



Source: Shutterstock [M]

Quarterly statement as at 31 March 2016

10 May 2016

Jörg Schneider

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Q1 result below expectations

Munich Re (Group)

Net result

€436m

Benign major losses not compensating for lower investment return and negative one-off effects at ERGO

Return on investment¹

2.7%

Significant reduction in segments without policyholder participation – mainly due to losses on equities

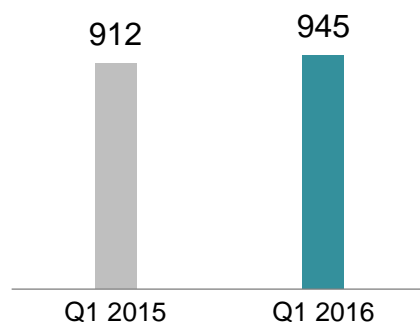
Shareholders' equity

€31.8bn (+2.7% vs. 31.12.)

Sound capitalisation according to all metrics

Technical result

€m



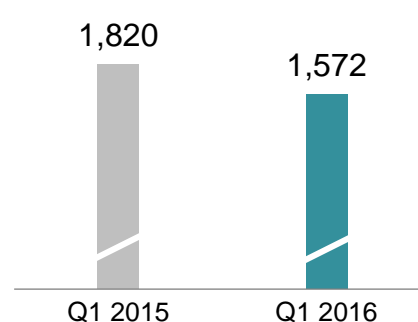
Reinsurance

Life: Technical result €70m – Good underlying performance mitigated by two single major losses

P-C: Combined ratio 88.4% – Major-loss ratio only 2.4%

Investment result

€m



ERGO

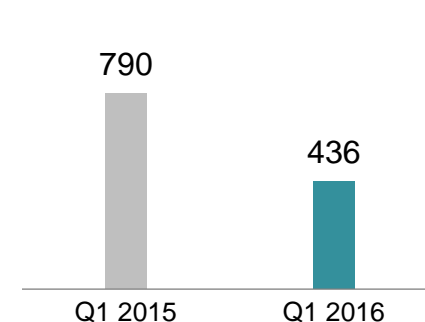
L/H Germany: Countervailing one-off effects

P-C: Combined ratio 98.6%

International: Combined ratio 93.2%

Net result

€m



Munich Health

Reinsurance: Combined ratio 101.1%








Primary insurance: Combined ratio 96.5%

Q1 2016

IFRS capital position

Equity

€m

| | | |
|-------------------------|--------|---|
| Equity 31.12.2015 | 30,966 |  |
| Consolidated result | 436 |  |
| Changes | | |
| Dividend | 0 | |
| Unrealised gains/losses | 1,395 |  |
| Exchange rates | -660 |  |
| Share buy-backs | -235 |  |
| Other | -111 |  |
| Equity 31.3.2016 | 31,794 |  |

Unrealised gains/losses

Fixed-interest securities
+€1,473m

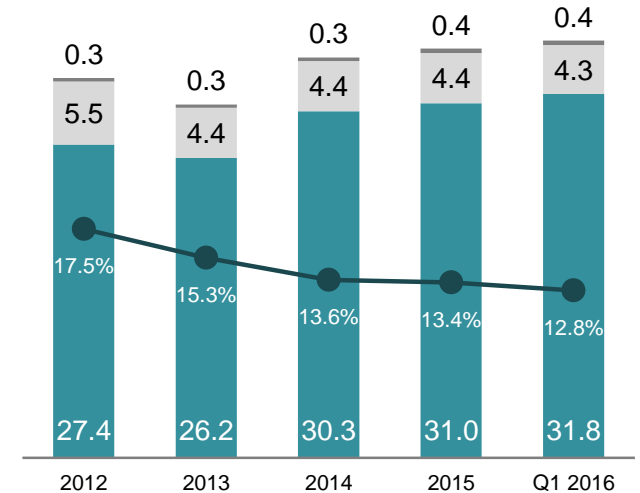
Non-fixed-interest securities
-€73m





Exchange rates

FX effect mainly driven by US\$

Capitalisation

€bn



-  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 bank borrowings of Munich Re and other strategic debt.

Investment portfolio

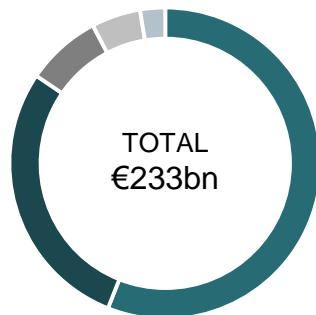
Investment portfolio¹

Land and buildings
2.8 (2.9)

Shares, equity funds and
participating interests²
5.3 (5.2)

Miscellaneous³
6.1 (7.5)

Loans
29.4 (28.7)



Fixed-interest securities
56.3 (55.7)

%

Portfolio management in Q1

- Government bond exposure: Shift from France and Spain to emerging markets, USA and supnationals
- Covered bonds: Shift from Ireland and Spain to Germany
- Expansion of corporate bonds
- Reduction of net equity exposure to 3.9%
- Duration increase due to decline of interest rates

Investment result

Investment result

| | Q1 2016 | Return ¹ | Q1 2015 | Return ¹ |
|--------------------------|--------------|---------------------|--------------|---------------------|
| Regular income | 1,628 | 2.8% | 1,801 | 3.0% |
| Write-ups/write-downs | -219 | -0.4% | -152 | -0.2% |
| Disposal gains/losses | 218 | 0.4% | 998 | 1.6% |
| Derivatives ² | 74 | 0.1% | -706 | -1.2% |
| Other income/expenses | -128 | -0.2% | -121 | -0.2% |
| Investment result | 1,572 | 2.7% | 1,820 | 3.0% |
| Total return | | 13.2% | | 16.2% |

| 3-month reinvestment yield | Q1 2016 | Write-ups/ write-downs | Disposal gains/losses | Derivatives | Q1 2015 | Write-ups/ write-downs | Disposal gains/losses | Derivatives | |
|----------------------------|---------|---------------------------|--------------------------|-------------|---------|---------------------------|--------------------------|-------------|------|
| Q1 2016 | 1.9% | Fixed income ³ | -87 | 220 | 228 | Fixed income ³ | -97 | 620 | 134 |
| | | Equities | -150 | -3 | -136 | Equities | -31 | 369 | -760 |
| Q4 2015 | 1.8% | Commodities | 52 | | -30 | Commodities | -6 | | -68 |
| | | Inflation | | | 20 | Inflation | | | -38 |
| Q1 2015 | 2.0% | Other | -34 | 1 | -9 | Other | -18 | 9 | 26 |

1 Annualised return on quarterly weighted investments (market values) in %.

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

3 Thereof interest-rate hedging ERGO: €267m/€34m (gross/net).

ERGO

2

ERGO

Q1 2016 vs. Q1 2015

| Gross premiums written | €m |
|-------------------------|--------------|
| Q1 2015 | 4,585 |
| Foreign exchange | -29 |
| Divestments/investments | - |
| Organic change | -61 |
| Q1 2016 | 4,495 |

- Decline in L/H Germany (–€79m) and International (–€37m). Increase in P-C Germany (+€26m)
- Life Germany: Regular premiums down due to natural abrasion of portfolio
- International: Decrease caused by Life (Poland, Belgium), Increase in P-C
- P-C Germany: Increase driven by expansion of Title insurance business

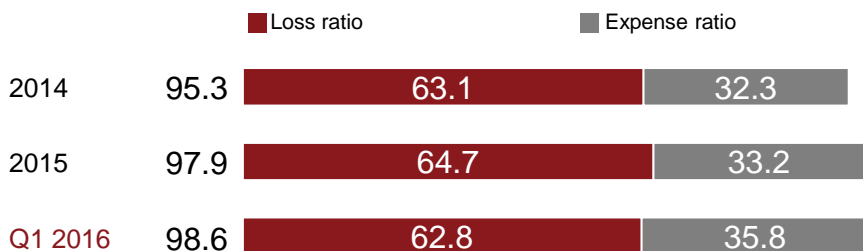
| Net result | €m |
|-----------------------------------|------------|
| Q1 2015 | 102 |
| Technical result | -34 |
| Non-technical result ¹ | 8 |
| Other | -101 |
| Q1 2016 | -25 |

- Slight decrease of technical result in all segments: International (–€15m), P-C Germany (–€14m) and L/H Germany (–€5m)
 - Decline in International stemming from Life business
 - P-C Germany mainly affected by losses in liability
 - L-H Germany: Decrease in Life and Health partly compensated by improvements in Direct
- Increase in investment result
 - Equity impairments overcompensated by significantly improved result from derivatives
- Other
 - Higher tax expenses
 - Negative one-off effect from accounting difference between IFRS and local GAAP regarding pension liabilities

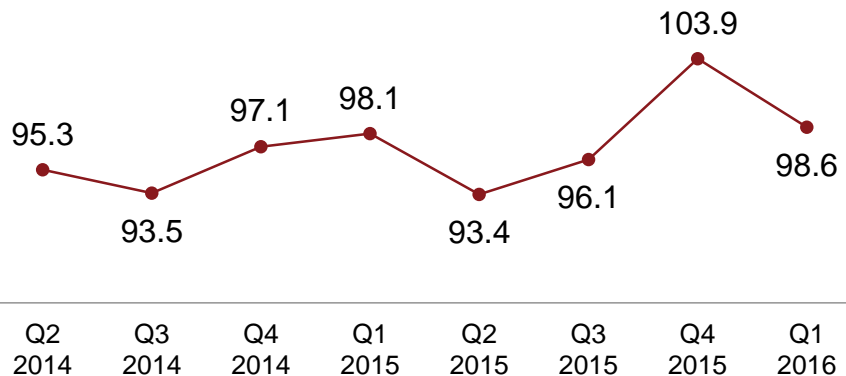
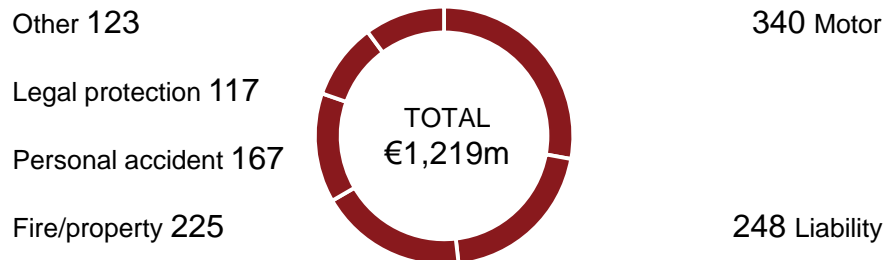
¹ Non-technical result including investment result, insurance-related investment result, other operating result and deduction of income from technical interests.

ERGO Property-casualty Germany

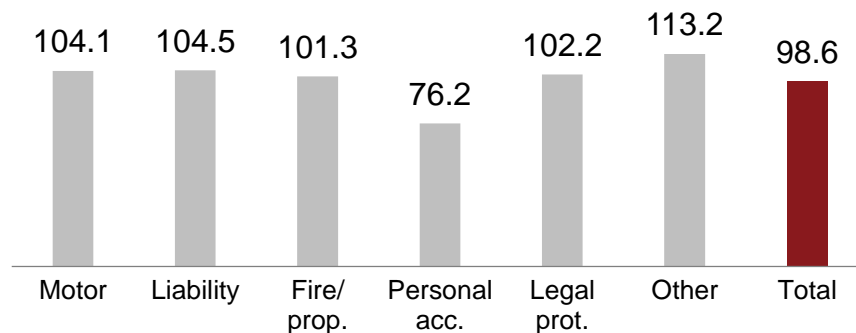
Combined ratio %



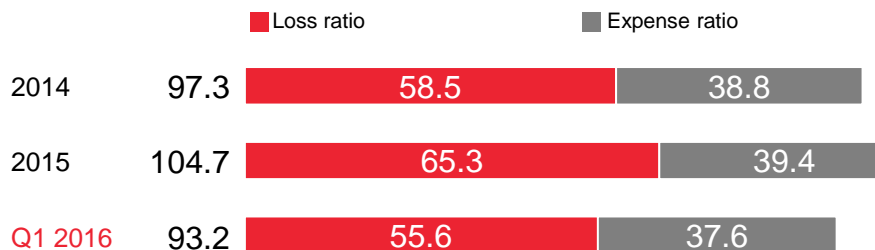
Gross premiums written €m



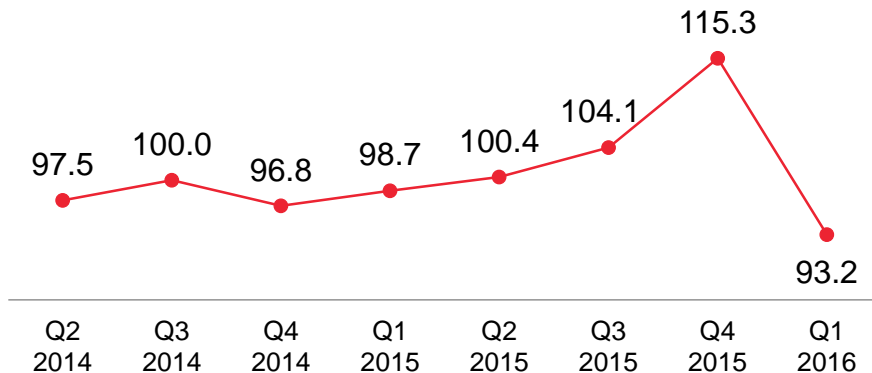
Combined ratio Q1 2016 %



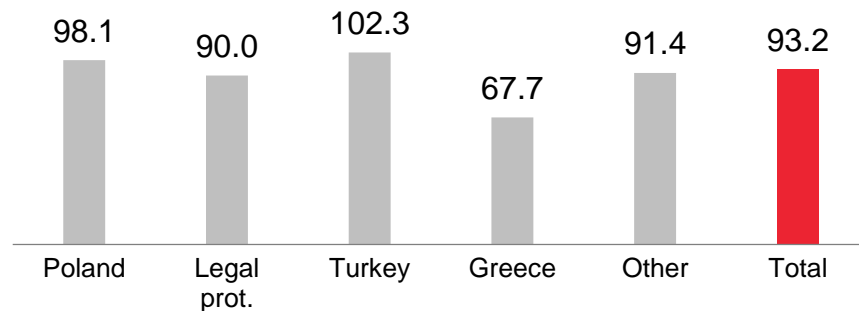
Combined ratio %



Gross premiums written €m



Combined ratio Q1 2016 %



Munich Health

3

Munich Health

Q1 2016 vs. Q1 2015

| Gross premiums written | €m |
|-------------------------|--------------|
| Q1 2015 | 1,443 |
| Foreign exchange | -52 |
| Divestments/investments | – |
| Organic change | -108 |
| Q1 2016 | 1,283 |

- Negative FX effects mainly driven by Can\$
- Organic decrease mainly driven by reduced share and restructuring of one large treaty
- Termination of poorly performing employer stop-loss accounts in the US
- Positive effects from growth in China

| Net result | €m |
|-----------------------------------|-----------|
| Q1 2015 | 21 |
| Technical result | 3 |
| Non-technical result ¹ | -4 |
| Other | -4 |
| Q1 2016 | 16 |

■ Technical result

Overall combined ratio almost unchanged at 100.2%

- Reinsurance: 101.1% (+0.3%)
Deterioration from reduced share and restructuring of large treaties
- Primary insurance: 96.5% (-1.6%)
Bottom-line increase driven by Spain

■ Investment result (-€10m)

- Stable regular income
- Lower disposal gains from fixed-income investments and one-off effect in prior year

■ Other

- Tax rate: 10.4%

¹ Non-technical result including investment result, insurance-related investment result, other operating result and deduction of income from technical interests.

Reinsurance

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Reinsurance Life

Q1 2016 vs. Q1 2015

| Gross premiums written | €m |
|-------------------------|-------|
| Q1 2015 | 2,412 |
| Foreign exchange | -109 |
| Divestments/investments | – |
| Organic change | -98 |
| Q1 2016 | 2,205 |

- Negative FX effects driven by Can\$
- Negative organic change due to cancellation/modification of large capital relief deals
- Growth in USA and Asia

| Net result | €m |
|-----------------------------------|-----|
| Q1 2015 | 70 |
| Technical result | -33 |
| Non-technical result ¹ | -52 |
| Other | 35 |
| Q1 2016 | 20 |

- Technical result
 - Reduction of technical result mainly due to two large single claims
 - Good claims experience specifically in Canada and Europe
- Investment result (–€138m)
 - Lower interest income from deposits retained on assumed reinsurance due to cancellation/modification of large capital relief deals
 - Lower gains from sale of equities and fixed-income investments
- Other
 - Improved GMxB result
 - FX impact –€1m vs. +€11m
 - Tax income of €30m

¹ Non-technical result including investment result, insurance-related investment result, other operating result and deduction of income from technical interests.

Reinsurance Property-casualty

Q1 2016 vs. Q1 2015

| Gross premiums written | €m |
|-------------------------|-------|
| Q1 2015 | 4,598 |
| Foreign exchange | -69 |
| Divestments/investments | - |
| Organic change | -1 |
| Q1 2016 | 4,528 |

Slight decrease driven by negative FX effects

| Net result | €m |
|-----------------------------------|------|
| Q1 2015 | 598 |
| Technical result | 97 |
| Non-technical result ¹ | -255 |
| Other | -14 |
| Q1 2016 | 425 |

■ Technical result

- Significantly lower major losses (+€155m); Q1 2016 benefiting from run-off profits and absence of nat cat claims
- Reserve releases of ~6%, high confidence in claims reserving level remains unchanged
- Full-year expectation for reserve releases lifted from ~4% to ~6%

■ Investment result (-€265m)

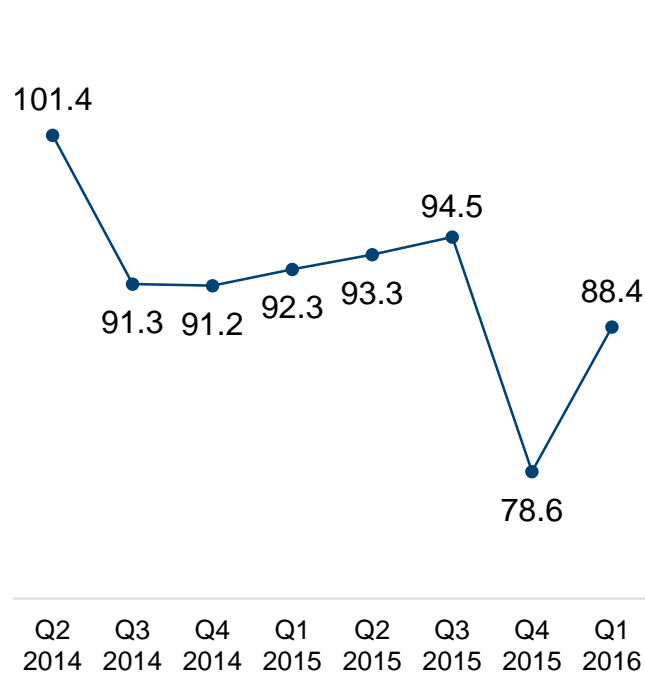
- Lower regular income
- Impairments on equities and losses on derivatives much higher than realised gains
- Other
 - Declined FX result (-€10m vs. +€77m)
 - Tax rate: 10.7%

¹ Non-technical result including investment result, insurance-related investment result, other operating result and deduction of income from technical interests.

Combined ratio

Combined ratio

%



| | | Basic losses | Major losses | Expense ratio |
|---------|------|--------------|--------------|---------------|
| 2014 | 92.7 | 53.0 | 7.2 | 32.5 |
| 2015 | 89.7 | 50.8 | 6.2 | 32.6 |
| Q1 2016 | 88.4 | 54.0 | 2.4 | 32.0 |

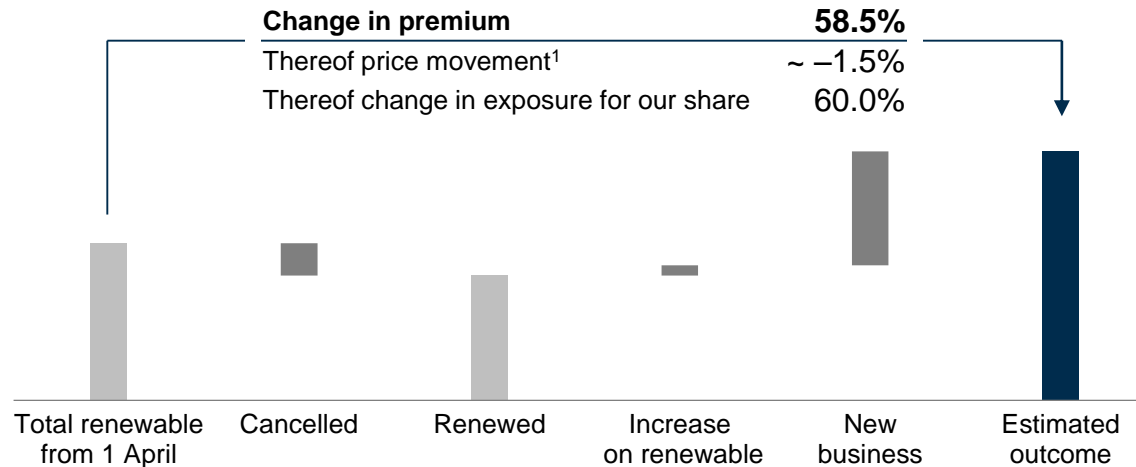
| | Major losses | Nat cat | Man-made | Reserve releases ¹ | Normalised combined ratio ² |
|-----------------------------------|--------------|---------|----------|-------------------------------|--|
| Q1 2015 | 6.2 | 1.6 | 4.6 | ~4.0 | ~98.1 |
| Q1 2016 | 2.4 | -0.3 | 2.7 | ~6.0 | ~100.0 |
| Ø Annual expectation ³ | ~12.0 | ~8.0 | ~4.0 | | |

1 Basic losses; mainly liability and fire; no corresponding sliding-scale effects. 2 Based on 4%-pts. reserve releases. 3 Change in expectation for split of major losses: previously nat cat ~8.5%, man-made ~3.5%.

April renewals confirm slowing of price declines, while attractive business opportunities lead to top-line increase

April renewals 2016

| | | | | | | |
|----|-------|-------|------|-----|------|--------------|
| % | 100 | -20.5 | 79.5 | 6.4 | 72.6 | 158.5 |
| €m | 1,179 | -242 | 937 | 76 | 856 | 1,869 |



- April renewals dominated by single clients rather than by larger portfolios
- Top-line increases significantly due to several new business opportunities, resulting from our preferential client access and leading risk know-how
- This includes one very large new transaction
- Price change (-1.5%) less pronounced than last year (-2.6%), confirming indications of a deceleration in rate declines

▶ Portfolio profitability remains clearly above cost of capital

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

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Munich Re (Group)

Net result

€2.3bn (prev. €2.3–2.8bn)

Revision of outlook mainly due to inclusion of ERGO strategy programme – Positive ERGO result now unlikely

Gross premiums written

€47–49bn

Focus on bottom line prevails

Return on investment

~3%

Solid return given ongoing low-interest-rate environment

Reinsurance – Combined ratio

~95% (prev. ~98%)

Improvement based on low large claims experience year-to-date and lifted expectation for reserve release to ~6%

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