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Half-year financial report as at 30 June 2018

8 August 2018

Joachim Wenning
Jörg Schneider

Munich RE 

1	Executing business opportunities	2	3	ERGO	13
2	Munich Re (Group)	8	4	Reinsurance	17
			5	Outlook	22

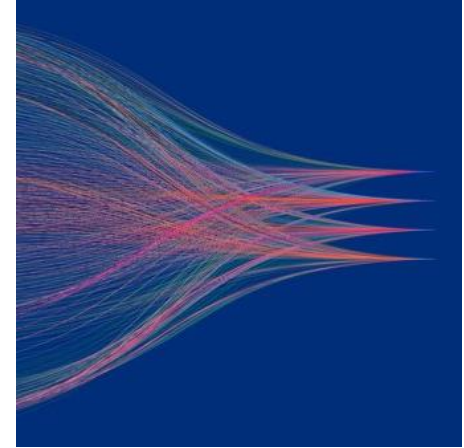
Strategic priorities pave the way for profitable growth



1 | Increase earnings



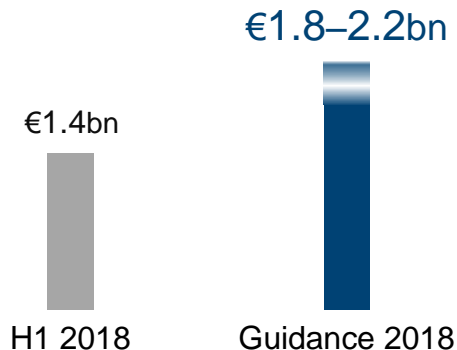
2 | Digital transformation



3 | Reduce complexity

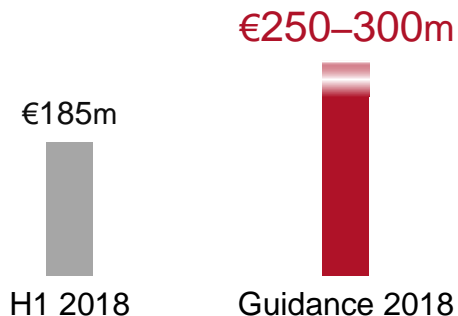
1 | Increase earnings – Pleasing half-year result

REINSURANCE NET RESULT



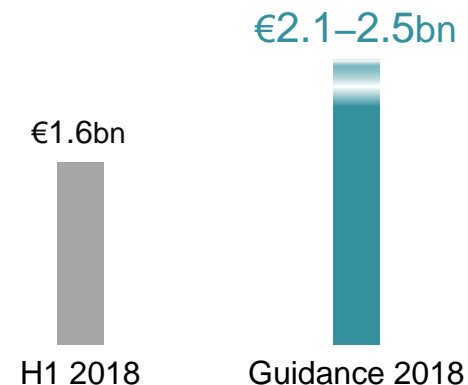
Profitable premium growth in P-C, including renewals, and strong contribution from Life and Health

ERGO NET RESULT



Improved underwriting result in all segments compensates for significantly lower disposal gains

GROUP NET RESULT



H1 result confirms Group net profit target

1 | Increase earnings – Strategic initiatives at ERGO and in reinsurance taking effect

REINSURANCE

Growth initiatives and cost savings
to boost earnings growth



- Mature markets: Pleasing development of traditional business – US strategy with focus on regional clients and brokered business pays off in recent renewals
- Emerging markets: Growth in new business, e.g. agro
- Expansion of global footprint for complex, structured deals: Several deals concluded
- Cyber business: Continued growth in H1 2018 – new service offering for incident management launched
- Admin expense ratio improved due to top-line development

ERGO

Stringent execution of ERGO
Strategy Programme (ESP)



- ERGO well on track towards its 2020 strategic and financial targets
- New product portfolio well positioned within peer group (e.g. market leader in supplementary health insurance)
- Productivity of sales agents shows initial increases (y-o-y +14%)
- ESP cost programme in Germany according to plan
- International portfolio further streamlined through sale of subsidiaries in Croatia and Ukraine

2 | Digital transformation – Concrete progress at ERGO and in reinsurance

REINSURANCE

- Strategic partnerships concluded with global industry leaders BOSCH and KUKA/MHP (open IoT smart factory)
- Pleasing business development and further international expansion of Digital Partners
- Implementation of GDPR solution with five pilot clients, already generating new income streams in cyber
- Launch of insurance cover of AI algorithm to improve security of online sales together with Fraugster
- Smart Thinking Consulting “Si Tao” in China – Several cooperation agreements signed, two deals concluded



ERGO

- Digital transformation pushed forward, e.g.
 - Processes in motor further automated to 57% (53%)¹
 - User base on customer self-service portal enlarged by 17% in 2018
- Initial successes of new business models achieved, e.g. nexible: more than 30,000 policies with 49,000 risks and nearly €15m APE since market launch

¹ Compared to 2017.

3 | Transformation programme in reinsurance

Traditional
business



INVESTMENTS IN DIGITALISATION

- Competencies
- Improvements
- New business models
- Business hypothesis



Secure
earnings
power for
the future

New business models
and traditional business



COMPLEXITY REDUCTION

- Reduce resource requirements (-12%)
 - Voluntary programme very successful
- Simplify structures and processes



Run growing
business
with fewer
resources

Munich Re (Group)

2

After good Q2 result, well on track to meet annual guidance

Munich Re (Group)

Net result

€728m (€1,555m)

Above-average large losses in P-C reinsurance, strong contribution from L&H reinsurance and ERGO, low tax burden

Return on investment¹

3.1% (3.1%)

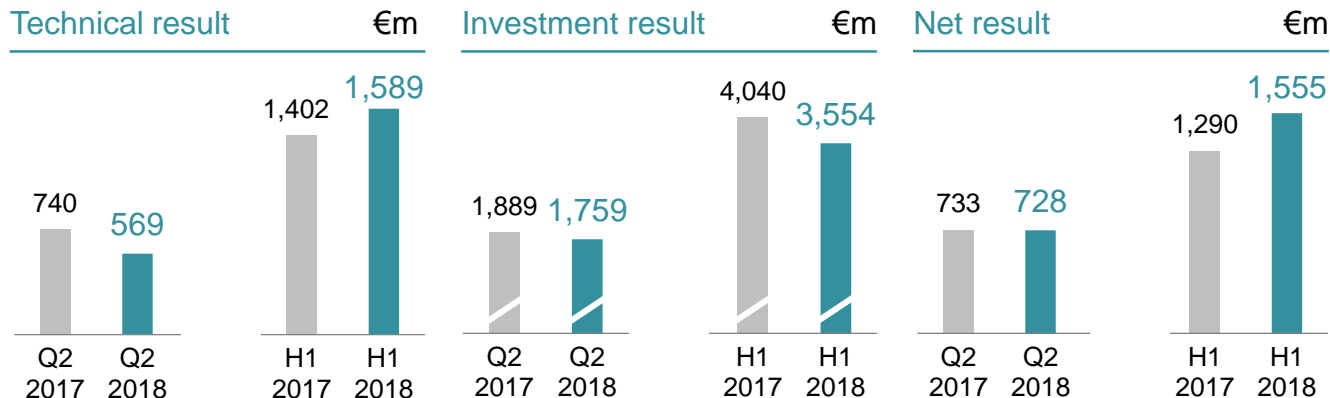
Increasing regular income (incl. dividend seasonality) – Reinvestment yield up to 2.3%

Shareholders' equity

€26.9bn (–4.6% vs. 31.12.)

Solvency II ratio at ~250%

Q2 2018 (H1 2018)



Reinsurance

Life and Health: Technical result incl. fee income: €176m (€331m) – On course to achieve annual target of ≥€475m

Property-casualty: Combined ratio: 102.0% (95.5%) – Major-loss ratio: 13.3% (7.5%)

July renewals:
Price change: +0.9%, exposure change: +40.7%









ERGO

Life and Health Germany:
Return on investment: 2.7% (3.1%)

Property-casualty Germany:
Combined ratio: 90.3% (95.6%)

International:
Combined ratio: 95.6% (95.4%)

IFRS capital position

Equity		€m		€m
Equity 31.12.2017	28,198		Change Q2	
Consolidated result	1,555			728
Changes				
Dividend	-1,286			-1,286
Unrealised gains/losses	-1,366			-195
Exchange rates	197			510
Share buy-backs	-417			-106
Other	18			57
Equity 30.6.2018	26,899			-292

Unrealised gains/losses

Fixed-interest securities

H1: -€963m Q2: -€404m

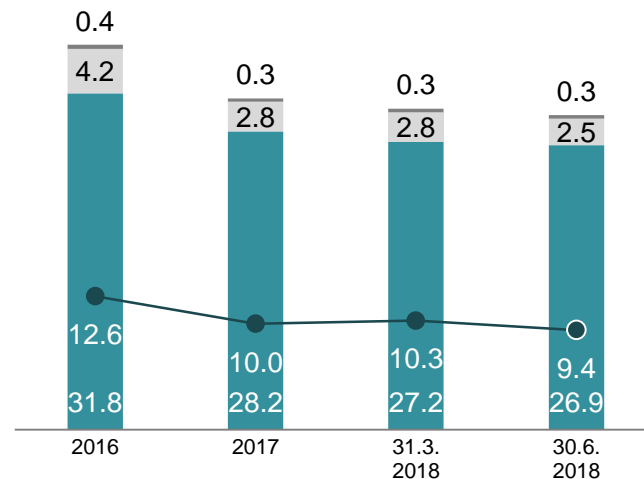
Non-fixed-interest securities

H1: -€397m Q2: €215m

Exchange rates

FX effect mainly driven by US\$

Capitalisation



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



1 Strategic debt (senior, subordinated and other debt) divided by total capital (strategic debt + equity).

2 Other debt includes Munich Re bank borrowings and other strategic debt.

Investment portfolio

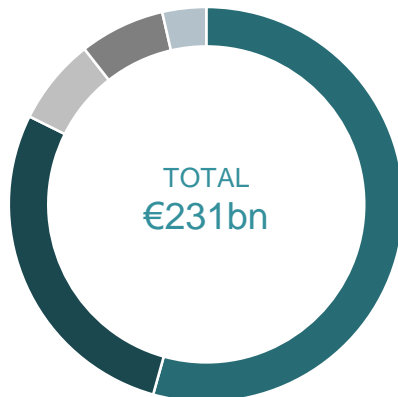
Investment portfolio¹

Land and buildings
3.6 (3.4)

Miscellaneous²
7.0 (6.2)

Shares, equity funds and participating interests³
7.1 (7.3)

Loans
28.0 (28.2)



%

Fixed-interest securities
54.3 (54.9)

Portfolio management in Q2

- Expansion of corporate bonds and emerging market bonds
- Reduction of Italian and Spanish government bonds
- Further reduction of bank bonds
- Ongoing investments in infrastructure
- Reduction of equity quota net of hedges

Investment result

Investment result (€m)	Q1 2018	Return ¹	Q2 2018	Return ¹	H1 2018	Return ¹	H1 2017	Return ¹
Regular income	1,493	2.6%	1,836	3.2%	3,329	2.9%	3,354	2.8%
Write-ups/write-downs	-115	-0.2%	-140	-0.2%	-256	-0.2%	-76	-0.1%
Disposal gains/losses	584	1.0%	282	0.5%	866	0.7%	1,480	1.3%
Derivatives ²	-17	-0.0%	-53	-0.1%	-70	-0.1%	-449	-0.4%
Other income/expenses	-149	-0.3%	-165	-0.3%	-314	-0.3%	-270	-0.2%
Investment result	1,796	3.1%	1,759	3.1%	3,554	3.1%	4,040	3.4%
Total return		-1.3%		2.2%		0.5%		0.2%

3-month reinvestment yield	Q2 2018	Write-ups/ write-downs	Disposal gains/losses	Derivatives	H1 2018	Write-ups/ write-downs	Disposal gains/losses	Derivatives	
Q2 2018	2.3%	Fixed income ³	-5	112	-8	Fixed income ³	-6	437	-132
		Equities	-83	138	-88	Equities	-162	346	21
Q1 2018	1.9%	Commodities/inflation	-20	-	53	Commodities/inflation	-12	-	59
Q4 2017	1.9%	Other	-32	32	-10	Other	-77	82	-18






1 Annualised return on quarterly weighted investments (market values) in %. Impact from dividends on regular income 0.6%-pts in Q2 2018 and 0.2%-pts in Q1 2018.

2 Net balance of derivatives without regular income and other income/expenses. 3 Thereof interest-rate hedging ERGO: Q2 -€1m/-€1m (gross/net); H1 €1m/-€2m (gross/net).

ERGO

3

Gross premiums written €m

H1 2017		9,020
Foreign exchange		-34
Divestments/investments		0
Organic change		213
H1 2018		9,199

- **Life and Health Germany¹ (+€65m):** Growth in Health and Direct could overcompensate decrease in Life
- **Property-casualty Germany¹ (+€50m):** Positive development in almost all lines of business, growth mainly in fire/property and liability
- **International (+€64m):** Growth due to P-C, mainly Poland und Baltics

Major result drivers

	H1 2018	H1 2017	▲
Technical result	360	268	92
Non-technical result	160	261	-101
thereof investment result	2,144	2,630	-486
Other	-335	-335	-1
Net result	185	195	-10
	Q2 2018	Q2 2017	▲
Technical result	229	138	91
Non-technical result	67	123	-55
thereof investment result	960	1,171	-211
Other	-188	-157	-31
Net result	108	104	4

Technical result

H1: Improvements in all segments, especially in International

- **International:** Primarily tariff adjustments and growth in Motor Poland as well as improvements in Belgium (Life)
- **L&H Germany:** Driven by positive development of claims and benefits in Health
- **P-C Germany:** Nat cat higher than expectations, core business with favorable loss development

Investment result

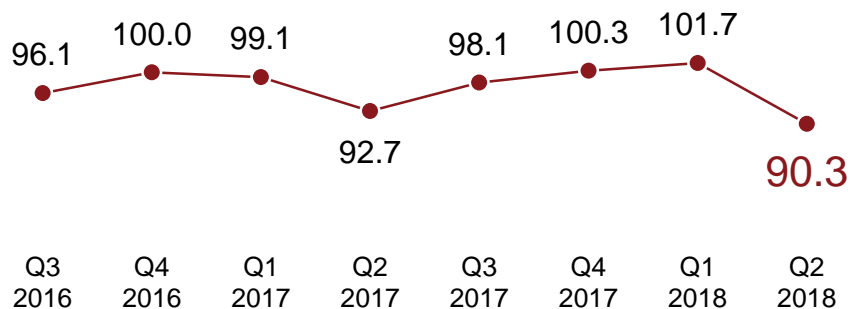
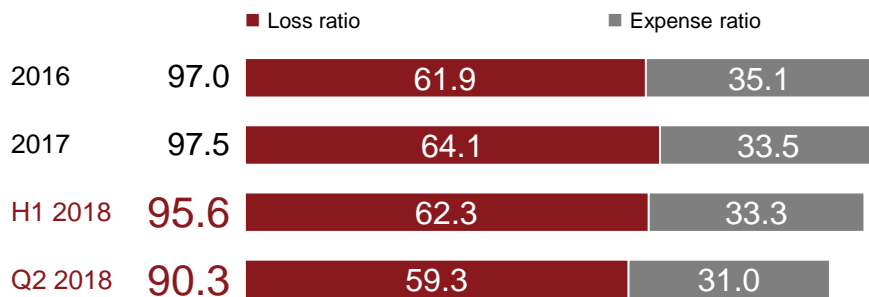
- H1: Lower disposal gains
- H1: Higher result from derivatives, primarily equities and fixed income
- Q2: Return on investment: 2.6%

Other

- H1: Positive FX- and tax effects
- Q2: Higher tax expenses in International

ERGO Property-casualty Germany

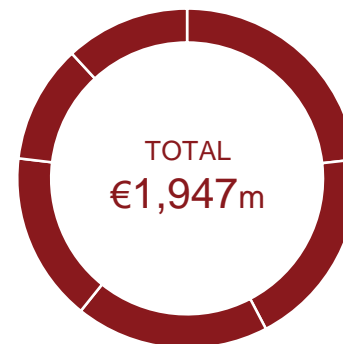
Combined ratio %



Gross premiums written €m

Other 231 Motor 452

Legal protection 219



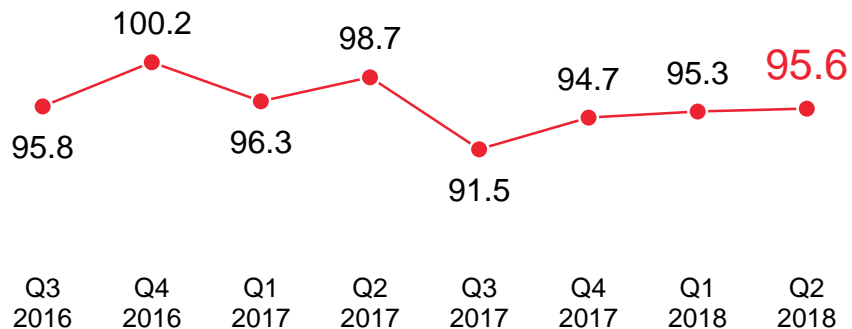
Fire/property 372

Personal accident 314

Liability 359

ERGO International – Property-casualty, including Health¹

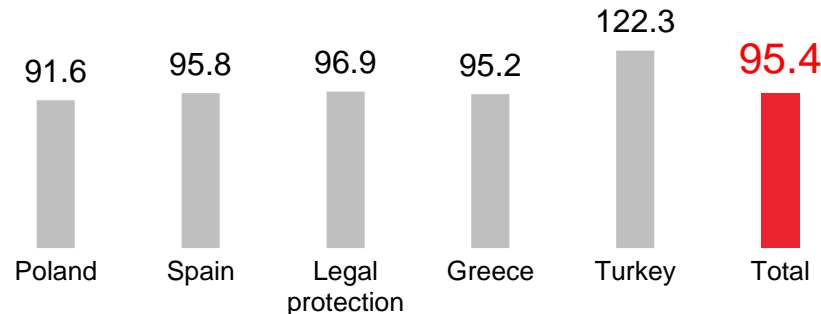
Combined ratio %



Gross premiums written €m



Combined ratio H1 2018 %



¹ Only short-term health business.

Reinsurance

4

Reinsurance Life and Health

Gross premiums written

	€m
H1 2017	6,924
Foreign exchange	-417
Divestments/investments	0
Organic change	-1,333
H1 2018	5,174

- Negative FX effects mainly from US\$
- Termination and restructuring of two large capital-relief transactions

Major result drivers

	H1 2018	H1 2017	▲
Technical result	296	209	87
Non-technical result	249	159	90
thereof investment result	510	453	57
Other	-100	-131	30
Net result	444	237	207
	Q2 2018	Q2 2017	▲
Technical result	156	64	92
Non-technical result	167	112	55
thereof investment result	302	231	71
Other	-38	-64	26
Net result	285	112	174

Technical result incl. fee income of €331m

- H1: Benign claims experience in the aggregate and positive impact from a recapture in Q1
- Q2: Better-than-expected claims experience in USA, Asia and Europe
- Well on track to achieve annual target of ≥€475m

Investment result

- H1: High regular income supported by deposits retained on assumed reinsurance; disposal gains on equities and fixed income
- Q2: Return on investment: 4.7%

Other

- H1: FX result of €5m vs. -€26m, thereof €11m in Q2
- Q2: Low tax rate of 8.6%

Reinsurance Property-casualty

Gross premiums written

	€m
H1 2017	8,781
Foreign exchange	-831
Divestments/investments	0
Organic change	1,990
H1 2018	9,940

- Negative FX effects mainly from US\$
- Growth from new and existing treaties, mainly in motor and property lines

Major result drivers

	H1 2018	H1 2017	
Technical result	933	925	▲
Non-technical result	283	286	-4
thereof investment result	900	957	-56
Other	-290	-353	63
Net result	925	858	68
	Q2 2018	Q2 2017	▲
Technical result	184	537	-353
Non-technical result	194	182	11
thereof investment result	496	487	9
Other	-43	-202	159
Net result	335	517	-183

€m

Technical result

- H1: Benefitting from low major losses in Q1, while man-made claims in Q2 significantly exceeded the anticipated amount for a single quarter
- Q2: Elevated basic losses mainly due to seasonality of larger weather-related losses in US Risk Solutions business

Investment result

- H1: Stable regular income also compared with previous year; disposal gains mainly from equities
- Q2: Return on investment: 3.3%

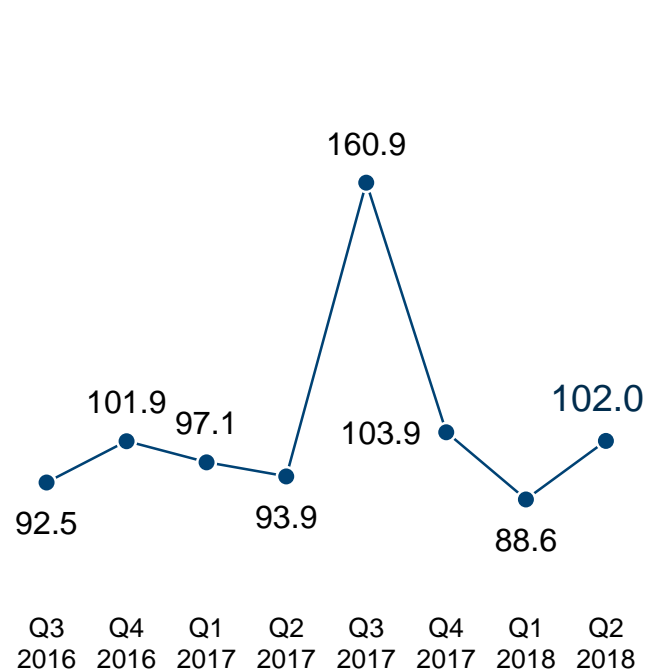
Other

- H1: FX result of €1m vs. -€129m, thereof €29m in Q2
- Q2: Low tax rate of 1.2%

Combined ratio

Combined ratio

%



		Basic losses	Major losses	Expenses
2016	95.7	54.2	9.1	32.4
2017	114.1	54.8	25.8	33.5
H1 2018	95.5	54.5	7.5	33.5
Q2 2018	102.0	55.7	13.3	33.0

	Major losses	Nat cat	Man-made	Reserve releases ¹	Normalised combined ratio ²
H1 2018	7.5	0.6	6.9	-4.3	100.3
Q2 2018	13.3	2.3	11.0	-4.4	101.2
Ø Annual expectation	~12.0	~8.0	~4.0	~-4.0	

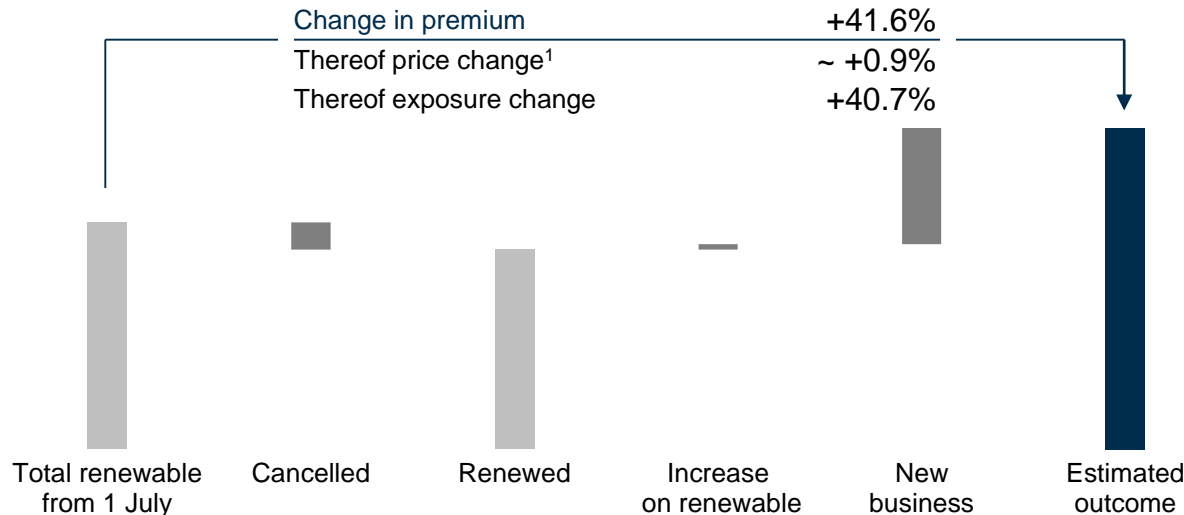
¹ Basic losses prior years, already adjusted for directly corresponding sliding-scale and profit commission effects.

² Based on 4%-pts. reserve releases.

Top-line increase driven by growth opportunities in Australia and the US – Rate increases improve profitability

July renewals 2018

%	100	-12.0	88.0	+2.5	+51.1	141.6
€m	2,296	-275	2,021	+57	+1,174	3,252



- Price change including interest-rate effects ~2.1%
- Substantial rate increases for loss-affected nat cat XL business, in particular in Latin America/Caribbean
- Increases in US markets lost momentum – stabilisation of other business, incl. Australia
- Top-line growth driven by a large deal in Australia and attractive new proportional programmes in the US

¹ 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).

Outlook

5

GROUP

Gross premiums written
€46–49bn

Net result
€2.1–2.5bn

Return on investment
~3%

REINSURANCE

Gross premiums written
€29–31bn

Net result
€1.8–2.2bn

P-C
combined ratio¹
~97%

L/H technical result
incl. fee income
≥€475m

ERGO

Gross premiums written
€17–18bn

Net result
€250–300m

P-C combined ratio
Germany
~96%

International
~96%
(prev. ~97%)

¹ Expectation for reserve releases in 2018 at least 4%.

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