Priced for uncertainty – looking for answers
Bank of America Merrill Lynch – 21st Annual Financials CEO Conference

London, 29 September 2016

Nikolaus von Bomhard
Global environment becoming increasingly challenging while changing risks provide opportunities

Proactive risk management builds up resilience in an unpredictable and unstable environment – Exploring attractive mid to long-term growth opportunities to overcome soft reinsurance markets

Cumulative uncertainties
- Macroeconomic/political risks
  - Low interest rates
  - High capital-market volatility
  - Sovereign debt crisis
  - Exit of EU countries
  - Refugees
  - Military conflicts

Changing/evolving risks
- Digitalisation/Cyber
- Reputation
- Epidemics
- Climate change

GOAL
- Dampening volatility
- Providing solutions

2015 2020

21st Annual Financials CEO Conference
Macroeconomic/political risks – Proactively limiting the economic impact

Structural risks – Coping with negative government bond yields

<table>
<thead>
<tr>
<th>Yield ≤ 0%</th>
<th>Yield &gt; 0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>Japan</td>
</tr>
<tr>
<td>Germany</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Finland</td>
<td>Austria</td>
</tr>
<tr>
<td>Sweden</td>
<td>Belgium</td>
</tr>
<tr>
<td>Spain</td>
<td>Italy</td>
</tr>
<tr>
<td>Norway</td>
<td>UK</td>
</tr>
<tr>
<td>US</td>
<td></td>
</tr>
</tbody>
</table>

Impact
Ongoing decline of reinvestment yield putting pressure on running yield

Munich Re strategy
Adhere to strict ALM

Event-driven risks – Increasing capital-market volatility, e.g. after Brexit vote

Impact
Strong FX moves
Equity markets
Financial sector
Precious metals

Impact
Volatile investment and FX result

Munich Re strategy
Diversification

Munich Re investment portfolio
Well diversified – Group-wide trigger and limit system

Hedging of macroeconomic risks – affecting both, assets and liabilities

Reasonable credit exposure – with high quality of counterparties

Munich Re well-positioned to prevail through challenging times

1 Source: Bloomberg, UBS. July 2016.
Well-balanced investment portfolio provides resilience against volatile capital markets

Market-risk contribution (SCR as at 31.12.2015, undiversified) %

<table>
<thead>
<tr>
<th>Category</th>
<th>Equity¹</th>
<th>Currency</th>
<th>Credit spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate</td>
<td>4</td>
<td>32</td>
<td>26</td>
</tr>
<tr>
<td>General interest rate</td>
<td>22</td>
<td>47</td>
<td>21</td>
</tr>
</tbody>
</table>

Equity – Low gearing²

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>H1 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Credit – High quality³

<table>
<thead>
<tr>
<th>Rating</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>A 10</th>
</tr>
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<tbody>
<tr>
<td>Value</td>
<td>AAA</td>
<td>42</td>
<td>27</td>
<td>10</td>
<td>8</td>
</tr>
</tbody>
</table>

Total €214bn

General interest rate – Tight AL-matching (DV01) €m

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>200</td>
<td>150</td>
</tr>
</tbody>
</table>

Asset-liability mismatch Munich Re (Group)

Keeping moderate investment risk profile – No hunt for yields to compensate for low interest rates

1 Equity risk also includes alternative investments, such as investments in infrastructure. 2 Net of hedges. 3 Fixed-income portfolio as at 30.6.2016.
Strong balance sheet mitigates the impact of low interest rates and competitive P-C reinsurance markets

Low interest rates

Attrition of running yield – Munich Re (Group)

\[
\begin{array}{cccccc}
\text{Year} & 2012 & 2013 & 2014 & 2015 & H1 2016 \\
\text{Attrition} & 3.6 & 3.5 & 3.2 & 3.1 & 3.0 \\
\end{array}
\]

Result impact\(^1\) approx. \(-€0.7bn\)

Compensating for attrition without aggressive harvesting

Ongoing disposal gains – Munich Re (Group)

\[
\begin{array}{cccccc}
\text{Year} & 2012 & 2013 & 2014 & 2015 & H1 2016 \\
\text{Gain} & 0.5 & 0.8 & 1.2 & 1.1 & 1.0 \\
\end{array}
\]

P-C reinsurance

Increasing normalised combined ratio

\[
\begin{array}{cccccc}
\text{Year} & 2012 & 2013 & 2014 & 2015 & H1 2016 \\
\text{Combined ratio} & 94.0 & 94.1 & 98.8 & 98.7 & 100.3 \\
\end{array}
\]

Result impact\(^1\) approx. \(-€0.7bn\)

Mitigating margin decline without weakening reserve strength

Ongoing reserve releases

\[
\begin{array}{cccccc}
\text{Year} & 2012 & 2013 & 2014 & 2015 & H1 2016 \\
\text{Release} & 5.8 & 4.4 & 5.3 & 7.2 & 5.6 \\
\end{array}
\]

Strong balance sheet continues to translate into sustainable earnings

\(^1\) Impact on IFRS net result from 2012 until H1 2016.
Munich Re is well positioned to manage the current market environment and drive industry innovation

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

Traditional p-c reinsurance
Munich Re in excellent position to successfully manage the soft cycle

Risk Solutions
Continuous growth in expertise-driven specialty and niche business

Innovation
Active development of business opportunities, tapping new profit pools

1 e.g. Cyber insurance, performance guarantees for renewable energies.  2 e.g. Liability risks of oil platforms.  3 e.g. Satellite life-time insurance.
4 Gross premium written as at 31.12.2015.  5 Munich Re (Group); indirect effects on traditional business not included.
Traditional p-c reinsurance – Portfolio profitability protected by disciplined underwriting and consistent cycle management

Profitable core business

- Preferential client access
  - ~50% private placements
  - ~2/3 direct client business

- Leading risk know-how
  - ~30% tailor-made solutions
  - Comprehensive service offering

- Superior diversification
  - As regards perils, forms of cover, regions, short/long-tail

- Stringent cycle management
  - Strong u/w discipline and conservatism in reserving
  - Deliberate portfolio shifts to less commoditised business

Renewals – Nominal price changes

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>-0.1</td>
<td>1.0</td>
<td>2.4</td>
<td>0.2</td>
<td>-2.4</td>
<td>-1.6</td>
<td>-0.9</td>
</tr>
</tbody>
</table>

Traditional portfolio relatively resilient to pressure on rates – Diversification provides flexibility in managing the portfolio

1 Related to premium volume in 2016
2 Gross premium written as at 31.12.2015
### Risk Solutions – Highly valuable business segment with strong top and bottom-line contribution

**Gross earned premiums**

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>2.9</td>
<td>3.4</td>
<td>3.4</td>
<td>3.8</td>
<td>4.0</td>
<td>4.2</td>
<td>2.8</td>
</tr>
</tbody>
</table>

**Combined ratio**

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>89.6</td>
<td>90.8</td>
<td>94.1</td>
<td>87.9</td>
<td>83.8</td>
<td>88.6</td>
<td>90.3</td>
</tr>
</tbody>
</table>

**Underwriting result**

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>0.3</td>
<td>0.3</td>
<td>0.2</td>
<td>0.5</td>
<td>0.7</td>
<td>0.5</td>
<td>0.5</td>
</tr>
</tbody>
</table>

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Business largely detached from reinsurance cycle

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1 Management view, not comparable with IFRS reporting.
Innovation – Major innovation trends impact the industry, creating opportunities and challenges for (re)insurers

Munich Re fosters innovation throughout the global organisation –
Tapping new profit pools by expanding market boundaries with innovative products and services

**Major innovation trends – Impact on industry**

- **Digitalisation and new technologies**
  - New exposures and risks (e.g. cyber)
  - Bundled products
  - Corporate partnering
  - Cost reduction
  - Reduced risks/loss frequency
  - Risk of disruption/disintermediation

- **Improved data availability and sophisticated analysis methods**
  - Improved risk selection/pricing
  - Competitive advantage for data owners

- **Changing customer expectations and behaviour**
  - Efficient customer acquisition and improved retention
  - New capabilities required to compete with current set-up

- **New exposures and risks (e.g. cyber)**
  - Bundled products
  - Corporate partnering
  - Cost reduction

- **Reduced risks/loss frequency**
  - Risk of disruption/disintermediation

**Munich Re – Active development of business opportunities**

- Innovation-related business already sizeable
- Risk carrier for established and new (digital) companies
- Provider of integrated risk services
- Automation support for cedants
- Tailored solutions and white-label products

**TOTAL**: ~€500m

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1 Consumer and commercials. 2 Gross premium written as at 31.12.2015. Munich Re (Group): indirect effects on traditional business not included.
Innovation – Cyber (re)insurance market
Strong and long-term growth to be expected

GWP global cyber insurance market\(^1\)  

<table>
<thead>
<tr>
<th>Year</th>
<th>RoW</th>
<th>USA</th>
<th>Total (US$ bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>0.5</td>
<td>1.0</td>
<td>0.5</td>
</tr>
<tr>
<td>2015</td>
<td>0.8</td>
<td>1.2</td>
<td>0.8</td>
</tr>
<tr>
<td>2016</td>
<td>1.0</td>
<td>1.4</td>
<td>1.0</td>
</tr>
<tr>
<td>2017</td>
<td>1.2</td>
<td>1.6</td>
<td>1.2</td>
</tr>
<tr>
<td>2018</td>
<td>1.4</td>
<td>1.8</td>
<td>1.4</td>
</tr>
<tr>
<td>2019</td>
<td>1.6</td>
<td>2.0</td>
<td>1.6</td>
</tr>
<tr>
<td>2020</td>
<td>1.8</td>
<td>2.2</td>
<td>1.8</td>
</tr>
</tbody>
</table>

GWP Munich Re cyber portfolio  

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary Insurance (US$ m)</th>
<th>Reinsurance (US$ m)</th>
<th>Total (US$ m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>126</td>
<td>0</td>
<td>126</td>
</tr>
<tr>
<td>2014</td>
<td>135</td>
<td>0</td>
<td>135</td>
</tr>
<tr>
<td>2015</td>
<td>191</td>
<td>0</td>
<td>191</td>
</tr>
</tbody>
</table>

Driving forces/trends
- Digitalisation
- Global connectivity and interconnectedness
- Growth of virtual business models in many industries
- Increasing legislation and internal governance requirements
- New products and extension of coverage types

Munich Re strategy
- High level of investments to build up infrastructure
- Collaboration with external partners in specific areas
- Cautious deployment of single-risk and accumulation capacity

With our leading-edge expertise and strong global market presence, we will cautiously participate in the growth of this market segment.

\(^1\) Estimates based on different external sources (Marsh & McLennan, Barbican Insurance, Allianz).
ERGO – Strategy Programme strengthens sustainable competitiveness

- ERGO Strategy Programme – Ambition
  - Strengthen role of leading primary insurer with strong domestic market
  - Convince all stakeholders

Fit …
Establish leaner and more effective structures

Digital …
Lay the foundations for transforming the business model

Successful!
Offer convincing solutions in all customer segments

ERGO: Increasing IFRS net profit

Investments impacting net profit by ~€1bn until 2020
Annual cost savings from 2020 ~€540m/~€280m (gross/net)

ERGO’s profitability will cover its cost of capital from 2020 and create incremental added value thereafter
Strong capital position according to all metrics facilitates financial flexibility, including high shareholder distribution.

Munich Re continues to provide high cash returns to shareholders.

Attractive shareholder participation

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share buy-back</td>
<td>2.3</td>
<td>1.5</td>
<td>1.1</td>
<td>1.6</td>
<td>2.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Dividend</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash yield</td>
<td>11.2%</td>
<td>7.8%</td>
<td>5.4%</td>
<td>6.0%</td>
<td>9.6%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>
Convincing track record in value generation

Return on equity

<table>
<thead>
<tr>
<th>Year</th>
<th>Value generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>16</td>
</tr>
<tr>
<td>2007</td>
<td>14</td>
</tr>
<tr>
<td>2009</td>
<td>12</td>
</tr>
<tr>
<td>2011</td>
<td>10</td>
</tr>
<tr>
<td>2013</td>
<td>12</td>
</tr>
<tr>
<td>2015</td>
<td>14</td>
</tr>
</tbody>
</table>

11-year average ROE: ~11.0% – Clearly exceeds average cost of capital: ~8%

Risk/return profile

- Total shareholder return (p.a.): Munich RE, Peer 3
- Peer 2
- Peer 4
- Peer 6
- Peer 5
- Index

Annualised TSR: ~10.0% – Outperforming major peers and insurance index

Balanced business portfolio paves the way for sustainable profitability

1 Annualised total shareholder return defined as price performance plus dividend yield over the period from 1.1.2005 until 31.8.2016; based on Datastream total return indices in local currency; volatility calculation with 250 trading days per year. Peers: Allianz, Axa, Generali, Hannover Re, Swiss Re, ZIG, Stoxx 600 Insurance (“index”).

Munich RE
# Financial calendar

## 2016

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 November</td>
<td>Quarterly statement as at 30 September 2016&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

## 2017

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 February</td>
<td>Preliminary key figures 2016 and renewals</td>
</tr>
<tr>
<td>15 March</td>
<td>Balance sheet press conference for 2016 financial statements</td>
</tr>
<tr>
<td></td>
<td>Analysts' conference in Munich with videocast</td>
</tr>
<tr>
<td>26 April</td>
<td>Annual General Meeting 2017, ICM – International Congress Centre Munich</td>
</tr>
<tr>
<td>9 May</td>
<td>Quarterly statement as at 31 March 2017&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>9 August</td>
<td>Half-year financial report as at 30 June 2017</td>
</tr>
<tr>
<td>9 November</td>
<td>Quarterly statement as at 30 September 2017&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>1</sup> Munich Re is adjusting its financial reporting format following an amendment to the regulations of the Frankfurt stock exchange. The half-year financial reports and annual reports will remain unchanged. However, instead of issuing quarterly reports for the first and third quarters, we will release reports in the new form of quarterly statements from 2016 onwards. We will continue to present and explain the figures for each quarter in telephone conferences for analysts and journalists, and in press releases.
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