

Annual guidance raised  
after strong half-year performance  
Quarterly financial statements as at 30 June 2015

Munich, 6 August 2015

Munich RE 

## Agenda

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<b>Outlook</b>	Nikolaus von Bomhard	28

## Overview

## Difficult conditions for industry – Comparatively good starting position for Munich Re

In a challenging environment ...

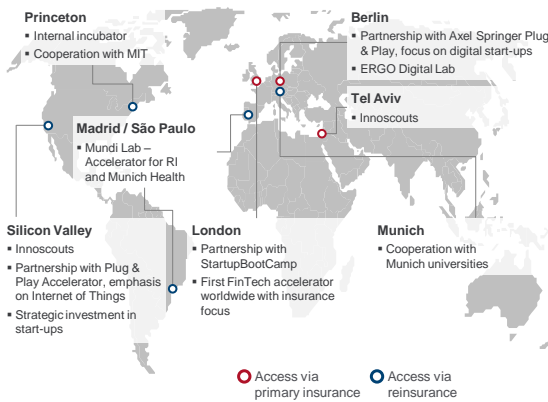
- Considerable political and economic uncertainty
- Low interest rates and risk of price bubbles
- Regulation
- Fierce competition in many reinsurance markets
- Changing risk landscape (cyber and reputational risks, new technologies)
- Digitalisation

... Munich Re is well positioned

- Strong capitalisation
- Balanced investment portfolio
- Well prepared for Solvency II; tried-and-tested internal risk model
- Diversified business – Rigorous cycle management and pricing discipline
- Primary insurance and reinsurance under one roof, global presence, excellent access to clients
- Innovative thanks to comprehensive risk expertise

**Munich Re is able to master challenges and seize opportunities from a position of strength**

Munich Re present in innovation hubs around the world



Innovation in business

- Munich Re with high innovative potential, due to know-how-driven business approach and close customer contact
- Innovations are a solution to structural underinsurance in certain areas (e.g. approx. only 1% of cyber crime losses in 2014 have been insured)
- ~€400m<sup>1</sup> premium generated by innovative products

**Digitalisation and highly competitive reinsurance markets speed up innovation process**

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

Annual net result guidance increased to at least €3bn

Munich Re (Group) – Q2 2015 (H1 2015)

NET RESULT  
**€1,076m** (€1,866m)

Strong Q2 supported by benign major losses and investments – sound operating performance given industry headwinds

SHAREHOLDERS' EQUITY  
**€30.7bn** (-11.7% vs. 31.3.)

Sound capitalisation according to all metrics, facilitating high flexibility

INVESTMENT RESULT  
**Rol of 4.1% (3.6%)**

Pleasant return given low interest rates – resilient regular income while usual portfolio turnover leading to disposal gains

**Reinsurance**

NET RESULT  
**€842m** (€1,510m)

790	52
P-C	LIFE
Combined ratio 93.3%	Technical result of €30m in Q2 due to non-recurring effects
Major-loss ratio 4.8%	

**ERGO**

NET RESULT  
**€219m** (€318m)

150	54	15
P-C GERMANY	INTERNATIONAL	
Combined ratio 93.4% – higher investment result	Combined ratio 100.4%	
L/H GERMANY	INTERNATIONAL	
Pleasant result	Combined ratio 100.4%	

**Munich Health**

NET RESULT  
**€15m** (€38m)

15
REINSURANCE
Combined ratio 100.4%
PRIMARY INSURANCE
Combined ratio 96.3%

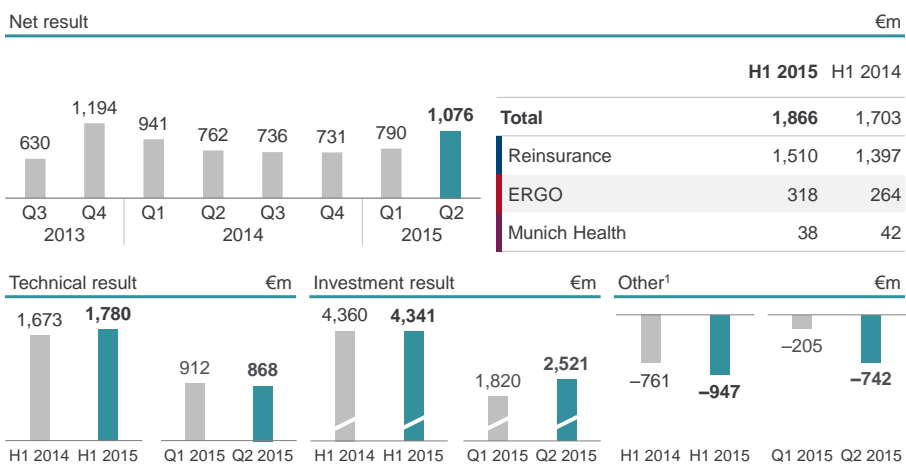
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<b>Munich Re (Group)</b>	Jörg Schneider
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Reinsurance	Torsten Jeworrek
Outlook	Nikolaus von Bomhard

Munich Re (Group) – Financial highlights Q2 2015

Net result



Benign major losses in property-casualty reinsurance

Q2: Higher dividend income and gains from equity derivatives

Q2: Negative FX result of €362m

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

Munich Re (Group) – Capitalisation  
IFRS capital position



Equity		€m
Equity 31.12.2014	30,289	
Consolidated result	1,866	Change Q2 1,076
<b>Changes</b>		
Dividend	-1,293	-1,293
Unrealised gains/losses	-1,201	-3,236
Exchange rates	1,359	-498
Share buy-backs	-401	-122
Other	80	19
<b>Equity 30.6.2015</b>	<b>30,699</b>	<b>-4,054</b>

UNREALISED GAINS/LOSSES

Fixed-interest securities  
H1: -€1,247m  
Q2: -€2,324m

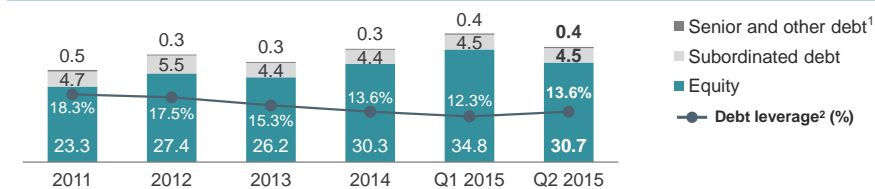
Non-fixed-interest securities  
H1: €39m  
Q2: -€906m

EXCHANGE RATES

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).

Munich Re (Group) – Investment portfolio  
Investment portfolio



Investment portfolio<sup>1</sup> %

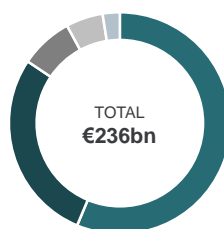
Land and buildings  
2.5 (2.4)

Shares, equity funds and participating interests<sup>2</sup>  
5.4 (5.2)

Miscellaneous<sup>3</sup>  
7.7 (7.7)

Loans  
28.1 (29.2)

Fixed-interest securities  
56.3 (55.5)



Portfolio management in Q2

Decline in market values due to increasing interest rates

Purchase of US government bonds, esp. inflation-linkers

Reinsurance: Slight reduction of credit exposure, esp. corporates and ABS/MBS

ERGO: Shift from covered to government bonds

Investments in higher maturities further aligning the duration of assets and liabilities

<sup>1</sup> Fair values as at 30.6.2015 (31.12.2014). <sup>2</sup> Net of hedges: 4.0% (4.3%). <sup>3</sup> Deposits retained on assumed reinsurance, deposits with banks, investment funds (excl. equities), derivatives and investments in renewable energies and gold.

Munich Re (Group) – Investment result

## Investment result – Seasonal impact from dividends and positive contribution from equity derivatives in Q2

Munich RE 

Investment result		€m							
	H1 2015	Return <sup>1</sup>	H1 2014	Return <sup>1</sup>	Q2 2015	Return <sup>1</sup>	Q1 2015	Return <sup>1</sup>	
Regular income	3,863	3.2%	3,604	3.3%	2,062	3.4%	1,801	3.0%	
Write-ups/write-downs	-240	-0.2%	-15	0.0%	-89	-0.2%	-151	-0.2%	
Disposal gains/losses	1,807	1.5%	1,204	1.1%	810	1.3%	997	1.6%	
Derivatives <sup>2</sup>	-839	-0.7%	-199	-0.2%	-133	-0.2%	-706	-1.2%	
Other income/expenses	-250	-0.2%	-234	-0.2%	-129	-0.2%	-121	-0.2%	
<b>Investment result</b>	<b>4,341</b>	<b>3.6%</b>	<b>4,360</b>	<b>4.0%</b>	<b>2,521</b>	<b>4.1%</b>	<b>1,820</b>	<b>3.0%</b>	
<b>Total return in %</b>		<b>-0.4%</b>		<b>11.5%</b>		<b>-17.0%</b>		<b>16.2%</b>	

3-month reinvestment yield	Write-ups/write-downs	H1 2015	Q2 2015	Disposal gains/losses	H1 2015	Q2 2015	Derivatives	H1 2015	Q2 2015	
Q2 2015	2.1%	Fixed income	-95	3	Fixed income	1,026	407	Fixed income <sup>3</sup>	-321	-456
Q1 2015	2.0%	Equities	-75	-44	Equities	769	400	Equities	-530	230
Q4 2014	2.1%	Real estate	-37	-18	Other	12	3	Commodities	-19	50
		Other	-33	-30				Other	31	65

<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 H1: -€168m/-€24m (gross/net).

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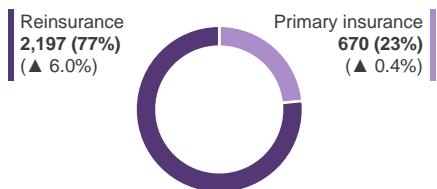
Munich Health – Premium development

## Munich Health – Premium development

Munich RE 

Gross premiums written	€m
H1 2014	2,740
Foreign-exchange effects	218
Divestments/investments <sup>1</sup>	-18
Organic change	-73
<b>H1 2015</b>	<b>2,867</b>

Segmental breakdown €m



Gross premiums written	€m
H1 2014	2,740
Reinsurance	124
Primary insurance	3
<b>H1 2015</b>	<b>2,867</b>

Regional breakdown %

<sup>1</sup> DKV Luxembourg.

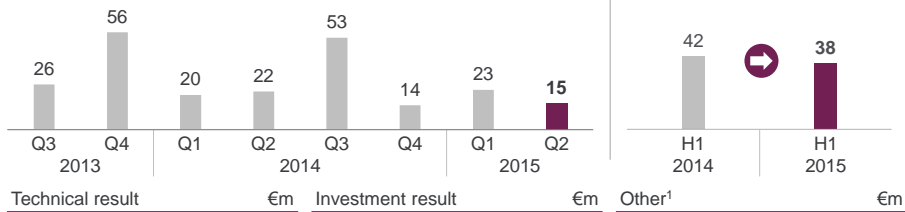
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Munich Health – Key figures

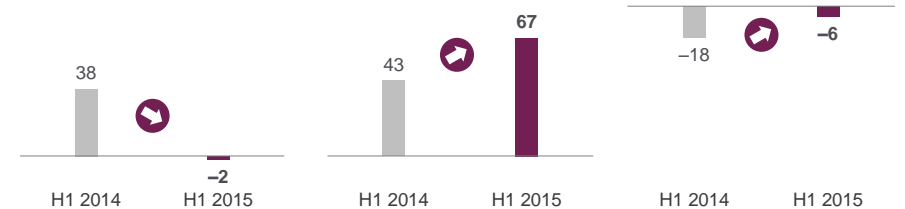
## Munich Health – Key figures



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.

Munich Health

## Munich Health – Highlights

### H1 2015 vs. H1 2014



Gross premiums **+4.6%**

- Organic change –€73m: Reduced share of large-volume deals, partly compensated for by organic growth in Middle East
- Positive FX effects (€218m), mainly CAD
- Divestments: Sale of DKV Luxembourg (–€18m)

Technical result

- Overall combined ratio slightly up to 100.1% chiefly due to claims experience in the US – partially offset by lower commissions
- Reinsurance combined ratio: 100.6% (+1.2%)
- Primary insurance combined ratio: 97.2% (–1.6%)

Investment result **+55.8%**

- Higher regular income (e.g. Daman)
- Higher disposal gains

Other<sup>1</sup>

- Low tax rate of 11.6%

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

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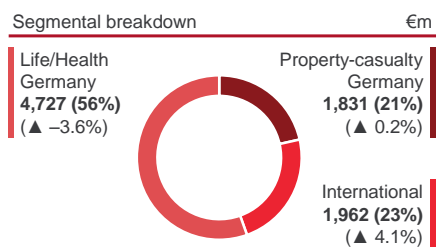


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Munich Re (Group)	Jörg Schneider
<b>Business field ERGO</b>	Torsten Oletzky
Reinsurance	Torsten Jeworrek
Outlook	Nikolaus von Bomhard

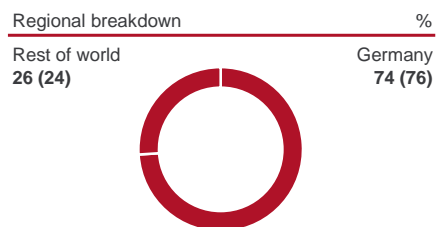
Business field ERGO – Premium development  
Share of international business rises



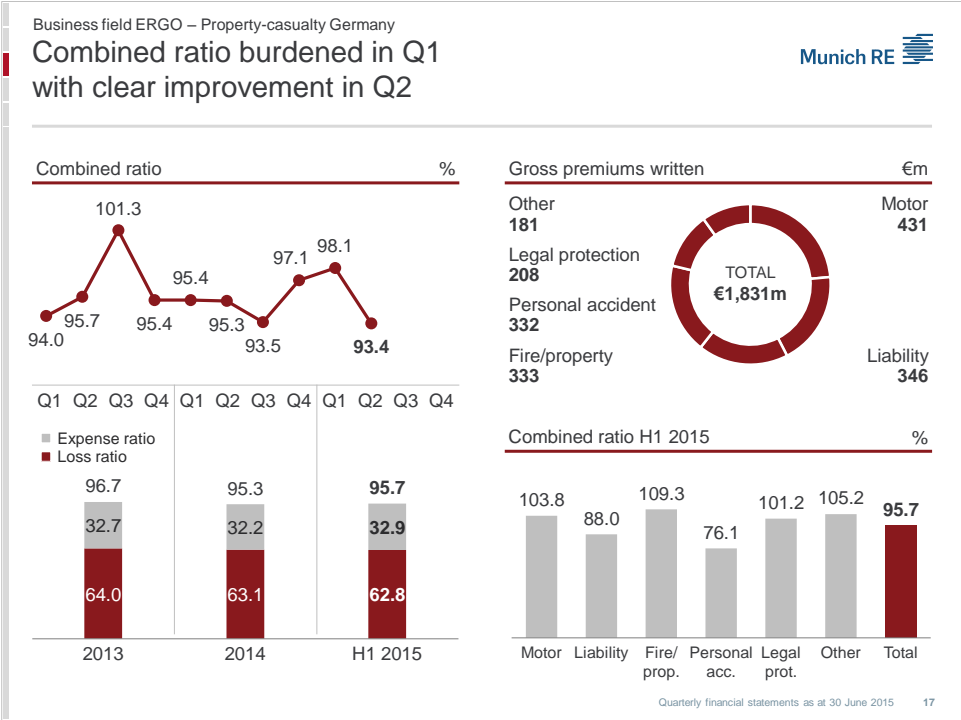
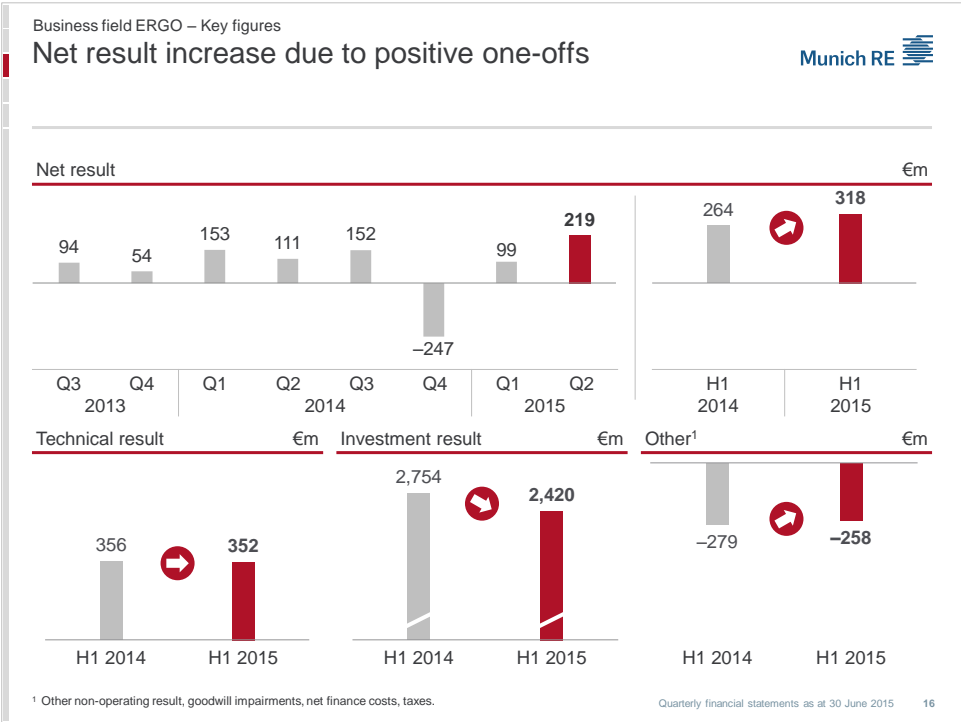
Gross premiums written	€m
H1 2014	8,618
Foreign-exchange effects	9
Divestments/investments	20
Organic change	-127
<b>H1 2015</b>	<b>8,520</b>



Gross premiums written	€m
H1 2014	8,618
Life/Health Germany	-178
Property-casualty Germany	3
International	77
<b>H1 2015</b>	<b>8,520</b>





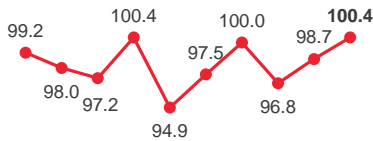


Business field ERGO – International property-casualty

## Higher combined ratio especially in Poland and Turkey

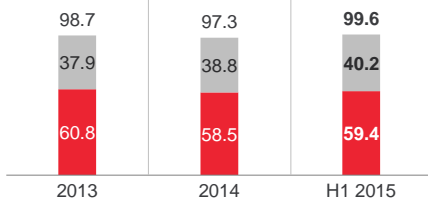


Combined ratio %

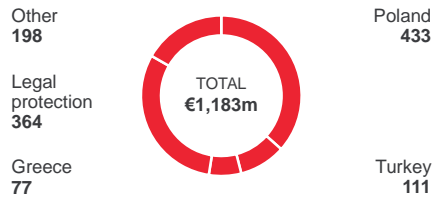


Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4

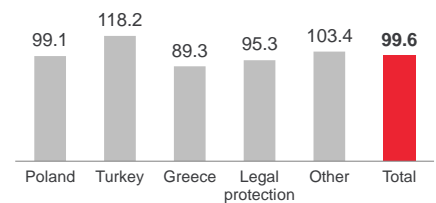
Expense ratio  
Loss ratio



Gross premiums written €m



Combined ratio H1 2015 %



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Business field ERGO

## Business field ERGO – Highlights H1 2015 vs. H1 2014



Total premiums **-1.4%**

- Life Germany: Lower business in force and single premiums
- Health Germany: Decrease in comprehensive health cover; stable premium income in supplementary insurance
- P-C Germany: Increase mainly driven by fire/property and liability
- International: Good growth esp. in Poland and Turkey; new company in Singapore

Investment result **-12.1%**

- Losses on interest rate and equity derivatives
- Losses on interest-rate hedging programme -€168m/-€24m (gross/net)
- Higher gains on disposal from equities and fixed-income securities

Technical result **-1.1%**

- Improvement in life, slight decrease in health and direct business
- P-C Germany: After burden in Q1 (e.g. storm Niklas) with clear improvement in Q2
- P-C International: Lower results esp. in Poland and Turkey

Net result **+20.5%**

- Net result increase due to positive one-offs
- Lower tax expenditures in Life/Health Germany and International
- Low tax-rate maintained in P-C Germany

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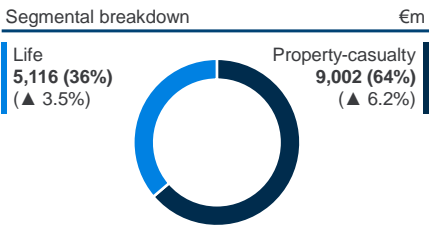
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Reinsurance – Premium development

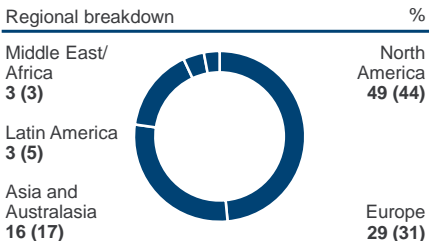
Reinsurance – Premium development



Gross premiums written		€m
H1 2014	13,422	
Foreign-exchange effects	1,648	
Divestments/investments	30	
Organic change	-982	
<b>H1 2015</b>	<b>14,118</b>	



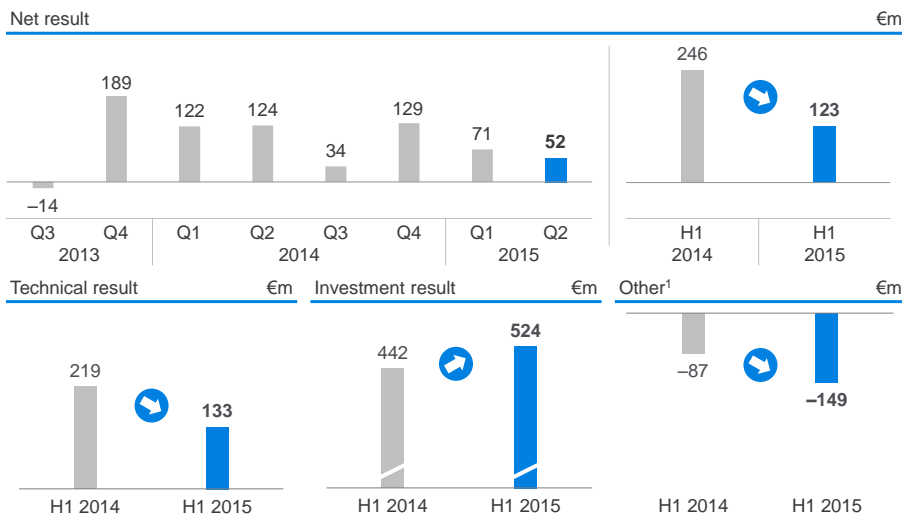
Gross premiums written		€m
H1 2014	13,422	
Life	172	
Property-casualty	524	
<b>H1 2015</b>	<b>14,118</b>	



Reinsurance Life – Key figures

## Reinsurance Life – Key figures

Munich RE 



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

Reinsurance Life

## Reinsurance Life – Highlights H1 2015 vs. H1 2014

Munich RE 

**Gross premiums** +3.5% 

- Positive FX effects of €488m driven by the US and Canadian dollars
- Negative organic change –€316m due to cancellation/modification of several treaties ...
- ... while Q2 2015 showing organic growth of €240m vs. Q1 2015, esp. in USA, UK and Australasia, as well as large-volume deals

**Investment result** +18.6% 

- Increase of regular income due to FX
- Higher disposal gains
- Losses on equity derivatives in Q1 2015 partially reversed in Q2 2015

**Insurance-related investment result**

- Negative impact mainly from GmxB in Q1 2015

**Technical result** –39.3% 

- At €30m in Q2 2015, the result remained well below expectations due to a series of reasons only partly connected to current business operations, e.g.
  - impact of improved projection models,
  - effect of lower interest rates on the valuation of provisions
- By contrast, claims experience in US mortality and Australian disability business was in line with our projections
- Annual guidance 2015 lowered to €300–350m

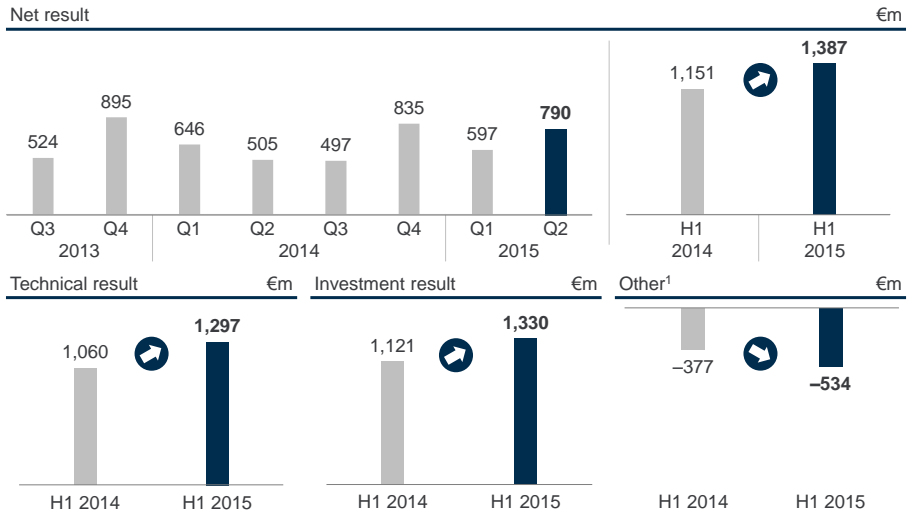
**Other<sup>1</sup>** 

- Negative currency impact –€75m
- Tax rate: 30.9%

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

Reinsurance Property-casualty – Key figures

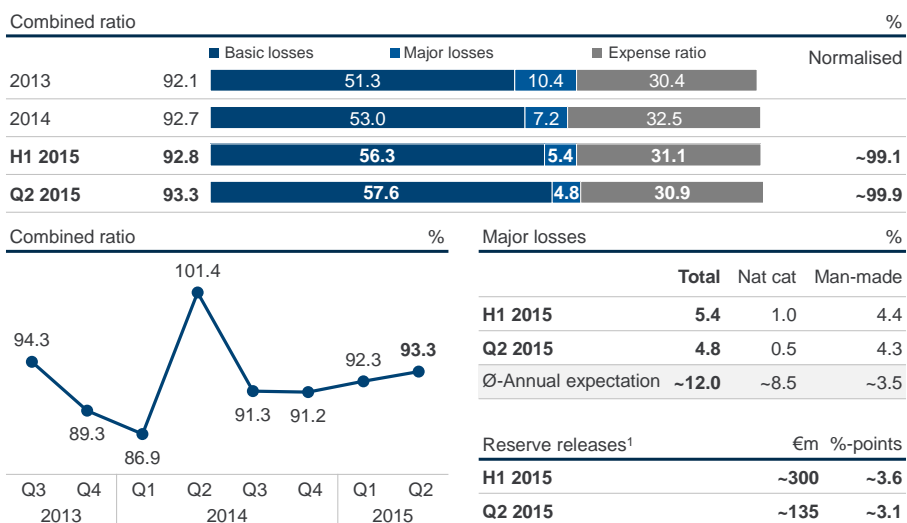
Reinsurance Property-casualty – Key figures



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

Reinsurance Property-casualty – Combined ratio

Combined ratio



<sup>1</sup> Basic losses: Mainly fire, marine and motor; no corresponding sliding-scale effects.

Reinsurance Property-casualty

## Reinsurance Property-casualty – Highlights H1 2015 vs. H1 2014



Gross premiums **+6.2%**

- Significant positive FX effects of €1,160m, mainly driven by US\$
- Negative organic change –€666m resulting from motor (prior-year effect), fire and marine business
- Acquisition of Australian entity Calliden (€30m)

Technical result **+22.4%**

- Positive FX-effect on combined ratio
- Very low level of major nat cat losses
- Increase of basic losses in Q2 vs. Q1 2015:
  - Some of the Risk Solutions operations experienced a claims accumulation just below the €10m threshold
  - Current reserve releases somewhat below our guidance – but dependent on reserve review in Q4 expectation for the full-year at least 4%-pts., very high confidence in claims reserving level remains unchanged
- Outlook combined ratio 2015 revised: ~96%

Investment result **+18.6%**

- Increase of regular income due to FX
- High disposal gains on fixed-income securities and equities
- Losses on equity and commodity derivatives in Q1 2015 partially reversed in Q2 2015

Other<sup>1</sup>

- Negative currency impact –€198m
- Tax rate: 15.5%

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

Reinsurance Property-casualty – July renewals 2015

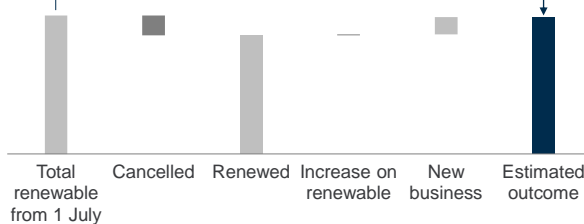
## Price decreases slowing down



July renewals 2015

%	100	-14.3	85.7	0.8	12.3	<b>98.8</b>
€m	2,344	-336	2,008	20	289	<b>2,317</b>

**Change in premium** **-1.2%**  
 Thereof price movement<sup>1</sup> ~ -2.1%  
 Thereof change in exposure for our share +0.9%



### Top line

- Slightly down, due to lower nat cat premiums
- Business opportunities compensating for cycle-management measures

### Price change

- Decrease mainly driven by nat cat XL, while proportional business remains stable
- First signs of some stabilisation – lower price decline vs. July 2014 renewals (-3.6%)

## Portfolio profitability continues to comfortably meet cost of capital

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

## Agenda

Introduction

Munich Re (Group)

Business field ERGO

Reinsurance

**Outlook**

## Outlook 2015

### Munich Re (Group)

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

**€49–51bn**

Focus on bottom-line growth prevails

#### RETURN ON INVESTMENT

**~3.3%**  
(prev. at least 3%)

Solid return given ongoing low interest-rate environment

#### NET RESULT

**at least €3bn**  
(prev. €2.5–3bn)

Raised after strong H1 result

### Reinsurance

#### COMBINED RATIO

**~96%**  
(prev. ~97%)

#### NET RESULT

**at least €2.5bn**  
(prev. at least €2bn)

### ERGO

#### COMBINED RATIO

Germany: **~95%** (prev. ~93%)  
International: **~99%** (prev. ~97%)

#### NET RESULT

**~€500m**

### Munich Health

#### COMBINED RATIO

**~99%**

#### NET RESULT

**€50–100m**

<sup>1</sup> By segment: Reinsurance ~€28bn, ERGO €16–16.5bn, Munich Health ~€5.5bn.

## Disclaimer



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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 make them conform with future events or developments.

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

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