



plainpicture/fStop/Ralf Hiemisch

# Preliminary financial statements as at 31 December 2016

7 February 2017

Jörg Schneider

# 2016 net result of €2.6bn meets annual guidance – Increased dividend of €8.60 per share<sup>1</sup>

## Munich Re (Group) – 2016 (Q4 2016)

### NET RESULT

€2.6bn (€0.5bn)

Sound underlying performance without dilution of strong balance sheet – investments in ERGO Strategy Programme and FX gains

### OPERATING RESULT

€4.0bn (€0.8bn)

Reinsurance combined ratio of 95.7% (101.9%), technical result of almost €500m in life re – ERGO with slightly negative 2016 (positive Q4) net result

### INVESTMENT RESULT

RoI: 3.2% (2.7%)

Solid return given low interest rates – prudent asset liability management once again proved beneficial

### SHAREHOLDERS' EQUITY

€31.8bn (–1.8% vs. 30.9.)

Strong capitalisation according to all metrics continues to provide the basis for high pay-outs

### HGB RESULT (GERMAN GAAP)

Significantly above €3bn

Distributable earnings improved substantially, despite capital repatriation of €2.3bn

### JANUARY RENEWALS

Strict focus on bottom-line

- Premium change: –4.9%
- Price change: ~ –0.5%

<sup>1</sup> Subject to approval of Supervisory Board and AGM.

# Investment result

€bn	Q4 2016	2016	2015
Regular income	1.7	6.7	7.4
Write-ups/write-downs	-0.1	-0.4	-0.8
Disposal gains/losses	0.8	2.6	2.7
Derivatives	-0.5	-0.7	-1.2
Other income/expenses	-0.2	-0.6	-0.5
<b>Investment result</b>	<b>1.6</b>	<b>7.6</b>	<b>7.5</b>
<b>Return on investment</b>	<b>2.7%</b>	<b>3.2%</b>	<b>3.2%</b>
Reinsurance	2.2%	2.5%	3.2%
<b>ERGO</b>	<b>3.0%</b>	<b>3.7%</b>	<b>3.1%</b>

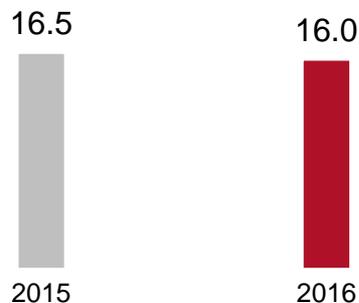
## Highlights

- Ongoing attrition of running yield – decline ~30bps
- 3-month reinvestment yield stable at ~1.8% in Q4
- Disposal gains at prior-year level – higher gains at ERGO, lower gains in reinsurance
- Improved derivatives result largely driven by interest-rate hedging at ERGO and recovery of commodity markets, ...
- ... partly reversed in Q4 following a pick-up in interest rates and strong equity markets

# ERGO – Key financials

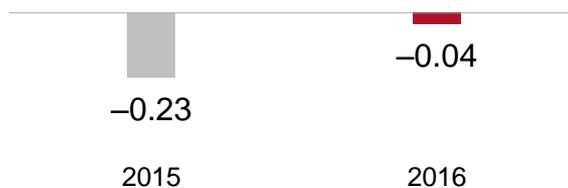
## Gross premiums written

€bn



## Net result

€bn

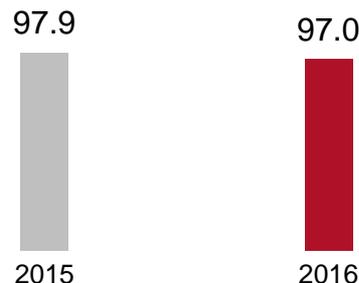


## Major result drivers

- 2016: Net result in line with guidance, including impact from ERGO Strategy Programme (ESP)<sup>1</sup>
  - Higher investment result
  - Germany P-C: Combined ratio 1% point better than guidance<sup>2</sup>
  - International P-C: Combined ratio improved, mainly in Poland, UK and Turkey
- Q4: Positive net result
  - High investment result in all segments more than offsets additional restructuring expenses in Belgium

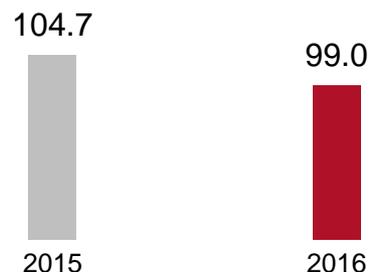
## Germany P-C: Combined ratio

%



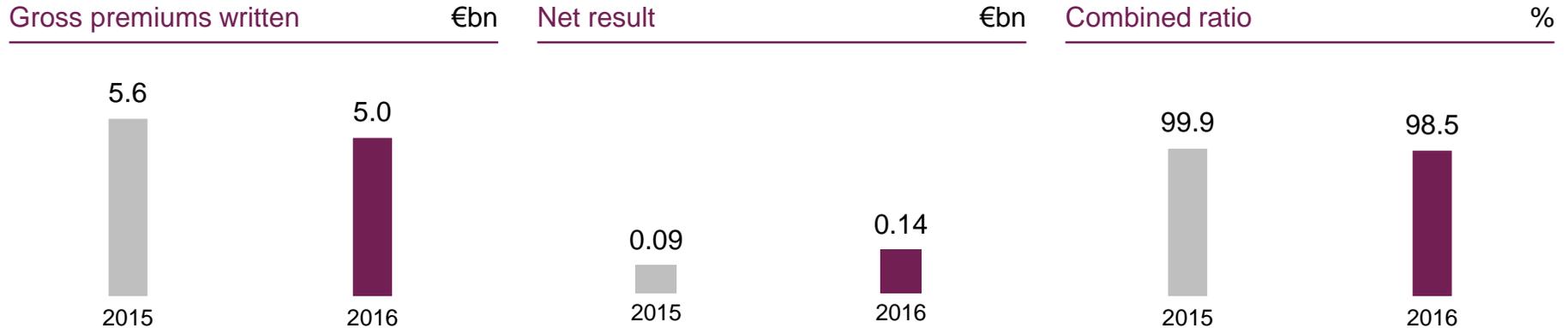
## International P-C: Combined ratio

%



<sup>1</sup> Restructuring expenses: €0.2bn, investments: €0.1bn. <sup>2</sup> ESP impact: ~1% point

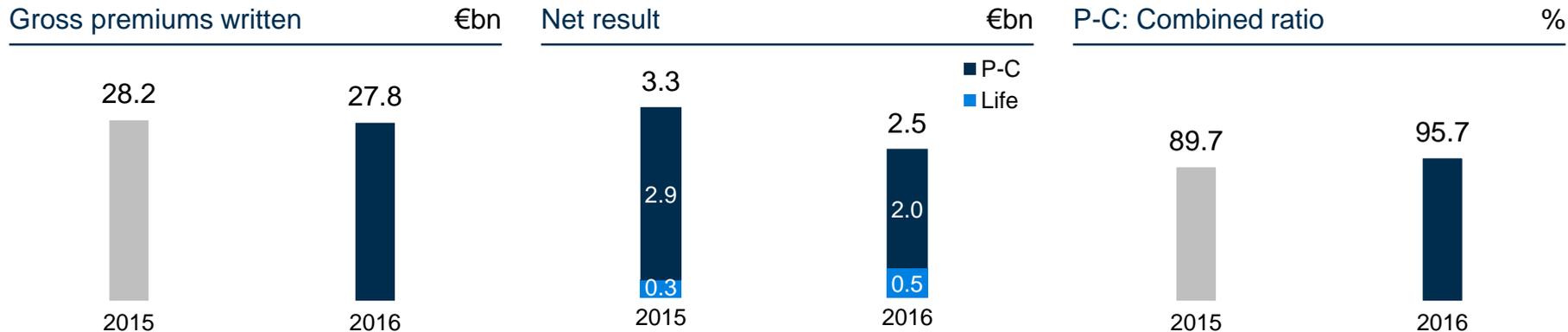
# Munich Health – Key financials



## Major result drivers

- Organic premium decrease mainly driven by reduced share and restructuring of one large treaty, partly offset by growth in China, Middle East and Spain
- Reinsurance combined ratio 99.5% (–1.7%) – Reserve release, as well as better claims experience and positive one-offs in the US
- Primary insurance combined ratio 94.2% (+1.0%) – Reserve release in Belgium

# Reinsurance – Key financials



## Life: Technical result ~€0.49bn

- Result well above annual target, despite large losses in Q1
- Strong contribution mainly from North America, Europe and Asia supported by one-off effects
- Reserve releases in H2 2016

## Property-casualty: Major losses

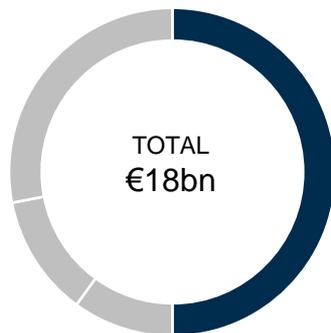
	Total	Nat cat	Man-made
FY 2016	9.1	5.5	3.6
Q4 2016	14.8	10.9	3.9
Reserve releases <sup>1</sup>		€bn	% points <sup>2</sup>
FY 2016		~1.1	~5.5
Q4 2016		~0.4	~5.7

<sup>1</sup> Basic losses. <sup>2</sup> Adjusted for commission effects. Gross reserve releases: ~6.2% (Q4 2016: ~8.7%).

# Business up for renewal roughly half of total P-C book – Regional focus on Europe

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

Remaining business	28	Business up for January renewal	50
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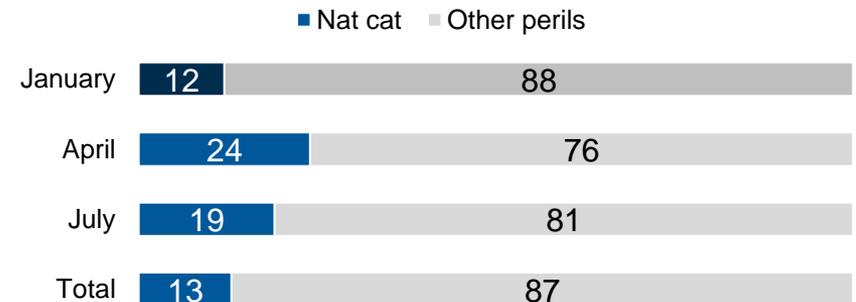
Business up for July renewal	12	Business up for April renewal	10
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## Regional allocation of January renewals %

Worldwide	26	Europe	31
Latin America	4	North America	22
Asia-Pacific-Africa	17		



## Nat cat shares of renewable portfolio<sup>2</sup> %

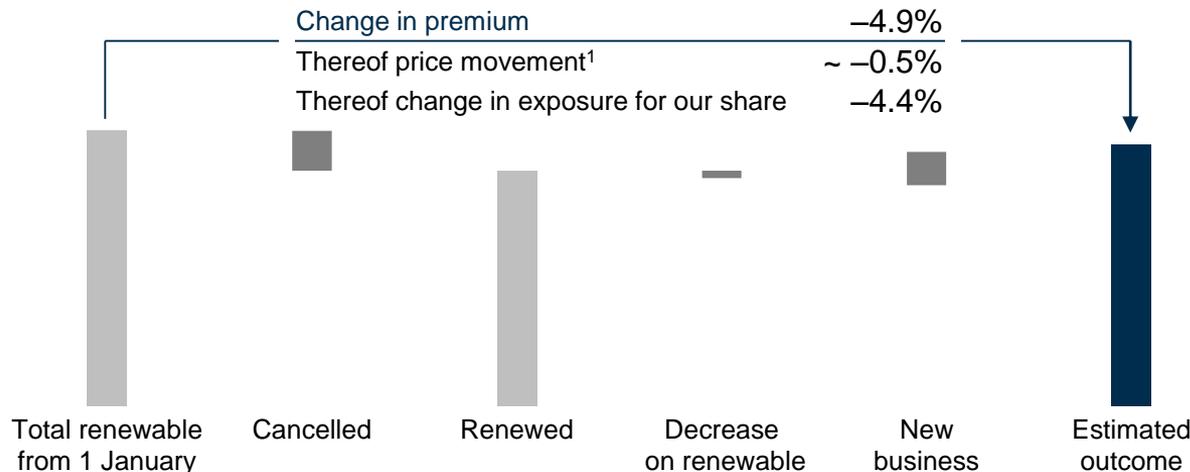


<sup>1</sup> Gross premiums written. Economic view – not fully comparable with IFRS figures. <sup>2</sup> Total refers to total P-C book, incl. remaining business.

# Cycle management reduction mitigated by new business opportunities – Further slow-down in price decline

## January renewals 2017

%	100	-14.4	85.6	-2.7	12.2	95.1
€m	8,982	-1,297	7,685	-241	1,094	8,538



- Overall premium decline due to disciplined underwriting partly offset by new business opportunities
- Price change of -0.5% less pronounced compared with last year
- Continued pressure on XL business, while price decline for US nat cat lower than in the past
- Proportional business remains resilient

Overall portfolio profitability was maintained and remains above 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).

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