



Source: Shutterstock [M]

## Strong track record – and new ideas

Balance sheet press conference 2016

Munich, 16 March 2016

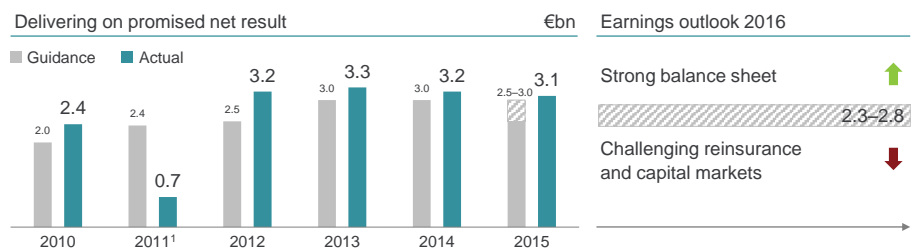
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16 ERGO	Markus Rieß
22 Reinsurance	Torsten Jeworrek
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Strong track record – and new ideas

Under-promise/over-deliver – Strong balance sheet continues to support sound earnings ...



Munich Re's balance sheet

Sound capitalisation according to all metrics

High level of unrealised investment gains<sup>2</sup>

Rock-solid reserving position

Low goodwill in relation to shareholders' equity<sup>2</sup>

€26bn

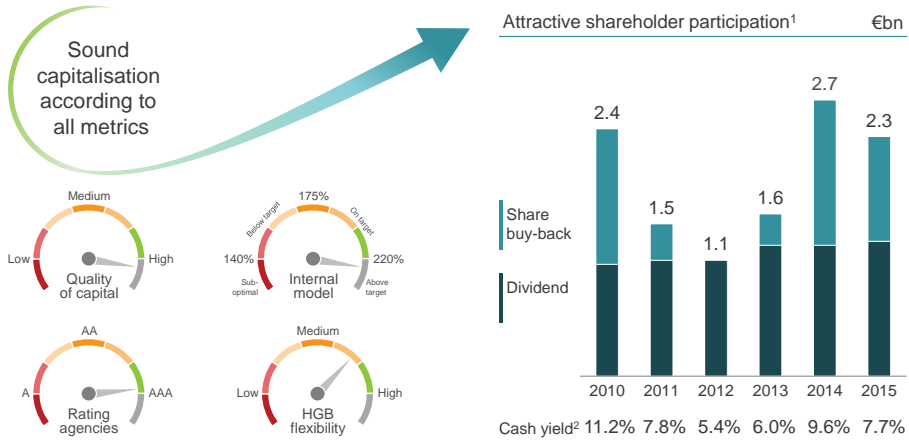
9%

Munich Re once again delivering strong results, despite persistent challenges of declining reinsurance margins and low interest rates

<sup>1</sup> Assuming normal nat cat claims based on 8.5% budget, net result would have exceeded guidance.  
<sup>2</sup> As at 31.12.2015.

Strong track record – and new ideas

... while safeguarding reliable shareholder payouts



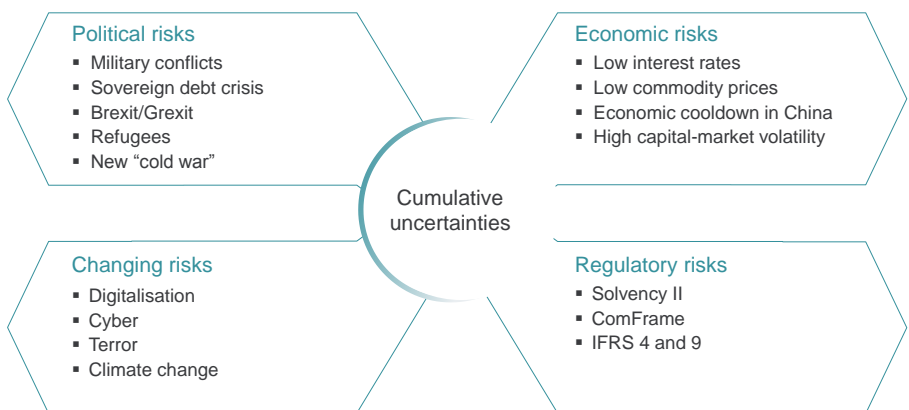
Further increase of dividend per share to €8.25 in 2016 – Total of €20bn returned to shareholders in the last ten years

<sup>1</sup> Cash-flow view.

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

Strong track record – and new ideas

Global environment becoming increasingly challenging



Proactive risk management builds up resilience in an unpredictable and unstable environment

Strong track record – and new ideas

## Proactive risk management builds up resilience in an unpredictable and unstable environment



### Current environment

Political risks

High volatility



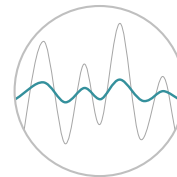
Economic risks

Insurance risks

### Risk management measures stabilise SII ratio

- Diversified investment portfolio
- Group-wide trigger system for ALM risks
- Hedging strategy
- Limits for sovereigns
- High quality of counterparties
- Forward-looking scenario analysis

Dampening of volatility



- Limits and budgets
- Management of accumulations
- Strict underwriting guidelines
- Retrocession for peak nat cat scenarios

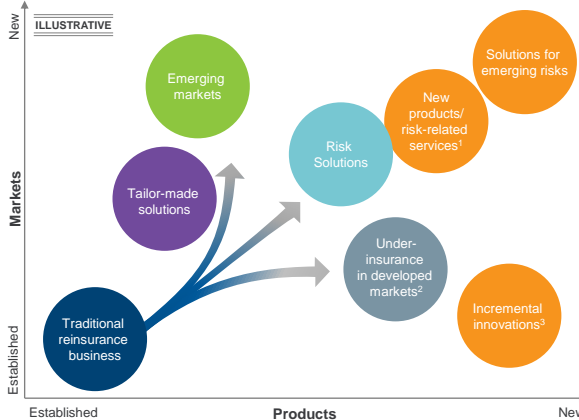
**Munich Re well prepared for turbulent market conditions**

Strong track record – and new ideas

## Changing risks – Munich Re actively shaping the transformation of the (re-)insurance industry



- Munich Re's strong footprint facilitates expansion to attractive growth markets
- Providing services and capacity to (new) clients
- Short-term: Important earnings generator
- Mid-/long-term: Declining contribution – compensated for by new products and markets



- Underwriting know-how and expert network key to developing innovative solutions
- Munich Re with the right infrastructure
- Client proximity important for understanding changing demand
- Munich Re launches new products that meet evolving/ changing client needs

**Efficiently running the traditional book while continuously exploring new products/markets**

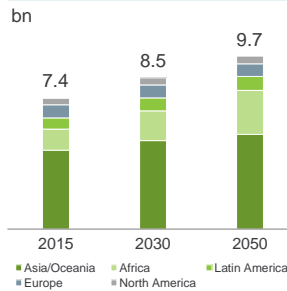
<sup>1</sup> e.g. Cyber insurance, performance guarantees for renewable energies. <sup>2</sup> e.g. Liability risks of atomic power plants or oil platforms. <sup>3</sup> e.g. Satellite life-time insurance.

Strong track record – and new ideas

## Underinsurance in emerging markets provides business opportunities

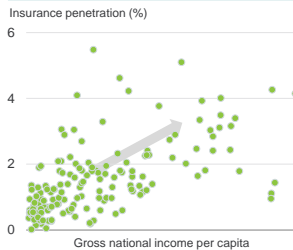


### Young and growing population<sup>1</sup>



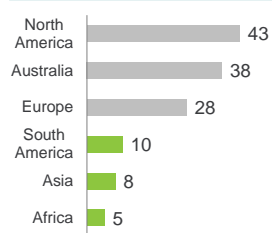
Demographic changes – Rise of affluent middle class and significant population growth ...

### Insurance penetration still low<sup>2</sup>



... drive economic growth – Higher wealth and better education further increases insurance spending/penetration

### Insured share of nat cat losses<sup>3</sup> %



Emerging markets often highly exposed to nat cat risks – Higher risk awareness reduces underinsurance

**Future growth driven by demographic/economic changes – Munich Re is tapping the potential with know-how, client proximity and a strong capital position**

<sup>1</sup> Source: United Nations, Department of Economic and Social Affairs, Population Division (2015). <sup>2</sup> Source: Munich Re, Economic Research, Non-life, 2014. <sup>3</sup> Source: Munich Re, Geo Risks Research, NatCatSERVICE, 1980–2014. Balance sheet press conference 2016 8

Strong track record – and new ideas

## Integrated business model and infrastructure is facilitating swift adaption to a changing environment



Munich Re provides solutions along the entire value chain ...

<b>New clients and demands</b>	Adapting to changing purchasing behaviour and new client needs	<b>Efficient and digital business processes</b>	Exploiting potential for digital processes – reducing complexity	<b>New risk-related services</b>	Predictive and preventive services are being linked to insurance products
<b>Digital customer and sales experience</b>	Optimising the customer journey – personalised digital products and services	<b>New (re-) insurance products</b>	Pushing out the frontiers of insurability with covers for previously uninsured new and changing risks	<b>New business models</b>	Digital technology allows the value chain to be redesigned

... facilitated by our core competencies

**Data analytics**  
Data aggregation and analysis

**Cooperation**  
Partnership models inside and outside the insurance industry

**Agile IT**  
Fast, efficient and flexible

**Munich Re combines core competencies within the Group – ~€500m<sup>1</sup> premium generated by innovative products**

<sup>1</sup> Munich Re (Group).

Agenda



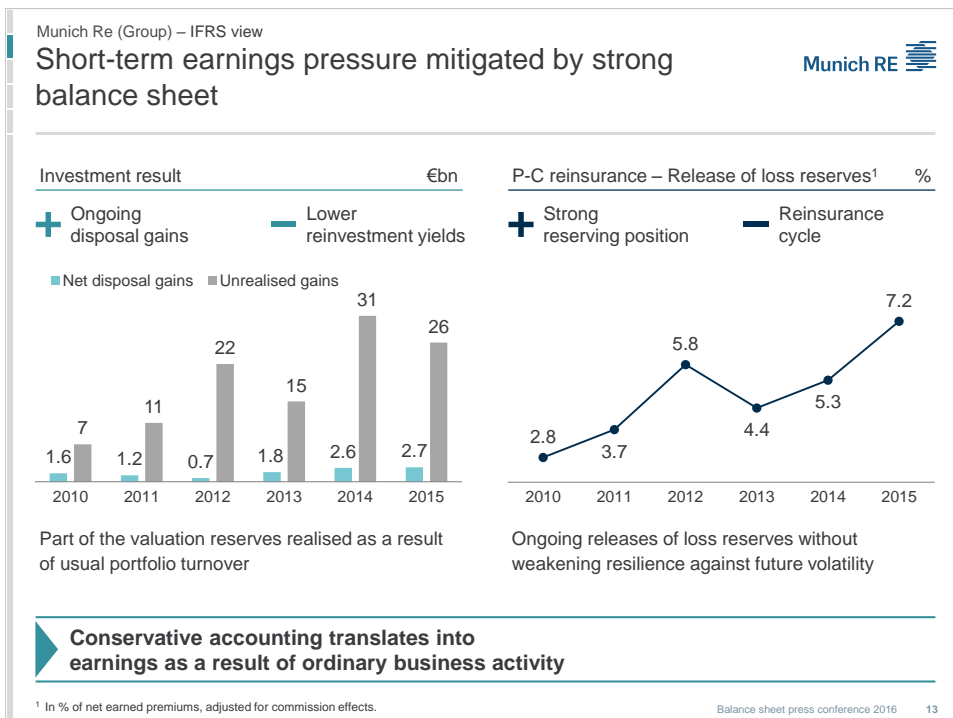
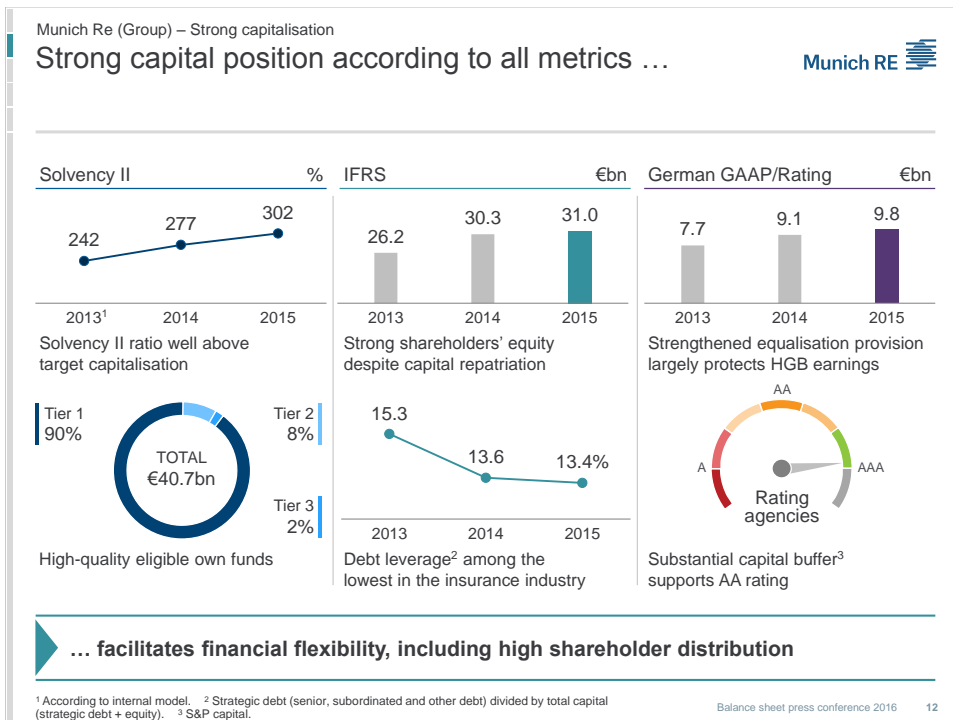
Strong track record – and new ideas	Nikolaus von Bomhard
<b>Munich Re (Group)</b>	Jörg Schneider
ERGO	Markus Rieß
Reinsurance	Torsten Jeworrek
Outlook	Nikolaus von Bomhard

Munich Re (Group) – IFRS view

IFRS result driven by strong reinsurance contribution

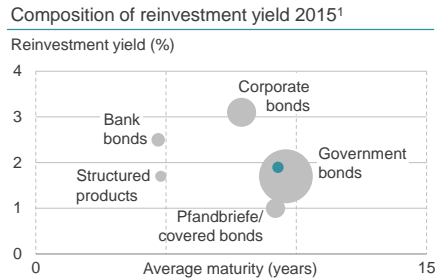
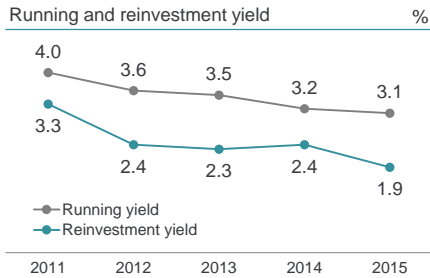


Munich Re (Group)		2015 (Q4 2015)	
<b>NET RESULT</b> <b>€3,122m</b> (€731m)		<b>OPERATING RESULT</b> <b>€4,819m</b> (€1,427m)	<b>INVESTMENT RESULT</b> RoI of <b>3.2%</b> (2.9%)
Overall sound operating performance – One-offs in both directions		Benign major claims and substantial reserve releases in property-casualty reinsurance – Loss at ERGO in Q4	Solid return – High disposal gains, derivative losses and write-downs
<b>Reinsurance</b>		<b>ERGO</b>	<b>Munich Health</b>
<b>NET RESULT</b> <b>€3,261m</b> (€1,371m)		<b>NET RESULT</b> <b>-€227m</b> (-€644m)	<b>NET RESULT</b> <b>€88m</b> (€5m)
<b>P-C</b>	<b>LIFE</b>	<b>P-C GERMANY</b>	<b>REINSURANCE</b>
Combined ratio 89.7% (78.6%) Major-loss ratio 6.2% (4.7%)	Technical result of €335m – Slightly below ambition of €400m p.a.	Combined ratio 97.9% (103.9%)	Combined ratio 101.1% (102.2%)
		<b>L/H GERMANY</b>	<b>PRIMARY INSURANCE</b>
		Goodwill impairment	Combined ratio 93.2% (94.5%)
		<b>INTERNATIONAL</b>	
		Combined ratio 104.7% (115.3%)	



Munich Re (Group) – IFRS view

### Long duration stabilises investment returns



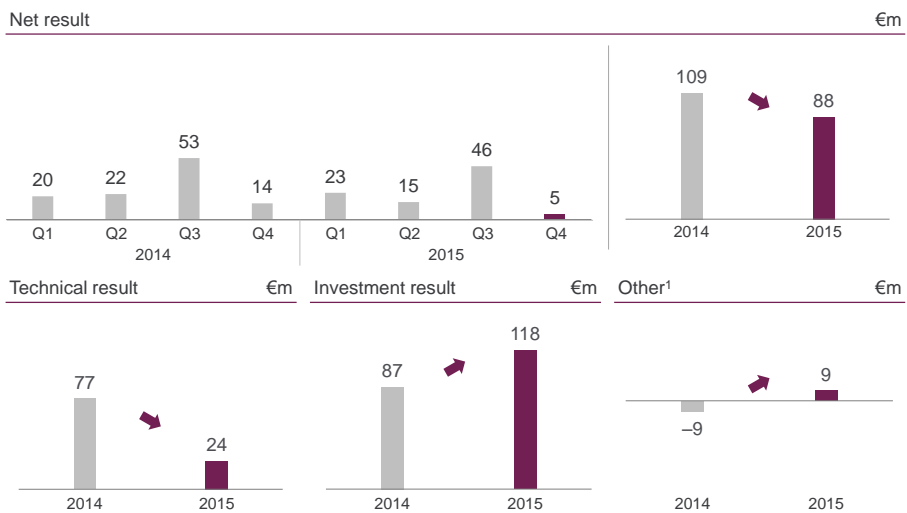
- Solid reinvestment yield without taking high risks
- In addition to long duration, geographic diversification mitigates attrition of running yield
- At current interest-rate levels, expected annual attrition of running yield ~20bps in 2016

**Discipline prevails: No risky hunt for yield to compensate for low interest rates**

<sup>1</sup> Bubble size reflects reinvestment volume.

Munich Re (Group) – Munich Health – Key figures

### Munich Health – Key figures



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



Agenda



Strong track record – and new ideas

Nikolaus von Bomhard

Munich Re (Group)

Jörg Schneider

**ERGO**

Markus Rieß

Reinsurance

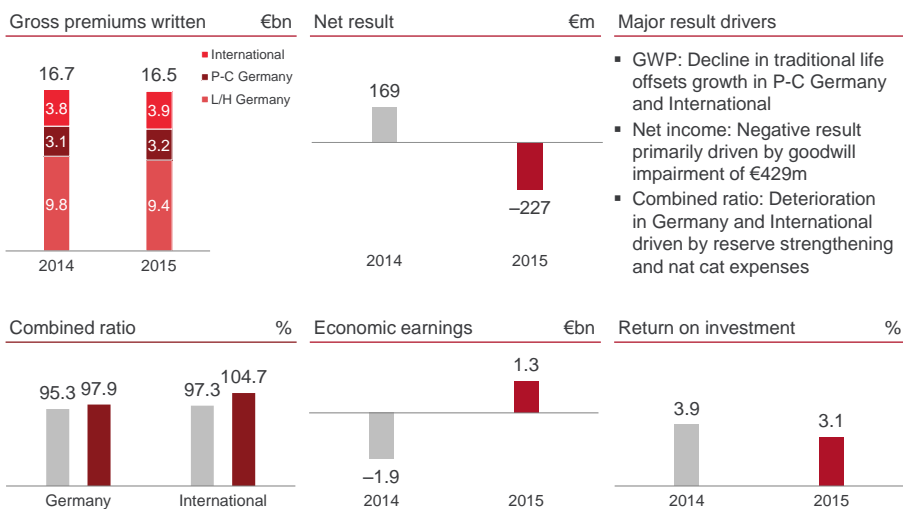
Torsten Jeworrek

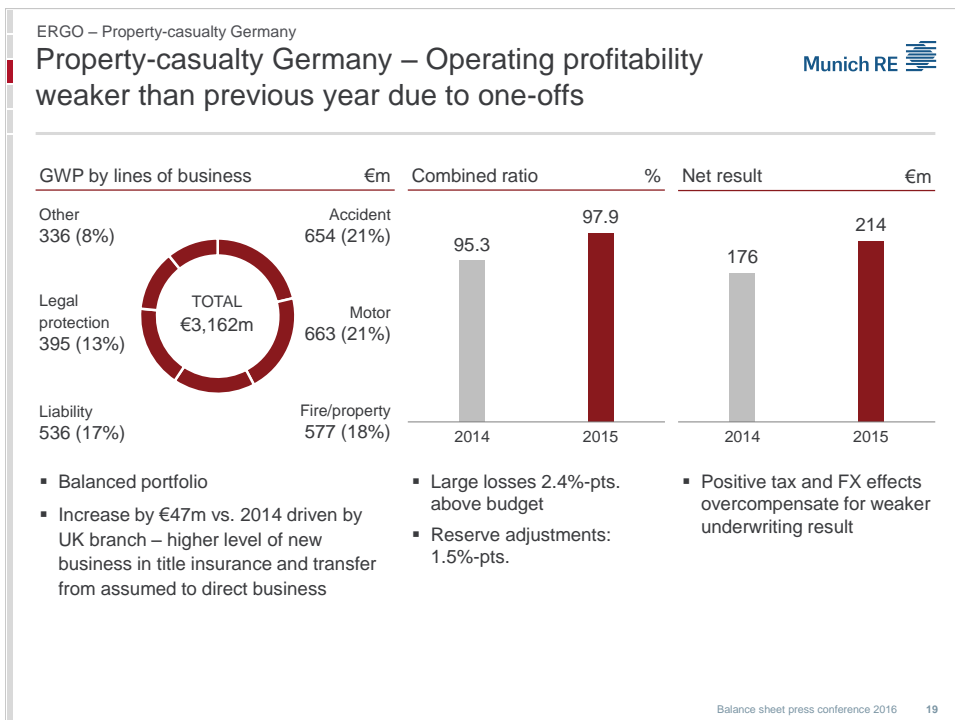
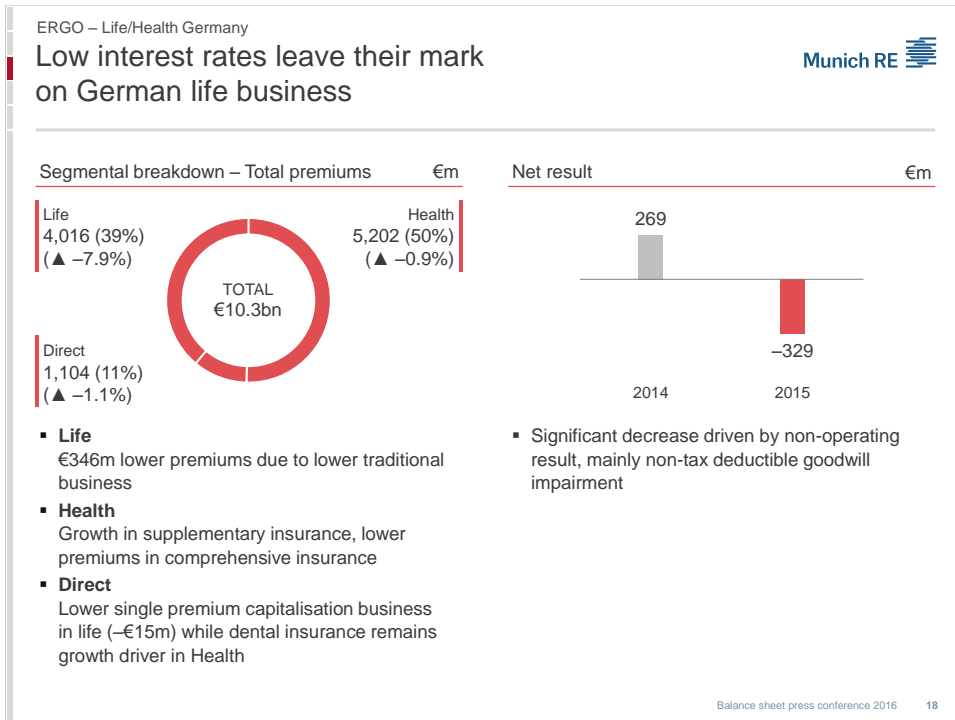
Outlook

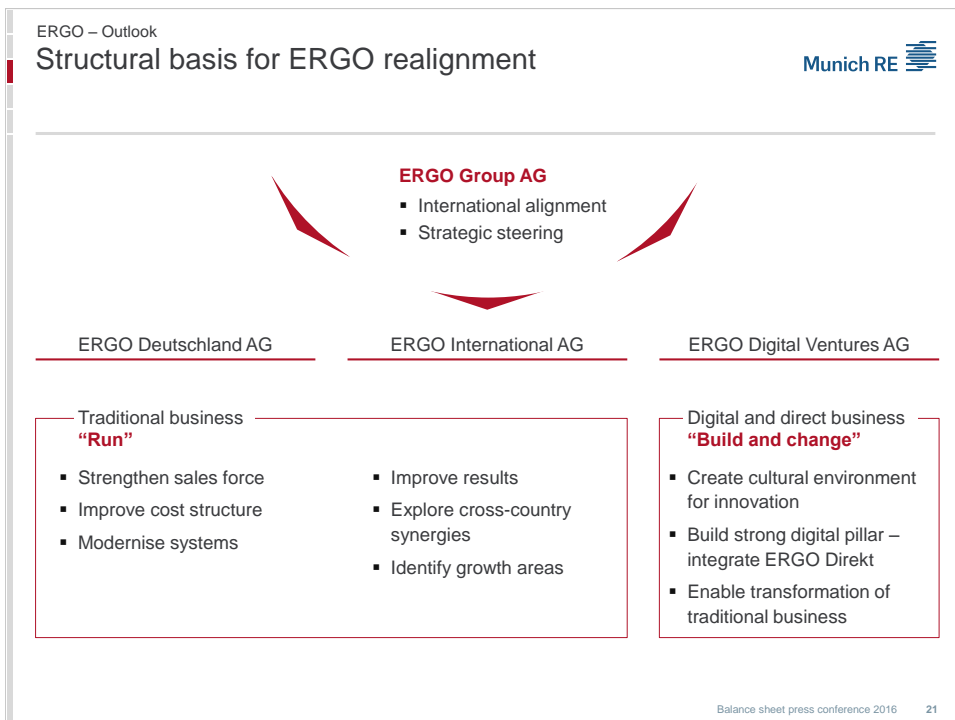
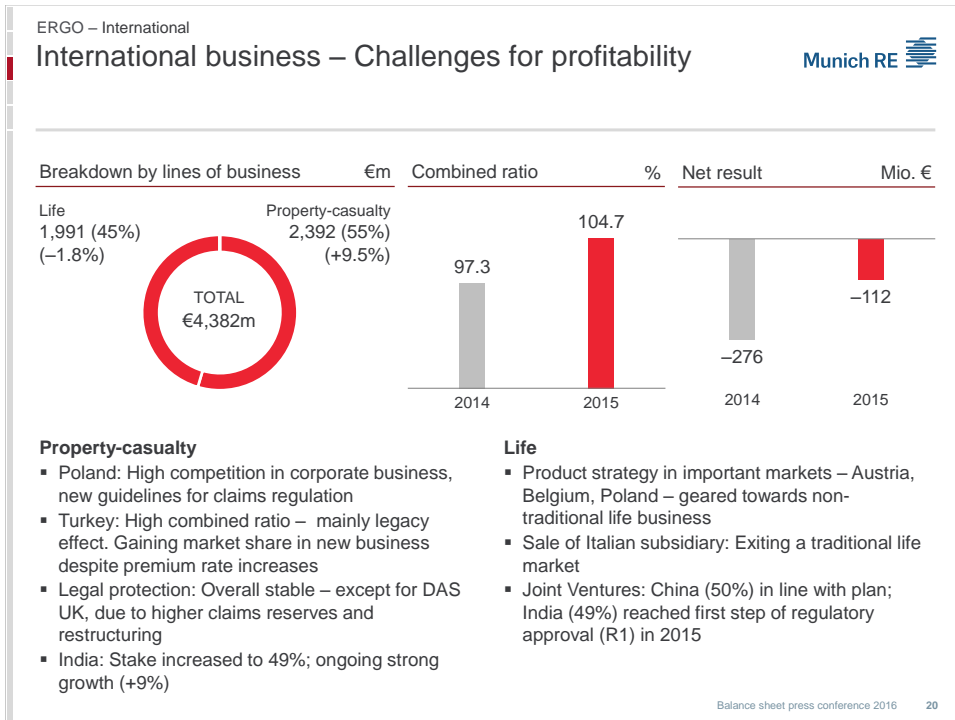
Nikolaus von Bomhard


ERGO – Key financials

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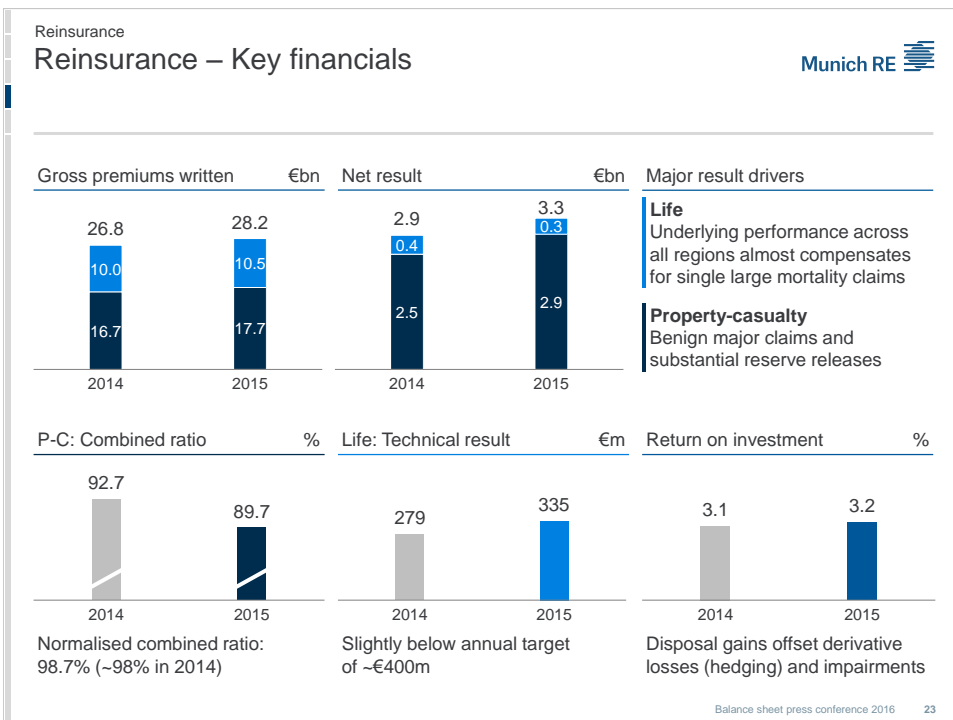






<b>Agenda</b>	<b>Munich RE</b> 
Strong track record – and new ideas	Nikolaus von Bomhard
Munich Re (Group)	Jörg Schneider
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Outlook	Nikolaus von Bomhard

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Reinsurance Property-casualty – January renewals 2016

## Munich Re well positioned and relatively resilient to pressure on rates



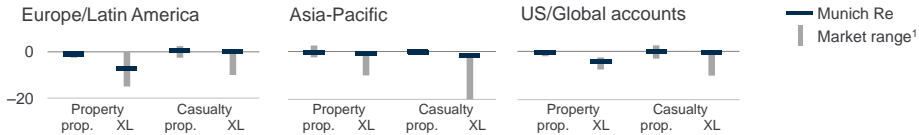
### January renewals

Premium volume up for renewal: €9.1bn

Price change: -1.0%

Volume change: +0.7%

### Rate changes January renewals



### Current market developments

- Reinsurance capital remained abundant, but slowdown of growth of alternative capital
- Slowing pace of rate decrease in key segments
- Continued tiering of reinsurers, preference for major, best-rated reinsurers
- Increasing demand for complex programmes<sup>2</sup>
- Hardly any pressure on wordings and largely stable retentions

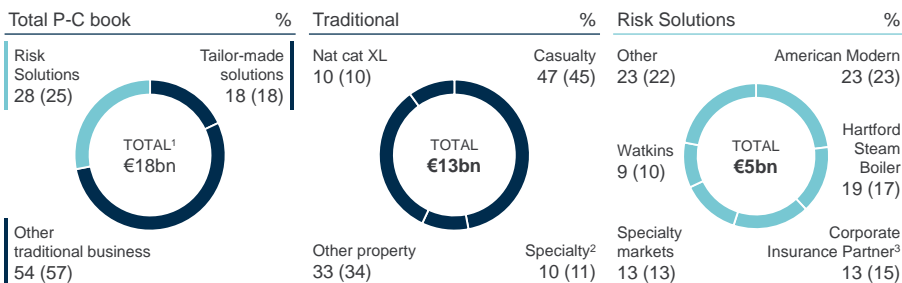
### Implications for Munich Re

- Globally well-positioned to counterbalance regional rate differences and flexibly shape the portfolio
- Scale and financial strength providing competitive advantage through the cycle
- Value proposition as strategic partner strongly valued by clients
- Tailor-made solutions meeting clients' demand

<sup>1</sup> Range of market rate changes in January 2016 renewals published by brokers, media and observed by own experts.  
<sup>2</sup> E.g. in M&A cases, multi-line covers, multi-year covers, whole-account solutions.

Reinsurance Property-casualty – Portfolio quality

## Sustainable earnings level supported by broad set-up



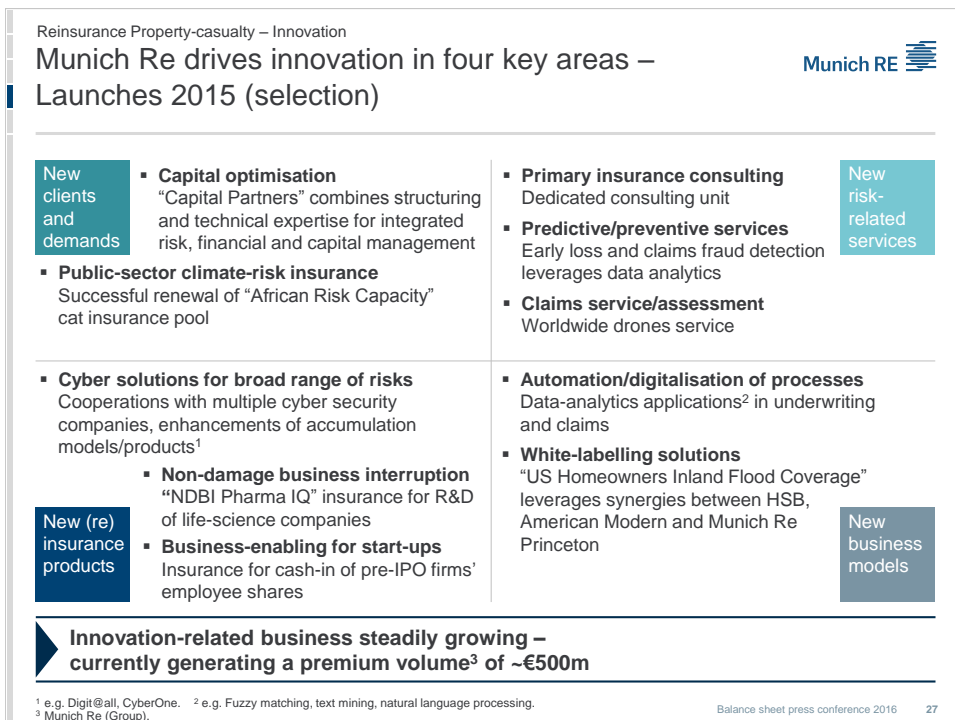
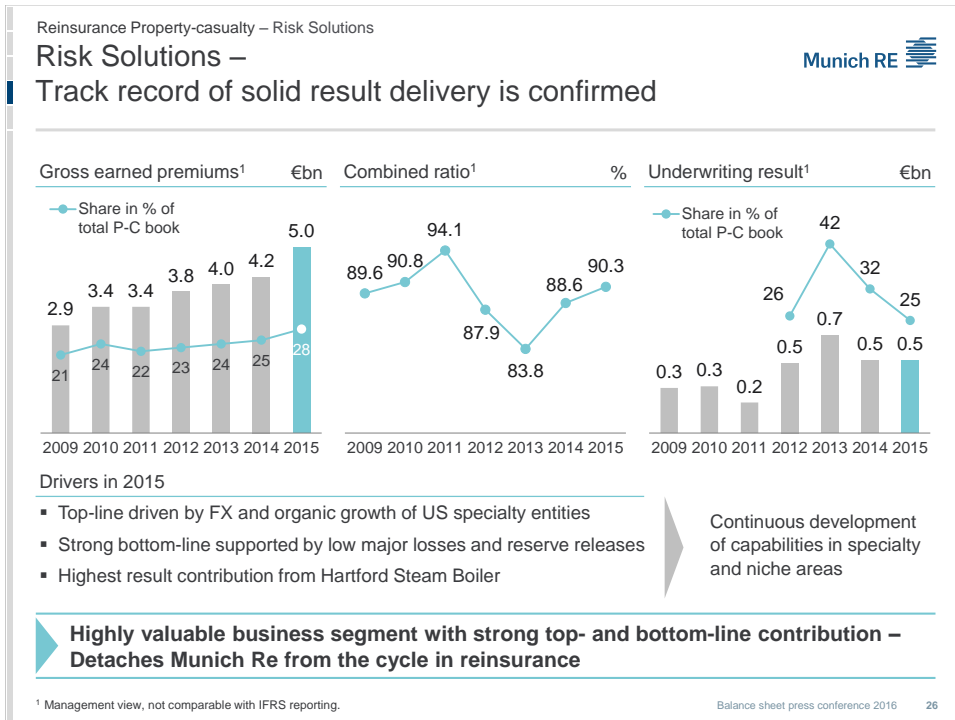
- Well-diversified portfolio
- Stabilising impact from Risk Solutions and tailor-made transactions
- Cycle management reduces traditional business

- Shift from property and specialty to casualty
- Cycle management mitigates price pressure

- Continued (slight) growth of US specialty primary business
- Deliberate reductions at more cycle-exposed units, e.g. CIP, Watkins

### Superior diversification provides flexibility in managing the portfolio

<sup>1</sup> Gross premiums written property-casualty reinsurance as at 31.12.2015 (31.12.2014).  
<sup>2</sup> Aviation, marine and credit. <sup>3</sup> Part of Special and Financial Risks providing solutions for large corporate clients.



Reinsurance Property-casualty – Product innovation – Cyber (re-)insurance

## Cyber (re)insurance – Securing profitable growth through diversification, innovation and accumulation control



### Reinsurance (RI)

First-mover and global market leader

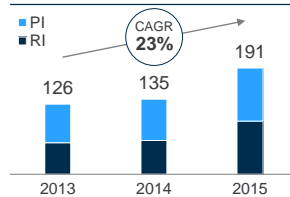
- Dynamic growth through joint projects with cedants (including white label products) in developing markets
- Steady increase of profitable cyber portfolios in the US
- Continuous update of our accumulation models (e.g. virus, cloud, critical infrastructure)

### Primary insurance (PI)

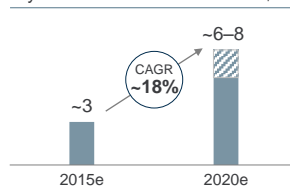
Specialised single-risk taker for a broad range of cyber risks

- **Hartford Steam Boiler**  
Established US market for cyber liability/privacy covers for SMEs and individuals. Introducing HSB Total Cyber for mid-size companies
- **Corporate Insurance Partner**  
Traditional and non-traditional cyber solutions for large corporate clients. Cooperation with IT providers for holistic cyber protection

Munich Re cyber portfolio<sup>1</sup> US\$m



Cyber insurance market<sup>2</sup> US\$bn



### Munich Re well positioned

- Bundling of cyber expertise in dedicated cyber unit
- Market differentiation through talent acquisition
- Systematic build-up of cyber exposure, loss and threat database

**Munich Re with leading-edge expertise and strong global market presence to profitably exploit innovative cyber-insurance segments**

<sup>1</sup> Premium development.

<sup>2</sup> Estimates based on different external sources (Marsh & McLennan, Barbian Insurance, Allianz).

Reinsurance Property-casualty – Innovation

## Innovation: Infrastructure for innovation activities is fully in place and anchored in organisation





	Achievements	Outlook
Scouting and partnering	<ul style="list-style-type: none"> <li>▪ First reinsurer to establish permanent presence in Silicon Valley</li> <li>▪ Innovation scouts networking in relevant, global innovation centers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Understand the relevant start-up eco system</li> <li>▪ Establish corporate partnerships</li> <li>▪ Strategically evolve Munich Re business model</li> </ul>
Innovation labs <sup>1</sup>	<ul style="list-style-type: none"> <li>▪ Successful lab pilot with TechFounders<sup>2</sup></li> <li>▪ Munich Re-owned labs in Munich, Beijing and New York</li> </ul>	<ul style="list-style-type: none"> <li>▪ Environment to develop and test ideas together with clients</li> <li>▪ Drastically reduce time-to-market through learning effects</li> </ul>
Data analytics	<ul style="list-style-type: none"> <li>▪ Building central and decentral analytical capabilities</li> <li>▪ Investments in IT big data infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>▪ Speed up and improve loss experience</li> <li>▪ Create new data insights</li> <li>▪ Create added value for cedants and Munich Re (new products, new covers, new insights)</li> <li>▪ Prepare for data-driven business models</li> </ul>

**Munich Re is shaping the dynamic change of the industry – Broad and decentral up-skilling of the organisation**

<sup>1</sup> Only reinsurance, some activities are joint with ERGO.

<sup>2</sup> Munich-based accelerator for tech start-ups.

<b>Agenda</b>	
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<b>Outlook</b>	Nikolaus von Bomhard
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<b>Outlook 2016</b>			
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<b>Munich Re (Group)</b>			
<b>GROSS PREMIUMS WRITTEN<sup>1</sup></b>	<b>RETURN ON INVESTMENT</b>	<b>NET RESULT</b>	
€47–49bn	~3%	€2.3–2.8bn	
Focus on bottom-line growth prevails	Solid return given ongoing low interest-rate environment	RoRaC target of 15% after tax over the cycle to stand	
<hr/>			
<b>Reinsurance</b>	<b>ERGO</b>	<b>Munich Health</b>	
<b>COMBINED RATIO</b>	<b>COMBINED RATIO</b>	<b>COMBINED RATIO</b>	
~98%	Germany: ~95% International: ~99%	~99%	
<b>NET RESULT</b>	<b>NET RESULT</b>	<b>NET RESULT</b>	
€1.9–2.4bn	€250–350m	€50–100m	
<hr/>			
<small><sup>1</sup> By segment: Reinsurance €26–28bn, ERGO €15.5–16bn, Munich Health slightly below €5bn.</small>			<small>Balance sheet press conference 2016 31</small>



## 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 to make them conform to future events or developments.