and economic earnings

## AFR development in 2014

€bn

AFR 31.12.2013	 38.2	Dividend	-1.3	
		Share buy-back	-1.4	
		Other <sup>1</sup>	+0.1	
Capital management and other	 -2.6	<b>Economic effects</b>	<b>1.4</b>	
		Equity	0.8	Positive FX effects and gains in equities partly compensated for by decreased interest rates
		Credit	0.2	
		Currency	1.4	
		Interest rate	-1.0	
Economic earnings	 3.2	<b>Technical result and new business<sup>2</sup></b>	<b>1.8</b>	<b>P-C</b> Good technical result <b>Life reinsurance</b> Pleasing VNB: €0.5bn
AFR 31.12.2014	 38.8	<b>Other<sup>3</sup></b>	<b>~0</b>	Tax relief from prior years largely offset by model enhancements
		<b>Economic earnings</b>	<b>3.2</b>	

**Sound economic earnings supported by good technical result**

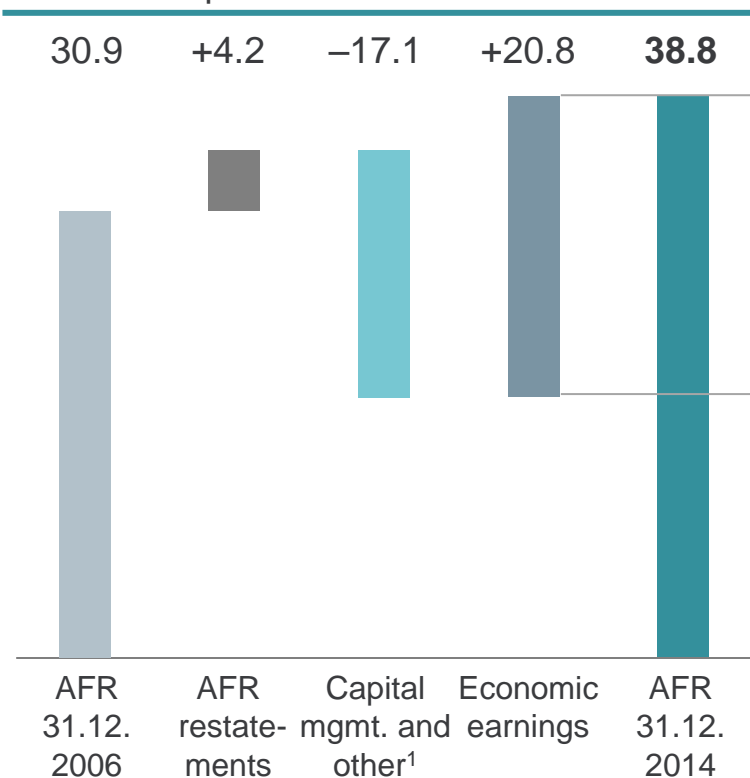
<sup>1</sup> Hybrid capital replacement and other.

<sup>2</sup> Includes unwinding of market value margin, p-c result, life VNB, experience variances, assumption changes.

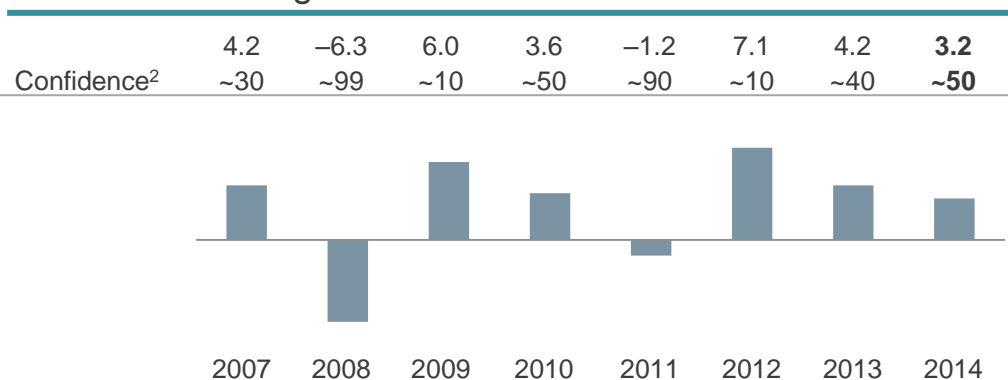
<sup>3</sup> Investment return on AFR, MCEV model changes and tax effects.

# Strong increase in AFR in recent years despite capital repatriation

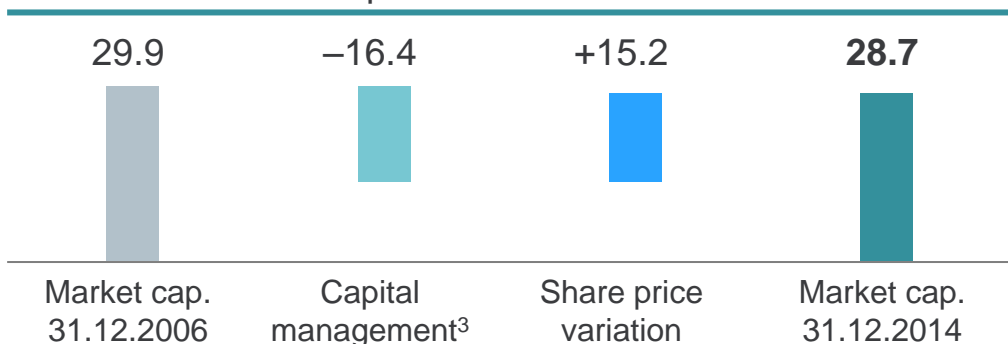
AFR development 2007–2014 €bn



Economic earnings €bn



Munich Re market capitalisation €bn

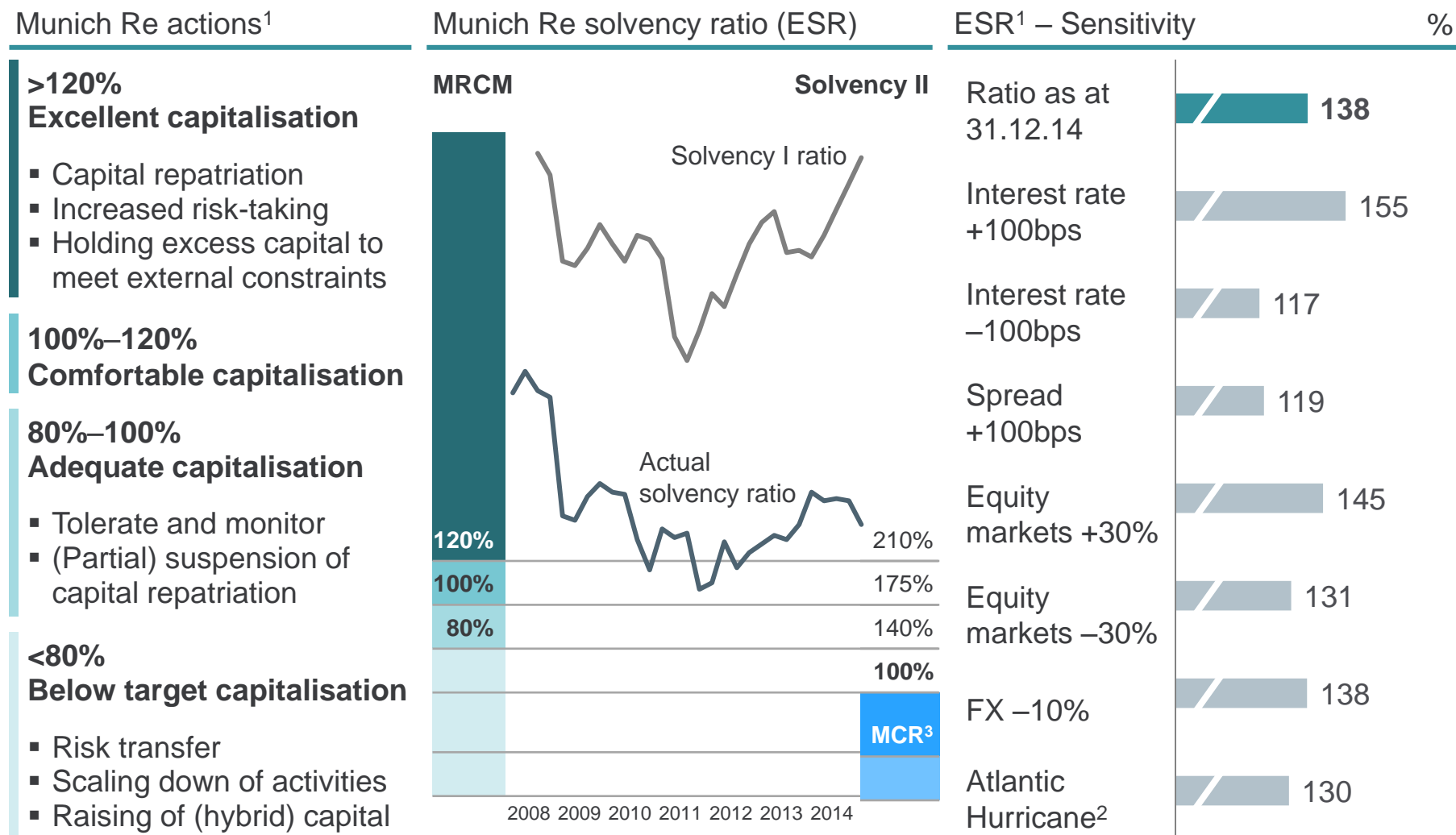


**Strong economic performance in difficult environment – Economic earnings not matched by share-price performance**

<sup>1</sup> Dividends, share buy-back, hybrid capital replacement and other.

<sup>2</sup> Probability of achieving at least corresponding economic earnings. <sup>3</sup> Dividends, share buy-back.

# Strong capitalisation allowing for attractive capital repatriation



<sup>1</sup> Based on Munich Re capital model (MRCM): 175% of VaR 99.5%.

<sup>2</sup> Based on 200-year event.

<sup>3</sup> MCR = minimum capital requirement, typically between 25% and 45%; for groups, called "Group SCR floor".

# Summary of economic capital disclosure

Solvency ratio as at 31.12.2014 (31.12.2013)

€bn

## Internal model<sup>1</sup>

Available financial resources<sup>2</sup>

37.2

Economic risk capital

26.9

138%  
(153%)

## Solvency II Value-at-Risk measure (VaR 99.5%)

Available financial resources<sup>2</sup>

37.2

SCR / VaR(99.5%)

15.4

242%  
(267%)

## Solvency ratios under Solvency II

- No major effect on Group solvency ratios expected from shift from AFR to basic own funds (e.g. contract boundaries, surplus funds, SII yield curves) and final adjustments on internal model (e.g. tax, fungibility, SII yield curves)
- Property-casualty and health EEA legal entities: in general well capitalised
- Solvency ratio of life EEA legal entities: under pressure due to capital market environment

**Capitalisation of Munich Re (Group) expected to remain very strong in the Solvency II regime**

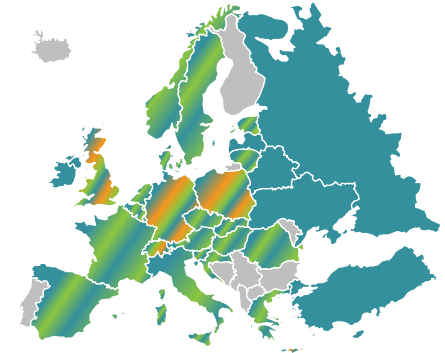
<sup>1</sup> Solvency II capital based on VaR 99.5%, Munich Re internal risk model based on 175% of Solvency II capital.

<sup>2</sup> After announced dividend payout of ~€1.3bn for 2014 to be paid in April 2015 and outstanding share buy-backs of ~€0.3bn.

# The internal model of Munich Re properly reflects the diversified business model of global reinsurance

## Munich Re's internal model developed for internal management reporting of business

- Group solvency capital calculated with the internal model covering the risks of all legal entities in Munich Re (Group) on the basis of consolidated accounts
- Solo solvency capital of reinsurance entities in EEA based on internal model that properly reflects the specifics of the diversified reinsurance business model
- Munich Re intends to apply the standard formula for most primary insurance legal entities (e.g. ERGO Leben, ERGO Austria, DAS UK, ...)



## SII approval process of Munich Re's internal model

- Extensive pre-application phase with BaFin concluded
- Trial application submitted in October 2014
- Official application for the approval of the internal model expected in Q2 2015

## Other applications of Munich Re's internal model

- The internal model is applied for the Swiss Solvency Test of New Re
- Use of internal model by S&P in determining the target capital for rating ("M factor")

**Munich Re's risk management is highly sophisticated –  
Assessed "very strong" by Standard and Poor's, the highest level in the industry**

# Key takeaways

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**Risk profile**

No active changes in risk strategy – Changing risk profile driven by capital-market environment

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**Profitability**

Economic earnings are in line with expectations for a “normal” year

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**Solvency position**

Despite low interest-rate environment, ESR expected to remain very strong in the Solvency II regime

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**Business strategy**

New business opportunities due to tailor-made solutions supported by sophisticated risk management and risk modelling

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Delivering strong capital returns

Nikolaus von Bomhard

Munich Re (Group)

Jörg Schneider

Risk management

Bernhard Kaufmann

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**ERGO**

Torsten Oletzky

Reinsurance Property-casualty

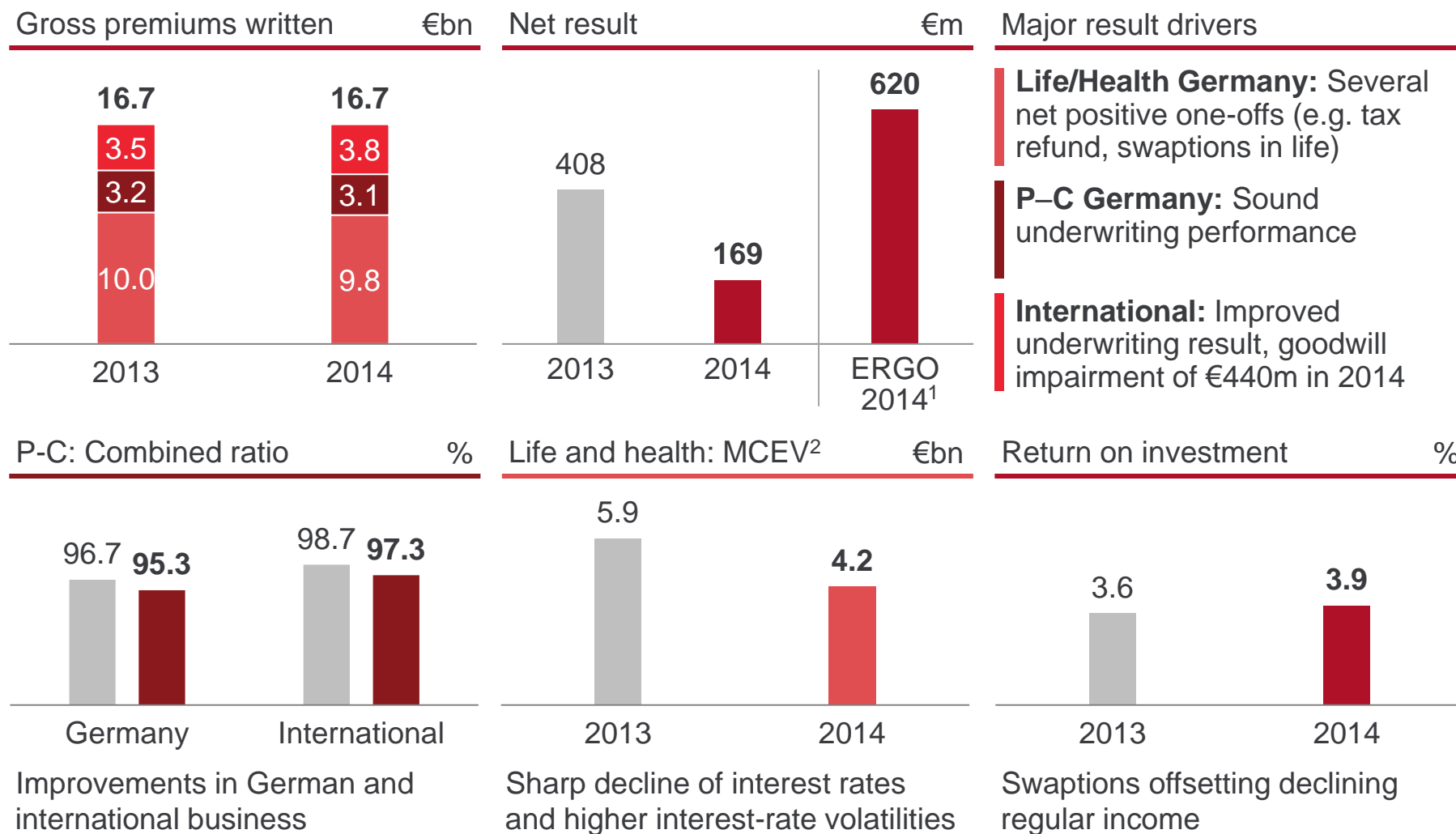
Torsten Jeworrek

Reinsurance Life

Joachim Wenning

Backup

# Business field ERGO – Key financials



<sup>1</sup> Original result of ERGO Group.

<sup>2</sup> German and international business.

# Low interest rates leave their mark on German life business

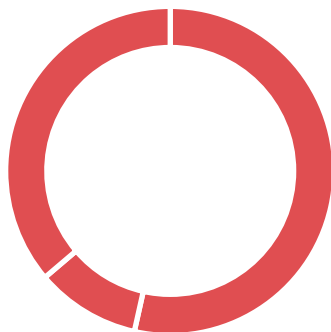
## Gross premiums written

€m

Life  
**3,553 (36%)**  
(▲ –4.1%)

Health  
**5,250 (54%)**  
(▲ –0.7%)

Direct  
**1,009 (10%)**  
(▲ +1.6%)



## Net result

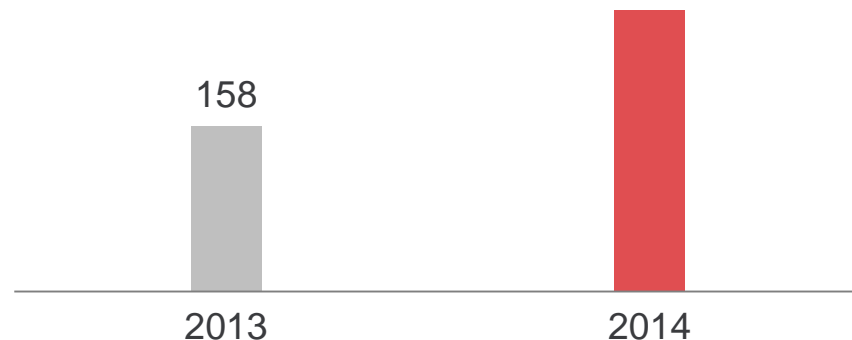
€m

158

2013

269

2014



## Life

- Total premiums: €4,363m (–3.8%)
- Lower regular premium business
- Comprehensive management of back-book to fulfil guarantees

## Health

- Growth in supplementary insurance
- Lower premium income in comprehensive insurance
- Moderate price increases as at 1 April 2014: Ø 0.8% (2015: 1.9%)

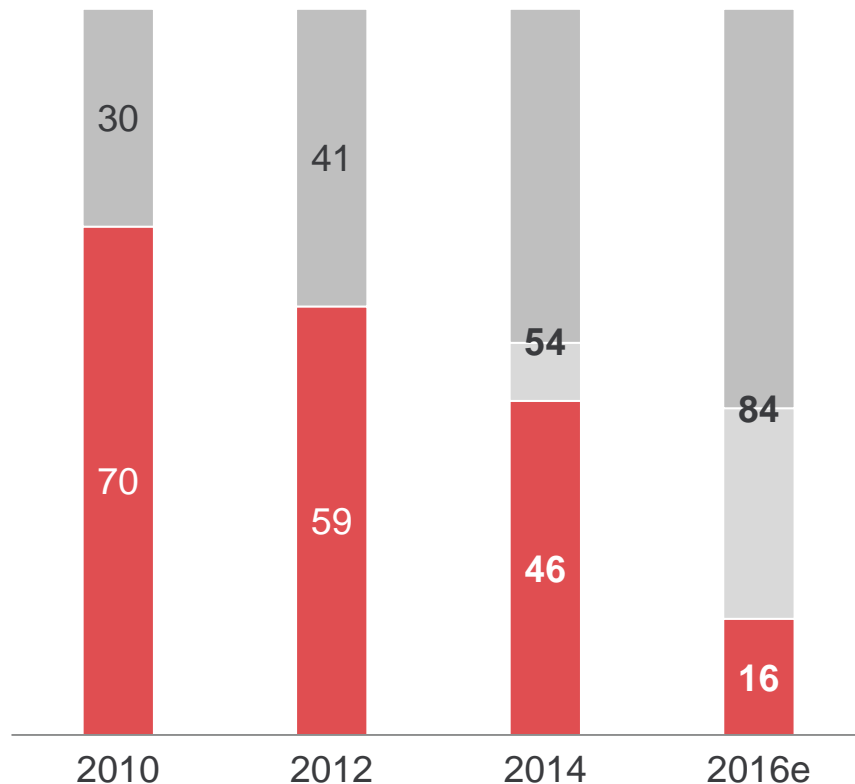
## Direct

- Total premiums: €1,117m (–3.4%)
- Significantly lower single-premium capitalisation business in direct life (–€55m)
- Dental insurance remains driver of growth in direct health

# New business: Shift to less interest-rate sensitive products

## Target portfolio – New business APE – Plan 2016+

- Target portfolio (incl. new life product) %
- Thereof new life product
- Traditional portfolio



## Shift new business to target portfolio

### Target portfolio

- Unit-linked insurance (with/without guarantee), term insurance, occupational disability insurance, death benefit, immediate annuities
- To represent >80% of new business from 2016

### New life products

- Share in non-subsidised private pensions<sup>1</sup>: 67% in 2014
- Extension to corporate pensions since January 2015

### Traditional portfolio

- Guarantee in new business down to 1.25% since January 2015
- Demand expected to decline in low-interest-rate environment

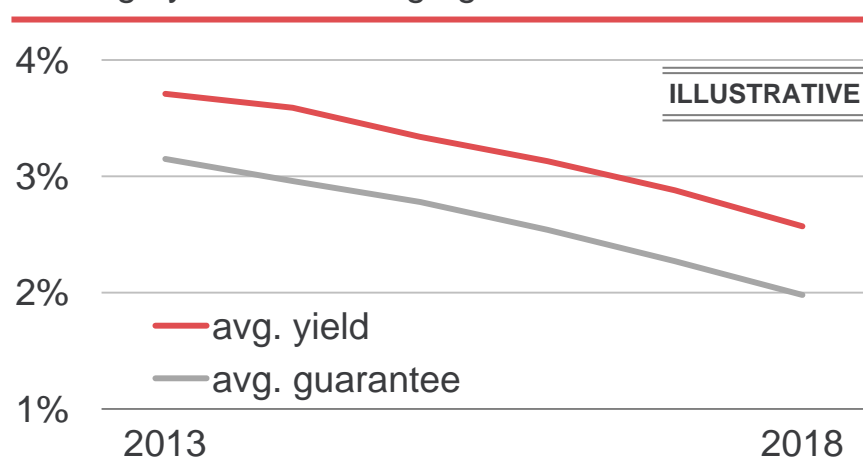
<sup>1</sup> 3<sup>rd</sup> layer in German pension system: non-subsidised private pensions

# Declined reinvestment yield still with low impact on average yield ...

## Key figures<sup>1</sup> (German business)

	Reinvestment yield	Average yield	Average guarantee
<b>2014</b>	<b>~2.6%</b>	<b>~3.6%</b>	<b>~3.0%</b>
2013	~2.7%	~3.6%	~3.2%
2012	~3.1%	~3.8%	~3.2%

## Average yield vs. average guarantee



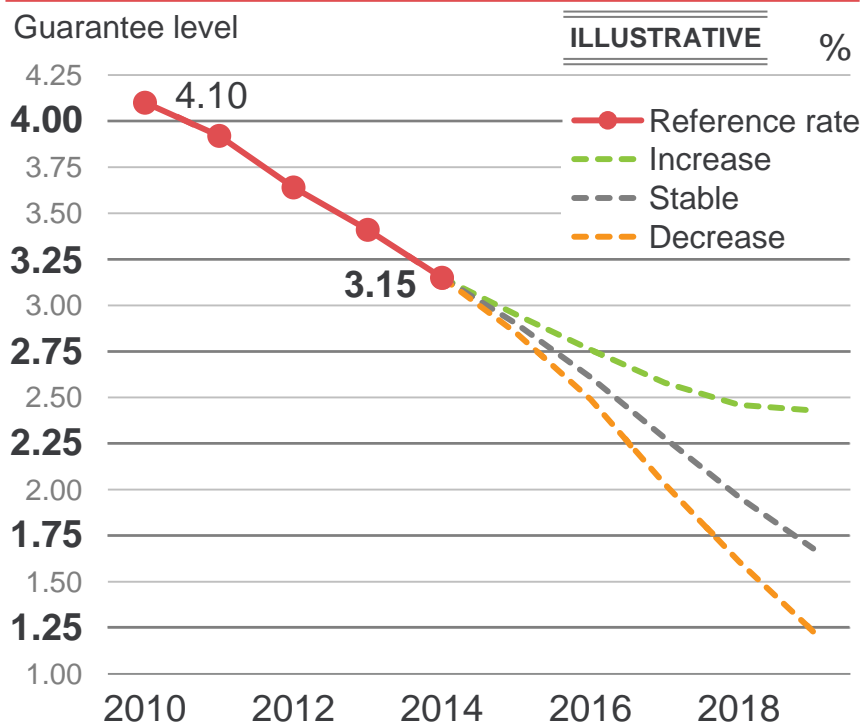
## Average yield above average guarantee

- Long duration of fixed-income portfolio keeps average yield at relatively high level
- Duration gap below one year
- Non-interest-bearing additional interest reserve (ZZR) reduces average guarantee
- Life reform in Germany as a net positive – limitation of unjustified policyholder participation in unrealised gains
- Disciplined lowering of bonus rates: 2.7% vs. market average 3.2%

<sup>1</sup> German GAAP figures for ERGO Leben, Victoria Leben and ERGO Direkt Leben.

# ... while measures to support guarantees have financial impact in 2014

## ZZR reference rate – Projection<sup>1</sup>



## Key financials<sup>2</sup>

	Free RfB	Terminal bonus fund	Unrealised gains	Accumulated ZZR
<b>2014</b>	<b>€0.9bn</b>	<b>€1.6bn</b>	<b>€13.9bn</b>	<b>€1,541m</b>
2013	€0.8bn	€1.9bn	€5.6bn	€816m
2012	€0.9bn	€2.0bn	€8.1bn	€415m

<sup>1</sup> Based on interest-rate scenarios.

<sup>2</sup> German GAAP figures for ERGO Leben, Victoria Leben and ERGO Direkt Leben.

## ZZR – Low interest rate reserve

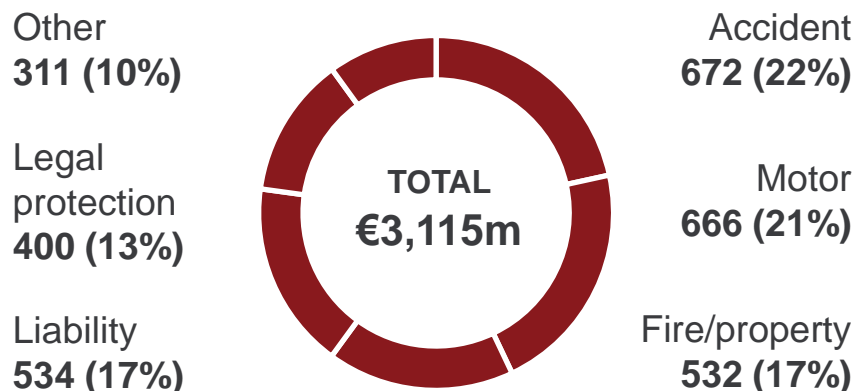
- Local GAAP reserve against low interest rates
- Expected accumulated ZZR in 2015: ~€2.4bn
- Partly financed from unrealised gains – positive impact on IFRS earnings when realised
- **Effect on IFRS net income in 2014: €36m**

## Interest-rate hedging programme

- Started in 2005 – Protection against reinvestment risk via receiver swaptions
- Continuous buying of additional slices depends on capital market and portfolio development
- Annual performance costs: ~10bps
- Current annual additional yield: ~22bps
- **Effect on IFRS net income in 2014: €88m**

# Property-casualty Germany – Successful business

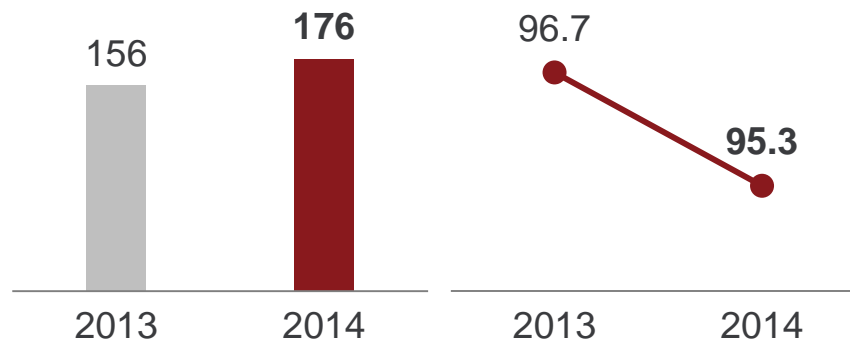
## Premium breakdown by lines of business €m



## Highlights

- New insurance solution to protect homeowners in flood-prone areas
- Low interest rates affect markets – reduced demand, increased competition
- Commercial/industrial business: ERGO steps up cross-border activities

## Net result €m Combined ratio %

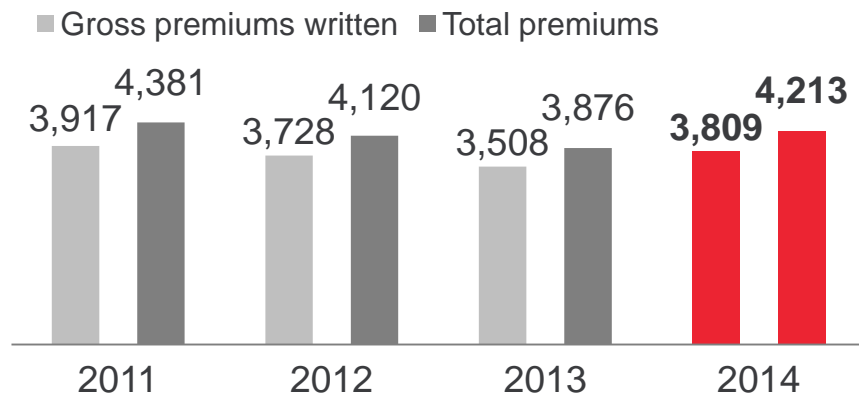


## Profitability further improved

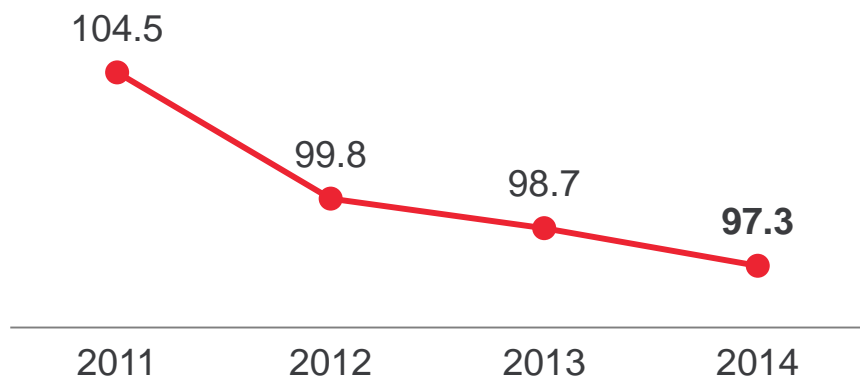
- Profitable portfolio pays off
- 2014 with low nat cat burden – storm Ela with relatively low impact
- Portfolio restructuring visible after high impact from flood and hailstorms 2013
- Profitability protected by solid reserve position

# Good profitability due to strong technical improvements in recent years

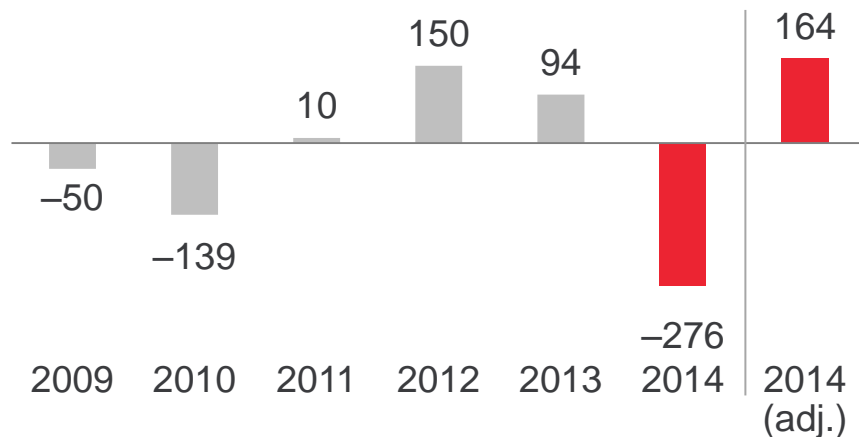
Gross premiums written/Total premiums €m



Combined ratio %



Net result €m



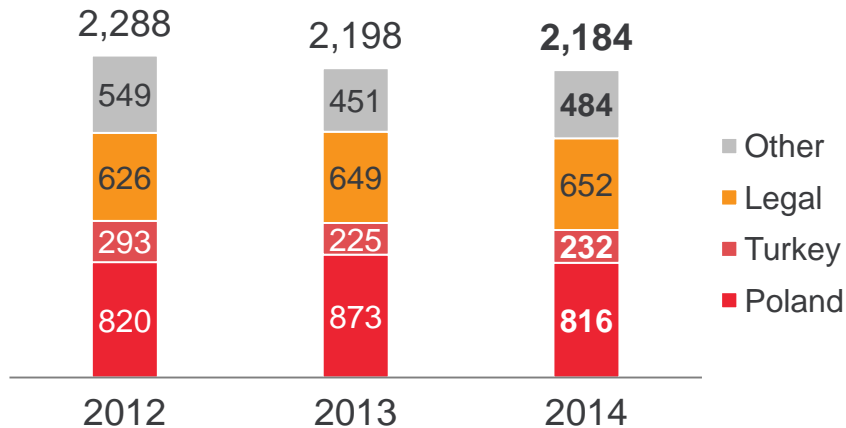
## Highlights

- Strong improvement of combined ratio – reserve releases in Greece and the Netherlands in 2014
- Decrease of premium levels until 2013 due to strong focus on profitability – in 2014 resumed growth, mainly in life
- Goodwill impairment due to new segmentation – pleasing adjusted net result of €164m in 2014

# International property-casualty – Pleasing premium development and profitability

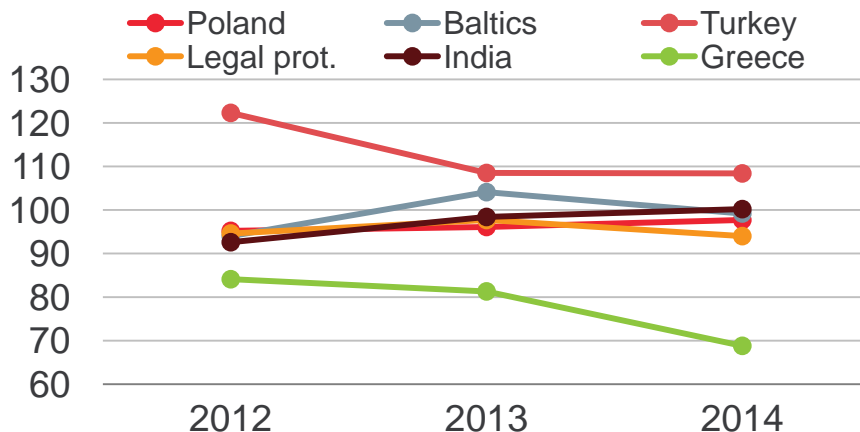
## Gross premiums written

€m



## Combined ratio

%



## Organic development

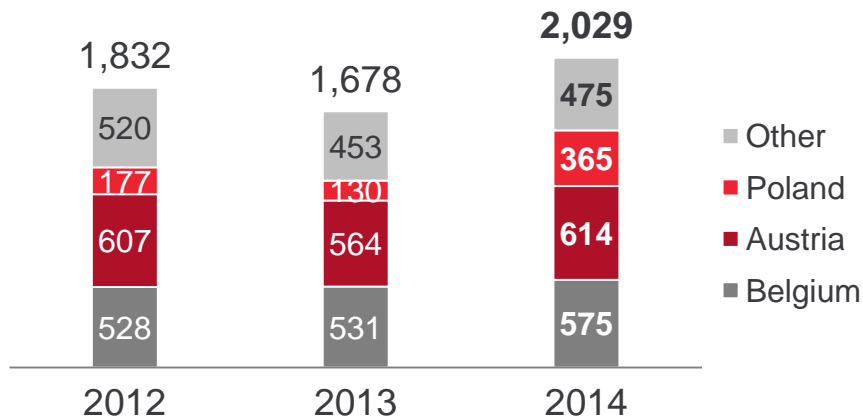
- **Poland:** Strong, profitable position despite softening market
- **Turkey:** Turnaround in 2014, now showing gradual premium growth again
- **Legal protection (LPI):** Focus on roll-out of additional LPI-related services, e.g. debt collection
- **Overall strategic initiatives:** Set-up and expansion of sales channels in existing markets – Examples:
  - Slovenia/Croatia: Development of agency channel
  - Baltics: Expansion of bank sales
  - Several countries: Expansion of direct sales

## Green-/brownfields, M&A and joint ventures (JV)

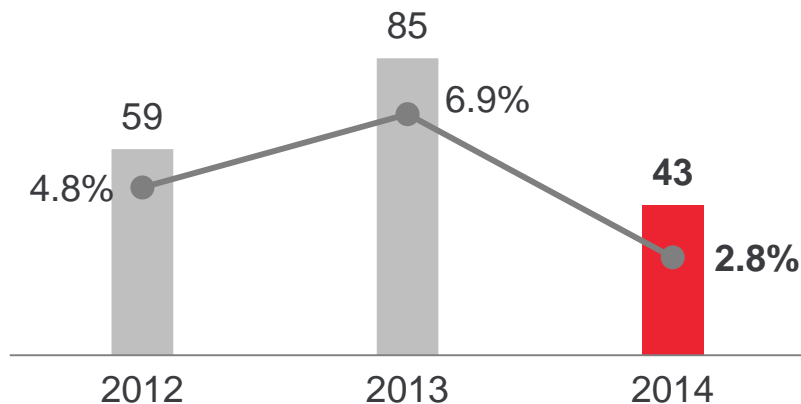
- **Vietnam** (35% participation): Market entry in 2011 (particip. 25%, increase in 2013) through acquisition of GIC – focus on organisational restructuring and growth initiatives to exploit full market potential
- **Singapore:** Market entry and integration in 2014 through acquisition of SHC – focus on development as regional hub for expansion in Southeast Asia
- **India** (26% participation): Ongoing profitable growth – number 4 in private sector

# International life – Premium growth driven by single-premium business in Poland

## Total premium €m



## New business value and margins<sup>1</sup> €m



## Organic development

- **Poland:** Strong increase in bancassurance, positive one-offs in new business
- **Austria:** Increased single-premium business
- **Belgium:** Introduction of an innovative alternative guarantee product in 2015
- **New business**
  - Active management of new business profitability
  - Drive initiatives towards alternative guarantee concepts and biometric products
- **In-force**
  - Low interest rates challenging back-book
  - Active portfolio management, e.g. interest-rate hedging, low bonus rates

## Green-/brownfields, M&A and joint ventures (JV)

- **China** (50% participation): Further develops the successfully started JV, focus on expanding agency channel – total premiums after 11 months of operation: ~€4.5m, ambition: ~€600m in 2024
- **India** (26% participation): Regulatory approval of JV expected in Q2 2015 – premium ambition: ~€800m in year 10

<sup>1</sup> Value of New Business (VNB)/Present Value of New Business Premium (PVNBP).

# Continuously develops new solutions for customers' needs



## Products

- Life: Extension of new life product concept to corporate pensions – similar product concept to be introduced in international markets
- Health: Further development of portfolio in corporate and long-term care insurance
- Property-casualty:
  - Exploration of niche business in Germany
  - Micro-insurance product weather insurance (HDFC ERGO, India)



## Sales

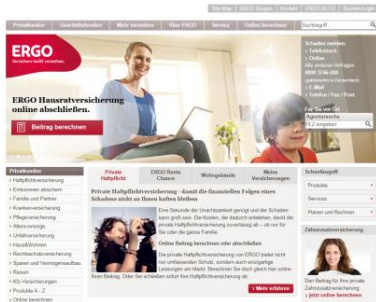
- Set-up of Direct Sales Competence Center to improve ERGO Germany's attractiveness for hybrid customers
- Improve cross-selling on existing tied-agent customer base via targeted mailings
- Increase online sales
- Online CRM and sales support tool (ERGO Hestia, Poland)



## Customer services

- Further develop COO-organisation – enhance efficiency and process quality
- Develop additional online and mobile service
- “Office in the bag” – mobile office including on-the-spot policy issuance in rural India (HDFC ERGO)

# ERGO proceeds the digital route



## Website

- ERGO website rankings among German insurance websites<sup>1</sup>
  - ERGO: #1
  - ERGO Direkt: #3
  - DKV: #5
- 12 products available online
- €35m in new business online in 2014
- Multiple features like
  - Tariff check (DKV)
  - Claims management evaluation (ERGO Direkt)
  - LawOnTheWeb (DAS UK)



## Mobile

- Digital signature (ERGO Direkt) – pilot for fully digital sales process without media discontinuity
- ERGO customer app: mobile insurance file
- Claims app (DKV)
- Driver's assessment app (ERGO Baltics)
- Loss adjuster management app (ERGO Hestia, Poland)



## Innovation

- ERGO Digital Lab in Berlin since 2013
- Cooperation with Axel Springer Plug and Play accelerator
- Cooperation with online business models (i.e. Amazon, audibene, ...)

<sup>1</sup> Source: AMC study "Die Assekuranz im Internet" (German insurers on the internet), November 2014.

Photo: Axel Springer Plug and Play.

# Key takeaways

## ERGO

Operating business on track, result distorted by goodwill impairment, mid-term net earnings target remains ~€600m

## Life/Health Germany

Shift to target portfolio well on track, challenges from low-yield environment

## Property-casualty Germany

Profitable book, combined ratio: 95.3%;  
Target: ~93%

## International

Measures to restore profitability successful, combined ratio: 97.3%;  
Target: ~97%, additional growth mainly in international life

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Delivering strong capital returns

Nikolaus von Bomhard

Munich Re (Group)

Jörg Schneider

Risk management

Bernhard Kaufmann

ERGO

Torsten Oletzky

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**Reinsurance Property-casualty**

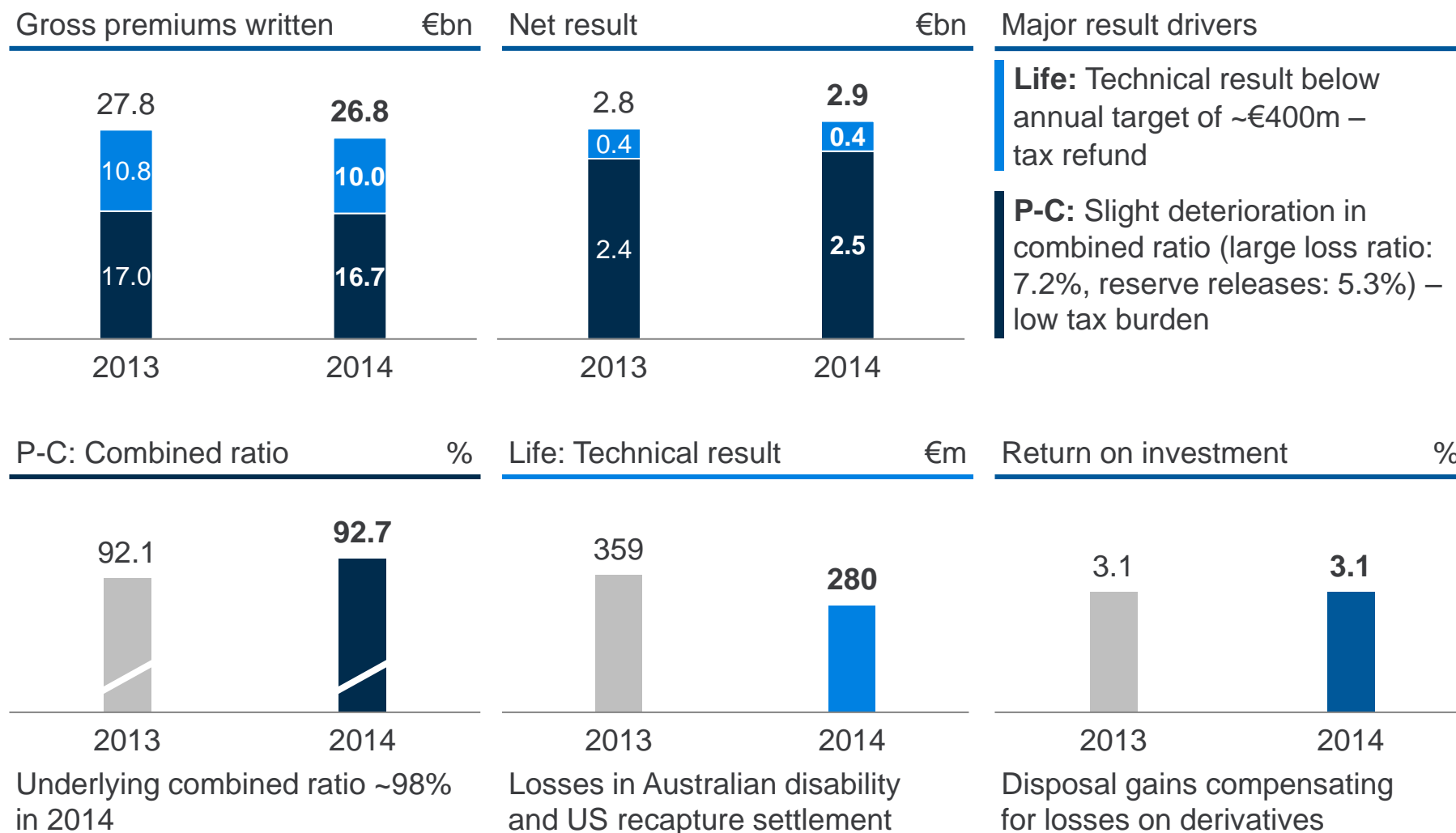
Torsten Jeworrek

Reinsurance Life

Joachim Wenning

Backup

# Reinsurance – Key financials



# Munich Re – Reinsurance market leader in excellent position to successfully manage the soft cycle

## **Broadest geographic reach**

- Presence in all markets, with offices in 36 countries<sup>1</sup>
- Portfolio of risks originating in more than 160 countries

## **Preferential client access**

- ~50% of business<sup>2</sup> with differential terms/private placements
- 2/3 of business is direct client business

## **Leading risk know-how**

- ~30% of business<sup>2</sup> with complex tailor-made solutions
- Strong service and innovation track record

## **Superior diversification**

- Well-balanced, highly diversified reinsurance portfolio (perils, forms of cover, long-/short-tail, regions)

## **Risk Solutions generating strong earnings**

- Excellent profitability, largely detached from reinsurance cycle
- With €4bn premium larger than p-c reinsurance portfolios of several Top-10 peers

**We have the scale, know-how and client access to flexibly shape our portfolio, attract high-quality business and generate sustainable results throughout the cycle**

<sup>1</sup> Subsidiaries and branches; including Munich Health's reinsurance activities in the health market as at 31 December 2014.

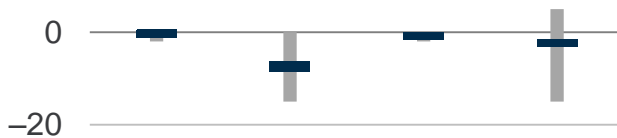
<sup>2</sup> In January 2015 renewals.

# Munich Re relatively resilient to pressure on rates and firm on terms and conditions

## Current market developments

### Rate changes 1 January 2015 %

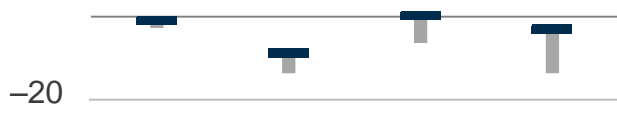
#### Europe/Latin America



#### Asia-Pacific



#### US/Global accounts



Property prop. Property XL Casualty prop. Casualty XL

Market range<sup>1</sup> Munich Re

### Stringent management of terms and conditions

- Increasing demand for non-standard terms and conditions – especially in property
  - Munich Re's response**  
No concessions on “vague” or “expansive” wording, but tailor-made offers based on highly differentiated risk modelling<sup>2</sup>
- ▶ Non-standard terms and conditions not a weakening per se, but require sophisticated underwriting skills

### Demand-driven tiering of reinsurers

- Access to scale, security, diversification and service
  - Reduction of counterparty risk and complexity of RI panels
- ▶ Change in demand towards tailor-made solutions and larger placements with major, best-rated reinsurers
- Rising importance of long-standing relationship with reinsurer

▶ **Munich Re continues with its strong underwriting discipline and accepts volume decreases**

<sup>1</sup> Range of market rate changes in 1 January 2015 renewals published by brokers, media and observed by own experts.

<sup>2</sup> For example, multi-line covers, inclusion of emerging risks.

# Sound portfolio profitability maintained

## Munich Re portfolio – Premium change in major business lines

Business line Premium split <sup>1</sup>	Total	Property		Casualty		Specialty lines		
	€9.4bn	Prop. 28%	XL 10%	Prop. 39%	XL 4%	Marine 11%	Credit 6%	Aviation 2%
Price change	~ -1.3%	-0.7%	-6.4%	-0.2%	-3.0%	-1.7%	-1.8%	0.0%
Volume change	-9.5%	-12.7%	-14.7%	-2.2%	-8.6%	-22.1%	-14.0%	0.2%

### Price change

- Property XL under greatest pressure due to declining nat cat rates
- Proportional business almost stable, benefitting from flat to slightly improving primary rates

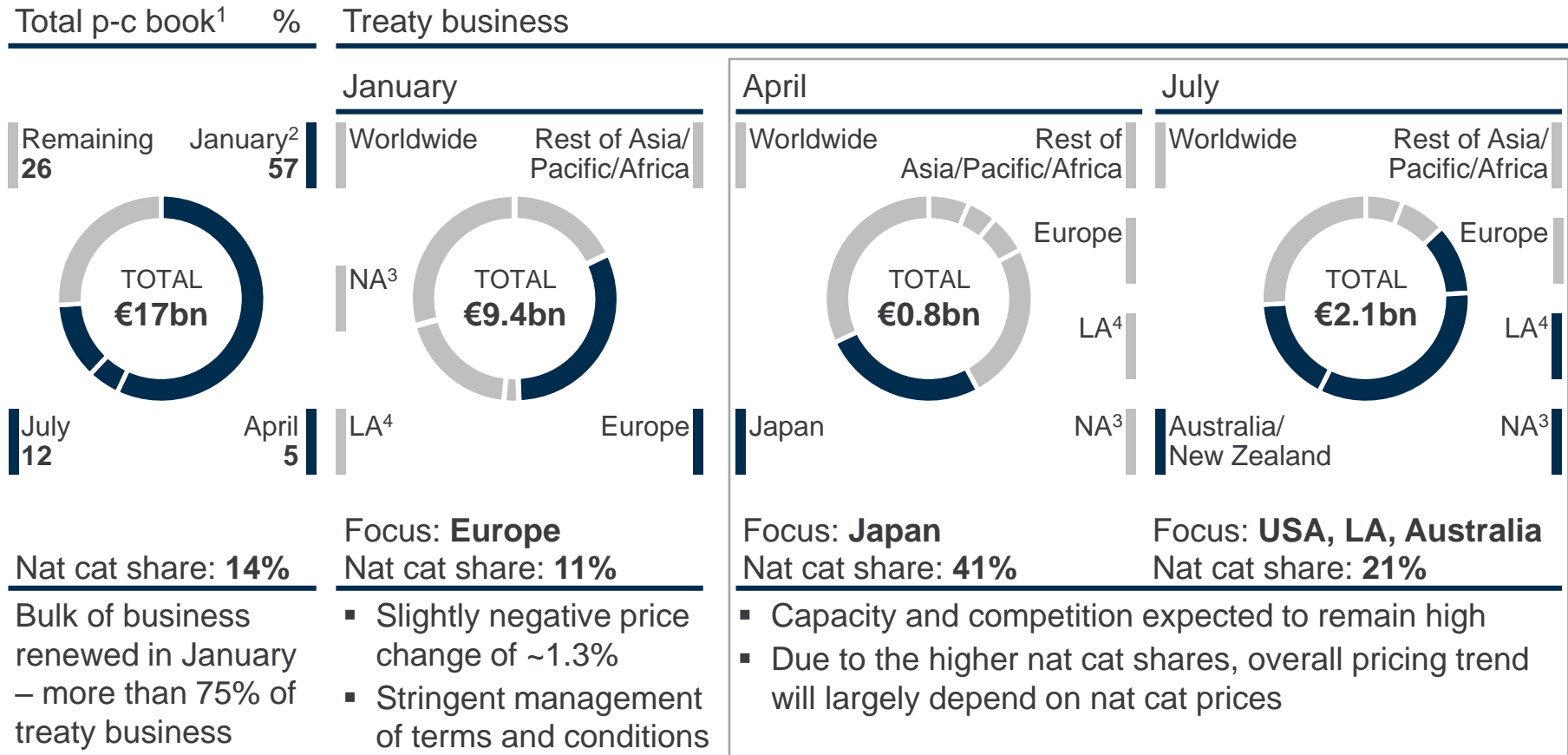
### Volume change

- Active cycle management in property (e.g. nat cat) and marine (e.g. offshore energy)
- Further impact from higher retentions (credit) and non-renewal of solvency relief transactions (China)
- Both effects accounts for ~50% each

**Profitability supported by consistent cycle management, a well-diversified portfolio and strong client relationships**

<sup>1</sup> Relative premium share in relation to total renewable business in January.

# Upcoming renewals to take place in a continuously challenging market environment



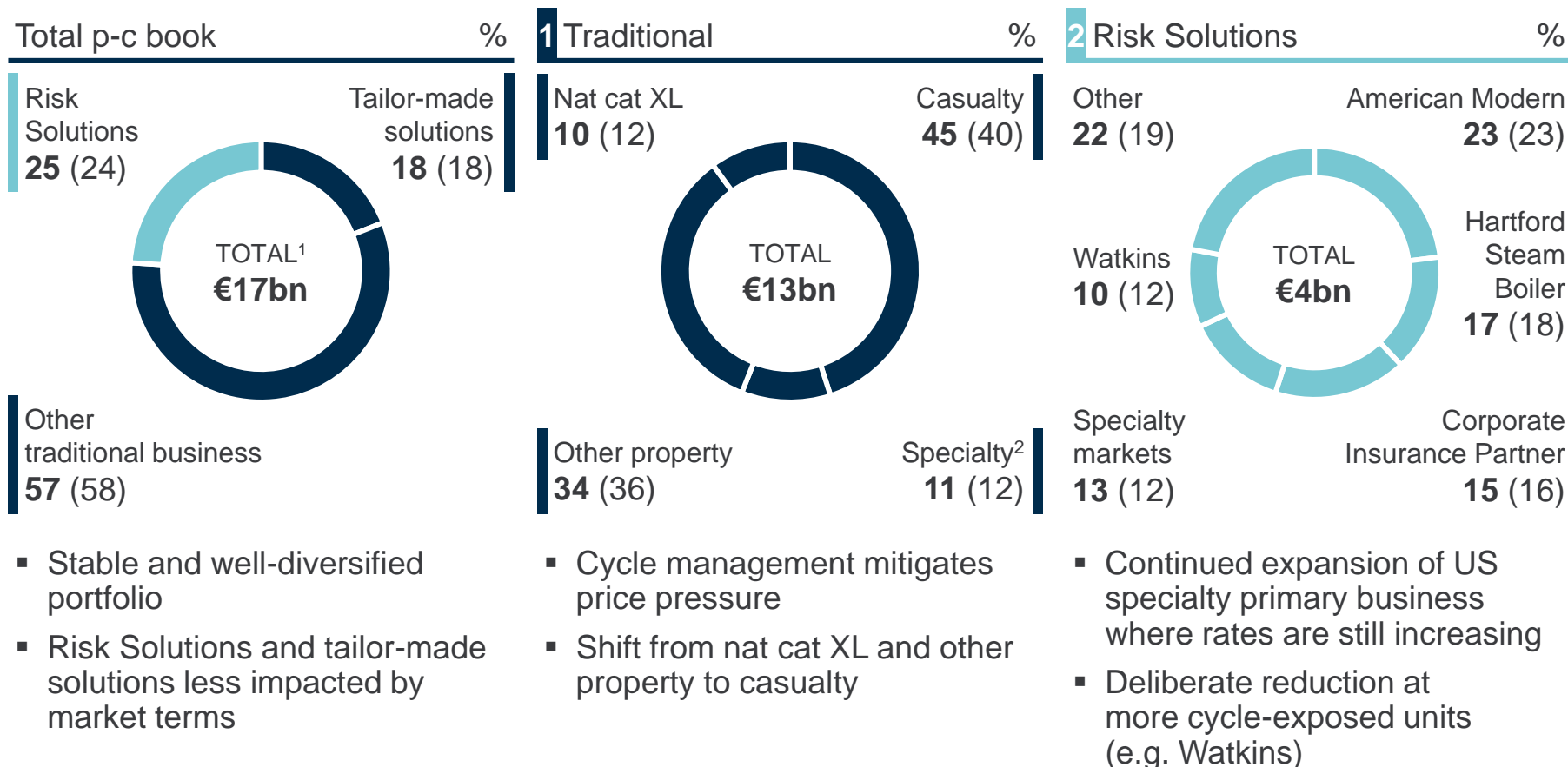
**Clear focus on profitability to maintain portfolio quality**

<sup>1</sup> Approximation – not fully comparable with IFRS figures.

<sup>2</sup> Includes Risk Solutions business (11% of January business or 6% of total p-c book).

<sup>3</sup> NA = North America. <sup>4</sup> LA = Latin America.

# Munich Re set-up supports sustainable earnings level



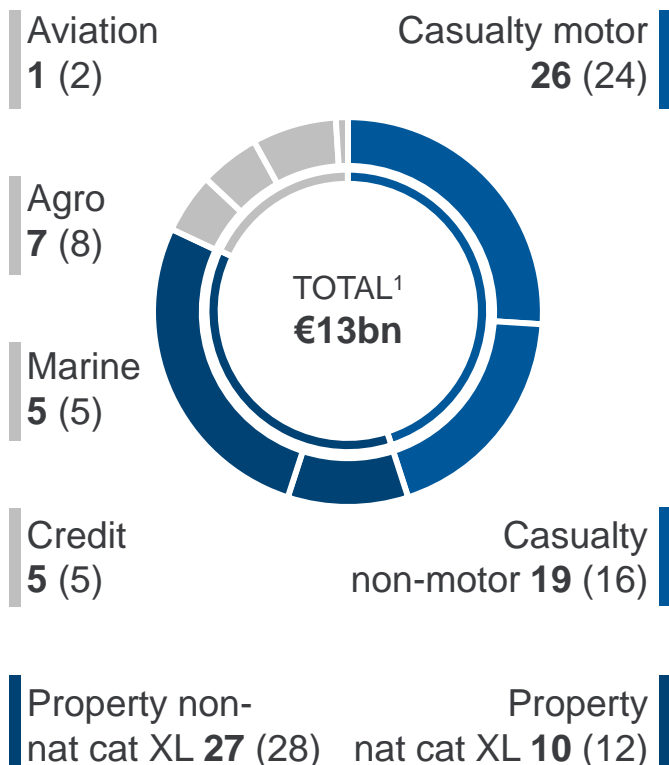
**Superior diversification provides flexibility in managing the portfolio**

<sup>1</sup> Gross premiums written property-casualty reinsurance as at 31.12.2014 (31.12.2013).

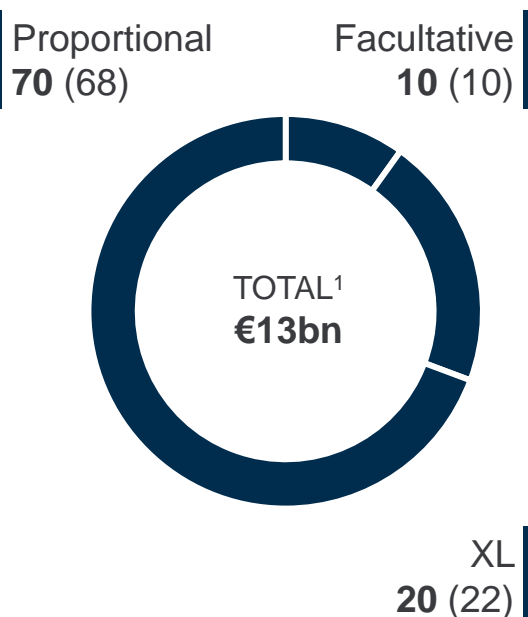
<sup>2</sup> Aviation, marine and credit.

# 1 Disciplined underwriting and active portfolio management secure technical profitability

## Traditional p-c portfolio 2014



## %



## Active portfolio shifts

### Share increases

- Profitable casualty lines (motor and non-motor)
- Less volatile proportional book (with rates broadly flat to slightly increasing)

### Share reductions

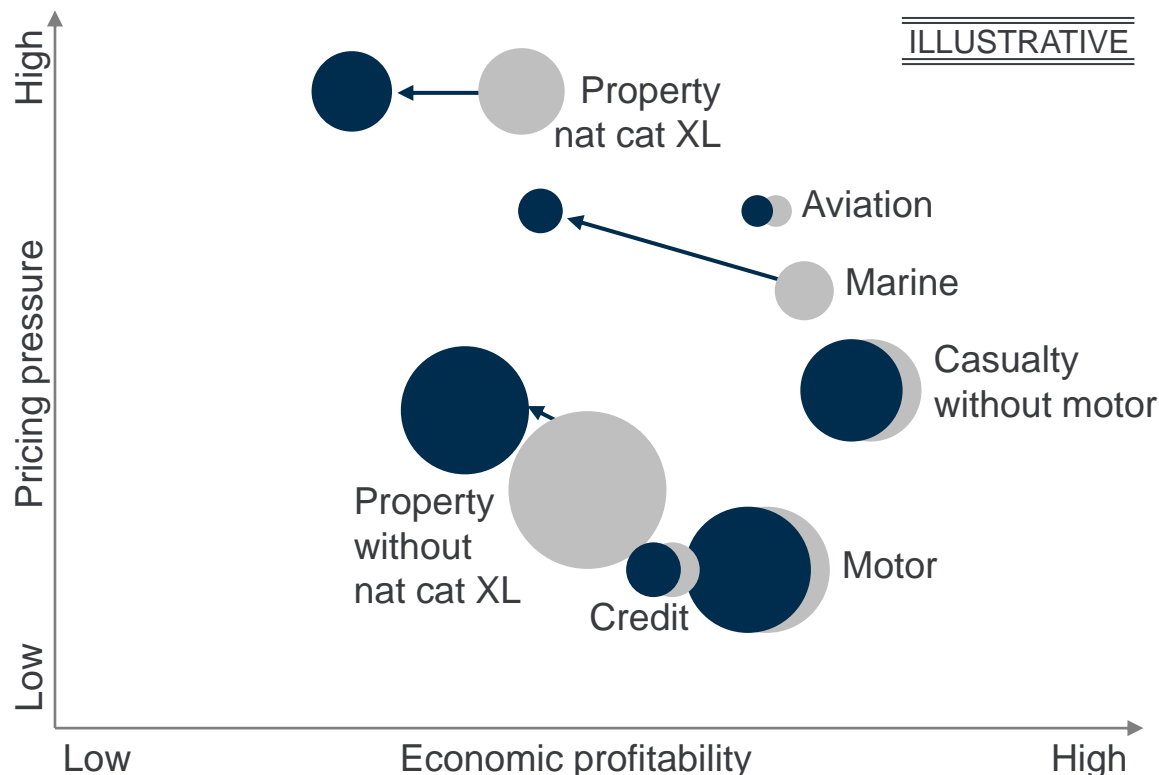
- Deliberate cancellations and reductions in property
- Property nat cat XL share further reduced to 10%

**Traditional portfolio continues to be well diversified – Shift towards proportional casualty increases resilience**

<sup>1</sup> Traditional reinsurance incl. tailor-made solutions premium. Allocation based on management view, not comparable with IFRS reporting. Gross premiums written 2014 (2013), FY view.

# 1 Challenging market environment counterbalanced by active cycle management

## Traditional p-c portfolio – Outlook 2015<sup>1</sup>



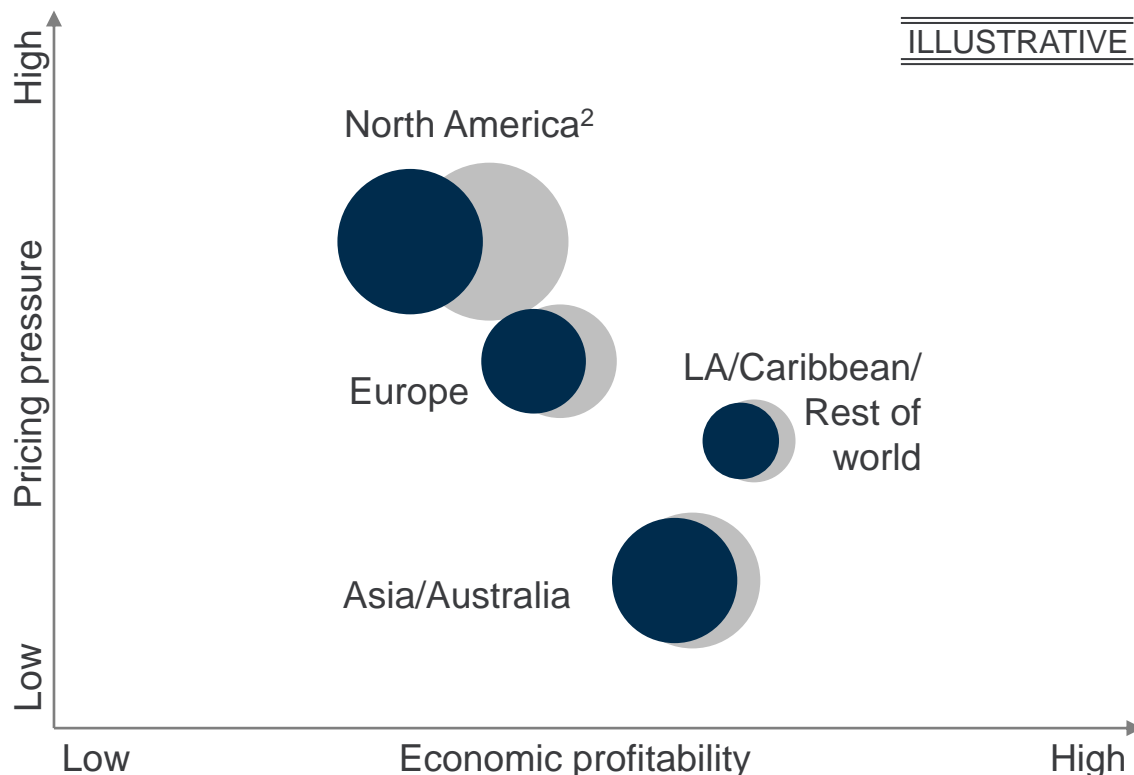
- Pressure on profitability mitigated by deliberate volume reductions
- Largely stable profitability and business volume in casualty
  - High share of proportional business – benefitting from flat to slightly improving primary rates
  - High share of tailored solutions – less impacted by market terms
- New business generation – largely compensates for scheduled expirations of some large treaties

**Profitability of traditional portfolio is still meeting hurdle rate and comfortably exceeding cost of capital**

<sup>1</sup> Bubble size reflecting gross premiums written as at 31.12.2014 (grey) – Outlook 2015 (blue). Traditional reinsurance only.

# 1 Market environment continues to be challenging

## Property nat cat XL portfolio – Outlook 2015<sup>1</sup>



- Environment remains challenging – abundant nat cat capacity and continuous pressure on rates
- US business continues to be most exposed to pricing pressure – profitability has declined below hurdle rate
- All other regions somewhat less affected – profitability still at satisfactory levels
- Munich Re remains an indispensable partner for clients – large nat cat capacity, multi-line covers, reinstatements etc.

**Nat cat portfolio actively managed to counterbalance negative impact from high pricing pressure**

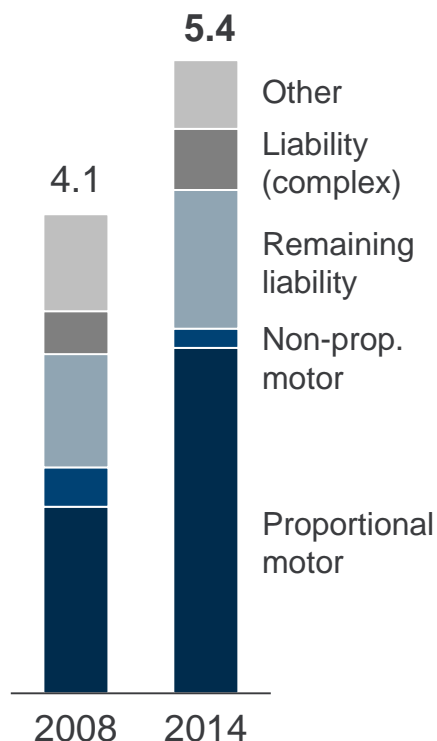
<sup>1</sup> Bubble size reflecting gross premiums written as at 31.12.2014 (grey) – Outlook 2015 (blue). Traditional reinsurance only.

<sup>2</sup> Incl. worldwide business.

# 1 Shift towards casualty while maintaining strict bottom-line orientation

Traditional portfolio – Deliberate and active management of casualty portfolio

Casualty premium<sup>1</sup> €bn



Growth in proportional motor business – Specific know-how and strong client orientation

Reduction of specific long-tail business (e.g. non-prop. motor)

Liability developed towards highly complex risks (e.g. industrial liability, professional indemnity, D&O)

- Expansion of strategic partnerships and tailor-made solutions/capital-relief transactions
- New business generation by supporting special business models (start-ups/underperformers)
- Know-how transfer through worldwide knowledge networks and consulting units, e.g. MCU<sup>2</sup>
- High risk of change in severe bodily injury markets, e.g. France, Germany, UK
- Attractive margins – expertise-driven high entry barriers
- Core competence in accumulation management
- Highly developed risk and underwriting know-how
- High capacities offered

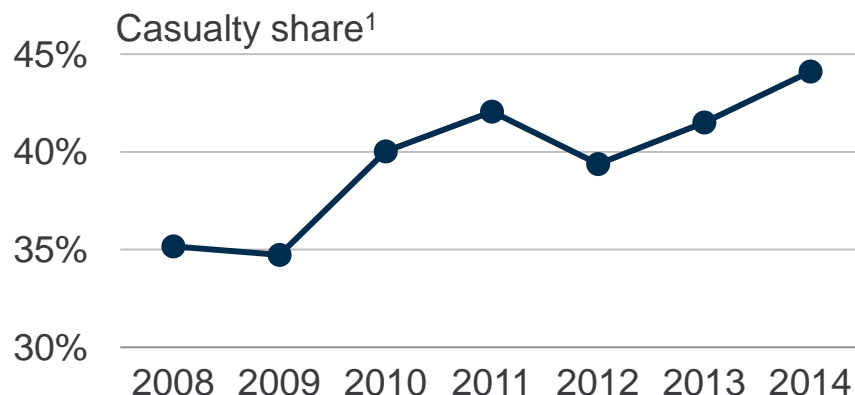
**Achieving profitable growth through deliberate portfolio shifts**

<sup>1</sup> Underwriting year. Management view, not comparable with IFRS reporting.

<sup>2</sup> Motor Consulting Unit.

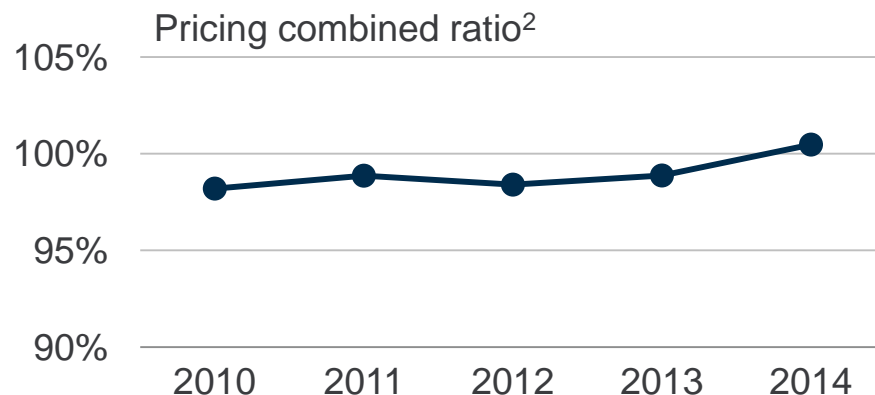
# 1 Increased casualty share results in higher combined ratio but supports overall profitability

## Change in business mix impacts combined ratio...



- Profitable growth of traditional casualty
  - Ability to write complex risks
  - Access to attractive business (strong client relationships)
- Deliberate increase of casualty share leading to a mix-driven overall higher combined ratio

## ...but higher combined ratio is economically justified



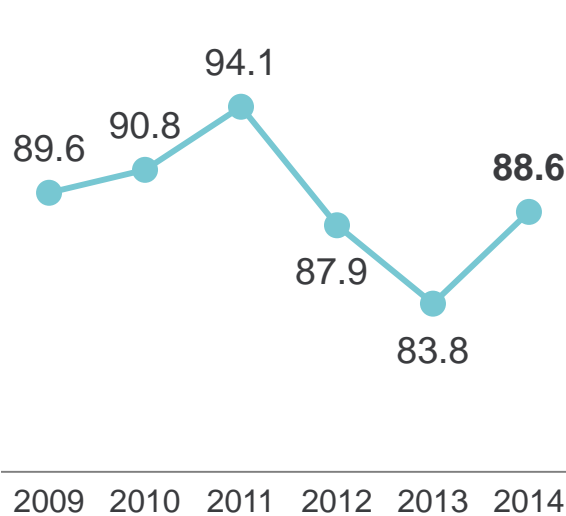
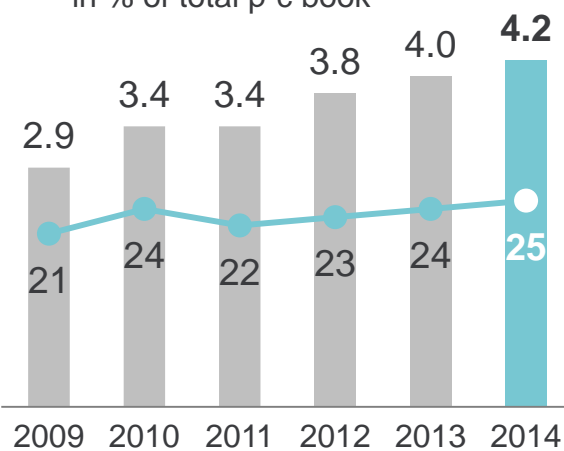
- Pricing expectation has remained quite stable
- Casualty economically more profitable (lower risk capital requirements, higher discounting effects) despite higher combined ratios than in property
- Partially written in countries and currencies with higher interest rates

**Casualty business is an important contributor of value added, providing stable economic results**

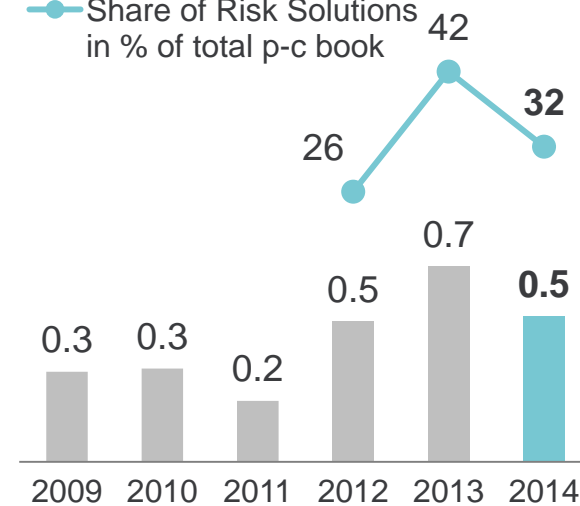
## 2 Risk Solutions – Sound results provide additional stability to total p-c book

Gross earned premiums<sup>1</sup> €bnCombined ratio<sup>1</sup> %Underwriting result<sup>1</sup> €bn

—● Share of Risk Solutions  
in % of total p-c book



—● Share of Risk Solutions  
in % of total p-c book



### Drivers in 2014

- Successful expansion through acquisition of Australian MGA Calliden
- Strong bottom-line driven by low major losses and reserve releases – highest result contribution from US Special entities

Continuous investments  
to reap further organic  
growth potential

**Increasingly valuable business segment with strong premium growth and bottom-line contribution**

<sup>1</sup> Management view, not comparable with IFRS reporting.

# Broad leverage of alternative risk transfer – Continued strong Munich Re footprint in 2014

## Alternative risk transfer solutions

### Eden Re I renewal<sup>1</sup>

Successful renewal of initial placement in 2014 at increased capacity in 2015 (US\$ 75m)

### Eden Re II launch<sup>1</sup>

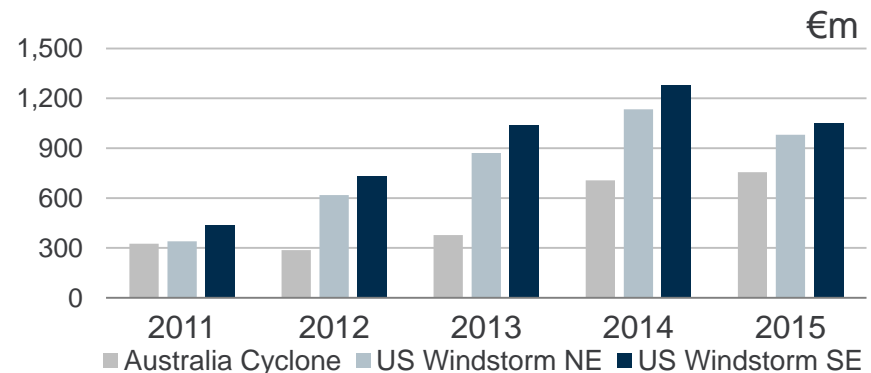
Additional special purpose vehicle provides US\$ 290m cat XL capacity in 2015<sup>1</sup>



## Strategic advantage

- Combining Munich Re's peak risk competence and client access with institutional investors' interest in reinsurance risk
- Taking advantage of new sources of capital for clients and Munich Re's own book

## MR retrocession – Protection per nat cat scenario<sup>2</sup>



## Retrocession use reflects

- Benefits from favourable market terms
- Strong Munich Re capital base

## Munich Re ILS service for 3rd parties

- Completes our offer as customised stand-alone service or integrated in traditional solutions

**Large repertoire of instruments optimises Munich Re's capital structure and embraces institutional investors in a mutually beneficial long-term partnership**

<sup>1</sup> Munich Re structured and arranged both transactions.

<sup>2</sup> Including indemnity retrocession, ILW/derivatives, risk swaps, cat bonds and the sidecars Eden Re I+II. Selection of main scenarios.

# Strategic development of innovative business – Growing and profitable share in Munich Re's portfolio

Creating solutions for new and emerging risks

Rising demand for innovative business solutions

## Technology

- Cyber risks
- Energy risks
- Supply chain risks
- Non-damage business interruption

## Environment

- Climate change
- Weather events
- Water crisis

## Society

- Contentious diseases
- Rising cost of medical treatment
- Reputational risks

## Politics

- Regulatory changes
- Global governance failure
- Political and social instability/conflicts

Munich Re well positioned

## Dedicated specialised business units

- Special Enterprise Risk
- Financial & Enterprise Risk
- HSB Strategic products
- Munich Re Weather & Commodity Risk Holding

## Innovation initiatives across all business units

### Continuous product innovation – Examples

- Solutions for broad range of cyber risks
- Space – launch + life cover for satellites
- Reputational risk cover
- Project cost insurance for construction risks

**Tapping new profit pools by expanding existing market boundaries with innovative products and services**

# Cyber (re-)insurance – Prudent and profitable growth through innovation and profound risk control

## Cyber portfolio – Premium split 2014

### Reinsurance

First mover  
and market leader

- More than 10 years of expertise in reinsuring cyber portfolios and large risks
- Sophisticated accumulation models (e.g. virus, cloud, critical infrastructure)
- Close cooperation with cedents (e.g. product development in undeveloped cyber markets)

Reinsurance  
**45%**



Primary insurance  
**55%**

### Primary insurance

Specialised single-risk taker  
for a broad range of cyber risks

- **Hartford Steam Boiler**  
Established player in US market for cyber liability and privacy covers for SMEs and individuals
- **Corporate Insurance Partner**  
Industry-specific as well as tailor-made solutions for large clients; broad scope of cover and larger-than-average limits

## Continuous product innovation – Recent launches

HSB CyberOne™

Cyber gap cover (energy)

15-component Digit@ll-toolbox<sup>1</sup>

**Creating cyber solutions to serve the growing demand of our clients –  
Munich Re with leading-edge expertise and strong market presence**

<sup>1</sup> Underwriting framework for the coverage of 15 different cyber-related risks (e.g., privacy breach, cyber extortion, technology errors & omissions).

# Key takeaways

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## **Financial results**

Strong operating profitability – combined ratio once again beats target and investment income proves resilient, low tax rate

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## **Traditional portfolio**

Disciplined underwriting and active portfolio management safeguards profitability – clients highly value our proposition as a big, diversified reinsurer

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## **Risk Solutions**

Successful expansion of Risk Solutions at excellent profitability

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## **Outlook**

Sound portfolio profitability maintained in January renewals, market environment remains challenging – combined ratio target 2015: ~98%

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Delivering strong capital returns

Nikolaus von Bomhard

Munich Re (Group)

Jörg Schneider

Risk management

Bernhard Kaufmann

ERGO

Torsten Oletzky

Reinsurance Property-casualty

Torsten Jeworrek

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**Reinsurance Life**

Joachim Wenning

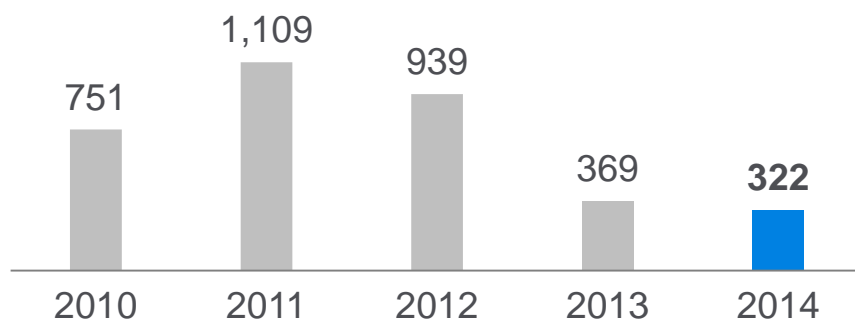
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Backup

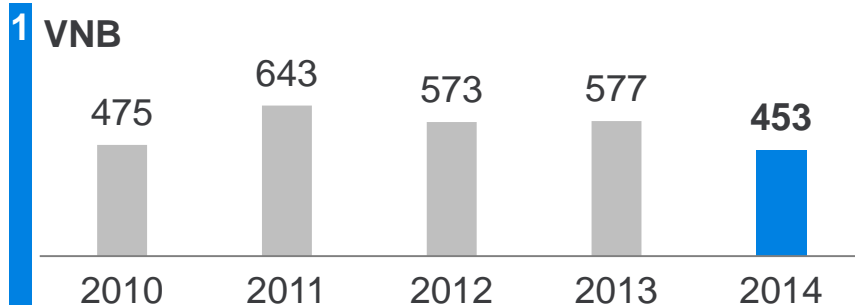
# Pleasing new business value generation

## Operating MCEV earnings

€m



<b>1</b>	Value of new business	453
<b>2</b>	Experience variances	63
<b>3</b>	Assumption changes	-131
<b>4</b>	Other operating variance	-361
	Expected return	297
	<b>Operating MCEV earnings</b>	<b>322</b>



Solid VNB from traditional business, particularly in North America

**2 Experience variances**  
Aggregate in mortality and morbidity somewhat better than expected

**3 Assumption changes**

Negative values in 2014 including valuation and model updates on Australian disability business

**4 Other operating variance**

**New business value at sustainably high level**

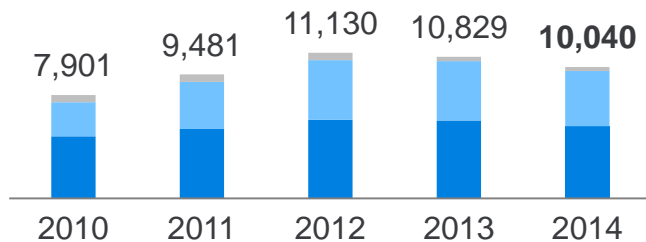
# IFRS result short of expectations – Income strain from Australia and US

## IFRS key figures

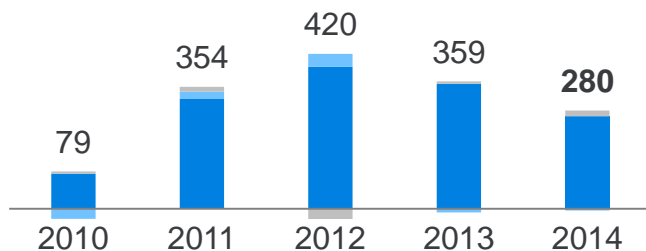
€m

### Gross premiums written

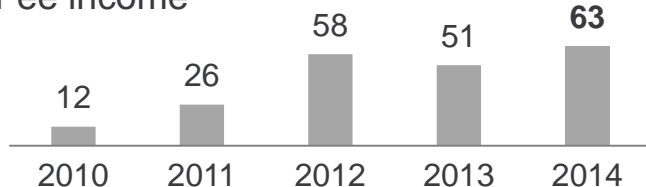
■ Other  
■ Morbidity  
■ Mortality



### Technical result



### Fee income



## Main effects 2014

- Negative currency effects
- Some large transactions expired or were only renewed at reduced shares

- Strain from recapture settlement in US and new valuation in Australia
- Solid contribution from other main markets, esp. Canada, UK, Cont. Europe and Asia
- US mortality in line with expectations at year-end 2013

- Fee income from business that does not meet IFRS risk transfer has developed into a stable and growing contributor to the bottom-line















## Expectation 2015

**Premium trend dependent on large transactions**

**Continue to strive for a run-rate of ~€400m**

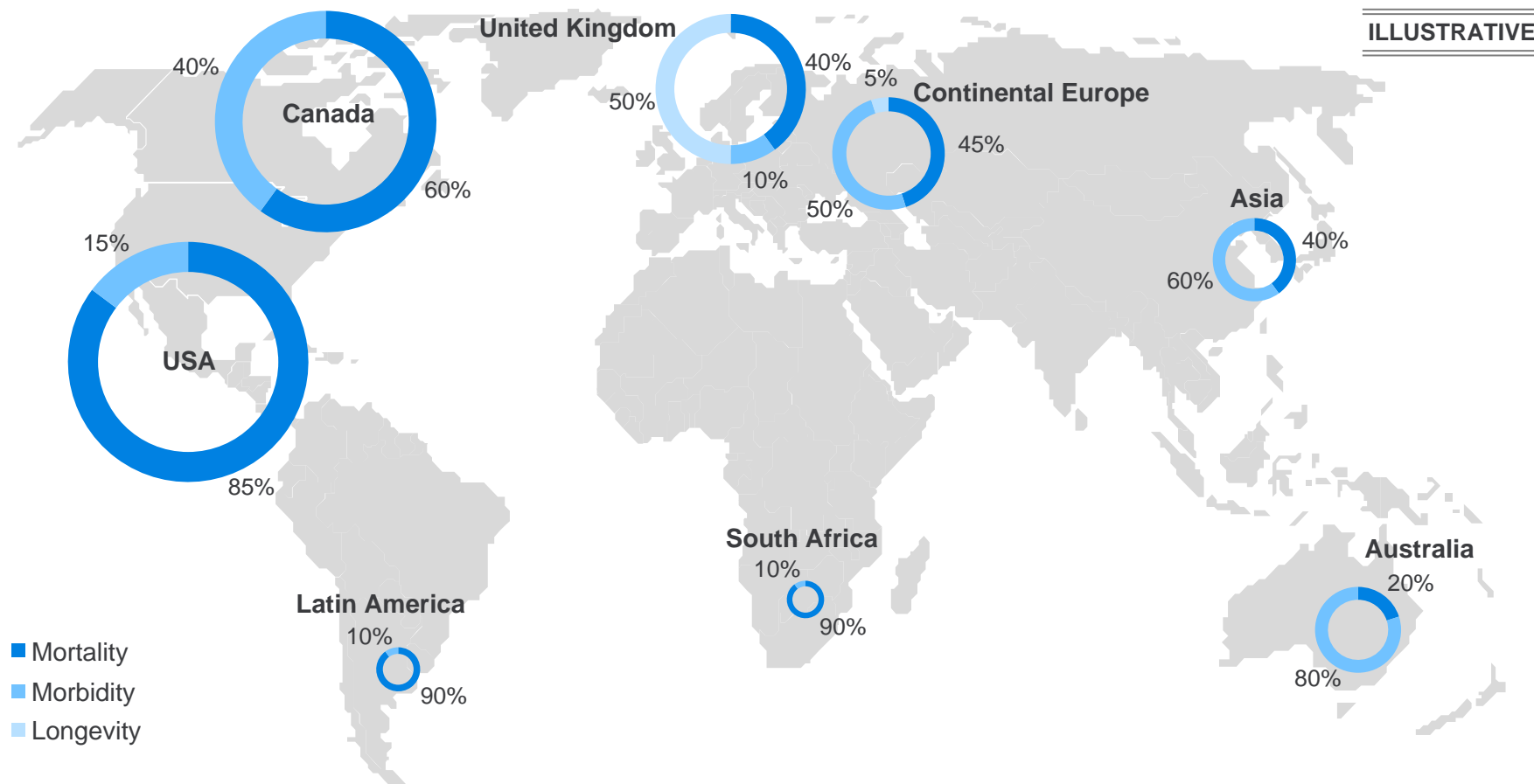
**Fee income continues to support net earnings**

# Current state of the major markets

Region	VNB	IFRS profit	Comments
Canada			<ul style="list-style-type: none"> <li>▪ Very satisfactory development of new business and results</li> <li>▪ However, environment is becoming more challenging</li> </ul>
USA			<ul style="list-style-type: none"> <li>▪ High new business value with attractive risk-return profile</li> <li>▪ Bottom-line depressed by recapture settlement and recalibrated mortality expectation for some legacy business</li> </ul>
UK			<ul style="list-style-type: none"> <li>▪ High competitive pressure in protection business</li> <li>▪ Results from in-force portfolio continue to be very healthy</li> </ul>
Australia			<ul style="list-style-type: none"> <li>▪ Top priority on rehabilitation of in-force portfolio</li> <li>▪ Introduction of new valuation basis has negatively affected results ...</li> <li>▪ ... but has improved the basis for analysing and evaluating the business</li> <li>▪ Overall prudent approach to new business</li> </ul>
Asia			<ul style="list-style-type: none"> <li>▪ Very satisfactory development of new business and results</li> <li>▪ However, environment is becoming more challenging</li> </ul>
Continental Europe			<ul style="list-style-type: none"> <li>▪ Challenging market environment limits value generation</li> <li>▪ Pleasing IFRS result from healthy portfolio overall</li> <li>▪ In-force management action from previous years bears fruit</li> </ul>
<b>Total</b>			<ul style="list-style-type: none"> <li>▪ <b>Strong VNB in a challenging economic environment</b></li> <li>▪ <b>IFRS result – apart from Australian and US back-book business – well on track</b></li> </ul>

 Pleasing
  Satisfactory
  Below expectations

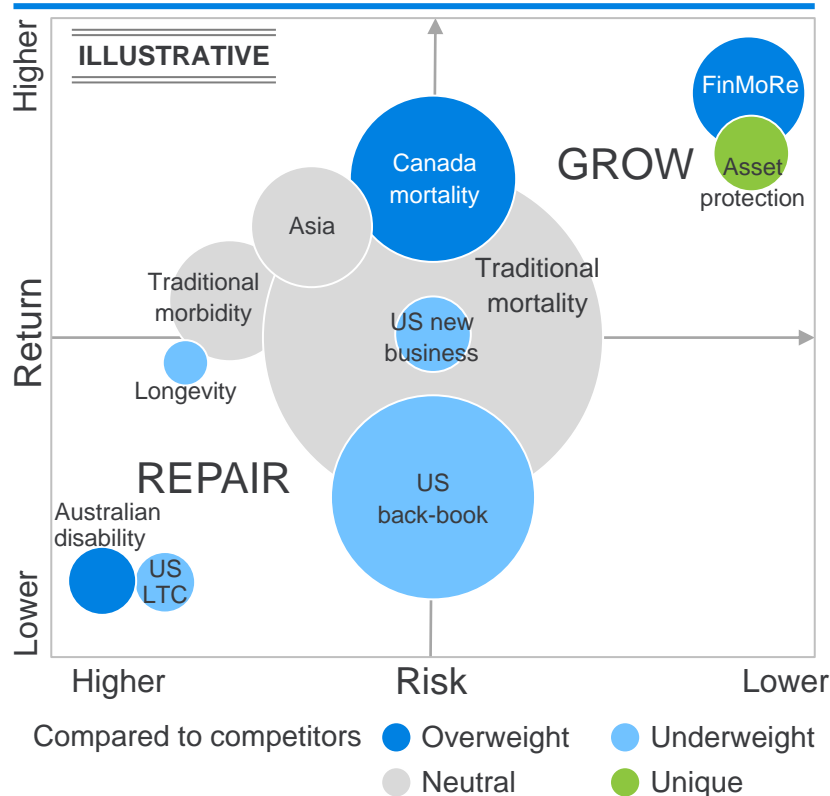
# Well-diversified global portfolio



**Geographical weight on North America – High concentration on mortality risk**

# Strategic focus and areas of attention

Risk-return profile of selected sub-portfolios relative to core business



Initiatives portfolio

- 1 FinMoRe**  
Business performing well – strong demand prevails
  - 2 Asia**  
Pleasing contribution to VNB underpins business potential
  - 3 Longevity**  
Book developed carefully in line with risk appetite
  - 4 Asset protection**  
Opportunities
- Traditional mortality risk will remain our core business – both in terms of new business value and bottom line
  - FinMoRe and Asia: high strategic relevance and strong contributions to bottom line ...
  - ... complemented by asset protection and a prudent expansion into longevity risk
  - Underperforming business approached with rigorous portfolio management

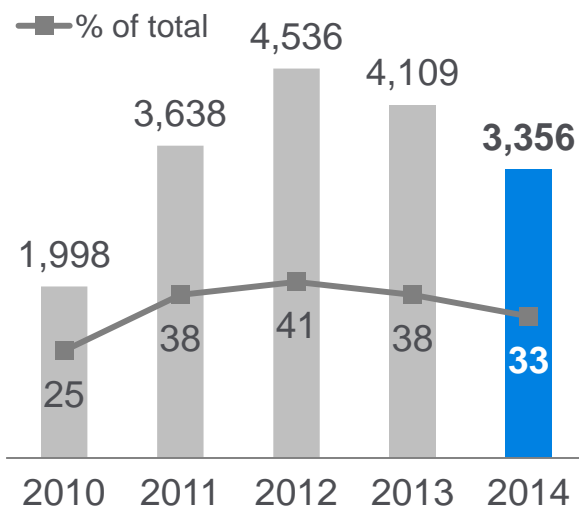
**High weight on core mortality business, complemented by initiatives portfolio**

# 1 Financially Motivated Reinsurance remains a key strategic pillar

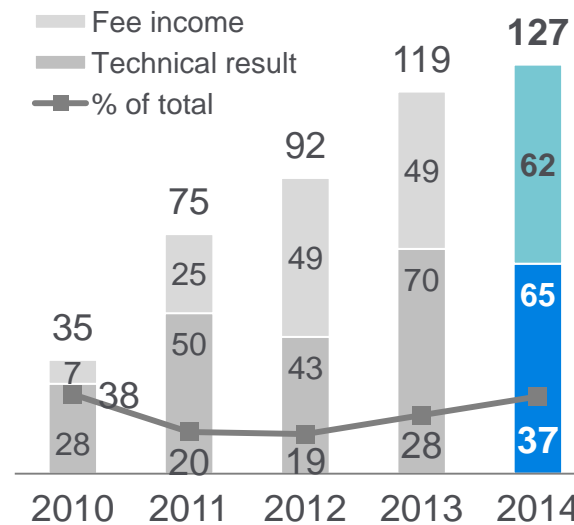
## Financially Motivated Reinsurance

€m

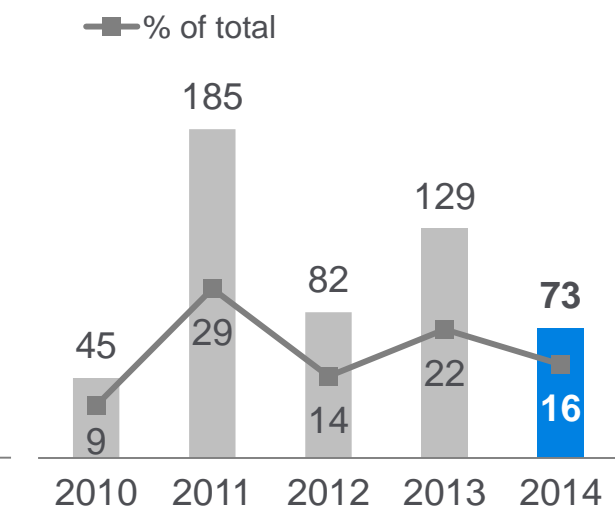
### Gross premiums written



### Technical result and fee income



### VNB



### Portfolio development

- Development of result contribution is a clear indicator of the overall success
- Premium development and VNB display that number and size of transactions vary
- Geographically well-diversified portfolio
- Largest contribution to 2014 VNB from North America

### Expectations going forward

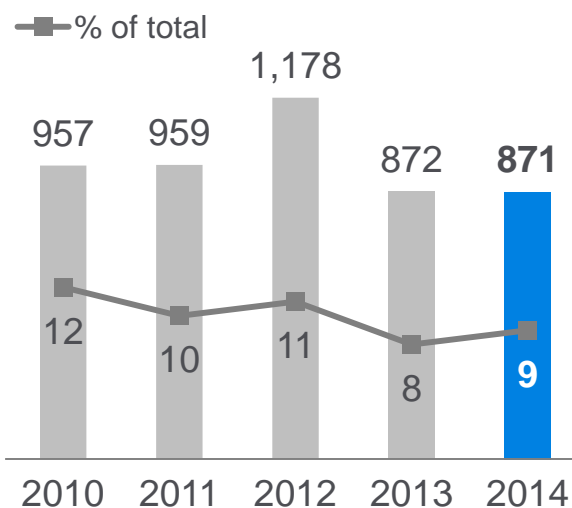
- Demand for solutions will remain high
- Solvency II will impact the product design
- Number, size and type of transactions are difficult to predict and will vary on an annual basis

## 2 Asia – Sustained growth across all major markets

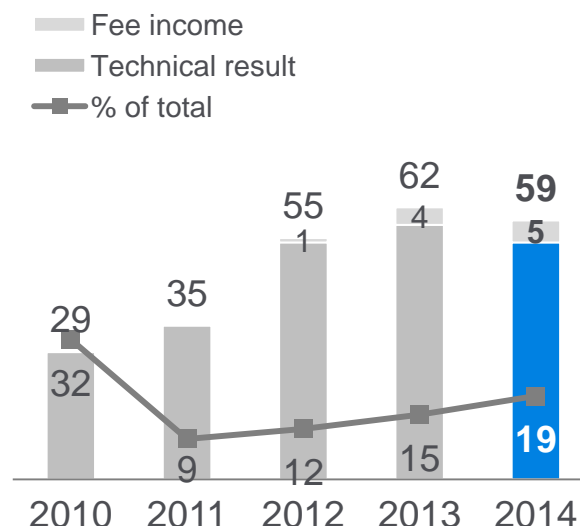
### Reinsurance Life Asia

€m

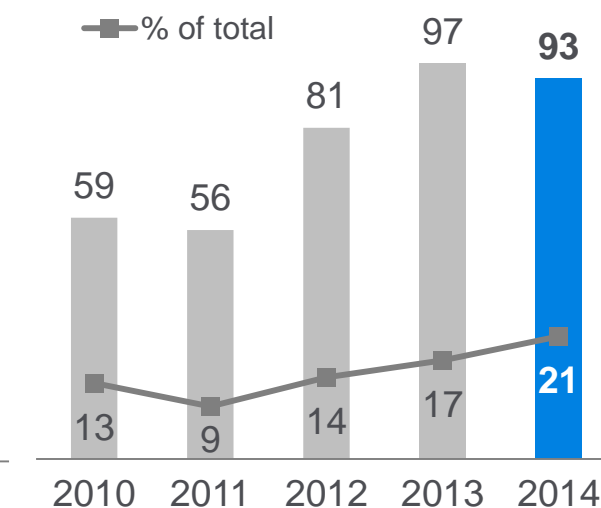
#### Gross premiums written



#### Technical result and fee income



#### VNB



### Portfolio development

- Sustained growth path
- Premium reduction from planned termination of solvency relief deals
- Customised market and client strategies
- Growth supported by our state-of-the-art automated underwriting solution (MRAS<sup>1</sup>)

### Expectations going forward

- Traditional reinsurance mainly driven by CI<sup>2</sup> products
- Demand for solvency relief and financing solutions remains high
- Increase in competition and pressure on prices
- Overall growth path is expected to flatten
- Underwriting discipline remains high

<sup>1</sup> Munich Re Automation Solutions Ltd. <sup>2</sup> Critical illness.

### 3 Longevity – Prudent development of portfolio

#### Longevity

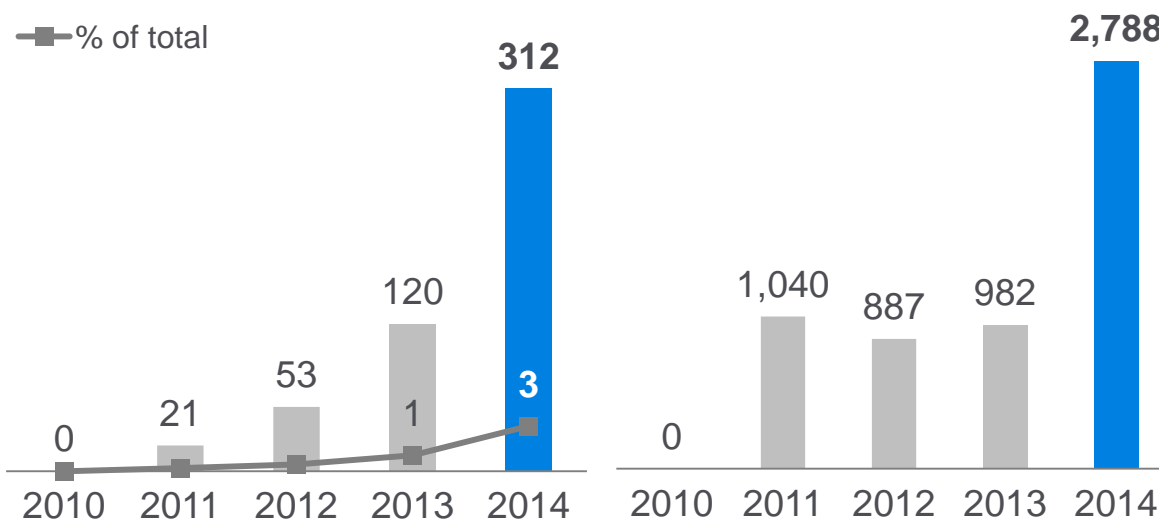
€m

##### Gross premiums written

##### Liabilities by deals

##### Portfolio composition

■ % of total



- Portfolio comprises longevity swaps in the UK market
- 1–2 transactions concluded per annum
- No significant VNB expectation
- Steep increase in 2014 reflects participation in the large AVIVA scheme

#### Strategic proposition

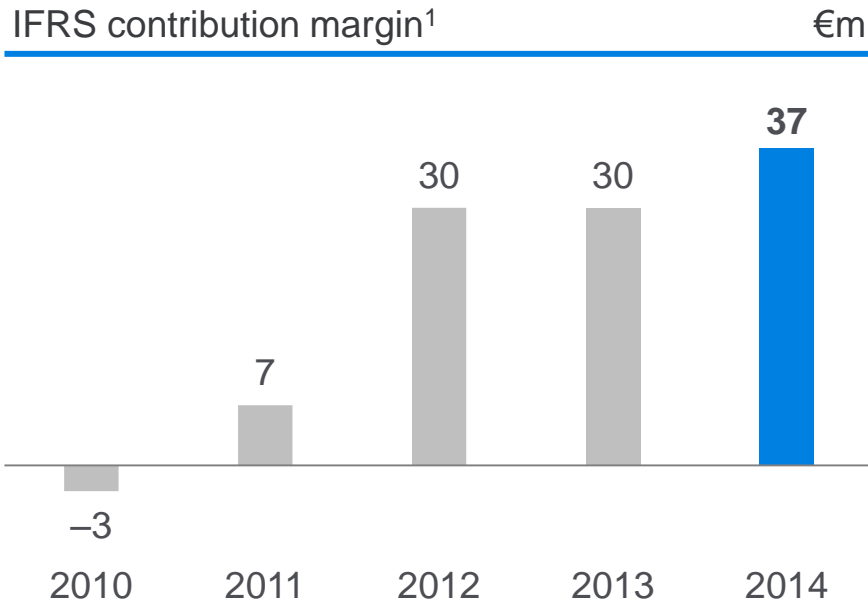
- Uncertainty around future mortality trend requires prudent approach in pricing and valuation
- Longevity considered to be primarily a risk management tool to balance mortality portfolio and to stabilise earnings

#### Expectations going forward

- Evolutionary development of portfolio within clearly defined risk tolerance
- Carefully investigate expansion into other markets
- High market potential but also significant pressure on prices

## 4 Financial Solutions / asset protection – Efficient solutions in changing market environments

### Financial Solutions / asset protection



### Strategic proposition

- Legal, regulatory and structuring expertise combined with fully functional hedging platform
- Increasing contribution to Reinsurance Life value creation

### Product portfolio

- Solutions to Basel III needs
- Solutions to Solvency II needs
- Resolve accounting asymmetry
- ALM solutions for smaller players
- Develop modern savings products

### Regional focus

- In-force: So far dominated by Asia/Japan
- Current opportunities: mainly in Europe
- Exploration of opportunities in North America

<sup>1</sup> Part of non-technical-result, before platform investment expenses of ~€50m.

## Australian disability

### Recap

- 2011: €150m pre-tax loss in individual disability
- 2013: €130m pre-tax losses, split almost equally between group and individual disability

### Status

- Comprehensive and systematic review of overall portfolio conducted (not limited to disability), including detailed review of valuation models and assumptions
- Implementation of a new valuation system
- Financial impact of above measures
  - IFRS: Roughly –€100m (Q4 2014)
  - MCEV: Main driver of negative assumption changes and other operating variance

### Outlook

- Increased confidence in reserving quality
- Improved basis to analyse the business
- Well-positioned to work with clients on rehabilitation of portfolio and profitable new business
- Group disability: continuing our prudent approach
- Individual disability: Careful re-pricing with a critical view to selective lapsation

## US mortality

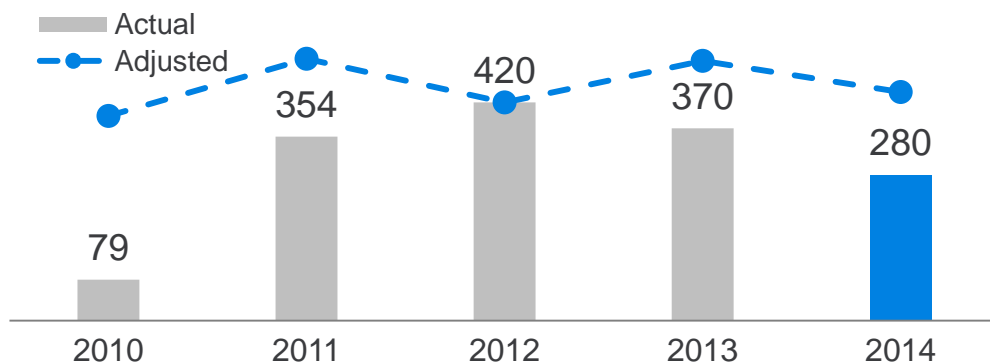
- 2013: Elevated mortality in older issue-age segment, business written pre-2009
- MCEV assumption change of –€300m

- Aggregate mortality experience in 2014 very close to expectation set at year-end 2013
- Mortality issues continue to persist, but did not worsen further in 2014
- No need to strengthen IFRS reserves due to sufficient buffers

- Continue to expect somewhat depressed IFRS results
- Limited duration of the risks in question
- New older issue-age business only around 1% of total new business
- Different underwriting and pricing requirements applied

## IFRS technical result

€m



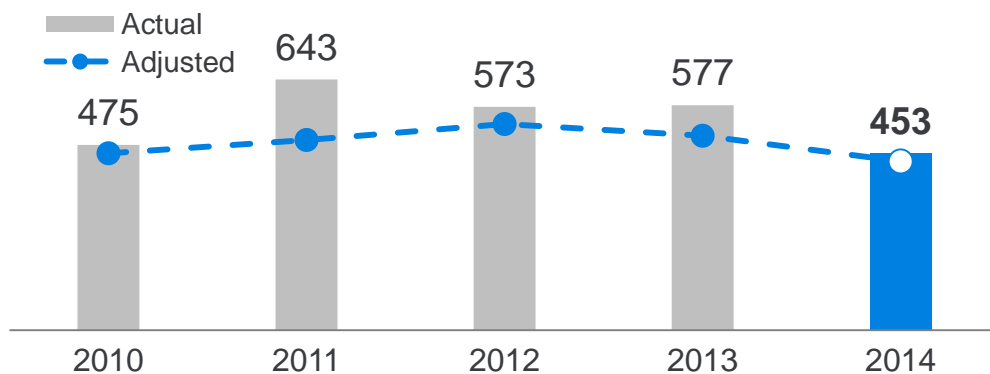
## Adjustments

- 2010: US long-term care
- 2011/13/14: Australian disability
- 2014: US recapture settlement

**Run-rate of ~€400m confirmed**

## MCEV VNB

€m



## Adjustments

- Peaks in value generation from FinMoRe

**Expectation of ~€450m confirmed**

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**Financial results**

VNB withstands market challenges – Selected Australian and US business segments lead to deteriorated IFRS result while majority of business performing as expected or better

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**Strategic positioning**

Very well positioned, both in large established markets and in dynamic growth segments – asset protection capabilities a key differentiator

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**Portfolio**

Clear overweight in overall stable mortality business – reliable contributions from FinMoRe, further careful development of living benefits and longevity and active portfolio management to address underperforming business

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**Outlook**

Development in established markets flat at best, while some growth expected from emerging markets – pressure on volumes and margins requires rigorous underwriting discipline, FinMoRe with ongoing good business potential

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Delivering strong capital returns

Nikolaus von Bomhard

Munich Re (Group)

Jörg Schneider

Risk management

Bernhard Kaufmann

ERGO

Torsten Oletzky

Reinsurance Property-casualty

Torsten Jeworrek

Reinsurance Life

Joachim Wenning

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**Backup**

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# Premium development

## Gross premiums written

€m

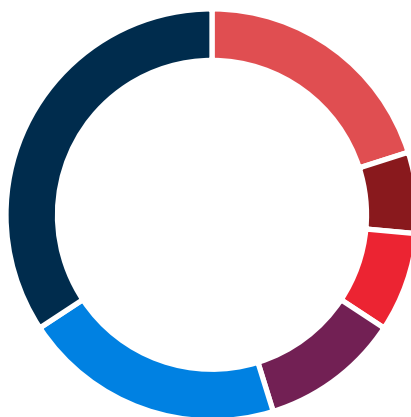
Q1–4 2013	51,060	
Foreign-exchange effects	–745	
Divestment/Investment	–702	
Organic change	–765	
Q1–4 2014	48,848	

## Segmental breakdown

€m

Reinsurance Property-casualty  
**16,730 (34%)** (▲ –1.7%)

Reinsurance Life  
**10,040 (21%)** (▲ –7.3%)



ERGO Life/Health Germany  
**9,812 (20%)** (▲ –1.8%)

ERGO Property-casualty Germany  
**3,115 (6%)** (▲ –1.8%)

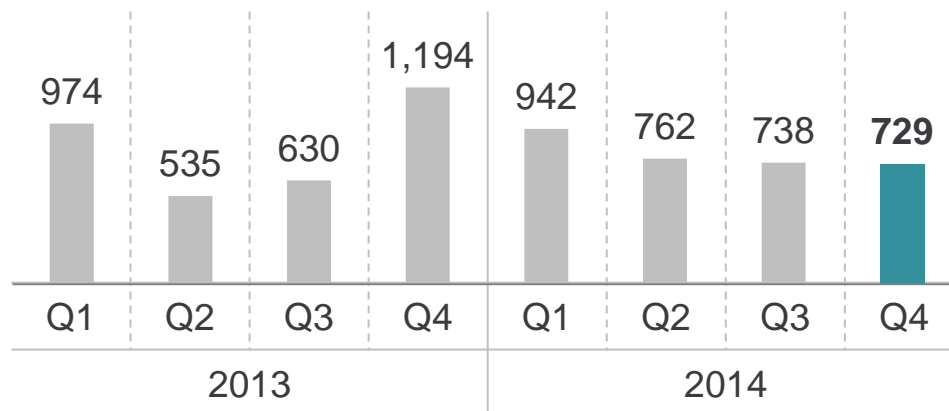
ERGO International  
**3,809 (8%)** (▲ 8.6%)

Munich Health  
**5,342 (11%)** (▲ –18.5%)

# Net result

## Net result

€m



	Q1–4 2014	Q1–4 2013
<b>Total<sup>1</sup></b>	<b>3,171</b>	<b>3,333</b>
Reinsurance	2,893	2,775
ERGO	169	408
Munich Health	109	150

## Technical result

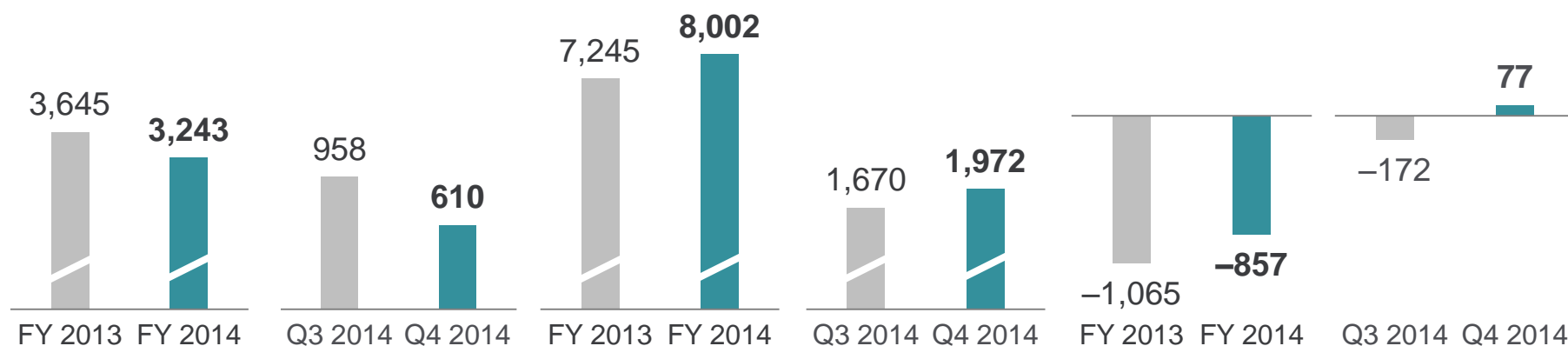
€m

## Investment result

€m

## Other<sup>2</sup>

€m



<sup>1</sup> Segments do not add up to total amount; difference relates to the segment "asset management".

<sup>2</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.

# Reconciliation of operating to net result

Reconciliation of operating to net result		€m
	Q1–4	Q4
<b>Operating result</b>	<b>4,028</b>	652
Other non-operating result	–496	–30
Goodwill impairments <sup>1</sup>	–445	–445
Net finance costs	–228	–58
Taxes	312	610
<b>Net result</b>	<b>3,171</b>	729

Other non-operating result	€m	
	Q1–4	Q4
Foreign exchange	–135	157
Restructuring charges	–72	–53
Other	–289	–134

Tax rates	%	
	Q1–4	Q4
<b>Group</b>	<b>–10.9</b>	<b>–512.6</b>
Reinsurance	2.1	–8.8
ERGO	180.9	68.0
Munich Health	4.4	–75.0

<sup>1</sup> Incl. €5m for the Baltic.

# Strong IFRS capital position

Equity	€m	
Equity 31.12.2013	26,188	Change Q4
Consolidated result	3,171	729
<b>Changes</b>		
Dividend	–1,254	0
Unrealised gains/losses	2,661	683
Exchange rates	1,428	317
Share buy-backs	–1,392	–270
Other	–498	–414
<b>Equity 31.12.2014</b>	<b>30,304</b>	<b>1,045</b>

## UNREALISED GAINS/LOSSES

Fixed-interest securities

Q1–4: +€2,511m

Q4: +€628m

Non-fixed-interest securities

Q1–4: +€150m

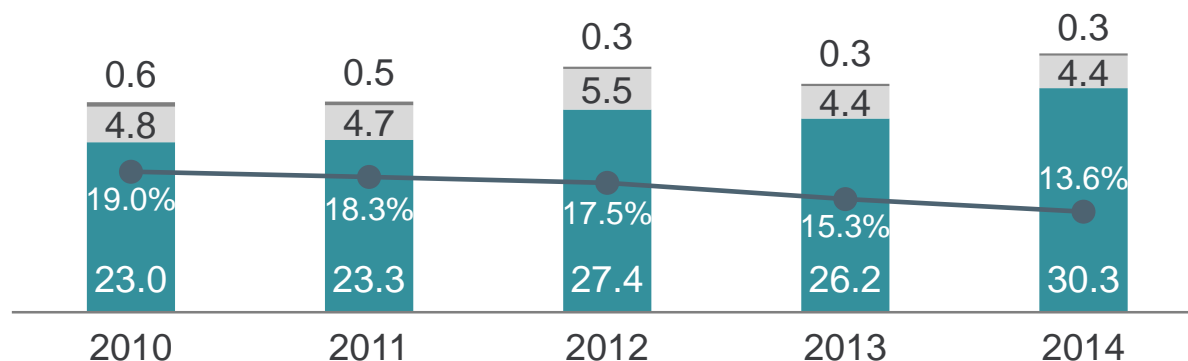
Q4: +€62m

## EXCHANGE RATES

Positive FX contribution  
mainly driven by US\$

## Capitalisation

€bn



<sup>1</sup> Other debt includes bank borrowings of Munich Re and other strategic debt.

<sup>2</sup> Strategic debt (senior, subordinated and other debt) divided by total capital (strategic debt + equity).

# ERGO – Premium development

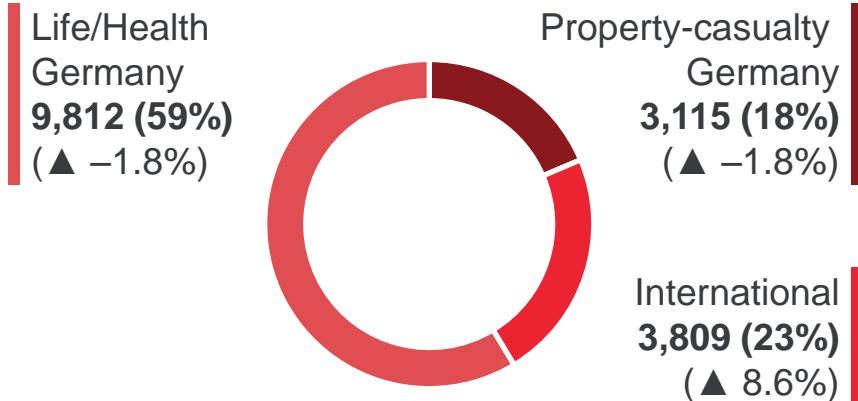
## Gross premiums written €m

Q1–4 2013	16,667	
Foreign-exchange effects	–50	
Divestments/Investments	15	
Organic change	104	
<b>Q1–4 2014</b>	<b>16,736</b>	

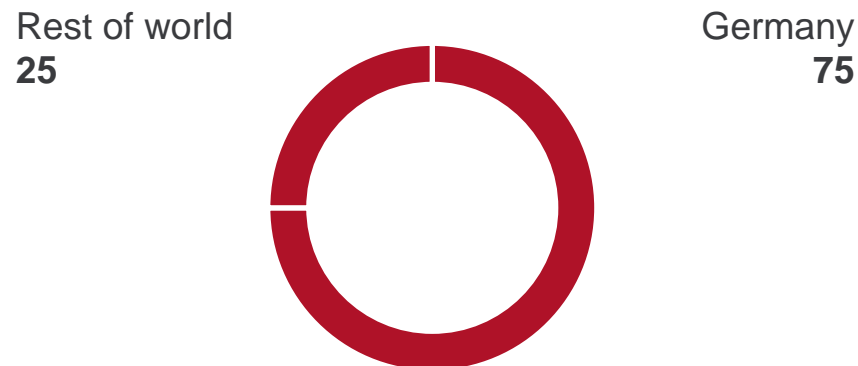
## Gross premiums written €m

Q1–4 2013	16,667	
Life/Health Germany	–175	
Property-casualty Germany	–57	
International	301	
<b>Q1–4 2014</b>	<b>16,736</b>	

## Segmental breakdown €m



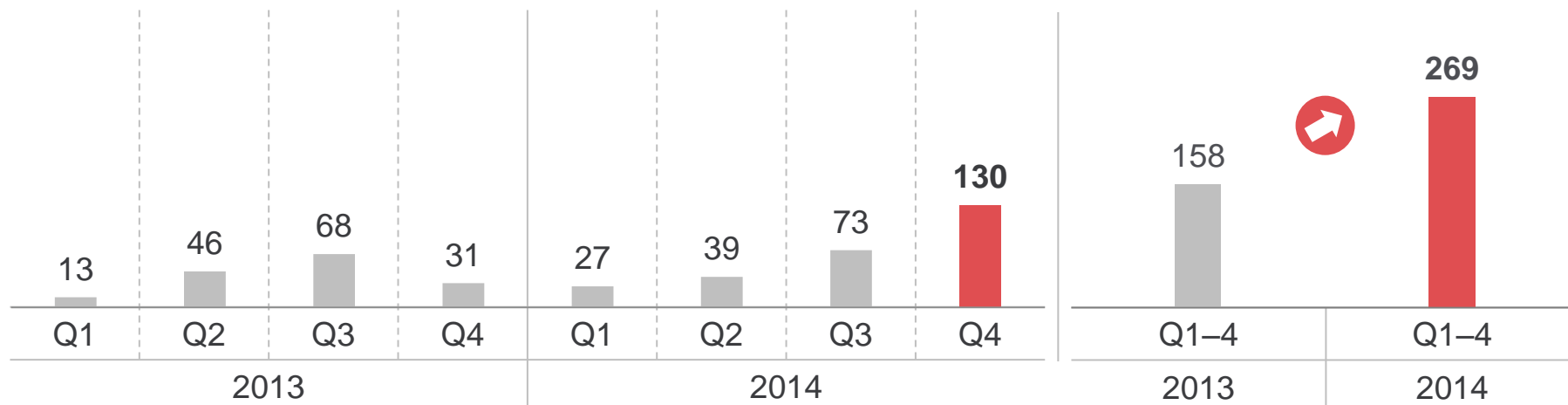
## Regional breakdown %



# ERGO Life/Health Germany – Key figures

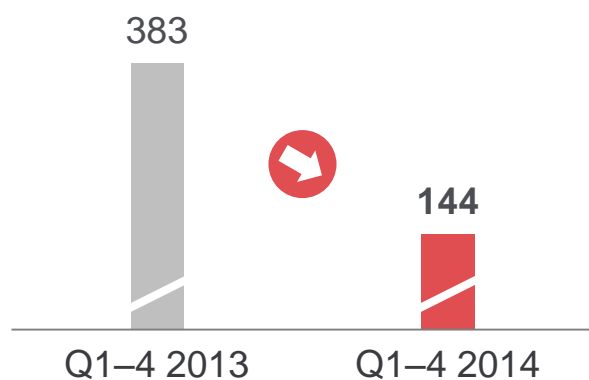
## Net result

€m



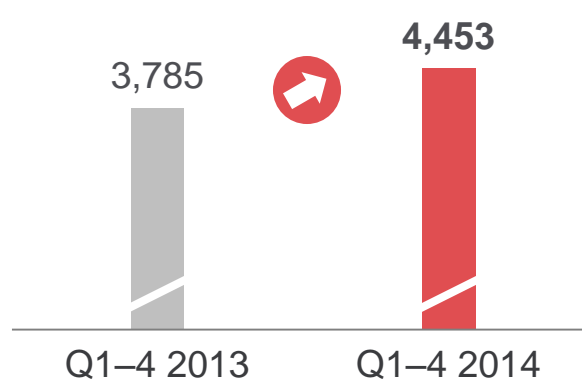
## Technical result

€m



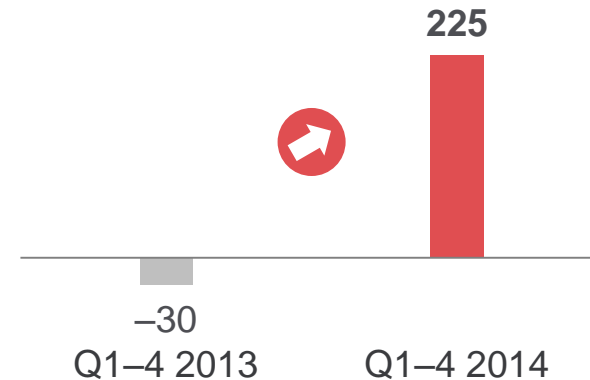
## Investment result

€m



## Other<sup>1</sup>

€m



<sup>1</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.

# Germany: Total premiums and new business incl. direct business (statutory premiums)

Total premiums €m	Q1–4 2014	Q1–4 2013	Δ abs.	Δ %
Gross premiums written	4,005	4,178	–173	–4.1
Statutory premiums	918	994	–76	–7.7
<b>Total premiums</b>	<b>4,923</b>	<b>5,172</b>	<b>–249</b>	<b>–4.8</b>

New business €m	Q1–4 2014	Q1–4 2013	Δ abs.	Δ %
<b>New business</b>	<b>1,215</b>	<b>1,281</b>	<b>–66</b>	<b>–5.2</b>
Regular premiums	236	269	–33	–12.3
Single premiums	979	1,012	–33	–3.3
<b>Annual premium equivalent (APE)<sup>1</sup></b>	<b>334</b>	<b>370</b>	<b>–36</b>	<b>–9.7</b>

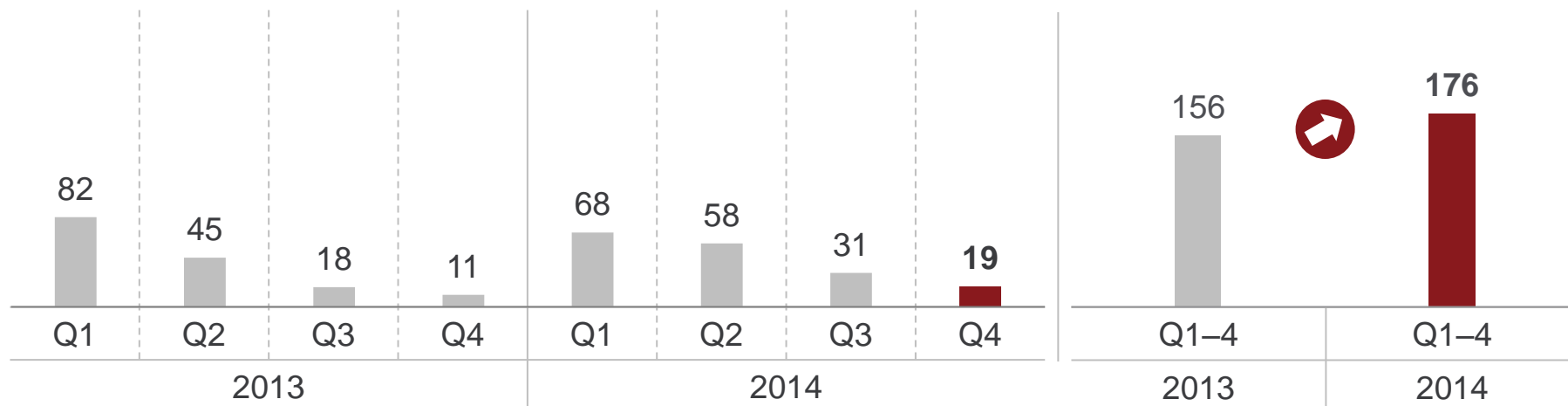
<sup>1</sup> Annual premium equivalent (APE = regular premiums +10% single premiums).

<sup>2</sup> APE, only third-layer private provision and tied-agent organisations.

# ERGO Property-casualty Germany – Key figures

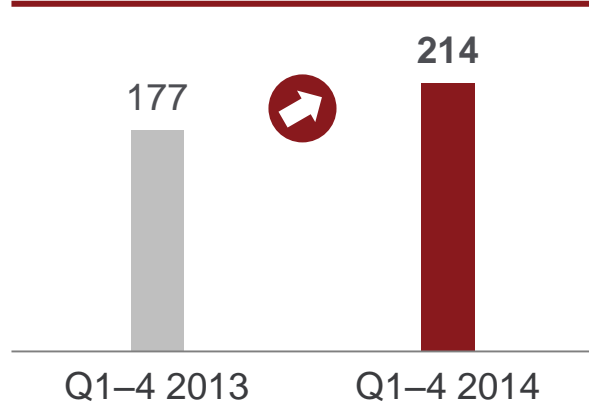
## Net result

€m



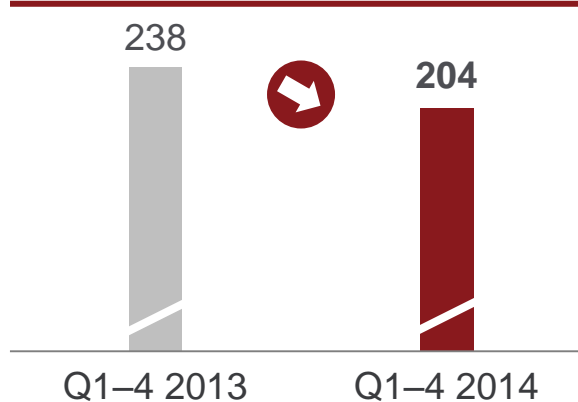
## Technical result

€m



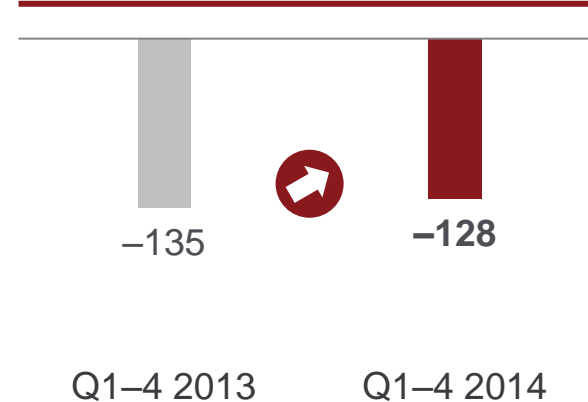
## Investment result

€m



## Other<sup>1</sup>

€m

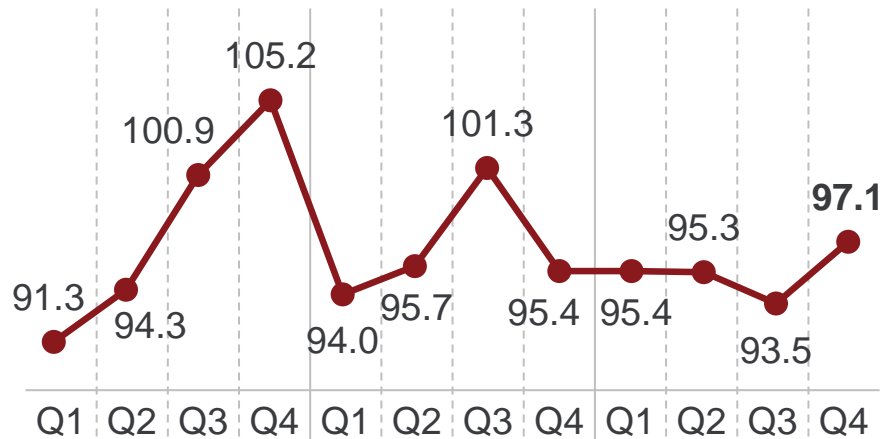


<sup>1</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.

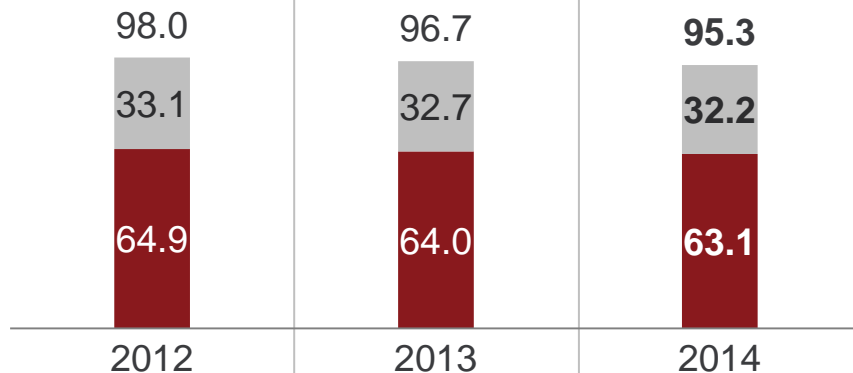
# ERGO Property-casualty Germany

Combined ratio

%



■ Expense ratio  
■ Loss ratio



Gross premiums written

€m

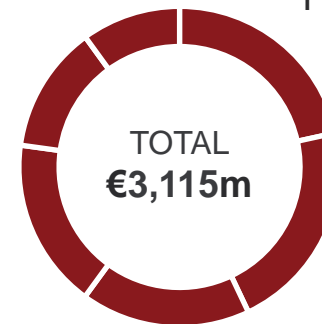
Other  
311

Legal  
protection  
400

Liability  
534

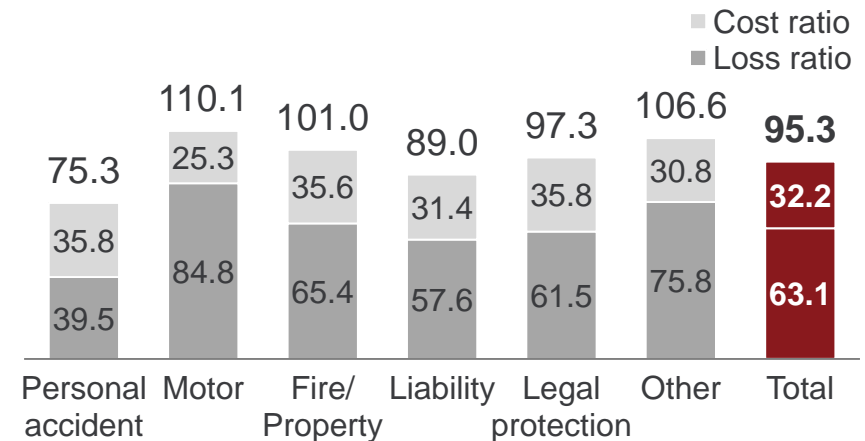
Personal accident  
672

Motor  
666

Fire/Property  
532


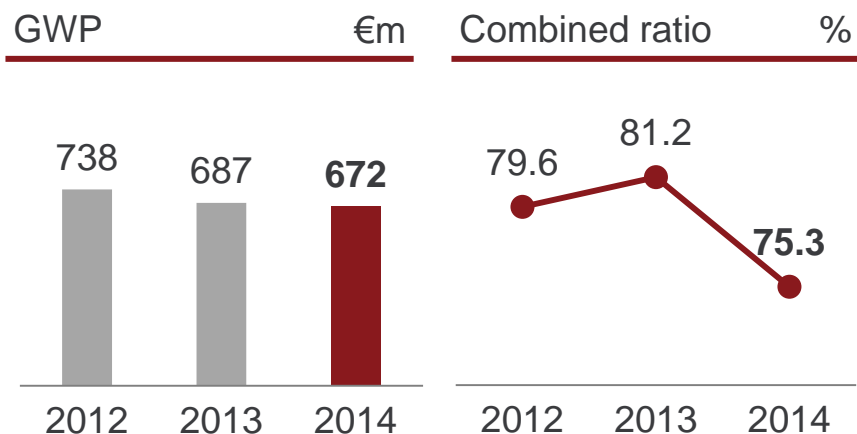
Combined ratio

%

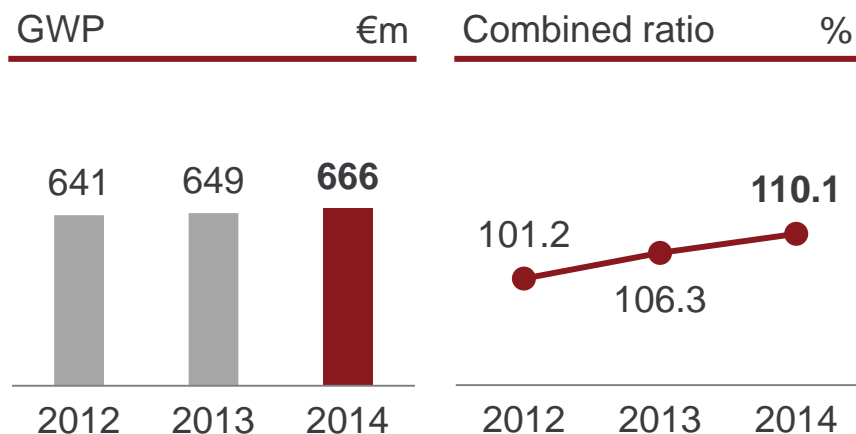


# ERGO Property-casualty Germany

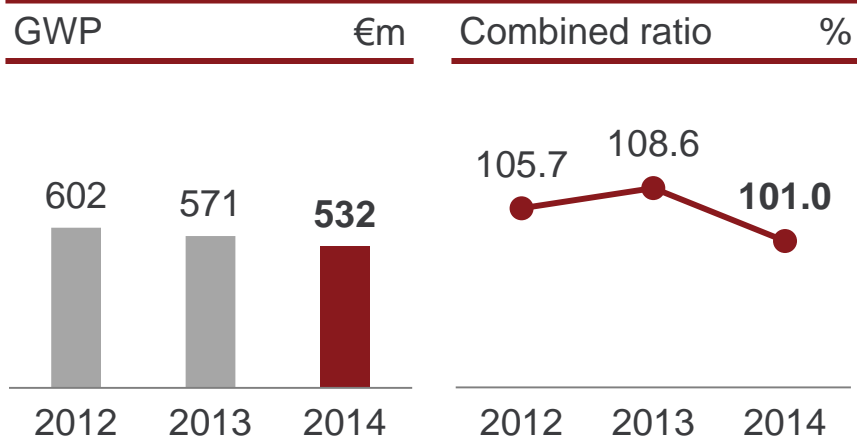
## Personal accident



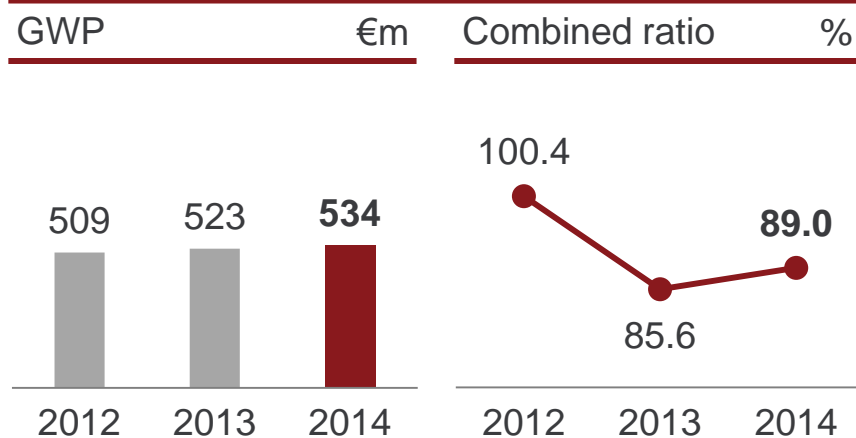
## Motor



## Fire/Property



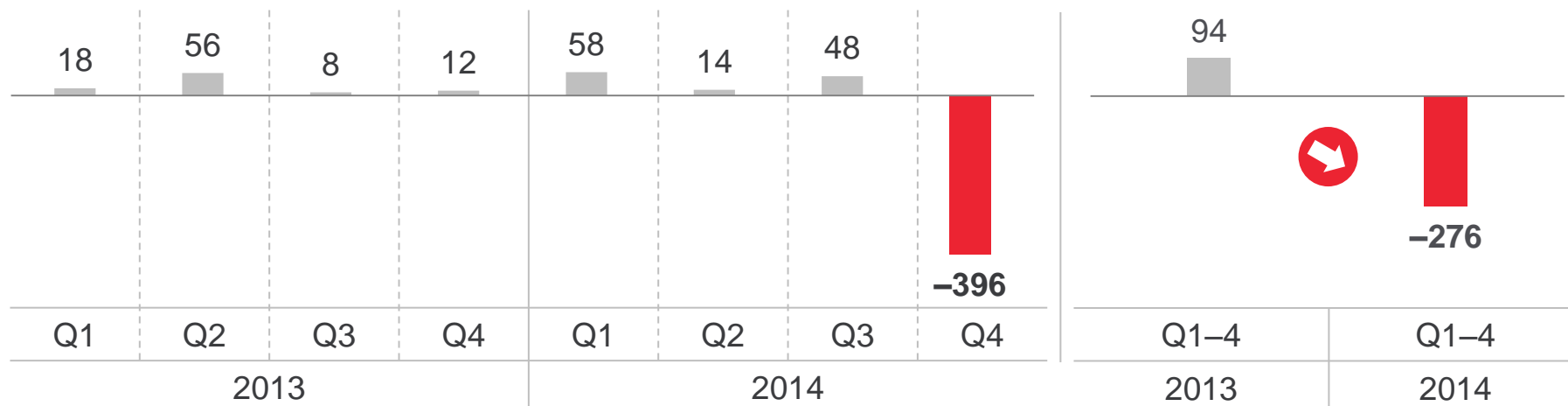
## Liability



# ERGO International – Key figures

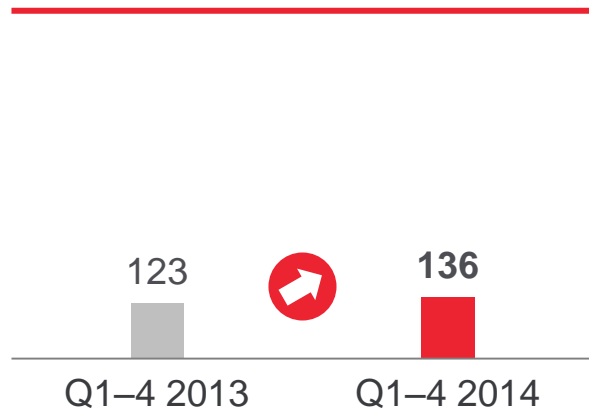
## Net result

€m



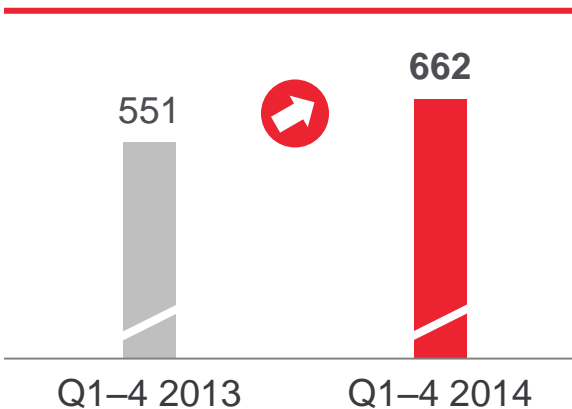
## Technical result

€m



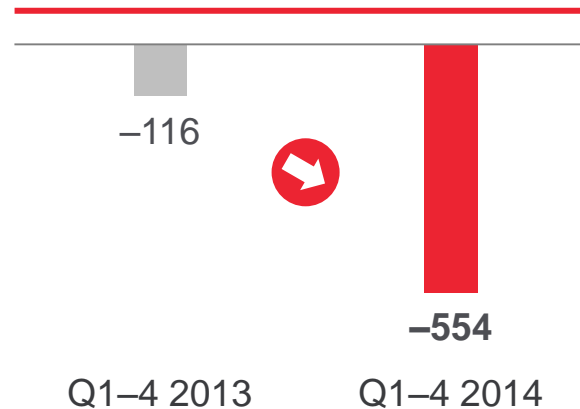
## Investment result

€m



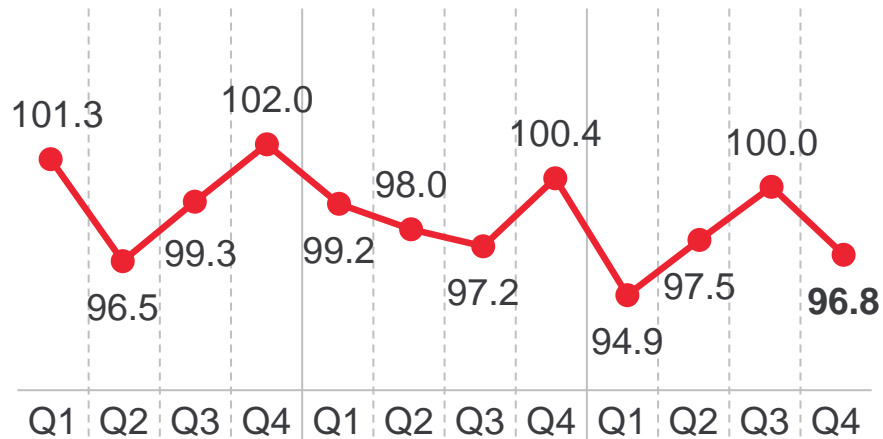
## Other<sup>1</sup>

€m

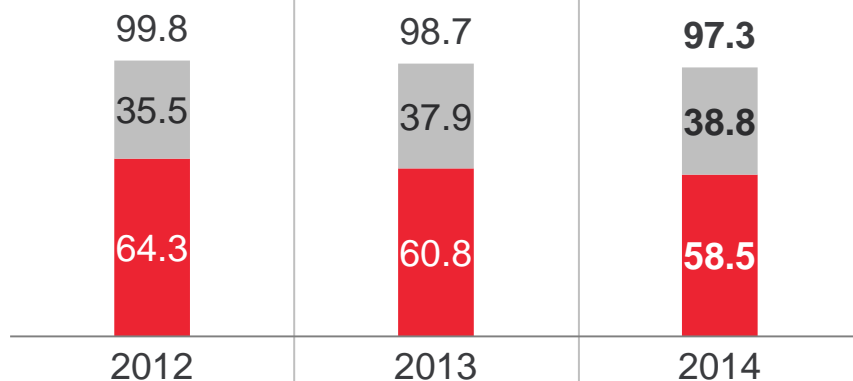

<sup>1</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.

## ERGO International property-casualty

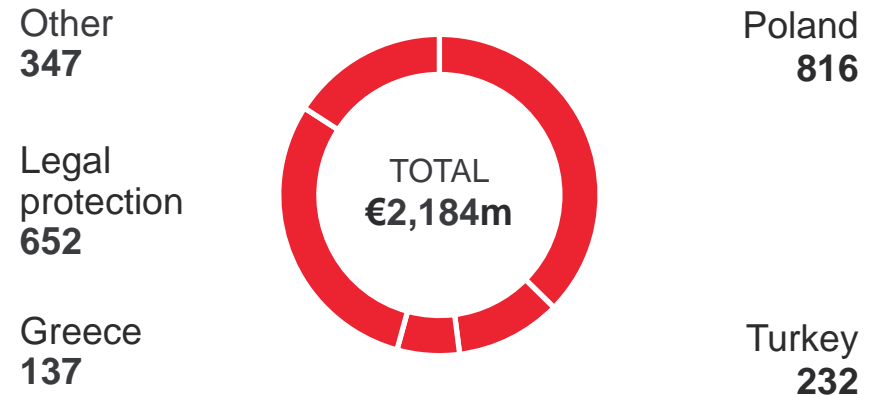
## Combined ratio %



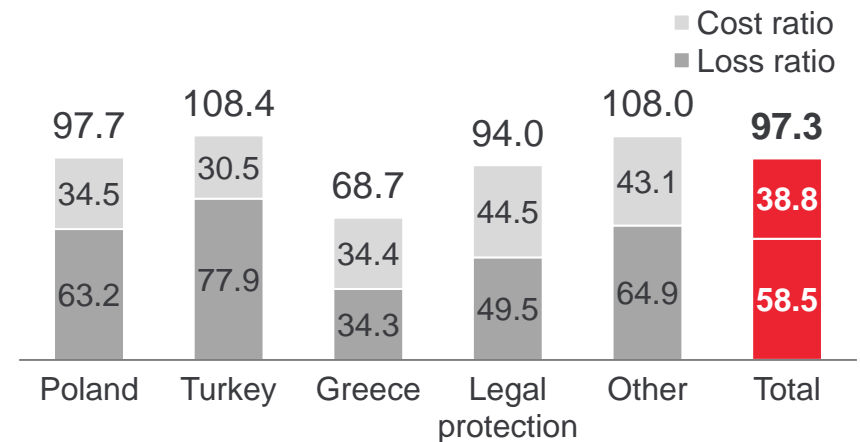
■ Expense ratio  
■ Loss ratio



## Gross premiums written €m

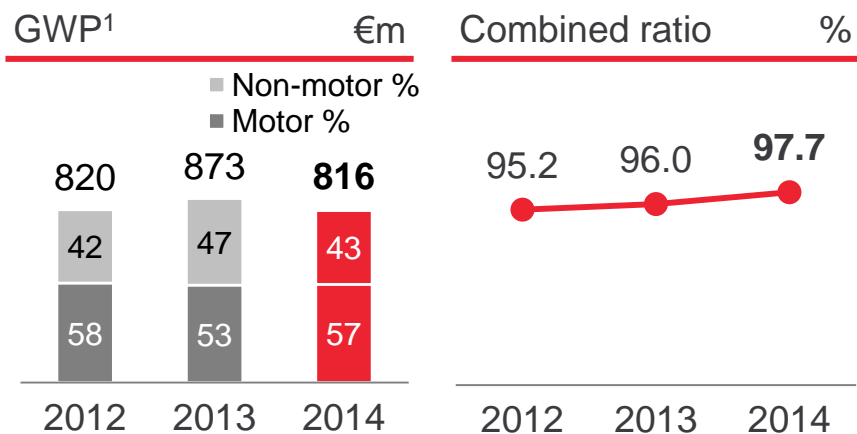


## Combined ratio %

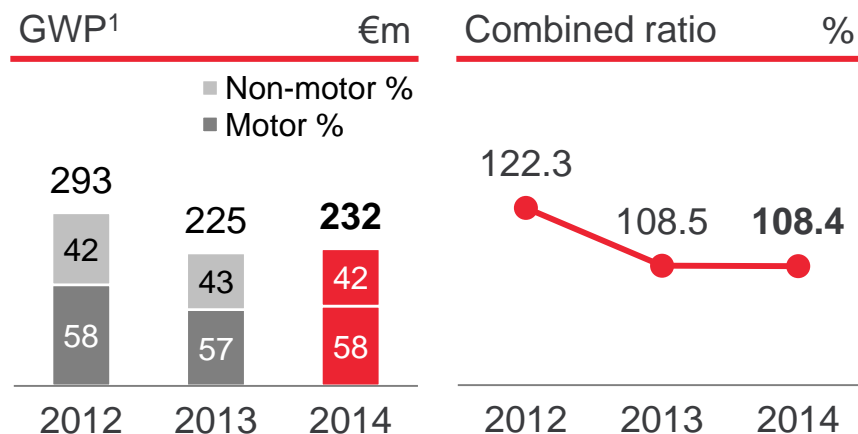


## ERGO International property-casualty

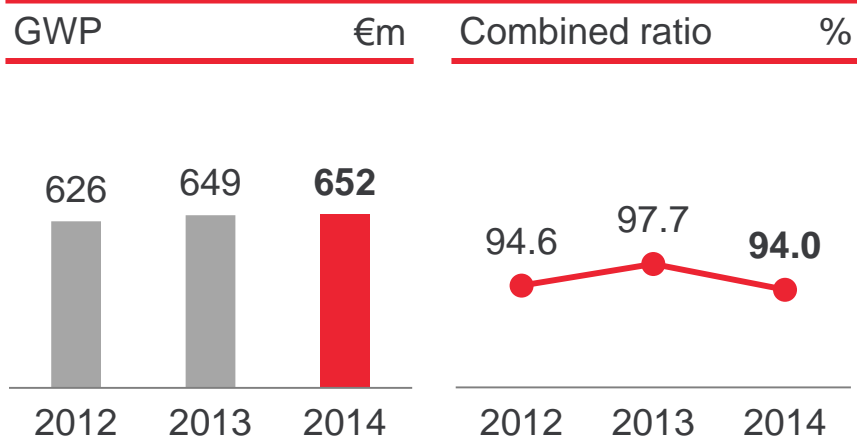
## Poland



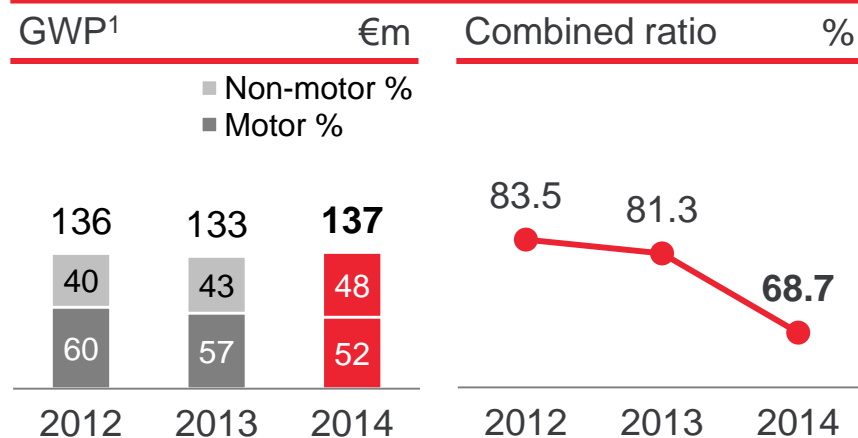
## Turkey



## Legal protection



## Greece

<sup>1</sup> Excl. legal protection.

# International life: Total premiums and new business (statutory premiums)

Total premiums €m	Q1–4 2014	Q1–4 2013	Δ abs.	Δ %
Gross premiums written	1,625	1,310	315	24.0
Statutory premiums	404	368	36	9.8
<b>Total premiums</b>	<b>2,029</b>	<b>1,678</b>	<b>351</b>	<b>20.9</b>

New business €m	Q1–4 2014	Q1–4 2013	Δ abs.	Δ %
<b>New business</b>	<b>1,051</b>	<b>655</b>	<b>396</b>	<b>+60.5</b>
Regular premiums	194	173	21	+12.1
Single premiums	857	482	375	+77.8
<b>Annual premium equivalent (APE)<sup>1</sup></b>	<b>280</b>	<b>221</b>	<b>59</b>	<b>+26.7</b>

<sup>1</sup> Annual premium equivalent (APE = regular premiums +10% single premiums).

<sup>2</sup> APE, only third-layer private provision and tied-agent organisations.


# Munich Health – Premium development

## Gross premiums written €m

Q1–4 2013 6,551 

Foreign-exchange effects –195 


Divestments/Investments –717 


Organic change –297 

**Q1–4 2014 5,342** 

## Gross premiums written €m

Q1–4 2013 6,551 

Reinsurance –559 

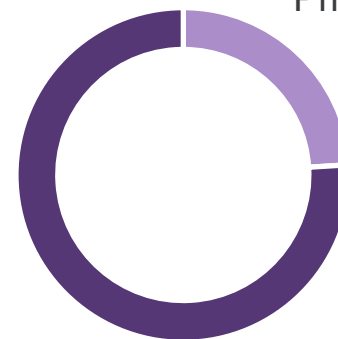
Primary insurance –650 

**Q1–4 2014 5,342** 

## Segmental breakdown €m

Reinsurance **4,059 (76%)**  
(▲ –12.1%)

Primary insurance **1,283 (24%)**  
(▲ –33.6%)



## Regional breakdown %

Asia and  
Australasia  
2

North  
America  
55

Africa,  
Near and  
Middle East  
7

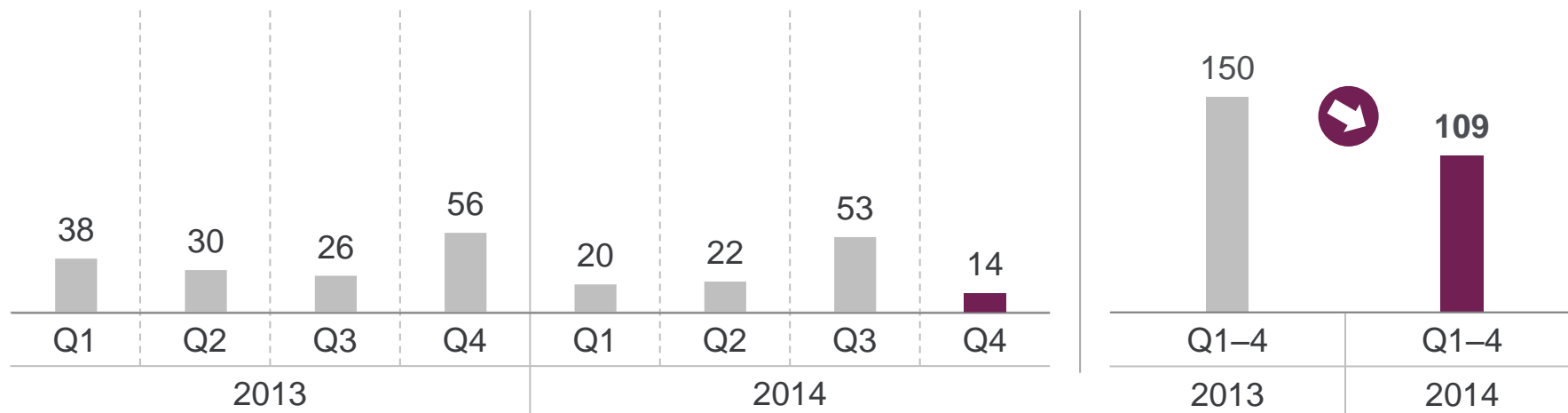
Europe  
36



## Munich Health – Key figures

## Net result

€m



## Technical result

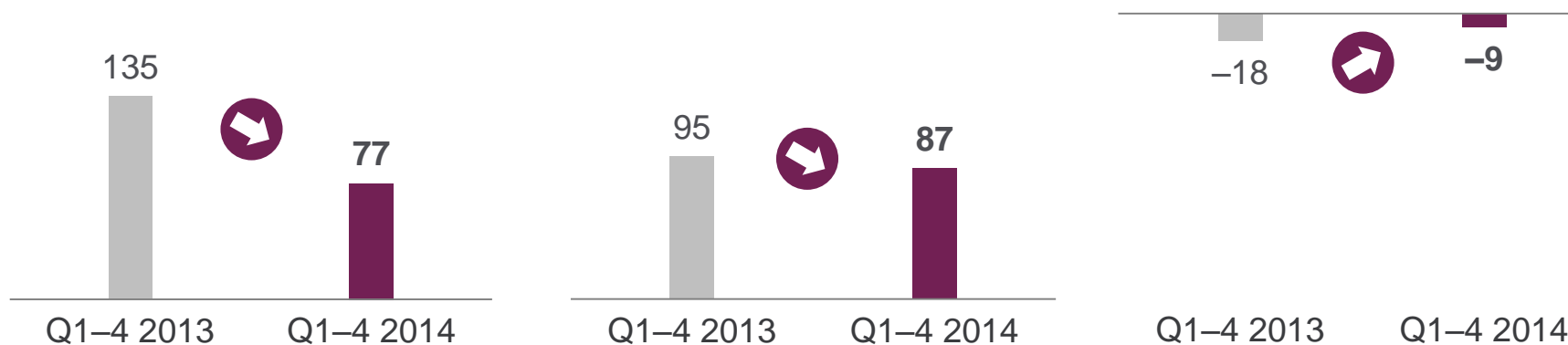
€m

## Investment result

€m





Other<sup>1</sup>

€m





<sup>1</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.

# Reinsurance – Premium development

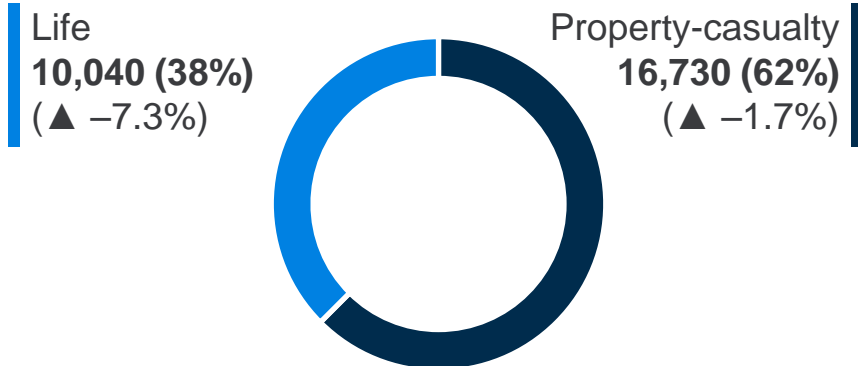
## Gross premiums written €m

Q1–4 2013	27,842	
Foreign-exchange effects	–500	
Divestments/Investments	0	
Organic change	–572	
<b>Q1–4 2014</b>	<b>26,770</b>	

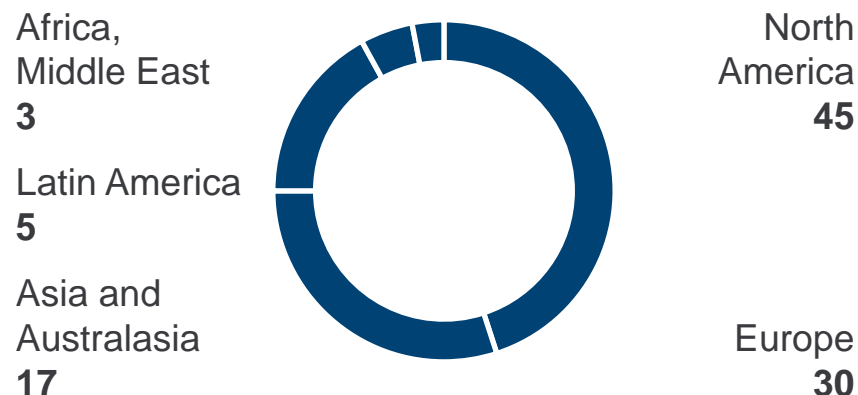
## Gross premiums written €m

Q1–4 2013	27,842	
Life	–789	
Property-casualty	–283	
<b>Q1–4 2014</b>	<b>26,770</b>	

## Segmental breakdown €m



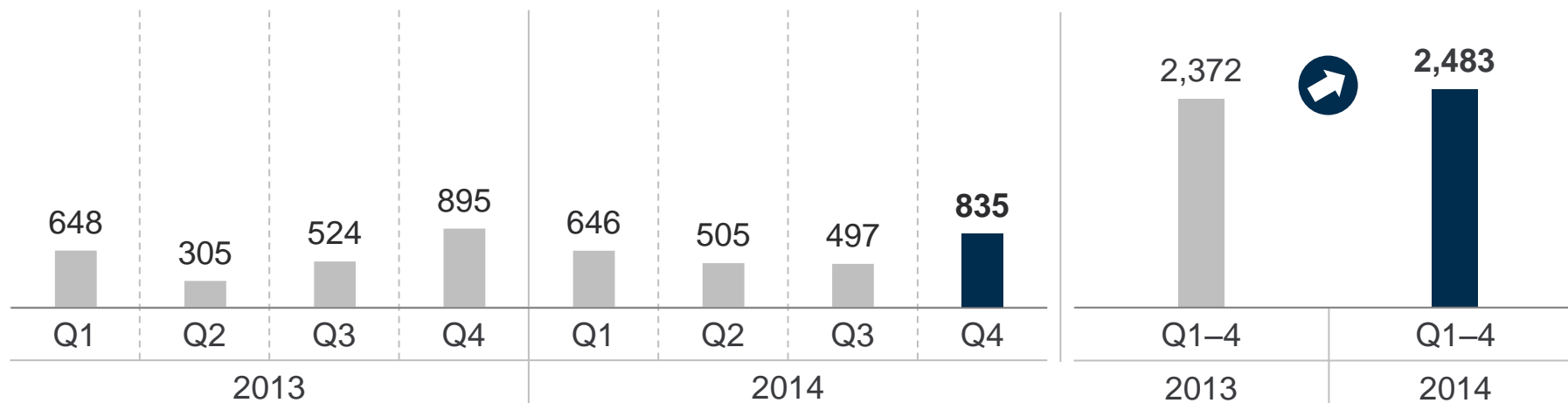
## Regional breakdown %



# Reinsurance Property-casualty – Key figures

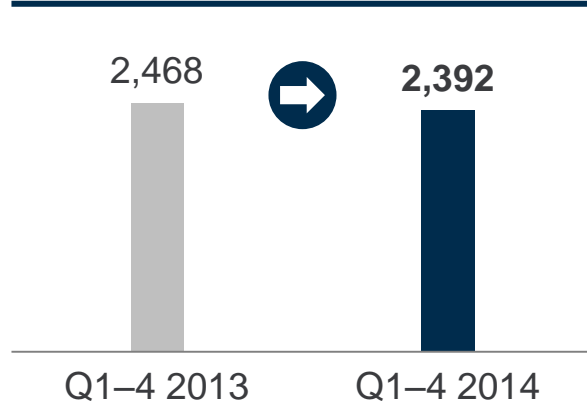
## Net result

€m



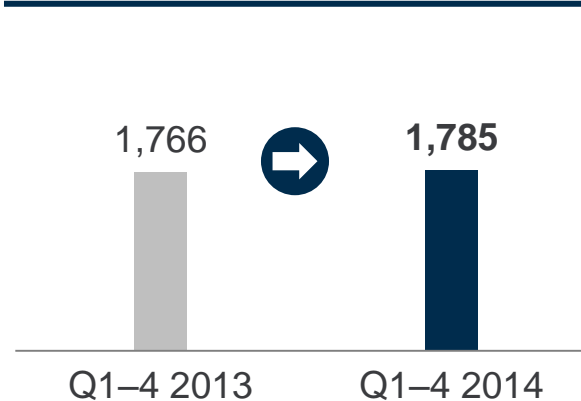
## Technical result

€m



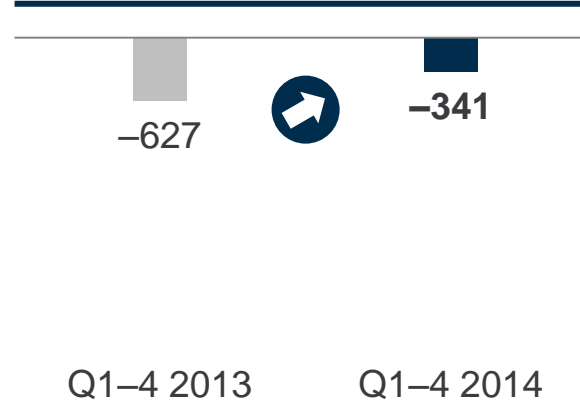
## Investment result

€m



## Other<sup>1</sup>

€m


<sup>1</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.

# Reinsurance Property-casualty – Combined ratio

## Combined ratio

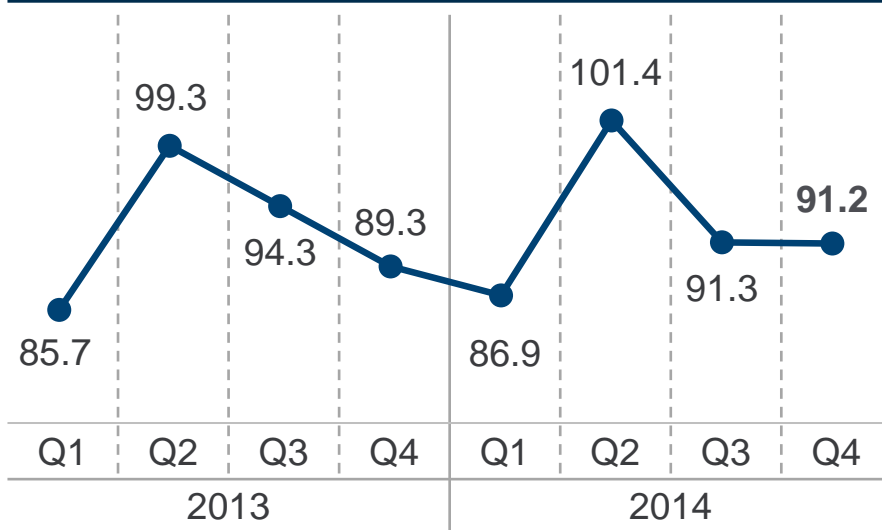
%

■ Basic losses ■ Nat cat losses ■ Man-made losses ■ Expense ratio

2012	91.0	50.2	7.7	3.1	30.0
2013	92.1	51.3	4.7	5.7	30.4
2014	92.7	53.0	3.3	3.9	32.5
Q4 2014	91.2	46.4	2.7	3.4	38.7

## Combined ratio

%



## Major losses 2014

%

	Total	Nat cat	Man-made
2014	7.2	3.3	3.9
Q4 2014	6.1	2.7	3.4
Avg. annual expectation	~12.0	~8.5	~3.5

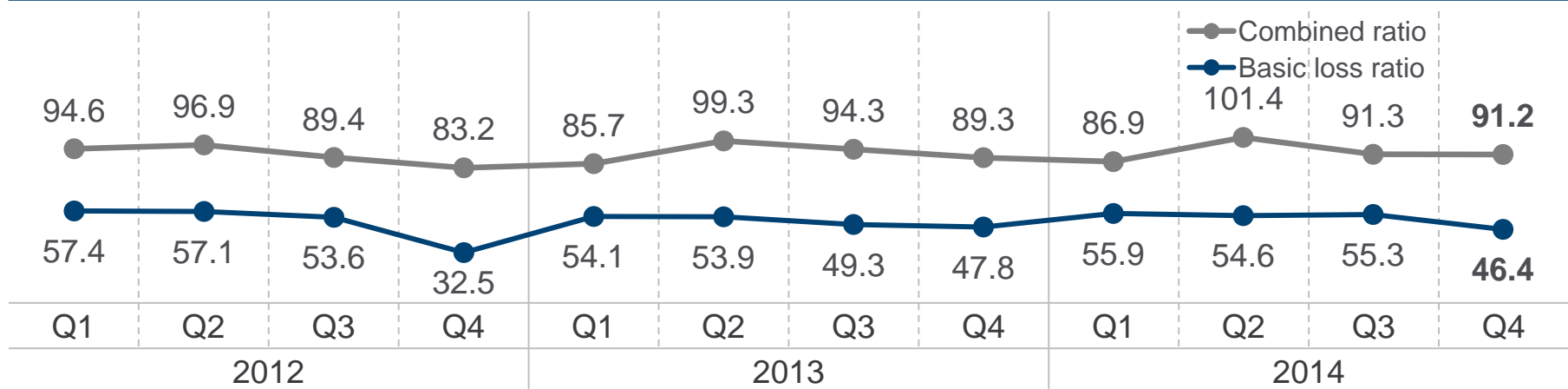
Reserve releases basic losses <sup>1</sup>	€bn	%-points
2014	~1.1	6.9
Q4 2014	~0.6	15.4

<sup>1</sup> Balance of releases (mainly fire, motor, liability and marine) and increases (agriculture and personal accident)  
Adjusted for commission effects: Q1–4 2014 ~€0.9bn/5.3%-pts; Q4 2014: ~€0.4bn/9.1%-pts.

# Development of combined ratio

Combined ratio vs. basic losses

%



Nat cat vs. man-made

%

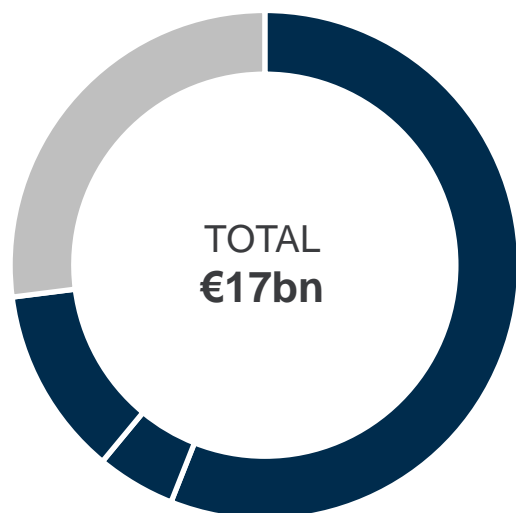


# January renewals – Regional focus on Europe

## Total property-casualty book<sup>1</sup> %

Remaining business  
**26**

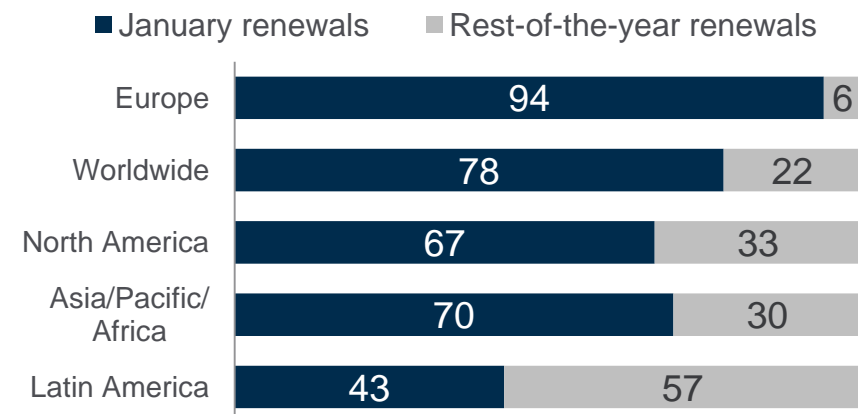
Business up for January renewals<sup>2</sup>  
**57**



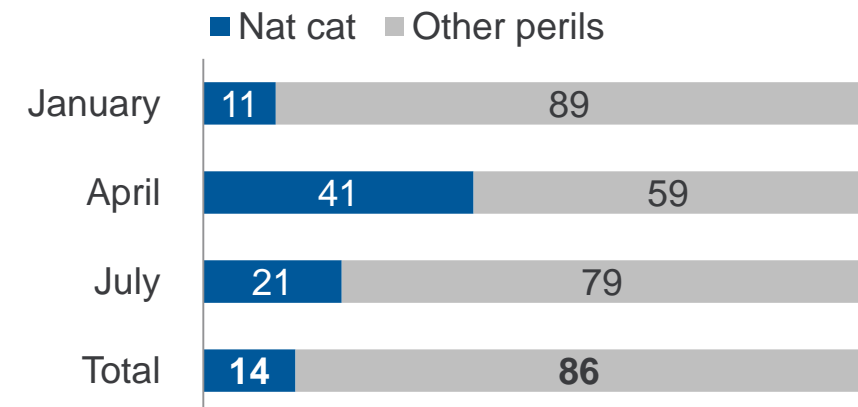
Business up for July renewals  
**12**

Business up for April renewals  
**5**

## Regional allocation of renewable portfolio %



## Nat cat shares of renewable portfolio %

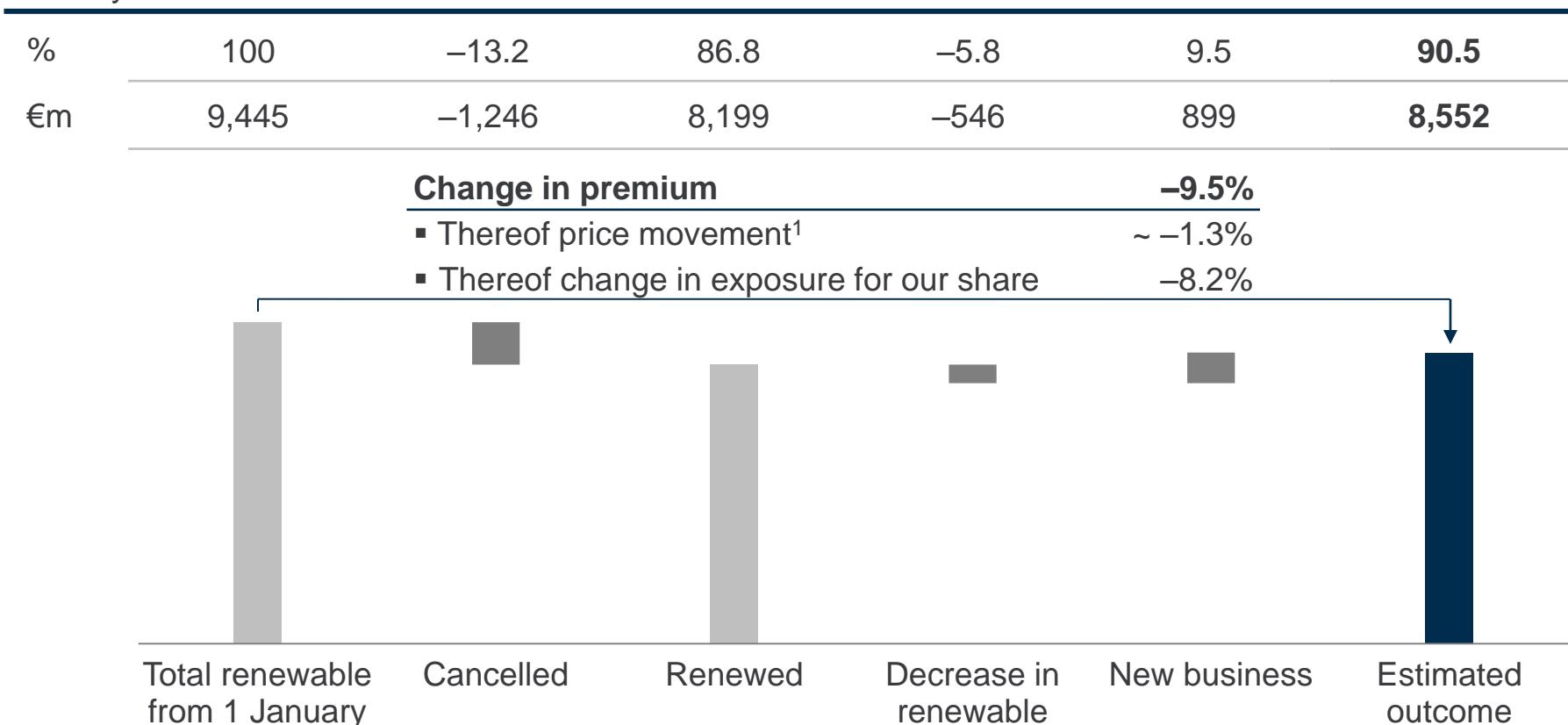


<sup>1</sup> Gross premiums written. Economic view – not fully comparable with IFRS figures.

<sup>2</sup> Including Risk Solutions business (11% of January renewal).

# Consistent cycle management leads to top-line reduction – Portfolio profitability remains sound

## January renewals 2015



**Ongoing strict bottom-line orientation to maintain portfolio quality in a competitive market environment**

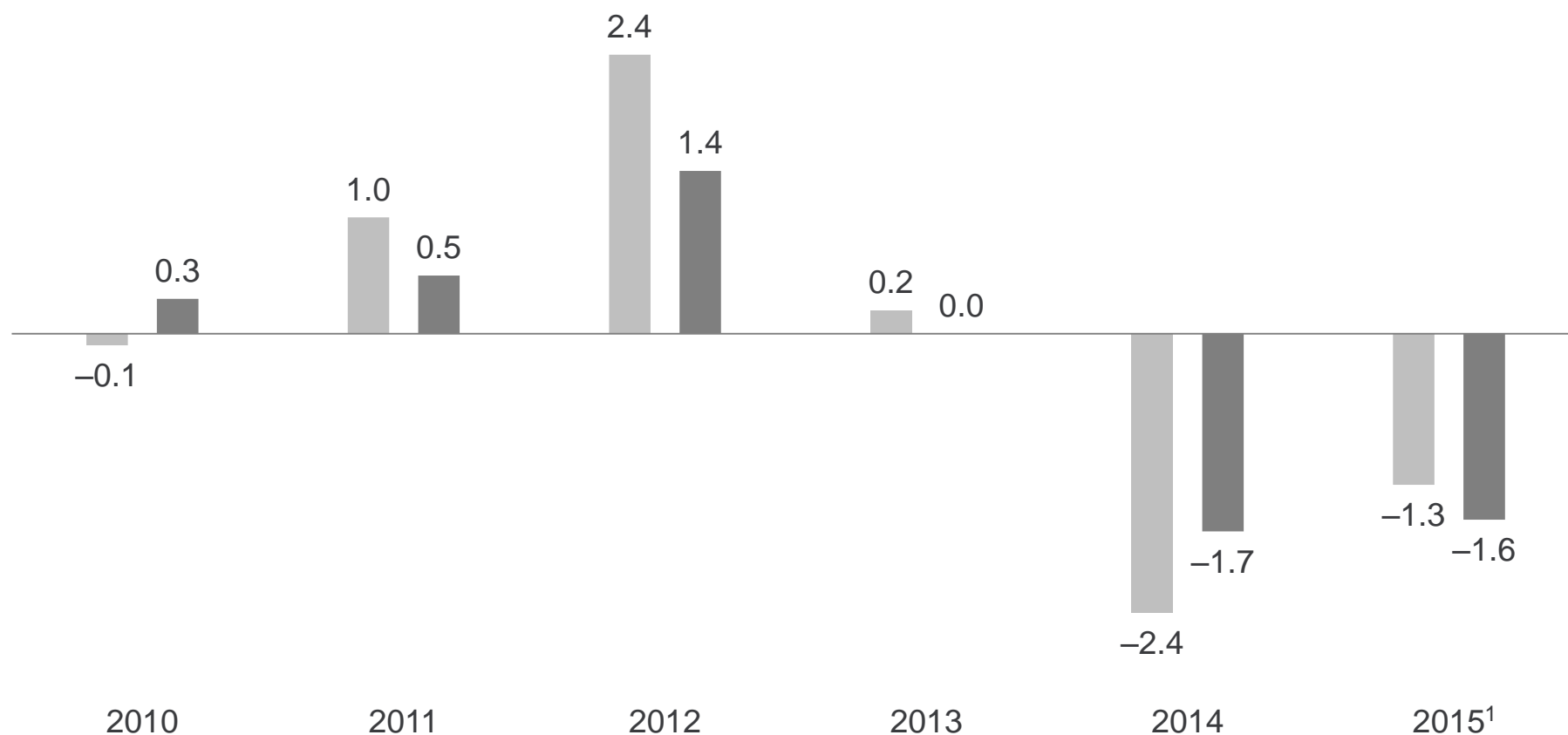
<sup>1</sup> Price movement is calculated on a wing-to-wing basis (including cancelled and new business) and risk-adjusted (including claims inflation/loss trend and portfolio mix effects).

# Renewal results

## Year-to-date price change 2010–2015

%

■ Nominal ■ Adjusted for interest-rate changes

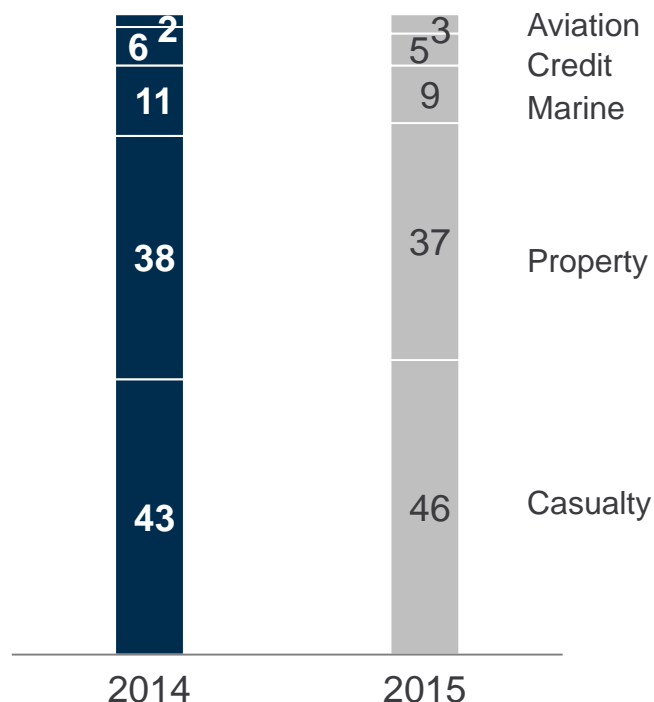


<sup>1</sup> January renewals.

# January renewals 2015 – Split by line of business and region

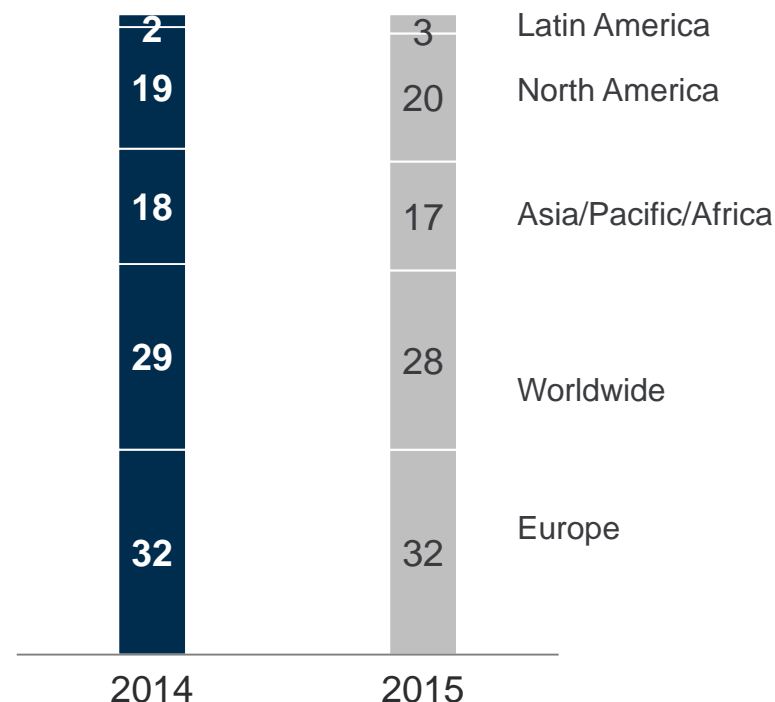
Split by line of business

%






Split by region

%



**Share of casualty business increases, while regional allocation is relatively stable overall**

# Response to benign emergence of basic losses in line with considered judgement

Actual vs. expected	Changes in projection	Business rationale
Property		<b>Favourable actual vs. expected judged as credible</b> <ul style="list-style-type: none"> <li>▪ Positive actual vs. expected indications</li> <li>▪ Short-tail lines develop relatively quickly</li> <li>▪ Releases driven by fire with some caution exercised on contract year 2013 (mainly agricultural business)</li> </ul>
Specialty <sup>1</sup>		<b>Favourable actual vs. expected led to reserve releases</b> <ul style="list-style-type: none"> <li>▪ Favourable indications across all lines</li> <li>▪ Reserve releases primarily in marine and credit, following benign loss emergence</li> </ul>
Casualty		<b>Relatively small reserve release</b> <ul style="list-style-type: none"> <li>▪ Favourable indications across all lines</li> <li>▪ Releases<sup>2</sup> mainly in third-party liability and a cautious stance in contract year 2013 regarding some motor segments</li> </ul>

<sup>1</sup> Aviation, credit and marine.

<sup>2</sup> Reserve releases shown are adjusted for commission effects (mainly sliding scales in motor).

# Asbestos and environmental survival ratio 31 December 2014

Munich Re (Group) – Net definitive as at 31 December 2014

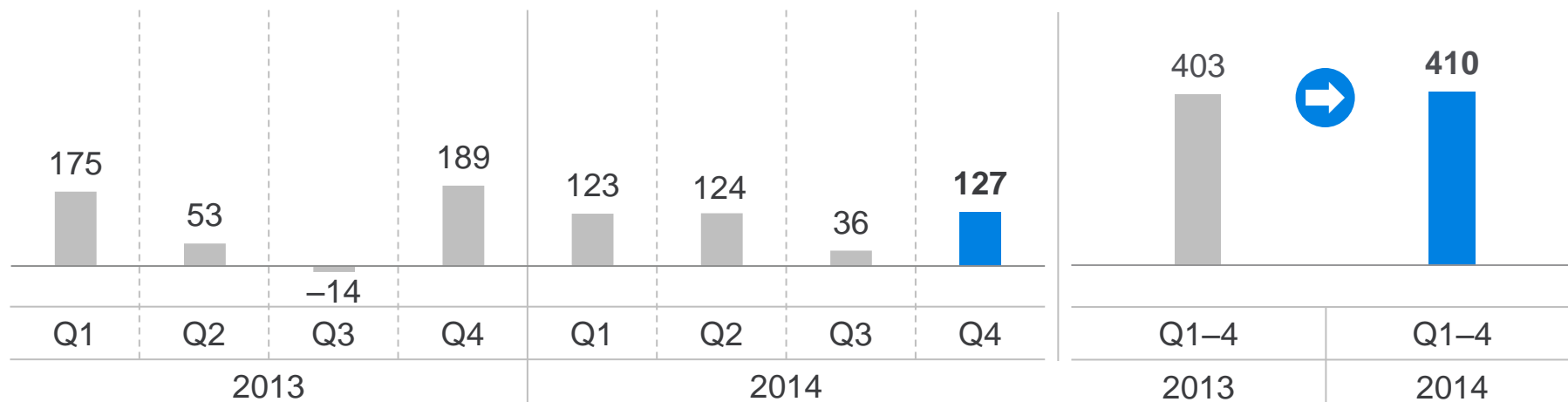
€m

	Asbestos	Environmental	Total
Paid	2,463	841	3,304
Case reserves	624	113	737
IBNR	973	213	1,186
<b>Total reserves</b>	<b>1,597</b>	<b>326</b>	<b>1,923</b>
3-year average annual paid losses	136	17	153
Survival ratio 3-year average	11.7	19.3	12.6

# Reinsurance Life – Key figures

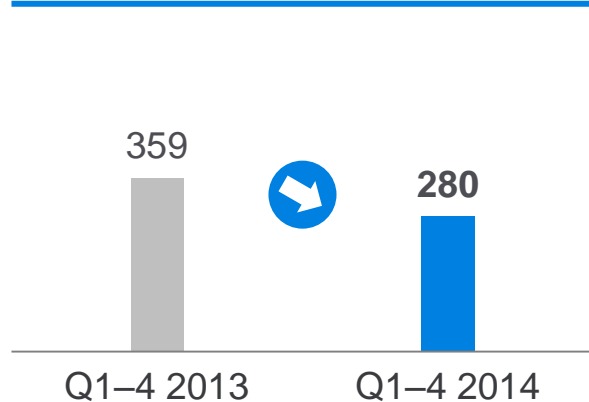
## Net result

€m



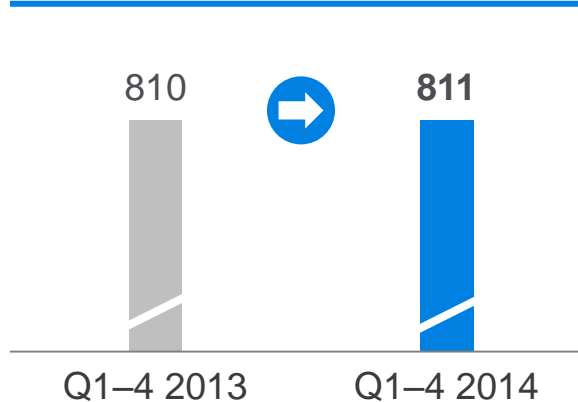
## Technical result

€m



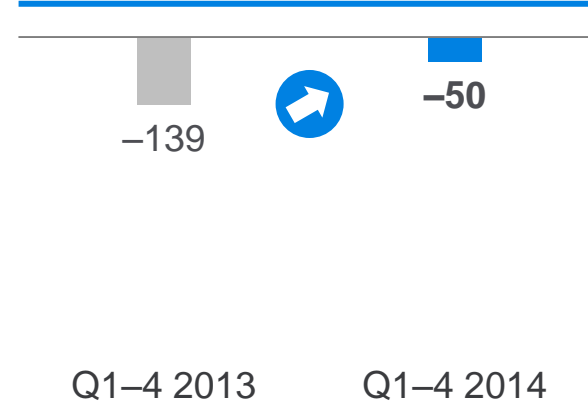
## Investment result

€m



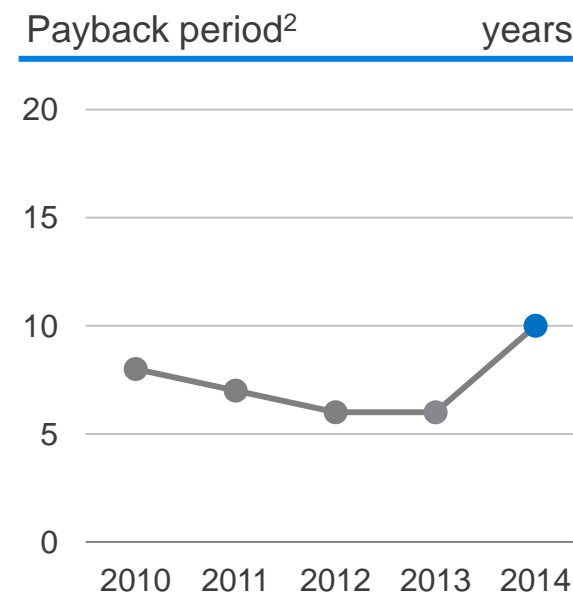
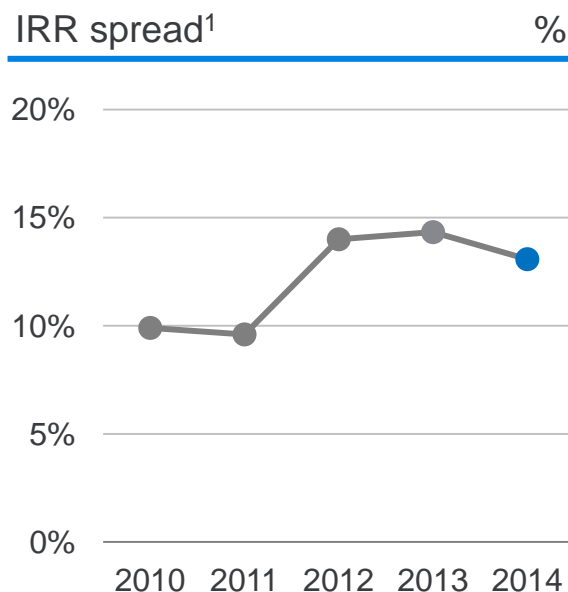
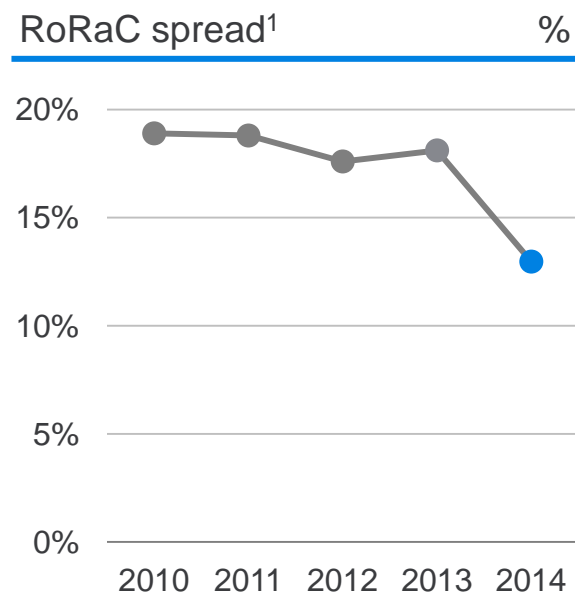
## Other<sup>1</sup>

€m



<sup>1</sup> Other non-operating result, goodwill impairments, net finance costs, taxes.

# New business profitability on a pure economic and regulatory basis



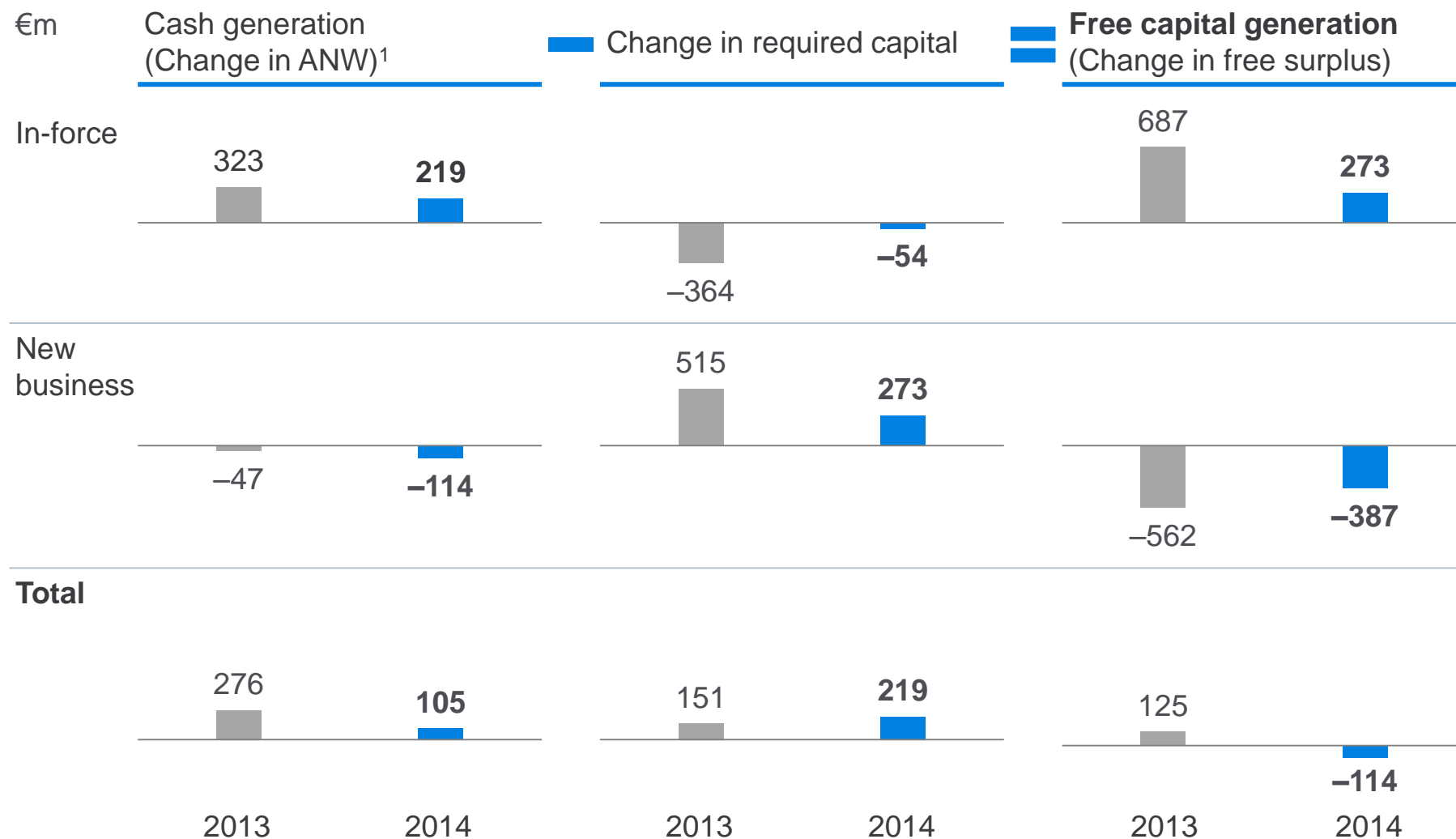
- Satisfactory new business profitability relative to economic risk capital (RoRaC spread)
- Low interest rates cause disproportionate increase in economic risk capital

- Equally good new business profitability relative to total investment in new business (IRR spread)

- Reduced share of FinMoRe business (usually of shorter duration) increases payback period of 2014 new business

<sup>1</sup> Spread in addition to reference rate (weighted-average swap yield curves), after tax. <sup>2</sup> Number of years it takes to amortise the total investment in new business through future (undiscounted) shareholder cash flows.

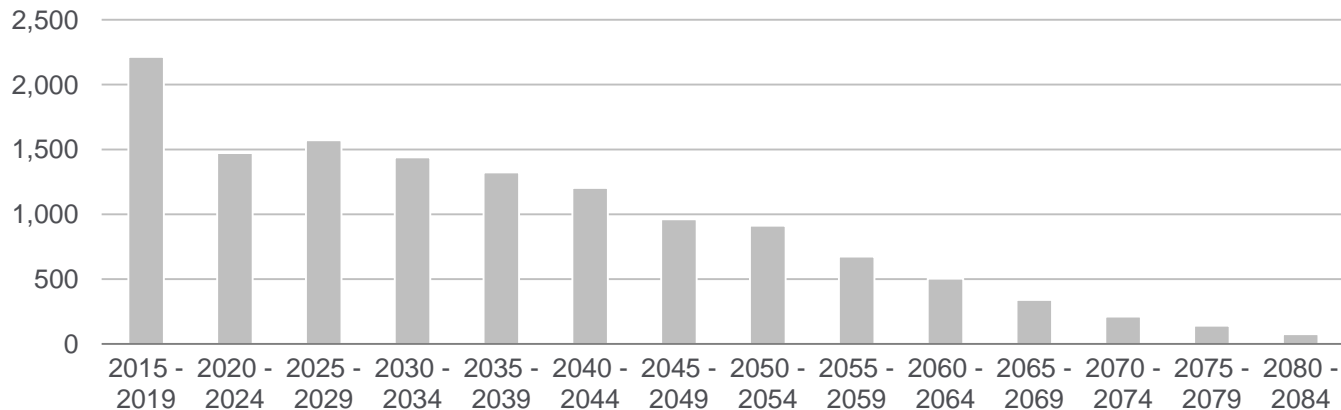
# Free capital generation

<sup>1</sup> Adjusted net worth.

# Free capital generation going forward

## Free capital generation from in-force portfolio as at 31 December 2014

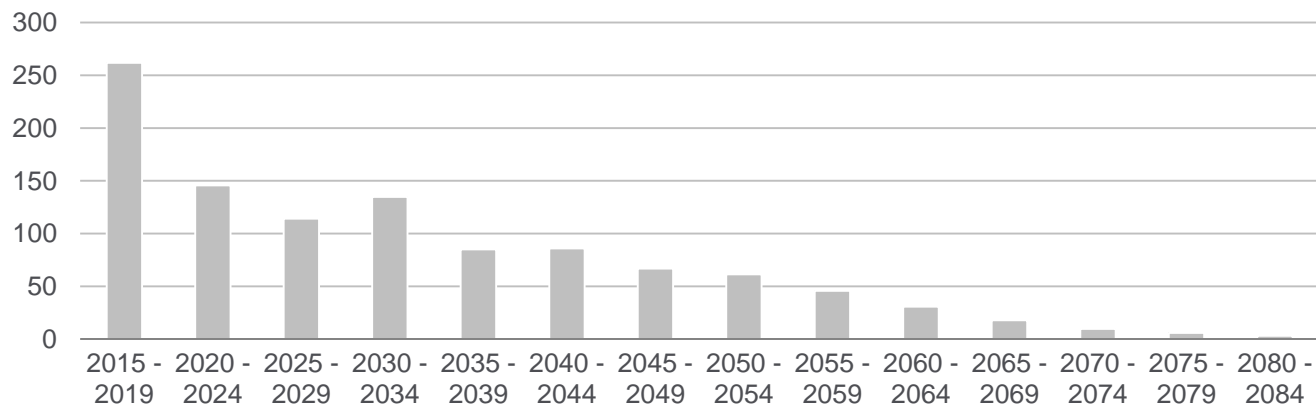
€m



- In 5 years: 17%
- In 10 years: 28%
- In 15 years: 40%
- In 20 years: 51%
- ... of total

## Free capital generation from new business written in 2014

€m

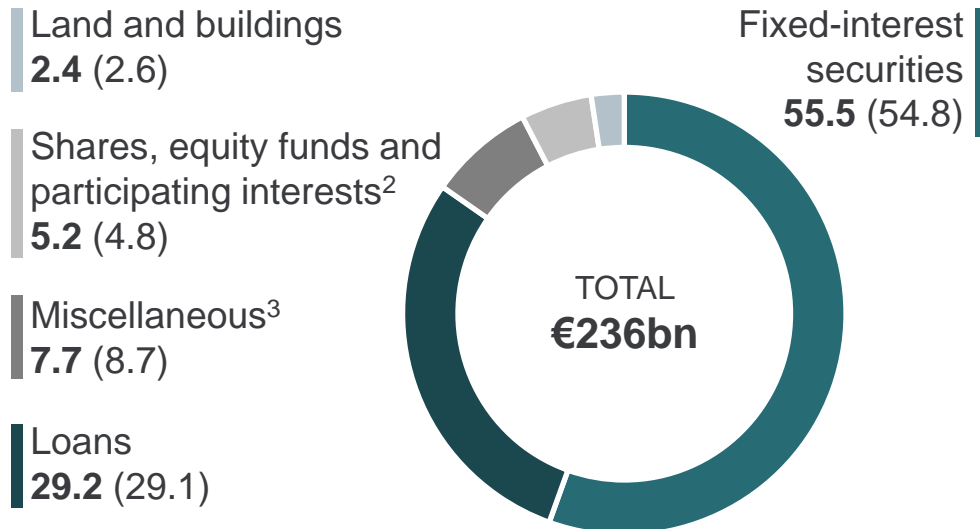


- In 5 years: 24%
- In 10 years: 38%
- In 15 years: 49%
- In 20 years: 61%
- ... of total

# Investment portfolio

Investment portfolio<sup>1</sup>

%



## Portfolio management

Overall increase in market values driven by FX and lower interest rates

Ongoing reduction of German government bonds to further improve diversification ...

... by cautiously increasing exposure in USA, Italy, Spain, Australia and emerging markets

Reduction in ABS/MBS and covered bonds

Increase in equity quota to 5.2%

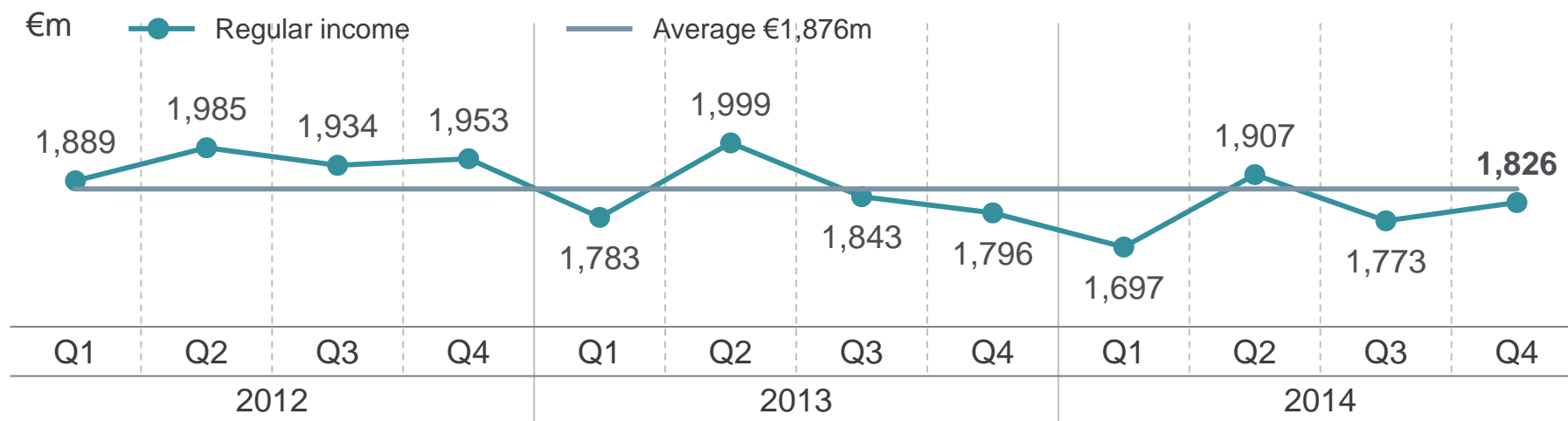
Portfolio duration<sup>4</sup>

	Assets		Liabilities	Net DV01 (€m)	
Reinsurance	5.6	(4.4)	4.6	(3.1)	–0.4 (–7.7)
ERGO	8.3	(7.4)	9.2	(8.1)	16.8 (10.3)
Munich Re (Group)	7.4	(6.4)	7.4	(6.2)	16.4 (2.6)

<sup>1</sup> Fair values as at 31.12.2014 (31.12.2013). <sup>2</sup> Net of hedges: 4.3% (4.6%). <sup>3</sup> Deposits retained on assumed reinsurance, deposits with banks, investment funds (excl. equities), derivatives and investments in renewable energies and gold. <sup>4</sup> As at 31.12.2014 (31.12.2013). Net DV01: Sensitivity to parallel upward shift of yield curve by one basis point reflecting portfolio size.

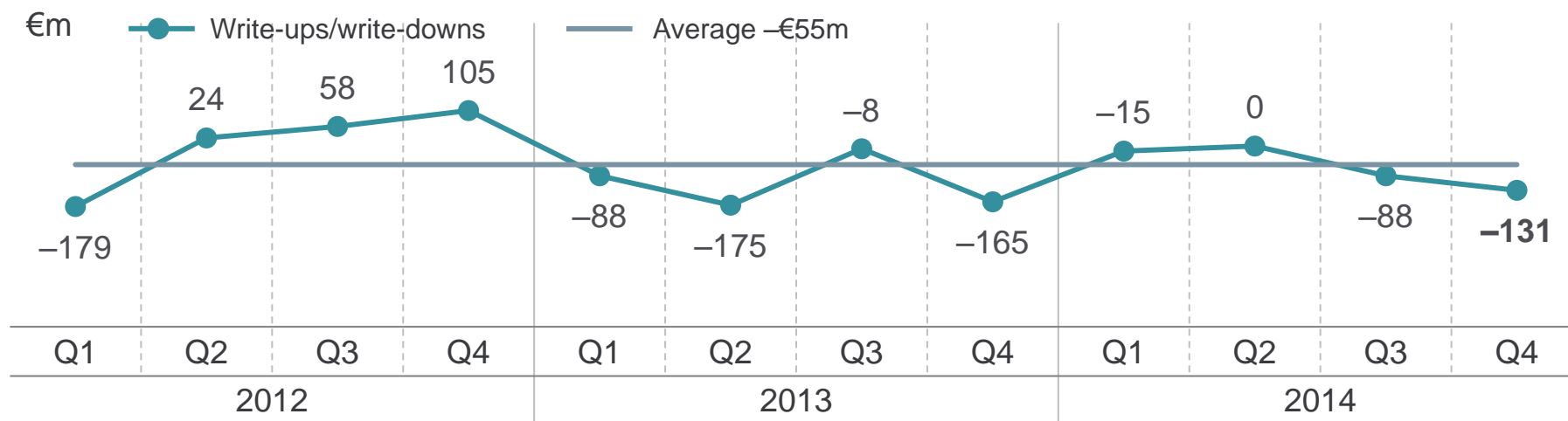
# Breakdown of regular income

Investment result – Regular income (€m)	Q3 2014	Q4 2014	Q1–4 2014	Q1–4 2013	Change
Afs fixed-interest	915	<b>909</b>	<b>3,596</b>	3,699	–103
Afs non-fixed-interest	77	<b>105</b>	<b>471</b>	461	10
Derivatives	14	<b>21</b>	<b>68</b>	117	–49
Loans	549	<b>546</b>	<b>2,190</b>	2,249	–59
Real estate	90	<b>88</b>	<b>349</b>	340	9
Deposits retained on assumed reinsurance and other investments	128	<b>157</b>	<b>529</b>	555	–26
<b>Total regular income</b>	<b>1,773</b>	<b>1,826</b>	<b>7,203</b>	<b>7,421</b>	<b>–218</b>



# Breakdown of write-ups/write-downs

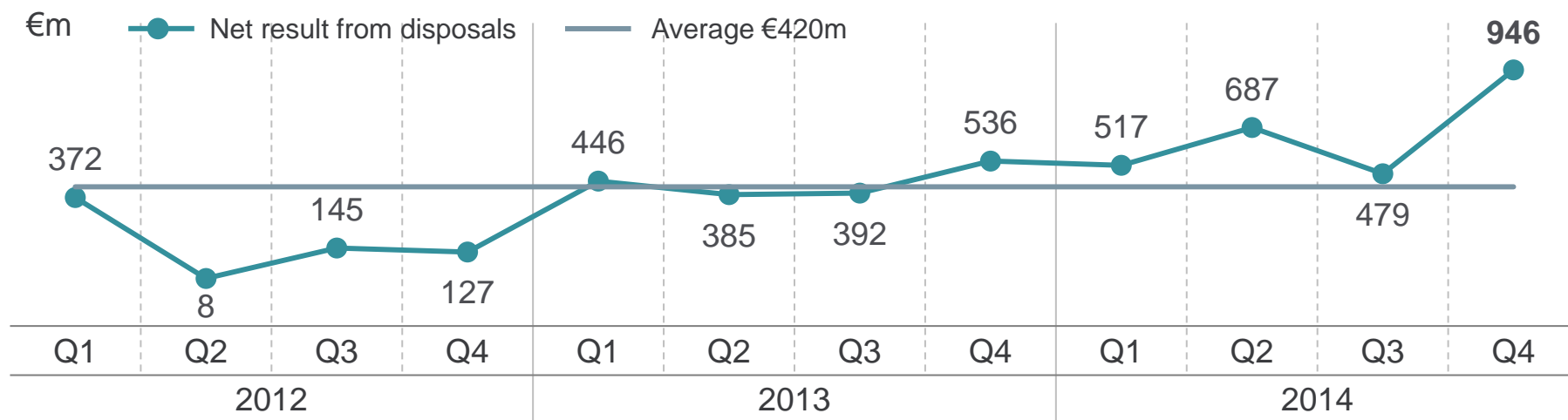
Investment result – Write-ups/write-downs (€m)	Q3 2014	Q4 2014	Q1–4 2014	Q1–4 2013	Change
Afs fixed-interest	–4	–8	–12	3	–15
Afs non-fixed-interest	–35	–72	–145	–106	–39
Loans	–2	–3	2	–4	6
Real estate	–11	–13	–54	–73	19
Deposits retained on assumed reinsurance and other investments	–36	–35	–25	–256	231
<b>Total net write-ups/write-downs</b>	<b>–88</b>	<b>–131</b>	<b>–234</b>	<b>–436</b>	<b>202</b>



Restated figures for 2013 and 2014 due to separate disclosure of investment result of derivatives.  
For 2012, no restated figures are available.

# Breakdown of net result from disposals

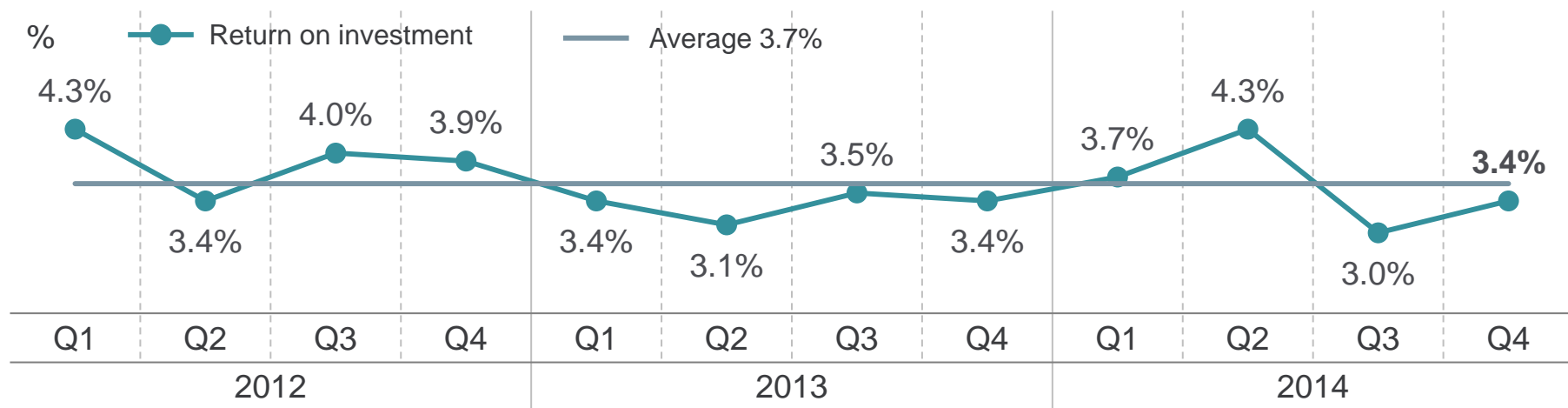
Investment result – Net result from disposal of investments (€m)	Q3 2014	Q4 2014	Q1–4 2014	Q1–4 2013	Change
Afs fixed-Income	148	563	1,186	793	393
Afs non-fixed-income	253	343	1,178	847	331
Loans	47	28	213	128	85
Real estate	15	0	20	18	2
Deposits retained on assumed reinsurance and other investments	16	12	32	–27	59
<b>Total net result from disposals</b>	<b>479</b>	<b>946</b>	<b>2,629</b>	<b>1,759</b>	<b>870</b>



Restated figures for 2013 and 2014 due to separate disclosure of investment result of derivatives.  
For 2012, no restated figures are available.

# Return on investment by asset class and segment

% <sup>1</sup>	Regular income	Write-ups/downs	Disposal result	Extraord. derivative result	Other inc./exp.	Rol	Market value (€m)
Afs fixed-income	2.9	–	1.0	–	–	<b>3.9</b>	122,211
Afs non-fixed-income	3.8	–1.2	9.5	–	–	<b>12.1</b>	12,425
Derivatives	4.4	–	–	–69.4	–0.2	<b>–65.2</b>	1,540
Loans	3.4	–	0.3	–	–	<b>3.7</b>	64,959
Real estate	6.3	–1.0	0.4	–	–	<b>5.7</b>	5,560
Other <sup>2</sup>	3.3	–0.2	0.3	–	–3.5	<b>0.1</b>	15,831
<b>Total</b>	<b>3.2</b>	<b>–0.1</b>	<b>1.2</b>	<b>–0.5</b>	<b>–0.2</b>	<b>3.6</b>	<b>222,526</b>
Reinsurance	3.0	–0.2	2.2	–1.6	–0.3	<b>3.1</b>	83,527
ERGO	3.4	–0.1	0.6	0.2	–0.2	<b>3.9</b>	135,240
Munich Health	2.2	–0.4	0.7	–	–0.2	<b>2.3</b>	3,759



<sup>1</sup> Annualised. <sup>2</sup> Including management expenses.

## Investment result

Investment result								€m
	Q1–4 2014	Return <sup>1</sup> %	Q1–4 2013	Return <sup>1</sup> %	Q4 2014	Return <sup>1</sup> %	Q3 2014	Return <sup>1</sup> %
Regular income	7,203	3.2%	7,421	3.5%	1,826	3.2%	1,773	3.1%
Write-ups/Write-downs	–234	–0.1%	–436	–0.2%	–131	–0.2%	–88	–0.2%
Disposal gains/losses	2,629	1.2%	1,759	0.8%	946	1.6%	479	0.9%
Derivatives <sup>2</sup>	–1,068	–0.5%	–985	–0.5%	–505	–0.9%	–364	–0.6%
Other income/expenses	–528	–0.2%	–514	–0.2%	–164	–0.3%	–130	–0.2%
<b>Investment result</b>	<b>8,002</b>	<b>3.6%</b>	<b>7,245</b>	<b>3.4%</b>	<b>1,972</b>	<b>3.4%</b>	<b>1,670</b>	<b>3.0%</b>
<b>Total return %</b>		<b>10.9%</b>		<b>0.0%</b>		<b>12.0%</b>		<b>8.8%</b>

3-month reinvestment yield		Write-ups/ write-downs	Q1–4 2014	Q4 2014	Disposal gains/losses	Q1–4 2014	Q4 2014	Derivatives	Q1–4 2014	Q4 2014
Q4 2014	2.1%	Real estate	–54	–13	Fixed income	1,399	591	Fixed income <sup>3</sup>	184	104
Q3 2014	2.2%	Equities	–145	–72	Equities	1,178	343	Equities	–627	–135
Q4 2013	2.4%	Other	–35	–46	Other	52	12	Other	–625	–474

<sup>1</sup> Annualised return on quarterly weighted investments (market values) in %. <sup>2</sup> Result from derivatives without regular income and other income/expenses. <sup>3</sup> Thereof interest-rate hedging ERGO: €431m / €167m.

# Investment result by segment

## Investment result – Reinsurance – Life

€m

	Q1–4 2014	Return <sup>1</sup>	Q1–4 2013 <sup>2</sup>	Return <sup>1</sup>	Q4 2014	Return <sup>1</sup>	Q3 2014	Return <sup>1</sup>
Regular income	805	3.4%	823	3.5%	206	3.3%	199	3.3%
Write-ups/Write-downs	–19	–0.1%	–43	–0.2%	–6	–0.1%	–8	–0.1%
Disposal gains/losses	310	1.3%	171	0.8%	142	2.3%	52	0.8%
Derivatives	–237	–1.0%	–96	–0.4%	–103	–1.7%	–85	–1.4%
Other income/expenses	–48	–0.2%	–45	–0.2%	–17	–0.2%	–11	–0.2%
<b>Investment result</b>	<b>811</b>	<b>3.4%</b>	<b>810</b>	<b>3.5%</b>	<b>222</b>	<b>3.6%</b>	<b>147</b>	<b>2.4%</b>
Average market value	23,859		23,358		24,610		24,346	

## Investment result – Reinsurance – Property-casualty

€m

	Q1–4 2014	Return <sup>1</sup>	Q1–4 2013 <sup>2</sup>	Return <sup>1</sup>	Q4 2014	Return <sup>1</sup>	Q3 2014	Return <sup>1</sup>
Regular income	1,710	2.8%	1,783	3.0%	448	2.9%	426	2.8%
Write-ups/Write-downs	–134	–0.2%	–276	–0.5%	–87	–0.5%	–41	–0.3%
Disposal gains/losses	1,532	2.6%	871	1.5%	631	4.0%	278	1.9%
Derivatives	–1,140	–1.9%	–432	–0.7%	–487	–3.1%	–404	–2.7%
Other income/expenses	–183	–0.3%	–180	–0.3%	–57	–0.4%	–43	–0.3%
<b>Investment result</b>	<b>1,785</b>	<b>3.0%</b>	<b>1,766</b>	<b>3.0%</b>	<b>448</b>	<b>2.9%</b>	<b>216</b>	<b>1.4%</b>
Average market value	59,668		59,129		62,768		59,930	

<sup>1</sup> Return on quarterly weighted investments (market values) in % p.a.

<sup>2</sup> Result from derivatives without regular income and other income/expenses.

# Investment result by segment

## Investment result – ERGO Life/Health Germany

€m

	Q1–4 2014	Return <sup>1</sup>	Q1–4 2013	Return <sup>1</sup>	Q4 2014	Return <sup>1</sup>	Q3 2014	Return <sup>1</sup>
Regular income	3,880	3.5%	3,987	3.8%	962	3.3%	944	3.4%
Write-ups/Write-downs	–56	–0.1%	–72	–0.1%	–24	–0.1%	–17	–0.1%
Disposal gains/losses	555	0.5%	461	0.4%	125	0.4%	101	0.4%
Derivatives <sup>2</sup>	318	0.3%	–347	–0.3%	98	0.3%	120	0.4%
Other income/expenses	–244	–0.2%	–244	–0.2%	–74	–0.2%	–63	–0.2%
<b>Investment result</b>	<b>4,453</b>	<b>4.0%</b>	<b>3,785</b>	<b>3.6%</b>	<b>1,087</b>	<b>3.7%</b>	<b>1,085</b>	<b>3.9%</b>
Average market value	110,968		105,147		116,104		112,580	

## Investment result – ERGO Property-casualty Germany

€m

	Q1–4 2014	Return <sup>1</sup>	Q1–4 2013	Return <sup>1</sup>	Q4 2014	Return <sup>1</sup>	Q3 2014	Return <sup>1</sup>
Regular income	198	2.8%	202	3.0%	49	2.7%	48	2.7%
Write-ups/Write-downs	–14	–0.2%	–27	–0.4%	0	0.0%	–9	–0.5%
Disposal gains/losses	115	1.6%	119	1.7%	17	0.9%	13	0.7%
Derivatives <sup>2</sup>	–76	–1.1%	–43	–0.6%	–37	–2.0%	–17	–0.9%
Other income/expenses	–19	–0.2%	–13	–0.2%	–7	–0.4%	–3	–0.2%
<b>Investment result</b>	<b>204</b>	<b>2.9%</b>	<b>238</b>	<b>3.5%</b>	<b>22</b>	<b>1.2%</b>	<b>32</b>	<b>1.8%</b>
Average market value	7,108		6,807		7,215		7,188	

<sup>1</sup> Return on quarterly weighted investments (market values) in % p.a.

<sup>2</sup> Result from derivatives without regular income and other income/expenses.

# Investment result by segment

## Investment result – ERGO International

€m

	Q1–4 2014	Return <sup>1</sup>	Q1–4 2013	Return <sup>1</sup>	Q4 2014	Return <sup>1</sup>	Q3 2014	Return <sup>1</sup>
Regular income	528	3.1%	538	3.3%	136	3.0%	134	3.1%
Write-ups/Write-downs	4	0.0%	–17	–0.1%	–6	–0.1%	–6	–0.1%
Disposal gains/losses	91	0.5%	132	0.8%	19	0.5%	32	0.7%
Derivatives <sup>2</sup>	67	0.4%	–75	–0.4%	23	0.5%	22	0.5%
Other income/expenses	–28	–0.1%	–27	–0.2%	–8	–0.2%	–7	–0.2%
<b>Investment result</b>	<b>662</b>	<b>3.9%</b>	<b>551</b>	<b>3.4%</b>	<b>164</b>	<b>3.7%</b>	<b>175</b>	<b>4.0%</b>
Average market value	17,164		16,220		17,869		17,414	

## Investment result – Munich Health

€m

	Q1–4 2014	Return <sup>1</sup>	Q1–4 2013	Return <sup>1</sup>	Q4 2014	Return <sup>1</sup>	Q3 2014	Return <sup>1</sup>
Regular income	82	2.2%	88	2.3%	25	2.6%	22	2.3%
Write-ups/Write-downs	–15	–0.4%	–1	0.0%	–8	–0.8%	–7	–0.7%
Disposal gains/losses	26	0.7%	5	0.1%	12	1.2%	3	0.3%
Derivatives <sup>2</sup>	0	0.0%	8	0.2%	1	0.1%	0	0.0%
Other income/expenses	–6	–0.2%	–5	–0.1%	–1	–0.1%	–3	–0.3%
<b>Investment result</b>	<b>87</b>	<b>2.3%</b>	<b>95</b>	<b>2.5%</b>	<b>29</b>	<b>3.0%</b>	<b>15</b>	<b>1.6%</b>
Average market value	3,759		3,778		3,863		3,743	

<sup>1</sup> Return on quarterly weighted investments (market values) in % p.a.

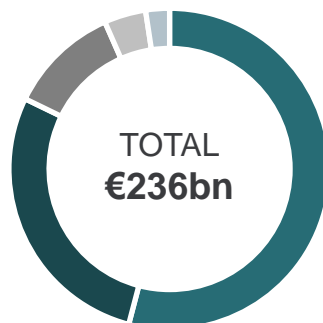
<sup>2</sup> Result from derivatives without regular income and other income/expenses.

## Investment portfolio

## Fixed-interest securities and miscellaneous

## Investment portfolio %

Miscellaneous	Fixed-interest securities
<b>7.7 (8.7)</b>	<b>55.5 (54.8)</b>



Loans
<b>29.2 (29.1)</b>

## Miscellaneous %

Other	Deposits on reinsurance
<b>14 (13)</b>	<b>49 (53)</b>

Derivatives
<b>6 (4)</b>

Investment funds
<b>12 (14)</b>

Bank deposits
<b>19 (16)</b>

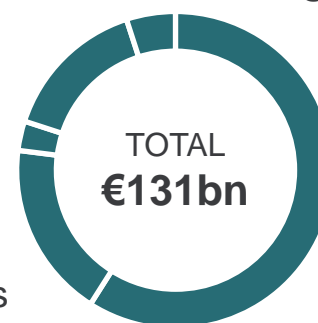
Fixed-interest securities<sup>1</sup> %

Structured products	Governments/ Semi-government
<b>5 (6)</b>	<b>59 (53)</b>

Corporates
<b>15 (16)</b>

Banks
<b>3 (4)</b>

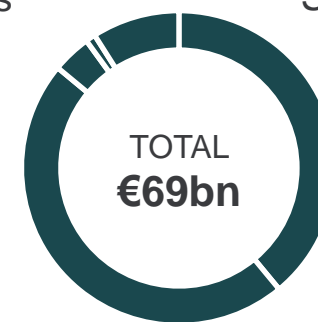
Pfandbriefe/ Covered bonds
<b>18 (21)</b>

Loans<sup>1</sup> %

Loans to policyholders/ Mortgage loans	Governments/ Semi-government
<b>9 (9)</b>	<b>39 (38)</b>

Corporates
<b>1 (1)</b>

Banks
<b>4 (6)</b>

<sup>1</sup> Approximation – not fully comparable with IFRS figures. Fair values as at 31.12.2014 (31.12.2013).

# Fixed-income portfolio

## Total

Fixed-income portfolio

%

Loans to policyholders/  
Mortgage loans

**3** (3)

Governments/  
Semi-government

**50** (46)

Structured products

**3** (4)

Bank bonds

**3** (3)

Cash/Other

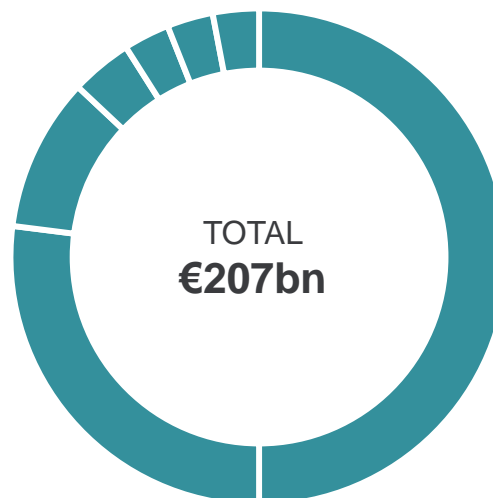
**4** (5)

Corporate bonds

**10** (10)

Pfandbriefe/  
Covered bonds

**27** (29)





# Fixed-income portfolio

## Total

### Rating structure

%

&lt;BB and NR

6 (6)

AAA

42 (42)

BB

2 (2)

BBB

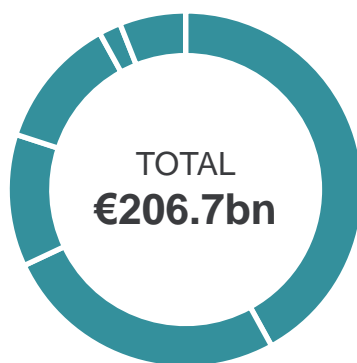
12 (12)

A

12 (12)

AA

26 (26)



### Maturity structure

%

n.a.

2 (2)

0–1 years

8 (9)

&gt;10 years

35 (31)

1–3 years

14 (16)

3–5 years

14 (15)

7–10 years

15 (14)

5–7 years

12 (13)



### Regional breakdown

%

	Without policyholder participation	With	Total	
			<b>31.12. 2014</b>	31.12. 2013
Germany	4.2	26.1	<b>30.3</b>	32.2
US	12.9	1.1	<b>14.0</b>	13.7
France	1.9	5.7	<b>7.6</b>	7.9
UK	3.2	2.9	<b>6.1</b>	6.4
Netherlands	1.5	2.9	<b>4.4</b>	4.8
Supra- nationals	0.8	2.9	<b>3.7</b>	3.3
Canada	3.5	0.1	<b>3.6</b>	3.5
Spain	1.5	2.0	<b>3.5</b>	2.8
Italy	1.1	2.2	<b>3.3</b>	2.7
Austria	0.5	2.0	<b>2.5</b>	2.7
Ireland	0.6	1.8	<b>2.4</b>	2.7
Australia	1.8	0.4	<b>2.2</b>	1.9
Sweden	0.3	1.5	<b>1.8</b>	2.0
Norway	0.4	1.3	<b>1.7</b>	1.9
Belgium	0.5	1.1	<b>1.6</b>	1.5
Other	7.1	4.2	<b>11.3</b>	10.0
<b>Total</b>	<b>41.8</b>	<b>58.2</b>	<b>100.0</b>	100.0

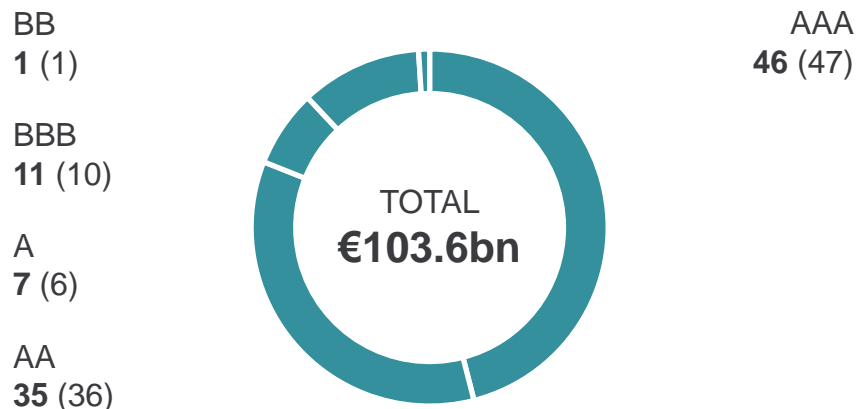


# Fixed-income portfolio

## Governments/Semi-government

### Rating structure

%



### Maturity structure

%



### Regional breakdown

%

	Without policyholder participation	With	<b>Total</b>	
			<b>31.12. 2014</b>	31.12. 2013
Germany	4.4	25.2	<b>29.6</b>	33.0
US	15.0	0.6	<b>15.6</b>	13.9
Supra- nationals	1.5	5.8	<b>7.3</b>	7.2
Canada	5.3	0.2	<b>5.5</b>	5.9
UK	4.5	0.2	<b>4.7</b>	4.5
Italy	1.2	3.1	<b>4.3</b>	3.7
Austria	0.7	2.6	<b>3.3</b>	3.9
France	1.1	2.1	<b>3.2</b>	3.6
Spain	1.5	1.7	<b>3.2</b>	1.9
Australia	3.0	0.0	<b>3.0</b>	2.4
Belgium	0.8	2.1	<b>2.9</b>	3.0
Netherlands	1.3	0.7	<b>2.0</b>	2.3
Finland	0.3	1.6	<b>1.9</b>	2.1
Ireland	0.2	1.5	<b>1.7</b>	1.7
Portugal	0.1	0.0	<b>0.1</b>	0.0
Other	9.1	2.6	<b>11.7</b>	10.9
<b>Total</b>	<b>50.0</b>	<b>50.0</b>	<b>100.0</b>	100.0



# Fixed-income portfolio

## Pfandbriefe/Covered bonds

### Rating structure

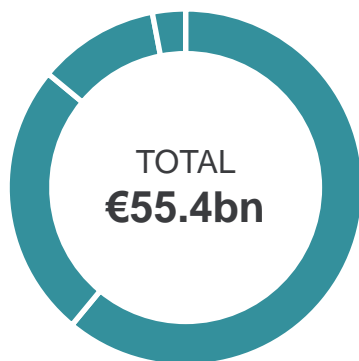
%

BBB  
3 (4)

AAA  
61 (61)

A  
11 (9)

AA  
25 (26)



### Maturity structure

%

>10 years  
38 (38)

7–10 years  
20 (19)

0–1 years  
5 (4)

1–3 years  
13 (13)

3–5 years  
11 (13)

5–7 years  
13 (13)



### Regional breakdown

%

	31.12.2014	31.12.2013
Germany	34.7	36.2
France	18.6	18.0
UK	8.4	9.1
Netherlands	6.8	6.7
Spain	6.2	5.6
Sweden	5.9	6.0
Norway	5.5	5.6
Ireland	3.1	3.2
Italy	1.3	0.7
Other	9.4	8.9

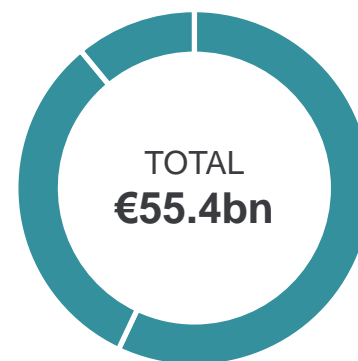
### Cover pools

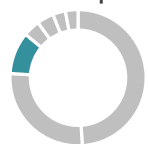
%

Mixed and other  
11 (10)

Public  
32 (33)

Mortgage  
57 (57)





# Fixed-income portfolio

## Corporate bonds (excluding bank bonds)

### Rating structure %

<BB and NR  
2 (1)

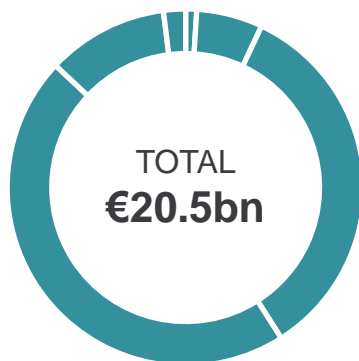
AAA  
1 (1)

BB  
11 (9)

AA  
6 (7)

BBB  
46 (48)

A  
34 (34)



### Maturity structure %

>10 years  
16 (13)

0–1 years  
6 (7)

7–10 years  
18 (18)

1–3 years  
19 (19)

5–7 years  
19 (17)

3–5 years  
22 (26)



### Sector breakdown %

	31.12. 2014	31.12. 2013
Utilities	22.3	19.7
Oil and gas	12.2	12.2
Industrial goods and services	12.1	13.2
Telecommunications	9.5	10.0
Healthcare	5.9	6.2
Financial services	5.4	4.4
Food and beverages	4.7	5.3
Media	4.4	4.4
Retail	3.7	3.4
Basic resources	3.6	3.2
Technology	3.6	4.7
Automobiles	2.7	2.8
Personal and household goods	2.5	2.7
Other	7.4	7.8



# Fixed-income portfolio

## Bank bonds

### Rating structure

%

<BB and NR  
5 (4)

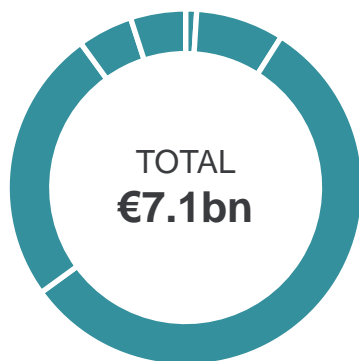
AAA  
1 (1)

BB  
5 (3)

AA  
8 (8)

BBB  
25 (34)

A  
56 (50)



### Maturity structure

%

>10 years  
5 (4)

0–1 years  
8 (5)

7–10 years  
11 (16)

1–3 years  
23 (16)

5–7 years  
14 (24)

3–5 years  
39 (35)



### Regional breakdown

%

	Senior bonds	Sub-ordinated	Loss-bearing	Total 31.12. 2014	31.12. 2013
Germany	22.6	3.2	3.4	<b>29.2</b>	34.7
US	25.0	3.8	0.2	<b>29.0</b>	29.6
UK	9.8	2.2	0.0	<b>12.0</b>	10.2
Ireland	5.0	0.0	0.0	<b>5.0</b>	5.4
Australia	3.0	0.1	0.0	<b>3.1</b>	3.5
Canada	2.1	0.8	0.1	<b>3.0</b>	3.6
France	1.5	0.8	0.5	<b>2.8</b>	1.9
Netherlands	2.1	0.2	0.0	<b>2.3</b>	1.7
Jersey	1.8	0.1	0.1	<b>2.0</b>	2.1
Other	8.5	2.4	0.7	<b>11.6</b>	7.3

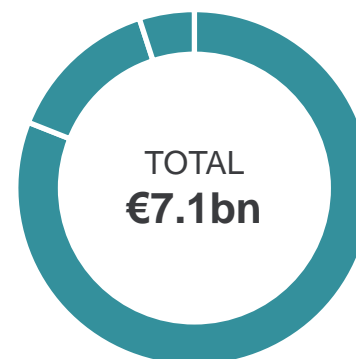
### Investment category of bank bonds

%

Loss-bearing<sup>1</sup>  
5 (5)

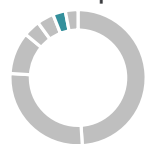
Senior  
81 (84)

Subordinated<sup>2</sup>  
14 (11)



<sup>1</sup> Classified as Tier 1 and upper Tier 2 capital for solvency purposes. <sup>2</sup> Classified as lower Tier 2 and Tier 3 capital for solvency purposes.

Approximation – not fully comparable with IFRS figures. Fair values as at 31.12.2014 (31.12.2013).



# Fixed-income portfolio

## Structured products

### Structured products portfolio (at market values): Split by rating and region

€m

		Rating						Region		Total	Market-to-par
		AAA	AA	A	BBB	<BBB	NR	USA + RoW	Europe		
<b>ABS</b>	Consumer-related ABS <sup>1</sup>	390	320	163	4	–	–	359	518	<b>877</b>	101%
	Corporate-related ABS <sup>2</sup>	5	101	159	52	5	–	–	322	<b>322</b>	100%
	Subprime HEL	–	1	1	2	–	–	4	–	<b>4</b>	100%
<b>CDO/CLN</b>	Subprime-related	–	–	–	–	–	–	–	–	<b>–</b>	0%
	Non-subprime-related	547	529	209	10	–	40	334	1,001	<b>1,335</b>	98%
<b>MBS</b>	Agency	1,336	79	–	–	–	–	1,415	–	<b>1,415</b>	105%
	Non-agency prime	387	180	228	53	–	4	29	823	<b>852</b>	101%
	Non-agency other (not subprime)	118	75	18	26	1	–	18	220	<b>238</b>	100%
	Commercial MBS	591	28	196	108	23	3	551	398	<b>949</b>	101%
<b>Total 31.12.2014</b>		<b>3,374</b>	<b>1,313</b>	<b>974</b>	<b>255</b>	<b>29</b>	<b>47</b>	<b>2,710</b>	<b>3,282</b>	<b>5,992</b>	101%
<b>In %</b>		<b>56%</b>	<b>22%</b>	<b>16%</b>	<b>4%</b>	<b>1%</b>	<b>1%</b>	<b>45%</b>	<b>55%</b>	<b>100%</b>	
Total 31.12.2013		3,875	1,353	1,293	382	159	63	3,145	3,980	7,125	99%

<sup>1</sup> Consumer loans, auto, credit cards, student loans.

<sup>2</sup> Asset-backed CPs, business and corporate loans, commercial equipment.

Approximation – not fully comparable with IFRS figures. Fair values as at 31.12.2014.

# Sensitivities to interest rates, spreads and equity markets

Sensitivity to risk-free interest rates – Basis points	–50	–25	+50	+100
Change in gross market value (€bn)	+8.4	+4.1	–7.6	–14.5
Change in on-balance-sheet reserves, net (€bn) <sup>1</sup>	+1.9	+0.9	–1.8	–3.5
Change in off-balance-sheet reserves, net (€bn) <sup>1</sup>	+0.5	+0.2	–0.4	–0.8
P&L impact (€bn) <sup>1</sup>	+0.0	+0.0	–0.0	–0.0
Sensitivity to spreads <sup>2</sup> (change in basis points)			+50	+100
Change in gross market value (€bn)			–5.4	–10.3
Change in on-balance-sheet reserves, net (€bn) <sup>1</sup>			–1.1	–2.2
Change in off-balance-sheet reserves, net (€bn) <sup>1</sup>			–0.3	–0.6
P&L impact (€bn) <sup>1</sup>			–0.0	–0.0
Sensitivity to equity and commodity markets <sup>3</sup>	–30%	–10%	+10%	+30%
<b>EURO STOXX 50 (3,146 as at 31.12.2014)</b>	<b>2,202</b>	<b>2,831</b>	<b>3,461</b>	<b>4,090</b>
Change in gross market value (€bn)	–3.8	–1.3	+1.3	+4.0
Change in on-balance-sheet reserves, net (€bn) <sup>1</sup>	–1.1	–0.5	+0.9	+2.7
Change in off-balance-sheet reserves, net (€bn) <sup>1</sup>	–0.6	–0.2	+0.2	+0.6
P&L impact (€bn) <sup>1</sup>	–1.6	–0.4	–0.0	+0.0

<sup>1</sup> Rough calculation with limited reliability assuming unchanged portfolio as at 31.12.2014. After rough estimation of policyholder participation and deferred tax; linearity of relations cannot be assumed.

Approximation – not fully comparable with IFRS figures.

<sup>2</sup> Sensitivities to changes of spreads are calculated for every category of fixed-interest securities, except government securities with AAA ratings.

<sup>3</sup> Worst-case scenario assumed including commodities: impairment as soon as market value is below acquisition cost. Approximation – not fully comparable with IFRS figures.











# On- and off-balance-sheet reserves (gross)

€m	31.12. 2012	31.12. 2013	30.9. 2014	31.12. 2014
Market value of investments	224,537	210,431	229,008	235,849
<b>Total reserves</b>	<b>22,478</b>	<b>15,192</b>	26,476	<b>31.470</b>
<b>On-balance-sheet reserves</b>				
Fixed-interest securities	9,980	4,661	10,097	<b>11.967</b>
Non-fixed-interest securities	1,503	1,975	2,072	<b>2.270</b>
Other on-balance-sheet reserves <sup>1</sup>	291	292	312	<b>311</b>
<b>Subtotal</b>	<b>11,774</b>	<b>6,928</b>	12,481	<b>14.548</b>
<b>Off-balance-sheet reserves</b>				
Real estate <sup>2</sup>	1,519	1,763	1,823	<b>2.006</b>
Loans and investments (held to maturity)	8,831	6,071	11,801	<b>14.400</b>
Associates	354	430	371	<b>516</b>
<b>Subtotal</b>	<b>10,704</b>	<b>8,264</b>	13,995	<b>16.922</b>
Reserve ratio (%)	10.0%	7.2%	11.6%	<b>13.3%</b>









<sup>1</sup> Unrealised gains/losses from unconsolidated affiliated companies, valuation at equity and cash-flow hedging.

<sup>2</sup> Excluding reserves from owner-occupied property.

# On-balance-sheet reserves

On-balance-sheet reserves	€m	
	31.12.2014	Change Q4
Investments afs	14,237 	2,068
Valuation at equity	113 	–3
Unconsolidated affiliated enterprises	168 	1
Cash flow hedging	30 	1
<b>Total on-balance-sheet reserves (gross)</b>	<b>14,548</b> 	<b>2,067</b>
Provision for deferred premium refunds	–6,418 	–1,010
Deferred tax	–1,988 	–335
Minority interests	–24 	–9
Consolidation and currency effects	–94 	–42
<b>Shareholders' stake</b>	<b>6,024</b> 	<b>671</b>

# Off-balance-sheet reserves

Off-balance-sheet reserves	€m	
	31.12.2014	Change Q4
Real estate <sup>1</sup>	2,006 	183
Loans and investments (held to maturity)	14,400 	2,599
Associates	516 	145
<b>Total off-balance-sheet reserves (gross)</b>	<b>16,922</b> 	<b>2,927</b>
As if		
Provision for deferred premium refunds	–12,605 	–2,240
Deferred tax	–1,316 	–203
Minority interests	–1 	0
<b>Shareholders' stake</b>	<b>3,000</b> 	<b>484</b>

<sup>1</sup> Excluding reserves for owner-occupied property.

# Increase in market risk driven by market conditions






Risk category	Group		RI ERGO		Div.	Explanation
Year-end €bn	2013	2014	2014	2014	2014	
Equity	6.5	5.8	4.6	1.3	−0.1	Risk reduction via hedging derivatives
General interest rate	5.1	5.3	3.3	4.5	−2.5	Market conditions (decreased interest rates, increased implied volatilities, appreciation of foreign currencies) and moderate shift towards credit exposure accompanied by assumption changes
Credit spread	4.6	5.2	3.0	3.3	−1.1	
Real estate	2.4	2.2	1.4	0.9	−0.1	Assumption change in ERGO reduces real estate sensitivity
Currency	1.5	2.6	2.3	0.3	±0.0	Extension of overweight in USD
<b>Simple sum</b>	<b>20.1</b>	<b>21.1</b>	<b>14.6</b>	<b>10.3</b>	<b>−3.8</b>	
Diversification	−8.5	−8.6	−7.1	−3.6	−	Improved diversification due to moderate ERC increase
<b>Total ERC</b>	<b>11.6</b>	<b>12.5</b>	<b>7.5</b>	<b>6.7</b>	<b>−1.7</b>	

**Increase in interest rate and currency risk partially offset by reduction in equity risk**

# Summary of economic capital disclosure

Position as at 31 December 2014

€bn

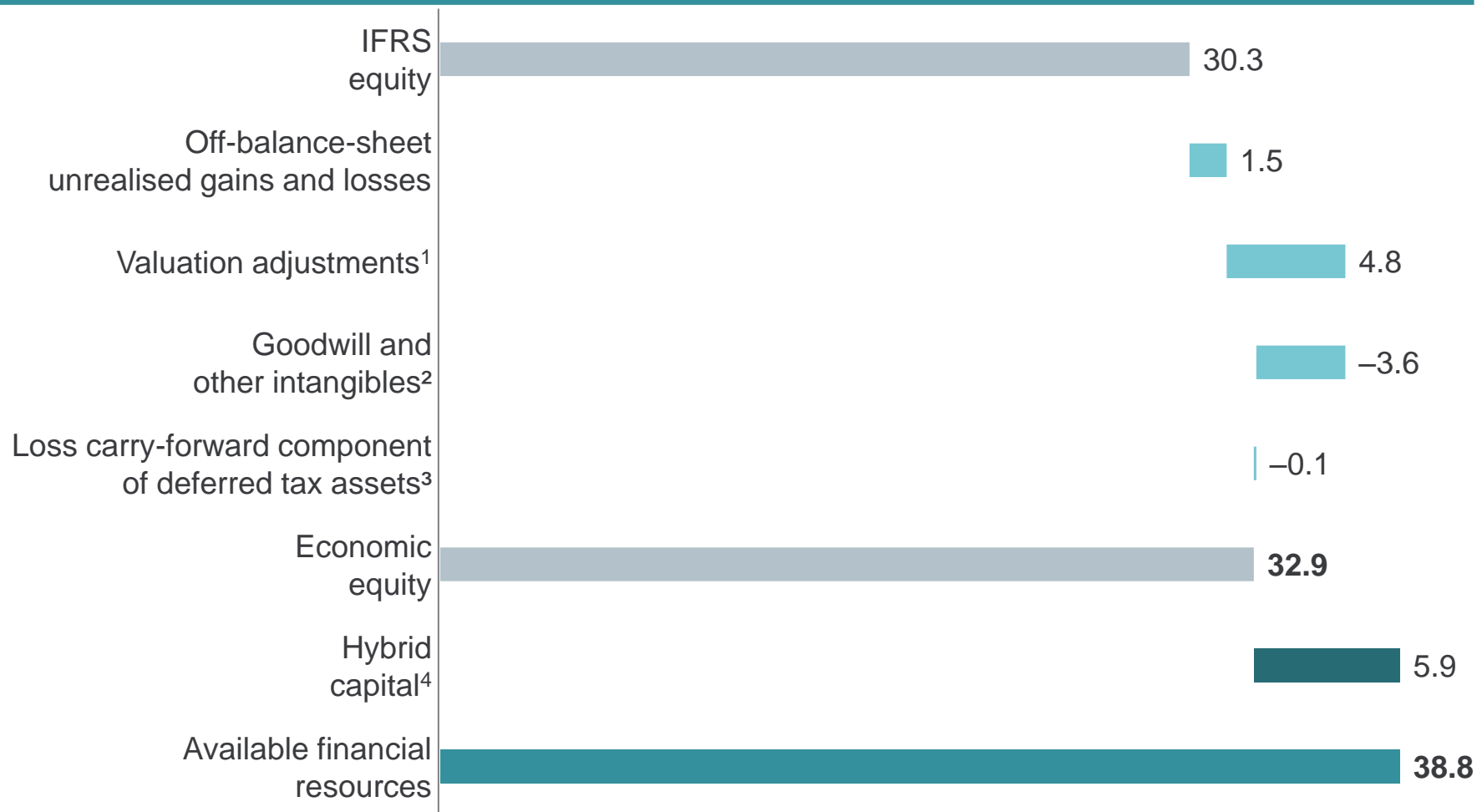
	<div> <div></div> Capital with Solvency II calibration <div></div> Additional 75% buffer </div>	31.12. 2014	31.12. 2013
Available financial resources (AFR)		38.8	38.2
Economic risk capital <sup>1</sup>	<div> <div>15.4</div> <div>11.5</div> </div>	26.9	23.7
Economic capital buffer		11.9	14.5
Capital buffer under Solvency II calibration		23.4	24.7
Economic capital buffer after share buy-back and dividends <sup>2</sup>		10.3	12.5
Capital buffer after share buy-back and dividends <sup>2</sup> under Solvency II calibration		21.8	22.7

<sup>1</sup> Solvency II capital based on VaR 99.5%, Munich Re internal risk model based on 175% of Solvency II capital. <sup>2</sup> After announced dividend payout of ~€1.3bn for 2014 to be paid in April 2015 and outstanding share buy-backs of ~€0.3bn.

# Reconciliation of AFR with IFRS equity

## Reconciliation of AFR with IFRS equity

€bn

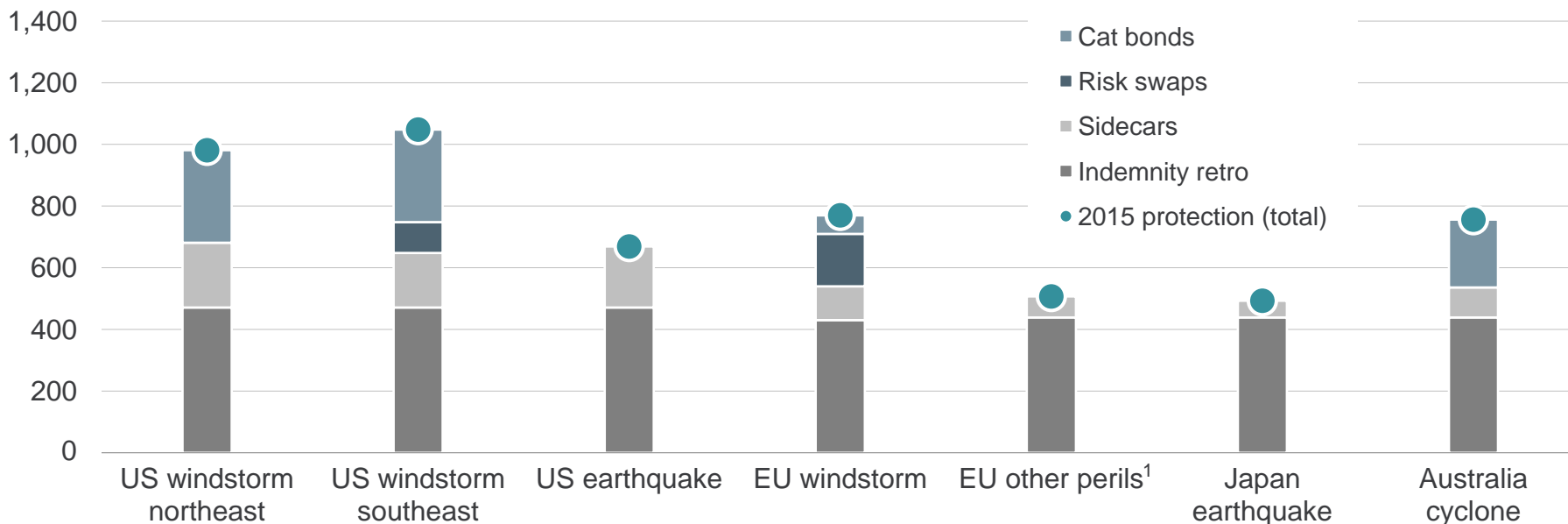


<sup>1</sup> Includes discount of reserves, embedded value not recognised in IFRS equity and change in p-c reserve basis: claims payments projected using actuarial methods. <sup>2</sup> Deduction net of tax effects. <sup>3</sup> Deduction only of the amount not covered by excess of deferred tax liabilities on single-entity level and US tax group respectively. <sup>4</sup> Including funds financing new business.

# Munich Re's maximum in-force nat cat protection

Munich Re's maximum in-force nat cat protection as at July 2015

€m



Slight reduction of retro limit reflecting increased AFR

Broadening of territorial scope for indemnity retro protection to **worldwide**










Establishment of strategic partnership with investors via sidecars Eden Re I + II

**Reduced spending for retro due to strong Munich Re capital base**

## MCEV result 2014 – ERGO

## MCEV – ERGO











€m

<b>MCEV 31.12.2013</b>	<b>5,949</b>		Value of new business	135
Opening adjustments	–153			
<b>Adjusted MCEV 31.12.2013</b>	<b>5,796</b>		Expected return	135
<b>Operating MCEV earnings</b>	<b>–520</b>		Experience variances	–172
Economic variances	–1,177			
Other non-operating variance	0		Assumption changes	–122
<b>Total MCEV earnings</b>	<b>–1,697</b>			
<b>MCEV before closing adjustments</b>	<b>4,099</b>		Other operating variance	–496
Closing adjustments	67			
<b>MCEV 31.12.2014</b>	<b>4,166</b>		<b>Operating MCEV earnings</b>	<b>–520</b>

# MCEV result 2014 – ERGO Life Germany

## MCEV – ERGO Life Germany










€m

<b>MCEV 31.12.2013</b>	<b>1,239</b>		Value of new business	5
Opening adjustments	49			
<b>Adjusted MCEV 31.12.2013</b>	<b>1,288</b>		Expected return	43
<b>Operating MCEV earnings</b>	<b>–564</b>		Experience variances	–231
Economic variances	–1,401		Assumption changes	8
Other non-operating variance	0		Other operating variance	–389
<b>Total MCEV earnings</b>	<b>–1,965</b>		<b>Operating MCEV earnings</b>	<b>–564</b>
<b>MCEV before closing adjustments</b>	<b>–677</b>			
Closing adjustments	0			
<b>MCEV 31.12.2014</b>	<b>–677</b>			

## MCEV result 2014 – ERGO International life

## MCEV – ERGO International life









€m

<b>MCEV 31.12.2013</b>	<b>1,551</b>		Value of new business	43
Opening adjustments	–53			
<b>Adjusted MCEV 31.12.2013</b>	<b>1,498</b>		Expected return	23
<b>Operating MCEV earnings</b>	<b>–90</b>		Experience variances	61
Economic variances	–227			
Other non-operating variance	0		Assumption changes	–192
<b>Total MCEV earnings</b>	<b>–316</b>			
<b>MCEV before closing adjustments</b>	<b>1,182</b>		Other operating variance	–25
Closing adjustments	67			
<b>MCEV 31.12.2014</b>	<b>1,249</b>		<b>Operating MCEV earnings</b>	<b>–90</b>

# MCEV result 2014 – ERGO Health

## MCEV – ERGO Health

€m

<b>MCEV 31.12.2013</b>	<b>3,159</b>		Value of new business	86
Opening adjustments	–149			
<b>Adjusted MCEV 31.12.2013</b>	<b>3,010</b>		Expected return	70
<b>Operating MCEV earnings</b>	<b>134</b>		Experience variances	–3
Economic variances	450			
Other non-operating variance	0		Assumption changes	62
<b>Total MCEV earnings</b>	<b>585</b>			
<b>MCEV before closing adjustments</b>	<b>3,595</b>		Other operating variance	–82
Closing adjustments	0			
<b>MCEV 31.12.2014</b>	<b>3,595</b>		<b>Operating MCEV earnings</b>	<b>134</b>

## €m



# Sensitivities of MCEV

€m	Reinsurance Life			ERGO		
	MCEV	Change in €m	Change in %	MCEV	Change in €m	Change in %
<b>Base case</b>	<b>10,469</b>			<b>4,166</b>		
Interest rates –100bp	10,750	282	2.7	1,599	–2,567	–61.6
Interest rates +100bp	10,075	–394	–3.8	5,414	1,248	29.9
Equity/property values –10%	10,465	–3	–	3,974	–192	–4.6
Equity/property-implied volatilities +25%	10,467	–2	–	4,032	–134	–3.2
Swaption-implied volatilities +25%	10,467	–1	–	3,902	–264	–6.3
Illiquidity premium 10bp	10,517	48	0.5	4,609	443	10.6
Maintenance expenses –10%	10,593	124	1.2	4,247	81	1.9
Lapse rates –10%	10,810	341	3.3	4,077	–89	–2.1
Lapse rates +10%	10,174	–294	–2.8	4,251	85	2.0
Mortality/morbidity (life business) –5%	12,552	2,083	19.9	4,241	75	1.8
Mortality (annuity business) –5%	10,312	–156	–1.5	4,070	–96	–2.3
No mortality improvements (life business)	4,112	–6,357	–60.7	4,124	–42	–1.0
Solvency II yield curve	10,527	59	0.6	5,062	896	21.5

# Sensitivities of value of new business

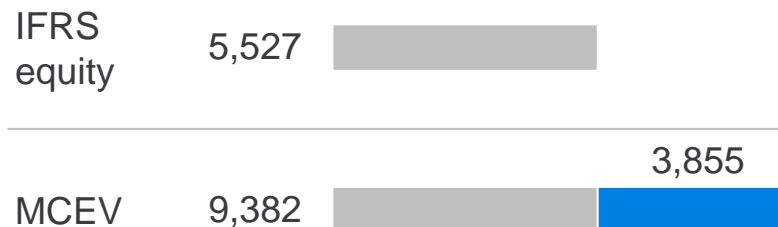
€m	Reinsurance Life			ERGO		
	VNB	Change €m	Change %	VNB	Change €m	Change %
<b>Base case</b>	<b>453</b>			<b>135</b>		
Interest rates –100bp	458	5	1.0	48	–87	–64.6
Interest rates +100bp	441	–12	–2.7	160	25	18.1
Equity/property values –10%	452	–1	–0.2	132	–3	–2.4
Equity/property-implied volatilities +25%	453	–	–	136	1	0.5
Swaption-implied volatilities +25%	453	–	–	120	–15	–11.0
Illiquidity premium 10bp	450	–3	–0.7	143	7	5.4
Maintenance expenses –10%	473	20	4.4	140	5	3.5
Lapse rates –10%	531	78	17.1	146	11	8.0
Lapse rates +10%	387	–66	–14.5	136	1	0.8
Mortality/morbidity (life business) –5%	616	163	35.9	146	11	7.8
Mortality (annuity business) –5%	401	–52	–11.5	136	1	0.4
No mortality improvements (life business)	98	–355	–78.3	130	–5	–3.9
Solvency II yield curve	465	12	2.6	145	10	7.4

## IFRS uplift

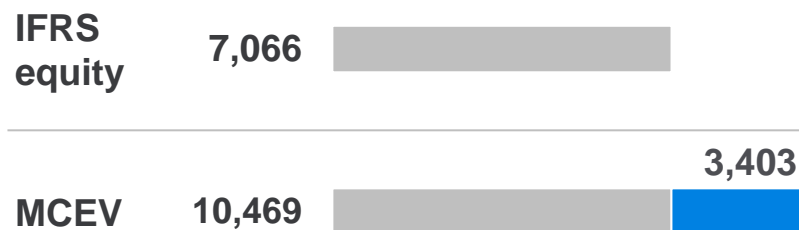
## Reinsurance Life €m

31.12.2013

■ Value not recognised in IFRS equity (IFRS uplift)



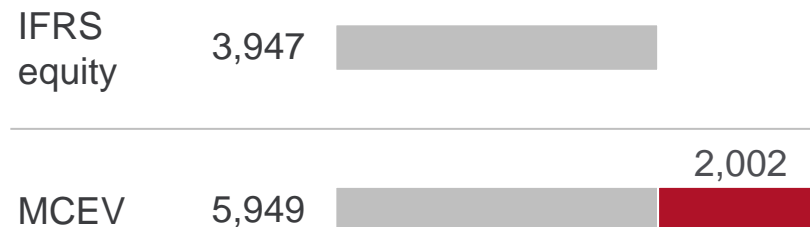
31.12.2014



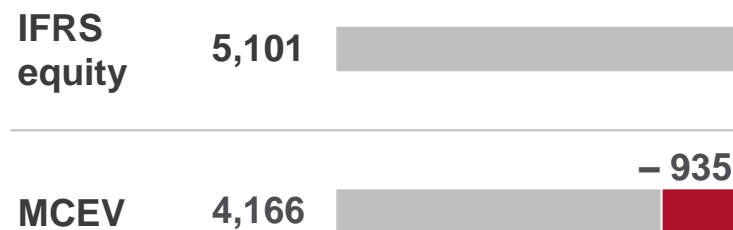
## ERGO €m

31.12.2013

■ Value not recognised in IFRS equity (IFRS uplift)



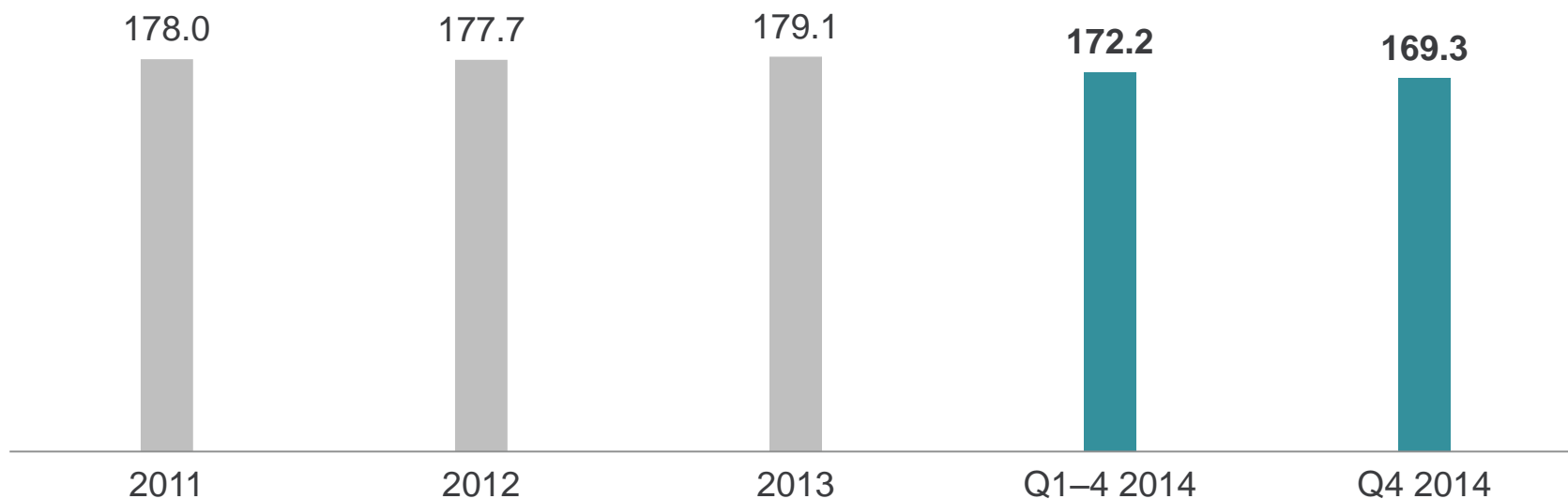
31.12.2014



# Development of shares in circulation

Shares (millions)	31.12. 2013	Acquisition of own shares in Q1–4 2014	Retirement of own shares in Q1–4 2014	31.12. 2014
Shares in circulation	177.4	–8.9		<b>168.5</b>
Own shares held	1.9	8.9	–6.4	<b>4.4</b>
<b>Total</b>	<b>179.3</b>	<b>–</b>	<b>–6.4</b>	<b>172.9</b>

## Weighted average number of shares in circulation (millions)



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## 2015

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23 April	Annual General Meeting, ICM – International Congress Centre Munich
7 May	Interim report as at 31 March 2015
30 June	Investor Day, London
6 August	Interim report as at 30 June 2015
5 November	Interim report as at 30 September 2015

# For information, please contact

## INVESTOR RELATIONS TEAM

### Christian Becker-Hussong

Head of Investor & Rating Agency Relations

Tel.: +49 (89) 3891-3910

E-mail: cbecker-hussong@munichre.com

### Thorsten Dzuba

Tel.: +49 (89) 3891-8030

E-mail: tdzuba@munichre.com

### Christine Franziszi

Tel.: +49 (89) 3891-3875

E-mail: cfranziszi@munichre.com

### Britta Hamberger

Tel.: +49 (89) 3891-3504

E-mail: bhamberger@munichre.com

### Ralf Kleinschroth

Tel.: +49 (89) 3891-4559

E-mail: rkleinschroth@munichre.com

### Andreas Silberhorn

Tel.: +49 (89) 3891-3366

E-mail: asilberhorn@munichre.com

### Angelika Rings

Tel.: +49 (211) 4937-7483

E-mail: angelika.rings@ergo.de

### Andreas Hoffmann

Tel.: +49 (211) 4937-1573

E-mail: andreas.hoffmann@ergo.de

### Ingrid Grunwald

Tel.: +49 (89) 3891-3517

E-mail: igrunwald@munichre.com

Münchener Rückversicherungs-Gesellschaft | Investor & Rating Agency Relations | Königinstraße 107 | 80802 München, Germany

Fax: +49 (89) 3891-9888 | E-mail: IR@munichre.com | Internet: www.munichre.com

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 conform them to future events or developments.

Figures up to 2010 are shown on a partly consolidated basis.

"Partly consolidated" means before elimination of intra-Group transactions across segments.

ERGO new segmentation: 2009–2010 before elimination of business with Munich Re, 2011–2014 consolidated, after elimination of all intra-Group business, 2013–2014 new segmentation, earnings include share of holding costs.