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Half-year financial report as at 30 June 2016

9 August 2016

1	Introduction	Nikolaus von Bomhard	2
2	Munich Re (Group)	Jörg Schneider	6
3	ERGO	Markus Rieß	11
4	Reinsurance	Torsten Jeworrek	15
5	Outlook	Nikolaus von Bomhard	20

Munich Re well-positioned to prevail through challenging times

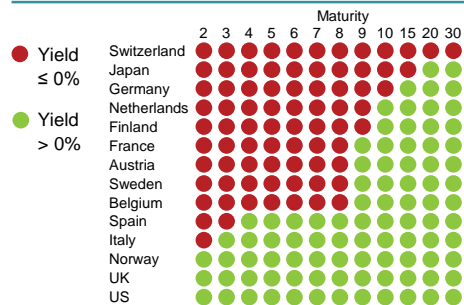
After Brexit vote – Quick recovery following nervous capital markets ...



... while enormous uncertainty still remains

- Political risks
- Macroeconomic risks

Many countries now have negative government bond yields¹



- Ongoing decline of reinvestment yield
- Pressure on running yield mitigated by long duration
- Positive contribution from interest-rate hedging
- Valuation reserves increasing to €34.5bn

Increasing capital-market volatility

Strong FX moves



Equity markets



Financial sector



Precious metals



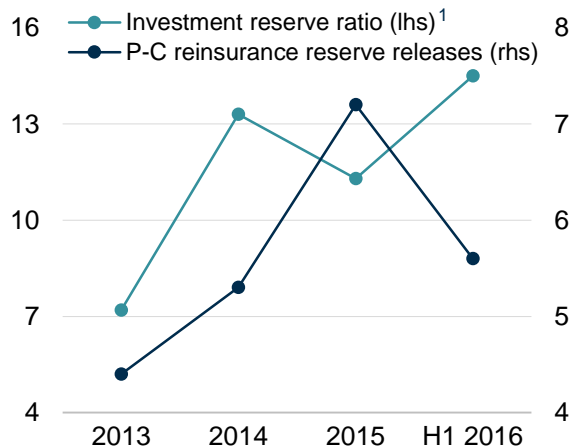
- Well-balanced investment portfolio provides resilience
- Limited exposure to credit risks, esp. banks
- Commodity investments serving as hedge
- International diversification benefiting the FX result

Resilience in an unpredictable and unstable environment – No hunt for yields to compensate for low interest rates

Short-term earnings pressure mitigated by strong balance sheet – Attractive mid to long-term growth perspectives

Strong balance sheet

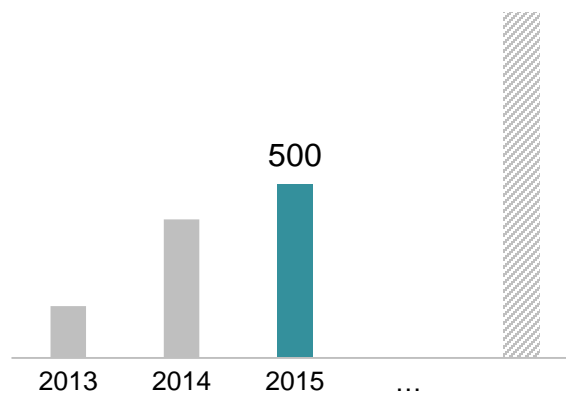
%



Conservative accounting eventually translates into earnings

Promoting innovative products²

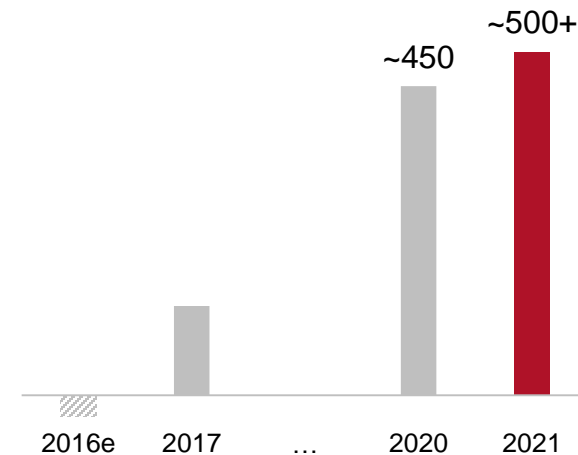
€m



Munich Re actively shaping the transformation of the (re-) insurance industry

ERGO: Increasing earnings

€m



ERGO becoming a significant earnings contributor for Munich Re (Group)

Annual net profit guidance of €2.3bn to stand so long as pressure from low interest rates and ongoing (albeit slowing) attrition of reinsurance margins remains – Munich Re paving the way for a more balanced earnings structure

High Q2 result – Prudent positioning and strong balance sheet offset earnings pressure

Munich Re (Group)

Net result

€974m (H1: €1,411m)

High investment and currency result compensates for lower technical result and ERGO restructuring expenses

Return on investment¹

4.7% (H1: 3.7%)

Portfolio de-risking prior to Brexit vote proves beneficial

Shareholders' equity

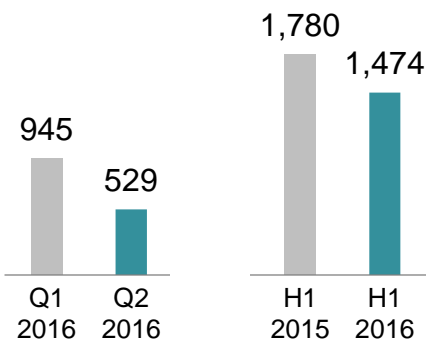
€32.0bn (+0.7% vs. 31.3.)

Increase despite capital repatriation of €1.5bn in Q2 – ESR² reduction mainly driven by declining interest rates

Q2 2016 (H1 2016)

Technical result

€m



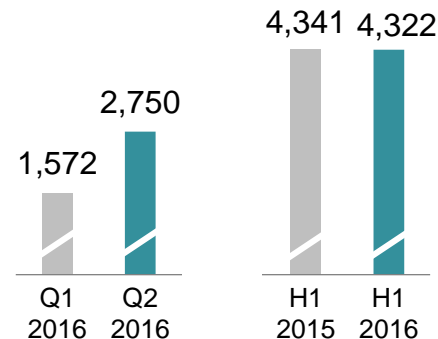
Reinsurance

Life: Technical result €103m (H1: €172m) – In line with expectations

P-C: Combined ratio 99.8% (H1: 94.3%) – Major-loss ratio of 12.3% (H1: 7.5%)

Investment result

€m



ERGO

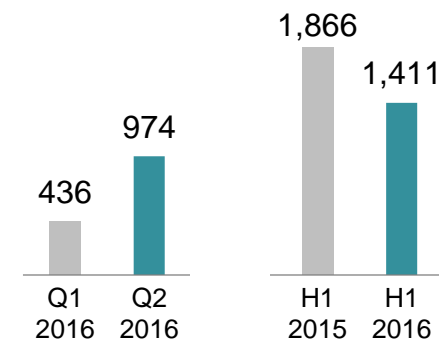
L/H Germany: High investment result

P-C: Combined ratio 93.3% (H1: 95.9%)

International: Combined ratio 103.6% (H1: 98.5%)

Net result

€m



Munich Health

Reinsurance: Combined ratio 103.0% (H1: 102.1%)

Primary insurance: Combined ratio 94.6% (H1: 95.6%)

Munich Re (Group)

2

IFRS capital position

Equity

			€m
Equity 31.12.2015	30,966		
Consolidated result	1,411		974
Changes			
Dividend	-1,329		-1,329
Unrealised gains/losses	2,011		616
Exchange rates	-388		272
Share buy-backs	-393		-158
Other	-267		-156
Equity 30.6.2016	32,012		218

Unrealised gains/losses

Fixed-interest securities

H1: +€2,269m Q2: +€796m

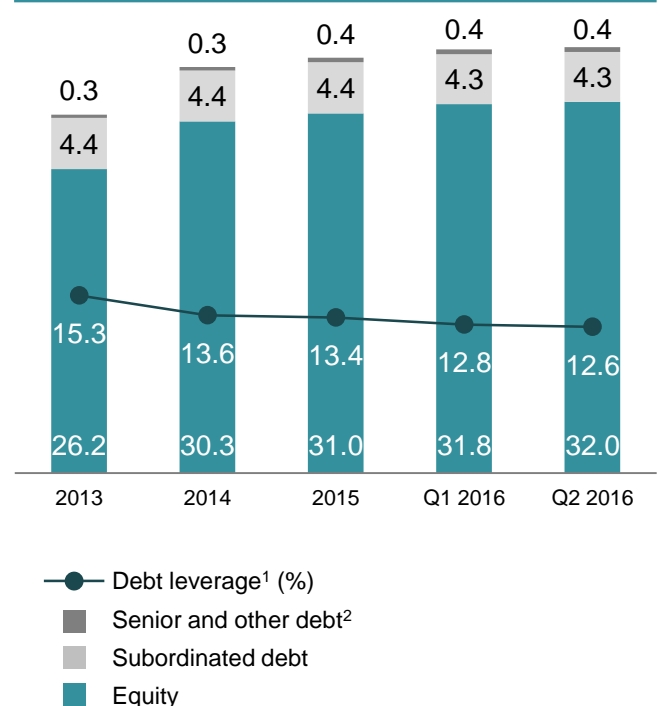
Non-fixed-interest securities

H1: -€253m Q2: -€180m

Exchange rates

FX effect mainly driven by US\$

Capitalisation



Investment portfolio

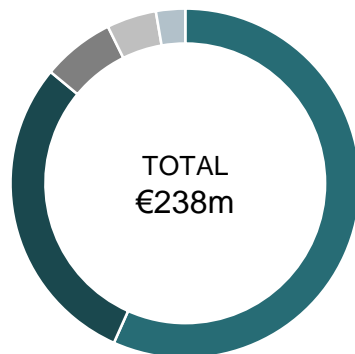
Investment portfolio¹

Land and buildings
2.7 (2.9)

Shares, equity funds and
participating interests²
4.6 (5.2)

Miscellaneous³
6.7 (7.5)

Loans
29.3 (28.7)



Fixed-interest securities
56.7 (55.7)

%

Portfolio management in Q2

- Government bonds: Shift from Germany, UK and Portugal to France, USA and Canada
- Covered bonds: Overall reduction, esp. in Germany and Ireland
- Decrease of inflation exposure
- Shift from ABS/MBS to cash
- Reduction of net equity exposure to 3.6%
- Further decline of interest rates leads to increase of duration and market values

Investment result

Investment result

€m

	Q1 2016	Return ¹	Q2 2016	Return ¹	H1 2016	Return ¹	H1 2015	Return ¹
Regular income	1,628	2.8%	1,823	3.1%	3,451	3.0%	3,863	3.2%
Write-ups/write-downs	-219	-0.4%	-22	-0.0%	-242	-0.2%	-239	-0.2%
Disposal gains/losses	218	0.4%	910	1.5%	1,128	1.0%	1,806	1.5%
Derivatives ²	74	0.1%	176	0.3%	251	0.2%	-841	-0.7%
Other income/expenses	-128	-0.2%	-137	-0.2%	-266	-0.2%	-250	-0.2%
Investment result	1,572	2.7%	2,750	4.7%	4,322	3.7%	4,341	3.6%
Total return		13.2%		8.9%		11.0%		-0.4%

3-month reinvestment yield		Q2 2016	Write-ups/ write-downs	Disposal gains/losses	Derivatives	H1 2016	Write-ups/ write-downs	Disposal gains/losses	Derivatives
Q2 2016	1.6%	Fixed income ³	47	894	177	Fixed income ³	-40	1,114	406
		Equities	-105	147	19	Equities	-255	144	-117
Q1 2016	1.9%	Commodities	26		40	Commodities	78		10
		Inflation			-52	Inflation			-32
Q4 2015	1.8%	Other	10	-131	-7	Other	-25	-130	-16

1 Annualised return on quarterly weighted investments (market values) in %. Impact from dividends on regular income 0.4%-pts in Q2 and 0.2%-pts in Q1.

2 Result from derivatives without regular income and other income/expenses. 3 Thereof interest-rate hedging ERGO: Q2 €179m/€19m (gross/net); H1 €446m/€53m (gross/net).

Munich Health

H1 2016 vs. H1 2015

Gross premiums written

	€m
H1 2015	2,867
Foreign exchange	-94
Divestments/investments	0
Organic change	-315
H1 2016	2,459

- Negative FX effects mainly driven by Can\$
- Organic decrease mainly driven by reduced share and restructuring of one large treaty, ...
- ... partly offset by growth in Middle East and China

Net result

	€m
H1 2015	39
Technical result	-18
Non-technical result ¹	1
Other	10
H1 2016	32
Q1 2016	16
Technical result	-12
Non-technical result ¹	0
Other	12
Q2 2016	16

Technical result

Overall combined ratio increased to 100.8%

- Reinsurance: 102.1% (+1.4%)
Burden from US business
- Primary insurance: 95.6% (-1.6%)
Bottom-line increase driven by Spain

Investment result (-€9m)

- Stable regular income
- Lower disposal gains due to one-off effect in prior year

Other

- Tax income and positive FX effect

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

ERGO

3






H1 2016 vs. H1 2015

Gross premiums written €m

H1 2015		8,520
Foreign exchange		-74
Divestments/investments		0
Organic change		-159
H1 2016		8,287

- Life and health Germany (-€207m)
Property-casualty Germany (+€34m)
International (-€60m)
- Life Germany: Lower regular premiums due to ordinary attrition
- Property-casualty Germany: Increase driven by expansion of Title insurance business in UK – as well as motor
- International: Increase in Property-casualty, decrease Life (esp. Poland)

Net result €m

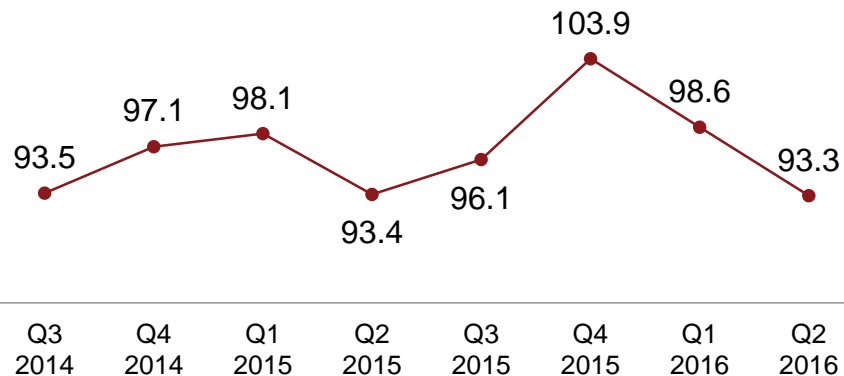
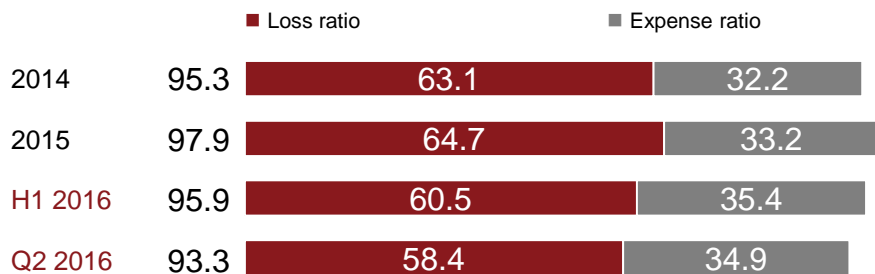
H1 2015		317
Technical result		-75
Non-technical result ¹		136
Other		-437
H1 2016		-59

Q1 2016		-25
Technical result		29
Non-technical result ¹		224
Other		-262
Q2 2016		-34

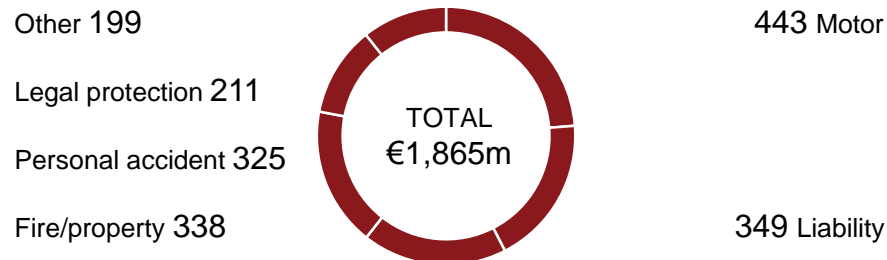
- Decrease of technical result
 - International (-€54m), mainly from disposal of Italian entity
 - Property-casualty Germany (-€11m), esp. due to higher costs; large losses slightly above previous year's level
 - Life and health Germany (-€9m)
- Increase in investment result
 - Significantly higher result from derivatives
 - Release of unrealised gains for ZZR
- Other
 - Restructuring expenses
 - Negative one-off effect from accounting difference between IFRS and local GAAP regarding pension liabilities
 - Higher tax expenses

ERGO Property-casualty Germany

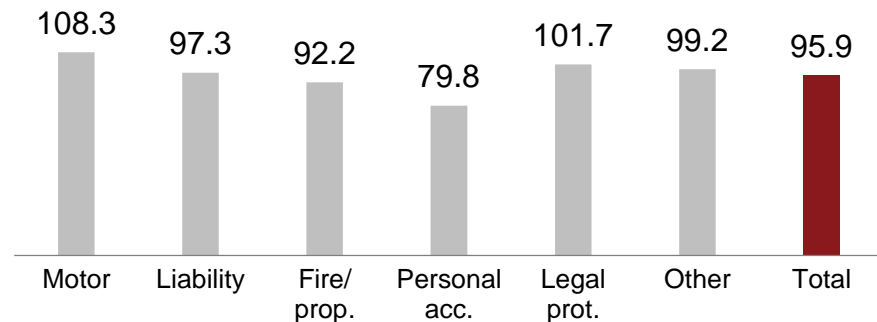
Combined ratio %



Gross premiums written €m

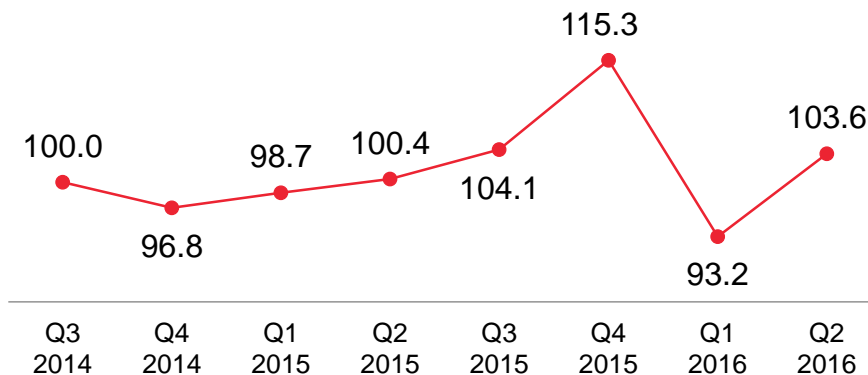
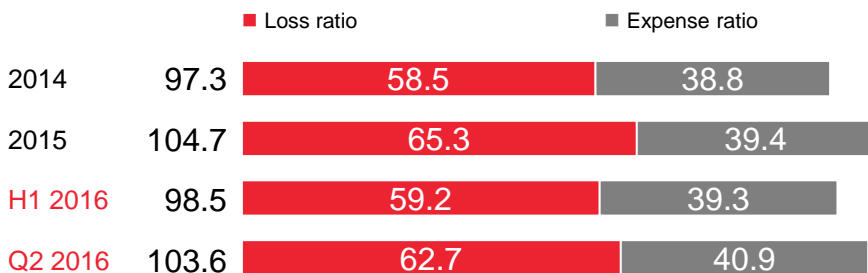


Combined ratio H1 2016 %

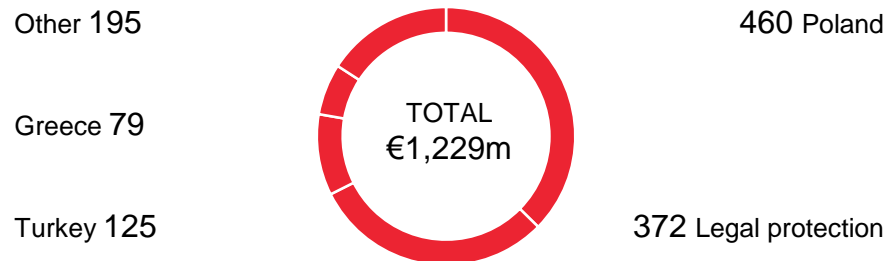


ERGO International – Property-casualty

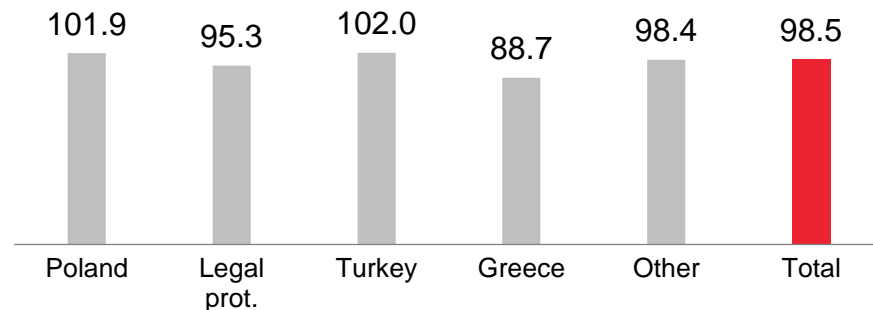
Combined ratio %



Gross premiums written – Property-casualty €m



Combined ratio H1 2016 %



Reinsurance

4

Reinsurance Life – Highlights

H1 2016 vs. H1 2015

Gross premiums written

	€m
H1 2015	5,116
Foreign exchange	-228
Divestments/investments	0
Organic change	-312
H1 2016	4,576

- Negative FX effects driven by Can\$
- Negative organic change due to cancellation/modification of large capital-relief deals, ...
- ... partly offset by growth in Asia, Canada, UK and USA

Net result

	€m
H1 2015	123
Technical result	39
Non-technical result ¹	-92
Other	164
H1 2016	234
Q1 2016	20
Technical result	33
Non-technical result ¹	191
Other	-30
Q2 2016	214

Technical result

- Q2 result of €103m in line with expectations (Q1 affected by two large single claims)
- On track to achieve annual target of ~€400m

Investment result (-€219m)

- Lower interest income from deposits retained on assumed reinsurance due to cancellation/modification of large capital-relief deals
- High contribution from disposal gains in Q2

Other

- FX result +€74m vs. -€75m, high contribution from GBP and USD in Q2
- Tax rate of 14.9% in H1 2016

Reinsurance Property-casualty

H1 2016 vs. H1 2015

Gross premiums written	€m
H1 2015	9,002
Foreign exchange	-231
Divestments/investments	0
Organic change	346
H1 2016	9,117

- Negative FX effects mainly driven by GBP
- Organic growth in motor, liability and fire

Net result	€m
H1 2015	1,387
Technical result	-253
Non-technical result ¹	-363
Other	433
H1 2016	1,203
Q1 2016	425
Technical result	-466
Non-technical result ¹	737
Other	82
Q2 2016	778

Technical result

- Major losses in Q2 slightly above expectation of 12.0%, while H1 ratio is clearly below – nat cat ratio benefits from run-off profits
- Higher basic losses in Q2 largely driven by various larger claims just below the outlier threshold and business mix effects

Investment result (–€475m)

- Lower regular income, seasonal dividend payments in Q2
- High investment return of 4.7% in Q2 supported by realised gains and improved derivative result

Other

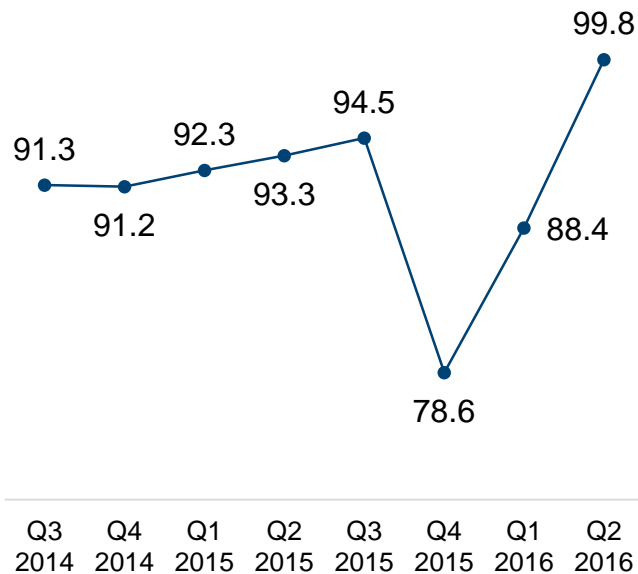
- FX result +€268m vs. –€198m, high contribution from GBP and USD in Q2
- Tax rate: 20.1% in H1 2016

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

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
H1 2016	94.3	55.1	7.5	31.6
Q2 2016	99.8	56.2	12.3	31.3

	Major losses	Nat cat	Man-made	Reserve releases ¹	Normalised combined ratio ²
H1 2016	7.5	3.8	3.7	5.6	100.3
Q2 2016	12.3	7.6	4.7	5.1	100.6
Ø Annual expectation	~12.0	~8.0	~4.0		

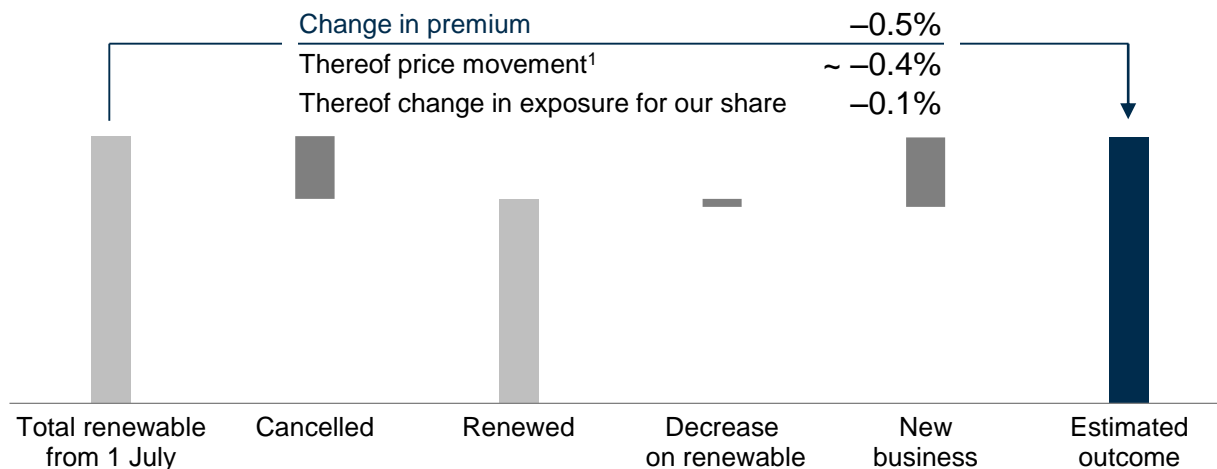
¹ Basic losses; in Q2 mainly fire, engineering, marine and motor, contrary reserve increase in credit; no corresponding sliding-scale effects.

² Based on 4%-pts. reserve releases.

July renewals – Further slowdown of price softening

July renewals 2016

%	100	-23.5	76.5	-3.0	26.0	99.5
€m	2,103	-494	1,609	-62	546	2,093



- While current market trends continue, the price reduction is slowing further
- Top line remains stable with a clear shift from property to casualty business
- Price change of -0.4% is less pronounced compared with previous renewals, with continued pressure on XL business, but resilient proportional business

Overall portfolio profitability could be maintained and 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

5

Munich Re (Group)

Net result

€2.3bn

Return on investment

~3%

Solid return given ongoing
low-interest-rate environment

Gross premiums written

€47–49bn

Focus on bottom-line growth prevails

Combined ratio

~95%

Reinsurance

~99%

Munich Health

~98% (prev. 95%)

ERGO Germany

~99%

ERGO International

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.